

Tax White Paper Task Force

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The Treasury

Vaucluse NSW 2030

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I am a Chartered Accountant with experience in Investment Management from 1968 to 2011 which included establishing Perpetual Trustees Investment Management business as General Manager-Investment and Investment Manager at the Rothschild merchant bank International Pacific Corporation where I introduced Robert Maple-Brown to his outstanding career in this field and being a director of the major LIC Milton Corporation for 10 years to 2011

Revisit the Henry Tax Review 2010

Many of its recommendations were not adopted

For example, Recommendation 21-“The government should support the development of a longevity insurance market within the private sector “

They would be a sound investment for superannuation funds and increase funding for Infrastructure projects

Recommendation 79-“all specific taxes on insurance products, including the fire service levy, should be abolished –and subject to only one broad-based tax on consumption”

Executive Summary

The tax treatment of savings is very complex and distorts savings choices. Some savings are taxed at full marginal rates (for example bank accounts)while others are not (for example superannuation)

There is no doubt that superannuation has become a tax haven for those able to contribute sums well in excess of their needs for retirement

There should be some tax payable for investors in super with assets over, say, \$5 million

Table 3.1 Schedule of marginal rates and thresholds

\$18,201-\$37,000 19c for the excess

\$37,001-\$80,000 32.5c for the excess

\$80,001-\$180,000 37c for the excess

\$180,000 and over 45c for the excess

The step from 19c to 32.5c is too steep

It is not unusual for a tradesman working at weekends to say all his extra pay goes in tax

P 61 Shares, private companies and trusts

"The tax system may encourage Australian households to invest more of their savings in companies

There are three key reasons. First CGT is generally paid on 50% of the gain "

From my experience this is not a valid observation

People invest in companies for capital and income growth. The rate of GST is not a consideration

Negative Gearing

Negative gearing is heavily driven by tax minimisation

It would bring greater balance and fairness to the tax system if there was also a deduction for mortgage interest on the taxpayer's principal place of residence

P82 Dividend Imputation

Dividend imputation has become the backbone of purchases for the longer term of securities in the Australian market

When it was introduced in 1987 I wrote a note of explanation to clients of Perpetual Trustees

The system encourages companies to pay a solid level of company tax so that their dividends can be fully franked

Companies whose principal activities are overseas pay unfranked or marginally franked dividends. There is no need to change this as they also benefit from favourable movements in the currency, quite a factor in recommendations of them when the AUD is weak

It would be an absolute disaster for the Australian equity market if the manner of calculation of imputation credits was narrowed

Some adjustment to the benefits which flow from it, such as for superannuation funds, may be appropriate

P131 Goods & Services Tax

The Australian rate of 10% is one of the lowest in the developed world and requires some political courage, which is very much lacking, to move it to 12.5% or 15% and/ or remove some of the exemptions

The value of tax avoided may not be significant when trades people give two quotes, one for cash, a higher one for evidence of payment

The deterrent for this avoidance should be stronger

Yours sincerely


J.N. Altken