

I am a registered tax agent. I believe that the tax rates may be used to promote on-time lodgement of personal income tax returns.

There exists a small proportion of the taxpayer population that is unwilling to lodge their tax returns regularly each year. This is irrespective of whether they are liable to pay tax or due to receive a tax refund. Even a small percentage makes a large number of returns outstanding at any one time. My experience has been that they miss one year, then do not lodge later years until faced with some external event that requires lodgement. Some make sure that they lodge every year after that, but many become serial late lodgers who lodge 2 or more years at once on a number of occasions.

Late lodgers disrupt the workload of tax agents. They also disrupt ATO lodgement programs and the ATO workload.

Two things have galvanised late lodgers into action.

The first was a few years ago when Family Tax Payment A could no longer be claimed on tax returns lodged more than 2 years after the end of the tax year.

The second is in progress now - the Tax Bonus scheme. The tax bonus will not be paid to an eligible taxpayer unless they lodge 2008 tax return, and all prior year returns, by 30 June 2008. As a result, we have many late lodgers who are suddenly very interested in lodging again.

My proposition is that regular lodgement of personal tax returns would be greatly assisted if taxpayers had a financial incentive to lodge, say, by 30 June of the next financial year.

This could be achieved without cost to revenue. If the taxpayer does not lodge by the next 30 June, they should lose the zero-rate on their first \$ 6000 of taxable income.

This would make a financial consequence for late lodgement of up to \$ 900. ($\$ 6000 \times 15\%$)

The easiest way to do this would be to take the \$ 6000 zero-rate out of the rates altogether, and then pay it back as a "Lodgement Bonus" if the tax return is lodged within 12 months.

The bonus could be \$ 900 for resident adults with a taxable income of \$ 14000 or more. Under \$ 14000 taxable income the low income offset keeps primary tax under \$ 900 anyway.

A taxpayer who lodges on time would pay \$ 17.31 per week extra PAYG W, but then get \$900 back as a reward. The concept is very similar to what happens with FTB part A now, in that there is a top up at the end of the year after tax returns are lodged.

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