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To simplify our tax system greatly I suggest the removal of claiming a tax return for work–related expenses. This would mean that the employer, not the employee, would provide any money that was required to be spent on a person's employment expenses. Companies would be more likely to be more careful of their spending on companies needs than employees who seem to claim for frivolous things or items not really needed. This would reduce most PAYG tax returns to a very easy return not needing accountants. It would stop the tax office processing unnecessary paperwork that would be eliminated for most people. An analysis by Treasury of how much money the Government would save should be conducted and also included would be the reduction in the complexity of the tax returns and the amount of audits that would need to be completed as the tax office could target companies rather than PAYG individuals. It would vastly simplify the audit process for the tax office.

I own a number of investment properties and benefit from negative gearing which allows me to get a tax refund every year of thousands of dollars. However, I find that a good outcome of the tax review would be to recommend that losses could only be claimed against income from the investment property in question, and not offset against income from other sources, such as wages from a job. I believe that this is what happens overseas in a number of countries, such as the U.K. This would mean that losses would accumulate. Only after the investment property starts making more money than it looses could those losses then be offset against paying tax on the income from the investment property until all the losses are used up. This would mean that investors would pay far more attention to the property as an investment rather than just as a means to reduce their taxable income and receive a large refund. This is what I believe the tax office changed a number of years ago in relation to farms owned by high income individuals.

I have attended a large amount of property investment seminars and it seems they all seem to say to buy new properties and get a large amount of depreciation and tax benefits. I can't recall any actually saying to try to make a profit. They all point out how the tax-man helps make up any loss. With the cost of most of the new units and apartments they advocate, their initial cost and low rent, it would be many years if ever before the rent would cover all costs. If investors were only allowed to claim losses against income from the individual property, more people would then treat it as a true investment, rather than just a tax break. This would reduce investor demand for housing, and reduce the cost to the taxpayer of subsidizing those losses. Negative gearing would not be removed as in the middle 80's, but more closely targeted at the underlying investment. With less demand, prices would not increase as much and prices would remain far more affordable for first home buyers. Governments could easily provide more public housing from the money saved from tax refunds.

All investment losses for investments in any enterprise, such as shares or managed investments in forestry, should only be able to be claimed against that investment when it makes a profit, and not against PAYG income or income from other sources. This would again make people far more cautious and invest more prudently. No loss from one investment should be able to reduce the taxable profit or income from another investment or job.

Any capital gains that an investment makes when it is sold should be taxed at normal tax rates only for that investment and not included in the total taxable income of the investor. The trade off would be that when the investment was finally sold and it made a loss then that loss would not be able to be offset against other income or profit. The halving of capital gains tax for investments held for more than one year should be replaced by this method. This would reduce the huge profits that high income earners can make using this tax break at the expense of the Australian public.

Profits from investments such as shares and property should only be taxed when that investment is sold and not on any notional capital gain in any tax year as the investment's value can rise and fall throughout the years that the investor owns it and would be far too complicated to administer.

Investments held in trusts should be taxed according to the percentage of the asset that each person in that trust holds. That percentage should be stated when the trust is set up and should not be allowed to change. Children in the trust can then be taxed, as they now are if they earn income over a certain amount. This would reduce high-income earners from diversifying their income and reducing the tax they should be paying.

These suggestions when implemented would go a long way to reducing the complexity of the current tax system, allowing the tax office to target more companies rather than lots of individuals in different occupations as they seem to do each year.

Changes to capital gains tax would make the tax system more equitable between high and low-income earners.

I am prepared to appear before the review to expand on any of these suggestions or answer any questions the review panel may have.

Yours sincerely,

Trevor BERGMAN