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To:

Federal Government Tax Review

Re:

Business Tax deduction loopholes and environmental sustainability

I was a wage and salary earner until my retirement a year or so ago and am continually amazed at the possibilities that exist for just about any item to be claimed as a business expense by a small business, while the wage and salary earner, although he/she can claim virtually nothing, is almost forced to use an accountant to wade through the tax forms each year. In my case the cost of the accountant continually outweighed the deductions I could claim.

The deductability of a vast array of "business related" costs - petrol costs and transportation costs encourages resource wastage on a grand scale. Many persons who run a small business can claim expenses for purchases on the premise that it is used for business. May of these items they would not otherwise contemplate purchasing.

It would be far simpler if items like new car/truck purchases, petrol purchases, entertainment expenses were not considered to be valid deductions for the business. This would not necessarily ruin the business - the cost could simply be passed on to the customer - but would make the business far more circumspect in areas where there is wholesale waste of energy resources both in the manufacture and the running of these cars and trucks. Clearly there is a difference between the purchase of a semi-trailer compared to the purchase of a Range-Rover for a Fred's Mowing Franchise, where Fred's mowing could well survive with the trailer being towed by an older car with savings to petrol and the environment. If Fred couldn't claim the Range Rover as a business deduction, he would probably not have purchased it and made do with less. This deduction also allows him to declare it depreciated to zero over a number of years when he can then buy a new one. The wage and salary earner effectively pays for these purchases by default.

This argument could equally be applied to big business as well, where clever deductions, that have become more and more tenuous over the years, allow tax to be avoided.

The more complex the taxation system, the more there are clever lawyers and

accountants looking for loopholes, rather than occupying themselves with areas that contribute better to the improvement of society.

In summary, could the Review consider slashing or removing many of the items claimed as business deduction, that only increase complexity of taxation for average citizens and are not needed for a prudent business to operate efficiently.

Barry Clarke

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