

Please forgive the brevity of these suggestions, however due to time constraints I will just cover the areas which I believe should be considered for inclusion as changes to the tax act.

I previously prepared a far more detailed submission but unfortunately I did not save it in my computer and the submission was not forwarded to you and I can't seem to be able to retrieve it out of my system, hence an abbreviated one.

FBT TAX RETURNS:

We have a New Taxation System which was introduced in July 2000. This new taxation system imposes reporting requirements to the ATO on a Quarterly basis. This new reporting requirement adds a great deal of stress to small business taxpayers. The FBT Tax Return adds to this stress. Not only are they required to prepare information for their quarterly reporting, but they now have to delve and retrieve information over two financial years to enable them to prepare their FBT Return. A recent ATO audit of FBT Returns uncovered a great deal of misreporting.

To assist all concerned the FBT Tax Return should be aligned to with the annual income tax return. This will assist small business taxpayers as well as improve the integrity of the reporting.

CAPITAL GAINS TAX:

An immediate change in the capital gains tax law is required to address the issues associated with new assets (Stapled Securities).

These securities are just one asset and under CGT should also be treated as one asset. The stapled asset can have several different investments, however the investor is prohibited in being able to sell the assets separately and at all times must treat these stapled securities as one asset.

The CGT legislation should be changed to have the respective Enterprise account for any capital gains which become taxable in the hands of the investor as a result of cost base adjustments (i.e. when reduced cost base is negative) have the investment fund advise to the investor the taxable capital gain which the investor needs to report in their respective returns. This change will create a better and more accurate taxing regime than that which is now allowed by the Commissioner of Taxation i.e. allowing the investor to place a cost value to each of the segments in the stapled security and then endeavoring to account during the period of holding the investment any cost base adjustments, again on estimated basis.

PAYG INSTALMENTS:

This system which was introduced with the A NEW TAX SYSTEM is a complete shamble. It is expensive to administer, is not understood by the majority of taxpayers effected and should be changed. Due to time constrains I will outline changes in a point form, however am happy to elaborate to assist with the total concept of the suggestion:

ATO to credit taxpayers with the PAYG installment amount in their assessment notice only when the actual payment has been receive by the ATO.

Annual PAYG Installment Taxpayers who lodge their Tax Returns prior to 31 October to have the assessment notice override the need to pay their annual installment amount and in fact for the Installment notice to be cancelled.

Income tax due to be paid on Assessment. Due date for payment can be brought forward from the current extended time.

Amount of income earned for capture of taxpayers into the PAYG system to be increased to say \$2000 Tax Payable

Taxpayers with Tax payable of less than \$8000pa to be placed on an annual payment system, however allow the taxpayer to nominate a more frequent payment option.

This change will not impact on revenue as the system allows taxpayers to change to annual payment.

If this is not adopted, then allow all taxpayers that elect to pay annually to have their election continue until such time as their income reaches \$8000.

The PAYG Notices should be incorporated in the Annual Income Tax Assessment notice where it will become more meaningful to Taxpayers.

By undertaking these changes it will save the ATO in administration costs, postage and stationery, between \$10 - \$20 millions pa depending on how much of the suggested changes are taken up.

GENERAL INTEREST CHARGE:

This is a very punitive charge imposed on Taxpayers, so why is there a need to compound this charge on a daily basis?

The Law prohibits licensed financial institutions from charging interest in this manner.

The GIC charge should be brought in line with the standards accepted in the community and compounded monthly.

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