AFTS Secretariat
The Treasury
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PARKES ACT 2600

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My submission as an individual resident of Australia list some of my observations over the past 25 years in the workforce, in no particular order of importance.

FBT encourages driving more KMs for lower tax rates

In this day of encouraging lower carbon emissions, the FBT laws on company cars encourage more driving than required in order to qualify for a lower tax rate. It is not uncommon to hear of people driving an extra thousand kilometres in order to reach the next threshold. Clearly this rule is out of touch with current environmental considerations.

Telecommuting from home

Continuing the above carbon emissions theme, the encouragement for companies and employees to telecommute from home (for those job roles that lend themselves to the practice) should be a high priority. The benefits are many including

- A reduction of cars on the road (or use of public transport), and therefore a reduction in roads carbon emission
- By reducing the number of cars on roads, the rate at which new roads are required could be slowed
- More productive "work-time", by not wasting the time of physical commuting
- The potential for a better work/life balance
- And having participated in telecommuting myself, an obvious increase in the effective use of time.

Obviously there are potential downsides which need to be considered, however on balance there appear to be more upside than not.

There could be many ways that companies can be compensated to encourage telecommuting, including say a reduction or elimination of payroll tax for each day worked from home.

FTB - with negative gearing

There is a major quirk with the Family Tax Benefit system, whereby any loss under negative gearing is actually treated by the department responsible for FTB payments as income. The threshold for receiving the full FTB payment is something like $5,000. So a loss of say $10,000 under negative gearing is actually treated as an income of $10,000, and therefore the full FTB payment is not granted. A loss under $5,000 gets the full payment. I have quized officers at the FTB on this in 2 different years on behalf of my wife who hasn't had paid employment since having children (and hence has no PAYG income). Both officers could not explain why this was the case.

Stamp Duty on rental properties

There are a large number of people who own 2nd properties in the hope of planning for future retirement plans. There is also a large population who rent such properties, and so both groups can benefit. With recent downturns in property values, negative gearing is obviously not a strategy that landlords can bank on. Stamp Duty can easily cost $20,000 or $30,000 for a purchaser, and is clearly one of the major impediments to buying a property. There appears to be no valid basis for stamp duty amounts of this size. The cost of stamp duty should reflect the cost to register the relevant document(s) - i.e. under $100. By removing Stamp Duty, obviously more people will contemplate property purchases, and whilst their primary purpose is to provide for their own future security, they will also contribute to a larger rental market capacity. Otherwise, as landlords get sick of continuing losses and hassles of owning properties, the number of rental properties available will reduce, leading to increased rents.

Capital gain on properties held for many years - inflation

Under the old capital gains tax regime it used to be that indexing was calculated over the full period between purchase and sale. It is now the case that the capital gain is only indexed over the period between purchase and 30th of September, 1999. (source http://www.yourmortgage.com.au/calculators/capital_gains_tax/)

The longer the "new" rule is in place (in relation to properties purchased pre 1999), and the longer the property is held, obviously not indexing after 1999 is a disadvantage in such scenarios. This rule should be reviewed.

Regards

Rob Downing