



# ECA Consulting Pty Ltd

ABN 71 085 534 470  
Chartered Accountant

*“Simplicity is the result of Maturity” (Schiller)*

## **SUBMISSION TO THE PANEL OF AUSTRALIA’S FUTURE TAX SYSTEM**

Audits, Forensics, Taxation  
“Waldeck”

8 John Street  
Bayswater Vic 3153

Tel: 03 9729 1477

Fax: 03 9720 7756

Email: engelhardt@mira.net



Chartered Accountant



## **The Case**

- 1) My opinion is that contrary to the Government intentions the PAYG (formerly PAYE) tables of tax to be deducted from weekly, fortnightly and monthly part-time, casual salaries, wages and other income by employers and others required to used by the administration of the ATO and required by employers to comply with, leave these type of taxpayer at a disadvantage compared to full-time employees, contractors and all other taxpayers.
- 2) This comes about in that the PAYG tables are based on an annualised income and do not allow for the general exemption and other reductions when as is likely that the income is substantially less, if and when the taxpayer has only intermittent income for what ever the reason and then has to wait for 12 months and longer and then after lodgement of the income tax return for a tax refund to be issued. (see appendix)
- 3) Where as other taxpayers required to lodge monthly, quarterly or annual activity or BAS returns can adjust the tax payable on actual income as and when earned. The ATO intention is, as was the case with the former provisional tax to put these type of taxpayers at par with salary and wage earners. At best this equality can only apply to full time employees being employed the whole year with the same employer.

## **The Issue**

With the growth of casual, part-time and swabbing jobs many more taxpayers as a result of the current recession may now become grossly disadvantaged by these outdated tables when better calibrated tables and computerised system can quite easily correct these shortcomings.

## **The Benefits**

- 1) The taxpayer would retain income in hand when the need is greatest, particularly during a period of recession.
- 2) The ATO and employees would have a greater control over defaulting employers because even where no tax is collected until the general exemption and other reductions have been earned the employer would still be required to lodge monthly reports of salaries and wages paid but with more details.
- 3) The taxpayer could readily at time during the year assess the income and tax liability during the year and increase any PAYG instalment in case of any short fall due to changed circumstances.

**The Benefits cont'd**

- 4) The ATO would have a much greater control over overseas backpackers as recently reported claiming fraudulent tax refunds.
- 5) As a step towards extending the self assessment system and the need for compliance to lodge a tax return when the taxpayer knows that:-
  - a) Having the correct amount of tax deducted by the employer and the amount equals the income tax payable allowing for rebates and allowances on the total annual income no tax return would need to be lodged by the taxpayer.
  - b) Where the taxpayer knows that a refund would result from lodging a tax return but the amount is trivial or less than the cost for the tax return preparation the tax payer has an economic choice whether to lodge a tax return.
  - c) As no greater relief is provided where income tax is payable it could motivate taxpayers having the correct PAYG amount deducted and or the need to make unjustified claims for deductions for any shortfall.
- 6) A reduction in compliance costs for both the taxpayer and the ATO.

**APPENDIX**

Example only and simplified to demonstrate the distortion of the PAYG tables and income tax payable.

Monthly Income	PAYG as per ATO monthly tables *	Suggested PAYG	Annual Income Tax Payable	Annual Income Tax Refund
0	0	0	0	0
500	0	0	0	0
1000	26	0	0	26
1500	108	0	0	108
2000	208	0	0	208
5000	1079	0	0	1079
6000	1391	0	0	1391
10000	2986	750	750	2236
15000	5061	1575	1575	3486

\*Source: Tax Withheld Calculator (TWC4.9)  
ATO website

Weekly deductions show the same distortions but smaller amounts