

Submission to the Review of Australia's Tax System

Panel Chairman: Dr Ken Henry

Submission by: Mike Hammer

Summary:

Some aspects of International Best Practice for the income tax system are worth considering:

1. **Income splitting**
Eases the burden on one income households, allows more parent/child contact
2. **Declaration Threshold for Interest & Dividends**
Eases paperwork burden on individuals where interest & dividends are an insignificant part of income.

Detail:

As part of my job as an electrical engineer in the automotive industry, I had the experience of working in Germany for 4½ years. One thing that struck me about the German culture was their family orientation and pragmatism in many aspects of administration, including the income tax system. Despite the high level of bureaucracy in most other things, I found the income tax system much simpler than ours. There were two things in particular that I believe the Australian income tax system would benefit from.

1. Income Splitting.

As a one income household we are subject to disproportionately high rates of income tax compared to a single person, or a household where both partners work. Our net income would be greater if we both had unskilled jobs and spent far less time with our children.

If Australia wants a skilled workforce, and a society with less violence and bullying, then this initiative would go a long way to encouraging this.

2. Declaration Threshold.

In Germany (at the time), interest & dividends do not need to be declared unless greater than around A\$5,000 in total. This greatly simplifies the tax return for people who have only a few shares and bank savings. For my Australian tax return it takes hours to track down the few dollars of interest and dividends that must be declared on the tax return form.

There may be other aspects of International Best Practice worth investigating, particularly those that encourage the type of society and workforce we aspire to in Australia.

Yours Sincerely,
Mike Hammer