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Simon Melrose
17th November 2008

Mr David Parker
The Treasury
Canberra. A.C.T. 260Q

No-cost stimulation ofthe economy.

Dear Sir,

I understand there is a Treasury review of taxes including Capital Gains Taxes. While this may have virtue for our economy in the longer term, it is under immense psychological pressure in the short term. I made three submissions to the Ralph Review with the final submission recommending a 50% CGT reduction being based on US Congressional hearings and agreement by both US parties.

My proposition is that the Government spontaneously announces, after hours, that as of the next day all assets *bought,* both institutional and private, be 100% CGT exempt in perpetuity. This *buying* exemption lasts for a period of six months. To prevent the drying up of buyers at the end of this period, the next six months will have a 75% CGT exemption. This process is repeated, so that at the end of the fourth, six month period, a then 25% CGT exemption returns to the current regime. The Implications are:-

Confidence-building and the demonstration that the Government is ahead of the curve.

At some time in the future the Government receives no CGT from the "brave" who bought.

Conversely, the Government may receive increased CGT revenue sooner, as some existing investors may sell when prices recover, due to the "brave" buying of capital assets now.

The higher the capital base of assets / superannuation, the less the drain on the Government through lower pension outlays. In addition, if people see their non-realised assets recover they are more likely to spend, and hence sustain employment. Depressed asset prices over an extended period cripple economies; US in the 1930's and Japan in the late 1980'5 to now.

Both the Government and the RBA have acted decisively and the Government has little head room for costly extra tax cuts. This Capital Gains Tax cut only for the "brave" buyers may actually increase revenue. In effect the Government is exchanging *some* future CGT revenue for an immediate boost now.

Australia's 50% CGT exemption, along with the Netherlands, was quoted in the Canadian Parliament as one of their prompts to reduce their 33% CGT exemption to a 50% exemption. A short term CGT cut for Australian buyers here may "leak" through to other economies, especially the US where President elect Obama wants to raise their CGT from 15% to 20%.

A resumption of short selling will undermine the good intentions above. The short sellers will depress prices to bUy for maximum CGT effects. Please maintain this ban; they have stolen confidence and increased the Governments problems.

I trust that the above is of value.

Yours Sincerely,

Simon Melrose