“Told by an Idiot”: Work-related Deductions and Tax Offsets in the Australian Taxation System*

Forty years ago, the majority of Australians completed their tax return forms themselves, with the help of a four-page brochure of instructions. Since the introduction of the “plain English” 100+ page volume of guidelines in the late 1980s, and despite supposedly higher levels of education, increasing numbers have felt themselves incompetent in the face if this annual task, and have turned to tax consultants for assistance.

I remember my feeling of impotent fury when first confronted with the “plain English” guidelines, that what had been so simple had been made so baffling – it took considerable random search even to discover the address to which returns were to be sent. A decade or so later, however, it became clear that it was not just the TaxPack’s design that was at fault, but that changes, complications, introduced into the tax system itself had made the new tome of instructions necessary. As a result, large numbers of Australians were being driven to tax consultants out of fear of failing to claim for a novel array of deductions and offsets (formerly called rebates) and thus paying more tax than necessary. Consultants obviously must charge for their services, and the tax reduction gained by the majority of taxpayers under the majority of these provisions is small, so the net effect is that much of the money the tax provisions intend to return to wage earners and retirees goes instead into the tax consultant coffers.

The introduction of these new, individually targeted, deductions and rebates began at about the same time as an earlier generic system of deductions and rebates – largely supporting family incomes – was withdrawn, and over subsequent years they sprouted and specialized to reach their present level of absurd complexity. Work-related deductions for wage-earners (a select group of costs related to conditions of employment) were probably introduced analogically to deductions for the costs of running a business, but in fact they have meant that, selectively, for some businesses and some types of employment only, business costs can be transferred from the company or employer to the individual employee, and thence to the general taxpayer. The introduction of tax offsets in their present form appears to have followed the superannuation initiatives of the late 1980s, which attempted, with limited success, to move the growing aged

*All figures quoted are for the 2005/2006 tax year.

population away from dependence on our long-established Old Age Pension scheme, which is funded out of current revenue. However, their proliferation has, I conjecture also aimed at reducing taxation for certain categories of low-income people (but with marked variation in what is considered low), while avoiding what some see as the problem that in progressive tax systems a reduction in tax *rates* on the lower levels of income always delivers greater absolute, although not greater relative, benefits to higher incomes.

My quarrel is not with deductions and offsets in themselves, but with the absurd complexity and variability of the rules of eligibility and the rates applied in quite similar conditions and circumstances, and the fact that they often deliver insignificant monetary returns in relation to the difficulties of accessing them reliably. It is also, specifically, with the incorporation of employee work-related deductions, unless universal and comprehensive. The current situation of privileging some work costs and not others is the major source of the complications that disable taxpayers' independence in completing their returns.

Work-related deductions

First let me give some examples of the inane complexity of the various categories of claims for the cost of earning an income.

Work-related clothing: The idea seems to be to allow claims only for clothing that will not be used in non-work conditions, even though we all have to clothe ourselves for both work and non-work. As fashions change the differentiations can become meaningless.

One can claim for purchase of overalls but not jeans.

One can claim for purchase of boots but not shoes, with the exception that shoes can be claimed if specifically designated by the employer, even if they are of a type that could be worn socially.

One can claim for uniforms, but not normal clothing, even if the latter is specified in a style and colour that most people would never, personally, wear in private life; but normal clothing is defined as a uniform if it carries a work logo, no matter how inconspicuous.

One can claim for the cost of washing work clothes, even if carried out at home as part of the normal household wash, provided the clothes have been classified, as above, as work-related, but not otherwise. $150 dollars can be claimed without keeping formal evidence of the cost (an invitation to claim to the limit), but not if one has total clothing claims of over $300 (eg for purchasing new garments), in which case evidence must be producible.

Costs can be claimed for tools or other equipment specifically needed for one's specific type of employment, but only once one has the job. If they are bought in preparation for employment, even if purchased in the tax year in which employment commences, they cannot be claimed.

Overtime meal allowance: When an overtime meal allowance is received under an industrial award, the amount received must be added to assessable income, but then can be claimed as a tax deduction up to a limit ($19.15 in 2003 – Why not $19, or $20?), without written evidence or receipts. Why add it in and then take it out, when there is a limit to which claims must conform. With evidence, claims can be made for expenses above the limit, but for a worker not under an award, unrefunded costs of meals in the same circumstances cannot be claimed, even with evidence.

Costs of employment-related education: Costs can be claimed only if training relates to one's current job, not for education to increase one's prospects in another field, or just to obtain employment at all.

Motor-vehicle expenses: There are four different methods of claiming for the cost of the use of one's own motor vehicle for employment purposes, varying from quite simple to very complex, but all need to be calculated to see which gives the best result.

Work- and education-related travel: Cost of travel to or from work, whether by private vehicle or public transport, cannot generally be claimed, nor can it generally be claimed for travel between two or more worksites on a regular basis. However, it can be claimed if travel between worksites is irregular. It can also be claimed from home to a second worksite, if home is a worksite and the day's work begins at home – but not for the return trip! These claims require informal record-keeping, which is difficult to validate or to contest, unless extreme.

But things are different for travel to a place of work-related education (defined as above). Cost of travel between home and place of education in either direction can be claimed, but *not* if the student continues on from college etc to work, or travels from work to college to home.

Domestic and overseas travel: Different maximum claims for the cost of accommodation and meals are laid down as “reasonable” depending on whether travel is domestic or international, and in the latter case, on the country concerned, and also on the claimant's salary – the higher the salary the larger amount. They can be made without formal evidence, receipts etc – a diary will do (again, an invitation to claim up to the “reasonable” limit). Refunds above the reasonable level are nevertheless claimable if formal evidence is kept (but it does not have to be sent in with the tax return, and usually will not be called for).

Unlike claims for overtime meals, there is no requirement of an industrial award, so some claimants can virtually set their own travel requirements and claim back a substantial part of the cost at taxpayers’ expense. This has been a great boon to the academic and professional classes who love to attend national and international conferences in locations often chosen for their holiday appeal. The academic overseas traveler who spends $10,000 on a trip “for research purposes” (when the internet, phone calls, and inter-library loans would have served the purpose) and whose salary attracts the second top or top marginal tax rate will have some $4,200 to $4,800 returned in tax deductions.

Home office and depreciating assets: Claims can be made for the cost of maintaining a home office – heating, lighting, phone and postage – and for the purchase cost of its furnishings and equipment (desk, chair, computer), or against their depreciation in value over time. These claims are not dependent on a home office being a necessity – it can be a matter of choice or convenience on the part of workers with the liberty to do some of their work at home (typically professionals and academics) even when they are fully supplied with an office and all necessities at their place of work. Thus they are able to claim against costs that are purely for their own convenience and comfort, and in no way essential to carrying out their jobs.

The calculation from year to year of depreciating assets is complex (it is applicable also to tools of trade and such like) and will mostly be handed over to tax consultants to calculate, where, because of its complexity, the charge is relatively high.

Comment: It should be borne in mind that the refund gained from deductions is less, often much less, than the amount claimed, as the deduction is from taxable income, not from tax due. Thus the gain is only of what *tax* would have been paid on the amount of the deduction. A claim of $150 under work-related expenses by an outdoor worker for say, sunglasses, hat and boots, if he earns less than $40,000 and thus pays tax up to the second lowest rate of 30c in the dollar, will only reduce his tax by $45, not $150. Even if this, as is likely, is his only deduction, he will pay the tax consultant at least $70 for the service he receives.

Tax Offsets (rebates)

Tax offsets, unlike deductions, are deductions not from taxable income, but from the tax due on taxable income, and so represent in full their nominated monetary value – a tax offset of $150 means $150 less tax paid, not just a tax-rate-dependent proportion thereof. Tax offsets have been increasingly employed in the last decade or so to reduce tax in certain categories of the population, e.g. to give low income tax relief without giving a greater bonus to higher incomes, and to encourage the taxpayer's use of personal financial resources in particular ways considered beneficial to the national interest.

There is no problem with this taxation device as such. The absurdity lies in the use of a different percentage rate or flat but tapering rebate for virtually each different category of offset, together with different upper and lower thresholds, and rates of tapering, and in the very small relief in actual dollars they usually afforded. A further complication is that offsets are not always calculated on *taxable* income, but may be on one of two variants as laid out below:

Taxable, Assessable, and Separate Net Income

Taxable income is income minus deductions, to which the basic progressive tax rates are applied for calculating tax due.

Assessable income is income including fringe benefits and without deductions subtracted from it.

SNI (Separate Net income) is the income of a dependent spouse, or parent, or other dependent on their own account or via their children, and is used only in relation to the Dependent Spouse etc Offset. It is income from many sources not included in taxable income, including some welfare payments that are not taxable, but, as for taxable income, tax deductions are subtracted. It is unduly complicated: for example, lump sum leave and sickness payments are included, but lump sum redundancy payments are excluded; scholarship money for living expenses is included, but other scholarship money is excluded; isolated living allowances for children over 16 are included, but under 16 are excluded; most welfare allowances are included (including adult disability), but family allowances and child disability are excluded; most work-related deductions are included, but tax-agent's fee is excluded, as is the deduction for gifts to charity.

All this complexity sends taxpayers to the consultant, while the relief may, as in the case of deductions, be less than the consultant's fee. Just look at the following!

Dependent Spouse, Parent, Invalid Relative, or Child Housekeeper Offsets

The availability of this offset to the taxpayer depends on the level of separate income of the dependent spouse, parent etc; but it is not the usual *taxable* income of the dependant that is invoked, but the variant on it called Separate Net Income (SNI), which rarely differs from it significantly. The maximum rebate varies from $725 to $1,930, depending on the relatives involved and whether they have dependent children, and is reduced by $1 for every $4 by which their income exceeds $282 or $285 (for Goodness sake!), and the cut-off point for receiving it is a SNI of between $3,185 and $8,001. Why these variations, when differences in need between these categories of dependents are catered for elsewhere in the tax and welfare systems? And why insist on a benchmark of calculation which in many cases will deliver only a few dollars in offset! Perversely, the Parent and Invalid Relative Offsets, but not the others, are claimed in the TaxPack Supplement, which low income taxpayers are unlikely to investigate as it mostly relates to business and investment finances; they are likely to miss out if they don't hand over to a tax consultant.

Low-income superannuation contribution offset: **10%** of contribution up to $1,000 (i.e. $100 maximum!) is available to those with *assessable* incomes of less than $22,000 (for Goodness sake!). Assessable income is another variant of taxable income; it includes fringe benefits and, like SNI, is unlikely to differ significantly from taxable income at the levels of income of eligible claimants. Further, this encouragement is unlikely to do much to reduce the Age Pension bill down the track.

Spouse superannuation offset: **18%** of contribution up to $3,000, reduced by $1 for every $1 by which the spouse's *assessable* (again) income exceeds $10,800, extinguishing at $13,800.

Net Medical Expenses Offset

20% of expenses above $1,500 are deductible from tax due.

Again perversely, the previous three offsets, which are all relevant to the normal employed taxpayer, are claimed in the Tax Pack Supplement. Although they are listed in the contents of Tax Pack, they are likely to be overlooked by the ordinary taxpayer simply working through the booklet.

Low Income Offset

There is a flat **$235** rebate if taxable income is less than **$21,600**, but it reduces by **4c** in the $ above that threshold, finally expiring at $27,475. Someone on $26,600 receives $35. Why bother? The consultant's fee will swallow it up. For no obvious reason, this offset no longer appears in the Offsets section of Tax Pack, but only in the demonstration examples of how to work out one's tax due, at the end – a good way of making it look as if the consultant has really been helpful.

Senior Australian Offset

Available for those over retirement age who contribute through superannuation or other means to their own support, it is a flat **$2,230** for single taxpayers with an income of less than **$21,968** (Why 8?), reducing above this income at **8c** in the $ to extinction at $39,808; and a flat **$1,602** per member of a couple with an income of less than **$18,247** (why 7!), reducing to extinction at $31,063. Again, the consultant's fee will be greater than the offset for those in the upper regions of the taper.

Pensioner Offset

This offset for pensioners, in addition to the two others for which some of them will be eligible, above, is a flat **$1,909** for a single pensioner on an income of less than **$18,727**, reducing to extinction at an income of $33,999; and a flat **$1,771** for a member of a couple on an income of less than **$15,520**, expiring at $26,944.

Despite the differing single and couple rates of Senior and Pensioner Offsets, there is a complicated calculation that can make the index partner (with the higher income of the two), or both, ineligible for the offset, depending on their spouse's *assessable* income, and the incomes of both, for this purpose, are mutually interacting. As the amounts involved are so small – minimal in relation to tax paid if one spouse is wealthy, minimal absolutely if close to the upper threshold – it is little more than a quibble to insist on this costly, in assessment terms, qualification.

Welfare Beneficiary Offset

15% of any benefit above $6,000 (the tax threshold for tax at 15c in the $) received by a welfare-dependent taxpayer is deducted from tax due, as an offset. This is a means of ensuring that no tax is paid if the taxpayer is entirely dependent on welfare benefits. Why not simply rule that no tax is paid by someone entirely dependent on welfare benefits. This offset, also, no longer appears in the Offsets section of Tax Pack, but only in the worked examples. If Welfare Beneficiaries complete their own tax return forms, but don't find their way through all the worked examples, they are likely to be alarmed, thinking they owe substantial tax (for someone on that income), and if they turn to tax consultants, will believe they have saved them.

Baby Bonus (now retrospective only)

The Baby Bonus calculation was the daddy of them all, requiring pages of calculation, taking in earned income over several years before the baby was born, and possibly delivering an annual rebate of less than $100. It has wisely been put to bed.

Comment

The percentage rate offsets vary from 10%, through 17%, 18% and 20%, to 30%, with differing lower and upper thresholds or no threshold, and differing tapering rates. There are thus different ceilings for eligibility and different benefits for equivalent incomes. It is hard to find any real meaning in these differentiations. They appear merely random, plucked out of the air, or else guesstimates based on what it has been deemed affordable to relinquish from tax revenue. Although they deliver real benefits in some cases, in very many, perhaps a majority, the eligible offset is so small it will be eliminated by the visit to the tax consultant which the complications induce, making the whole thing a largely spurious exercise. If offsets are to continue they need to be bolder – of greater value and more selective.

The same applies to the income-geared lump sum offsets. Ranging from $150, through $725, $1,771, $1,930 and others, to $2,230, they not only vary as regards eligible income, but the income against which they are set varies as taxable income, assessable income, or SNI. With distinctions made in terms of source of income, they are obviously only loosely related to real income needs. And in terms of efficiency and administrative costs, there is the duplication of taxing a welfare income and then restoring the tax via an offset, and the nonsense that offsets that have suffered moderate to major tapering reduce to a level that will be lost in tax consultant fees.

Tax offsets attempt to address a perennial problem of the progressive tax systems from the standpoint of progressive tax as a means of improving vertical equity of incomes – namely, that lowering marginal tax rates gives greater benefits to higher income earners. This criticism is relentlessly raised by the media when reform within the progressive tax system is mooted or implemented. They also attempt to expugne the disincentive effects of the spikes in Effective Marginal Tax Rates (EMTRs) created by the tapering of income-related welfare benefits, whose *raison d'etre* is also to improve vertical equity. This tunnel vision on income means that there are always left out in the cold, ignored, those whose *incomes* are above given thresholds, but who, because of unavoidable expenses and responsibilities, have actual per-person incomes below those offered assistance by social security and tax relief.

Not dealt with here are the deductions and offsets that reduce tax on expenditure deemed of community or national benefit, such as Australian Film Industry or Landcare and Water Facility investment, which come and go over the years. Most have a maximum that makes the return trivial in relation to the expenses likely to be involved. Claimed in the Supplement, they may well be missed by some of those eligible.

Medicare Levy and Surcharge

The Medicare Levy is included in the tax system as an add-on tax with upper and lower thresholds and tapering between the two, as in the case of offsets. The thresholds vary in relation to the number of dependents on the income – mostly per spouse and children. Fair enough. But complications are introduced in relation to earnings of dependents, notably the spouse. If both spouses earn above the single person threshold, then the reduction in levy is first calculated for the combined family income, then for one spouse, and the reduction then divied out proportionately between them. This is only the *reduction*, and their levies must be calculated as a separate operation and the reductions then made. There are low income thresholds for Senior Australians and Pensioners that are different again (higher), with similar complex calculations for sharing between spouses.

The Medicare Surcharge rules are also replete with unnecessary complications, and an unjustifiable punishment of the non-conformer. The threshold for the extra 1% of levy on high income earners who do not purchase private cover is based, not on taxable income, but income that includes some novel sources such as fringe benefits, otherwise exempt foreign income, and untaxed superannuation. If the combined income of a couple is over the couple income threshold for the Medicare Surcharge (double the single threshold) and neither has private hospital, both must pay the full Medicare Surcharge appropriate to their income. But if one has cover and the other does not, *both* must still pay the surcharge, even if the spouse with the lower income is the one with cover. In effect, the spouse with cover has to pay twice, and this would presumably obtain even if the policy held by one spouse also covered the couple's children. In other circumstances a spouse with high earnings is treated as independent for all tax and welfare purposes. Surely the cost of the one spouse's insurance should, at least, be deducted from the applicable combined surcharge.

Discussion

"Full of sound and fury, signifying nothing"

The morass of detail and qualification, of rules and calculations, described above was entirely absent from our income tax returns four decades ago. Rebates (offsets) were modest, but absolute, not tapered, and eligibility accrued in relation to number of dependents on an income, not income below a threshold (horizontal equity was the object).. Deductions (for educational and pharmaceutical costs, rates etc), with modest ceilings, likewise targeted costs that increase with number and type of dependents. Work-related expenses were not among them, obviating the need to differentiate often intertwined personal and work-related expenditure.

I hope I have shown that the current elaborations of the offsets system, generated by a quest for meticulous targeting on the basis of income, are in the end counterproductive. Yet I have outlined only some of the areas of complication, mostly those that are relevant to a large percentage of tax-payers. But equal complications inhere in minority areas also. I have not touched on a mass of complexity arising from the attempt to promote self-funded superannuation, whether annuity or invested lump sum by a similar pursuit of fairness beyond the grounds of common sense.

A general awareness of the possibility of missing out in this jungle of tax regulation has driven large numbers whose tax returns need make no great demands on their capabilities to seek help from the tax consultant industry. The tax offset complications and the Medicare levy (and also Family Tax Benefits) do not, in fact, require computation by the taxpayer nor input other than supply of the simple facts of one's personal situation – age, marital status, dependents, employment status, earnings and tax withheld – on the tax return. Such offsets can be, and are, computed by the Tax Office on the basis of this straightforward information alone, and although most people don't know it, tax consultants are not really needed for this purpose, were it not for the requirement of placing code letters in boxes on the tax form, to flag information already supplied. However, it *is* undesirable that the majority of the population should be made incapable of checking for themselves the calculations made on their behalf, in that errors *do* occur in the Tax Office precincts. The capacity for feedback from the community is essential.

Work-related tax deductions are another matter. The individual has to make eligible claims specific to his or her personal circumstances of employment, and there is infinite variation. The attempt at control through ceilings simply encourages making the maximum permissible claim without documented evidence by anyone whose type of employment makes it plausible. As I have pointed out, the mere presence of these opportunities and their intricate mysteries drive people to tax consultants whose fees, I would guess from my experience in this role, in the vast majority of cases exceed the legitimate tax savings available. The client is not sufficiently *au fait* with the documentation to realize that there would have been a tax refund anyway due to overpayment in the course of the year, and that the balancing of the consultant's fee against the work-related deductions actually reduced, rather than enhanced the refund. Provided the outcome is one of no additional tax to pay, the client goes away happy, believing that the consultant has achieved this desirable outcome.

The Case against Work-related Deductions

This essay should not be read as a general diatribe against tax consultants. There are areas of income tax, where income is not simply salary or wages with tax deducted pre-emptively (what used to be called PAYE – pay-as-you-earn, now PAYG) – for example, retirement income from lump-sum investment and income from rental properties and shares, where the rules and calculations are bound to be complex. Most people will genuinely profit from this assistance, despite its cost, because both the income involved, and/or the potential savings, are large. But the flood of straightforward wage-earners into consultancies should be stemmed. It has been induced by the work-related deductions carrot and the tax offsets mysteries, and the daunting volume of instructions they now necessitate – and does no one much good except the tax consultant.

Given the complexity of the rules that must be applied, and the individual interviews required, the fees charged by consultants are not unreasonable, but in many cases it would be more ethical if clients were advised to forget the deductions and submit their returns themselves. There are some positively unethical practices, such as special offers to young people at a cheap rate to lure them in, with the knowledge that their returns are usually very simple – and then an extra charge if they are not. There is an unstated pressure on consultant employees to produce at least a small refund – one can always throw in a briefcase or a pair of sunglasses to create the necessary minor deduction, without the need for receipts.

Work-related deductions were probably, as I said earlier, introduced on an analogy with deductions for the cost of running a business, but in fact they mean that, selectively, for some types of business, some intrinsic costs are transferred first to the employee, and then via work-related deductions, to the general taxpayer who must fund total revenue. The existence of work-related deductions has encouraged businesses to require employees to provide tools and protective clothing which, before their advent, would have been automatically provided by the company and claimed under company tax. (Some office employees are now even required to provide their own stationery.) This is made to sound reasonable to them, in their naivity, when they are told they can claim the cost in their tax returns, when in fact they will only get back a percentage of the cost, and the lower their wages, the lower this percentage is.

Probably the worst case in this development is where employees are required to provide their own car and petrol, say for a delivery job or working in home care (usually low-paid), and expect they will be fully reimbursed for this large expense by the tax system. Lost as this claim is in the intricacies of their consultant-completed tax returns, they have no idea that they have taken on the larger part of the cost themselves.

I think a case can be made that all items currently under work-related deductions are business costs which, if they are justifiable at all, should remain within the business tax sector. They are expenses that should be directly met by the employer, not by the employee; or else their cost to the employee should be recognized in the wages or salary offered.

Suggestions for Reform

Work-related deductions: The most essential reform, which will free the majority of wage and salary earners from the need to employ the services of tax consultants, is to get rid of Work-related Deductions, but without falling into the trap of trying to enforce compensatory provision by employers. People will cease to accept employment that demands unrealistic personal expense (e.g. use of own car without cost reimbursement) in relation to wage or salary. Employers still provide really specialist clothing, and often non-specialist uniforms too. The cost of laundering the latter in the normal household wash is no different from that of non-uniform work clothes.

The same applies to travel: salary should reflect any costs passed on to employees. Professionals will be chary of all that sociable and tourist conference and research travel that their institutions don't regard as strictly necessary if they have to pay for it all themselves, not just half (i.e. after tax deductions). The internet has made much of it largely redundant, and global warming might benefit.

Tax offsets: Tax Offsets should be set at a single monetary level for all those eligible by personal qualification, such as Senior Australian (single and couple), without variation within the category involved, with a single ceiling on the taxable income of the household. Only if very large offsets in the tens of thousands of dollars are involved are thresholds and tapering worth the complications of calculation.

The Low Income Offset creates a category by setting a taxable income threshold and taper. It should fully acknowledge its purpose by returning to those under the threshold all tax they would otherwise have been required to pay, and the taper should be abolished. The offset threshold, the current tax threshold, and the lowest marginal tax rate, should be so geared that those just above the threshold for the offset will pay a trivial amount of tax, for example, the basic tax threshold set at the level of the couple social security benefit and the lowest marginal rate, say, half the current one.

Although, as I have noted, taxpayers already provide the information needed for the calculation of these income-modified offsets, the tax office calculations are complex, and their simplification would cut administrative costs considerably.

Medicare Levy and Surcharge: The Medicare Levy reduction should be on the basis of one taxpayer (the higher of a couple) plus dependents' incomes only, should have a single income threshold for all categories of taxpayer (with adjustments for dependents), and should be all or nothing, that is, an *exemption*.

Instead of the complex interweaving of spouses incomes, why not simply allow one spouse to nominate that the exemption go to the other or that they share it, cashwise, equally? If both earn over the single threshold, only the child reductions apply, and can be treated similarly. The taper range is only in the order of $1,000 of income, hardly worth bothering about.

As suggested earlier, the surcharge when a family is partly covered by private insurance should only be the balance of what they would pay if none of them was covered.

Taxable, Assessable and Separate Net Income: The trivial distinctions between taxable income (freed of work-related deductions), assessable income, and SNI should be abolished. They create snares and complications, and their differences are usually insignificant when projected to the actual tax paid, both individually and *in toto*. As regards the current application of SNI, it would be much more sensible to abolish all the trivial clauses and retain only its significance as representing a welfare allowance intended to cover full living expenses – Age Pension, Disability Pension, and Unemployment Benefit – and conjoin it with taxable income.

Superannuation inducements: Although this area of tax massage has not been dealt with in this paper, the multitude of measures successively devised to prompt people into buying superannuation in one form or another, and to keep them on it after retirement, have clearly failed. The carrot, it is clear by now, is not an approach that keeps people out of dependency on the Age Pension. Those who know they would find an Age Pension level of income intolerable will make provision for themselves independently of any carrot, but if it is offered they will make less effort on their own behalf. For the vast majority, the carrot is a delicacy that can be ignored, given that a loose box of adequate hay, the Age Pension with associated benefits, will not fail them. The lump sum investment is no substitute for the modest but adequate annuity, comfortable above the Age Pension level, if dependence on the latter is to be avoided. It is outrageous that the latest reforms are sacrificing the tax contribution of self-funded retirees with incomes equivalent to those of younger couples rearing families whose tax is contributing to their support.

My personal view is that it is unethical for a government to make superannuation contributions compulsory if it does not guarantee the returns in annuity form, linked to CPI. Compulsory inroads on people's salaries should not be handed over to the perils of the market.

Conclusion

Let me give a final example of the absurdity to which tax provisions have descended in the impossible quest for total "fairness". Having been driven to the tax consultant by their complexity, there is a further complexity that we can then claim a deduction for the cost of the consultant (including travel to and from the consultant's office) the following; and, if you pay your tax late, or a portion of it late, the tax department charges interest on what was not paid on time, *but*, you can claim the interest you paid as a deduction in the next tax year.

The complexities introduced into the tax system over the last few decades have all the characteristics of parents pandering to children squabbling over a cake, who, if they perceive that their slice is a fraction smaller than a sibling's, will cry, "It's not fair". How about treating us as adults who can accept minor inequities to avoid waste?