Dear Sir / Madam,

Its great to see that you are calling on the public to provide their thoughts on how we can make the taxation system work for all and not to continue to turn the system into a patch work quilt. My experience in the financial planning industry is that the tax system in Australia is very complicated with offset, rebates and the like. I have had the experience of financial planning also in the UK. It's a different system which has both pro's and cons. I think however, there are a couple of things we can certainly learn from the Brits regarding how to do things and also how not too.

Taxation is something I deal with and try to explain on a daily basis. When financial planning for retirees the benefits and super and the like is easy to explain and for the client to understand. Talking to younger client, especially those young professionals starting out and maybe looking to purchase their first home, the options available are quite limited. In addition through in people trying to pre fund education it becomes quite a challenger. Some thoughts and implications worth considering.

1 Bank Account - Tax bank accounts at a rate of 15% (lowest bracket) at source. Any liability to additional tax can then be captured through the PAYE tax return. This ensures that everyone pays there fair share on interest income and for those who would be below the 15% bracket, allow them to lodge a tax form with the bank for exemption. (This will also allow tax to be paid from institutions to the ATO as regularly as the interest is credited to investors bank accounts.

2 Tax Free Savings – The UK has introduced a tax free savings plans called Individual Savings Accounts or ISA's. This provides the investor with the option to invest £3,000 into cash or £7,000 into a unit linked style ISA. All income and growth is tax free within these investment, however similar to Super contributions you have a limit each year what can be contributed in. This style of investment will provide young investors and mum's and dad's with incentive to save in cash or contribute into unit linked investments for the long term, i.e. education funding or the deposit on the first home. As these accounts all have service fees attached the ATO will lose income and CGT revenue but increase the collection of GST or the service fees plus also the profits of companies providing the accounts. This will far outweigh any benefit that a First Home Owner account could provide and would simplify the issues with rebates to accounts etc. one account per person max contribution p.a. of say $15,000 min age 18.

3 National Savings – what use to be a post office account but this could provide investors with again a tax free investment into either savings account or life bonds deposit with the government and rate which is relatively competitive.

4 Life Bonds – this style of investment has so many benefits but a huge limitation which stops its use. The ten year rule is a valid one to prevent people pulling monies in and out and grabbing the benefit of a lower tax rate. But it also reduces its use and therefore people's propensity to save for the bigger purchase or expenses particularly education. It doesn't seem logical that I can invest my money into this style bond, but can't access my initial capital at any time during the ten year period. I am not getting any tax benefit from this cause it is my capital. Given the ten year time frame you could allow up to 10% of the original contribution to be withdrawn annually. Ie. $100,000 invested in year 1, I am then able to withdraw up to $10,000 pa. (return of capital). Anything over this amount would be considered a return of investment income/growth and would be taxed. An averaging principal can be used to determine the tax due based on the life of the bond and the amount of excess withdrawn also depending on how much capital has been withdrawn to date. i.e. same scenario if no withdraws have taken place and in year three the investor wishes to withdraw $25,000 then 3 * $10,000 = $30,000 - $25,000 = $5,000 therefore no tax due as the investor has not drawn down in excess of their allowance given the time frame. This would allow client to use the bond for long term savings and yet access their capital tax free if needed. The internal tax rate should remain at 30%. Again the benefit of this to the government is enhanced investments which will result in increased GST and corporate tax revenues.

5 Unit Trust (Managed Fund) investments – the way the CGT implications can fall back to the investor is not sensical. An investor buys units in a Managed Funds, does not sell any units in that financial year but still may get a CGT bill due to activity in the fund itself. This is ridiculous to plan for an investors and steps away from the principal of managed funds simplifying the management for investors. Open Ended

Investment Companies are used in the UK and Europe to provide a long term trust type environment to replicate managed funds without the limitations on tax and CGT for unit holders. Any CGT implications of managing the funds should be dealt with in the managed fund itself and should be reflected in the unit price. This would simplify investing further and confusion for investors. This would require the development of either a new style of investment company structure along the same lines as OEICS in Europe or creation of a new style of Trust which could allow for the managed funds to be taxed on CGT in the fund probably at the corporate tax rate. As is the case with an investor who owns a share in any company in Australia. The company is taxed on their CGT activity and the investor is only taxed on distributions, with franking, and CGT on sale of the units held. Similarly, if an investor chooses to reinvest distributions, they shouldn't be taxed on income they didn't receive. Enabling managed funds to work either as income producing funds, or accumulation funds would enable this to work. The income which the investor has chosen not to receive would be reflected in the unit price and therefore the potential for greater capital gains tax on sale is there. This would compensate for the potential tax revenue lost.

6 Carbon Trading – this needs to be a scheme about reducing carbon not something that enables to crafty to side step limits and then capitalise on the credits and trading.

a. 1st for companies/business that are below the carbon emission limits, that I am assuming will be set by the government and maximum of units are issued based on lower limits threshold. This will limit the amount of free credits low emitters receive and will reduce profiteering from carbon trading

b. Carbon credits should have a fixed price, not market set. 1 tonne of carbon is 1 tonne of carbon so therefore the cost should be the same 1 price.

c. Make carbon trading a goods and service (barter) system, with no cashing out. This would allow those who own carbon credits to buy goods and services (ex GST) from high emitters based on the same set value of carbon credit. i.e. 1 carbon credit (covers 10 tonne) = $10,000 worth of goods and services.

d. New credit would enter the system via the government and low emitters receiving these annual based on carbon footprint annual returns.