Milenko Isakov

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AFTS Secretariat
The Treasury
Langton Cres
PARKES
ACT 2600

Dear Sirs/Madam,

I would like to submit a proposal for Australia's future tax system. I would like you to consider this suggestion regarding Capitol Gains Tax. These suggestions are primarily to do with Capitol Gains Tax affecting "Property" in mind. Yes I am aware that the current laws permit that only "half" of the gain to be taxable if held over 12 months.

Capitol gains tax is an unreasonable and severe tax in the long term. Because eventually most of it will be subject to be taxed. Example: a property bought for $400,000 and held for 20 years will at the end of 20 years we worth about $3,200,000. This will cause a tax bill of about $630,000.

$3,200,000 minus $400,000 = $2,800,000 of which half is taxable, $1,400,000 which will automatically put the person in the top tax bracket. 45% of $1,400,000 = $630,000 This $630,000 is nearly 20% of the sale price eg: $3,200,000. This hinders growth. If simply a person wanted to sell his/her "outer" suburb property and to buy another property "<u>of the same value</u>" but closer to the CBD (because he/she thinks there is better growth nearer to the CBD), will not be able to do it, or would have to borrow another 20% ($630,000).

In USA if you continue in the same type of "asset" -property- and you buy another -property- within a set time, you are not liable for Capitol Gains Tax, as long as the new property is more expensive than the one just sold.

Capitol Gains Tax is causing people to hesitate, defer, or simple not sell. This causes "rigidness" in the investing business environment, and stops it (investing transactions) from being smooth and flowing.

And an example of a property held for 40 years will be:
Bought today for $400,000
Sold for $25,000,000
$25,000,000 less $400,000 = $24,600,000 of which half is taxable = $12,300,000 at 45% that is $5,535,000 or about 22% of the sale price.

What I suggest is a different way the Capitol Gains Tax is calculated:- example

Bought rental property today for $400,000

If sold within 12 months then 100% of the "gain" is taxable
If the property is held between 1 and 2 years:- 95% of the gain is taxable
If the property is held between 2 and 3 years:- 90% of the gain is taxable
If the property is held between 3 and 4 years:- 85% of the gain is taxable
If the property is held between 4 and 5 years:- 80% of the gain is taxable
If the property is held between 5 and 6 years:- 75% of the gain is taxable
If the property is held between 6 and 7 years:- 70% of the gain is taxable
If the property is held between 7 and 8 years:- 65% of the gain is taxable
If the property is held between 8 and 9 years:- 60% of the gain is taxable
If the property is held between 9 and 10 years:- 55% of the gain is taxable
If the property is held between 10 and 11 years 50% of the gain is taxable
If the property is held between 11 and 12 years 45% of the gain is taxable
If the property is held between 12 and 13 years 40% of the gain is taxable
If the property is held between 13 and 14 years 35% of the gain is taxable
If the property is held between 14 and 15 years 30% of the gain is taxable
If the property is held between 15 and 16 years 25% of the gain is taxable
If the property is held between 16 and 17 years 20% of the gain is taxable
If the property is held between 17 and 18 years 15% of the gain is taxable
If the property is held between 18 and 19 years 10% of the gain is taxable
If the property is held between 19 and 20 years 5% of the gain is taxable
If the property is held over 20 years is not subject to capitol Cains Tax

You could add a clause that it is "purely" buy and "sell" price. Meaning, nothing can be claimed, eg: real estate agents fees.

This method will undoubtably be popular, and speculators who want to make "quick money" will be taxed more so than the "very long term investor". Do <u>seriously</u> consider this method of calculating Capitol Gains Tax.

Be fair!

Milenko Isakov

Australia's future tax system

Call for submissions

The review of Australia's tax system is underway. The review panel wants to hear your ideas and views and is calling for written submissions.

The review is looking at our current system and will make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century.

This is your opportunity to make a contribution to the tax review.

The closing date for written submissions is Friday 17 October 2008.

After considering the submissions, the review panel will release a consultation paper by the end of 2008, and undertake further consultations including calling for additional submissions.

For more information on how you can make a submission and the ongoing consultation process please visit www.taxreview.treasury.gov.au or call 1800 614 133.

An Australian Government Initiative

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