Submission to Australian Tax Review - Due October 17th.

PAYE TAX - Gross Iniquity.
-Transport to work costs are not deductible for PAYE employees.

Self employed contractors are allowed to deduct the cost of running a company vehicle from income before paying tax. The deduction is allowed because the contractor has to travel to the job to be able to do the job. Not so for the PAYE taxpayer who still has to travel to the job to do the job. PAYE taxpayers are not allowed to deduct their transport costs to their principal job. Why the disparity between employees and self employed? Employees have to travel to the job to be able to do the job - it's an essential part of doing the job & consequently should be deductible.

It seems iniquitous to me that one class of workers is allowed tax deductibility on transport costs and another is not. This iniquity should be removed. Either all workers get tax deductibility for transport to work costs or none.

PERSONAL TAX - Gross Iniquity
-Interest on cash savings taxed at top marginal rate.

During 2008, the world financial system suffered a severe financial shock. The cause being global debt ballooning to staggering amounts. Why would so many borrow so much? Answer: because most western countries tax systems give generous concessions to debt. The world's financial system encourages debt. Australia's tax system encourages debt by allowing tax concessions for loans - whilst giving no tax concessions for savings. Is it any wonder the world is in debt?

In Australia, ALL the interest earned on savings is added to a taxpayer's top marginal rate. When the rate of inflation and tax payable are subtracted from the interest earned - the "return" on those savings is very low. This very low return on savings (after tax and inflation) discourages savings.

It's time that Australia's tax system become more balanced between debt and savings. Australia needs more savings and less "spendings." Changing the tax treatment of cash savings by allowing some tax concession would encourage more savings. Reducing the tax concessions for debt would reduce the use of debt.

I suggest that the taxation of interest earned on savings be modified to allow the C.P.I. rate of inflation to be subtracted from the interest before the interest is added to other taxable income. This results in the depositors savings maintaining their purchasing power. Such a change to the tax treatment of savings interest would encourage and reward the PAYE saver.

On the debt side of tax concessions, I recommend that the C.P.I. inflation component of interest paid be subtracted from the interest amount before that interest is deducted from taxable income. This means that the borrower pays the inflation component of interest paid, not the ATO. Such a change would discourage debt and reduce indebtedness.

These two suggested changes to the tax treatment of interest transfers the tax deductibility of the inflation component of interest from the borrower to the lender. Such a change should result in a swing away from national debt towards national savings. A strong national savings "culture" provides a nation with a stronger financial position on the global financial stage; [i.e. higher credit rating, lower interest rates, strong currency.] Australia needs such a savings culture to counter it's huge current indebtedness.

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