SUBMISSION 4

From: Kathleen Crotty
To: Committee, Economics (REPS);
Subject: Submission - Tax Laws Amendment (Temporary Flood Reconstruction Levy) Bill 2011
Date: Tuesday, 15 February 2011 12:10:59 PM

To the members of the Committee,

Thank you for the opportunity to comment.

The Explanatory Memorandum to the bill states that *"These changes will ensure that those with a greater capacity to pay make a larger contribution to the rebuilding of disaster affected regions of Australia through revenue raised by the levy."*

As an experienced tax practitioner, it is clear to me that taxable income is a crude measure of an individual's wealth, or disposable income. There are many other measurable factors to take into account, such as how many people one must support on that income. I would argue that a person earning a salary of $80,000 and supporting a family has far less ***capacity to pay*** than a single person earning a salary of $50,000.

Our tax system currently recognises factors other than pure 'taxable income' when determining an individual's entitlement to various tax offsets and the medicare levy surcharge, via the ***'Income Tests'*** fields in the income tax return. Factors such as:

- Spouse income
- Reportable fringe benefits
- Salary sacrificed superannuation contributions
- Tax-free government pensions
- Financial and rental property losses
- Child support payments

Given that our tax system already recognises such factors, why introduce a levy so crudely assessed? If such a levy is determined by parliament to be necessary, a more equitable result might be achieved by incorporating these factors into the levy calculation. Yes, it might be difficult to allow for all these factors at the point of withholding from payroll but any over/underpayment would sort itself out upon lodgement of the 2011/12 income tax return.

Regards,

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