

Subject: FW: Re: Inquiry into taxation matters

As discussed please find detailed below some comments in relation matters noted in your letter dated 13th December 2005. A lot of the questions are very general in nature and therefore some of the responses have been responded to in a similar fashion.

Part A

- The impact of the interaction between self assessment and complex legislation
 - Our complex tax laws make self assessment an onerous task. Current tax laws do not provide certainty in many areas and therefore taxpayers are at the mercy of ATO in the advent of an audit. The compliance demands are so great for some taxpayers that they cannot afford to pursue certainty in a lot of taxation matters and simply do the best they can under the circumstances. Compliant Taxpayers instead incur substantial costs in dealing with taxation issues which creates uneven playing field. The ATO have the task of administrating our complex laws but the onerous obligations of getting things right rest with the taxpayer. The ATO do not face the same consequences as Taxpayers for getting something wrong.
- The application of common standards of practice by the ATO across Australia
 - No information to warrant any comments
- The level and application of penalties and the application and the rate of the General Interest Charge and Shortfall Interest Charge
 - The only comment we would like to make here is that the rate of interest applied for voluntary disclosures acts as a disincentive to Taxpayers to come forward and confess errors.
- The operation and administration of the PAYG system
 - Five years on taxpayers are still battling with the administrative complexity of having to complete monthly & quarterly IAS/BAS returns. The initial instruction booklet for example of how to complete a BAS return is hopelessly out of date and needs to be re-issued since it was originally released back in 2000. The ATO should be concerned about the accuracy of the statistical information reported by taxpayers in the absence of proper guidelines.

Part B

- Application of FBT including any double taxation consequences arising from the intersection of fringe benefits tax and family tax benefits
 - The inclusion of reportable fringe benefits for family tax benefits purposes where an employee substitutes fringe benefits for cash should in principle restore equity in the system. If a fringe benefit was not provided then the employee would receive higher salary or wage. If benefits are provided a reportable amount needs to be added to arrive at the taxpayer's adjusted taxable income. This is not in our view double taxation. There are however a lot of exempt benefits and non reportable benefits which complicate matters. Also the rate of FBT is aligned to the highest marginal tax rate which can lead to inequitable taxing outcomes for taxpayers on lower marginal tax rates.

As stated I am more than happy to discuss our responses in person if further clarification is required.

Regards
Tony Greco
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