



House Economics Committee report into Tax Deductibility

The House of Representatives Standing Committee on Economics today presented the report of its inquiry into Tax Deductibility.

The committee's review focussed on enhancing compliance in relation to tax deductions. Committee Chair, Mr David Coleman MP, said 'the ATO identified \$100 million of abuse in a single year through a review of the Work Related Expenses claims of about one in one thousand taxpayers. The committee sees considerable scope for improvement in this area and has recommended the ATO review its compliance activity in relation to WREs.'

In addition, the committee has recommended that the ATO undertake a detailed review of tax deductions to identify areas that are open to systemic abuse and overclaiming, and recommend amendments to law or policy where appropriate.

Mr Coleman said 'while the committee sees opportunities to improve the operation of the tax system, and has recommended changes to strengthen compliance, the committee supports the ongoing ability of Australians to claim legitimate deductions.'

The committee **recommended**:

- ⇒ The Australian Taxation Office (ATO) review its compliance activity in relation to WREs.
- ⇒ The ATO be instructed to analyse each detailed subcategory of tax deductions and identify areas that it believes are particularly open to systemic abuse and overclaiming, ranking these in order of the size of the financial risk they represent to Government revenue, and recommending amendments to law where appropriate.
- ⇒ As matter of priority, The Treasury provide a clear estimate of the actual cost to Government revenue of WREs so as to properly inform policy in this area.
- ⇒ The ATO continue with technological development and progress on pre-filling of returns to support the implementation of the reform agenda and to simplify taxpayers' interaction with the tax system, with the eventual goal to minimise, and ultimately remove, the need for taxpayers to amend pre filled returns.
- ⇒ The Government continue its important work on the implementation of the G20/OECD Base Erosion and Profit Shifting (BEPS) recommendations to further strengthen Australia's rules addressing tax integrity.

The report can be accessed from the Committee's website at:

http://www.aph.gov.au/economics/completed_inquiries

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