

Dowdeswell & Associates

CHARTERED ACCOUNTANTS

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The Board of Taxation
C/- The Treasury
Langton Crescent
PARKES
ACT 2600

Dear Sirs,

RE:Tax Value Method

In writing this letter I am responding to the Board's request for submissions in relation to the proposed introduction of TVM.

I am a Chartered Accountant who has been in public practice for the past 16 years in Australia and for ten years before that in the UK. I have daily contact with current tax law and its application to the affairs of small business taxpayers. My information on the TVM comes principally from the Institute of Chartered Accountants and other professional data resources. I have had no involvement with the development of the TVM.

I consider that there is a need to address the complexity, inconsistencies and volume of Australia's taxation legislation, including such other interpretational material as tax rulings and determinations. However, I believe the way to do this is to aim at simplifying the tax system. Good law, it has been said, is clear law. That does not say much for our fiscal rules. Good law is also transparent – the taxpayer knows why the rules have been brought in and their consequences. That is not the case with the present tax law. Often when I try to explain points of law to clients they will stare open-mouthed at me and ask "how can that be – it so unfair?" Only an innocent expects the law to be either fair or just, but frequently my clients are left believing that the tax laws are an open assault on them by a government whose only objective is to stay in power.

So what does all this have to do with a submission on TVM? Quite simply that, though the TVM will probably achieve the same result as the present method of arriving at a taxable income, it lacks transparency. (all accountants know that you can arrive at the profit of a business if you put the balance sheet together – it's the balancing figure). But people who don't know accounting will not be able to understand how their taxable income has been reached just by saying "it's the difference in their balance sheets", adjusted, of course for a myriad of thing. Simpler? I don't think so. Clearer? Certainly not. But worse, the ordinary taxpayer will just not understand it and see it as the imposition on them of a new philosophy dreamed up by academics from their ivory towers. It will also cause tax practitioners huge disruption as we have not only to come to grips with another systemic change, but must educate our clients in this as well.

The TVM will not produce cost-saving benefits to taxpayers because businesses will still need to have accounts prepared in the traditional way and, because of the paranoia the Tax Office have over being rip-off by a dollar, the substantiation rules will be just as onerous.

If the Board is serious about simplifying the taxation system, I encourage them to drop this fairyland adventure called TVM and invest their efforts, skills & intellect to improving the tax system itself without just tinkering with the method by which the taxable income is determined.

Yours sincerely,

DOWDESWELL & ASSOCIATES

A handwritten signature in black ink, appearing to read 'J C Dowdeswell', written in a cursive style.

J C Dowdeswell