Spry, Fiona

From:	timothy lee
Sent:	Saturday, 23 March 2002 11:23
To:	taxboard@treasury.gov.au
Subject:	Tax Board Website

I read recently in the Tax Agent magazine that you were inviting interaction with tax agents on the tax value method. Could you firstly advise me about which clients this new method will affect?. Will it be only large business and I mean large companies with $20m turnover etc, or will it flow through to the Mum and Dad companies and small retailers in shopping centres?. I read it in the Ralph Report and thought it an excellent idea - because you can always establish opening and closing balances from records, and I believe will be a better way to chase black money than at present. However when you reflect on it, you still find that you have to establish drawings, because opening and closing balances won't necessarily reveal used up money. Also, you can't very well tax someone on increase in asset values, if the money from that has not been realised yet, or perhaps more importantly, because the valuations may not be correct, because in many instances people receive money for assets and then buy new ones and they still have to pay the tax on the money that was reinvested - unless rolled over like purchase of new bulldozer etc.

I have followed up on Ralph by looking at overseas systems which have been changing their tax systems eg Holland with their excellent box system, Germany, USA which would like to introduce GST but has decided to keep on with retail sales tax, and we nearly had it here if Kim Beasely had won the election and brought in the system of percentage on turnover. I reckon that would save a LOT OF TROUBLE and probably be more accurate than our present system of adding up input credits. Tax dept let us use percentage basis for traders under $1m and it is a breeze. But what I am getting at here is that these ideas are all good on paper but when it comes to reality, things crop up which make it difficult.

For instance, how are we going to get international accounting standards changed to follow us? I know that TVM is for tax only, but it seems a waste to not use such a good idea elsewhere. Remember the old Current Cost Purchasing which the standards brought in during the seventies? It died a death when inflation fell. Are we not going to find that we really have to have a way of paying tax on the asset without selling the asset?. Or is it too early in the piece to do that? Maybe the way electronic exchange is going (despite Enron) in 10 yrs time all houses will be listed and you will be able to drawdown on your value to pay your tax? Maybe even the tax dept will allow you to 'bank' your assets with them to drawdown to pay your tax on increased values? (Mr Carmody says he does not know whether he is a tax collector or a benefits payer - maybe he is going to end up being a banker as well!) Seriously though, you have to give Mr Ralph 10/10 for trying to break the capital/revenue syndrome because few people understand the distinction between the two, and wages compared to capital gains seems to be losing out all the way.

But it seems to me that the are going to have to be too many adjustments to make the idea usefull, and we have enough work already. But let's keep thinking along these lines, and maybe we will come up with an answer?