From: Nixon, Matthew C
Sent: Friday, 15 March 2002 9:34
To: 'taxvaluemethod@taxboard.gov.au'
Subject: RE: TVM

Hi,

I would like to submit that the TVM will be administratively harder and in overall terms more time consuming than the existing method for calculating the taxable income for a taxpayer.

The TVM method for individuals is proposed as:

(Receipts - payments) + (change in tax value of assets) - (change in tax value of liabilities) = net income

This approach is only suitable for entities that would account on a purely cash basis. For any other entity having to segregate 'cash receipts' and 'cash payments' from the total receipts or payments will be a significant task.

This means that for any entity that accounts for trade creditors or debtors, then the cash receipts and payments will more than likely have to be derived, as opposed to the current system where an entities net income in practical terms will be based on the total receipts and payments as stated in their Profit and Loss account.

The TVM method also does not appear to have any answer to say equity injections that go straight to the capital account which may be the case for a partnership or sole trader. Such receipts would have to be excluded from the definition of a receipt. However, where an entity has to start excluding items this will substantially add to the complexity in completing a taxpayers income tax return.

The TVM method does not improve on the existing method of preparing a business taxpayers income tax return, infact the TVM method makes it more complicated.

The Government should therefore abandon the TVM method and allow businesses to continue preparing income tax returns based on their financial statements, which are compiled based on good accounting principals.

If you have any queries regarding this submission please do not hesitate in contacting me.

Regards,

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