Tax Working Group Public Submissions Information Release

Release Document

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[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people;

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: Angus Ogilvie [1]
Sent: Monday, 8 October 2018 10:00 AM
To: TWG Submissions
Subject: Submission on the Interim Report

Dear Sir/Madam

I'm writing to strongly oppose any Capital Gains Tax proposal that might be considered in the Working Group's final report to the Government.

I am an accountant in public practice and a member of CPA Australia.

Adam Smith wrote that taxation should be predictable, convenient and efficient and I would concur with that sentiment. A capital gains regime is unlikely to satisfy any of those criteria.

A CGT levied on the sale of assets would likely be a very slow burn in terms of revenue received by the Government. The interim report makes this clear.

This leaves the possibility of a tax on unrealised gains, the so called "risk-free return method". Whilst this might make theoretical sense, in that inflows of revenue would be more certain and constant, I'm sure that there would be no political will to implement it. It would be neither convenient nor efficient to collect tax on a pay-as-you-go basis for capital gains. It would have perverse impacts on individual investors and investment generally.

Assuming that a CGT on unrealised gains is rejected, any CGT would be a valuer's dream. All assets would need to be valued once the scheme begins, although presumably legislation could be enacted that saw certain asset classes phased in. The cost involved in this for taxpayers would be significant. I cannot think of any other tax that would impose such entry costs.

The alternative, to only consider assets purchased after any CGT was implemented, would not in anyway meet any objective standard of fairness and would impact younger generations.

It is inevitable that residential rentals would rise with the introduction of a CGT. It is also likely that commercial rents would rise too. Both types of property would also likely increase in value. I'm certain that the Government's intention in introducing a CGT would be to moderate residential property prices but there is absolutely no certainty that a CGT would achieve this. International experience suggests that the contrary may well be true.

If de miminis exemptions are considered, I'm certain that would provide an even greater boon for my profession. I also harbour fears that shares and businesses will be hit hard with any CGT and will perversely decrease the appetite for risk.

It is clear that any CGT would be complex and would not meet the test of convenience or efficiency.

It is my contention that the Working Group should reject any form of CGT, as previous tax reform groups have.

If there are issues of fairness to be addressed, this could be much better achieved through welfare, or by reducing the marginal tax rates for low income earners. Alternatively, rules along the lines of the bright line test could be extended to other asset classes.

Yours faithfully

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