

MEDIA RELEASE

Institute of Financial Professionals Australia urges government to tackle comprehensive tax reform

In its 2023-24 Budget submission, the Institute of Financial Professionals Australia, has urged the government to address underlying structural Budget weaknesses by going beyond incremental change and undertaking comprehensive tax reform.

“Recent changes in the integrity around multi-nationals and the rules for taxing larger superannuation balances fall well short of comprehensive tax reform,” said Board Member Terry Blenkinsop, pointing to repeated IMF observations-- that Australia places undue reliance on direct taxes such as personal and company income tax.

“While the political challenges of implementing major reform are well understood, the Australian community’s appreciation of the need to put Australia’s finances on a more sustainable footing is perhaps underestimated,” Mr Blenkinsop added.

An important first step in such a process is to engage in a serious conversation with the Australian people.

A specific taxation area raised in the Institute’s submission includes matters relating to trusts, including:

- The fundamental legislative framework around the taxation of trust income should be revisited in light of a 2011 Treasury paper on options for reform.
- The need to reconsider the reimbursement agreement rules in section 100A /TAA 1936 in light of recent ATO guidance and court decisions. The Institute considers this specific anti-avoidance provision is being applied in circumstances that go well beyond the mischief they were designed to prevent. The provision should either be repealed altogether or modified so that it is more tightly focused.

Also requiring urgent attention is the simplification of the deemed dividend rules for private companies in Division 7A /TAA 1936, which was announced by the previous government in the 2016-17 Budget.

Other tax issues raised in the Institute's submission include:

- With the temporary full expensing incentive scheduled to come to an end as from 1 July 2023, some form of incentive to invest in capital assets should be maintained for smaller businesses. The Institute recommends raising the threshold for the Instant Asset Write-off to \$100,000 for businesses with an annual turnover of up to \$50 million.
- The revised residency rules for individuals as recommended by the Board of Taxation in 2019 should be implemented promptly.
- The Board of Taxation's report on the existing CGT roll-over rules should be released so that consultation can begin.
- The roll-over rules relating to small business restructuring should be reviewed with the aim of removing impediments and increasing certainty.
- With the local manufacture of motor vehicles coming to an end some years ago, the imposition of the discriminatory Luxury Car Tax can no longer be justified.
- The car depreciation limits should be increased to a more realistic level.
- The \$150,000 GST registration threshold for not for profits should at least be doubled.
- Deductions for annual leave and long service leave provisions should be deductible for small businesses as they accrue rather than when the leave is taken, subject to a cap.
- The non-deductible entertainment rules for both income tax and FBT should be suspended for CBD businesses impacted by the COVID induced shift to working from home for many employees.
- While elevated inflation rates are expected to persist and investors are facing negative real returns, lower income individuals should receive an inflation adjustment on their nominal interest receipts, up to a cap.
- There should be further trading stock record keeping relief in relation to perishable items for small businesses.
- The tax rules around work related expenses should be reviewed in light of the recent trend to working from home and many employees having multiple jobs.
- The GST grouping provisions should be widened.
- The various small business entity thresholds should be rationalised if possible.

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