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Individuals Tax Unit
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

HOUSING TAX INTEGRITY – DISALLOWING TRAVEL DEDUCTIONS AND LIMITING DEPRECIATION DEDUCTIONS

Submission relating to the proposed changes.

Being an active registered tax agent since 1974 I feel compelled to lodge a submission regarding the above two proposed taxation changes.

1. Travel Deductions

- a. Honest taxpayers and investors have the right to expect to be allowed to claim genuine expenses incurred in earning their rental income. This is a genuine cost incurred in earning that income and is a basic tenet of the income and expense matching process. Is this the thin edge of the wedge? What is next, will legislators take to rates, insurance or interest on loans to acquire property? This is a farcical situation and sets an extraordinary precedent for future taxing governments.
- b. This proposal also has a retrospectivity involved. Many astute investors have carefully budgeted for their cash flow in making the decision to acquire property and now due to this envisaged legislation their cash flows projections will be jeopardised. Investors, and the country needs them, will be dismayed with the effect of this adjustment that was not provisioned and this will affect future investment decisions due to the lack of consistency by the Government. Consistency is the key for long term investment decision making.
- c. I have read that one of the reasons for this measure was that the Taxation Office was concerned with the 'rorting' of travel claims made against rental income. Common sense would dictate that the better proposal would be to find the 'rorters', re-educate or penalise those involved and leave the genuine taxpayers to make claims for actual costs incurred in earning their income. Do not penalise genuine investor taxpayers due to the in-effectiveness of the tax office.

2. Limiting depreciation deductions.

- a. Is the Government now asking us to believe that when you purchase a property for rental purposes you do not acquire depreciable chattels such as heaters, airconditioners, carpets etc - -this is insane. On the other hand they contend that if you acquire a replacement chattel then it will be depreciable – where is the common sense in this argument? A chattel is a chattel regardless of when it is acquired. To deny a depreciation deduction for an article actually purchased and used in earning assessable rental income is ludicrous.

Summary

As proven by previous Governmental interference reducing the benefits of negative gearing can have severe adverse effects on such important Australian benefits such as: existing housing, the building industry, investment in property, future housing supply, even the banking industry, the list is quite extensive. The former Prime Minister Paul Keating even had to abruptly rescind punitive legislation regarding negative gearing due to adverse economic effect.

Both of these proposals deny the legitimately long held view that an expense incurred in earning assessable income should correctly be offset against that income. These are artificial measures are only proposed to increase Government revenue. The Government would be better suited to finding other more realistic and better economically sound measures to extract our funds.

One feels that the ATO is attempting to bludgeon investors at the expense of not wanting to upset other sectors of the population. If they want to increase taxation revenue then increase the tax rate so that it becomes fair and reasonable for all.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Shane M. Beale', with a stylized flourish at the end.

Shane M. Beale FCPA