

**Patch, Robert**

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**Sent:** Friday, 26 April 2002 11:05  
**To:** taxvaluemethod@taxboard.gov.au  
**Subject:** Comments on TVM

**Submission to Board of Taxation on TVM 19/04/02**

I am strongly opposed to the proposed change in nomenclature from "Capital Gains and Losses" to "Investment Asset Events".

The expression "Capital Gains and Losses" is simple and has a clear and well defined meaning.

"Investment Asset Events" has a much broader meaning.

At present individual taxpayers are required to tell the ATO details of the acquisition of their investment assets only when they dispose of such assets and make a capital gain or loss.

Use of the term "Investment Asset Events" would enable the ATO to require all taxpayers to include in their tax returns full details of the ACQUISITION of **all** investment assets in addition to whatever are disposed of in that year.

Inclusion of such information in annual tax returns would enable the ATO to build up a data base of all taxpayers' investment assets.

Although not intended by the Board of Taxation, this would in the future facilitate the taxing **as income** of unrealised capital gains on selected assets.

There are precedents for this. The unrealised conversion gain of Suncorp Metway Exchanging Instalment Notes to shares was taxed **as income**, thereby denying the 50% CGT discount to taxpayers who had held the Notes for more than 12 months. The same applied to any capital gain made on the sale of Notes before conversion.

Centrelink keeps a data base of the investment assets of part-pensioners who are subject to the Assets Test, and reduces their pension when the market value of such assets increases. In effect this is a form of taxation of unrealised capital gains.

The Board of Taxation has indicated that for individual taxpayers, "Investment Asset Events" will simply mean "Capital Gains or Losses".

Unfortunately the Board is an advisory body only. The real power of interpretation of terminology lies with the ATO and Treasury bureaucrats.

In general, TVM as presented in the 06/03/02 release appears to have many advantages in tax simplification. Although it may be premature to make the following comments, I consider the only way TVM could be satisfactorily implemented would be as follows :-

1. Allow at least 5 years for preparation and public education before attempting implementation.
2. Make the Board of Taxation a statutory body in charge of the implementation

When the new legislation has been thoroughly prepared and tested, and satisfactory public education has been achieved, abolish all existing tax law and substitute TVM by the "big bang" method.

Submitted by Mr. H.L. Harvey 8/37 Alexandra Ave. Taringa 4068