

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 411

**Topic: Personal Income Tax -
Recommendation 2 of the Henry Review**

Hansard Page: Written

Senator EGGLESTON asked:

1. Will ATO administration be simpler with this policy in place?
2. Will there be staff reductions? Will there be fewer or simpler forms?

Answer:

Question 1 Will ATO administration be simpler with this policy in place?

- The Australia's Future Tax System Review (the Review) found there would be benefits in moving to a high tax free threshold and a simple progressive personal income tax rate structure involving fewer marginal rates.
 - A higher tax free threshold would remove complexity for individual taxpayers and reduce compliance and administrative burdens by facilitating the removal of structural tax offsets such as the low income tax offset.
 - A higher tax free threshold would also improve the interface between the tax and transfer systems by reducing the need for individuals to interact with both systems at any one time.

Question 2 Will there be staff reductions? Will there be fewer or simpler forms?

- The Review found that a higher high tax free threshold and a simple progressive personal income tax rate would reduce compliance and administrative burdens.
- The impact of any hypothetical change in policy will depend on the details of the policy change and the decisions taken to implement the recommendation.

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- The Government has not announced it will introduce a simple progressive personal income tax rate structure involving fewer marginal rates.