

26 May 2005



The Secretary
Senate Economics Legislation Committee
Suite SG.64
Parliament House
CANBERRA ACT 2600.
By email: economics.sen@aph.gov.au

Office of the Chief Executive
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Dear Mr Hallahan

Inquiry into the Tax Laws Amendment (Improvements to Self Assessment) Bill (No. 1) 2005 and the Shortfall Interest Charge (Imposition) Bill 2005

As Australia's pre-eminent professional association representing the diverse interests of more than 105,000 finance, accounting and business advisors, CPA Australia is committed to working with Governments and their agencies and committees to ensure current and future economic and social policies foster an environment that maximises economic efficiency and makes Australia a better place to live, work and save.

We expect these two Bills are the first of a number of Bills designed to implement those recommendations from the recent Treasury Review and subsequent Report on Aspects of Income Tax Self Assessment (August 2004) that have been accepted by the Government.

CPA Australia actively participated in that review, and supports this tranche of legislative amendments that:

- Introduce a shortfall interest charge (SIC) which is less than the general interest charge (GIC) that may apply to taxpayers before they receive an assessment. As part of the Treasury review, we submitted that the GIC was punitive and amongst other things needed to be reduced.
- Abolishes penalty tax for shortfalls for failure to follow a private ruling. As part of the Treasury review, we submitted that these penalties discouraged taxpayers from applying for private rulings at all.
- Will require the Commissioner to provide taxpayers with an explanation why a penalty may apply, and why it has not been remitted in full. This is welcome in a self assessment environment and provided taxpayers with more transparency.
- Provides clarification of what is 'reasonably arguable' for tax purposes.

We trust this information is of use to the Senate Economics Legislation Committee. If you have any questions regarding the above, please do not hesitate to contact our Senior Tax Counsel, Paul Drum FCPA, on Tel: 03-9606 9701 or by Email: paul.drum@cpaustralia.com.au

Yours sincerely

A handwritten signature in black ink that reads 'Greg Larsen'.

Greg Larsen, FCPA
Chief Executive
CPA Australia

c.c. P Drum