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## Statement from CPA Australia Chief Executive Alex Malley on the Greens CGT and negative gearing costings

The release this afternoon by the Australian Greens of costings for the abolition of capital gains tax and negative gearing puts the spotlight on the broader question of how income from savings should be taxed.

While the Greens are entitled to examine the issue, unfortunately the costings by the Parliamentary Budget Office - by their own admission - are "of low to medium reliability".

The extent to which the debate is being advanced by the Greens is questionable.

The elimination of the CGT general discount and/ or negative gearing - in the absence of any other alternative incentive to encourage investors to take a risk and invest - will have a detrimental effect on both investment activity and, in turn, tax revenues.

It's what inevitably happens when you look at a reform in isolation from the rest of the economy.

The costings do not address the fact that the tax system already effectively penalises taxpayers on certain income derived from savings outside the superannuation system. This includes rent, interest and unfranked dividends.

A more holistic approach would be to encourage investment by families and others by taxing all income derived from savings at a rate lower than an individual's marginal personal tax rate.

Such an initiative may also provide the opportunity to adjust the CGT discount for some taxpayers. It would also make negative gearing of investments less economically attractive, while at the same time still encouraging investment in housing, and helping improve housing stock numbers.

There's another issue here which needs to be called out, and that's the danger of a seemingly open-ended tax review process.

It's already late, and has had an unnecessary extension.

When the timeframes are loose and the Government fails to clearly define the framework, it's not surprising that the debate is deteriorating.

There is a real question-mark about the Government's commitment to genuine, broad-based tax reform.

-ENDS

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