Henry inquiry into taxation and the report recommendation

Business

Topic Henry inquiry into taxation and the report recommendation Henry inquiry into taxation covers a number of tax related issues. One such issue hasbeen deducting of full taxes as suggested by certain industry organisations stating that such a move would encourage and increase trust between financial advisors and their clients. The current issue on deduction of taxes has emerged because tax is deducted from commission-based financial advice but fee-for-service advice is tax-free, which smacks of partiality with commission-based financial advisory providers (Papandrea, 2010).

This essay will discuss the Henry review, the ‘ root and branch’ review into taxation, conducted by the government by its Treasury secretary, Ken Henry whose recommendations to the government would be decisive. The essay will inquire into the causes of Henry review into taxation, the major recommendation of the Henry report and government response to the super profits tax (RSPT).

The purpose of the government for reviewing taxation on the financial organisations was to help in making Australia a regional financial centre by taxing managed funds and related services to ensure that conduit income will be tax free in Australia (Thompson, 2010).

The major recommendation of the Henry report is to reduce the aggregate number of taxes collected by the government. Out of the 125 taxes 90% collection is realised from only 10 taxes, which has prompted to simplify and introduce the most effective form of taxation reform by raising those 10 taxes to nearly 10% each and erase rest of the 115 taxes (Thompson, 2010).

The government response to the recommendation has been straight forward by releasing on May 2, 2010 ‘ Stronger, Fairer Simpler’ tax plan. Regarding financial institutions among a number of other recommendations, the government response has been to be selective by not implementing all the recommendations. The Prime-Minister has stated in the press release that ‘ some potential misinterpretations of the recommendations... it will not implement at any stage’ (Thompson, 2010).

The government response on the super profit tax (RSPT) has been to introduce 40% rate from 1 July 2012 with the RSPT to be derived from company taking the tax rate effectively to 56. 8%. It is still not the final outcome as the government has granted one more year to reconsider and hold discussions before implementing the taxes so that there remains no doubt over some crucial details and content of the RSPT (Thompson, 2010).

Papandrea has discussed just one aspect of the issue between financial advisors and their clients, which is crucial. The government response on RSPT has been wise by taking sufficient time to remove the anomalies in the details of the content before finalising the RSPT rate to 40%.

References

Papandrea, Victoria 2010, ‘ Inquiries galore’, Inquiries & Reviews: IFA Issue 483.

Thompson, WD 2010, ‘ A long term plan for Australian tax reform – the Henry Report and the government’s response’, Minter Ellison Lawyers: Keeping Good Companies, vol. 62, no. 5, pp. 305-308.