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Proposed reforms aim to file away tax return complexity

The burden of keeping receipts and records for work-related expense deductions would be removed for the majority of taxpayers under proposed new reforms.

University of Tasmania tax expert Dr John Minas from the School of Business and Economics, and Dr James Minas from the Ithaca College School of Business have outlined ways that would simplify the annual tax return.

In an article published in *Australian Tax Forum*, the pair have identified reform options—with two components—to help reduce the compliance burden for individual taxpayers.

The first component is the introduction of a standard deduction that would no longer require keeping receipts for work-related expense (WRE) deductions such as car, travel, uniforms, and self-education costs.

The second component is the introduction of a cap for those taxpayers who elect to continue to claim their actual WRE deductions.

“Around 60 per cent of individual taxpayers would claim the standard deduction and experience the simplicity benefit of no longer having to substantiate their deduction claims for work-related expenses,” Dr John Minas said.

“Our analysis revealed that a significant number of taxpayers claim deductions for relatively small amounts of work-related expenses.

“As well as the reduced compliance costs for these taxpayers, the proposed standard deduction would have benefits for the Australian Tax Office (ATO) in terms of reduced administrative costs.”

Dr James Minas said collectively the reforms would achieve revenue neutrality for the Federal Government.

“Although the standard deduction has a revenue cost, this would be completely offset by the cap on work-related expense deductions for those taxpayers who choose to continue itemising and claiming these,” Dr James Minas said.

“The proportion of individuals with deductions in excess of the proposed cap is a very small percentage of the taxpayer population.”

Dr John Minas said, “The scope of our proposed reforms is limited to WREs, meaning that other categories such as tax-related expenses, dividend deductions, interest deductions, and deductions for personal superannuation contributions would not be impacted by our proposal.”

“As well as achieving increased simplicity, the reform could also move Australia’s tax system closer to one where individuals are no longer required to lodge a tax return.”

The analysis for the article was drawn from the ATO individual taxpayer sample file.

Information released by:

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