

BRAD



TAX POLICY ADVISOR  
EXTRAORDINAIRE:  
reforming the taxation of  
investment income

Wayne Mayo



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In support of all those seeking fair, efficient and simple taxation of  
investment income

## **Preface**

This is a book about that riveting topic, income tax.

Your wages income is always going to be taxed, right? Right.

You'll get deductions for some work-related expenses. And you'll get some tax breaks for, say, being old or living in remote areas.

And there might be some income tax reductions coming from the interaction of personal income tax and the welfare system.

But essentially you'll be assessed for income tax on your wages.

Not heaps of excitement there.

But how about income tax on the investments that you might put your after-tax wages into instead of spending your wages now on living? Like bank accounts. Like rental properties. Like your own business. Like company shares. Like mutual funds. Like superannuation.

There is a bit more excitement and funny business there.

So, Brad is involved in the excitement of taxing investment income: the income that comes from saving for future living rather than consuming now.

Brad, together with his boss, Claudia, and his colleague, Sami, form a dedicated tax policy team in their country's Tax Department. Requests from their Tax Minister provide the team opportunities to influence the shape of changes to the way their country taxes investment income. Tensions often arise within the tax policy team because members often have very different views on the desirable shape of such changes or whether there should be changes at all.

Amazingly, the tax laws in Brad's country are very similar to those in Australia.

### **The main players in the comics**

Meet the Tax Minister and the Tax Department's illustrious tax policy team, Claudia, Brad and Sami.

## Meet the main players



Tax Minister

## And the Tax Department's tax policy team



Brad - tax advisor extraordinaire



Claudia - Brad's boss



Sami - Brad's colleague

## About the author

Wayne Mayo has experienced many challenging, frustrating and exciting times within the Australian Treasury struggling with changes to the way investment income is taxed: 1980-82 and 1984-86, including managing the Business Taxation Policy Branch during the 1985 Hawke/Keating business income tax changes; 1997-99, which involved policy work prior to, and during, the Ralph Review of Business Taxation initiated by the Howard/Costello government; and, 2015-16, working as consultant on a tax reform process initiated by the Abbott government. From 2000 to 2002 he developed, as consultant to the Australian Taxation Office, his first version of the Kyscope cash flow model for analysing a 'kaleidoscope' of business income tax policy options (later further developing the model).

During those times he may well have witnessed some of the funny situations Claudia, Brad and Sami find themselves in.

Wayne has written books and had journal articles published on income and rent taxation.

## The odd reference

If you happen to be so moved by the policy team's machinations that you wish to pursue for yourself theoretical underpinnings of much of the funny stuff in these comics, you could start with:

- Paul A. Samuelson, 'Tax Deductibility of Economic Depreciation to Insure Invariant Valuations', *Journal of Political Economy*, 72 (December 1964), pp 604-606; and
- P. L. Swan, 'Income Taxes, Profit Taxes and Neutrality of Optimizing Decisions', *Economic Record*, 52 (June 1976), pp 166-81.

Worked examples of many of the income tax arrangements touched on in the comics may be found in the following book, sometimes referred to, kindly no doubt, as the "book of numbers":

- W. Mayo, *Taxing Investment Income: without affecting worldwide investment decisions*, Kyscope Publishing, Canberra (2011)\*.

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