

Submission to the Taxation Discussion Paper

There is a tax concession available to non-profit employees and employees in the hospital and health sector.

It allowed those eligible to receive approximately \$14,000 tax free provided it is used to pay off a debt. Using this measure, the employee is avoiding \$14,000 being taxed at his or her highest marginal rate. If the tax bracket is 34.5 cents, the saving is \$4,830, if 39cents, the saving is \$5,460, if 49 cents, the saving is \$6,860.

Given the size of the non-profit and health sectors, it is likely that many are eligible. Furthermore I believe that it can be even more generous. For example, a doctor who works at three different hospitals, can claim it three times.

The rationale for the tax break is hard to fathom today. Health workers and many in the non-profit sector earn market based incomes. Indeed, a nurse's salary equates well with those of teachers and police etc.

This benefit could be phased out over given period. A seven year phase out would generate very strong savings for the government.

For example:

Assume there are 500,000 eligible.

The average tax rate for those eligible is 34.5 cents.

Total savings would be $\$4,830 \times 500,000 = \$2,415$ billion.

Saleability

Unless you are eligible, a person would not be aware of this benefit.

The inequity would be obvious to many and any phasing out would receive widespread support.