



TAX FORUM 4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

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ORGANISATION

The National Foundation for Australian Women is dedicated to promoting and protecting the interests of Australian women, including intellectual, cultural, political, social, economic, legal, industrial and domestic spheres, and ensuring that the aims and ideals of the women's movement and its collective wisdom are handed on to new generations of women.

NFAW is a feminist organisation, independent of party politics and working in partnership with other women's organisations. These organisations include those committed to increasing support for women in Australia as well as those with a special interest in women's history.

This statement of reform priorities has been developed in conjunction with the Equality Rights Alliance.

STATEMENT OF PRIORITIES

1. What are your priority reform directions for the tax and transfer system?

NFAW believes the process of Reform of Australia's Future Tax System, and the October 2011 Tax Forum are a key opportunities to introduce changes which will enhance gender equality in the work-place, together with the promotion of greater fiscal vertical equity. To achieve the goal of great gender equality in the work-force, NFAW believes the Government needs to take a number of measures in the context of tax reform. NFAW has identified key principles of reforming the Australian taxation system to better achieve gender equality for women and men:

1. Maximising opportunities for individuals to realise their capabilities and capacities
2. Supporting family welfare outcomes through productive labour
3. At a societal level, maximising workforce earning capacity among productive/reproductive Australians

The following outlines key issues from NFAW's ongoing work which are relevant to tax reform to advance gender equality.

1) Superannuation policy

- a) We endorse Recommendation 18 of the Henry Review, recommending that superannuation be taxed at a taxpayer's marginal rate of tax less a rebate, as we believe that this will encourage couples to invest separately in the superannuation account of the lower income earner.
- b) We also endorse Recommendations 21 and 22 to encourage superannuation funds to offer, and members to take up, annuities instead of lump sums on retirement.
- c) We further recommend that the threshold below which employers are not required to make contributions, currently \$450, be removed. However this must be managed in a way that does not reduce the wages of these low paid workers but is affordable by employers.
- d) We recommend that superannuation guarantee be payable in respect of paid parental leave; and



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parents returning to the workforce after parental leave be encouraged to make catch up contributions into superannuation, through an increased superannuation co-contribution and/or an increased concessional contributions cap; and that consideration be given to similar treatment in respect of other categories of carer payments.

- e) We endorse the proposals of the Cooper Review to simplify access to and lower the cost of the superannuation system, including the proposals to simplify amalgamation of accounts through using the Tax File Number system.
- f) The spouse superannuation offset should be reviewed with a view to increasing its effectiveness in encouraging contributions for a spouse

2) Child care services

- a) We endorse Recommendation 99 of the Henry Report, relating to the combination of CCB and CCR into a single benefit however we do not endorse the reduction of the base rate to the marginal tax rate as this would reduce the current level of assistance. The benefit should be:
- Work tested, to prioritise access to families using child care to enable the parents to work, study or attend a training programme;
 - Means tested, to ensure that the contribution from low income families does not exceed 10% (refer to recommendation 100);
 - The base rate of assistance should not be reduced from the current rate of 50%, but the existing cap should be either abolished or increased. The value of the cap should be reviewed to determine the appropriate rate, having regard to local variations in the cost of child care
- b) If the CCB is retained, the CCB rates should be reviewed to reflect the cost to a child care provider, less a co-contribution from parents that does not exceed 10%;
- c) Parents using child care services in the home should be entitled to benefits on the same basis as approved child care services on condition that the person caring for the child(ren) holds appropriate qualifications and immigration status, and that all relevant industrial relations and Occupational Health and Safety obligations are met;
- d) Parents using out of school care (OSCC) and vacation care services should be entitled to benefits on the same basis as approved child care services on condition that the person supervising the child(ren) holds appropriate qualifications and the daily cap should be adjusted to reflect the hours of care; and
- e) The programs offered in OSCC for older children (9 – 14) should be reviewed to ensure they are appropriate for the target age group.
- f) The fringe benefits tax exemption for child care benefits provided by an employer is currently very restrictive, and only available to a limited number of employees. We recommend:
- The current FBT exemption for child care be extended to include payments to approved child care providers outside the employer's premises, but the exemption be capped equivalent to CCR; or
 - Alternatively the existing FBT exemption should be removed (recommendation 101).

3) Family Tax Benefits

- a) We endorse the general direction of Recommendations 90 to 96 of the Henry Review. Specifically:
- FTBB should be abolished as a separate payment, and incorporated as a supplement to FTB;
 - This supplement should be reduced when all children of the family are over 6 years of age, consistent with requirements for Parenting Payment;
 - Sole parents require particular consideration in setting the rates of FTB and appropriate supplements



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as their capacity to engage in the workforce is reduced; and

- Combining the benefits into a single amount and applying the means test to the total benefit payable reduces the impact of the double means test on the income of the secondary earner in dual earner families.

b) We further recommend that the operation of the maintenance income test on sole parents be reviewed to reduce the effective marginal tax rate that applies on earned income when a sole parent is entitled to child support payments.

4) Affordable Housing

- a) We recommend that the necessary funds be provided to ensure the continuation of the NRAS;
- b) We also support Recommendation 14 to reduce the current capital gains tax exemption from 50% to no more than 40%; however the 50% concession should be retained in relation to investment in affordable and social housing, through approved entities.

5) Expansion and Better Promotion of Re-training Options

We recommend allocation of funding to promote the range of vocational education and training and workforce re-entry programmes available to women returning to the workforce.

2. How are your proposals financed over the short and longer term?

- 1) Superannuation: The proposal to tax superannuation at a person's marginal tax rate will redirect investment in superannuation away from high income earners, who currently invest more in superannuation than low income earners. We believe that this proposal will address this tax shelter, and will provide funds to facilitate the other proposals that we are making.
- 2) Child care services: The combination of the two existing benefits into a single benefit is a rearrangement of the two existing programs, and could be revenue neutral. However we have indicated that there are deficiencies in the existing program that must be addressed, specifically the cap on the current CCR and the rate of the current CCB. We believe that the funding to rectify these flaws will come from productivity gains and the additional tax raised as women increase their workforce participation. There will be some marginal savings in our recommendations as salary sacrificed child care payments become subject to the cap, and women working less than a full week become subject to a daily cap, albeit at a higher rate.
- 3) Reform of Family Tax Benefits: The recommendations relate to a restructuring of the current system, and should be revenue neutral. We again note the effect of increased workforce participation rates.
- 4) Affordable Housing: The reduction of the capital gains tax concession from 50% to 40%, except in respect of investments in affordable and social housing schemes, would raise around \$10b pa, which could be applied to extend the NRAS scheme.

LIST OF ATTACHMENTS

Refer to attachments to the Statement of Priorities from the Equality Rights Alliance