

**SUBMISSION TO THE REVIEW OF THE AUSTRALIAN
TAXATION SYSTEM**

**AUSTRALIAN FEDERATION OF DISABILITY
ORGANISATIONS**

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ABOUT THE AUSTRALIAN FEDERATION OF DISABILITY ORGANISATIONS

The Australian Federation of Disability Organisations (AFDO) has been established as the primary national voice to Government that fully represents the interests of all people with disability across Australia. The mission of AFDO is to champion the rights of people with disability in Australia and help them participate fully in Australian life.

At present, AFDO has nine national members and four State based members. They are:

National Members

[Blind Citizens Australia](#)

[Brain Injury Australia](#)

[Deaf Australia Inc.](#) (formerly Australian Association of the Deaf)

[Deafness Forum of Australia](#)

[National Association of People Living with HIV/AIDS](#)

[National Council on Intellectual Disability](#)

[National Ethnic Disability Alliance](#)

[Physical Disability Australia](#)

[Women with Disabilities Australia](#)

State Members

[Access for All Hervey Bay](#)

[Disability Australia](#)

[Disability Resources Centre](#)

[People with Disability Western Australia](#)

Introduction

At present one in five Australians has some form of disability. With an ageing population which will experience higher rates of disability, this figure is set to rise dramatically in coming decades¹. Income and taxation issues will be critical for this cohort of people with disability as they face higher costs associated with participation and inclusion, and as the community pays the less obvious but still significant costs of exclusion. To meet the needs of people with disability into the future, the tax and transfer systems should respond to two critical requirements for all people with disability: providing adequate supports for inclusion and promoting flexibility in participation.

Significantly, any approach to the standard of living of people with disability must be a human rights approach as laid out in the UN Convention on the Rights of Persons with Disabilities (UN CRPD), which was ratified by the Australian government in 2008. The UN CRPD stipulates that people with disabilities should be given the opportunity to participate in all areas of life, including getting an education, having a job and having a family.

Question 4.1 How might the personal tax system be better changed to better achieve the goals of greater simplicity, transparency, equity and efficiency?

While AFDO does not seek to touch upon the broader merits and pitfalls of the tax and transfer systems, we acknowledge that certain preconditions make creating an inclusive, accessible society through the tax and transfers system much easier. To that end, AFDO supports the submission made by the Australian Council of Social

¹ Australian Institute of Health and Welfare, 2008, *Disability in Australia: Trends in prevalence, education, employment and community living*, available online at: <http://www.aihw.gov.au/publications/index.cfm/title/10495>

Service (ACOSS) to this review, and especially its calls for:

- A tax system which enables adequate government revenue to meet future demands, including those of an ageing population;
- Creating equity in the tax system by eliminating tax shelters at the high end of the income scale and ensuring consistency within taxation on different types of income (as opposed to increasing or introducing consumption based taxation);
- Maintaining a distinction between taxation and income support to ensure the clear role of income support as a safety net, except in specific areas where it is beneficial, such Family Tax Benefits;
- Clear accountability for government spending to taxpayers through accessible information;
- Ensuring that any flattening of the tax system is done over a broader base to avoid inequity.

Q4.7 Are the current categories and distinctions for income support, including rates of payments and income tests, still relevant? If not, would other categories be better? What goals or principles should guide categorised distinctions and associated payments?

At present, people with disability can fall into one of several income support categories: Disability Support Pension (DSP) for those of working age who cannot work for more than fifteen hours a week, NewStart Allowance for those who are of working age and can work for more than fifteen hours per week, and Old Age Pension (OAP) for those over the designated retirement age. Youth Disability Supplement is available for people under the age of 21. Besides general benefits offered through the Pharmaceutical Benefits Scheme (PBS) and various concession programs, people with disability of a working

age are eligible for Mobility Allowance which is intended to cover the additional costs of travel.

AFDO believes there are several problems with the current social security benefits system.

Rates of payment are unequal across the system, and generally inadequate to meet the basic cost of living above the poverty line.

Rates of payment for people on Disability Support Pension are higher than for people who are on other pensions and allowances. While this is useful for people with disability who are not able to work more than fifteen hours, it penalises those who are able to work more readily – or who appear to be able to work more readily when they are assessed - and are thus not eligible for DSP. These people face significant barriers to participation and lower income imposes an additional barrier because they are unable to meet the higher costs associated with their disability.

From a more general equity perspective, we believe that at a minimum all pensioners should be receiving the highest available general pension rate, which is DSP. True equality means that everyone should have the same base rate of payment, regardless of whether they are a single parent, a jobseeker or a person with a disability. AFDO believes that a basic payment which treats all people needing income assistance as equal helps not only to ensure that there is an agreed minimum standard of living in Australia for all people, but also that certain people are not seen as more or less ‘deserving’ of income support than others.

People with disability who are reliant on pensions at present struggle to meet the basic costs of living and to

maintain a life replete with basic necessities². As the cost of living increases, so will their struggle. That's because there are no processes in place to ensure that any increases in the cost of living are covered.

It is noteworthy that migrants with disability are ineligible to apply for DSP until they have been in Australia for ten years. AFDO believes that in a human rights framework it is unacceptable that people faced with the double disadvantages of migrant status and disability are again disadvantaged by our income support system. Article 28 of the UN CRPD (Adequate Standard of Living) states that State parties will work:

c) To ensure access by persons with disabilities and their families living in situations of poverty to assistance from the State with disability-related expenses, including adequate training, counselling, financial assistance and respite care

AFDO supports the suggestion of ACOSS that there should be a single generic payment for all income support recipients (dependent on their status as single, coupled or with children), with benefits added for extra costs such as rent and utility costs. The rates of this payment should be set by an independent determination of the minimum standard of living in Australia – that is, how much it costs to meet basic needs.

Costs of participation and inclusion are barely addressed at all by the current system.

² Mission Australia, 2008, *Left Out and Missing Out: Disability and disadvantage*, available online at: http://www.missionaustralia.com.au/document-downloads/cat_view/34-social-policy-reports

The costs of having any kind of participation in society are varied and significant for people with disability. They include buying aids and equipment, getting carers or interpreters, paying for medication and receiving assistance on an ad-hoc basis. Some of these costs are ongoing while others are one-off. For all people with disability, bearing the cost of inclusion and participation plays a significant role in isolation from the community. Meeting these costs will be an increasingly important issue as the population ages and becomes more disabled.

Example

Michael has an intellectual disability and receives the full single rate of DSP. He works at an Australian Disability Enterprise where his wage is \$69.00 per fortnight. Because he is working, he also receives the higher rate of Mobility Allowance, which is \$111.00 per fortnight. He has to travel to work by taxi, which costs him \$200 per fortnight.

Even with his wage and the added benefit of Mobility Allowance, Michael is left to pay \$20 per week out of his DSP for the chance to work. He is becoming increasingly concerned because the price of groceries keeps going up, and his DSP stays the same. Because his wage is paid under a special award, he is unlikely to earn more than he is already earning. Bureaucratic and attitudinal barriers prevent him from looking for work in open employment, where research shows he could earn twice his wage.

Example

Stephanie is chronically ill and bed bound. She has an undiagnosed condition which affects her mobility, vision and memory. To achieve a quality of life which allows her to participate in volunteer work on several websites and

teleconference committees, and to enable her independence, Stephanie relies on a number of items: her computer, donated by a friend, on-screen keyboard software provided by a grant, her customised telephone bought with a combination of a grant and her own money, and an electric wheelchair to move around her house, purchased through an aids and equipment program. For Stephanie, applying for grants and equipment funding is a stressful, drawn out process.

To resolve the problem of ensuring that people with disability are able to have meaningful and positive participation in society, AFDO strongly recommends that the government introduces a Medicare style levy to help pay for the inclusion needs of people with disability, with funds from the levy going towards the introduction of a Disability Inclusion Allowance. This Allowance would be used to ensure that people with disability were able to make autonomous decisions about their needs, rather than (or in addition to) having government allocated funds which go to a service provider who assesses individuals and provides whatever is available. The funds would allow people with disability access to ongoing support payments as necessary. AFDO has developed a set of principles for a Disability Inclusion Allowance, which can be found in Appendix 1 to this submission. In brief, those principles are:

1. Universality
2. Needs Based
3. Individualised
4. Whole of life approach
5. Single point of assessment for eligibility
6. Portability
7. Participation
8. For recurrent, not lump sum expenses
9. Not means tested

10. Concession Card
11. Episodic Disabilities and Emergencies
12. Implementation
13. Funding

Question 4.9 What are the key factors which should affect rates of transfer payments?

As discussed above, AFDO believes that transfer payments should be made equal in amount, with a minimum standard of living regularly used to determine that amount. For people with episodic disabilities such as psychosocial disability, HIV/AIDS or multiple sclerosis, there is a need to make sure that the transfer system retains flexibility in awarding payments.

If the current system is to remain, AFDO strongly believes that the Disability Support Pension should not be means tested to ensure that people with disability can meet the additional costs of participation even – and especially – when they are earning money. This is especially important because the number of older people with disability remaining in the workforce on a part time basis seems likely to increase, and the cost of meeting their participation requirements will not decrease alongside their hours.

4.12 In a targeted system there is a trade off between level of income support and workforce incentives. Given this, what priority should be given to reducing the disincentives to work?

Participation requirements upon people with disability under the current income support system are sometimes rigid and unhelpful. In particular, the ability to work more than fifteen hours a week may vary for some. The number

of jobs one is able to apply for in a given week will also vary markedly.

For people with disability to meet a requirement to search for a certain number of jobs per fortnight, they must be able to do certain things: their health must be stable, they must have access to the support and equipment they need to look for a job, and they must be able to find suitable jobs they can apply for with genuine intent and ability to accept an offer of employment.

People with disability also face a range of external barriers to participation which are unique; studies have identified employer stigma, limited education opportunities and limited access to supports as issues for employment participation³.

As a result, the participation motivation of having to look for work which might be effective for other population groups may not be as effective for people with disability. This is especially true for those who can work more than fifteen hours and less than full time under the present system.

Even with supportive participation models, some people with disability still lack genuine choice in employment participation. For people with some disabilities such as intellectual disability, access to the open employment market remains difficult because referring agencies default to sheltered employment options (Australian Disability Enterprises) and employment agencies are not generally well versed in the best practice for placing people with intellectual disability into open employment. As noted earlier, open employment for these people can lead to

³ Australian Human Rights Commission, 2006, *WORKABILITY 2: Final Report of the National Inquiry into Employment and Disability*, available online at http://www.humanrights.gov.au/disability_rights/employment_inquiry/final/index.htm

higher wages and thus higher economic participation. AFDO recommends that there be a requirement to provide wages for an adequate quality of life for people with disability working in Australian Disability Enterprises, not a wage set to balance with DSP earning requirements. It would also be useful for the government Departments concerned to have increased participation targets for people with disability working in Australian Disability Enterprises.

These factors indicate that there is a strong need for the income support system to change. At a minimum, the system needs to recognise that arbitrary work requirement criteria are not suitable motivators for people with disability, they simply further entrench disadvantage. More broadly, the system needs to recognise that people with disability have meaningful participation in society in a number of ways. These include full time, part time and intermittent paid or voluntary work as well as participation in family life, community life, and recreation.

APPENDIX ONE: DISABILITY INCLUSION ALLOWANCE

Australian Federation of Disability Organisations Disability Inclusion Allowance Policy Position

Introduction

In 2008 the Australian Government ratified the United Nations Convention on the Rights of Persons with Disabilities (CRPD), which sets out a range of rights for people with disability including the right to live in the community, the right to education and the right to employment. Also in 2008, the new Rudd government initiated its Social Inclusion Agenda, which is consistent with the rights based approach of the CRPD.

For these rights to be put into effect, people with disability need access to an accessible environment as well as a range of supports. The present delivery of supports in Australia is crisis driven, ad hoc, piecemeal and confusing. To access a service, people with disability must meet narrowly defined eligibility criteria and present themselves as needy, perpetuating the charity model of disability services. The system is a mess.

In order to implement the CRPD, an overhaul of the support system is urgently needed. The simplest and most effective way to do this is through a Disability Inclusion Allowance. The Australian Federation of Disability Organisation calls upon the Federal Government to introduce a Disability Inclusion Allowance for people with disability by 2010.

Guiding Principles for a Disability Inclusion Allowance

(1) Universality

In the new era of social inclusion and disability rights, no person with a disability should be at risk of poverty – or of social exclusion – because of their costs of living with a disability. In particular, the discriminatory costs of exclusion imposed by a society that fails to accommodate people with disabilities should not be borne by people with disabilities themselves. All people who need assistance with their costs of living with a disability should be entitled to an appropriate Disability Inclusion Allowance.

(2) Needs Based

Calculating a Disability Inclusion Allowance for any particular individual should be based on their needs, not the ‘severity’ of their disability or any particular type of disability. The underlying principle for identifying – and calculating – the assistance required should be that people with disability are entitled to support that enables them to be truly included in all aspects of Australian life.

(3) Individualised

The calculation of any individual’s Disability Inclusion Allowance should be customised according to their particular needs. The wide and often complex variation of needs, with similarly wide and complex associated costs, means that there is no “one size fits all” amount for a Disability Inclusion Allowance.

(4) Whole of Life Approach

Calculating an individual’s Disability Inclusion Allowance must adopt a whole of life approach, taking into consideration all of an individual’s costs of living with a disability in all aspects of their life. This also means that it must be sensitive to people’s changing circumstances and needs – and costs – over time.

The cost of living with a disability can fluctuate over time. For some, they will increase, perhaps due to the deterioration of their health or perhaps due to changes in their living circumstances, such as finding themselves living alone after having previously lived with family or friends.

A Disability Inclusion Allowance needs to be flexible enough – individualised enough – to be sensitive to a person’s changing needs and circumstances across all areas of life. A Disability Inclusion Allowance will therefore require regular reviews to adjust the allowance.

(5) Single Point of Assessment for Eligibility

A Disability Inclusion Allowance should have a single point of assessment for eligibility, a ‘one stop’ process that calculates an allowance based on the person’s needs. Once this has been established, no further eligibility tests should be required.

(6) Portability

A Disability Inclusion Allowance should not tie a person to a particular geographical location. Once established, it should be portable across all jurisdictions.

(7) Participation

The people who best know the needs of living with a disability are people with disabilities themselves. Calculating an individualised Disability Inclusion Allowance requires the active participation of the person concerned, to identify their particular needs in order to ensure an acceptable standard of living, according to their particular circumstances at the time.

(8) For Recurrent not Lump Sum Expenses

A Disability Inclusion Allowance is primarily for the everyday costs of living with a disability rather than the occasional lump sum expenses that arise, such as aids, equipment or home modifications.

Another, separate mechanism is required to assist with the larger, one off expenses that arise for some people with disabilities. Whatever mechanism is put into place it must be designed in conjunction with a Disability Inclusion Allowance in an integrated way. For instance, the assessment and eligibility requirements can and should be combined.

(9) Not Means Tested

Along with the principle that a Disability Inclusion Allowance should be universally available to all people with disability and not just those on pensions, a Disability Inclusion Allowance should also **not** be means tested. Even if a person does have an adequate income, their costs of living with a disability can still compromise their standard of living in substantial ways.

(10) Concession Card

A Disability Inclusion Allowance should automatically include a concession card equivalent to the Pensioner Concession Card. Following the principle of universality, such a card should be available to anyone eligible for a Disability Inclusion Allowance. And following the principle that a Disability Inclusion Allowance should not be means tested, the card also should not be means tested.

Concession cards can significantly reduce the costs of living with a disability, sometimes dramatically. Indeed for some people with a disability, a concession card may be the most important component of a Disability Inclusion Allowance for them, perhaps even the only component that they require.

(11) Episodic Disability and Emergencies

Eligibility for a Disability Inclusion Allowance should include those who experience 'episodic' disability, such as psychiatric/psychosocial disability or chronic illness. Following the principles of a needs based, individualised and whole of life approach, the assessment of eligibility for a Disability Inclusion Allowance needs to be sensitive to disability that is experienced intermittently. It needs to also factor in a provision for emergencies.

(12) Implementation

There are a number of ways that a Disability Inclusion Allowance can be implemented. The simplest one is for a dollar amount to be allocated after assessment and given to the individual in the form of an allowance or to a second party if the individual does not wish to have responsibility for it. The individual or their chosen representative then buys the supports that are needed from relevant service providers.

(13) Funding

The Disability Inclusion Allowance should be funded by way of a levy through the taxation system.