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SUBMISSION TO THE REVIEW PANEL, THE WORKING GROUP  
AND THE INQUIRY INTO AUSTRALIA'S FUTURE TAX SYSTEM.

We note that Dr Ken Henry, as Secretary of Treasury, is chairing the Review Panel which is to oversight programmes of work and consultation to allow community and business input.

As a community group we write in reference to that part of the review which deals with structure and payment of concessions and entitlements that would improve the financial circumstances and security of seniors, carers and people with disability and any other section that we feel has relevance.

The terms of reference most likely to fall into this category for us to address would seem to be 3.2 and 4.4 and 7 and 11.

***Responsibility without safeguard***

Only last week the Federal Parliament passed a bill which provided a new status for same-sex couples in Australian society equating us with de facto different-sex partners as well as removing same-sex discrimination from many commonwealth laws but failing to provide equality with a married relationship although in law granting the same responsibilities of a marriage without the safeguards of marriage.

***Too old or disabled to benefit***

According to a Sydney Morning Herald opinion article, *Gay Couples to face new era of financial discrimination*, by Adele Horin (6-7 Dec. 2008) "every significant change to social security laws passed in the last 15 years has included a 'grandfather' clause to minimise harsh consequences for those already in the system."

Many same-sex disabled or same-sex aged couples are well and truly in the system and in receipt of government pensions long-term (over 5 years), who have never admitted publicly to being same-sex gay or lesbian couples, because they have actually suffered ostracism, physical violence and hate when their relationship was assumed or became known to their families in the past, or have remained closeted for fear of being attacked or thrown into prison. There is no 'grandfather clause' included in the social security changes for same-sex couples already in the system.

Come 1<sup>st</sup> July 2009, and even though they may be in their late 70s to their early 90s, they must have declared their same-sex relationship so their single pensions each can be re-assessed and reduced to that of a couple. Horin mentions several examples including the changes to the qualifying age for women being gradually introduced over many years, the wife pension for younger women abolished

in 1995 but recipients at the time were protected, as well as the changes to the widow pension and other entitlements which were 'grandfathered.'

Surely, all such examples were with the support of the Treasury, Mr Secretary. So, why was there no 'grandfather' clause to protect vulnerable same-sex disabled and aged frail in the system? Is it simply that uppity lesbians and gays have to toe the line? It maybe assumed then that this current federal government is just as vindictive to same-sex couples as the previous government who legislated the religion-based clause 'between a man and a woman and no other' into Australia's Marriage Act.

### ***Prejudice still rules***

Have our governments forgotten that for all those same-sex couples over 70, arrest and jail was a genuine threat from the state for a considerable period of their lives if they were found to be engaging in same-sex activity even in their own homes? There was the prospect as well of being forced to undergo some inhuman forms of treatment supposedly to cure them of their natural proclivity. Where did the anti-gay legislation originate? It is easily traceable to the homophobic teachings of religion. It's not surprising that lesbians and gays chose to live their lives in secret. And why wouldn't they continue to do so in old age? The prospect would be daunting at the thought of having to be accepted into a nursing home run by, and staffed by, religious personnel who are able to indulge in their prejudice against same-sex couples, because the religious institution is exempt from most anti-discrimination legislation in Australia. One of the most unfortunate consequences of the churches homophobic (anti-gay) teachings has been that Aboriginal same-sex couples are more than likely to suffer abuse because so many christian institutions were complicit with governments in the upbringing of the stolen generations.

### ***System created its own social cost***

We would hope that the members of this comprehensive taxation review and inquiry into Australia's Future Tax System recognise that the state in the past has created a warped system of entitlements by treating couples as requiring less income for one of them to live on than the income a single person needs. It all goes back to the time when the married woman had no income of her own and was expected to run the home and the family on what her husband gave her. When people have to retire from paid employment there is an equivalent cost in living for each, whether or not they live as a couple, because physically they become less able-bodied and costs of maintaining each other increase out of all proportion to their interdependency income after retirement and, especially, if they have to accept the age pension. The unskilled worker caring for a same-sex partner and laid off because of age is the most at risk of impaired physical health and poverty.

### ***Relief for Interdependency stress***

We support an equivalent social security pension entitlement for each partner of a couple as if each was a single recipient. If this change was made Centrelink investigations of interdependent couples would be reduced to a trickle. The evidence required in determining a marriage-like relationship by the agency is recognised as so intrusive it keeps couples apart and must therefore be exorbitantly expensive to the government and in the long-run is hardly justified by the reduction to a couple pension after a successful investigation. Why should a sexual relationship between seniors attract a lower couple rate of pension but a caring relationship between a couple of seniors permits both to receive single pensions? It's all the fault of a discriminatory system that has to be changed for the better.

In such a comprehensive review as this one is expected to be, the lower interdependent couple entitlement change to single equal individual pensions would be the most enlightened and essential improvement to the financial security of people living with disability, their carers and probably most of all frail, senior Australians.

### ***Funding change in realistic manner***

To fund such a departure from the past norm, it could be justified easily by removing taxes extracted compulsorily from citizens to subsidise extensive concessions for religious bodies. We refer you to the business section of The Age newspaper (6.5.08) and the article by actuary Nick Renton, *Taxpayers' sacrifice to the churches*, from which we shall quote extensively here because we consider it to be indicative of our recommendation that removing tax concessions from religious institutions to fund interdependent equal treatment change to aged, caring and disability pensions is acceptable and urgent. Like the 19<sup>th</sup> century lower interdependent couple pension, tax concessions granted to religious bodies fall into the same outdated category and should be withdrawn as anomalies in the 21<sup>st</sup> century.

Renton's article says: "Australia believes in the separation of church and state. It would thus be highly desirable to do away with all unfair tax concessions to religious institutions that are now available. Religious bodies benefit from tax concessions at all levels of government.

- Federal exemptions apply to income tax, fringe benefits tax and the goods and services tax.
- State government exemptions cover land tax, payroll tax, stamp duties and car registration fees.
- Local government bodies give exemptions from municipal rates. In addition, concessions apply to some water and power charges.
- The land tax exemptions cover not only church buildings but also church-owned commercial properties.
- Some municipalities in Australia are home to more religious institutions than others, so the rate at which subsidies hit some owners and occupiers varies.
- The fringe benefits tax exemption creates an undesirable loophole. It enables eligible employers to pay lower wages (being amounts subject to income tax in their hands) and to compensate employees by means of higher fringe benefits (which are then tax-free to employers and employees).

Section 57 of the Fringe Benefits Tax Assessment Act 1986 gives total exemption to fringe benefits given to employees who are religious practitioners. *As there is no cap to this in the legislation, some churches use remuneration packages that consist of nil salary and 100% fringe benefits.*

This use of such a device can also have the undesirable effect of creating an unwarranted entitlement to social security benefits.

Some churches conduct commercial operations within their tax shelters. To that extent they enjoy a tax subsidy at ordinary taxpayers' expense.

Furthermore, the annual cost of the tax concessions to the churches is hidden from the community. Of course, to the extent that religious organisations carry out genuine charitable or educational activities, they should be entitled to the same tax regime as secular non-profit organisations doing similar work –but purely religious activities should be regarded as quite different.

It is perfectly proper in a democracy for members of a particular faith to support it out of their own pockets, but it is quite immoral for such funding to be extracted compulsorily from other citizens.

Our constitution makes it clear Australia is to be a secular society. In particular, section 116 provides that "The Commonwealth shall not make any law for establishing any religion or for imposing any religious observation..."

### ***Recommendations***

**1:** that with a new category of marriage-like relationships being included in the Australian social security status of an interdependency couple, without any 'grandfather' clause to minimise harsh consequences for same-sex couples already in the system administered by Centrelink, we

recommend that the independency lower couple rate no longer be applied to any couple in the system or entering the system for the first time, regardless of being of different sexes or of same-sex, and that each member of a couple receive the full single pension rate;

**2:** we further recommend that the excessive tax concessions provided to Australia's religious institutions, be withdrawn as contrary to the spirit of section 116 of the Australian constitution. We would not be averse to a grandfather clause being extended to these institutions to assist them to cope with paying tax from 1 July 2009 or on a date to be decided because their future taxes could be used by government to fund the recommended change to the social security couple rate spelt out in our first recommendation above. It would also mean that no longer would every taxpayer be compelled to subsidise every religion practised in this country.