



National Council of Women of Australia Inc Ltd



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REVIEW OF AUSTRALIA'S FUTURE TAX SYSTEM

The National Council of Women of Australia Inc Limited has represented women and families in Australia for more than one hundred years and is affiliated with the International Council of Women. It is the coordinating body of seven State and Territory Councils, to which are affiliated over 300 women's organisations and nearly four hundred individual associate members. Thus NCWA has the ability to consult and communicate with more than three million women throughout Australia. It is non-party political and non-sectarian.

NCWA maintains active consultation and communication between its Councils and its Standing Committees (which exist at international, national and State levels). Being concerned about the welfare and status of women and their families, NCWA is actively involved in discussions about employment by and of women as well as in the areas of health, child and family, human rights and economics which are particularly relevant in this consideration of paid parental leave. Our members include those employed in small and large businesses, both public and private, those who work part-time, are self-employed and who work voluntarily in NGOs.

NCWA has submitted a separate paper on Retirement Income as part of the Review of Australia's Future Tax System. This submission covers only Australia's Future Tax System.

It was only in March 2008, thirteen months ago, that unemployment was at a 34- year low in Australia and the RBA raised interest rates in an effort to stem spending and advised the Government to curb its spending, fearing a recession would flow on from the USA economic situation. This soon became a global economic downturn and the RBA decreased interest rates and the Federal Government encouraged spending as fast as it could.

Individuals, small business and companies need to plan ahead financially and can only do so accurately when the tax system is stable with long-term goals, not short-term fixes. Tax settings need to be long-term to ensure stability yet flexible enough to accommodate changing circumstances in international and domestic financial markets. Hastily implemented financial strategies can do more harm than good, adding confusion and complexity for taxpayers.

A complex and changing tax system adds cost and risk to day-to-day business and personal activities, affecting the time spent understanding the tax-transfer system and the choices that individuals and businesses can plan. Make it clear and simple with less short-term changes for short-term policy objectives. Complexity adds cost and risks to day-to-day business and personal activities, affecting the time spent in understanding the tax-transfer system and the necessary choices that individuals and business can make.

We recommend a complete and comprehensive re-write of the tax system, not just amendments or add-ons. This review' should be broad, including taxes applied by State and Federal jurisdictions, taxes on business and individuals and the relationship between tax and welfare, between revenue and expenditure.

Different transfer policies in the States as well as multiple administering agencies for taxes and transfers are also a source for further complexity, possible confusion and inequities. The roles, responsibilities and resourcing of Federal, State and Local governments in areas of possible cross-over of economic activity need to be clarified and any overlap between the tiers should be removed. Changes will be required to achieve efficient, effective, non-duplicating outcomes, with a clear definition of the roles and responsibilities of respective governments and a true common market.

NCWA supports many of the recommendations in the report prepared by McKinsey & Co from the Economy Stream of the 2020 Summit that “Australia should create a holistic tax system that is fair, simple, efficient and non-distorting, which interacts constructively with the welfare system and contributes to the global competitiveness of the Australian economy.”

In particular, NCWA supports the following principles which came out of the 2020 Summit:

- ¶ Simplification, including increasing uniformity across jurisdictions, reduced cost of administering and a decrease in the number of taxes.
- ¶ Removal of distortions, including on investments, reduce wasteful taxes that create perverse incentives (such as the FBT threshold encouraging people to increase their driving mileage), eliminate taxes on transactions and employment, (eg payroll tax and stamp duty).
- ¶ Shifting the tax base to ensure the overall system as a whole is progressive in practice, not just in theory - providing incentives for participation (such as marginal tax rates on second family incomes), addressing negative interactions with the welfare system (eg effective marginal tax rates on transition from welfare to work), reviewing tax offsets and tax deductibility, encouraging healthy lifestyle and participation in the community and considering ways of encouraging the participation of older people in the workforce.
- ¶ Fiscal responsibility, indexing the tax scales, benefits and pensions to reduce buoyancy of the tax system.

We should foster an open, agile and competitive national economy by reforming regulations to maximise productivity, encourage efficient investment especially in infrastructure and reduce the cost of doing business. There needs to be a review of all regulation across the country and removal of ineffective and distortive regulation in areas of major economic activity

NCWA recommends:

Pensions -

- Single rate of pension be raised to 67% of the combined couple rate.
- A continuing change in the age pension age as life expectancy increases. In 1909 when the age pension was created 4% of the population was aged over the qualifying age of 65, life expectancy for women was 60 (now it is 83) and for men it was 56 (now it is 79).
- A review of pensioner concession cards, health care cards and seniors cards across the Commonwealth and the States to result in a more effective, rational and clear system.

Business –

- Businesses which use Australian raw materials and produce value-added products be given special tax exemptions in their first three years of production.
- Businesses which produce or retail environmentally-friendly goods be given special tax exemptions in their first three years of production.
- Businesses established in rural areas be given special tax exemptions in their first three years of production.
- Maintain tax imputation credits to encourage Australian ownership of companies by the investments of “mums and dads”/ “working families”.

Personal income tax -

- Fix value of current tax thresholds through indexation
- Any salary or payment to an individual which exceeds the minimum wage by 200 times (e.g. currently the minimum wage is \$544 p.w. so this would include an annual payment of over \$5.4 million) to be taxed at 90%. This may encourage those who are paid obscenely high sums to make tax deductible donations to charitable organisations.

Health –

Taxes do influence behaviour. Advertisements and promotions also influence buying habits. The acknowledged over-weight of many Australians, with 1.5 million children being overweight or obese, can be traced to a total dietary intake of 37% fat and excessive sugars and salt – much found in junk food and drink.

Taxes can encourage healthy living and eating habits.

- NCWA recommends that higher consumption taxes be put on unhealthy foods which contain excessive fats, sugars and sodium. And an increased excise on alcohol and tobacco.
- Fruit and vegetables and other healthy foods could be subsidised from this extra revenue

People with disabilities –

NCWA supports the establishment of a National Disability Insurance Scheme as proposed by Bruce Bonyhady . People with disabilities and their carers encounter enormous time delays and repetitive paperwork when applying for assistance which is available to them.

Luxury items –

We look for a more equitable society while encouraging diversity. In Australia there is not the enormous discrepancy of wealth as seen in other countries but there is room for a higher tax on costly luxury goods such as expensive imported cars, large pleasure craft, jewellery, caviar, foie gras – those goods which are not indispensable. No duty free concessions for passengers entering Australia.

Not-for-profit Organisations –

NCWA agrees that NFP organisations should retain their present tax status and that donations to charitable groups remain tax deductible so that they can retain their individuality and independence. However, there must be a simplification of the process for application for charitable status. At present it is such a complicated process many smaller charities do not apply.

Overall Clarity –

The services of the ATO and the regulations pertaining to taxes payable must be presented in a clear way, especially to new tax payers, small business, migrants and those new to Australia.

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