

REVIEW OF AUSTRALIA'S FUTURE TAX SYSTEM

Submission from the National Council of Women of Western Australia

The National Council of Women of Western Australia has represented women and families in Western Australia for nearly one hundred years, with over 40 W.A. women's organisations affiliated as well as sixty-two individual associate members. Thus it has the ability to consult and communicate with many women throughout Western Australia. It is non-party political and non-sectarian.

NCW-WA has active Standing Committees in fifteen portfolio areas. Being concerned about the welfare and status of women and their families, it 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 and represent different age groups.

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.

In March 2008, only thirteen months ago, unemployment was at a 34- year low in Australia and the RBA raised interest rates in an effort to stem spending and encourage savings, advising 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.

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. Therefore, it is necessary to make the tax system clear and simple with less short-term changes for short-term policy objectives.

NCW-WA recommends 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.

CEDA's research shows support for a continuing increase in the age at which one can retire and claim the Age Pension or superannuation. When the Age Pension was created in 1909 the average life expectancy was 60 for women and 56 for men; less than 5% of the population was over 65. Today more than 15% of the population is over 65 and life expectancy has risen to 83 for women and 79 for men. Today, people of 65 are usually healthy and strong, well able to give their valuable experience in the paid workforce and willing to keep being productive. Furthermore, it is realistic to take into account that now many people start in the paid workforce at a later age than previously, when the majority of 14 or 15-years old were earning wages. Thus the number of working years is less and the number of years in retirement can be expected to be far greater.

NCW-WA 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, NCW-WA supports the following principles which came out of the 2020 Summit:

- ¶ Simplification, including increasing harmonisation 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.

Briefly, NCW-WA recommends:

Personal income tax -

- The value of current tax thresholds be fixed 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.
- The system of dividend imputation credits to encourage Australian ownership of companies by the investments of “mums and dads”/ “working families” be maintained.

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.

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

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).
- We recommend a review of pensioner concession cards, health care cards and seniors cards across Commonwealth and the States to get a more simple, effective and rational system.

Superannuation and Savings -

- Laws in regard to superannuation must be simplified and regularised.
- NCW-WA urges that interest earned from savings bank accounts to a maximum of \$5,000 interest per annum should not be included in taxable income.
- Maintaining the current dividend imputation positively affects superannuation savings, thus strengthening retirement incomes.

Capital Gains Tax - to be adjusted when it is from the sale of assets held for a long time.

People with disabilities –

NCW-WA 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 –

NCW-WA looks for a more equitable society while encouraging diversity. Although recognising that in Australia there is not the enormous discrepancy of wealth as seen in other countries, 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. Duty free concessions for passengers entering Australia are not needed.

Not-for-profit Organisations –

NCW-WA urges

- that there 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.
- 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.
- that volunteer time be reflected in the tax system – NFP organisations keep a record of (approximate) hours donated and be recognised by taxation advantages.

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. The language in tax returns needs simplifying.

Judith Parker

President, National Council of Women of WA Inc
P.O. Box 6224, East Perth WA 6892 tel: 9325 8897