

INCOME Splitting for persons living in a long term relationship.

The concept of income splitting between individuals living in a long term relationship has frequently discussed but seems to have been quickly dismissed by those persons making any decision on the Income Tax reviews. I request that this option be given serious consideration in the future of the Australian Taxation System.

I am of the opinion that this option would generate a fairer and more equitable tax system and would generally benefit the lower to middle income earners.

The following are my observations in support of this argument:

All Taxpayers are being treated equally.

In the current regime taxpayers are taxed in individual income earned either through employment or the supply of personal services. There is however a large proportion of income generated by Trusts or family businesses that can be "split" between partners simply by justifying some level of personal contribution towards the generation of this income and I have no doubt that some of these "justifications" could be of doubtful quality but unfortunately are accepted by the tax legislation. If the option of income splitting was available to all couples, then all taxpayers would benefit rather than just those who have the resources to enable them to circumvent the current tax laws.

Reduced Compliance Costs.

The introduction of income splitting would remove the necessity to distinguish between "Personal Services" income and income earned by a couple in partnership. This would reduce the requirement of Tax Auditors and Compliance Officers to investigate the extent of how income is earned as it would be acceptable to split the income between partners regardless of how it was generated.

Uniformity across all Government Departments.

The current Social Security laws requires that the total income of a couple is considered when assessing the amount of a pension payment that is being made to one of the individuals. The amount of the pension payment is reduced by the combined income of the couple. This is in effect a form of income splitting and it is considered to be more equitable to consider combined income when assessing pensions entitlements, then should it not be just as equitable to consider combined income when assessing Income Tax liabilities.

Increased employment opportunities.

It is a well known fact that most couples cannot afford to live on a single income. It is equally well known in a lot of instances that the additional marginal income generated by the partner working can at times be hardly worth the effort, given the extra costs generated by the responsibilities of being in the work force. By allowing income splitting, there is the possibility that the extra disposable income resulting from the income split could justify a couple remaining a single income family, thereby providing extra employment opportunities to others in the community.

Equality to non working partners.

The Taxation system and the Social Security System currently ignores those persons families who chose to live on a single income. Working parents are given very generous child care benefits (tax Free) for the partnership is just one example. It would appear that a non-working partner is generally considered a non entity who is not recognised for their contribution of volunteer work and the economic input into combined family unit as a response to single income of their partner.

Given all these arguments and possibly a number of other I consider that the review panel should give serious consideration to the prospect of income splitting if it is serious in the prospect of reviewing the taxation system in order to provide an equitable system to all Australians.

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