

15 October 2008

AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Please find attached feedback and comments from our BPW Australia members regarding this very important inquiry. We fully support a review of employment issues that might potentially disadvantage women and prevent them from reaching their full potential in the workforce.

We appreciate the opportunity to contribute to the review and look forward to the findings of the Committee.

Yours sincerely

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a/g President
BPW Australia

1. Background

BPW Australia is committed to obtaining equal opportunity for women in the economic, political and social life of Australia. It represents the interests of working women across Australia and takes the voices of women to government policy makers. Nationally our members include employers, employees and the self employed, giving the organization a unique position when lobbying government. As an international organization BPW enjoys consultative status at the United Nations.

2. Methodology

BPW clubs meet around every month across Australia. Comments on the review were invited from all our members and this submission reflects those comments. At our national Policy Summit held in September this year a number of issues were also raised that are included in this submission. We urge the Panel to consider the principles raised by our members in order to create a tax regime that creates opportunities and incentives for all Australian while delivering a socially responsible taxation system.

3. Submission

3.1 Tax Thresholds

- (i) Equity in determining the tax bracket base cut off figures for all levels, including the tax free threshold ie. the mid tax rate of 30% should be applicable to those receiving what the Australian economy generally regards as a 'middle income' recipients.
- (ii) Equity across all tax brackets over time ie cut off figures for the different tax levels should be indexed automatically, thereby avoiding 'bracket creep' where taxpayers move into a higher tax bracket with a small increase in salary/wage.
- (iii) Tax thresholds need to be considered more frequently in line with the cost of living index. Adjustments every 4 years or so means that middle income families (with joint incomes of \$80,000 - \$120,000) are suffering due to the credit squeeze. Many such families are in professional salaried roles and are unable to supplement their income by being paid for additional hours as workers on hourly rates of pay can do.

3.2 Equitable combined tax/social security policy

- (i) Consideration to be given to those moving into and out of work in order to meet family or caring responsibilities. Our system should not unfairly penalise those who are able to get intermittent work. The combined impact of reduced income support while facing tax at a higher effective rate can have a dire effect on their income.

- (ii) Consideration to be given to the time delay in benefits being restored to recipients once casual paid work is reduced or ceases. An allowance to cover basic necessities should be available at all times to those in this situation.
- (iii) Consideration to be given to women re-entering the workplace who are on pensions due to previous disability (eg. post-traumatic, depression etc) but who have now recovered. Currently there is disincentive for them to return to work as they have concerns about their loss of pension security.
- (iv) Consideration to be given to fulltime carers. Suggest government either commence, or top up, superannuation payments for those who have been carers for over two years and who are solely dependant on the carer's pension. These carers have no opportunity to save for later years and instead of moving from carer to the old age pension, in due course consideration could be given to a specific superannuation model, where government contributions are allocated along with carer payments to enable investment of the funds to maximize returns and diminish government expenses.
- (v) Consideration to be given for a system that allows employers of pension recipients to receive tax incentives in order to manage the payment of casual hours to take away the uncertainty of variable weekly incomes. This system would provide a working environment where employees are not fearful of losing their pension entitlements from one week to another and would lead to increased productivity.
- (vi) A tax incentive for employers to support workers coming off disability pensions to cater for possible increased absences from work due to medical conditions. This could apply particularly for workers recovering from mental health issues who may need multiple appointments including psychiatry, psychology and so on.

3.3 Multiple employers

(i) Consideration for taxation to remain at the same level for a second and subsequent job as a large percentage of people are only able to access part time or casual positions and the higher tax rate on the second job is a disincentive to work. The tax free threshold should be applied for all employers. In some low socioeconomic areas many workers who can actually secure work, are put on casual rates. They may have three or four jobs of a few hours a week and pay a high tax rate for their second and subsequent jobs. This provides no incentive to work additional hours. These are not workers who can wait for reimbursement of taxation as they have a need of their wages immediately. A flat rate would encourage people to do bits and pieces of work without facing the penalty of a higher tax rate. The percentage of flat rate is not as important as the predictability of knowing how much they will earn in any given week.

3.4 Expansion

(i) Dental: Consideration be given to increasing taxes to cater for free dental assistance, particularly for those on aged pensions. This could be an extension of the Medicare Levy.

(ii) Superannuation: Women as a subset of the labour market are generally clustered in the lower salary/wage ranges and therefore their superannuation contributions, both employer and any personal, are in absolute terms lower than the male population's contribution overall. Greater consideration should be given in the new tax system to provide additional incentive for female lower income tax payers to build up superannuation holdings. This could mean some alternative or variation to the current co-contribution scheme.

(iii) Education: BPW understands the critical role that vocational and advanced education plays in women's full participation in the work force. Consideration should be given to taxation as it applies to such education. At our recent National Policy Summit it was advocated that a scheme such as HECS or FEE HELP be extended to Diploma and Advanced Diploma programs. This would assist the mature student who is forced to choose between education and supporting the family.

BPW believes the combination of both state and federal tax places an unfair burden on individual workers and small business in Australia. Many State taxes were to be removed when GST was introduced but this has not eventuated. A modified tax system should facilitate the removal of Stamp Duty and many of the minor State taxes but in particular should see the end of payroll tax. This reduces incentive for small business to grow, acting as a dampener on productivity.