

Dear Sirs/Mesdames,

Every minimum wage increase leads to articles pointing out that many workers gain very little in take-home pay because of the operation of the various tax and welfare arrangements. The tax-free threshold - and all pensions - should be set at half the minimum wage. It and the low-income tax offset threshold, if it is not abolished completely, should then be indexed with every increase. Every adult should be entitled to a tax-free threshold, with those earning less than it able to allocate their tax-free threshold to their partner, an extension of the policy that Labor took to the 2004, but sadly not the 2007, election. Family Tax Benefit B should then be abolished.

Family Tax Benefit A thresholds should also be indexed to minimum wage increases so that the minimum wage earner obtains the full value of any increase. There should be no child care payments, which are effectively a subsidy paid to business by the tax payer under cover of feminism. Instead, the money currently allocated to child care payments should be added to the FTB A so that parents themselves could choose if they wanted to use their FTB A to outsource the care of their children, which they would do on rational cost-benefit grounds, asking themselves whether the job they could gain would be worth taking once the market-set child care rates had been taken into account.

Family allowances would be paid, based on the age of the child as now, but also on the number of children, as a second child does not add to housing costs like a first child can. Family allowances would phase out at 20 cents in the dollar, starting at twice the minimum wage, \$60,000. This would produce an initial EMTR of 50 cents in the dollar, but it would go higher once the next tax bracket was reached.

When the Low Income Tax Offset is taken into account, the real tax thresholds and rates are as follows:

\$0-14,000	Nil
\$14,001-30,000	15 cents in the dollar
30,001-34,000	19c
34,001-60,000	34c
34,001-80,000	30c
80,001-180,000	40c
180,001+	45c.

The minimum wage is \$28,373 pa. Some current welfare payments (with their percentages of the minimum wage) are:

Age pension and disability pension

Single \$562.10 per fortnight [\$14,662 pa] (52 %) Couple \$469.50 per fortnight each [\$12,248] (43%) Newstart allowance Single, no children \$449.30 per fortnight [\$11,720] (41%) Single, with children \$486 per fortnight [\$12,679] (45%) Couple \$405.40 per fortnight each [\$10,756] (38%) Parenting payment Single \$562.10 per fortnight [\$14,662 pa] (52 %) Partnered \$405.40 per fortnight [\$10,756] (38%)

The minimum wage should approach \$30,000 next year, so I will present some calculations based on this figure. Set the basic welfare payment (unemployment benefit, disability pension, age pensioner, etc) at 45 per cent of the minimum wage (\$13,500 in this example). Set the tax-

free threshold at 50 per cent of the minimum wage (\$15,000). Allow those on welfare to earn another 5 per cent of the minimum wage (\$1,500) without affecting their benefit. Set the tax rate between the tax-free threshold and the minimum wage at 10 cents in the dollar. Withdraw welfare benefits at 50 cents in the dollar, which would ensure that no one would earn more than the minimum wage by being partly on welfare and partly in work. A 50 per cent phase-out rate for welfare benefits coupled with a 10 cents in the dollar tax rate would mean a 60 cents in the dollar effective marginal tax rate, a high rate already, but not as high as some that actually exist now.

Family Tax Benefit A varies according to the age of the child. But imagine a family with two children and a combined benefit of \$10,000. Imagine a disabled pensioner with two children. Total income under this scheme is only \$23,500.

If we leave the family benefit at \$10,000 and start to phase it out at the same threshold as we phase out the basic welfare benefit, the EMTR would increase from 60 cents in the dollar to 80 cents in the dollar (with a FTB phase-out rate of 20 cents in the dollar) or 100 cents in the dollar (with a FTB phase-out rate of 40 cents in the dollar). These rates are absurdly high.

If we wait until say, one and a half times the minimum wage (\$45,000) is reached and then start to phase out the FTB, we will immediately see the problem. If we phase out the FTB at 20 cents in the dollar, it will take another \$50,000 of income to phase it out completely, meaning that someone earning \$94,999 will still get some - middle class welfare - and the EMTR will be 50 cents in the dollar. (Those with three children will be able to earn even more.) If we want to remove middle class welfare, we could phase out the FTB at 50 cents in the dollar and thus take only another \$20,000 in income to eliminate it, meaning a family earning \$65,000 would not get it, but the EMTR would be 80 cents in the dollar.

I support the removal of distortions from the tax system, such as the lower tax rates on senior workers.

There has never been any logic in pushing single mothers into the workforce while other mothers with well-paid husbands are paid to stay at home. The whole welfare/tax/wage system needs a radical overhaul, but some crystal clear thinking is required first, and we know what squeals of outrage that leads to.

Yours sincerely,
Chris Curtis