

30/8/08

Commission for Australia's Future Tax System  
The Treasury  
Langton Crescent  
PARKES, ACT 2600

My original intention was to again request that Carer's payment, Sole Parent Pension and Parenting Payment Partnered payments be treated equally under taxation and the present inequality be removed (see attached letter sent 3 years ago for full argument).

On further consideration, **it would be more equitable and greatly simplify the tax system if all Centrelink payments were made tax exempt.** This would also allow Centrelink to vary the type of payment made without complaints at extra tax payable. ( I believe my previous letter was written after the Government had announced that Sole Parent pensions would change to Newstart once the child reached school age - with great protests voiced)

Currently Disability pensions are tax exempt until age pension age and then revert to Age pension, when SATO applies. This causes problems when Centrelink tries to stop Disability and place recipient on Newstart.

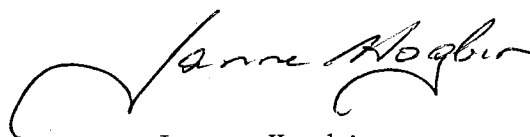
There is also an inequality in that Veteran Affairs payments include non-assessable amounts to those under pension age (War Widow's Pension and Pharmaceutical allowance) and continue to pay the exempt Disability Pension to those of Pension age. Unlike Centrelink's statements, there is no indication of the amount of exempt income and thus the recipient is given a greater SATO allowance than those on Centrelink pensions.

It seems to me that making all Centrelink payments tax exempt would put all recipients on a more level playing field.

The only problems I can see are Medicare Levy (someone receiving \$12000 Newstart and \$12000 income would currently be paying Medicare and then would not be) and Low Income Spouse Offset. The latter is easily solved by replacing the words "No Dependent Children" (in there, because PPP payments are higher than the income level where offset vanishes) with a reminder that exempt income must be taken into account in SNI. This would actually obviate the current problem where we do not ask whether the spouse is in receipt of a disability pension and mistakenly claim the Offset. It would also make it clearer for new immigrants who are not yet eligible for Centrelink parenting payments that they can claim the Offset despite the spouse being low income because they are caring for the children.

Working as a Volunteer Tax Help adviser for ten years, I have seen a lot of the inequality of the current system but fully applaud the recent Superannuation changes to lower the taxes on self-funded retirees.

Yours sincerely,



Janne Hogbin

ATTACHMENT  
LETTER SUBMITTED  
3 YRS AGO RE. PPS/PPP+  
CARER'S PAYMENT

22 HEDLEY ST  
HACKETT, ACT 2602  
29/10/2005

Dear Mr Costello

TaxHelp is an ATO sponsored group of volunteers who provide free help with tax returns to low income workers. As a Tax Help volunteer for 7 years I have had a lot to do with those on Centrelink payments.

Centrelink payments fall into 3 different tax treatments. Category 1 are tax exempt, ie are disregarded in assessable income. These include disability pensions, war widow's, and carer allowance and child care benefit.

Category 2, incl parenting payment partnered, Newstart, youth allowance, employment training allowances, are not in themselves taxed due to a beneficiary offset - but often subsume the Tax free threshold, with the result that any other earnings are taxed.

The last category are Australian government pensions - which entitle the recipient to claim a tax offset that means they can earn \$18453 without paying tax (\$35389 before paying normal tax rates) Many of those listed are subject to having reached pension age and then Centrelink change them to an age pension which means they can claim the Senior Australians Tax Offset. Carer Payment and Sole Parent are the only two that I have seen among my clients - and both of these only exist as long as they have that dependent.

Your government is proposing to replace the Sole Parent payment once the youngest child turns 6 with a Newstart Allowance and is being criticised for this. I believe a more effective change would be to remove the Pension offset (not SATO) and make those payments Tax exempt. In equity I would also make Parenting Payment partnered tax exempt, so there would no longer be any disparity in tax treatment, dependent on whether parent was married.

At first glance the \$18,453 is only the payment received (approx \$12,500) plus the tax free threshold (TFT), so it would not seem to be as unfair as replacing the pension with Newstart. The parent could still receive the pension and have \$6000 tax-free. There would be no sudden adjustment to a different tax level needed when they ceased to receive the pension (whether the child became independent or they married) and there would no longer be the greatly different level of tax paid by the married parent or single. The real difference would be those Sole parents with older children who currently carefully keep their work income to about \$9000, because that still allows them to receive \$9000 pension and pay no tax. They would now be paying normal tax and the incentive to remain low income would be gone. Even more that change would be effective immediately, not once child turns six, and would create a fairer treatment for those with children already older.

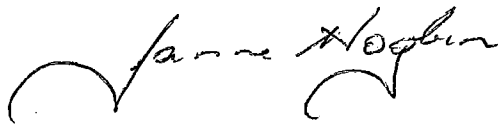
The present disparate treatment between Sole Parent and PPP does cause problems. I can sympathise with the woman who had "decided to share incomes" with the father of her child. She was now on PPP, he was on Newstart. To earn extra, she had, heavily pregnant, filled shelves at night and expected to get a tax refund only to find that she owed tax because her employer had taxed her as having a tax-free threshold and PPP had taken

it up. She was seriously considering going back to sole parent.

Another recent client had ,together with a friend, been doing house cleaning (and could have kept that income quiet). Her friend was told she did not need to do a tax return, so she came to me to verify that she also didn't need to, to be told she should and would owe tax. Her friend was a sole parent, she had a husband (on a disability pension so she needed the income). As I said,in equity both payments should be tax exempt, and as such there would not continue to be the big disincentive to cease to be on Parenting Payment Single.

The same discrepancy exists between a Carer Payment (entitles recipient to big tax offset) and Carer Allowance (exempt income) My client who can earn \$18,453 while receiving a Carer Payment for his 91 year old mother will have a severe adjustment to make when she dies.

Yours sincerely,

A handwritten signature in cursive script that reads "Janne Hooper". The signature is written in dark ink and is centered below the typed text.