



AFTS Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Email: [AFTS@treasury.gov.au](mailto:AFTS@treasury.gov.au)

Dear Secretariat,

### **Inquiry into Australia's Future Tax System**

The YWCA Australia welcomes the opportunity to make a submission to this inquiry.

The YWCA is a global network of women advancing social justice and creating opportunities and services for the development of women and their families. Through our state-based local associations, we offer a range of programs aimed at developing women's leadership and promoting gender equality. As a not-for-profit organisation with a focus on addressing the needs of women and girls, a feminist agenda informs our work.

Our brief submission to this inquiry focuses on the Family Tax Benefit, and in particular, **Family Tax Benefit Part B**. The YWCA Australia is concerned by the way in which this payment advantages some types of families – namely those with a single income earner or where the second income earner works minimal hours outside the home – and the disincentive it provides to couples who would prefer to more evenly distribute their paid work.

Our submission also includes a section on the **tax concessions granted to charities, public benevolent institutions (PBIs) and other organisations**.

Please do not hesitate to contact me on 02 6230 5150 if you have any queries or would like to discuss these issues further with the YWCA Australia.

Yours sincerely,

A handwritten signature in purple ink, appearing to read 'R. Smith'.

Policy Coordinator  
YWCA Australia  
1 October 2008

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## Introduction

The YWCA is a global network of women advancing social justice and creating opportunities and services for the development of women and their families.

Through our state-based local associations, we offer a range of programs aimed at developing women's leadership and promoting gender equality.

As a not-for-profit organisation with a focus on addressing the needs of women and girls, a feminist agenda informs our work.

## Scope of submission

The YWCA's submission in relation to the review of Australia's Future Tax System focuses on the Family Tax Benefit, and in particular, Family Tax Benefit Part B.

The YWCA Australia is concerned by the way in which this payment advantages some types of families – namely those with a single income earner or where the second income earner works minimal hours outside the home – over other types of families, and the disincentive the payment provides to couples who would prefer to more evenly distribute their paid work.

Our submission also includes a section on the tax concessions granted to charities, public benevolent institutions (PBIs) and other organisations.

## Family Tax Benefit Part B

The Family Tax Benefit was introduced in 2000, as part of *A New Tax System*. It replaced a range of existing payments and significantly increased the support available to single income families, including single parents and families with a single income earner or where the second income earner does minimal paid work.

In two parent families, payment of Family Tax Benefit Part B is subject to an income test of the second earner's income.<sup>1</sup> Parents who care full-time receive the maximum amount.<sup>2</sup> However, the payment is not assets-tested.<sup>3</sup> The payment is not taxed. From 1 July 2008, Family Tax Benefit Part B is also subject to a primary income earner limit of \$150,000.

## Impact on women

The YWCA Australia is concerned by the way in which Family Tax Benefit Part B encourages one member of a couple with children to remain (largely) in the home, and financially penalises families where both parents work either full-time or part-time.

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<sup>1</sup> *Architecture of Australia's tax and transfer system*, August 2008, page 47

<sup>2</sup> Hill E 2007 'Budgeting for Work-Life Balance: The ideology and Politics of Work and Family Policy in Australia', *Australian Bulletin of Labour*, vol.33:2

<sup>3</sup> *Architecture of Australia's tax and transfer system*, *Op. cit.*, page 46

Given that women still do the vast majority of unpaid work, including caring work, in Australian families, we are concerned that this payment helps to entrench a gendered view of work and caring responsibilities and as a result, keeps many women who would prefer to be working, in the home.

Dr Elizabeth Hill from the University of Sydney argues that Australia's family payments system, including Family Tax Benefit Part B, 'highlights how a traditional ideology of gender and gender relations is embedded within the policy framework', delivering 'greater financial support to particular family types' (ie those with a full-time caregiver, usually a woman).<sup>4</sup>

She argues that this impacts on the choices families make about their work arrangements, and that in fact women's options in relation to returning to work or increasing their work hours are 'highly circumscribed by a system of financial incentives'.<sup>5</sup>

Hill points to the low workforce participation rates for women of childbearing age in Australia, especially for women whose youngest child is under 6, compared to our OECD counterparts, to argue that Australia's family payments system is helping to entrench the 'status of mothers as secondary earners and primary carers', which of course has an 'ongoing and negative impact on women's wages, conditions and career prospects'.<sup>6</sup>

## Single parents

The YWCA Australia is also concerned about the differential treatment of single parents under Australia's family payments system.

Single parents are now expected to undertake at least 15 hours of work or study per week once their youngest child turns six. Dr Hill argues this 'stands in stark contrast to the choices supported by FTB Part B for non-working but partnered parents in a single income family', who can receive 'the maximum FTB Part B until their youngest child is eighteen' if they do not return to work.<sup>7</sup>

## The answer

Hill points to recent OECD research which found some work and family policies, including 'neutral tax treatment of second income earners in a household' improve the workforce participation rates of women.<sup>8</sup> She cites the increase in Canada's workforce participation rate for women, from 67.7 per cent in 1995, to 73.5 per cent in 2004, and partially attributes this to 'progressive changes to the tax regime imposed on secondary workers'.<sup>9</sup>

The YWCA Australia believes that to address the pressures facing Australian families, and the need for taxation arrangements that allow flexibility and support Australian families in all their shapes and sizes, Family Tax Benefit Part B must be reformed.

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<sup>4</sup> Hill, *op.cit.*

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

**Recommendation 1: that Family Tax Benefit Part B be reformed to ensure that all families, regardless of their shape (ie whether they are single parent or two parent families) and working arrangements (ie whether they have one or two income earners, and how much each earns), receive an equal amount of Family Tax Benefit, so that the amount of Family Tax Benefit paid is dependent only on the total family income, the number of children in a family, and the ages of those children.**

## **Public Benevolent Institutions**

The YWCA Australia notes that the Australian Government has “*asked the Review Panel to examine the complexity and fairness of existing FBT arrangements for the not-for-profit sector, and the treatment of fringe benefits in other parts of the tax-transfer system, and to make recommendations to improve equity and simplicity for the long term.*”<sup>[1]</sup>

The YWCA Australia welcomes this review. We believe transparency and simplicity should be the most important consideration in deciding whether to grant tax concessions for charities, public benevolent institutions (PBIs) and other organisations. Charities and PBIs have difficulty competing in the employment market for the best qualified staff without being able to ‘offer’ FBT concessions. The current level of FBT arrangements at \$16,050 has been in place for many years and should be increased in line with inflation, at least.

We support the existing tax concession arrangements for organisations which meet the strict requirements for listing as a charity or PBI. However, we are concerned by the range of other organisations such as government and semi-government health organisations which also receive tax concessions, and do not believe this is the best use of public funds. Instead, we believe organisations which do not meet the criteria for listing as a charity or PBI should be placed in a separate category for tax purposes, and that tax concessions for this category should be reviewed.

The YWCA is also concerned by the complexity of the definition of ‘public benevolent institution’ and of the criteria for attaining PBI status. We are concerned that this discourages many smaller organisations, who may deserve PBI status, from assessing themselves against the criteria and applying for PBI status. We would like to see the definition made simpler and clearer.

**Recommendation 2: that the value of the current FBT arrangements be increased, at least in line with inflation.**

**Recommendation 3: that tax concessions granted to organisations which are not classified as charities or public benevolent institutions be reviewed, to improve the transparency and simplicity of the system.**

**Recommendation 4: that the definition of ‘public benevolent institution’ be made clearer and simpler to understand, so smaller organisations have the ability to assess themselves against the criteria and apply for PBI status.**

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<sup>[1]</sup> *Architecture of Australia’s tax and transfer system, Op. cit., page 25*

## Conclusion

We note that the review will 'make recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century'<sup>10</sup>.

The YWCA Australia submits that achieving better work and family balance for women and men is a key demographic, social and economic challenge for Australia in the 21<sup>st</sup> century, and that reforming Family Tax Benefit Part B to make it easier for both members of a couple to more equally share paid and unpaid work, would go some way towards addressing this challenge.

The YWCA Australia hopes the AFTS Secretariat will consider our recommendation for reform in its deliberations, and we would welcome the opportunity to discuss this issue further with the Secretariat, should the opportunity arise.

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<sup>10</sup> Australia's Future Tax System website,  
<http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/home.htm>, accessed 13/8/08