Submission of the
Women’s Electoral Lobby Australia
to the
Re:think Tax Reform Discussion Paper

June 2015
The Women’s Electoral Lobby Australia

The Women’s Electoral Lobby Australia (WELA) is an independent, feminist lobby group dedicated to creating a society where women's participation and their ability to fulfil their potential are supported and respected. Founded in 1972, WELA is an advocacy group for issues that continue to disadvantage women.

WELA promotes equality between men and women and seeks to change attitudes and practices that discriminate against women, particularly those relating to women’s health, safety, economic security, and participation in public life.

WELA is an active member of the Equality Rights Alliance and Security4Women, two funded alliances that give WELA access to many other national women's groups and the capacity to discuss and debate issues, as well coordinate campaign and lobby activities.

WELA has previously made tax submissions to the Henry Review (2009), the Harmer process (2008) and the Pension Review (2008) on the need for a fairer taxation and transfer system in Australia.

Recommendations for a fairer tax system

WELA recommends the following proposals for a fairer taxation and transfer system.

*Fairness and equity*

1. Integrate the taxation and transfer systems and recognise individual needs in both.

2. Ensure that the total tax take as a proportion of gross domestic product is maintained and ideally raised to increase funding for public services in health.

3. Maintain progressive income taxes.

4. Quarantine rental losses to the amount of rental income with losses offset only against rental gains (similar to capital losses against capital gains).
5. Provide incentives for lower income earners to create savings for life cycle needs other than retirement (for example, parenting and housing).

6. Adequately fund education, health, community and welfare services, and provide a better social wage.

7. Pay a universal aged pension at current full payment levels.

8. Provide an income-tested top-up for retirees with limited or no private income.

9. Minimise or abolish deductions from taxable personal income as they advantage high-income earners.

10. Abolish rebates on health insurance and refunds of higher health care costs to fund public health services.

*Redressing gender inequities*

11. Address inbuilt biases in the taxation system that affect women’s incomes; these biases derive from prejudiced assumptions, unequal pay, differing work patterns and unpaid care of others.

12. Abolish the differential advantages of tax expenditure for high-income earners (mainly male) and the disadvantages of transfer payments for low-income recipients (mainly female).

13. Abolish enforced assessments of *de facto* relationships and allow people to self-identify as couples and commit to sharing resources unless married or registered as *de factos* under a legally robust system.

14. Recognise carer costs and time with a realistic payment that is not income tested with additional payments if the demands are full time.

15. Raise the subsidies to personal and other forms of care services so employed carers can be adequately paid.

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Support for a fairer tax system

WELA supports the position of the Equality Rights Alliance (ERA) and its recommendation to increase housing affordability through tax reform, in particular:

- Limiting access to negative gearing.
- Quarantining losses in negative gearing.
- Reducing the CGT discount.

WELA supports the position of the National Foundation for Australian Women (NFAW) that tax reform must be examined through a gendered lens to identify any impact that reform may have on women and the following recommendations:

Income splitting
- The income tax system should remain based on individual income not joint income.

Superannuation
- Apply the marginal rate of tax to superannuation withdrawals with credit for the 15% tax paid by the fund.
- Reduce the contribution caps to discourage excessive contributions into superannuation.
- Retain the low-income superannuation contribution.

CGT
- A standard discount should apply across all investments, with deductibility of expenses restricted to the same proportion.

GST
- Oppose the extension of the GST without payment of appropriate compensation to low income earners.

Simplification and administration
- Support proposals that reduce the compliance burden on individuals and small business.
- Any reforms should not encourage inequities or reduce proper targeting of incentives on the grounds of simplification of the system.
- The Australian Taxation Office, Centrelink and other Government Departments providing services to the Australian Public must be funded adequately to ensure that they can fulfil the requirements of those roles.
Income Splitting

WELA strongly supports the recommendation made by NFAW to the Re:think Tax Reform Discussion Paper that that the income tax system remain based on individual income not joint income. It has been the long held position of WELA to reject income-splitting proposals on both economic grounds and to protect women’s rights to earn income and own property.

WELA proposes that the tax transfer system be reformed to mirror the basis for assessment in the tax system. Currently, Australia’s taxation system is primarily based on individual income with few crossovers into relationships with others while the transfer/payment systems are income tested and therefore based, in most cases, on joint income of those defined as ‘couples’. These payments therefore make assumptions about the operation of these relationships and the presumed sharing of resources between partners as well as between parents and children over the legal age of adulthood. WELA notes with concern there is public confusion about entitlements regarding the redistributive systems.

This problem of assessing entitlements suggests a case can be made for the income support transfer system not being automatically assessed on a partnered basis. The official assumption is that all partners share incomes, as well as many parents with adult children. These types of assumptions reduce the rates of payments to those presumed to be supported by others or sharing costs. In the area of partnered payments, the potential savings push Centrelink into making decisions on the existence of such shared resources, even when the individuals deny this sharing occurs. Where this is applied to presumed partners it is based on an outdated set of assumptions about marriage-like relationships. WELA reiterates the importance of recognising the rights of individuals to define their independence within the tax system. The current system disadvantages women who are in unequal relationships, and rather than benefit from a joint assessment, instead see their pension and other payments reduced.

WELA suggests that transfer entitlements should be assessed for individuals and not based on assumptions of shared income. The exception could be where there was an explicit contract, such as marriage or a registered agreement to share financial resources and support the other. This still leaves open the question of whether couples have lower needs than two singles sharing accommodation and whether marriage does cover obligations to

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support the spouse. For many couples, and in particular the female partner and same sex couples, the right to have and control one's own income is very important.

While WELA would prefer to see entitlements being assessed as individual in the payment system as well as the tax system, we recognise that some couples do commit to sharing resources, often by differentiating roles. However, we certainly support the rights of couples, particularly those with no agreed legal obligations, to keep their financial affairs separate and not to be income tested for certain payments under assumptions that they are responsible for the other's upkeep. WELA welcomes further discussion on recognising the inappropriateness of assumptions about those who cohabit.