Australian Government

TAX FORUM DISCUSSION PAPER

TAX REFORM

NEXT STEPS FOR AUSTRALIA

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Introduction by the Deputy Prime Minister and Treasurer

The Government has embarked on an ambitious tax reform agenda to reward hard work and boost participation, to support families and the disadvantaged, and to address the demands of the mining boom. But there is more to be done.

The tax system plays a vital role in Australia, funding the critical services like health, education and defence that our community needs. But the tax system is also an important influence on how we live our lives and the choices we make at home and at work. It affects the rewards for work and how competitive our economy is internationally. So the tax system needs to be designed to fund the quality public services we need, while also delivering the incentives we want.

Australia faces a number of challenges over the coming years — challenges that raise important questions for all levels of government. How do we maximise the benefits flowing from the shift in global economic weight from West to East? How do we fairly spread opportunity to all corners of our patchwork economy? How do we respond to the realities of an ageing population?

Meeting these and other challenges will play an important role in ensuring Australia's ongoing prosperity. This will involve finding further ways to boost workforce participation, to improve productivity by relieving capacity and infrastructure constraints, and to do all this in a fiscally responsible and sustainable way.

The Government is delivering on reforms in a range of policy areas to achieve these goals, including investing in skills and the infrastructure of the 21st century, such as the National Broadband Network. The Government is also investing in major health reform, to deliver a better and more sustainable system into the future.

The tax system is a major driver of the type of fair and prosperous society that we want. This is why reform of the tax and transfer system is important to achieving our economic goals. Tax reform should aim to make the economy stronger, our society fairer and the tax system simpler.

The Government has made reforming the tax and transfer system a priority since coming to office.

In the 2008-09 Budget, the Government delivered the first of three rounds of personal income tax cuts, worth $47 billion in total. We also commissioned the *Australia's Future Tax System* (AFTS) review to undertake a comprehensive review of Australia's tax and transfer system.

In the 2009-10 Budget, the Government announced the *Secure and Sustainable Pensions* package. These reforms included an historic increase in the base rate of the pension and a Work Bonus to reward pensioners who continue to do some work.

In May 2010, the Government released the AFTS review along with the *Stronger, Fairer, Simpler* package of reforms. These reforms are aimed at ensuring Australia manages this mining boom better than the last one by: ensuring Australians get a better return on their non-renewable resources; cutting tax for businesses to encourage employment and income growth right across the country; boosting infrastructure spending in our mining regions; and saving some of the gains through tax reforms affecting superannuation and interest-bearing accounts. The Government also announced important steps to make tax time simpler for individuals and small businesses.

Between May 2010 and the 2011-12 Budget, the Government announced a further 12 measures that deliver on reform directions identified in the AFTS review, including changes to address a range of unintended incentives in the tax system and to improve the tax treatment of infrastructure investment.

On 10 July 2011, the Government announced a comprehensive plan to move to a clean energy future, including the introduction of a price on carbon pollution. Households will receive assistance through increases in pensions, allowances and family payments, as well as income tax cuts delivered primarily through a higher tax free threshold. Increasing the tax free threshold from $6,000 to $18,200 is a substantial reform to the personal income tax system. It increases the rewards for work, takes around one million people out of the tax system, and delivers on directions identified in the AFTS review.

When we released the AFTS review, we emphasised that tax reform is a long-term project across all levels of government, and that the ideas in the review would be the subject of an ongoing national debate in the years to come.

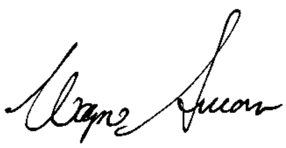
To continue that debate, the Government will convene a public forum on taxation on 4-5 October 2011 at Parliament House in Canberra. The Tax Forum is an opportunity to hear from all parts of the Australian community about the future of our tax and transfer system.

The AFTS review provides a good starting point for that discussion as it identifies weaknesses in the current tax and transfer system, and suggests ideas for long-term reform across a range of areas. This paper draws out a number of the key ideas from the review, and is designed to generate debate in the lead-up to the Tax Forum. This paper poses a number of questions for the community to consider.

I personally look forward to listening to ideas on how we can make our tax and transfer system fairer and simpler across all levels of government, and ensure it rewards work and productive investment. Of course, contributors to the debate need to be mindful of how their ideas can be implemented without compromising the Government's strict fiscal discipline. Proposals need to be affordable and fully funded, not just in the next couple of years, but also into the future.

The key ingredients for a successful Tax Forum will be the contributions and attitudes of the participants. As we all know, tax reform is not easy and we will need to focus on the national interest and not just sectional interests.

The discussions at the Tax Forum will inform the following Parliamentary debate and the ongoing debate in the broader community. This national discussion is an important way for Australians to have a hand in shaping the future of our country.



Wayne Swan
Deputy Prime Minister and Treasurer

The context for tax reform

Challenges and opportunities

Australia faces a range of important challenges and opportunities over the coming years and decades.

With international demand for our mineral resources at all-time highs, the Australian economy is currently experiencing one of the most significant economic shocks in its history. Average prices for our resources exports have increased by around 180 per cent since the end of 2003, and nominal gross domestic product (GDP) has increased by around 60 per cent over the same period. While this boom means that Australia as a whole is getting richer, the strong exchange rate associated with the high demand for our resources is impacting negatively on some industries and regions. The mining boom provides us with an opportunity to ensure that the living standards of all Australians continue to rise, that we share the benefits of prosperity and do not leave some Australians behind.

Australia's demographics are changing, as highlighted by the 2010 Intergenerational Report. This will have important implications for our society and for our economy. A population that is ageing means a changing workforce and different demands for government services. Moreover, in an increasingly globalised world, with international competition for mobile capital and labour, Australia needs to maintain a competitive tax system.

Australians are also facing the reality of climate change. Climate change poses questions that every nation will have to answer — questions about how we can find ways to promote the sustainability of our ecosystems, our food supply and the places we live and work. We need to make the transition to a low-carbon economy to preserve our long-term competitiveness — by encouraging the development of new clean-energy technologies and environmentally sustainable economic growth.

Future reform needs of the country

The Government has been acting on five broad reform priorities, which are all about responding to these challenges and opportunities.

First, Australia needs to maintain **strong fiscal management**. In the near term, the Government is committed to returning the budget to surplus in 2012-13, and has a set of strict fiscal rules in place to keep Australia on track to achieve this. Key to delivering this is the Government's deficit exit strategy which includes allowing the level of tax receipts to recover naturally as the economy improves, while maintaining the Government's commitment to keep taxation as a share of GDP below the 2007-08 level on average and holding real spending growth to 2 per cent a year until the budget returns to surplus. The Government will maintain its fiscal discipline after we return to surplus, and is conscious of the longer-term structural pressures on the budget such as future community demands for spending on health and other services. This means we all need to be mindful that Australia's future reform ideas need to fit within the fiscal constraints that exist both now and into the future.

Second, Australia needs to continue to increase its labour force **participation**. While there are a large number of factors affecting people's choices to seek and obtain work, the tax and transfer system plays a key role. When labour force participation is lower than it could be, not only is the economy's output below potential, but the rest of the community has to pay higher taxes in order to fund transfers. The 2010 Intergenerational Report highlighted that in 2010 there were around 5 people of traditional working age for every person aged 65 and over. By 2050, however, there is projected to be only 2.7 people of traditional working age for every person aged 65 and over.

Third, we need to increase the **productivity** of the economy. The Government has been investing in skills and training, which will build the productivity of our workers. The Government has also been investing record amounts in new infrastructure, including in our regions, to address potential capacity constraints that can emerge in a prosperous economy. The tax system also has a role to play. Taxes affect the level of investment, where investment and workers go in the economy, and how they are used. Ensuring our taxes are as efficient as possible will help to expand the economy's productive capacity and boost our output.

Fourth, Australia must deal with **climate change** and the need to shift to a low-carbon economy. The Government's central response to climate change is to place a price on carbon. This is the most efficient way to create the incentives our economy needs. But there are many other policies, including tax policies, which affect our level of emissions. Some of these encourage emissions, some discourage emissions, often as an indirect consequence of the main intent of the policy. It is important that tax policy is consistent with the move to a low-emissions economy.

Fifth, we must continue to invest in future generations by driving long-term improvements in the **standard of living** of Australian children and families. The Government has made record investments in early childhood, education, health, and family and parenting support, to ensure all children and young people have the best start in life and opportunity to reach their potential. The tax and transfer system has a key role to play in providing effective family and childcare assistance to help parents and carers raise future generations of healthy and educated Australians.

The tax system and approaches to reform

The tax system plays a vital role in the Australian community. It is necessary to fund the quality public services the community needs, like health, education and defence. At the same time, the tax system creates important incentives for all of us — whether it be incentives for how we work, what we buy or how we save. The tax system is an important driver of the type of fair and prosperous society we want, and improving the tax system is a powerful way to pursue broader reform goals.

The Government's approach to tax reform is built around three key elements.

Reform to make the economy stronger. There are many ways that reform can make the economy stronger. Taxes impact on many incentives: to work, to save, or to invest. Taxes need to be designed to reward hard work and improve international competitiveness at the same time as generating the revenue required to deliver the quality services the community needs. Tax rules can also sometimes create unintended incentives in the system, which encourage people to do things they wouldn't otherwise do, merely to gain a tax advantage. This diverts people's time and money into activities that are of little value to them or the community. Reforms that improve incentives across the system can help deliver a stronger economy with more jobs and better wages for everybody.

Reform to make the tax system fairer. A fairer tax and transfer system is better for everybody. Our tax and transfer system reflects the belief that it should assist those in need and raise revenue from those with the ability to contribute towards community services like health and education. Rules need to be designed to ensure that the cost of delivering quality public services is spread fairly among those with the capacity to pay. Sometimes particular concessions can only be accessed by a small group, rather than everybody. Other concessions may be of more benefit to people at the top of the income scale than those at the bottom of the income scale. It is important to address any holes in the tax system's integrity, because otherwise these can result in some taxpayers having to shoulder a disproportionately larger burden in order to fund the services the community needs.

Reform to make the tax system simpler. The tax and transfer system requires a degree of complexity if it is to deal with the diverse range of situations across Australia. However, this complexity has real costs. It can cost people time and money to deal with a system that is overly complex. Complexity in the system can also impact disproportionately on people who are least able to deal with it, often the most disadvantaged. This means there are real benefits to making the system simpler, even when this sometimes also means it becomes less targeted.

The Government's reform agenda

The Government has an ambitious economic reform agenda which will boost productivity and participation, build a clean energy future, and prepare for the demographic and other challenges ahead while returning the budget to surplus.

The Government is already committed to implementing significant tax and transfer reforms.

The Government delivered three rounds of personal income tax cuts in its first three Budgets. Combined, these cut tax by $47 billion and improved the returns to work for all Australian taxpayers.

In 2009, the Government announced the *Secure and Sustainable Pension Reforms*, in response to the Pension Review Report. These reforms included an historic increase in the pension, the introduction of a Work Bonus to reward pensioners who continue to do some part-time work, and steps to strengthen the indexation of the pension and to improve the sustainability of the system now and into the future.

In 2010, the Government announced important steps toward building a stronger, fairer and simpler tax system. This package was aimed at the pressing need to respond to mining boom mark II. The Minerals Resource Rent Tax and the extension of the Petroleum Resource Rent Tax will improve the taxation of Australia's largest commodity groups: iron ore, coal, oil and gas. These tax reforms will ensure all Australians get a fairer return on our mineral wealth, with the revenue used to fund reform in a number of other important areas.

Revenue from the Minerals Resource Rent Tax will enable a cut in the company tax rate to 29 per cent and a phasing down of Interest Withholding Tax for financial institutions — making our economy stronger and making Australia a more attractive place to do business. The small business instant asset write-off will reward 2.7 million small businesses when they invest to grow, and simplify their tax at the same time. Superannuation reforms and the 50 per cent tax discount on interest income will support people's saving efforts and make our system fairer for all Australians. New infrastructure funding will address the needs of our regions, especially our mining regions. The tax system will also be made simpler for individuals and small business through an optional standard deduction for work-related expenses and the small business instant asset write-off.

In this year's Budget, the Government delivered a further round of tax and transfer reforms responding to the directions identified in the AFTS review.

To improve incentives for investment, designated infrastructure projects will get a better treatment of the up-front expenses they incur. Incentives for workforce participation will be improved by the phasing out of the Dependent Spouse Tax Offset, and also by reducing payment withdrawal rates for single parents with school-aged children. New measures for people with a disability will help encourage them to engage in work where possible. To ensure the family payments system better reflects the costs of raising children, the maximum Family Tax Benefit Part A rates for teenagers aged 16 to 19 in full-time secondary study will be increased to match the rates for 13 to 15 year olds.

To improve the efficiency of the tax system, the Fringe Benefits Tax treatment of cars has been reformed to remove the incentive for people to drive longer distances. In addition, the Entrepreneurs' Tax Offset will be replaced by more effective measures to assist small business, such as the instant write-off of any new asset worth under $6,500, providing instant write-off for the first $5,000 of the purchase of a business vehicle, and a company tax rate cut for incorporated small businesses. The fairness and integrity of the tax system will be supported by several integrity measures, including reducing income splitting opportunities for high income earners by denying access to the Low Income Tax Offset for the unearned income of minors.

The Government built on these reforms with the *Clean Energy Future* package announced in July 2011. Measures in the package will substantially simplify our tax and transfer system. By increasing the tax free threshold from $6,000 to $18,200 from 1 July 2012, we will take up to an extra one million people out of the tax system. The threshold will increase again from 1 July 2015 to $19,400. These tax cuts reward participation by delivering the largest gains to low-income earners, especially part-time workers with income below $30,000.

The *Clean Energy Future* personal tax reforms also reduce reliance on the Low Income Tax Offset (LITO) which the AFTS review found reduces transparency and can be confusing. The reforms make tax rates more transparent by addressing the hidden 4 per cent effective tax rate created by the withdrawal of LITO between $30,000 and $67,500. This will be cut to zero for income between $30,000 and $37,000, and to 1.5 per cent for income over $37,000 (1 per cent from 1 July 2015).

All of these reforms are steps towards maximising the opportunities and meeting the challenges facing Australia in the decades to come.

Looking forward

Tax reform is a long-term project.

The AFTS review provides a starting point for the next stage of community discussion about the future of tax reform, beyond those reforms already announced. The AFTS review was developed following extensive consultation, and sets out ideas for long-term reform of our tax and transfer system that seek to address the long-term economic, social, demographic and environmental challenges facing Australia.

The Tax Forum will be an opportunity to elicit community reaction to those ideas and to discuss priorities for the next stages of tax reform. The Parliamentary debate following the forum will provide an opportunity for Members and Senators to carry forward the national discussion. These processes will inform the Government's thinking about further reforms.

The national tax reform discussion will need to recognise:

- the Government's commitment to fiscal discipline, which means that ideas that have a budget cost need to be funded;
- the impact that the tax and transfer system has on labour force participation, saving and investment decisions;
- that shifting the tax burden or tax mix from one base to another needs broad community consensus; and
- the key economic, social, demographic and environmental challenges and opportunities facing Australia.

The rest of this paper outlines a number of the key areas of the tax and transfer system that will be discussed at the Tax Forum, including discussion of some of the ideas for change suggested in the AFTS review.

An overview of the system and the scope for reform

Broad approaches to the tax and transfer system

The broad architecture of the existing tax and transfer system is sound. But the system will face substantial challenges in the future. The system needs to be robust, yet flexible enough to adapt to changing circumstances.

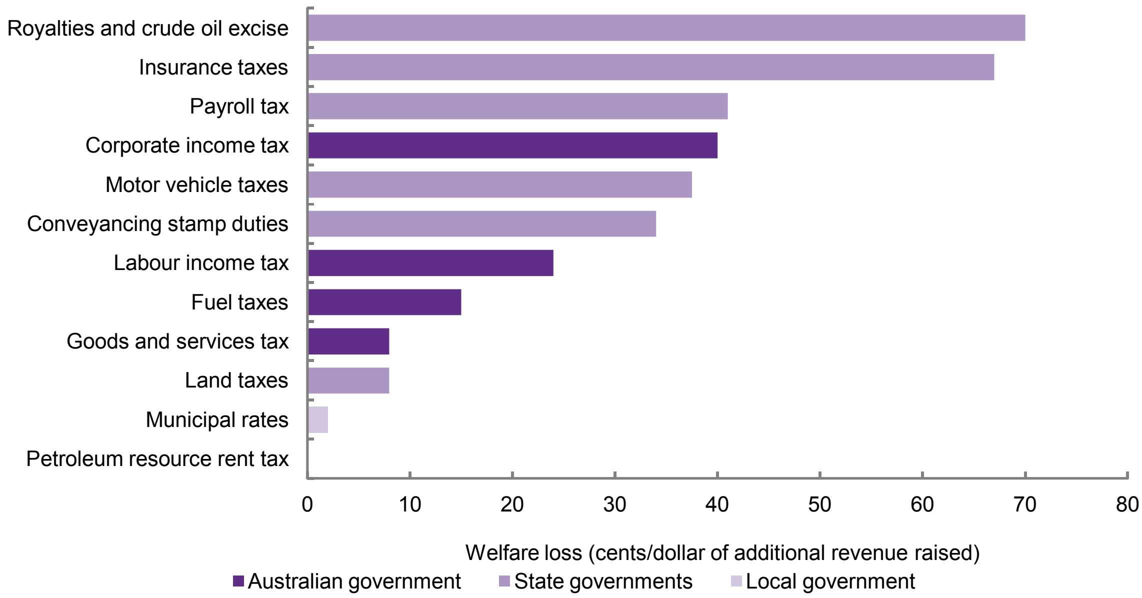
The AFTS review supported this assessment. Its broad vision for Australia's tax and transfer system is that:

- Revenue raising should be concentrated on four robust and efficient, broad-based taxes:
  - personal income;
  - business income;
  - rents, including rents from natural resources; and
  - consumption.
- Narrow-based taxes should only be used where they improve social outcomes or market efficiency through better price signals.
- The transfer system should remain structurally separate from the tax system and remain highly targeted.
- Administration of the tax system needs to be more transparent and responsive to problems experienced by taxpayers.

In considering the mix of different taxes within this architecture, there are a number of different factors highlighted in the AFTS review: economic impact, complexity, equity and distribution, sustainability and transparency.

One important factor is the impact of taxes on economic growth. The AFTS review provides analysis of the relative inefficiency of the main taxes across all levels of government. It compares the marginal welfare loss arising from a small (5 per cent) increase in those taxes, as shown in Chart 1. Changes that reform inefficient taxes, or shift the tax burden from relatively inefficient taxes to more efficient ones, have the potential to improve the overall efficiency of the tax system, and therefore of the economy.

Chart 1: Marginal welfare loss from a small increase in selected Australian taxes



Source: KPMG Econtech (2009), *CGE Analysis of the Current Australian Tax System*. Reproduced from AFTS.

Government's reform agenda

The Government's *Stronger, Fairer, Simpler* reforms reflected the AFTS review approach to shift revenue raising towards relatively efficient resource rent taxes, coupled with reductions in corporate income tax and reductions in taxes on labour income that is saved through superannuation.

Discussion questions

Areas for consideration at the Tax Forum might include:

- At the Commonwealth level, are there opportunities to further balance the tax system towards more efficient revenue bases?
- At the state level, are there opportunities for the States to rebalance their tax systems towards more efficient revenue bases?

Session 1: Personal tax

Personal income tax

Australia has a progressive personal income tax system; that is, the average tax rate people face increases as they earn more income. This complements our transfer system, which uses means tests to target payments to those with the greatest need.

An important aspect of the personal tax system is how it rewards workforce participation, particularly when interactions with the transfer system are taken into account. Improving participation is a key challenge for Australia's economy. Participation in work brings social and economic benefits to Australians. Improving participation is also important to meet the labour demands created by a growing economy in the near term, and the changing labour needs as our population ages.

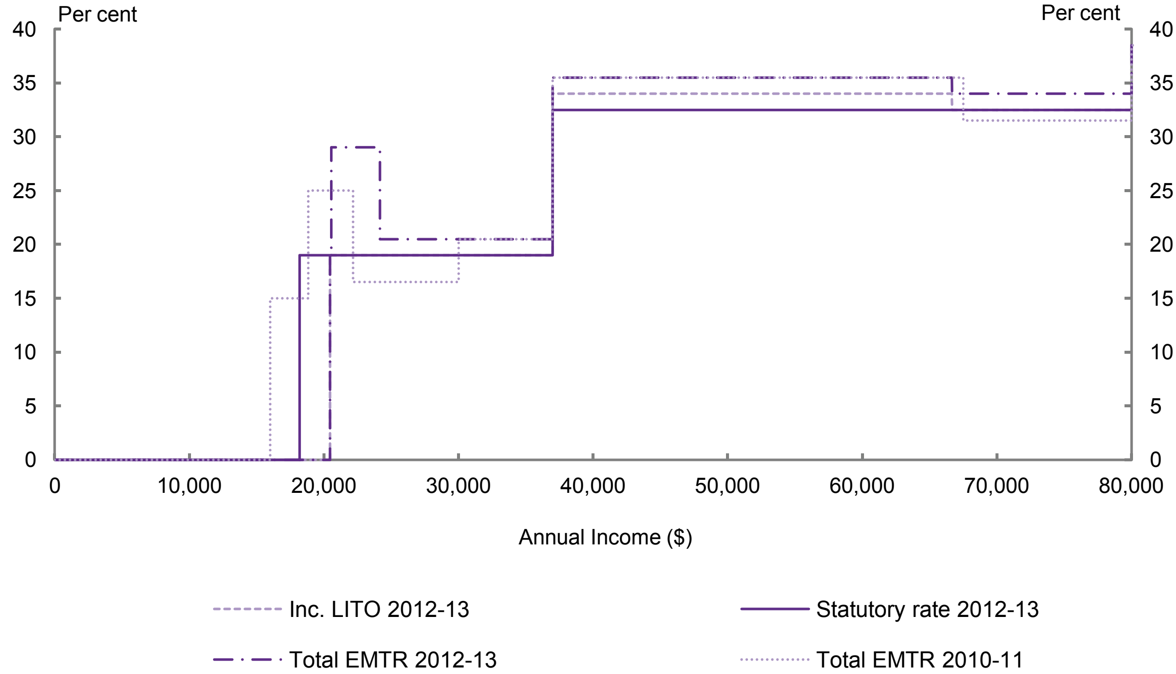
Personal taxes mean that people don't get to see all of the returns to their work. Research has shown that participation by secondary earners can be particularly responsive to the financial returns to working. Lower personal tax, and in particular tax cuts aimed at low- and middle-income earners, can increase the returns to work and increase participation, especially for secondary earners.

In the personal income tax system, in addition to the progressive statutory rate structure, there are also a range of 'tax offsets' which reduce the amount of tax payable by particular groups. For example, the Low Income Tax Offset (LITO) provides targeted tax relief to low income earners, and the Senior Australians Tax Offset (SATO) further reduces the amount of tax payable by older Australians.

One problem with these tax offsets, however, is that they add to the statutory tax rates in the income ranges where they are withdrawn. By way of illustration, the LITO is currently withdrawn at 4 cents for each additional dollar of income over the income range $30,000 to $67,500. This means that over this income range, the actual marginal tax rate is 4 percentage points higher than is apparent from the statutory rate scale. Similarly, the exemption from the Medicare levy for low-income earners is withdrawn at 10 cents in the dollar from $18,839 for individuals. The personal tax reforms announced in the *Clean Energy Future* package address some of these issues by raising the tax free threshold, adjusting some statutory rates, and cutting the withdrawal rate of LITO by 2.5 cents in the dollar. These reforms make the tax scales more transparent and reduce reliance on the LITO to deliver tax relief.

Chart 2 shows the effective tax rates for an individual as a result of the introduction and withdrawal of the Medicare levy and the LITO in 2012-13, when the Government's reforms are due to commence.

Chart 2: Effective marginal tax rates including LITO and the Medicare levy for an individual (2010-11 and 2012-13)



Note: The 2012-13 income tax rates and thresholds, Medicare levy rates and thresholds and LITO rates and thresholds are based on the *Clean Energy Future* package, announced on 10 July 2011.

As well as creating complexity, offsets and other special concessions can erode personal tax revenues and create adverse incentives. Concessions that let one form of labour remuneration be taxed less heavily than other forms of remuneration can encourage people to take their pay in forms that are less flexible, just to minimise tax. Sometimes not everybody can access these concessions, which can also be unfair.

Fringe Benefits Tax

Fringe Benefits Tax is paid by employers who provide non-cash benefits to their employees. The existing law includes a large number of valuation rules for different types of benefits. Some of these are complicated and in some cases there are a number of alternative rules for the same type of benefit. This imposes high compliance costs on employers. Some types of benefit are concessionally taxed, as some valuation rules produce a taxable value that is well below the market value of the benefit, and some types of benefits are exempt altogether. This creates incentives for employees and employers to engineer remuneration packages heavy in concessionally-taxed or exempt benefits, even if that does not match the employee's preferences.

There are special Fringe Benefits Tax concessions for some categories of employees, especially those in the not-for-profit sector. These are an important part of overall remuneration arrangements for the sector, but the AFTS review also found they can add complexity and suggested there may be different ways to support the sector more effectively. The Government remains committed to continuing to support the not-for-profit sector.

Savings

The personal income tax system can also create disincentives to save. Under the existing system, very different levels of taxation apply to different savings vehicles (for example, superannuation, the family home, investment properties, shares and bank deposits). The AFTS review found that differences in treatment can encourage taxpayers to arrange their affairs to minimise tax and can affect how much some people save overall.

The AFTS review supported concessions for long-term savings vehicles like superannuation and the family home, which the Government also supports. The Government's superannuation reforms provide fairer concessions, by expanding concessions to lower-income earners and maintaining a larger contributions cap for older Australians. The Government also supports the family home and has committed not to change the treatment of the family home in income support means tests.

In regards to savings more generally, the AFTS review proposed reforms intended to provide a more consistent and neutral taxation of savings choices. Acknowledging the transitional issues, it recommended a longer-term move to providing similar discounts on net rental income as apply to capital gains. The AFTS review noted that an important pre-condition for such reforms would be improvements to housing assistance and the efficiency of supply, as the proposed reforms could, in a supply-constrained market, place further pressure on the availability of affordable rental accommodation. The Government's policy is not to apply a discount to negative gearing deductions.

Other features of the tax system that impact on the housing market are addressed under *Transfer payments* and *State taxes* below.

One important form of assistance to saving is the imputation system. Australia is one of only a few OECD countries that operate a dividend imputation system where savers receiving a dividend also receive a tax credit for tax paid at the company level. The Government's policy is that it will not remove the benefits of imputation.

Superannuation

In regard to superannuation, the AFTS review supported the continuation of concessional tax treatment but observed that the current rules favoured high-income earners compared to low-income earners. Around 3.5 million low-income individuals receive little or no personal income tax benefit from their superannuation contributions. The AFTS review put forward a range of recommendations in this area that were designed to boost superannuation savings and make superannuation concessions more equal across the income distribution.

The AFTS review also considered the drawdown phase of superannuation. One area the AFTS review looked at was the use of income stream products as an option to allow people to manage their superannuation savings through retirement. The review found that there might be scope to improve the rules that apply to these products, to allow for more innovative products to be developed. However, the review also noted that any changes in this area would need to preserve the integrity of the system.

Government's reform agenda

The Government is implementing a range of reforms to personal taxes. These include:

- increasing the tax free threshold from $6,000 to $18,200 in 2012-13, freeing up to an extra one million people from needing to lodge a tax return and providing all taxpayers below $80,000 with a tax cut. Most will get a cut of at least $300, but people with income below $30,000 will get larger tax cuts that reward their workforce participation;

- simplifying personal taxes, by providing an optional standard tax deduction of $500 from 1 July 2012, increasing to $1,000 from 1 July 2013;

- reducing adverse incentives, by phasing out the Dependent Spouse Tax Offset for people aged under 40 on 1 July 2011, and reforming the Fringe Benefits Tax treatment of cars to remove the tax incentive to drive longer distances;

- improving the treatment of interest savings, with a 50 per cent tax discount on up to $500 of interest income from 1 July 2012, increasing to $1,000 from 1 July 2013;

- boosting superannuation savings, through an increase in the Superannuation Guarantee to 12 per cent by 1 July 2019; and

- making superannuation concessions fairer, through a new $500 government contribution for low-income earners, and maintaining the $50,000 superannuation contributions cap beyond 1 July 2012 for over 50s with balances below $500,000.

The Government remains committed to further reforms of personal tax, as fiscal circumstances permit, to continue to simplify the system and address disincentives to labour force participation.

Discussion questions

Areas for discussion in the personal tax session at the Tax Forum might include:

- Are there ways to further reduce any disincentives to workforce participation?
- Are there opportunities to make policy changes to further simplify taxpayers' interactions with the personal tax system?
- What is the best way for the personal tax system to be integrated with the business tax system in order to maintain the integrity and fairness of the overall system?
- Does the tax system provide the right support to Australians who locate to the areas where their skills are most in demand?
- Should consideration be given to moving towards a more neutral and consistent tax system for savings?
- Are there opportunities to improve efficiency in the housing market with alternate tax settings and policies?
- Are there opportunities to improve the rules for superannuation during the drawdown phase?
- Are there unintended or inappropriate concessions in the tax system that could be removed to help fund priorities elsewhere? Are there better ways to structure and deliver concessions?

Session 2: Transfer payments

The transfer system touches the lives of millions of Australians with payments across the span of the population.

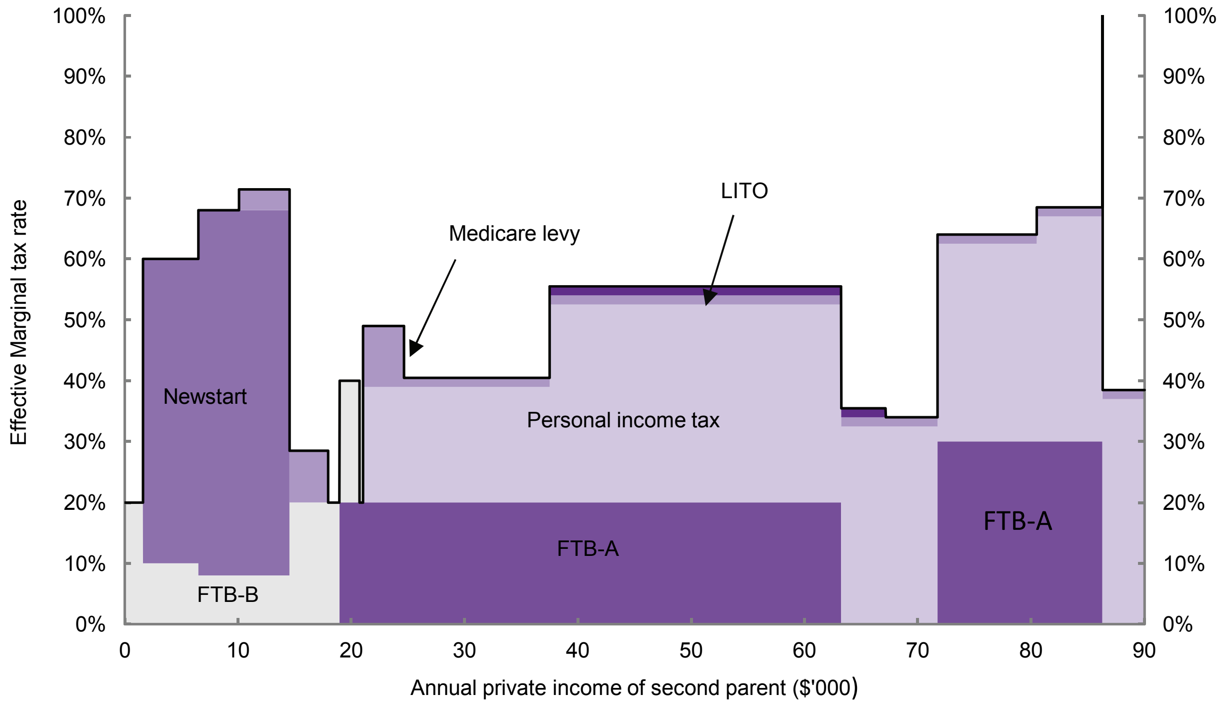
The fundamental role of Australia's transfer payments, including income support payments and family assistance, is to ensure Australians have access to an adequate standard of living. Most transfer payments are means tested which means they are gradually withdrawn as incomes rise.

The withdrawal rates on transfer payments as incomes rise can have similar economic effects to statutory rates of personal income tax. That is why the two are often looked at together, in what are called 'effective marginal tax rates' (EMTRs). EMTRs can be particularly high where benefits are being withdrawn at the same time as taxes are being imposed. High EMTRs can act as a disincentive to work, which may affect the participation decisions of some people more than others. For example, secondary earners considering part-time work are likely to be particularly responsive to the rate at which their family benefits are withdrawn. While a number of reforms have sought to manage the interaction between the tax and transfer systems to mitigate these negative participation effects, completely avoiding them is not possible given our targeted transfer system.

In addition, the interaction between the tax and transfer systems is complex and can lead to a lack of transparency in the transfer entitlements and tax obligations of individuals and families. This can make it more difficult for people to make informed choices and calculate the possible benefits of additional work.

Chart 3 shows the components of the tax and transfer system contributing to the EMTRs for couples with two children, aged 13 and 15 years old, when one parent earns $30,000 and the second parent starts looking for work in 2012-13.

Chart 3: Effective Marginal Tax Rates for a couple with children aged 13 and 15, 2012-13



Note: The chart assumes that one member of the couple works all year for $30,000. For example, if their spouse earns $11,000, the family loses 71.4 cents for each extra dollar the spouse earns. Sixty cents of that comes from withdrawal of the spouse's Newstart Allowance, eight cents from withdrawal of Family Tax Benefit Part B, and 3.4 cents from the phase in of the Medicare Levy for the partner on $30,000. The couple keeps only 28.6 cents of each extra dollar the spouse earns. The spike around $86,000 is due to the withdrawal of the Education Tax Refund. The 2012-13 income tax rates and thresholds, Medicare levy rates and thresholds and LITO rates and thresholds are based on the *Clean Energy Future* package, announced on 10 July 2011.

The Government is placing a stronger emphasis on ensuring transfer payments are delivered with the right incentives, obligations and services to encourage Australians to develop skills to help them get a job and make sure their children are getting the best start to life.

Large differences in payment rates and conditions for various allowances and pensions also create incentives for recipients to switch to high payment categories that carry greater risk of long-term welfare dependency. There are also differences in how various allowances and pensions are indexed.

It is important that the tax and transfer system remains relevant in the face of economic, demographic and social change. Larger numbers of mature age people and people with a partial capacity to work might take advantage of growing opportunities for part-time and casual work if the system created incentives more suited to their circumstances.

Among the barriers to employment for mature age people are employer attitudes and individual expectations. In the future, it is likely that there will be more people earning some income post-retirement, and the tax and transfer system will need to take this into consideration. Through the Consultative Forum on Mature Age Participation the Government is working to increase the recruitment and retention of mature age people.

Partly as a result of structural economic change, jobseekers often live in communities with fewer jobs (and lower housing costs). This raises the question of how the system can facilitate workforce mobility. Improving skill levels can require longer, more intensive and costly engagement in training, which can be a barrier for jobseekers. The need to re-skill, potentially necessitated by technological change, can also be a barrier.

Income support

The AFTS review found that the primary focus of income support payments — such as the Age Pension, Parenting Payments, Newstart Allowance and Disability Support Pension — should continue to be the provision of a minimum adequate level of income to people who are unable to fully support themselves. This is balanced with an expectation that people who can support themselves through work will do so. Income support arrangements should balance the need to provide adequate assistance with the need to provide incentives and opportunities for individuals to develop skills and participate in work, where possible. The AFTS review supported an income support system that targets need and supports participation, but also explored a number of issues relating to income support payments.

Family payments

Family payments — such as Family Tax Benefit (FTB) Part A, FTB Part B, Paid Parental Leave and the Baby Bonus — provide financial assistance to many Australian families. These payments have a number of objectives, including: supporting an adequate standard of living for children; helping parents balance work and caring responsibilities; and encouraging healthy childhood development, particularly in the early years. Payments are means tested to target assistance to those who need it most, to achieve a fair and appropriate coverage of families, and to maintain the affordability of the system.

The AFTS review recognised that family payments should be structured to appropriately support parents as they adjust the balance between caring and paid work at different stages in their lives. Parents can require more support in the early years of a child's life as they take time out from the workforce to provide full-time care for their children. In general, parents' work availability then increases as children get older and payments need to adequately reflect the cost of raising children, including recognition of the higher cost of raising older children, while supporting parents' choices to return to work.

The AFTS review also recognised the need to reduce complexity in the system where possible, to deliver payments that are easier for families to understand and access. The review recommended a single family payment, comprising a per child component to recognise the direct costs of children, and a per family component to recognise the impact of children on the household and work, subject to a single income test on combined family income.

Child care payments

Child care payments are also provided to many families, through the Child Care Benefit and the Child Care Rebate. Assistance to access high-quality and affordable child care is important to the workforce participation of parents, particularly for secondary income earners and single parents (who are mostly women). As child care is a cost of employment, providing assistance with child care costs can help overcome barriers to workforce participation.

All parents want quality child care for their children. Access to quality child care is also important in supporting the development of children and their ability to adjust to school, particularly for children from disadvantaged backgrounds.

The AFTS review supported continued assistance for the costs of quality child care. It found that there are positive participation payoffs from Paid Parental Leave and child care assistance. It also discussed the possibility of combining child care payments into a single payment, to reduce complexity.

Housing subsidies and concessions

Housing assistance is delivered to low-income people in different ways, depending on where they live. Private renters may be eligible for Commonwealth Rent Assistance, whereas residents in state public housing receive subsidised accommodation with rents generally set in proportion to their income.

The AFTS review noted that a higher level of assistance is provided to public housing tenants in comparison to those just receiving Rent Assistance. It also suggested that setting state public housing rents as a proportion of income may lead to poor long-term outcomes for tenants, including by discouraging workforce participation.

The AFTS review recommended housing assistance be more integrated into the income support system, arguing that this could better direct assistance to recipients based on their needs and means, and encourage the provision of social housing that is of value to tenants. It recommended developing mechanisms to extend Rent Assistance to public housing tenants, coupled with the introduction of special housing payments for those with high or special needs or who are unlikely to be well served in the private market. In examining housing assistance, consideration could also be given to the variety of arrangements applying to Indigenous specific social housing, including state owned and managed Indigenous housing.

Government's reform agenda

The Government is implementing a range of important reforms to transfer payments. These include:

- improving family payments and child care assistance, by:
  - introducing Australia's first national Paid Parental Leave scheme, to give more parents the financial security to stay at home during vital early months, while maintaining a connection to their workplaces;
  - increasing financial assistance for families with teenagers who stay at school, recognising the higher cost of raising older children;
  - increasing the Child Care Rebate to 50 per cent and introducing reforms to ensure the quality of child care; and
  - making the family payment system sustainable for the long term by better targeting it to low- and middle-income families;

- helping those on income support realise the benefits of workforce participation, including young people, single parents, people with a disability and the very long-term unemployed, by:
  - changing payment income tests to reward participation, including introducing the pension Work Bonus, cutting the withdrawal rate facing single parents with school-aged children by up to 20 per cent, and increasing the amount of income that young people can earn before their Youth Allowance is reduced; and
  - introducing new Disability Support Pension assessment processes and payment obligations, as well as employment subsidies, to support people with a disability who can work to do so;
- improving the adequacy and sustainability of the Age Pension to ensure it remains a central pillar of Australia's retirement incomes framework, through the *Secure and Sustainable Pension Reforms*; and
- introducing welfare reforms that encourage personal and parental responsibility, help make sure payments are spent in the best interests of children, and encourage people to take up opportunities to build skills and get a job.

The Government has also commissioned the Productivity Commission to undertake two reviews, into disability care and support services and aged care.

Discussion questions

Areas for discussion in the transfer payments session at the Tax Forum might include:

- Are there ways to make the transfer system simpler for individuals and families?
- How should family payments and child care assistance support parents' choices about how to balance and share work and caring roles at different stages in their children's lives?
- What incentives and obligations in transfer payments could further encourage skills formation, workforce participation and promote early childhood development?
- How well do the characteristics of our income support system reflect current patterns of work life for Australians?
- Does the current provision of public housing impact on workforce participation? If so, what incentives could be introduced to address this issue?
- Are there unintended or inappropriate concessions in the transfer system that could be removed to help fund priorities elsewhere?

Session 3: Business tax

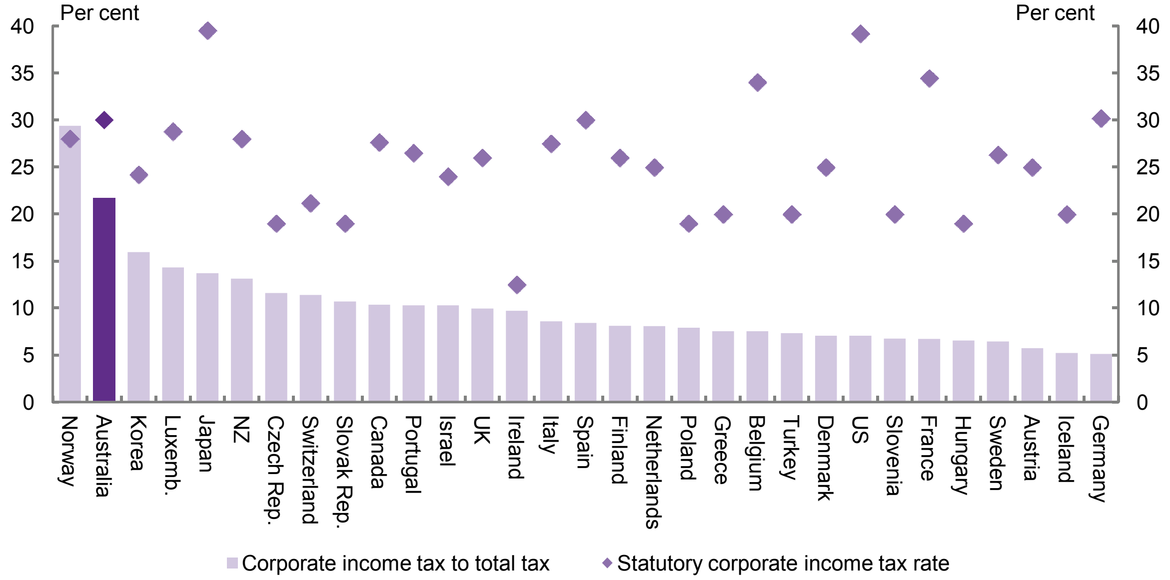
Australia is a capital hungry economy. The positive outlook for our economy means there are many opportunities for new business investment, in both resource extraction and across the broader economy. Some of this investment is funded from national savings, especially superannuation, but Australia has more profitable investment opportunities than domestic savings can finance. Finding other sources of capital to make these investments happen increases our national income and grows the economy.

Globalisation has significant implications for the way we tax business income. With improvements in technology making it easier to communicate, travel and do business all over the world, businesses have much more flexibility in where they choose to locate. Global integration presents business with opportunities abroad and our tax arrangements should not unnecessarily impede healthy expansion of Australian business. With Australia depending heavily on foreign investment, it is becoming more important to develop and maintain a competitive company tax system.

The globalisation of business arrangements can also provide opportunities for businesses to seek to minimise their Australian tax liability by shifting profits offshore. The tax rules need to keep up-to-date with the increasing number, importance and complexity of international transactions.

Australia needs to remain an attractive place for foreign investment. Investment supports productivity and the wages of Australian workers. While the proportion of total tax revenue we raise from taxes on corporate income is higher than the OECD average (see Chart 4), significant sections of our economy are still benefiting from record investment. Australia is relatively unusual in being a developed nation with a significant resource base alongside well-developed manufacturing and service sectors. A key choice for the nation is what kind of business tax system can best support such an economy into the future.

Chart 4: Statutory corporate tax rates, OECD countries 2009



Source: OECD 2010, *Tax Database* and *Revenue Statistics*. Total tax includes all tax revenue raised by all levels of government. Corporate income tax includes all taxes on corporate profits and capital gains. The statutory corporate income tax rate includes interactions between income taxes levied by central and subcentral governments in relevant countries.

The AFTS review found that the business tax system can create economic costs by discouraging investment. An internationally-competitive company tax rate will support investment in Australia, with the benefits of capital deepening that in turn supports labour productivity and higher wages. The AFTS review favoured a lowering of the company tax rate in conjunction with improved arrangements for taxing resource rents. It also noted that company tax rate cuts benefit marginal investments, but can also reduce tax on investments that would occur anyway.

The AFTS review also looked at potential longer-term directions for the business tax system, such as allowing businesses a deduction for equity financing. These models might be considered as a way of targeting tax relief to the more marginal projects and sectors of the economy. Deductions for equity financing might have the added advantage of reducing the tax biases towards debt financing.

The business tax system contains provisions which favour some assets and activities over others. Many of these provisions have specific policy objectives, but a broader, more uniform company income tax base may mean investment is better targeted to its most productive uses. The AFTS review favoured a reconsideration of tax depreciation (‘capital allowance’) arrangements and some streamlining of depreciation for low value assets, particularly for small business. More generally, there may be scope for a detailed examination of whether the collective business and investment tax concessions and incentives are all working well, or whether their cumulative application leaves scope for too much tax arbitrage.

The AFTS review also found that the tax system can discourage investment, particularly in projects with uncertain returns or long lead times (such as infrastructure projects). This occurs where businesses anticipate that they may not be able to get full tax benefit for their losses.

Government's reform agenda

The Government's reforms to date include the following key business tax measures:

- lowering the company tax rate to 29 per cent from 2013-14, with small companies benefitting from an early start from 2012-13;
- replacing the Entrepreneurs' Tax Offset with simpler and more generous depreciation arrangements that allow small businesses to immediately write-off assets valued at under $6,500 and the first $5,000 of a motor vehicle; and
- allowing designated infrastructure projects to carry forward losses with an uplift factor to maintain their value.

The Government will continue to monitor the business tax system to ensure it is as competitive and neutral to decision making as possible.

Discussion questions

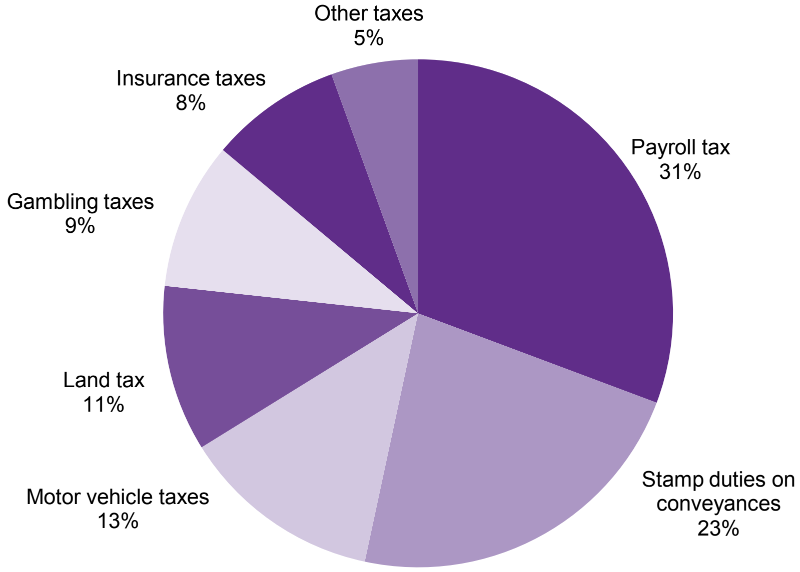
Areas for discussion in the business tax session at the Tax Forum might include:

- What is the appropriate business tax system for Australia to maintain business tax revenue and economic growth?
- Are there ways to reform the business tax system that can assist Australia to meet the challenges of mining boom mark II and make the most of the opportunities from the shift in global economic weight from West to East?
- Should the company tax rate be lowered further, and if so, what other reforms within the business tax system might be used to fund this?
- Are there ways to further simplify business interactions with the tax system, especially for small business?
- Should there be more symmetrical treatment of tax losses?
- Should further consideration be given to potential longer-term directions for the business tax system, such as deductions for equity financing?
- Are there unintended or inappropriate concessions in the business tax system that could be removed to help fund priorities elsewhere?

Session 4: State taxes

The States and Territories need good sources of revenue to fund their expenditure. The States are responsible for a range of taxes which all impact on their citizens and their state economies. Chart 5 provides detail of the main state taxes.

Chart 5: Sources of state tax revenue in 2009-10



Note: Does not include local government.
Source: ABS cat. no. 5506.0, *Taxation Revenue.*

However, the AFTS review found that the taxes States impose are generally narrow-based and represent some of the most inefficient taxes out of all those levied in Australia (see Chart 1). Just as the Australian Government continues the reform of its tax bases, State Governments need to find ways to advance reform of these inefficient state taxes. At a minimum, greater harmonisation of taxes across States would particularly benefit businesses operating across State borders.

Stamp duties on property conveyances and land tax

Stamp duties are levied on the transfer of residential and commercial property. They make up a large proportion of state revenue, raising around $12.3 billion — or 23 per cent of States' own source tax revenue — in 2009-10.

The purchaser of a property is responsible for paying the duty and a progressive rate scale is applied to the sale price or market value (if higher) of the property being exchanged. The rates vary within each State according to the type of property (for example, residential or commercial) and between States. The average rate of stamp duty across States has risen over time from 2.45 per cent in 1993 to 3.25 per cent in 2005, largely due to the non-indexation of the scales in the face of property value appreciation.

Stamp duty applied to the transfer of property increases the cost of buying and selling a home and can have a number of implications for individuals and the economy. Many factors influence decisions about where to live, but these transactional costs can make it more costly for Australians to move location to find work, can make it more costly to upsize or downsize a home as family circumstances change, and can penalise people who move for non-work reasons.

Decisions on relocation of business premises to increase productivity can also be affected by higher costs, although there are clearly other factors that may influence these decisions. By suppressing the number of transactions undertaken in the housing market, stamp duties can also reduce the effective supply of housing.

Land is often argued to be an economically efficient tax base. Unlike more mobile capital or labour, which can avoid taxes by moving or reducing supply, the supply of Australian land will not change. The AFTS review discussed ideas for state land taxes, including whether there should be a broader application with an exemption for land that has a low value per square metre (for example, agricultural land).

Insurance taxes

The States levy taxes on a variety of insurance policies, including private motor vehicles, home and contents, occupational indemnity, life insurance, term insurance, and compulsory third party motor insurance. Some States also impose taxes on specific insurance products such as the health insurance levy to fund ambulance services, or have specific tax arrangements for the insurance industry such as the Fire Services Levy.

In comparison to other countries, Australia has high taxes on insurance. Insurance taxes have been a growing source of revenue for the States, raising around $4.6 billion in 2009-10. However, since there has not been any significant increase in the rates of insurance taxes, this suggests that the growth in revenue has been largely driven by increases in the value of insurance premiums.

Insurance taxes are an inefficient way of raising revenue and can disproportionately impact on some sections of the community, such as those on low incomes. Increasing the price through the imposition of a tax on insurance premiums will result in some people either not insuring or under insuring, depending on the type of insurance being purchased. This issue may be particularly timely, given Australia has recently faced a series of unprecedented natural disasters.

The AFTS review recommended that revenue from insurance taxes should be replaced by revenue from more efficient and equitable taxes. The Australian Government has announced a review of natural disaster insurance in Australia.

Payroll taxes

All States levy payroll tax which is paid by employers on the value of wages and other forms of employee remuneration. In theory, levying a tax on payroll can be an efficient and equitable method of raising revenue. A broad payroll tax has similar economic characteristics to labour income taxes.

In practice there are a number of exemptions (related to size of payroll, type of business activity or particular wages such as maternity pay) which means that a significant proportion (around 43 per cent) of employee compensation is not subject to payroll tax. These exemptions distort behaviour, increase compliance costs for businesses, and reduce productivity. Each State determines its own payroll size threshold and rate, and these vary substantially. For example, more than 90 per cent of businesses in New South Wales are exempt from payroll tax under the current tax free threshold.

To address these issues, the AFTS review recommended replacing payroll tax with a broader-based tax that captures the value add of labour and reduces the inefficiencies of the tax created by exemptions. Other approaches that have been raised include harmonising thresholds and rates or broadening the state payroll tax bases.

Goods and Services Tax distribution

All of the revenue, after collection costs, from the goods and services tax (GST) is distributed from the Commonwealth to the States and Territories. The distribution arrangements differ from equal per capita sharing to equalise the fiscal capacities of the States. The Australian Government has announced a review of the distribution of GST revenue, to report in 2012. The review will have regard to a number of considerations in determining the distribution of the GST, including the incentives for reform created by equalisation arrangements. The GST distribution review has sought public submissions on a range of issues including the influence that GST distribution arrangements have on the incentives for States to fully exploit their own tax bases and to levy taxes efficiently.

Discussion questions

Areas for discussion in the state taxes session at the Tax Forum might include:

- Does the tax system create disincentives for Australians to locate to the areas where their skills are most in demand?
- Are there opportunities for the States to replace stamp duties on property conveyances with reformed land taxes?
- Should States abolish insurance taxes? If so, how could that revenue be raised more efficiently?
- How might the reform or greater harmonisation of State payroll taxes be pursued?
- Do GST sharing arrangements create the right incentives for States to make their tax bases more efficient?
- Within our Federation, what responsibility should the States take for reforming the taxes they impose?

Session 5: Environmental and social taxes

Revenue raising in Australia is generally concentrated on the four main tax bases: personal income, business income, economic rents and private consumption.

In some circumstances, specific taxes beyond these four main tax bases can be used to improve market or social outcomes by addressing spillover costs through appropriate price signalling. User charging can also play a complementary role to signal underlying resource costs of publicly-provided goods and services.

Some examples of these circumstances are discussed below.

Road transport taxes

Australia's transport system plays an important part in how we live our lives. However, the costs of urban congestion are increasing, and are forecast to rise to $20 billion per annum by 2020. In addition, Australia is a large country with significant distances between population centres. People and goods in regional areas have to move long distances as a matter of course. Freight volumes have doubled in the past two decades and are forecast to double again by 2030. This has particular implications given that heavy vehicles cause the great bulk of road wear.

Existing charging arrangements for heavy vehicles include registration charges and a fuel excise based Road User Charge. While these recover road construction and maintenance costs attributed to heavy vehicles, current arrangements provide inadequate incentives to operators to choose routes and vehicle configurations that minimise road damage and costs on others. The current charging system also results in significant cross subsidies between different types of heavy vehicle operators. The Council of Australian Governments (COAG) Road Reform Plan is considering reforms to road charging and funding based on giving better incentives to operators by charging heavy vehicles on the basis of their mass, the roads they use, and the distance travelled.

Building more roads is one way to try to address congestion concerns, but equally important is better utilisation of existing infrastructure. There are physical, environmental and financial limits on the construction of new transport routes. The AFTS review recommended that governments should consider the introduction of variable congestion pricing. Beyond that, the review commented that new technologies may further enable wider application of road pricing if proven cost-effective.

Improving the environment

Our environment will always be key to maintaining our standard of living. However, people and businesses often do not take into account the impact of their actions on the environment. Environmental measures can be used to provide the incentives for people to alter their behaviour.

By far the most crucial issue in this area is the need to put a price on carbon pollution. The carbon price arrangements that the Government announced on 10 July 2011 are a cost effective way to achieve significant reductions in carbon pollution, by providing incentives to businesses to reduce their pollution and invest in clean energy. The two-stage plan for a carbon price mechanism will start with a fixed price period for three years, before transitioning to an emissions trading scheme.

Other taxes can also create unintended incentives that can harm the environment, and care needs to be taken in the design of taxes to ensure that they do not have such unintended consequences, either directly or through interaction with other parts of the tax system. The AFTS review recommended that other carbon abatement programs be rationalised once a carbon price is introduced.

Alcohol and tobacco taxation

Australia's tax system generally taxes different consumption goods in similar ways. However, the use, and abuse, of alcohol and tobacco can create social and health costs that extend beyond the user. Without special tax rules, these spill-over costs are not fully reflected in the price consumers pay for some alcohol and tobacco products. This may lead to over-consumption that creates problems for consumers and those around them. Addressing these effects is an important justification for the special taxes that apply to alcohol and tobacco products.

Different alcohol products are taxed in different ways. Beer and spirits are generally taxed on alcohol content, but in different ways across products. Wine is taxed on its value. These differences create considerable complexity and result in different rates of tax on the alcoholic content, with wine — especially lower-priced wine — being taxed significantly lower than beer and spirits. The AFTS review found that the current tax arrangements do not effectively target the health and social costs of alcohol abuse. The Government has committed not to change alcohol tax in the middle of a wine glut and where there is an industry restructure underway.

Government's reform agenda

The Government's reforms to date include:

- considering heavy vehicle road user charging issues through COAG processes;
- implementing a comprehensive carbon price plan which will cut carbon pollution at least cost and encourage innovation and investment in renewable energy;
- implementing changes to the taxation of fuels, to bring liquefied petroleum gas (LPG), liquefied natural gas (LNG) and compressed natural gas (CNG) into the tax system over time, but with a 50 per cent discount that recognises the potential environmental and fuel security benefits of their use;
- reforming the Fringe Benefits Tax treatment of cars, to remove the incentive to drive further;
- increasing the excise on tobacco products by 25 per cent; and
- tasking the Australian National Preventative Health Agency with investigating how a minimum price of alcohol could work to promote safer consumption of alcohol.

Discussion questions

Areas for discussion in the environmental and social taxes session at the Tax Forum might include:

- Should Australia consider ways to more closely link road charging to the impact users have on the condition and upkeep of roads?
- Is there a case to more closely link road charging to the impact users have on the level of congestion on particular roads?
- Are there aspects of other tax arrangements that create unintended incentives for adverse environmental outcomes, or ways in which governments could use specific taxes to ensure that people take appropriate account of environmental impacts in their decision making?

Session 6: Tax system governance

Our tax and transfer system impacts on the lives of all Australians. It needs to be robust, accessible and enable people to make informed choices. There is general confidence in the Australian tax system with a high level of voluntary compliance. The tax laws and their application to the modern world are complex though, and there may be ways to make the system more transparent and accountable.

The client experience of the tax and transfer system

There are more than 12 million individuals who need to lodge a tax return in Australia and nearly 3 million businesses, the majority of them small businesses. There are also 2.1 million families who receive FTB — A and B, and around 5 million people who receive income support payments. So the way the tax and transfer system is administered makes a big difference to us all. Yet for many people, interaction with the system is complex and fragmented.

Australians spend a lot of time and resources complying with their tax obligations. Around 72 per cent of Australians use a tax agent, one of the highest rates in the world. This is partly due to the multitude of concessions and deductions that are available.

The tax and transfer system is designed to accommodate a very broad range of personal circumstances. However, this also means the system has inherent complexity. Technological advances may make it possible to provide individual Australians with a simpler picture about how the system affects them.

Advancing a citizen-centric design to the tax and transfer system should be aimed at allowing individuals to engage more effectively with the parts of the system that affect them.

Government's reform agenda

The Government has taken a number of steps in this area as part of an ongoing agenda to make the tax system work better for taxpayers, including:

- providing an optional standard tax deduction of $500 from 1 July 2012, increasing to $1,000 from 1 July 2013, which is expected to save 6.4 million taxpayers time and money;
- making ongoing improvements to the electronic lodgement of tax returns, including expanding the pre-filling of tax returns; and
- making it easier for businesses to meet their obligations to governments through standardised business reporting.

Discussion questions

Areas for discussion in the tax system governance session at the Tax Forum might include:

- How might the greater use of technology and improved coordination and management of information be used to improve taxpayers' experience with the tax and transfer system?
- What are the opportunities and challenges to further advance pre-filling of tax returns?
- Should the Government pursue the development of online tax and transfer client accounts?
- Are there better ways that institutional arrangements for the tax system can be used to improve taxpayers' experience of the tax system?

Conclusion

The tax and transfer system has a vital role in funding quality public services, but also has a significant impact on the Australian economy and plays an important part in the lives of all Australians.

Ongoing reform of the tax and transfer system will help deliver the fair and prosperous society that we want for Australia.

That is why the Government commissioned the AFTS review in 2008 — to conduct a root and branch review of these important policy issues.

The Government has announced a broad range of tax reforms to meet some of the key challenges and opportunities that face Australia, especially from mining boom mark II.

The Tax Forum will be an opportunity to continue our national conversation on tax reform and for the Government to hear from all parts of the Australian community on an issue that is important to us all.