



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

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ORGANISATION

Anglicare Australia

Anglicare Australia is a network of 43 agencies across Australia and five associate members in New Zealand, Papua New Guinea and Singapore providing services to people in every region and across their lifespan. In Australia over 17,908 volunteers and 14,771 staff work with over 481,064 vulnerable Australians every year.

Our members provide services to people and communities that are faith based; that strive for equity and justice; and that are strengthened by collaboration and participation. We passionately believe that every human being has intrinsic value and dignity and seek to work with the inherent capabilities of individuals and communities.

STATEMENT OF PRIORITIES

Principles

In our submission to the Henry Review Anglicare Australia argues that all changes should achieve fairness, simplicity and transparency. We continue to hold that these should be the aims of reforming a system that has become increasingly complex over time.

Further, changes should seek to remove any distortions and aim to effect desired behavioural change.

Anglicare Australia made a major submission to the Henry Review and we stand by that submission. In this brief statement of reform priorities we will simply summarise that submission.

1. Priority Reform Directions

Working Age Payment

Anglicare Australia's priorities include a basic working age payment to simplify the welfare payments. This adequate payment is then augmented with "bolt on" specific pieces according to people's needs (eg children, caring responsibilities or disability). Many sources find that the current array of payments is complex and the onus is on the individual to know about and inquire about a payment rather than Centrelink being able to offer benefits that fit the individual's circumstances. This is covered in Anglicare Australia's submission to the Henry Review and the report itself



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recommends this.

Further we proposed that beneficial but not necessarily economical activity be treated as work and attract a basic wage. Examples are voluntary work for the environmental or social good and caring responsibilities. Whilst seeming somewhat radical this does meet the principles of fairness, simplicity and transparency and addresses many current issues of unfairness such as recognition for carers for example. This basic wage would of course be conditional on it being earned in activity that society found useful.

Negative Gearing and Affordable Housing

In our original submission we recommended the abolition of negative gearing finding that it distorts the housing market and the ability of all to gain this fundamental right. While the government has clearly articulated that it would prefer to leave negative gearing as it stands, Anglicare Australia would like to suggest that this generous tax concession to those that own investment properties be balanced with some social good to those that rent them.

Anglicare Australia is particularly concerned for those in private rental accommodation. Its affordability (the National Anglicare Rental Affordability Snapshot taken over a weekend in April 2011 identified virtually no rental properties that were affordable for those on government benefits and pensions) and security of tenure are of particular concern. In Anglicare Australia's State of the Family Report 2010 we quote the case of a mother enrolling her 8 year old son in his seventh school (he had lived in 13 houses in his short life) due to requirements of her private landlords. This is not an isolated case (National Housing Supply Council found that renters change were three times more likely to have changed address than owner occupiers in the previous 12 months) and increasingly rental housing is the piece in the jigsaw of housing affordability and homelessness policy which requires the most attention. As the majority of Australian rental properties are provided by private investors (less than 5% of tenancies are provided through the public housing system) this area of the housing affordability issue must be tackled; linking negative gearing to the offer of long term tenancy agreements is one of the few levers the Commonwealth has in this area and "evens the scorecard" by demanding a public good for a private concession.

There is a severe disconnect between the good that the investor is receiving and the contract that they hold with the tenant. Anglicare Australia realises that the policy of negative gearing is a Commonwealth one and that residential tenancy law is a matter for the States and Territories but would like to see some exploration of easing this distortion through such Commonwealth, State and Territory mechanisms as the National Affordable Housing Agreement.

Apart from the negotiation and the administrative changes there is no direct cost in this proposal.

Disability and Aged Care Reform

Anglicare Australia believes that funding the NDIS and the reforms proposed to aged care in the Productivity commission's recent report, Caring for Older Australians are of the highest priority.



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Income is income no matter how it is earned.

Anglicare Australia believes that income should be taxed at the same rate no matter how it is earned. That is that whether income is earned through holding assets or whether via a wage packet it should attract the same amount of basic tax. This again addresses the principles of fairness, simplicity and transparency. This also argues towards various changes in how income is taxed.

Income from wages is the most highly taxed form of income and treating other forms of income in the same way will lead to a number of new revenue streams. For example a land tax on high value properties would regularly levies a tax on ownership of land, as oppose to only when it is sold or transferred, will answer the three basic principles and also allow for greater predictability of income for Government.

2 Financing the Proposals

Anglicare Australia is in no position to fully cost measures either for savings or revenue. However we believe that achieving the outcomes of fairness, simplicity and transparency will of itself bring about savings as well as costs. Taking our last proposal under priority directions for example – that of taxing income equally no matter how it is earned, opens up many opportunities for revenue. These will also naturally remove and address distortions that push taxation concessions towards those with greater income.

In addition we see that the following items would address the three principles and create savings.

Financial Transactions Tax

This tax is proposed for two reasons – to slow down the speculation and speed of the stock markets which can be seen to cause harm and to gain revenue

Removal of the 30% private health insurance rebate

ACOSS calculates that removing this grossly unfair concession would net savings of \$1,200 million in 2011/12.

Equal taxation of lump sum termination payments

This again addresses our three basic principles and using ACOSS figures would net \$500 million in 2012/13.

Removal of distortions in the area of Superannuation

There are a number of provisions and concessions which favour high income earners. Utilising the three basic principles and further seeking to remove distortions from the system demands action in this area.

The flat rate tax on superannuation contributions and earnings is regressive, rewarding higher income earners to a greater extent than low to middle income earners. Tax rates for superannuation



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contributions and earnings should be on sliding scale aligned with (but not set at the same level as) an individual's personal income tax rate.

Some issues need to be examined. One of these is the ability to salary sacrifice to make additional superannuation payments (which again advantages higher income earners over low to middle income earners). Another is the effectiveness of the co-contributions scheme; the people at whom this assistance is targeted are usually just trying to make ends meet and are often not able to take advantage of the relevant concessions.

LIST OF ATTACHMENTS

Living Without Shame