

-The tax system would become more efficient if the current complicated family tax benefit payment system was replaced with a single lump-sum payment per child. Currently there are numerous family allowances, child care subsidies, maternity allowances and other concessions for children in a current tax transfer system. If this was replaced with uniform, non-means tested annual taxation concession such as a tax credit or cash allowance every family would receive the same monetary value per child.

-The tax system would also become more efficient if an optional family-based taxation system was adopted like in other OECD nations such as the United States, France, Germany, Belgium, Luxembourg, Portugal, Switzerland, Iceland, Ireland, Norway, Poland, Spain, the Netherlands and recently Canada. Income splitting involves pooling family income for taxation purposes which each family unit submitting a single tax return. The reason these countries have adopted this system is the rationale is that the household is the basic economic unit of society, so the family is treated as a single unit for taxation purposes.

-Benefits of income splitting – family based taxation is the current means-tested transfer system which is designed to alleviate poverty, may actually entrench poverty, particularly in low-income levels where the system imposes large penalties for earning extra income.

-The current system also confuses child-rearing responsibilities with welfare when it should be recognised that the demanding work undertaken by parents to bring up the next generation is of great benefit to society. A single universal payment would recognise this.

-Also the large bureaucratic structure established to assess each family's eligibility for tax transfers only exists because the current system is extremely complex. The amount of Family tax Benefit received is based on a complicated formula that takes into account both individual and family income and is difficult to calculate. Childcare benefits are even more complicated and virtually impossible for individuals to assess. This creates a burden for many taxpayers, particularly those with limited English-language skills or poor numeracy. This is not transparent and amounts to poor governance.

-Simplifying the tax transfer system would reduce the amount of fiscal churning whereby government spends tax revenues from families to provide income and government-funded services back to families. Churning has led to the development of a welfare mind-set that lowers self-esteem and individual responsibility. Churning requires expensive administrative support all all stages of the process such as means-testing of payments.

-Simplifying transfer rules and rolling transfers, such as family tax benefits into the taxation system will dramatically cut churning. The existing family payment system already treats the family as a single economic unit, so administering revenue on this basis will merely simplify the existing system. For example, if revenue is family-based, some existing family based payments could in principle be abolished because they would no longer be needed.

-Simplifying the tax transfer system would benefit the government as it would actually provide significant cost savings. The total cost of the tax transfer system, including health and education, is in excess of \$250 billion per year. Eliminating even a small proportion of churn from these programs would save hundreds of millions of dollars.





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