

Submission - Tax Treatment of Families

Daniel Graham

The basis of my submission is that current tax treatment is unfair towards families that are single income compared to dual income families.

Children are raised in families. Families typically have two partners, a mother and father.

Taxation rules are currently not allowing parents to consider all factors and make a real choice. I feel parents should be allowed to make choices for themselves and their children.

Here is an example of why the system is currently not fair and not allowing any real choice for parents.

- A single income family on \$80,000 pays around \$6,000 more net tax every year than a double income family on the same income.
- A double income family could earn up to \$172,000 a year before they pay the same average tax rate as a single income family on just \$86,000 a year.

I understand there is family tax benefits (A and B?), but I also understand that even with the Family Tax Benefit, the double income family is still hugely ahead financially.

The basic economic and social unit of society is the family and most family payment arrangements are assessed on a household income basis. Our tax system, however, is almost exclusively focused on the individual.

This system is inefficient because families make decisions as a unit. Tax rates should not be different between parents because when they are that changes who looks after children. We should not have a tax system that tries to engineer parental choices.

This system is unfair because families with similar incomes can pay vastly different amounts of net tax.

- Various changes to income taxes and family benefits have meant that single income families on middle incomes (of around \$60,000 to \$120,000) have seen their relative situation worsen by between \$1,000 and \$4,000 per year since 2007.
- Australia's tax system penalises single income households relative to double income households by a greater margin than most countries. Overall, Australia has the fifth most discriminatory tax system for single income families in the OECD.
 - Around half of OECD countries offer some kind of joint taxation treatment between the members of a family.

Multiple studies demonstrate that full time parental care is the best for young children, and long periods in day care for children, under the age of one, can adversely affect a child's development.

A more neutral tax system would allow parents to make household decisions for them and their children, without the tax and welfare system interfering with those choices.

A more neutral system would deliver more choice and may encourage greater workforce participation because the benefit will only arise if families earn taxable income.

It will also return more choice about who works and how children are looked after to the people best placed to make that decision — the mother and father of the children.

Many thanks for your time and consideration.

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