

Submission to the
Federal Governments,
Tax Forum Discussion Paper

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From

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Introduction

Spinal Cord Injuries Australia (SCI Australia) is Australia's leading community organisation supporting people catastrophically injured with a spinal cord injury (SCI) or similar conditions. SCI Australia was established in Sydney in 1967 by a group of young men who had survived SCI resulting in quadriplegia to advocate for appropriate support services as none existed at the time. We have a long history of developing and providing services to people with SCI, their family, friends and carers and being a voice for their concerns both socially and to government.

Many of SCI Australia members are Disability Support Pension (DSP) recipients and many have equally tried to enter into the workplace, find accessible housing and participate in their communities. Some have tried to alleviate themselves from poverty and others have experienced extreme social isolation.

Many countries have looked at their tax and transfer system. Countries like the United Kingdom (UK) have identified great imbalances in the way people are taxed and the lack of benefits that that brings to one group over another. Equally it identifies that many historic taxes and transfers are actually at odds with present government policy.

This submission aims to create an argument that supports the use of the Australian tax and transfer system to address the many unnecessary impediments that a person with a disability experiences just trying to be a part of everyday life.

Submission:

Transfer Payments should be simplified

Australia's current system of transfer payments can certainly be classified as complex. There are a myriad of thresholds and qualifying circumstances for payments. The interrelation between payments is hardly ever clear leaving people at risk of accidental benefit fraud or under-payment. There also seems to be a lack of a clear single policy coordinating and developing transfer payments as a whole.

An individual, to be able to successfully obtain and maintain all applicable benefits is required to navigate this system. Whilst complex to the applicant it can quite, anecdotally, be equally complex to Centrelink advisors. SCI Australia receives regular requests to reinforce a person's benefit application or support a Centrelink interview when there is something complex to relay to the Centrelink advisor ensuring there is no misinterpretation at their end. The appeals process is onerous and unnecessarily complex. Often the first round Centrelink decision maker is also the same person making the decision on an appeal. If the Centrelink decision making has made an incorrect decision in the first place the person may be unwilling to highlight their failing.

With the current complex benefits system many people will be deterred from applying for benefits or even managing to find out about benefits that they may be entitled to. This is of issue as with a system that remains under utilised with applications for benefits it can make it difficult, if not impossible, for Treasury to plan for overall benefit costs. The social causes that created the need for the benefit will remain undealt with. Possibly it will create a two tiered system whereby those capable of navigating complex benefits are supported and those that cannot are not, yet both have the same need.

Recently in the UK the same questions were being asked about payments and social supports as are being asked within the current Australian Tax forum. The UK example was to establish the Benefit Simplification Unit ¹ within the Department for Works and Pensions. Its job was to promote a best practice approach to benefit simplification. It recommends the promotion of standard rules across common types of benefits. That all new policies are consistent with existing operational practices and promote the use of existing sources of information rather than create new ones.

In addition it promotes benefit rules that can simply be followed rather than needing to be interpreted and all changes to benefits need to have their interplay between other benefits assessed as part of that benefit creation and a standardisation rule applied.

¹ <http://www.dwp.gov.uk/docs/simplification-guide-best-practice.pdf>

SCI Australia believes that the Australian Government should undertake a benefits review and either set up its own Benefit Simplification Unit or use best practice recommendations as put forward by the UK to simplify transfer payments.

GST Exemption on items that could be of benefit to a person with a disability

Australia has about 22 million residents with about 20% identifying as having a disability. This equates to around 4.4 million people of whom a significant number are reliant on various government support services, including income support, to enable them to live in the community. It is a known fact that people with disability, particularly people with severe disability, have extra unavoidable costs directly associated with the disability.

Currently the Australian welfare system provides a minimum safe standard of living for people with disability. The Disability Support Pension (DSP) eligibility criteria includes a person's level of disability, ability to work less than 15 hours per week (eligibility criteria changes on July 1, 2012 to enable eligible people with disability to work up to 30 hours per week), gross income from employment, investment income and assets excluding a home they are living in.

DSP eligibility and the amount of DSP payment may also be affected if the person is married or lives in a de facto relationship and the partner is receiving financial income through employment etc. There are also additional financial benefits and allowances that people can apply for including the Mobility Allowance, Education Supplement etc. None of these payments adequately address the associated costs for a person with a severe physical disability in comparison with a person with a hearing or vision impairment.

Furthermore, the Federal Government continues to foster the inequitable Centrelink benefit eligibility criteria whereby people with vision impairment are eligible for the Blind Pension which is not means tested against any gross income, investment income or assets. SCI Australia recommends the Australian Government consider implementing DSP eligibility criteria for people with severe disability that is equal to the Blind Pension.

Generally, people with severe physical disability have extra unavoidable costs directly related to disability that the wider community does not have and mostly does not understand. These extra unavoidable costs are attributed to disability related medication, high cost mobility equipment, aids and appliances, transport requiring vehicle modifications and/or extra cost for wheelchair accessible taxis (WAT) (particularly if WATs are the only option of accessible transport available and especially if living in rural and regional areas with vast distances to travel), personal care support, home modification and maintenance, additional health and medical related services and higher utility bills e.g. electricity, gas and water.

Electricity and gas usage is greater as people with disability are spending more time at home, and particularly for people with who have a neurological deficit due to their disability such as quadriplegia or multiple sclerosis, as they are unable to control body temperature and require the heating and cooling systems to operate longer hours during the day and more months of the year. Water consumption is also generally greater when people have a physical disability as it takes longer in the shower even if they are being assisted by a personal care support worker.

Many people with disability are reliant on the DSP for income support and particularly the DSP Concession Card to be eligible for the local, state, territory and federal government services and programs, specifically the essential mobility aids and equipment and subsidised medications through the Pharmaceutical Benefits Scheme, as well as other non-government and commercial concessions.

The present system of applying the Goods and Services Tax (GST) in Australia can have a disproportionately negative financial impact on people with disability who generally have a lack of access to financial resources. With the current system of applying blanket GST to items that are freely available for anyone it would be remiss if the lifelong negative implications of an ongoing tax imposition were not examined. Considering that a person with disability is often greatly overrepresented in poverty statistics, which is an unenviable and unfortunate indicator of life opportunities for a person, it is clear how an individual's life can possibly end up.

In 2006 the Social Policy Research Centre (SPRC) in NSW put out a paper called '*The costs of Disability and the Incidence of Poverty*' written by Peter Saunders. This paper stated that:

"Once account is taken of the costs of disability, the differential in poverty rates between those with and without a disability increases substantially, with the poverty rate among those with a disability exceeding that of those without a disability by more than six-fold".

This statement about the incidences of ongoing poverty amongst people burdened with the extra unavoidable cost of disability really creates an environment where a person may be set up to fail in life simply by being born with a disability or acquiring one in an accident.

Examining what does poverty mean in general terms, according to the University of Melbourne's '*Estimates of Poverty and Social Exclusion in Australia: a Multidimensional Approach - 2009*' it states that a person living in poverty is more likely to:

- *Be unemployed, marginally attached or underemployed,*
- *Have a low level of formal education,*
- *Have a long term health condition or disability,*
- *Get together with friends/relatives <once a month,*
- *Conduct no voluntary activity in a typical week,*
- *And be a victim of property crime in the last 12 months.*

With the statement of the SPRC confirming that whatever the able bodied numbers of people living with these factors listed directly above multiplying that by 6 to give an indication of the problems facing a person living with a disability in Australia today. This life is categorised by high exclusion, little social outlet and poor health. SCI Australia suggests that providing GST exemption on products and services can be one way of lessening the unavoidable financial burden experienced by people with disability.

In the UK there has been a scheme in place since 1994 under the Value Added Tax (VAT) Act. Section 30 of this Act states that '*goods and services specified in Schedule 8 to the Act are zero-rated*' (*exempt from VAT*); and Schedule 8, Group 12 specifies the zero-rated goods and services. The VAT is currently set at 20%.

This scheme was introduced under the Conservative Prime Minister John Major. It is a relatively simple scheme in design although onerous in administration. The scheme works by the purchaser providing a statutory declaration for every identified item purchased. This is presented to the item supplier who processes the VAT claim. The purchaser receives VAT exemption at the point of sale. It provides VAT exemption on items only specifically deigned and used by people with a disability. This also extends to items purchased by charities and other eligible organisations. Although when purchase by charities and other organisations, if the item can be of use to able bodied people as well as people with disability, it is not VAT exempt. An example would be a stair lift that could also bring benefit to the elderly, yet fall outside the scheme.

This scheme is universal and has become a part of the standard support packages to assist people with disability. Whilst difficult to extract data on the scheme's effectiveness from UK Treasury Reports it is assumed that the scheme has little negative impact on national revenue. Indeed any monies that will have been diverted from entering into the taxation system via products that bring benefit to a person with a disability will simply enter via another stream.

The foundations of the UK Scheme appear to mirror the present day situation for many Australians living with a disability; that of recognising that there are disability specific expenses that are failing to be met by disability support payments which are exacerbated based upon the level of a person's disability.

People with disability often have a higher cost of living than other Australians because they often need to purchase additional goods and services as a result of their disability. Tax paid on these goods and services imposes additional cost pressures. While all taxpayers are supposed to receive equal tax treatment, people with disability, and their families and carers tend to carry a higher tax burden because of their disability related needs and the associated extra unavoidable costs.

Under the *A New Tax System (Goods and Services) Act 1999*, a limited number of GST exemptions currently apply to disability aids, equipment home modifications and furniture. They are specified in the regulations and have to be specifically designed for people with illness or disability. There is no exemption for a large range of other items directly related to disability, such as non-slip floor coverings, extra cleaning services or storage facilities for wheelchairs.

PricewaterhouseCoopers (PwC) was commissioned to review current indirect taxes and identify any opportunities and means for reducing taxes on people with disability, their families and their carers. PwC prepared a table setting out current tax treatment and some potential measures to improve the application of the indirect taxes to people with disability. PwC also looked at GST, income tax, stamp duty and customs. *(For more information, see [Appendix C](#))*

The Disability Investment Group (DIG) considers that PwC suggestions to limit the disproportional financial burden of the taxes on people with disability have merit. The suggestions include:

- extending GST exemptions;
- extending the medical expenses tax offset;
- changing the tax treatment of disability housing investments;
- extending vehicle registration concessions; and
- Changing duty on imported vehicles, footwear, clothing and goods used extensively by people with disability.

To reduce the disproportional tax burden on people with disability, their families and carers, the current Review into Australia's Future Tax System should consider these and other ideas in the PwC Report.

SCI Australia perceives there is a great opportunity to address a disparity in how taxation is applied in Australia and create an environment whereby living with a disability has no to little taxable outcomes. This would be achieved by the application of a GST exemption on all (identified) items that could be of benefit to a person with disability. This would ensure that the Australian Government met its obligations under the United Nations Convention on the Rights of Persons with Disabilities and even recognised morale obligations to not exploit financially vulnerable people who have a recognised inability to pay.

SCI Australia proposes the GST exemption system for people with disability would operate similarly to the UK system, and due to the urgency to implement this scheme, it would initially use a statutory declaration to be provided by people disability, or by people on their behalf, at the point of purchase, prior to a more efficient and modern system being developed.

Additionally, a paper based system may be easier for the people with disability to manage, especially when purchasing a basket of items that only a couple of things have the potential to be GST exempt. The vendor simply provides the statutory declarations as part of their annual returns. This would assist with the scheme's accountability and data collection and identify the array of purchasing indicators of people with disability. Although the Australian Government might justifiably have concerns about the fraudulent use and abuse of implementing this scheme, the low fraud rates experienced in the UK under this system also stand as testimony to its robust nature.

The statutory declaration forms could be made available electronically through a website or a template provided through community organisations websites. In addition a 'master' to be photocopied could be mailed to all DSP recipients along with an information brochure listing GST exempt items.

SCI Australia believes the greatest challenge to introducing a GST exemption scheme is in the selection of items to apply GST exemption. There would need to be clear definitions and the removal of grey areas as this could cause distress at the point of purchase. The proposed list of items for GST exemption could be decided through consultation with people with disability and their representative organisations and the chosen items would require suitable justification and reviewed annually.

The United Nations Convention on the Rights of Persons with a Disability, signed by the Australian Government, states:

'Persons with disabilities must be able to live independently, to be included in the community, to choose where and with whom to live and to have access to in-home, residential and community support services (Article 19). Personal mobility and independence are to be fostered by facilitating affordable personal mobility, training in mobility skills and access to mobility aids, devices, assistive technologies and live assistance (Article 20).'

'Countries recognize the right to an adequate standard of living and social protection; this includes public housing, services and assistance for disability-related needs, as well as assistance with disability-related expenses in case of poverty (Article 28)'.

The impact of poverty on people with disability was examined by the Australian Senate Community Affairs References Committee (CARC) during the course of its *Inquiry into Poverty and Financial Hardship* (CARC, 2004). The report identified disability as a 'close companion' of poverty, resulting from a combination of two factors: the increased cost of living and the reduced incomes of those with a disability.

As with the reports cited above, the Senate Poverty Report acknowledged that increased income alone would not overcome the many barriers facing people with disability, but needs to be accompanied by changes in the areas of employment, education, housing and accommodation assistance, transport and information (CARC, *op. cit.*, 368-9). In light of this, SCI Australia recommends that the Federal Government introduce a Disability Allowance to meet the additional costs associated with disability. Disability Allowance could incorporate two or three levels to address extra unavoidable costs associated with mild to severe disability.

It would be remiss of us to not recognise that the Federal Governments recently announced National Disability Strategy (NDS) provides a great opportunity for many of the issues stated in the above paragraph to be examined and moved towards a degree of resolution.

Australia currently has a GST exemption policy on items specifically manufactured for people with a disability that can be purchased without a GST exemption application form. In addition, GST is exempt from the purchase of a motor vehicle (and spare parts) if the motor vehicle is used for the purpose of gainful employment by a person with disability, which requires the lodgement of a GST Declaration Form (NAT 3419) at the point of sale or when the motor vehicle is being serviced or repaired. SCI Australia believes there is scope to develop this existing policy and administration to include an expanded GST exemption.

As previously mentioned, in the UK, people with disability use statutory declarations at the point of purchase which the vendor lodges to obtain the VAT clawback. Although a relatively old system it appears to be the smoothest and less costly option for ensuring that GST exemption can be applied. If this approach was applied in Australia, and by expanding the current motor vehicles GST exemption, it is believed that this would be the simplest option.

However there are some issues that should be highlighted with this approach. It can be confusing in shops where no statutory declarations have previously been processed. If there was a lack of information available to the vendor they would not be in a position to support the individual with a disability to make the right purchases and receive maximum benefit. This could be addressed by developing an information card provided to each person with disability to present to the vendor. This information card should be implemented, and due to the large variety of vendors, it should be widely promoted by the government.

There are some issues to be resolved around the purchase of items through websites. A paper exemption system does not support a standard internet ordering form. In the UK the online issue has been dealt with by some vendors adding a specific VAT section; however the customer is expected to provide a full description of their disability and state that it is for their own use even online to ensure compliance with the VAT exemption requirements. This statement printed out by the vendor is submittable to the Tax office.

Work Bonus Scheme continued and extended to working people with a disability

The Federal Government implemented the Work Bonus Scheme to recognise the need to encourage senior citizens back into the workplace, but SCI Australia understands the Work Bonus Scheme is being phased out and believes this program should continue. Australia, historically, has a skilled labour shortage that is expected to get worse over the coming years as the average age of a working Australian is increasing and becoming closer to 65 years of age.

The Work Bonus Scheme is one solution to supporting skilled labour back into the workplace by allowing people to accrue a Work Bonus whilst protecting their Aged Pension eligibility, as long as enough Work Bonus is accrued to offset earnings. SCI Australia believes that the Work Bonus Scheme should be extended to people with disability.

Whilst there are differences between the older population and people with disability when looking at interactions with work; such as:

A person with disability may have little to no work experience, or he or she may require workplace supports to be able to perform their duties. An older person may be highly experienced in a specific profession and find it difficult to work in other fields that may be more sympathetic to older staff. A person with a disability may find it very difficult to make a 9am work start owing to an issue with their carers, or even a wheelchair accessible taxi being available and/or arriving for pickup on time. An older person may lack the dexterity to do some specific jobs and thus end up only performing low satisfaction simple tasks.

SCI Australia believes that given many of the similarities experienced by older people and people with a disability in securing and maintaining employment, that the Federal Government should keep the Work Bonus Scheme in place and expand it to further support people with disability moving into the workplace.

Lifelong access to the Disability Support Pension Concession Card

There is an unintended disincentive for people with disability considering entering the workplace and that is the possibility of losing access to the DSP Concession Card. Whilst it is recognised that there are many additional benefits and payments to support a person with disability working, none are as essential as the DSP Concession Card for a variety of reasons.

Many State and Territory Government schemes and programs use the DSP Concession Card as a method of assessing eligibility. Without access to the DSP Concession Card, people with disability can be ineligible to receive essential aids and equipment, including their ongoing maintenance and repairs, which can cost thousands of dollars. This could be looked upon as a cost directly related to workplace participation.

SCI Australia believes that people who have been formally assessed to confirm they have a permanent and lifelong disability should be provided with lifelong access to the DSP Concession Card. If the state and territory governments are to use the card as an eligibility criteria for many support services and programs that permit participation then the Federal Government needs to recognise that.

A HECS debt reduction if students undertake carer activities.

Traditionally many Australian university and higher education students undertake some form of paid employment to support them with the costs of attending university. Many students will be attending university thanks to their

tuition fees being provided under the Higher Education Contributions Scheme (HECS). The repayment of this money is expected when they have graduated and are earning gross income above \$47,196 (2011/12) per annum.

There are currently 1,192,657 (DEEWR 2010) students registered as attending an Australian university of which approximately 1/5th are overseas students. Potentially this provides Australia with around 850,000 students that have the potential to benefit with their tuition fees under the HECS.

With students currently undertaking studies, work is often used to supplement their fees buying, study aids, stationary; books and assisting with rent, food and travel. The traditional types of work undertaken have typically included students working in hotels, shops, cafes and restaurants, with only a small number of students employed as personal care support workers

SCI Australia proposes a scheme to support students and graduates with a HECS debt by providing a percentage offset (in conjunction with wages when employed as a care worker) when formal caring activity is undertaken.

Our proposal is twofold. For a student currently undertaking study and generating a HECS debt, they should receive a 50% overall reduction in their HECS debt when employed for 8 or more hours per week undertaking formal disability care work. This work should be required for the duration of their course (approximately three years). Whilst undertaking this work the student would still earn a wage from the care provider and thus be able to support themselves at University. With average HECS debts varying between \$10,000 and \$50,000 the benefits are obvious.

The second proposal focuses on Graduates. Where a graduate undertakes a minimum of 8 hours per week of formal care work they should receive a 30% reduction in their overall HECS debt. This option should be available to them for the duration of the debt and be calculated on the total debt at the point of graduation.

It is understood that the Federal Government has a similar scheme that operates to support teachers graduating from university and is largely aimed at ensuring that they spend a minimum amount of time teaching in schools to offset a tiered HECS reduction plan.

Currently there is little incentive for younger Australians to seek employment as a care worker for people with disability.

Ageing, Disability and Home Care (ADHC) support people with disability in the workplace.

Although this submission is in regard to Tax Reform, the lack of workplace personal care support is a major disincentive for people with disability to seek and maintain employment. SCI Australia recommends that the Federal, State and Territory Governments work together to ensure people with disability are

supported with the available resources. For example, currently NSW Home Care (an ADHC service), supports people with disability to live in the community which includes meal preparation as well as feeding people, but it does not provide the same service for people with disability while they are at work.

A major disincentive for many people with disability who wish to seek and maintain employment is that as they need assistance to be fed, they fear that they will be unable to eat either at all or with dignity in the workplace.

As there is a drive to get people with disability into the workplace, there is a need to review this policy in conjunction with a proposal to extend the service to a person's workplace. This proposal would be the same if the person with disability is, or was required, to continue working from home.

A simple ADHC policy change to support people with disability at lunchtime will remove a potential barrier to seeking and/or maintaining employment. If a person with disability is able to work, apart from the obvious benefits of being an active citizen participating in society, it will improve social inclusion and they would also increase their taxable income and/or receive less Centrelink payments.

We believe the Federal Government has a role to play in ensuring that any state based disincentive to workplace participation is removed to increase the likelihood that Federal aims can be met.

A greater share of GST to the States and Territory Governments to support them to create an offset to land taxes and stamp duties, as well as promoting accessible and universal housing construction.

Whilst tax efficiency is something that should be explored at both the Federal and State Government levels, it is hard to say how GST (the most obvious mechanism) could be altered to increase tax efficiency at a State government level.

A greater share of the GST revenue could possibly provide an opportunity for State and Territory Governments to explore tax efficiency. It would be difficult to argue for State and Territory based taxes on consumption to be lowered as the outcomes would be wholly negative and not in line with current national thinking. For example a lowering of tax on vehicles could lead to more vehicles on the road creating increased traffic congestion and air pollution. A lowering of gaming taxes could lead to an increase in gambling and all of the widely recognised problems that are typically associated with gambling such as crime, poverty and mental health. All of these issues were discussed in the recent Productivity Commissions report on 'Gambling' 2010. It would only be possible to explore efficiency in taxes such as stamp duties and land rates and taxes.

In line with these areas linked to land and building there is the obvious possibility around public, social and low cost housing. It's been reported that Australia has a house affordability issue. A lowering of stamp duty would assist people when purchasing houses and stimulate the housing market leading to more housing. Obviously this would have an affect on the revenue gained by the individual states and territories, however if that was offset by an extra weight being placed onto the equalisation formula for GST distribution in recognition of the benefit that increased available housing brings to Australia you may have achieved Tax efficiency.

In terms of easily adaptable, universal and accessible housing, Australia is falling short of many western and westernised countries. This is not only a tax incentive issue but a policy failure both at the state and federal levels of government. With current requirements as laid out in the access to premises standard 2010 that housing developers build 1% or a minimum of 1 in 100 accessible properties to non accessible properties there is little real incentive to create large numbers of accessible and universal houses to address a national shortage. We do recognise that many local government areas, in reaction to the demographics of their populations ask for higher ratios (more elderly people in their area or people with a disability). These ratios are so varied throughout Australia that it is difficult to comment and so have chosen the worst case scenario; incidentally this is the federally legislated one.

We believe that there is an opportunity for a tax benefit to be provided to encourage housing developers to build these required houses, after all an accessible and universal house can house anyone whereas a non accessible or non universal house may only house some.

Summary of Points:

- 1) **Transfer Payments should be simplified.** This needs to be done to create a common payment policy based upon the same data and conditions and to avoid issues with recipients over eligibility and relationships between other payments.
- 2) **GST exemption on items that could be of benefit to a person with disability.** This should be provided to ensure that all costs related to disability when purchasing products are addressed.
- 3) **The Work Bonus Scheme should be continued and included people with disability in employment.** This scheme seems almost tailored to support people on traditionally low incomes to contribute through work and ensure that work is affordable to them.
- 4) **Lifelong access to the Disability Support Pension (DSP) Concession Card for people with permanent disability.** This should be provided to recognise the extra unavoidable cost of disability irrespective of the person's income and lifestyle.

- 5) **A HECS debt reduction when the students undertake care worker activities.** This is an idea to provide a HECS debt offset through differing levels of work as a care worker both whilst the student is at university and as a postgraduate.
- 6) **Ageing, Disability and Home Care (ADHC) to provide support for people with disability in the workplace.** This will remove the current disincentive to seek employment and the impediment to workplace participation.
- 7) **A greater share of GST revenue distributed to the States and Territory Governments to support them to create an offset to land taxes and stamp duties, promoting accessible and universal housing construction.** This is one very positive way to support the growth in accessible and universal house building throughout Australia. After all a universal and accessible house is a house for everyone, the market is bigger yet an inaccessible property is a house for an elite few.

SCI Australia would like to thank you for this opportunity to provide feedback to the Australian Tax Forum and anticipates the content will be given favourable consideration.

Yours faithfully,

Policy Team
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