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Submission by Endeavour Forum Inc. on a fairer tax system for families

Endeavour Forum Inc. is a pro-family NGO which has special consultative status with the Economic & Social Council of the United Nations. Those of our supporters who are married tend to have larger than average-size families. I have eight children, our editor has nine and our Victorian Co-ordinator has seven. We are deeply concerned about the discrimination in the tax system against those families where the mother chooses to be a full-time homemaker and care for her pre-school children rather than place them in long day care. These are also the families who have three or more children. As such families face a grossly unfair tax system, in this submission we focus on how this injustice can be addressed. This will enable single-income families to plan better for their retirement.

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.

These tax arrangements also make it more difficult for some families to maximise their household income, especially when employment opportunities are not equal between parents, or for those who live far from employment centres.

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

*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.

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. Coercing mothers into the paid workforce adversely affects breastfeeding duration, and this ultimately incurs medical costs for the nation in terms of infections, allergies and obesity in infants.

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.

Any successful proposal to narrow the large and growing gap between the tax treatment of single income and double income families must be affordable, progressive and not disadvantageous to double income families.

A proposal that makes some intuitive sense would be to provide every family with two tax free thresholds, so that all families do not pay tax until their household income rises above \$36,400. To ensure that this is not regressive, the maximum tax benefit would be capped at \$2,000 per family.

The Parliamentary Budget Office estimates that this policy would cost \$1.5 billion a year. Tax relief would be provided to more than 1.6 million parents.

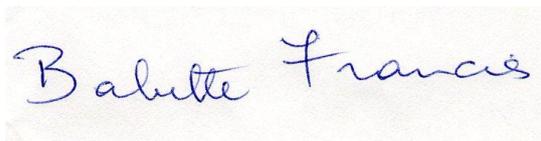
The policy would also help reverse much of the deterioration in the relative position of single income families since 2007.

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.

Mothers who care for their own pre-school children are already discriminated against because they do not receive the generous child care subsidies available to women in the paid workforce who are on quite high incomes.

Canadian Prime Minister Stephen Harper announced a income-splitting policy in October 2014. So why can't Australia have a similar policy?



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