

Tax White Paper Task Force  
The Treasury  
Langton Crescent  
PARKES ACT 2600

1<sup>st</sup> June, 2015

Dear Sir/Madam,

**Submission to the Commonwealth Government on the Tax White paper**

**Women in Super**

Women in Super (WIS) is a national advocacy and networking group for women employed in the superannuation and financial services industries.

WIS advocates on behalf of its members and women generally to government, politicians, unions, employer organisations, regulators, and superannuation funds to improve women's workforce participation especially in the context of retirement prospects and access to superannuation.

**Executive Summary**

WIS welcomes the opportunity to make a submission to the Commonwealth Government on the Australian Taxation System through the questions raised in 'Re:Think' – the tax discussion paper focusing on delivering a better tax system for a better Australia. WIS makes comments in the context of our objective of improving the retirement outcomes of women and increasing the workforce participation of women. Central to achieving both objectives is increasing the overall equity of the taxation system with a clear focus on ensuring that any benefits or concessions are targeted to the groups that most need them while providing a robust system of support to enable women (and parents) to fully participate in the workforce.

A key challenge in designing a progressive tax system is how to balance the redistribution of resources to those with low income and the promotion of stronger incentives to work. WIS advocates that the tax system as a whole must be evaluated i.e. a balance achieved between (net) revenue and expenditure as only when this is done can there be significant gender impact. Enhancing the redistributive and the incentive effects of the tax-benefit system can inspire policy reforms and enable governments to achieve desired policy outcomes. For example, improving the workforce participation of women would contribute to improved retirement outcomes for women.

In the context of the request for submissions, WIS addresses the specific questions asked in the paper that are of particular importance to us as an organisation that strongly advocates for better retirement outcomes for women.

## Tax White Paper – Chapter 1: Australia’s tax system faces challenges from a changing world

1. Can we address the challenges that our tax system faces by refining our current tax system?  
Alternatively, is more fundamental change required, and what might this look like?

### Gender Analysis and Budgeting

In response to the question as to how the challenges that are faced by our tax system can be addressed and whether more fundamental change is required, WIS focuses on the idea of introducing gender analysis and budgeting to all government economic and fiscal policies to ensure that both men and women are treated fairly despite having very different work patterns, fiscal behaviour and responsibilities (budgetary/caring).

WIS believes that gender analysis should be incorporated into the budgetary and financial framework and conducted on any proposed changes to the current system. The need for gender analysis and budgeting is particularly important in the present financial climate, to ensure financial and budgeting measures reflect commitments to advance gender equality and increase the level of female workforce participation. The equality effects of any measures should be subject to systematic analysis and this should become an integral part of the design of economic and fiscal policies in the future.

Budget is the most powerful tool available to government to plan future policies and actions. Budgets are **not gender neutral**: spending and revenue activities result in discriminatory effects on men and women.<sup>1</sup> The budgetary process provides an opportunity for reflection on the success of gender equality goals.<sup>2</sup> This is important in view of the intertwined links between areas of policy, such as increased access to childcare in the form of subsidies, and increased workforce participation, such as tax initiatives designed to favour working parents and encourage women back into the workforce. Examples of where this has been achieved have been outlined in the Individuals section further in this paper.

Gender budgeting is a particularly powerful tool to reveal and address the disproportionate effects of policies on women – changes to the tax system can inadvertently discriminate against women. It can be used to ensure financial and budgeting measures reflect overall policy commitments and that the gender impact of any proposed changes are fully understood and do indeed lead to the desired policy outcomes.

The European Union has recommended to its Member States that a gender analysis of all future economic and financial measures being considered or introduced by EU Member States be

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<sup>1</sup> Diane Elson, ‘Integrating Gender Issues into National Budgetary Policies and Procedures: Some Policy Options’, (1998) *Journal of International Development* 10 (7): 929-41; Diane Elson, ‘Integrating Gender into Government Budgets within a Context of Economic Reform’, in Debbie Dublender (et. al. eds.) *Gender Budgets Make Cents: Understanding Gender-Responsive Budgets* (2002, London: Commonwealth Secretariat), 23-47; Rhonda Sharp and Ray Broomhill, ‘Budgeting for Equality: The Australian Experience’, (2002) *Feminist Economics*, 8(1): 25-47; Janet Stotsky, ‘Budgeting with Women in Mind’, (2007) *Finance and Development*, 44(2): 12-15.

<sup>2</sup> The Council of Europe, Directorate General of Human Rights, ‘Gender Budgeting’ (Strasbourg, 2005), p.8.

undertaken. Indeed the EU conducts its own gender analysis of all its fiscal, economic and budgetary measures<sup>3</sup>.

### **Recommendation**

**Recommendation 1: That gender analysis be incorporated into the taxation, budgetary and economic systems of Australia.**

## **Chapter 2: Australia's tax system**

- 1. What parts of the tax system are most important for maintaining fairness in the tax system? Are there areas where fairness in the tax system could be improved?**

As outlined in our response to the question raised in Chapter 1, WIS supports a gender analysis to ensure that the outcomes of the tax system produced for women are not unfair and that the system is used to achieve better policy outcomes for disadvantaged groups.

### **Recommendation**

**Recommendation 2: That Australia's tax system has at its core the principle of fairness and uses special measures to achieve better policy outcomes for women and disadvantaged groups.**

## **Chapter 3: Individuals**

- 6. What should our individuals income tax system look like and why?**
- 8. At what levels of income is it most important to deliver tax cuts and why?**
- 9. To what extent does taxation affect people's workforce participation decisions?**
- 10. To what extent are the interactions between the tax and transfer system straightforward for the people who deal with both systems?**

In answering the above questions, WIS is concerned with the effect that the individuals income tax system has on the workforce participation of women. In particular, the current structural barriers that exist and whose effect is to constrain the full workforce participation of women.

WIS encourages policy makers to consider the interplay between policy and fiscal and economic measures. Desired policy outcomes can be achieved by understanding the well-recognised link

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<sup>3</sup> European Women's Lobby, 'The Price of Austerity – The Impact on Women's Rights and Gender Equality in Europe', 2012.

between working parents and the provision of early childhood education and childcare programs. Furthermore, when these programs are reinforced by subsidies and taxation that make it beneficial for working parents (especially the second income earner) to return to work then international experience has shown that increasing the workforce participation rate of women can be achieved.

Australia's current workforce participation rate for men is 71 per cent, compared to 58.6 per cent for women. The Treasurer, Mr Joe Hockey, on launching the Intergenerational Report, stated that if Australia's female participation rate was lifted to that of Canada this would increase the size of the Australian economy by \$25 billion a year.

There are a number of countries which have successfully managed to increase the workforce participation of women to similar levels of that of men and over a relatively short period of time.

For example, the Scandinavian countries (Norway, Sweden and Denmark) spend relatively large amounts on the public provision and subsidisation of goods that are regarded as *complementary* to working – these include child care, elderly care, and transportation. Furthermore, they also spend heavily on education, which is *complementary* to long-run labour supply. Although the public provision and subsidisation of these programs is available to all - both working and non-working families can access them – in effect they lower the prices of goods that are *complementary* to working so they increase workforce participation by parents (especially mothers). That is, working families have greater need for support in taking care of their young children or elderly parents, and so demand more of those services other things equal. Higher public support for preschool, child care, and elder care is positively associated with the rate of employment. The idea behind the concept of “investing in children” is to guarantee that their earning potential will be realized when they become adults.<sup>4</sup>

It is often argued that the Nordic example is not one that Australia can emulate as there are key cultural differences between Australia and the Nordic countries, in this context, namely the acceptance in the Nordic countries of high marginal tax rates as compensation to a broad package of subsidies of childcare, education, health and social welfare.

Canada is a country that is often considered to be similar to Australia in many ways (economically, institutionally and culturally with a similarly small population spread over a large geographic area of rural and urban centres). It is a useful barometer for considering how certain policies can work in an Australian context.

In the late 1990s the Canadian government decided to focus strongly on increasing the workforce participation of women. Canada introduced tax cuts for low and middle income families and reduced effective tax rates for second income earners thus making it more attractive to stay-at-home mothers to return to the workforce after a career break. A heavily subsidised early childcare program that was available to all working families was also introduced.

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<sup>4</sup> Esping-Andersen, Gøsta (2004) Untying the Gordian Knot of Social Inheritance. *Research in Social Stratification and Mobility*, 21:115-138.

Within 10 years the female workforce participation had increased to 82%. Over 80% of females aged between 25-54 are engaged in full-time work and some 64% of mothers with children aged under 3 years undertake some form of paid work.

Increasing the number of women in the workforce is good for the economy and we welcome any tax changes that encourage women and families to participate more fully in the workforce but on an equitable basis and not if the effect of any proposed tax changes is in fact to discriminate against the second working parent. In this context, international experience would suggest areas that could be explored such as taxation of working parents, including the second partner; the availability of high quality childcare; the availability of paid leave entitlements including Paid Parental Leave (PPL) (with an SG component) and other workplace programs to support working parents.

Of course, special measures should be put in place to ensure that programs are targeted to address inequities in the system. WIS addresses the special case of the Low Income Superannuation Contribution (LISC) (which is arguably one of the best measures targeted at addressing the tax inequity faced by the majority of women working part-time and earning less than \$37,000 per annum) in our response to Chapter 4: Savings - Superannuation.

## Recommendation

**Recommendation 3: Take a holistic approach to taxation and expenditure and consider the interplay between the provision of services that are complementary to working and subsidies that make it beneficial for working parents especially the second income earner to return to work.**

## Chapter 4: Savings - Superannuation

### **1. How appropriate are the tax arrangements for superannuation in terms of their fairness and complexity? How could they be improved?**

WIS addresses this question in the context of improving the current tax arrangements for superannuation so as to achieve better retirement outcomes for women. While the current parameters do not overtly discriminate against any particular group, the system has produced different outcomes for women.

There is significant systemic disparity in the accumulation of superannuation savings between women and men and current superannuation tax arrangements typically do not take account of women's often broken work patterns, which means women often miss out on crucial years of saving for their retirement. The very nature of superannuation as a deferred wage, and a percentage of wages, has delivered differential outcomes for women. This is compounded by the different work patterns between men and women, the fact that it is mainly women who take career breaks, and the existing wage disparities between men and women. Closing the gender wage gap and increasing the amount of money earned by women will contribute to the ability of women to save more for retirement.

Specific measures are required to improve the level of accumulation of superannuation savings by women as if the current accumulation levels continue, many women are likely to experience poverty in retirement.

In particular, we need to take into account the fact that the majority of caring responsibilities are still undertaken by women and that this can have an enormous impact on their ability to save for retirement. Research released in 2012 by the Australian Institute of Superannuation Trustees showed a 'flat-lining' of women's balances between the ages of 38-47 – a time when women typically take career breaks<sup>5</sup>.

We believe that underlying the tax arrangement for superannuation should be the principle of fairness - the majority of benefits accorded by tax concessions should be targeted at lower income groups in order to enable them to access superannuation. Reducing the current levels of tax concessions directed at higher income earning groups would open up the opportunity to offer special measures to lower income earners.

WIS is particularly concerned with the gender superannuation gap which the current tax concessions are compounding. The average superannuation account balance for women in 2009-10 was \$40,475, compared to \$71,645 for men<sup>6</sup>. At retirement, the average superannuation payout in the same period was \$112,600 for women and for \$198,000 for men.

Almost half the female workforce earns less than \$38,000 per annum. These workers are currently eligible to receive a rebate of the tax paid on their superannuation contributions through the Low Income Superannuation Contribution (LISC). The Government intends to repeal the LISC in 2017 (see below).

If legislated objectives are established for superannuation there must be a system for assessing the success of the system as measured against the objectives. An example of such an assessment tool is provided by the 'Super Tracker' recently launched by the Australian Institute of Superannuation Trustees and Mercer. The 'Super Tracker' measures the performance of the superannuation system and proposed policy changes against the legislated objectives. It includes a measure of gender equity and is recommended by WIS.

## Recommendation

**Recommendation 4: That the objectives of superannuation include consideration of the equity of outcomes for women and that assessment of the success of the system includes data based measurement of the equity of outcomes for women.**

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<sup>5</sup> Australian Centre for Financial Studies, Superannuation over the past decade: Individual experiences, (2012) report prepared for the Australian Institute of Superannuation Trustees.

<sup>6</sup> Association of Superannuation Funds of Australia, Developments in the level and distribution of retirement (2011)

## Low Income Super Contribution (LISC)

Women in Super strongly believes that central to our superannuation system being fair and sustainable, tax measures relating to low income earners must be targeted at specific groups to enable them to also benefit from simpler, lower and sustainable taxes.

The LISC is one of the best targeted tax policy measures and we strongly urge the government to continue retaining it post 2017. It is a measure that also benefits working women (1 in 2) and is a valuable measure for women working part-time and in casual jobs participating in and remaining engaged with the workforce. Without the LISC and under a compulsory superannuation system, workers earning less than \$37,000 p.a. would not be given any tax concession for their super contributions and in fact would be penalised by paying a higher rate of marginal tax on their compulsory super contributions than they would if they could take the income home as pay.

It would be a travesty if the LISC was to be abolished as planned and immediately disadvantage 2 million workers – the very group that is struggling to save for retirement and is predicted to be dependent on the Age Pension in later life.

## Recommendation

**Recommendation 5: That the Low Income Super Contribution be retained.**

## Define the Objectives of Superannuation within the Retirement Income System and Establish an Independent Body

Women in Super believes that the objectives of superannuation should be established within the Retirement Income System (RIS) and founded on the core principles of certainty, adequacy, fairness, sustainability and equity. The founding principle of the compulsory superannuation system in Australia is still relevant – to provide income in retirement to substitute or supplement the Age Pension.

We support the seeking of broad political agreement for the objectives of superannuation and broad community support and understanding of the objectives (once established) of superannuation.

We also support a broader coverage of superannuation and would like to see included in future papers a commitment to accommodating groups as diverse as part-time, casual workers; working women; any Australian with caring responsibilities; and, other groups such as Aboriginal and Torres Strait Islander peoples. In fact, an emphasis on including any Australian in the RIS who does not or cannot work full-time over a period of 45 years or more. 1 in 3 women currently have no superannuation and abolishing requirements such as the minimum monthly threshold for the Superannuation Guarantee of \$450 would go some way towards including previously excluded groups and enabling those who need it most to be a part of the RIS.

We also support the establishment of an independent publicly-funded body to oversee and regulate superannuation which would reduce the number of changes and focus on short-termism which currently undermines the system and builds a level of mistrust, stress and uncertainty. We endorse the AIST submission to the Financial Services Inquiry in March 2015 in relation to the establishment of such a body<sup>7</sup>.

## Recommendations

**Recommendation 6: Establish the objectives of superannuation within the Retirement Income System which should include the core principles of certainty, adequacy, fairness, sustainability and equity.**

**Recommendation 7: Ensure that all Australians have access to the Retirement Income System.**

**Recommendation 8: Establish an independent body to oversee and regulate superannuation so the system is subject to long-term goal setting and decision making.**

## Chapter 7: Not-for-profit sector

### **47. Are the current tax arrangements for the NFP sector appropriate? Why or why not?**

Women in Super recognises the benefits that the not-for-profit sector provides to the economy and in the provision of services that may not be provided by the government or may be contributory to the government's offering.

As the discussion paper states, NFPs play an important and intrinsic role in Australian society. NFPs are diverse, providing their members, clients and the general community with a range of services, including welfare, education, religion, health, sport and culture.

### **48. To what extent do the tax arrangements for the NFP sector raise particular concerns about competitive advantage compared to the tax arrangements for for-profit organisations?**

NFPs are established for purposes other than profit making. For-profits have as their main aim to make a profit and achieve a good return for their shareholders. NFPs exist for a higher purpose than providing profits to shareholders so we would challenge the statement that there is a competitive advantage offered to NFPs by the existing tax arrangements. Most NFPs operate in areas where there is no profit to be made and are established to provide a service which is needed by groups in society and for which there is usually no government funding or profit to be made. These we believe are the

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<sup>7</sup> Australian Institute of Superannuation Trustees, Chapter 5, Submission to Treasury: Financial Services Inquiry: Final Report, March 2015



organisations that really benefit from not paying GST and income tax and having exemptions from state and local government taxes.

## **Recommendation**

**Recommendation 9: That NFPs continue to be GST free.**

**50. What, if any, changes could be made to the current tax arrangements for the NFP sector that would enable the sector to deliver benefits to the Australian community more efficiently or effectively?**

Of concern to many NFPs is the ability to attract and retain qualified staff and offer attractive rates of pay – many jobs in the NFP sector are offered on a part-time or casual basis and a large percentage of employees are female. Therefore, WIS recommends that any proposed changes should take this into account and measure the impact on two levels – that of females and part-time workers.

## **Recommendation**

**Recommendation 10: That any proposed changes to the current tax arrangements for the NFP sector take into account the impact they may have on the predominately female and part-time workforce.**

## **Summary**

Women in Super would welcome consideration of the ten recommendations listed below and can be contacted to discuss any of these in further detail.

**Recommendation 1: That gender analysis be incorporated into the taxation, budgetary and economic systems of Australia.**

**Recommendation 2: That Australia's tax system has at its core the principle of fairness and uses special measures to achieve better policy outcomes for women and disadvantaged groups.**

**Recommendation 3: Take a holistic approach to taxation and expenditure and consider the interplay between the provision of services that are complementary to working and subsidies that make it beneficial for working parents especially the second income earner to return to work.**

**Recommendation 4: That the objectives of superannuation include consideration of the equity of outcomes for women and that assessment of the success of the system includes data based measurement of the equity of outcomes for women.**

**Recommendation 5: That the Low Income Super Contribution be retained.**

**Recommendation 6: Establish the objectives of superannuation within the Retirement Income System which should include the core principles of certainty, adequacy, fairness, sustainability and equity.**

**Recommendation 7: Ensure that all Australians have access to the Retirement Income System.**

**Recommendation 8: Establish an independent body to oversee and regulate superannuation so the system is subject to long-term goal setting and decision making.**

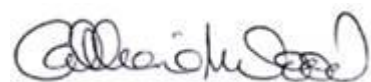
**Recommendation 9: That NFPs continue to be GST free.**

**Recommendation 10: That any proposed changes to the current tax arrangements for the NFP sector take into account the impact they may have on the predominately female and part-time workforce.**

### **Contact**

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Yours sincerely,



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