

## **Taxation justice for single income families**

### **Submission to Re: think – Australian Government Tax Discussion**

23 July 2015

I write as a recently retired marriage, relationship and family counsellor and counselling manager. In 34 years of counselling I've had to deal hundreds of times with families who are struggling with raising young children on one income.

This raises the issue of a ...

### **Fundamental flaw in the Australian taxation system**

The evidence points to a primary defect in our taxation system that gives stay-at-home mothers the shaft. The 2015 federal budget contributed to this problem by not fixing the defect. Instead of rectifying the inequity, the budget encouraged women to get back into the workforce after having children. To entice these women, the government offered generous childcare sweeteners. It was a one-sided budget that did not deal with the inequity.

*The Australian* reported of the childcare package:

Mr Morrison has described it as an “economic, not welfare, policy” designed to help get mothers back into the workplace. The \$3.5 billion Jobs for Families package will deliver a streamlined, single childcare payment paid directly to childcare centres to reduce parents' upfront costs and will put \$30 a week back into the pockets of families earning up to \$165,000 a year.... The government estimates 240,000 families will get into work or work more as a result of the package.<sup>1</sup>

### **Swift kick for single income families**

But what has the government done to those who REALLY BELIEVE IN FAMILY VALUES and consider that the best place for Mum is to stay at home to provide nurture and guidance for the children? Governments (no matter what stripe) here in Australia have given these families the FLICK! They have been kicked in the economic guts and been told clearly - you single income parents are a burden to the nation. Get off your backside. Get your act together and get back into the workforce. That's an INTOLERABLE message that the government is giving to single-income families.

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<sup>1</sup> Stefanie Balogh 2015. 'Budget 2015: Childcare package could mean \$1500 bonus for families', *The Australian* (online), 10 May. Available at: <http://www.theaustralian.com.au/national-affairs/budget-2015/budget-2015-childcare-package-could-mean-1500-bonus-for-families/story-fntfa2d0-1227349030353> (Accessed 22 July 2015).

When are Australian governments going to wake up to the fact that we of middle Australia, of single income, stay-at-home mother and some stay-at-home father families, are not being treated fairly by the Australian taxation system?

## What can be done to fix it?

How many stay-at-home mothers are there? I only have access to statistics from the Australian Bureau of Statistics 2009-10. I refer you to the section on the 'EMPLOYMENT STATUS OF MOTHERS':<sup>2</sup>

Employment status of mothers by family type				
	1997	2003	2006-07	2009-10
	%	%	%	%
Youngest child is aged 0-4 years				
Employed mothers in couple families with children	46	51	51	51
Employed mothers in lone mother families	28	33	34	28
Youngest child is a dependent student aged 15-24 years				
Employed mothers in couple families with children	71	74	80	81
Employed mothers in lone mother families	69	76	71	83
Total families with dependent children				
Employed mothers in couple families with children	59	64	66	66
Employed mothers in lone mother families	46	50	58	60

Notice the second last line where for 2009-10 it indicates that 'employed mothers in couple families with children' were 66% of mothers in 2009-10. That means that the remainder - 34% of unemployed mothers with children, i.e. stay-at-home mothers - are the ones who have been forgotten. They have been ignored by the Abbott-Hockey 2015 budget. However, this situation is not unique to the Coalition. Previous Labor governments have not corrected this anomaly either.

**One-third of mothers are stay-at-home people.** But Australian governments have not been fair with taxation treatment of them. They have not been dealt taxation justice in the 2014 and 2015 Coalition budgets.

**I urge the government to quit this inequity by:**

1. Increasing the Family Tax Benefit to single income families with stay-at-home mothers, and
2. Making the single-income household equitable. At the moment a single-income family with \$120,000 income pays approximately \$10,000 more tax than a two-income family that has a joint income of exactly the same amount -

<sup>2</sup> Australian Bureau of Statistics, released 27 May 2011, '4442.0 - Family Characteristics, Australia, 2009-10'. Available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts/4442.0Main%20Features22009-10?opendocument&tabname=Summary&prodno=4442.0&issue=2009-10&num=&view=> (Accessed 21 July 2015).

\$120,000. This could be repeated across various levels of income. THIS IS UNFAIR AND SINGLE INCOME FAMILIES ARE OR SHOULD BE EXASPERATED by what the government is doing to them. THIS VIOLATES FAIRNESS AND JUSTICE. All Aussie families deserve to be treated with equity.

3. What would be a fairer way? Bring in legislation for income splitting.

This article in *The Australian Financial Review* provided this assessment:

Our tax and welfare system is biased against single income families. The OECD finds that we have the fifth most unattractive tax system for single income families. Two parents on an average income (of \$60,000) pay \$10,000 a year less net tax (after family benefits), than a single income family with the same household income of \$120,000. How can it possibly be fair to have a tax and family benefits system that delivers a \$10,000 a year difference between two families with the same pre-tax income?

This unfairness results because we have a very high tax-free threshold of \$18,200. Double income families get this twice and don't pay tax until their income is above \$36,400. Single income families start paying tax much sooner, after earning \$18,200.<sup>3</sup>

My understanding is that this would provide tax relief for about 800,000 families at a cost of \$1.5 billion per year. However, the BIG issue is fairness.

Then add this factor:

4. I urge you to read the research on the impact of a mother's love on a child. See, 'How a mother's love changes a child's brain'.<sup>4</sup> This research found that 'Nurturing a child early in life may help him or her develop a larger hippocampus, the brain region important for learning, memory and stress responses'.
5. When will the government acknowledge that the uniquely close relationship between a mother and her baby/young child is critical for his/her development? Children need mothers at home to nurture them in the early years.
6. There is the added factor that compensating women to stay at home after the birth of a child would make more jobs available in the workplace for the young and unemployed.

**Please bring equity into families with a taxation system of fairness to single income families as soon as possible.**

<sup>3</sup> *Australian Financial Review* 2015, 'Level the tax field for single income families', 7 April. Available at: <http://www.afr.com/opinion/level-the-tax-field-for-single-income-families-20150406-1mfcz0> (Accessed 22 July 2015). This was a contributor article by Matthew Canavan, John Williams, Bridget McKenzie and Barry O'Sullivan who are National Party senators.

<sup>4</sup> Joseph Castro 2012. 'How a mother's love changes a child's brain', *Live Science*, January 20. Available at: <http://www.livescience.com/18196-maternal-support-child-brain.html> (Accessed 22 July 2015).

Yours sincerely,

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