

FACT SHEET 4

Government Support: Welfare and Tax

Principles for a carer-friendly welfare system

- The tax system works in concert with the welfare system and provides both incentives and disincentives for families making choices about work and care arrangements, and moving from one stage of the work/care life cycle to the next.
- The welfare system needs to work with and not against other forms of support for workers with family and carer responsibilities.
- The principle of “shared work – valued care” should underpin the welfare system’s response to paid work and family/carer responsibilities in order to maximise choice.
- The system should support all types of families and carers combining paid work with caring and be flexible enough to meet changing needs for care support arising throughout the life course.

Support for all types of families and care needs

- Families take many forms – traditional two parent families, sole parent families, same-sex couple families, step families, blended families, grandparent carer families and non-resident parents.
- All family types and choices should be respected and treated equally.
- Concerns were raised that the Family Tax Benefit Part B favours some family types over others – in particular that in couple families a model of one full time earner and one full time carer (or a carer with minimal earnings) is privileged under the family payments system.
- Submissions argued that this policy model encourages people to adopt a male breadwinner/female home carer model regardless of individual needs or preferences.
- While sole parents are encouraged and are now required from a certain point to engage in paid work regardless of care preferences and needs, partnered mothers can choose and are encouraged to devote all or much of their time to full time caring.
- The paper recommends that the Family Tax Benefit Part B be modified to support couple families to share paid work and care and Australia move towards a system of progressive individual income tax in which child benefits are provided on a universal basis.
- It also recommends that the child care tax rebate be modified to make it also available to parents as a fortnightly payment in the same way as the Family Tax Benefit Part B.
- The paper recommends that the Australian Government examine the option of moving towards a system of earned income tax credits for working families which would encompass current Family Tax Benefit payments and the child care tax rebate.

Lower effective marginal taxation rates

- The challenge for government is to ensure both an adequate standard of living for those who are not in paid work and that there are not undue incentives for people to stay out of or leave the labour force by keeping Effective Marginal Tax Rates (EMTRs) as low as possible.
- High EMTRs discourage and in some cases prevent people from entering or re-entering the workforce, and it is families with caring commitments who face some of the harshest penalties.

Fringe benefits tax and tax deductibility of child care

- HREOC supports extending the Fringe Benefits Tax exemption currently available to employers who establish child care centres on their own premises, as a way of increasing the availability and affordability of child care for parents in paid work.
- While there is certainly legitimacy to claims that child care is a work related expense, HREOC believes there are more effective and equitable ways of assisting families with the costs of child care.

Linking superannuation to care

- Australia's superannuation system was highlighted as an area that needs reform because of its lack of recognition of unpaid caring work.
- Half of all women currently aged 45-60 years have less than \$8 000 in superannuation. This very low amount of superannuation is undoubtedly linked to lifetimes spent providing a high level of unpaid care work.
- While many people who are not in the paid workforce and receive a benefit such as a pension, parenting payment or carer payment may not wish to make superannuation contributions while receiving these payments, this is an option which should be made available.
- The paper recommends that the Australian Government extend the Superannuation Co-contribution Scheme to individuals who are not in the paid workforce because of caring responsibilities, including caring for dependent adults or young children.
- This paper also recommends that the Productivity Commission undertake an inquiry into the feasibility of establishing a superannuation-like framework whereby the unpaid work of carers can be recognised by the Australian Government.