**Election 2019 - Taxation**

# Why is this an issue for women?

* Women are the beneficiaries of a progressive and redistributive taxation system. Taxation data shows that women are underrepresented in the highest income tax brackets and overrepresented in the lowest income tax brackets. Women are also the beneficiaries of increased spending on income support payments and social services. Unsustainable tax cuts hit publicly funded services, with the potential to reduce jobs. Women are over-represented at lower income levels, therefore changes to government benefits and services affect them disproportionally. (ATO (2018) Taxation Statistics 2015-16, Table 3; www.data.gov.au).
* Women who are the second income earner in a family are also particularly at risk of excessively high effective marginal tax rates. The effective marginal tax rate is the sum of any reductions in means tested benefits plus income tax paid on additional earnings. For example, if a parent increases her hours of work she will be liable for income tax, her Family Tax Benefit will be reduced and she will pay more in childcare. This is a disincentive to work and a drag on productivity in the economy. Australia currently has the third highest rates of female part time work in the OECD.

([OECD (2018), Part-time employment rate (indicator)](https://data.oecd.org/emp/part-time-employment-rate.htm)).

* Tax offsets for low income earners increase the effective marginal tax rate for taxpayers within the taper zone, which increases work disincentives for women and other low income taxpayers and are not available to women where the tax payable is less than the amount of the rebate. Low income families are better served by receiving the benefit on a regular basis through transfer payments or reduced PAYG payments, particularly in a low wage growth environment.

* The effect of changes in corporate tax rates are mixed. If businesses reinvest in production there may be productivity gains including increased employment, but tax gains may be returned to shareholders as profits. Industries dominated by women, including education and health care are less likely to benefit from corporate tax cuts as they rely on domestic markets.

[Dr Janine Dixon, Centre for Policy Studies, Victoria University, at the National Press Club 23 May 2018](https://www.vu.edu.au/sites/default/files/centre-of-policy-studies-budget-response-2018.pdf)

**Election commitments**

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| Full implementation | Partial implementation | No or negative response |

The table below sets out how fully parties’ current election commitments address NFAW recommendations:

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| **NFAW RECOMMENDATION** | | |
| Any tax reform proposals must be subject to a rigorous gender analysis to identify the effect on women. | | |
| **PARTY COMMITMENTS** | | |
| **ALP** | **LNP** | **GREENS** |
| The ALP has committed to gender responsive budgeting – refer to the machinery of government paper | There is no distributional analysis of the effect on women, or of the potential effect on effective marginal tax rates; taking account of the means tests applied to social security benefits. |  |
| **NFAW RECOMMENDATION** | | |
| Measures that reduce the tax payable by low income earners disproportionately benefit women. Reductions to tax rates should be designed to maintain or improve progressivity. | | |
| **PARTY COMMITMENTS** | | |
| **ALP** | **LNP** | **GREENS** |
| The ALP will repeal the long term tax changes that benefit high income earners.  A budget repair levy of 2% will be added the top marginal tax rate. It is expected this will be removed in the 2022/23 year.  Tax reductions will be targeted to low and middle income earners: the maximum low income tax offset will be up to $1080 for people earning $90,000 pa. The offset for low income earners will be $350  There are still concerns that the interaction of tax rates with transfer payments, including child care subsidies and family tax benefits, result in a high effective marginal tax rate for low to middle income working parents. | The tax cuts proposed in the budget are in three stages.  Stage 1: tax cuts of up to $1080 are targeted to middle income earners. The lowest earners will obtain the least benefit ($255). Families with a combined income of around $90,000 obtain the highest tax offset.  Stage 2: to be implemented in 2022-23 increases the 30% tax threshold and will not benefit people earning less than $45,000 pa.  Stage 3, to be implemented in 2024-25, removes the 32.5% tax rate and will benefit people earning more than $41,000.  The 2nd and 3rd stage tax cuts will go to high income earners: in 2024-25 a person earning $180,000 will receive a tax cut of $8,640 compared to $580 for a person earning $40,000.  The interaction of income tax and transfer payments, including child care subsidies and family tax benefits, result in a high effective marginal tax rate for low to middle income working parents. | The Greens will reverse the tax cuts already legislated (stage 2 cuts) and will oppose further tax cuts to the companies earning more than $10m pa and the wealthiest Australians |
| Family Trust Distributions will be taxed at a flat rate of 30% |  | Will introduce a crackdown on family trusts and a Buffett Rule to impose a minimum tax rate |
| Refer to separate election paper on negative gearing.  2016 Federal Election Policy restated: Negative gearing on residential rental housing will be limited to properties already owned at 1/1/2020 or properties built new for the rental market | Reject changes to negative gearing | Will immediately end negative gearing for investors with more than two rental properties  Will end negative gearing for investors on future house sales |
| Refer to separate election paper on negative gearing  2016 Federal Election Policy restated: The capital gains tax discount will be cut from 50% to 25%, so that ¾ of capital gains on investment assets will be taxed. |  | 2016 Federal Election Policy restated: The capital gains tax discount will be phased out over five years at 10% per annum |
| **NFAW RECOMMENDATION** | | |
| NFAW recommends that tax offsets for low- and middle-income earners be converted to a transfer payment available in conjunction with other payments, instead of being delivered through the tax system. | | |
| **PARTY COMMITMENTS** | | |
| **ALP** | **LNP** | **GREENS** |
| Proposals will continue to be delivered through the tax system and limited to taxpayers | The budget proposal extends the existing non-refundable tax offset which is only claimable by taxpayers. |  |
| **NFAW RECOMMENDATION** | | |
| If retained in the tax system, tax offsets based on income levels should be delivered through the PAYG system rather than as an annual lump sum rebate. | | |
| **PARTY COMMITMENTS** | | |
| **ALP** | **LNP** | **GREENS** |
|  | The budget has retained the design feature of only allowing the tax offset to be claimed when a tax return has been lodged. Although this will create an economic stimulus effect in the first part of the new fiscal year, it does not match the expenditure patterns of families trying to meet increased costs of living. |  |
| **NFAW RECOMMENDATION** | | |
| Tax cuts should not be legislated to be introduced beyond the four-year budget cycle. Long term plans to deliver tax cuts depends on projections of the performance of the economy over that period and on containing spending growth. | | |
| **PARTY COMMITMENTS** | | |
| **ALP** | **LNP** | **GREENS** |
| Proposes to repeal the long term cuts | The proposed changes to tax rates will not be delivered until the 2022-23 and 2023-24 years of income. |  |

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| **NFAW RECOMMENDATION** | | |
| Corporate Tax Cuts should only be introduced where there is a clear economic benefit. This benefit is not yet demonstrated in respect of large companies. | | |
| **PARTY COMMITMENTS** | | |
| **ALP** | **LNP** | **GREENS** |
| (announced 12/10/2018)  Small business tax cuts will be limited to companies with turnover less than $25m pa  (announced 13 March 2018) Proposed Australian Investment Guarantee that increases depreciation rates for investment in plant, commencing 2021-22. | The proposed corporate tax changes are limited to small to medium businesses with a turnover of less than $50m.  Increased access to instant asset write-off for businesses with turnover up to $50m pa |  |

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| OTHER ELECTION COMMITMENTS | | |
| Commitment | **Party** | **Comments** |
| Abolition of Refundable Offsets where Franking Credits Exceed Tax Payable | ALP | Refer to separate discussion paper.  NFAW supports proposals that will make the tax system more progressive, subject to appropriate provisions to mitigate the effect on older women. NFAW does not believe that this will impact on women more than men, if appropriate phasing in rules are adopted. |
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Authorised by Kate Gunn, Sydney.