



20 July 2020

House of Representatives
Standing Committee on Social Policy and Legal Affairs
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

Email: family.violence.reps@aph.gov.au

UNSW Tax Clinic – Submission to the Inquiry into family, domestic and sexual violence

Dear House of Representatives Committee on Social Policy and Legal Affairs

UNSW Tax Clinic is grateful for the opportunity to make a submission to the Inquiry into family, domestic and sexual violence ('Inquiry'). This submission is focussed on the following Terms of Reference:

d) The way that health, housing, access to services, including legal services, and women's economic independence impact on the ability of women to escape domestic violence.

f) The adequacy of the qualitative and quantitative evidence base around the prevalence of domestic and family violence and how to overcome limitations in the collection of nationally consistent and timely qualitative and quantitative data including, but not limited to, court, police, hospitalisation and housing

j) The views and experiences of frontline services, advocacy groups and others throughout this unprecedented time.

Obviously, the economic fallout resulting from the COVID-19 pandemic presents a serious threat to people who are already financially vulnerable. By way of introduction, the UNSW Tax Clinic's mission is to improve access to tax justice for marginalised members of the community by providing tax advice, community education, and advocating for tax reform for that group. Importantly for present purposes, the people we help are often dealing with the financial implications of mental health issues, domestic and family violence ('DFV'), natural disasters, and an inability to afford food and medical care.

This submission is guided by a triangulation of UNSW Tax Clinic's clinical observations of financially vulnerable taxpayers, our aggregated client data, and our grassroots research. We highlight three key observations:

- **The profound link between DFV and tax problems** – Our clinical observations show that the majority (that is, 65%) of financially vulnerable women needing pro bono tax services have also experienced DFV.

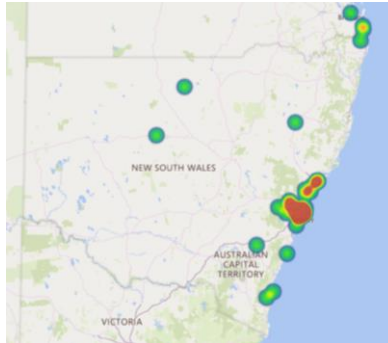
- **The enormity of the problem** – We find that between 30.1-40.6% of financially vulnerable people seeking financial counselling assistance have an unmet need for independent tax advice.
- **The tax system can be a barrier to accessing government support** – Being behind on tax returns is a common barrier to accessing Centrelink payments; from childcare to child support.

Each of these observations are detailed below in turn.

1 The profound link between DFV and tax problems

Since launching in June 2019, we've helped around 150 financially vulnerable taxpayers from across NSW – from Cobar to Cobargo and places north and south (see Figure 1 below).

Figure 1 – UNSW Tax Clinic's Client Footprint



Around half our clients are financially vulnerable women. Our client profile is as follows:

- On average 8 years of outstanding personal income tax returns;
- On average over \$98,000 in tax debts.

Our clinical observations show that financially vulnerable women with tax problems are substantially more likely to be experiencing economic abuse than the general population. Specifically, when asked 'Have you ever been affected by family or domestic violence?', 65% of women using our service report experiencing DFV. For completeness, 17% of men using our service also report experiencing DFV.

These figures are staggering. Of course, it is important to remember that each number is a person, with ripple effects that profoundly impact their lives, families and communities. For example, we recently helped a single mother, who sent us the following unsolicited feedback:

Thank you so much, sorry for the delay I have just got out of family court now this is such a huge relief ! I really don't think people understand the magnitude of offering this assistance to people in hardship & situations where financial abuse is a factor. I can't explain what a weight has been lifted by having these completed -something that I should be capable of figuring out myself but at this time in my life simply unable to cope with ! So Thankyou again so much it really has made a difference to in my life & my children's lives

Financially vulnerable women experiencing DFV are substantially more likely have an otherwise unmet need for tax advice. This is a novel finding and highlights the importance to offering pro bono tax advice to support this segment of our population.

2 The enormity of the problem

There is currently no publicly available data quantifying the otherwise unmet need for independent tax advice in financially vulnerable people experiencing domestic and family violence. Our research helps address this gap and we recently presented our findings to the House of Representatives Standing Committee on Tax and Revenue at a Public Hearing in June 2020.

We find that the unmet need for independent tax advice ranges between 30.1-40.6% of people seeking financial counselling assistance regardless of their socio-economic group across Australia (Kayis-Kumar et al, 2020).

This means that each year at least around 36,000-48,000 financially vulnerable people seen by financial counsellors each year are unable to access independent professional tax advice (being 30.1-40.6% of the 120,000 clients that financial counsellors assist with in-person appointments per year: Financial Counselling Australia, 2018).

Importantly, this is an underestimate of the total unmet need for independent tax advice across Australia. This is because that calculation is limited by the segment of the population who is aware of the existence of financial counsellors to assist people in financial distress and can get said assistance. Yet, not everyone who needs a financial counsellor will know that financial counsellors can help them with their money problems. This means that between 745,000-1,004,000 financially vulnerable people are unable to access professional tax advice across their lifetime (with 9.9% of adults across Australia experiencing severe or high financial stress: UNSW Centre for Social Impact, 2018).

Sadly, this figure is likely to grow over the coming year, with ever-increasing shocks to the Australian economy (from drought to bushfires to floods to COVID-19) putting further financial pressure on those already at risk.

3 The tax system can be a barrier to accessing government support

Being behind on tax returns can be a significant barrier to accessing government supports; from childcare to child support. This is compounded by women generally having lower tax literacy levels (Chardon et al, 2016). Tax refunds may be the only significant lump sum of money that women experiencing financial abuse can independently access in any given year. Yet, government departments assume that a couple will share control of finances so make decisions like taking childcare rebate overpayments from the mother's tax refund.

Unfortunately, financially vulnerable people in socio-economically disadvantaged areas (IRSAD deciles 1-5) mostly need help with late tax returns (91.3%); and, debt/hardship discussions (88.4%) (Kayis-Kumar et al, 2020).

So, UNSW Tax Clinic provide our clients – all of whom are financially vulnerable – with a pro bono tax agent service to get their tax affairs back on track. This service is year-round and we specifically target vulnerable taxpayers in genuine financial distress. Almost all our clients are obtained via 'warm referrals' from the financial counselling profession. For completeness, financial counsellors work in not-for-profit community organisations providing free, independent and confidential advice and support to people experiencing financial stress.

Our service support financially vulnerable people by increasing their levels of financial control. It is well-established that increased financial control improves financial security in the short- and long-term (Noone et al, 2010).

Once again, we very much welcome this initiative and, also, participating in this aspect of the Standing Committee's Inquiry. Please let us know if you would like any further details or if you have any questions.

Yours faithfully



Dr Ann Kayis-Kumar
Co-Founders, UNSW Tax Clinic



Professor Michael Walpole



Mr Gordon Mackenzie