



From: Peter Saunders [REDACTED]
Sent: Tuesday, 24 May 2005 4:13 PM
To: Committee, FHS (REPS)
Subject: Balancing Work and Family

I understand the committee is still accepting submissions to its Inquiry into balancing work and family, and I believe some of the work conducted on taxation by the Centre for Independent Studies may be of relevance.

Please find attached two papers published in our series "Perspectives on Tax Reform." Both were published in March 2004, so figures relating to tax thresholds etc. have been superseded, but the basic arguments remain valid. The paper by Terry Dwyer ("The taxation of shared family incomes") makes the case for tax neutrality as between different patterns of work/family mixes. Specifically, the tax and welfare systems should neither encourage nor discourage families from becoming single or dual earner households. Even though FTB (B) is an explicit attempt to compensate single earner families, Dwyer argues that the tax system is still biased in favour of dual earners, for by assessing tax on an individual rather than family basis, it ignores the fundamental issue of how many people depend on any given income. Dwyer makes a strong case for giving all family members (including children) a tax-free income entitlement which may then be shared and pooled so as to reduce the total tax levied on incomes from which more than one person are gaining a livelihood. The paper by Barry Maley and Peter Saunders ("Tax reform to make work pay") proposes that the first step towards tackling the crippling work disincentives posed by high EMTRs at the bottom end of the income range is to raise the tax-free threshold above the welfare minimum income. For single people, this means a threshold of around \$12,500, and for couples who wish to pool their tax liability (as proposed by Dwyer) it means a shared threshold of around \$19,500 (for unlike the tax system, the welfare system already calculates need on a household rather than individual basis). The paper further proposes a flat-rate tax credit for children, which is broadly in line with Dwyer's argument for giving all family members, including children, their own tax-free income allowance.

I hope the committee finds some of these ideas valuable.

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"The more laws, the less justice" (Cicero)