



# TAX FORUM

4-5 October 2011

## STATEMENT OF REFORM PRIORITIES

### PARTICIPANT NAME AND POSITION

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### ORGANISATION

#### COTA Australia

COTA Australia is the national policy arm of the COTAs (Councils on the Ageing) in all eight State and Territories. COTAs have over 1,000 member organisations representing over 500,000 older Australians, plus over 40,000 individual members.

COTA Australia has a focus on national policy issues from the perspective of older people as citizens and consumers and seeks to promote, improve and protect the circumstances and wellbeing of older people in Australia.

### STATEMENT OF PRIORITIES

1. What are your priority reform directions for the tax and transfer system?

The key goals that tax reforms need to achieve are:

- adequate tax revenues to provide services and social security transfers to meet the needs of the ageing population;
- a more equitable system that ensures taxes are based on the capacity to pay with an emphasis on progressive forms of taxation and removal of regressive taxes; and transfer payments that are adequate to meet people's essential needs; and
- tax and transfer systems that provide the maximum incentives for workforce participation for people of all ages.

#### Concessions

Concessions are not a good public policy tool. They can be regressive in providing greater benefits to people with relatively higher incomes and assets, while people with lowest income and no assets miss out. They are often poorly and inequitably targeted and are inefficient to administer. They are not consumer focussed in that they provide a menu of limited options rather than the choice and flexibility of a cash transfer. They are provided by all three levels of government with a range of eligibility criteria that are not consistent in terms of need.

- COTA is recommending that the Australian Government in consultation with States and Territories commission a thorough review of the concession system, looking at what is offered, who is eligible, who receives the most benefits and who misses out. This review would also need to look at alternative ways of delivering the same support including incorporating equivalent payments into the income support payments.



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## **Retirement Incomes/Superannuation**

COTA supports the three pillar approach to retirement incomes; age pensions, superannuation and other private savings/income.

The focus in recent years has been on superannuation and more explicitly on providing greater incentives for people on higher incomes to make more voluntary contributions rather than ensuring a greater number of people on low and middle incomes have access to higher retirement incomes in the future. Any new initiatives should target lower and middle income groups and all measures should be reviewed to ensure they provide incentives for people to remain in employment.

It is also important that superannuation measures are designed for the long-term so that people can plan for retirement with a higher degree of certainty.

COTA has identified the following priorities in this regard.

- Abolition of age limits on personal superannuation payments and the employer Superannuation Guarantee Contributions. These have been identified as barriers to mature aged workforce participation.
- Increase Superannuation Guarantee Contributions from 9% to 12% of income
- Review tax concessions for superannuation to reduce their current regressivity
- Implementation of the Cooper review recommendations to simplify and restore confidence in the superannuation system.
- Raise the age pension over the longer term to 35 per cent of male total average weekly earnings to ensure older people have the capacity to enjoy a reasonable quality of life in their retirement.

## **Income Support Allowances**

Poverty eradication should be a goal of the tax and transfer system. Increasing allowances in the income support system to ensure people can meet their essential living needs is a priority. COTA believes the gap between pensions and allowances has widened too far, particularly for single people in private rentals.

The following principles should guide future policy:

- the single allowance rate be set at 66 per cent of the married rate as is for pensions;
- allowances be indexed in a similar way to pensions;
- the system should not be punitive on those who are forced to rely on it; and
- the system to be simplified to reduce the number of separate payments. This makes it easier for clients and has the added advantage of reducing administrative costs.

## **Affordable Housing**

COTA is a member of the Older Persons Affordable Housing Alliance and has called for a national older people's housing strategy. A copy of the discussion paper is attached. We urgently need to have an integrated approach to housing that looks at making housing more affordable to buy



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and to rent.

COTA has identified three key issues that need to be examined :

- the abolition of stamp duty. Stamp duty inhibits people's capacity to transfer to housing which is more appropriate to their need as they age;
- review the link between social housing rent assessments and income to reduce the potential disincentives to increased workforce participation; and
- review Commonwealth Rent Assistance to more closely align it with support provided to social housing tenants. This was recognised as unfinished business by the Harmer Pension Review in 2009 and now needs to be urgently addressed.

## Personal taxation

Currently income from employment is taxed differently from income from other sources. There is a progressive personal income tax system and COTA supports this as a key component of the tax system's capacity to promote equality.

Any reforms to the tax system should enhance its progressive effect with income from all sources being taxed more consistently and comprehensively.

## 2. How are your proposals financed over the short and longer term?

Any changes to concessions could be made cost neutral. To achieve this they would need to be more tightly targeted. Any proposed changes to concession would need to be pursued through COAG.

Increased revenues from a more efficient income tax system that does not provide so many opportunities for tax avoidance and minimisation, and taxes all income in the same way regardless of source, could be used to fund the increases in income security payments. In addition if the system were streamlined and disincentives for workforce participation reduced then in the longer term fewer people should be as reliant on income support. This would free up revenue to ensure adequate payments for those who still need it.

In the long term as more people have adequate retirement incomes from superannuation and other savings the number of people fully reliant on the government funded age pension will decline. This decline in numbers could offset the increased levels of age pension.

## LIST OF ATTACHMENTS

1. Older Persons Affordable Housing Alliance *A Fair Share for Older People – The Need for a National Older Persons Housing Strategy* Discussion Paper, March 2009
2. COTA Response to Retirement Incomes Consultation Paper, February 2009