



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

Nadine Flood, National Secretary

ORGANISATION

The **Community and Public Sector Union (CPSU)** is an active and progressive union committed to the promotion of a modern efficient and responsive public sector that delivers quality services and quality jobs. The CPSU represents around 60,000 members in the Australian Public Service (APS), ACT Public Service, NT Public Service, ABC and the CSIRO. The CPSU also has members in Telstra, commercial television and the telecommunications industry.

STATEMENT OF PRIORITIES

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

The CPSU supports the reform priorities of the ACTU. These are to:

- Ensure that the tax system raises sufficient revenue to fund the provision of high quality services to the Australian community;
- Make the system more equitable and progressive, with taxes rising with individuals' ability to pay;
- Reduce the opportunities for individuals and businesses to avoid their obligations, particularly by disguising their incomes through contracting arrangements, trusts, and private companies;
- Not reduce the proportion of tax revenue that is paid by business;
- Ensure that superannuation delivers adequate retirement incomes to working Australians while making sure that tax incentives associated with super are focused on low- and middle-income earners;
- Further reduce the effective marginal tax rates (EMTRs) that make it hard for low-income Australians to get ahead, and undermine workforce participation;
- Reduce the distortions in the tax system that reduce the availability of affordable housing;
- Promote jobs and investment in socially and environmentally useful projects; and
- Ensure that Australians receive a fair share of the profits obtained by extracting our collectively owned natural resources, including iron ore and petroleum

In addition the following specific issues are of particular importance to CPSU members:

a) A Fully funded Public Service

The Australian Public Service has the central role in delivering the high quality services, policy and innovation required to meet the challenges of the future. To do this the public service must be properly funded to ensure that it can attract and retain the skilled workers required to deliver the



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governments policy and service delivery agenda.

As the major source of government revenue, taxation is also the source of public sector funding. Research by the ACTU shows that Australia's total government spending as a proportion of GDP is currently the third lowest of all OECD countries. Any changes to the taxation system will impact not only on the agencies and employees directly involved in developing and implementing taxation reform but on the entire public sector.

The CPSU supports the simplification and modernisation of the taxation system and the focus on removing inequities within the system. However, this should not result in a reduction in the resources provided to the public sector.

b) Separate taxation assessment of superannuation income streams and additional assessable income.

Members of taxed super funds aged over 60 receive superannuation pension tax free. The superannuation pension therefore does not form part of their taxable income. However, superannuation income from untaxed schemes is taxed at marginal rates, less a 10 per cent rebate. This does form part of the recipient's taxable income.

This means that for members of taxed superannuation schemes receiving a superannuation income stream, additional income is taxed at a marginal rate from a starting point of zero, taking advantage of the tax free threshold and the overall progressiveness of the income tax system. However, additional income earned by pension recipients from untaxed funds is combined with their superannuation income stream to determine their total assessable income.

The effect of this is that members of 'untaxed funds' pay a higher marginal rate of tax on non-pension income than members of 'taxed funds' once the effect of the pension is factored into the calculation.

The CPSU supports the recommendation of the Senate Standing Committee on Economics in 2007 that the Government should separately assess, for taxation purposes, superannuation income streams and additional assessable income.

c) Family friendly initiatives to encourage workforce participation

Fringe benefit tax exemption for childcare

The fringe benefits tax (FBT) exemption for child care benefits provided by an employer is currently very restrictive and only available where an employer has a child care centre on its premises. This is inequitable as it does not allow consistent access to salary sacrifice arrangements to childcare. The CPSU recommend that the current FBT exemption for child care be extended to include payments to approved child care providers outside the employer's premises

Superannuation during parental leave



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Many people take parental leave at a relatively young age and the compounding effect of superannuation means that loss of superannuation contributions at this time will make a large difference to the final balance received on retirement. This is one of the reasons why the average superannuation accumulation on retirement is significantly lower for women than for men. The CPSU recommends that the superannuation guarantee be payable in respect of paid parental leave; and parents returning to the workforce after parental leave be encouraged to make catch up contributions into superannuation, through an increased superannuation co-contribution and/or an increased concessional contributions cap.

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

There is not necessarily any additional cost to maintaining a fully funded public service but it is an important principle that must underpin consideration of other tax reforms.

There will be some additional cost to address the taxation of additional income of people receiving a pension from untaxed super funds. However, this is necessary to address this anomaly that applies inequitable tax treatment to the same type of assessable income, based on the nature of the fund from which a person's benefits are received.

Funding to rectify the flaws with FBT treatment of childcare and superannuation payments around parental leave will come from productivity gains and the additional tax raised as women increase their workforce participation. In the long term, increased superannuation accumulation for women will reduce the reliance on government pensions in retirement.

LIST OF ATTACHMENTS

Submission to the Henry Tax Review (2008) Community and Public Sector Union, (2008)