



**The National Council
of Single Mothers
& their Children**

National Tax Forum.

October 2011



About Us:

The National Council of Single Mothers and their Children Incorporated (NCSMC) has played a pivotal role since its conception in the early 1970`s. The council has become a platform whereby both community and government can communicate; it has lead the way in obtaining a range of beneficial outcomes for families; has actively sought to reduce systemic prejudice; continually challenges existing norms, and over many years has achieved improved opportunities and outcomes for single mothers and their children.

One of our greatest strengths is our expertise and commitment in working with and for the advancement of women and children due to poverty, violence, exclusion and gender inequality. NCSMC has advocated for equality of opportunity, financial security and access to justice, legal and human rights.

Taxation and our Interest:

The National Council of Single Mothers and their Children Inc (NCSMC) has a strong interest in taxation issues and we welcome the Australian Tax Forum. NCSMC views this forum as a vehicle to drive debate and secure progressive outcomes which are based upon the notion of equality and fairness. NCSMC stresses the important of a sufficient level of revenue to provide essential services and infrastructure in the area of health, education, housing, law, utilities and local communities. These services should be universally accessible for all Australians, irrespective of income, gender and location; and that they are the foundation for a socially inclusive society.

Our interest extends to the adequacy of the tax transfer system ensuring that payments provide sufficient incomes to live decently and with dignity, enabling families to participate in the social and economic fabric and equally share in the opportunities and gains. Much has been written about the growth between the haves and the have nots and how this growing divide fractures society both in the immediate and long-term.

Additionally, we know through research and recent experience that there are some members of our community who are more vulnerable and that vulnerability is exposed when Australia has an economic downturn, recession or impacted by a global financial crisis

Single Mothers:

The financial circumstances of single mother led households and the increased risk of poverty and deprivation is well documented. The Social Policy Research Centre identified certain population groups that consistently face higher than average risk of poverty and stated that among family types, single people and lone parents encountered the highest threat. ACOSS who completed research into deprivation stated that whilst 19% of the Australian population experienced multiple deprivation, sole parents face a much higher risk and that 49% of all sole parents were experiencing multiple deprivation. This level of deprivation was significantly higher for sole parents than any other family type.¹ Furthermore, children residing in a household headed up by a mother are 25% to 30% more at risk of child poverty². NCSMC is concerned that the disturbing issue of child poverty does not attract the attention that it warrants and would like this matter to be a key focus of the taxation debate, we note that the forum is future orientated which is conducive to reviewing and then improving the well-being for all children. NCSMC contends that poverty and hardship should not be a forgone conclusion for any Australian and that much more can and should be done.

¹ The Australian Council of Social Services, 8th December 2008, *Who is missing out? - Hardship among low income Australians*

² The Australian Council of social Services, December 2008. *Who is missing out? Hardship among low income Australians.*



Recommendations:

- 1. Adequate Income support**
 - a. Social Security Payments
 - b. Allowances and Benefits

- 2. Child Support**
 - a. Maintenance Income Test
 - b. Annual Taxation Returns

- 3. Transition to work**
 - a. Low Income Mothers
 - b. Middle Income Mothers

1. Adequate Income support

a. Single parent families should be afforded the same protection from financial hardship and vulnerability that is available to other Australians. NCSMC notes the comparable financial needs and circumstances of the single parent claimant to that of the single aged pensioner. However, Australia now has a complex and inequitable social security system that can have some single families surviving on \$263 per week whilst a single aged pensioner will receive \$374.40 per week. This disparity is a sign that the social security system is flawed and that fairness and equity should be restored.

b. Single parent families are subjected to the same cost pressures as other social security claimants such as housing, transport, food, utilities and health cost. Therefore, the full suite of allowances and benefits should be universally available.

2. Child Support

a. The Maintenance Income Test is unfair and inequitable resulting in harsh impacts for single parent households when compared to a two-parent family. Currently, when child support is received the Family Tax Benefit A is reduced by 50 cents in the dollar for low

threshold amounts commencing at \$1,368.75 per financial year and continuing until the payment reaches the base rate of Family Tax Benefit A.

However, a two parent family may receive income of up to \$45,114 for the financial year which will then gradually reduce by 20 cents for each dollar above \$45,114 until the payment reaches the base rate of Family Tax Benefit Part A. This issue was identified as a recommendation (9.3) within the Ministerial Taskforce Report ³

b. The efficiency and effectiveness of the child support system is premised upon an accurate and timely income assessment. Although, Australia has stated timeframes to lodge taxation returns evidence confirms that this is not the case and that avoidance can be used as a strategy to evade and or reduce the child support liability. Australians with a child support liability should be required to uphold the taxation law or incur an annual financial penalty until lodgement occurs. The penalty should be 'gifted' to the payee in recognition of the financial and emotional hardship that their actions have caused as well as serving as a disincentive for non-compliance.

3. Transition to work

Accessing affordable and quality care options such as Child Care, Out of School Care and Family Care is critical for women to participate in the workforce and or to undertake further studies. It also provides parity of opportunity for child(ren) of low income families as it enables them to socialise and engage with their peers.

³ *In the Best Interests of Children Reforming the Child Support Scheme Summary Report and Recommendations of the Ministerial Taskforce on Child Support, May 2005 :*

a. Low income single mothers who undertake employment should be financially rewarded and encouraged to secure and maintain their employment. Positive assistance would translate to:

- The maintaining of allowances and benefits.
- Earning thresholds and claw back arrangements should be similar to what is currently available for PPS recipients and indexed accordingly.
- Access to subsidised child care options such as the well regarded JET scheme.

b. A single mother will encounter additional barriers to locate and secure employment and or pursue further education. These tasks are completed whilst fulfilling their primary caring responsibilities. Such families do not have the option of sharing the parenting responsibilities, household cost pressure and domestic duties. The requirement to juggle competing demands is always present and could be eased through the accessing of subsidised child care options. This assistance should be available for low and middle income single mothers.

Conclusion:

Since 2006 there has been a continued reduction of income support for single mothers along with lower earning thresholds, higher claw back arrangements and less favourable indexation provisions. The reduction in income has been compounded by an increase in mutual obligation requirements. In 2005 an obligation started when the youngest child turned 16 years of age. It has become more common for this to commence when the youngest child turns 6 and for some *young mums* the age has been further reduced to 12 months old. Such policy approaches erodes the value of parenting, renders such families to increased financial and living pressures and is counterproductive in the provision of real assistance and support. Australia through its tax transfer system can, and must do better for all Australians, and the policies that exposes one family structure to greater hardship and increased vulnerability should be replaced with progressive policies that value, nurture and equally support all families.