National Foundation for Australian Women
REAL WOMEN. VISIONARY LEADERSHIP

Budget 2019 - Taxation

Taxation Budget Overview

Measured against the taxation priorities for women that we have identified, the 2019 budget is a continuation of the policies that were introduced in the 2018-19 Federal Budget. The assessment that NFAW made of those policies last year was that the Low and Middle Income Tax Offset was beneficial to women although it adds complexity to the tax system and increases effective marginal tax rates.

Budget 2019 will increase the amount of these offsets, with effect from the current financial year.

The changes to flatten the tax scales (to increase the 32.5% tax threshold from 2022/23 and remove the 37% tax rate) are regressive and do not assist low income earners.

WHY IS THIS AN ISSUE FOR WOMEN?

- Women are the beneficiaries of a progressive and redistributive taxation system. Taxation data shows that women are underrepresented in the highest income tax brackets and overrepresented in the lowest income tax brackets. Women are also the beneficiaries of increased spending on income support payments and social services. Unsustainable tax cuts hit publicly funded services, with the potential to reduce jobs. Women are over-represented at lower income levels, therefore changes to government benefits and services affect them disproportionally. ATO (2018) Taxation Statistics 2015-16, Table 3; www.data.gov.au

- Women who are the second income earner in a family are also particularly at risk of excessively high effective marginal tax rates. The effective marginal tax rate is the sum of any reductions in means tested benefits plus income tax paid on additional earnings. For example, if a parent increases her hours of work she will be liable for income tax, her Family Tax Benefit will be reduced and she will pay more in childcare. This is a disincentive to work and a drag on productivity in the economy. Australia currently has the third highest rates of female part time work in the OECD. OECD (2018), Part-time employment rate (indicator)

- Tax offsets for low income earners increase the effective marginal tax rate for taxpayers within the taper zone, which increases work disincentives for women and other low income taxpayers and are not available to women where the tax payable is less than the amount of the rebate. Low income families are better served by receiving the benefit on a regular basis through transfer payments or reduced PAYG payments, particularly in a low wage growth environment.

- The effect of changes in corporate tax rates are mixed. If businesses reinvest in production there may be productivity gains including increased employment, but tax gains may be returned to shareholders as profits. Industries dominated by women, including education and health care are less likely to benefit from corporate tax cuts as they rely on domestic markets. Dr Janine Dixon, Centre for Policy Studies, Victoria University, at the National Press Club 23 May 2018

Budget Measures

The following table sets out the priorities identified by NFAW and the relevant 2019 budget commitments.

NFAW priorities	In 2019 budget?	Comment (if any)
Any tax reform proposals must be subject to a rigorous gender analysis to identify the effect on women.	No	There is no distributional analysis of the effect on women, or of the potential effect on effective marginal tax rates; taking account of the means tests applied to social security benefits.
Measures that reduce the tax payable by low income earners disproportionately benefit women. Reductions to tax rates should be designed to maintain or improve progressivity.	No	The lowest earners will obtain the least benefit under the proposed changes. Middle income earners do better, with families with a joint income of around $90,000 obtaining the highest tax offset.
NFAW recommends that tax offsets for low and middle income earners be converted to a transfer payment available in conjunction with other payments, instead of being delivered through the tax system.	No	The budget proposal extends the existing non-refundable tax offset which is only claimable by taxpayers.
If retained in the tax system, tax offsets based on income levels should be delivered through the PAYG system rather than as an annual lump sum rebate.	No	The budget has retained the design feature of only allowing the tax offset to be claimed when a tax return has been lodged. Although this will create an economic stimulus effect in the first part of the new fiscal year, it does not match the expenditure patterns of families trying to meet increased costs of living.
Tax cuts should not be legislated to be introduced beyond the four year budget cycle. Long term plans to deliver tax cuts depends on projections of the performance of the economy over that period and on containing spending growth.	No	The proposed changes to tax rates will not be delivered until the 2022-23 and 2023-24 years of income.
The Government anticipates significant trickle down	Partial	The proposed corporate tax changes are limited to small to medium businesses with a turnover of less than $50m.

effects from the remaining corporate tax cuts.	
Other budget measures	
Measure	**Comment**
Instant Asset Write-off: Asset Value Increased to $35,000 Extended to medium businesses	The instant asset write-off threshold will be increased to $30,000 with effect from Budget night to 30 June 2020. It had been increased to $25,000 from 29 January 2019. This measure has been extended to businesses with a turnover of less than $50m. This is expected to provide a fiscal stimulus to the economy. It is a timing measure, decreasing tax receipts in early years, with corresponding increases in later years.
Single Touch Payroll expanded	The single touch payroll system ensures that income and superannuation information is reported to the ATO in real time. The program will be expanded to allow monitoring of payment of superannuation guarantee contributions and to provide more reliable data for data matching purposes to other agencies, including the Department of Social Services