

## Minerals Resource Rent Tax Repeal and Other Measures Bill 2013 [Provisions]

I ask the Committee to recommend against the removal of The School Kids Bonus and the Low Income Support Bonus which have been linked to the Minerals Resource Rent Tax.

The removal of the School Kids Bonus and the Income Support Bonus will see my family budget reduced by \$1851.60pa (value of payments to me as at Sep 2013).

It will see a drop in family incomes of the High School my children attend by **at least \$721,600**. That is assuming that 80% of the 1100 children enrolled at our local High School are receiving FTBA and therefore the School Kids Bonus.

The total drop in the school community family income will probably be **\$1,000,000** per year - if you assume that some of the families or children are in receipt of the income support bonus and that many of the children will have siblings in primary school.

In some schools the percentage of families receiving FTBA & the School Kids Bonus is closer to 100%, so a school of 1000 students could see **\$820,000pa** removed from Family Budgets – just from the removal of the School Kids Bonus.

This change will impact on school budgets, and will stop the Gonski Reforms from achieving their full potential; as schools will see more families struggle to pay the costs they already pay.

Education in Australia is not free, despite the fact that Australia is a signatory to the UN Declaration of the Child. It is not free in the elementary years and certainly not free in the High School Years.

### DECLARATION OF THE RIGHTS OF THE CHILD

Adopted by UN General Assembly Resolution 1386 (XIV) of 10 December 1959

**7) The child is entitled to receive education, which shall be free and compulsory, at least in the elementary stages. He shall be given an education which will promote his general culture and enable him, on a basis of equal opportunity, to develop his abilities, his individual judgement, and his sense of moral and social responsibility, and to become a useful member of society.**

**The best interests of the child shall be the guiding principle of those responsible for his education and guidance; that responsibility lies in the first place with his parents.**

**The child shall have full opportunity for play and recreation, which should be directed to the same purposes as education; society and the public authorities shall endeavour to promote the enjoyment of this right.**

## IMPACT

As at September 2013 some of the payments affected by the changes to the MRRT were worth:  
\$211.60pa Income Support Bonus  
\$820pa School Kids Bonus High School Student  
\$410 pa School Kids Bonus Primary School Student

The Legislation will see eligibility for these payments removed before the next instalments are paid:  
Income Support Bonus – March 2014  
School Kids Bonus – 1<sup>st</sup> January 2014.

I find it frustrating to know that in Australia we already have the 5<sup>th</sup> highest rate of single parent poverty in the OECD, and that these measures will likely see Australian single parents go further up the poverty rankings not lower.

The change to the School Kids Bonus is to be implemented just 6 months prior to the date the Medicare Levy increases to 2% from 1.5%. There will therefore be the double impact of raising taxes and reducing payments in the same calendar year for many families. Many Low income families do not receive the full benefit of the Medicare Levy Low Income reduction for families as the threshold was not significantly changed when the tax free threshold was tripled.

As a low income single parent (income under \$60,000) I pay the same taxes as a middle income single person (income over \$30,000), but with far different costs. I already struggle to make my wages and government assistance meet all the costs related to raising two teenage boys, supporting myself, a house and a car.

I pay more taxes and receive far less in tax offsets and super concessions than many middle income two income parent families.

The Welfare to Work reforms coupled with changes to Childcare, Child Support, Youth Allowance, Parenting Payment, reductions to the Low Income Tax Offset, Low Income Super Co-Contribution and the tripling of the tax free threshold have resulted in a mash of policies that result in many working single parents losing from half to three quarters of each extra dollar earned.

If you include the drop in Childcare Benefit and Child Support along with the loss of Low Income Medicare Levy and the Low Income Super co-contribution along with taxes and reduced access to benefits, I as a single working parent will easily lose 47 to 80cents plus per dollar earned.

In contrast approx 90% of the working age population face effective marginal tax rates that see them lose no more than 40cents from every extra dollar earned (refer AMP.NATSEM Income and Wealth Report Issue 14 September 2006).

While some working couples may have a tax free threshold of \$41,084, a single parent is treated like a single person with a tax free threshold of up to \$20,452 – even though they have similar costs to a two parent family. FTBB only partly compensates for the higher tax burden on single income working families, it no longer compensates fully for the loss of the second tax free threshold

Change and reform is needed, but it should be considered as part of a whole package, rather than piecemeal changes that usually just mean reducing payments or access to rebates.

## CHANGES

As a single parent, I find it hard to budget for my children's future with repeated changes to Legislation that generally only have a net effect of reducing the money that I have to provide for my children.

Changes such as:

- 1) Welfare to Work reforms that saw parents lose access to Parenting Payment Single when youngest turned 8, only meant less money for vulnerable families.
- 2) From 1/1/2013 I lost access to the Parenting Payment Single which reduced my income by approx \$80pf but increased my tax and Medicare costs substantially through the loss of SAPTO.
- 3) Changes to Childcare in 2004 and the subsequent changes to JET.
- 4) The removal of the Single Parent Tax Offset in 2000; previously available to parents with dependent children under 25 and replaced by Family Tax benefit B which when introduced was limited to children under 16, since raised to 18 for dependent school children.
- 5) 2009 saw tax changes to the Pension supplement paid to single parents – suddenly turning a tax free payment into taxable income – which meant that I effectively lost more half the value of supplement.
- 6) Child Support Reforms introduced between 2006 and 2008 did not see an increase in income to single parent families.
- 7) Changes to FTBA indexation in 2009, has a steadily increasing impact in that the value of the payment is now lower than it would have been otherwise.
- 8) Freezing the Supplement payment for FTBA & FTBB in 2011/12 means that the total value of these payments increases by less than CPI.
- 9) Freezing of the Child Care Rebate cap at \$7,500 means that families with high childcare expenses will see the total value of payment that can be claimed not increasing with CPI.
- 10) The promise of the FTBA Boost (due to commence 1/7/2013) did not materialise, which made the loss of the PPS even harder, as I was budgeting for that.

## REVIEW IS NEEDED

A full review of assistance provided to low income families is required before any further changes. It should include but not be limited to:

- 1) Income support payments paid to the parents: including Parenting Payment, Carers Payment, Disability Support Pension, Age Pension, Transition Pension, Widow Allowance, Newstart, YA Jobseeker and student payments. Different Thresholds, income free areas and taper rates currently apply.
- 2) FTBB and Dependent Spouse Rebate
- 3) Parental Activity Test – none applied to spouses in receipt of FTBB or Dependent Spouse Rebate
- 4) Parental Activity Test – to be applied to Child Support Parents

- 5) Remove the suspiciously low income default used in Child Support Calculations (currently uses PPS which no single parent can claim after youngest turns 8) – could be replaced with minimum wage.
- 6) Reintroducing sole parent tax offset
- 7) Review different Rates payable for FTBA and dependent Youth Allowance.
- 8) Different Parental Thresholds for FTBA and Dependent Youth Allowance
- 9) Drop in FTBB rate when youngest child turns 5 (which can be prior to school entry)
- 10) Increase in FTBA rate when child turns 13, (which can be well after High School entry)
- 11) FTBA is assessed on full year, even when child is in last year of school – income earned after leaving school could see parents repaying FTBA and FTBB
- 12) FTBA withdrawal rate of 20 or 30c/\$1 for parental income (including step-parents)
- 13) Use of the Maintenance Income threshold (as applied to child support received for FTBA child)
- 14) FTBA - child support withdrawal rate of 50c/\$1 (after MIT)
- 15) Dependent Youth Allowance Child support taper rate of 20c/\$1
- 16) Dependent Youth Allowance – parent taper rate 20c/\$1
- 17) Dependent Youth Allowance – child income taper rate 60c/\$1
- 18) No Base rate for Dependent Youth Allowance
- 19) Withdrawal rate of childcare benefit and threshold (now lower than FTBA)
- 20) JET payments (time limitations introduced and rate increased from 10c to \$1)
- 21) Withdrawal rate of tax offsets (LITO)
- 22) Withdrawal rate of Medicare Low Income Rebates
- 23) Different definitions of dependent child
- 24) Withdrawal rate of super co-contribution
- 25) Low Income Super Contribution Threshold and withdrawal rate (nb LISC is due to removed under legislative amendments to the Mining Tax)
- 26) Rent Assistance rates and allow it to be paid for 18-25 dependent children living at home (
- 27) Isolated Children's Allowance
- 28) Limitations of Relocation Scholarship
- 29) Use of tax free education savings accounts
- 30) Use of family trusts to reduce taxation and increase access to payments

It should not ignore the low rate of Rent Assistance compared to other payments such as the Isolated Children's Allowance 2<sup>nd</sup> Home Allowance or negative gearing paid to landlords.

While FTBA and the School Kids Bonus is poorly targeted, and unlike income support payments it has no assets test or parental activity test it still provides substantial assistance to Australia's low income families ie a family (one or two parents) with one child earning under \$60,000.

Until such time as a full review is conducted, removing the School Kids Bonus that currently helps all low income families (and many middle income families – some with very high effective marginal rates) will see more families plunged into poverty – or hovering just above.

I ask the Committee to recommend against the removal of both the School Kids Bonus and the Low Income Support Bonus.