

I am not an expert so I now tread where angels fear to tread on the complex area of taxation reform. It seems to me that the question should be about the size and diversity of the tax base together with the thresholds at which tax rates should be applied and the reasonable allowance of tax deductions and other tax minimization planning e.g. through salary sacrifice. Part of the size and diversity question for too long has been seen as deposit taking (those subject to tax) and deposit withdrawal and voluntary participation in the community (those who are or should be free of tax). If this is valid then the age of retirement is immaterial because people in that cohort should feel real opportunities to move into a transitional retirement phase. Likewise young people should be encouraged to spread the timing of their entry into university etc and gain some basic knowledge of life whilst diversifying the tax base.

The present system offers a position whereby the diversity of the system is threatened by a potential but by no means real withdrawal of diversity and contribution by baby boomers. Certainly one option is to make it more attractive for senior Australians to remain in the tax system rather than the welfare system. Either way the tax base needs to be widened to ensure more mature age people participate in the labour force.

Possibilities that might be investigated should include:

1. Tax rates applied on the family unit rather than on each of a couple separately.
2. Lifting the threshold of the 15% rate to \$40,000.
3. Incorporating into the retirement philosophy greater opportunities for transitional retirement between 65 and 75 whilst retaining the voluntary nature of one deciding when the circumstances are best for them individually or as a family to retire.
4. Considering lifting the superannuation guarantee to 10% and educating and encouraging through individual responsibility a contribution of a further 5%. For baby boomers between 50 and 70 this may mean providing a more friendly tax environment.
5. Balancing equity it may be time for the \$6000 tax free threshold to be increased to \$7,500 or 8,000 and thereafter indexed as a fixed percentage of average wages.
6. The tax deduction system needs simplification to restore integrity, equity and fairness. This might include the establishment of a capped range of industry or occupational norms.

Vulnerable people need more help, equity and fairness and I would suggest the following:

- A. The low income rebate threshold be increased so that the effective tax free range for low income people reaches a fixed percentage of the average wage and encourages and promotes more participation.
- B. The threshold for mature age persons be lifted to ensure greater equity across total family income by allowing the transfer of any part not required by the low income partner.
- C. Pensions should be based on the single rate with no marginalization of income for pensioner couples and again this should be tied as a percentage of the average wage say between 40 and 60%.

Apart from restoring equity and fairness to the system some of these moves if adopted in some form would recognize the changing social and family working arrangements and give a true and proper accounting of the real position of the partner who in effect meets the real cost of their partner on low income. Additionally in this global financial crisis you would arguably putting money into the hands of those who would spend or reduce debt freeing up credit for others.

Trusting this submission promotes what should be a truly national debate.

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