

The Interaction Between the Australian Taxation and Social Security Systems: An Annotated Bibliography

Author:

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Publication details:

Working Paper No. No 4

Research Resource Series

0858238527 (ISBN)

0819-2731 (ISSN)

Publication Date:

1989

DOI:

<https://doi.org/10.26190/unsworks/800>

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SWRC Research Resource Series

No 4

August 1989

THE INTERACTION BETWEEN THE AUSTRALIAN TAXATION AND SOCIAL SECURITY SYSTEMS: AN ANNOTATED BIBLIOGRAPHY

by

Lynn Sitsky



Social Welfare Research Centre

THE UNIVERSITY OF NEW SOUTH WALES
P.O. BOX 1 • KENSINGTON • NEW SOUTH WALES • AUSTRALIA • 2033

SWRC RESEARCH RESOURCE SERIES
No. 4 **August 1989**

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ISSN 0819 2731
ISBN 0 85823 852 7

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P O Box 1 · Kensington · NSW · 2033 · Australia

Printed at the back is a complete list of the publications of the Social Welfare Research Centre.

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ACKNOWLEDGEMENTS

I would like to thank Peter Whiteford for his help throughout the compilation of this bibliography. He also read a first draft and made many helpful comments on the annotations and gave advice on the selection of key-words.

My thanks also to Lynda Pawley for her patient typing of the bibliography through its various stages.

FOREWORD

In this report, the fourth to be published in the **SWRC Research Resource Series**, attention focuses on the interaction between the Australian taxation and income support systems. This is an issue that has been prevalent in the Australian social policy debate since the mid-seventies. In 1975, the Reports of the Taxation Review Committee and the Commission of Inquiry into Poverty both argued the case for reforms designed to rationalise interactions between the personal income taxation and social security systems. Yet despite these, and the considerable literature which they have produced, the issue of integration remains to this day very much part of the 'unfinished business' of the Australian taxation and social policy agendas.

In a sense, this is not surprising. For it has come to be realised that the attainment of many other economic and social objectives is affected by proposals to better integrate taxation and income support arrangements. In this area, as in many others, policy inaction is as much a consequence of competing objectives as it is indicative of a lack of willingness to address the underlying issues. Despite this, the distressingly high effective marginal tax rates (or poverty traps) that characterise ineffective policy integration are a cause for concern, particularly in an era where greater attention is being paid to the need to ensure that the tax-transfer system does not lead to undesirable disincentive and other effects. Clearly, this is an issue that still requires further analysis if policies are to be introduced that produce a more integrated system of tax rate progression on those at the lower end of the income hierarchy.

I hope that readers will find the material contained in this Report a useful guide to the Australian literature on what remains a difficult, but nonetheless important, aspect of our overall tax and transfer arrangements.

Peter Saunders
Director, SWRC
July 1989

INTRODUCTION

This bibliography focuses on various aspects of the interaction of the Australian taxation and social security systems. Issues covered include horizontal and vertical equity concerns and the effects of the two systems on income distribution, incentives and disincentives ('poverty traps'). There have, of course, been shifts of interest and differing opinions as to what the major issues were over the period covered.

The main starting point for the bibliography is the years 1974-75, with a few earlier articles included, mainly in the area of negative income tax. The years 1974-75 saw the **Taxation Review Committee** (Asprey Committee) publish its **Commissioned Studies** and both its **Preliminary** and **Full Reports**. During 1973-74 the Treasury submitted its **Treasury Taxation Papers**, nos.1-13 to the Taxation Review Committee and these were published in 1974. Some of these are included in this bibliography. The Asprey Committee adopted a broad approach to tax reform and its main conclusion was 'that the weight of taxation should be shifted towards the taxation of goods and services and away from the taxation of income.' Many of the papers included here are reviews of, and responses to, these reports and papers and those of the complementary **Report of the Committee of Inquiry into Inflation and Taxation** (Mathews Report).

In 1975 the **Commission of Inquiry into Poverty** published its First Main Report **Poverty in Australia** which is included here for those aspects in it which touch on the tax/transfer system, particularly the proposed guaranteed minimum income scheme, as well as proposals such as the replacement of concessional deductions with tax rebates. Several of the items in the bibliography centre around the concept of a guaranteed minimum income, including some by the then existing **Social Welfare Commission**. Another publication which appeared in 1975 was the **Priorities Review Staff's Possibilities for Social Welfare in Australia** which focused on the effects of government actions on the welfare of individuals, and looked at ways of improving the then tax/transfer system, including a guaranteed minimum income scheme.

In 1976, universal family allowances paid to mothers through the social security system replaced the previous system of tax rebates for dependent children paid through the income tax system. The way in which family allowances were allowed to be eroded by non-indexation over the following years is the subject of many of the items following. A related subject was that of directing assistance to families with children by increasing family allowances, rather than through raising the dependent spouse rebate.

During the early 1980s there was increased public awareness and debate about the inequities of the tax system with tax evasion and avoidance becoming increasingly a problem. In 1982, a conference organised by the Centre of Policy Studies (published by the Australian Tax Research Foundation as HEAD, John G., (ed.), **Taxation Issues in the 1980s**) covered the major areas of concern with taxation in Australia at the time. These concerns included issues of relevance to this bibliography such as the nature of horizontal and vertical equity, the income tax base, taxation indexation, the tax unit, tax incidence, the integration of the taxation and social security systems, and the impact of taxation and social security on income distribution. The Centre of Policy Studies and the Australian Tax Research Foundation continued to produce work in this area over the period. Two other important sources of work on the interaction of the taxation and social security systems in the early 1980s were the Department of Social Security (with the work of David INGLES, Wayne JACKSON, Andrew PODGER and Judy RAYMOND and that of Ann HARDING and Peter WHITEFORD) and the Social Welfare Policy Secretariat, later the Policy Co-ordination Unit (with the work of Daryl DIXON and Chris FOSTER). In 1982, the Australian Institute of Family Studies began its **Australian Families Income Transfer Project** to assess alternative policy options in the taxation and transfer area and their impact on different family types, for which see BURBIDGE, Andrew, and BROWNLEE, Helen.

In 1985 the Treasury released the **Draft White Paper: Reform of the Australian Tax System** and the government convened the National Taxation Summit in July of the same year. Prior to the Summit the government received many submissions on taxation reform, some of which are included here. With any reform of the taxation system there will be 'gainers' and 'losers' and therefore many of the items in the bibliography argue the pros and cons of the various reform proposals, including some works which describe the models used to assess the costs and benefits of the various government options A, B and C, as well as works proposing alternative options. Particularly widespread was discussion focusing on the proposed shift from direct to indirect taxes and the measures to compensate those who would be 'losers' by the change. In September 1985 the Treasurer, Paul Keating, issued the

government's tax reform package, **Reform of the Australian Taxation System: Statement by the Treasurer** and of course many items focus on this package and the subsequent changes introduced by the government.

Some of the Background/Discussion Papers of the Social Security Review are included here. In February 1986, the Minister for Social Security set up the Review to focus on three major aspects of social security policy: income support for families with children; social security and workforce issues; and income support for the aged. This Review, and some subsequent changes by the government in the areas of income support for families and the alleviation of 'poverty traps', are the subject of recent works included here.

A more recent development took place in March 1987 with the release of a study by the Australian Bureau of Statistics of **The Effects of Government Benefits and Taxes on Household Income** (Catalogue No.6537.0). This study was largely based on data collected in the **1984 Household Expenditure Survey**, supplemented with data from other sources. In May 1987, in order to give the results of this survey as wide a coverage as possible, and to critically assess its methodological framework, the Social Welfare Research Centre organised a workshop, the contributions to which were published as SAUNDERS, Peter (ed.), **Redistribution and the Welfare State: Estimating the Effects of Government Benefits and Taxes on Household Income**, SWRC Reports and Proceedings, No.67. The SWRC has had a continuing interest in the area of taxation and social security interaction with earlier work by Bettina CASS, Robert HORN, Adam JAMROZIK, et. al., and more recently with the work of Peter SAUNDERS and Peter WHITEFORD. The subject is very likely to be an area of debate for some time to come and it is hoped that this bibliography will be of some use as an information source for those interested in the literature and the issues involved.

ORGANISATION

This bibliography includes whole books, parts or chapters of books, conference papers, papers in series and journal articles. No newspaper material or items of one page or less have been included. All the items have been sighted.

Each item has been annotated to give an indication of the scope and nature of the work. The annotations are descriptive only and no attempt has been made at criticism or evaluation of the content. Wherever possible the author's or publisher's abstract has been used (indicated by quotation marks) and in other cases an attempt has been made to use the language of the author or authors concerned.

ARRANGEMENT: All annotations are arranged alphabetically by author, or, where applicable, corporate body or title.

The name is followed by the year of publication. When more than one work by the same author is cited, the works are arranged chronologically from the earliest to the most recent, and if there are several in the same year, they are then ordered alphabetically by title. Authors as single authors appear first, followed by that author in joint authorship with others.

The title of the book or the name of the journal appears in bold.

The last numbers in the citations indicate the length of the item (x pp. for a complete publication or :x-y for part of a book or journal).

Each annotation is given a record number which appears above the citation.

Each annotation is followed by key-words which indicate the subjects covered in the item.

Each key-word is followed by a group of record numbers indicating which annotations have been placed within that key-word category.

There is an alphabetical listing of authors, separate from the annotation which includes joint authors. The number following the names are the record numbers of the annotations (not page numbers).

- 1 **AGRAWAL, Nisha, MEAGHER, G.A. and PARSELL, B.F. (1987), *Analysing Options for Fiscal Reform in the Presence of Involuntary Unemployment*, Melbourne, Institute of Applied Economic and Social Research, University of Melbourne, IAESR Working Paper, No.13/1987, 35pp. Also presented as a paper at the 4th Monash Tax Conference, *Flattening the Tax Rate Scale: Alternative Scenarios and Methodologies*.**

This paper presents 'an analysis of the short-run consequences of flattening the tax scale (as proposed by the Centre of Policy Studies, Monash University, in their Option T) under various assumptions about the setting of other instruments of fiscal policy and about the outcome of the wage fixation process. The analysis depends on [four] simulations using an extended version of the ORANI model of the Australian economy. Distributional effects are generated by interfacing the model with unit record data derived from an updated version of the 1981-82 Income and Housing Survey. Relevant details of the model are supplied in Section 2 of the paper, together with an account of the specification of the simulations. Section 3 contains an analysis of the macroeconomic effects of the reform and Section 4 explains the method whereby the macro results are used to generate changes in distributional variables.' Section 5 discusses the implications of the proposed tax reform for the distribution of employment and real disposable incomes of individuals. Conclusions are drawn from the analysis in Section 6. 'The simulations indicate that the macro effects of the reform depend crucially on the accompanying adjustments to wage rates and to the governments' fiscal position. Since Option T involves a cut in the average rate of income tax, it raises the possibility of a tax-wage bargain, and hence of substantial improvements in aggregate employment... On the other hand, if such a bargain cannot be struck the reductions in government expenditure required to prevent an increase in its budget deficit are likely to cause a substantial increase in unemployment.' The COPS proposal considered no alternative in variations of wage and fiscal scenarios.

INCOME DISTRIBUTION; MODELS; RATE SCALE.

- 2 **ALCHIN, Terry (1982), 'Indirect taxes in Australia: the need for reform and expansion', *Australian Quarterly*, 54(3), Spring: 294-304.**

'This article argues that it is unlikely that the present Australian taxes will be able to provide sufficient additional revenue in the future. As well, the taxation system is out of line with the structure and trends in most other countries. With these points in mind, the sales tax at wholesale stage is examined and found to be complex, containing various anomalies and being very selective in its treatment of certain goods. A widening of the scope of indirect taxes is suggested to overcome these problems, possibly through the use of a Value Added Tax.'

INDIRECT TAXATION.

- 3 **ALCHIN, Terry (1983), 'The effects of personal income taxation on income inequality in Australia', *Australian and New Zealand Journal of Sociology*, 19(1), March: 136-145.**

'This paper attempts to show that the progressive income tax system in Australia is redistributing income towards those recipients in the lower quintiles. This distribution has been occurring over the thirty year study but has been dramatically expanded over the last six years by some of the changes to the income taxation system, for example, the introduction of a rebate system to replace the deduction system. Recommendation are presented here that a more progressive system would redistribute more income and reallocate the income into those areas where it will have most benefit. This may be accomplished by changing marginal rates of tax or increasing the number of taxation steps in the scale.'

INCOME DISTRIBUTION; RATE SCALE; REBATES.

- 4 ALLEN, Peter (1980), 'Sharing the cake', **Australian Social Welfare: Impact**, 10(1), March: 4-7.

This paper begins by outlining briefly some of the changes in the tax/transfer system in the period 1975-80. Despite the replacement of tax deductions for children with family allowances and the raising of the tax threshold, the number of people in poverty has increased, largely as a result of unemployment, and the real value of family allowance has fallen due to lack of indexation. It is argued that changes in the tax scale in 1977, particularly the reduction in maximum marginal tax rates, the progressive elimination of death and gift duties and the growing incidence and acceptability of tax avoidance indicate that Australia no longer has a progressive tax system. The paper also argues that substantial increases in social security expenditure in the past decade have done little or nothing to impact upon income inequality. The paper discusses some of the consequences of the separation and lack of co-ordination between the tax and transfer systems. As a result of some income transfers being subject to means tests and taxation, very high marginal tax rates are faced by beneficiaries, particularly unemployment beneficiaries. A further disadvantage for beneficiaries, as distinct from pensioners, is that supplementary payments for children are also taxed. If the tax and transfer systems are to be integrated there are some problems to be faced as a result of the two systems serving different functions. The tax system identifies capacity to pay, the social security system identifies need. Difficulties arise also as to what is the appropriate income unit. Treating the family as the income unit acts as a work disincentive for women and is based on an outmoded assumption of women's dependency on men. After touching very briefly on a shift in the tax base from income to indirect taxes, the paper highlights the fact that allowance for child care ought to be tax deductible or rebates and also claims that supplementary payments for children of beneficiaries ought to be tax free. Finally, the present unequal treatment of one income, two adult families compared with one income lone parent families is discussed. The disadvantages of lone parents are further distorted by the dependent spouse rebate.

FAMILY ALLOWANCES; INCOME DISTRIBUTION; INCOME (MEANS/ASSETS) TEST; INCOME UNIT; INTEGRATION; RATE SCALE; REBATES; TAX BASE.

- 5 ALLEN, Peter (1981), 'Some effects of the interaction of the taxation and income security systems on women, in UNITED NATIONS ASSOCIATION OF AUSTRALIA - National Status of Women Committee, **Proceedings of the Women and Taxation Conference**, Melbourne: 79-84.

This paper raises questions about the effects of the income security and taxation system on various proposals for taxation reform. The final distribution of incomes is generally determined by the interaction of the two systems. This is particularly true of women who bear a disproportionate burden of poverty in Australia and are more likely than men to be drawing social security benefits or earning lower than average wages. The interaction of the maximum levels of benefits, the income tests and the income tax is complex and often results in extremely high marginal rates of taxes on poorer people. Three examples are used to describe this interaction: (1) financial assistance in the forms of concessional deductions from income, tax rebates, cash payments or, concessional deductions for expenses associated with dependents. Changes in the tax/transfer treatment of dependents in the past five years are reviewed. (2) Assistance to sole parents in respect to child care expenses for pre-school age children, and (3) The proposal to tax family allowances. Finally, the Poverty Inquiry Report's proposal to integrate the taxation and social security systems and introduce a guaranteed minimum income scheme is examined briefly. Taking into consideration effects of this across all population groups, Podger, et al (q.v.) demonstrate that a similar result could be obtained under the current tax/transfer system by the following measures: an increase in the standard rate of tax with an increase in the tax threshold; a large increase in tax free family allowances; an increase in the rates of basic pension and benefit and a slight reduction in the rate of payment for children; and, abolition of the income test for all pensions and the taxing of all basic pension payments.

DEDUCTIONS; FAMILY ALLOWANCES; GUARANTEED MINIMUM INCOME; INCOME (MEANS/ASSETS) TEST; INTEGRATION; RATE SCALE; REBATES; THRESHOLD; WOMEN.

- 6 AMBOSE, M. (1984), **Working Women and Economic Policies Affecting the Family: an Examination of Three Alternative Programmes**, Armidale, University of New England, Thesis (BA Hons), 229pp.

'This study investigates the labour supply effects and the corresponding financial implications of three specific changes to the Australian tax and social security system. Each proposal is nominally a family policy and primarily affects the market behaviour of women. The proposals are: a child care subsidy; increased family allowances for children under five years; an increase in the dependent spouse rebate. A model of women's labour supply decisions is developed and simulations of each of the policies are performed. An assessment is made of the efficiency and equity implications of each proposal, and the family significance of the programmes is examined.'

FAMILY ALLOWANCES; REBATES; WOMEN.

- 7 ANDERSSSEN, Harvey (1985), 'Some issues relating to the reform of the Australian taxation system', **Economic Analysis & Policy**, 15(2), September: 81-109.

This paper begins by looking at the present structure of taxation in Australia and details some of the problems considered to have significantly reduced welfare and economic equity in Australia. The focus is on attaining a taxation system more sensitive to economic efficiency and industrial growth without prejudice to equity goals. It proposes two alternative reform packages. One assumes that the main features of the present system will be retained, with options canvassed for broadening the tax base so as to improve vertical and horizontal equity. The second would replace almost all the present taxes with new ones. In particular, the present personal and corporate income taxes would be replaced by an expenditure and cash flow tax respectively. It is felt that the long-term benefits of this latter reform warrant its serious consideration.

INDIRECT TAXATION; TAX BASE.

- 8 APPS, Patricia (1975), **Child Care Policy in the Production-Consumption Economy**, Melbourne, Victorian Council of Social Service, vii, 132pp.

'This study identifies the mechanisms underpinning the institutionalised division of activities into "production" by firms and "consumption" by households, and demonstrates that these mechanisms enable the exploitation of labour and encourage a misallocation of resources. The analysis focuses on the effects of this economic treatment on one part of the production-of-labour industry viz., preschool child care. The findings show that the public sector, despite the policy objectives attributed to it of equity and efficiency, supports the production-consumption division in the economy, through personal and company income taxation, welfare programs and various expenditure policies. Changes in policy are proposed which aim to reduce the discrimination against household industries and thereby the exploitation of women, children, lower wage-earners and those without wealth.'

INCOME DISTRIBUTION; WOMEN.

- 9 APPS, Patricia (1981), **A Theory of Inequality and Taxation**, Cambridge, Cambridge University Press, x, 132pp.

'This book presents a theory of institutional inequality which, in analysing taxation, employs a modified trade model and the theory of local public goods. The analysis shows that tax incidence depends upon the causes of inequality. If inequality is largely institutional and social policy does not alter the mechanisms by which institutions translate the distribution of power among individuals into the distribution of income, progressive taxation may be ineffective in reducing inequality and alleviating poverty. Under these conditions there is no trade-off between efficiency and equity in the design of tax reform...Negative income taxation and guaranteed minimum income schemes are not solutions... The analysis points to two important directions for family policy: a change from the joint income taxation to a true individual basis of tax, and the introduction of substantial transfers to children, particularly for those under school age.'

FAMILY ALLOWANCES; INCIDENCE; INCOME UNIT.

- 10 APPS, Patricia (1982), 'Institutional inequality and tax incidence', **Journal of Public Economics**, 18(2): 217-242.

'This paper analyses the effects of taxation when inequality is not innate. A theory of institutional inequality is presented which employs a trade model with circular production and the theory of clubs. Inequality is introduced by constraints on entry into sectors and "local" groups with sectors. Individual time is treated as a fixed factor of production, and work and leisure are re-defined. The analysis suggests that when inequality is institutional and government policy does not alter the mechanisms by which institutions translate the distribution of power into the distribution of income, a redistribution of income by conventional tax-transfer schemes may not always be feasible.'

INCIDENCE; MODELS.

- 11 APPS, Patricia (1983), 'The tax unit: an Australian perspective', in HEAD, John G. (ed.), **Taxation Issues of the 1980s**, Sydney, Australian Tax Research Foundation: 133-152.

This paper examines the implications of moving towards more complete joint taxation and shows there are both equity and efficiency objections to such reforms. The effects of joint taxation on couples where men are the primary earners and women the secondary earners is to discriminate against women in the workforce. Immediate reforms suggested for the income tax/social security system are the elimination of the dependent spouse rebate, the use of primary earner's income as the basis for means testing social security benefits, substantial increases in family allowances in respect of pre-school children, and improved access to childcare services.

FAMILY ALLOWANCES; INCOME (MEANS/ASSETS) TEST; INCOME UNIT; REBATES; WOMEN.

- 12 APPS, Patricia (1984), 'Tax reform and the tax unit', **Australian Tax Forum**, 1(4), December: 467-481.

This paper examines the tax unit debate within the analytical framework of modern theory. The choice between individual taxation and income splitting is analysed as a choice between the two rate structures, one of which discriminates on the basis of marital status. Wives as secondary earners face higher marginal tax rates than other individuals on the same income, and studies on the issue find that this cannot be justified on equity or efficiency grounds.

INCENTIVES; INCOME SPLITTING; INCOME UNIT; WOMEN.

- 13 APPS, Patricia (1987), **A Comparative Analysis of Income Tax and Transfer Options**, Canberra, Centre for Economic Policy Research, Australian National University, Discussion Paper, No.180, 49pp.

'This study compares distributional and incentive effects of tax-transfer options with flatter marginal rates and cash transfers targeted on the basis of the joint income of couples. Options with universal transfers are also investigated. The results indicate that switching to flatter marginal rates and joint income targeted transfers would lead to a much less progressive tax system and cause a substantial shift in the tax burden to working married women and their families. The analysis of disincentive effects indicates that the schemes would also be extremely costly in terms of losses in earnings and government revenue. Similar findings are obtained for the effects of options with flatter marginal rates and universal cash transfer schemes. The results are relevant to the analysis of reforms to social security as well as taxation, and they demonstrate the importance of reviewing the present welfare system in the context of the overall structure of average and marginal tax rates.'

INCENTIVES; INCOME DISTRIBUTION; INCOME SPLITTING; MARGINAL TAX RATES; RATE SCALE; WOMEN.

- 14 APPS, Patricia (1987), **Tax-Transfer Options: a Critique of Joint Income and Flat Rate Proposals**, Canberra, Centre for Economic Policy Research, Australian National University, Discussion Paper, No. 183, 32pp. Also given as a paper in **Flattening the Tax Rate Scale: Alternative Scenarios and Methodologies**, 4th Monash Tax Conference Papers.

'This paper presents a comparative analysis of tax schemes involving flatter marginal income tax rates, joint taxation and a greater reliance on targeted family income supplements. The options selected for analysis are based on the tax reform proposals in Freebairn, Porter and Walsh (1987). The results show that the schemes imply a shift in the tax burden to middle income families. Large gains from tax cuts are limited to households with heads in the top decile of income, with the majority of middle income households, particularly those with a second earner, facing substantially higher average rates. The benefits for low income families from targeted family income supplement schemes are uncertain (depending on the take-up rate) and relatively small in comparison with tax cuts for those in the top decile. Because the options involve higher effective marginal rates for lower income families and secondary earners, the undesirable distributional effects of the schemes cannot be justified in terms of reducing disincentive effects. The schemes can be expected to increase taxes for middle income families at a significant efficiency cost to the economy.'

INCOME DISTRIBUTION; INCOME SPLITTING; MARGINAL TAX RATES; RATE SCALE.

- 15 APPS, Patricia (1987), **Tax and Social Security Reform: an Analysis of Equity and Disincentive Effects**, Sydney, Australian Tax Research Foundation, Occasional Paper, No. 2, 43pp. Also a paper presented to the Third Monash Tax Conference on 'Australian Tax Reform in Retrospect and Prospect', December 1986.

'This paper examines the equity and disincentive effects of changes to tax and social security which involve reducing the progressivity of marginal tax rates on income and switching to the combined income of couples as the basis for taxation and targeted transfers. The results suggest that tax-transfer schemes containing less progressive marginal rates and joint income targeted transfers would lead to much less progressive average tax rates and cause a substantial shift in the tax burden to working married women. Similar findings are obtained for joint taxation and income splitting schemes of the kind proposed by the Federal Opposition. The analysis of disincentive effects indicates that the schemes would also be extremely costly in terms of losses in earnings and government revenue.'

INCENTIVES; INCOME SPLITTING; MARGINAL TAX RATES; RATE SCALE; WOMEN.

- 16 APPS, Patricia (1988), **Family Policy and Tax-Transfer Options**, Canberra, Centre for Economic Policy Research, Australian National University, Discussion Paper, No. 195, 33pp.

Detailed analysis of tax reforms involving flatter marginal rates indicate they are 'more likely to be more costly in terms of efficiency losses, and that their crucial impact is a redistribution of income from lower and middle income families, and from working married women, towards those with the highest incomes. This study investigates the distributional effects of alternative approaches to the provision of welfare assistance under a flatter marginal tax rate structure, focusing on the impact for working couples and two parent families. The results are of particular interest in the context of recent discussion on lowering the top marginal rate to 39 per cent and the shift from universal family allowance payments towards joint income targeted family assistance.' Section 2 discusses the equity and efficiency implications of two issues: (1) the treatment of families with different numbers of children and (2) the taxation of single and two earner couples. The data used is the A.B.S. 1981-82 Income and Housing Sample Survey File. Section 3 indicates the ranking of working couples and families in the overall distribution of income. Section 4 compares alternative tax-transfer options for couple income units. Section 3 indicates the ranking of working couples and families in the overall distribution of income. Section 4 compares alternative tax-transfer options for couple income units. Section 5 presents a comparative analysis of universal and targeted family assistance schemes, including selective transfers for children of pre-school age.

FAMILY ALLOWANCES; INCOME DISTRIBUTION; MARGINAL TAX RATES; RATE SCALE.

- 17 APPS, Patricia and SAVAGE, Elizabeth (1981), 'Tax discrimination by dependent spouse rebates or joint taxation', *Australian Quarterly*, 53(3), Spring:262-279. Also published (with the addition of Glen Jones) in UNITED NATIONS ASSOCIATION OF AUSTRALIA - National Status of Women Committee, *Proceedings of the Women and Taxation Conference*, Melbourne, 1981:23-40.

'This article discusses proposals for joint taxation and increases in the dependent spouse rebate and presents calculations on the distribution of benefits using 1978-79 income tax scales and data for household structure. The results show that these proposals would not only increase the distortionary effects of taxation but would have undesirable consequences for the distribution of income and for sex discrimination in employment. Alternative reforms are outlined.' Tax reforms must not be conditional on the dependency of one spouse. Benefits must be conditional on the presence of children as increases in family allowances and the provision of services for families. 'In addition, reform of income security provisions in respect of unemployed married women is required.' The paper discusses 'issues relating to the optimal taxation of adults. In particular,... the implications of household formation by single and two earner couples. Secondly... the kind of tax structure required where there are children.'

INCOME DISTRIBUTION; INCOME SPLITTING; REBATES; WOMEN.

- 18 APPS, Patricia and JONES, Glenn (1986), 'Selective taxation of couples', *Zeitschrift für Nationalökonomie*, Supplement 5:1-15.

This paper examines 'the optimal taxation of couples when information about individuals may be used to screen for the tax design problem.' It employs individual, not household, utility functions and a trade model to represent behaviour between husband and wife. It is assumed 'that while there is a competitive labour market for wives in the market sector and in the household, husbands obtain higher wages than wives because of sex discrimination in market employment. The government's tax options allow selectivity on the basis of employment status and sex.' Section 2 presents a simple model for households characterised by the traditional division of labour. Section 3 presents a model in which both spouses work in the market place and at home. The results are interpreted taking into account the secondary earner status of wives typically observed in labour supply studies, the relatively minor contribution of husbands to housework and the male-female wage differential in market jobs. 'If the degree of inequality between men and women is sufficiently large, it may be preferable to tax only the income of husbands as primary earners, especially when the inequality is due to employment discrimination. A tax system which partially reverses the employment effects of discrimination may give rise to long term efficiency and equity gains. Such a selective tax system may also have horizontal equity merits.' It is concluded that 'traditional anonymous income tax systems do not incorporate sufficient information, and selectivity on the basis of characteristics such as sex and earning status as suggested here could achieve welfare improvements.'

INCOME UNIT; MODELS.

- 19 APPS, Patricia and SAVAGE, Elizabeth (1986), 'The tax rate structure', in HEAD, John G. (ed.), *Changing the Tax Mix*, Sydney, Australian Tax Research Foundation:341-353.

'The aim of this paper is to compare the merits of the current tax rate structure for personal income with those of a uniform marginal rate above an exemption level, and with joint taxation'. It is argued that the disincentive effects and efficiency losses due to income taxation will be significantly less under a conventional progressive structure of rising marginal tax rates than under a flat or linear tax scenario involving the application of a constant marginal tax rate to income in excess of an exemption.

INCENTIVES; INCOME SPLITTING; RATE SCALE.

- 20 APPS, Patricia, JONES, Glen and SAVAGE, Elizabeth (1988), **Modelling Household Labour Supply and the Effects of Taxes**, part of a research project on "Analysis of Reforms to the Australian Tax and Social Security Systems" supported by the Australian Research Grants Scheme), 23pp.

This study is interested in 'the sensitivity of wage elasticities and money welfare measures to the treatment of data used to construct household budget sets and in particular to alternative assumptions concerning taxes.' It also investigates 'the effects of varying the specification of the budget set on the concavity properties of utility consistent systems, and the relationship between elasticities and concavity violations.' The study uses data from the Australian Bureau of Statistics 1981-82 Income and Housing Sample Survey file. Section 2 discusses the form of the models selected for analysis; Section 3 describes the data, the treatment of taxes and correction for sample selectivity bias; Section 4 presents results for models with different assumptions concerning taxable incomes and marginal rates, and for tax perception; Section 5 examines results for a joint wage-hours model; and Section 6 presents conclusions. 'The results of this study suggest that the treatment of taxes and measurement errors in wage variables can have a large impact on compensated labour supply elasticities and concavity properties of a demand system. The findings illustrate the importance of interpreting elasticity measures in the context of economic assumption adopted in the estimation of the system and with an understanding of the limitations of the underlying data set. Preliminary results for household welfare rankings indicate little variation relative to rankings defined on full income variables, however the welfare effects of reforms are usually found to be highly sensitive to compensated labour supply elasticities.'

INCOME DISTRIBUTION; MARGINAL TAX RATES; MODELS.

- 21 ASPREY, K.W., 'Aggregation of incomes of husband and wife in family unit taxation', AUSTRALIA - Taxation Review Committee, **Commissioned Studies**, Canberra, Australian Government Publishing Service: 1-18.

This paper sets forth reasons for opposing any general rule for the compulsory aggregation of the husband's income and that of his wife on a unit basis for income tax purposes. It begins with an historical outline for England, the United States and Australia before continuing with the modern situation. It concludes that treating the family as a unit is inequitable in that the burden of tax would fall most heavily on lower income groups and also act as a disincentive to women seeking paid employment. Women ought to be treated as individuals in their own right, they should not be compelled to aggregate their income with that of their husband, should not pay any more tax than if they were single, and any proposals for 'a special and favourable scale of rates for a joint return by husbands and wives which would operate to reduce their tax obligations below those of two individuals with the same taxable incomes should be rejected...Income splitting is wrong and should be condemned.'

INCENTIVES; INCOME SPLITTING; INCOME UNIT; WOMEN.

- 22 AUSTRALIA - Commission of Inquiry into Poverty (1975), **Poverty in Australia: First Main Report**, Canberra, Australian Government Publishing Service, 2 volumes.

This Report discusses the extent of poverty and groups at risk, the income needs of the poor, and housing and welfare services. This abstract covers the aspects of the report which touch on the tax/transfer system. The recommendation is for a guaranteed minimum income scheme which is seen as fairer, simpler, less subject to stigma and as overcoming the problem of 'poverty traps'. Chapter 5 discusses improvements which could be made to the existing system until the minimum income scheme is introduced. These include the replacing of concessional deductions with tax credits and adding tax credits to child endowment. Chapter 6 details the guaranteed minimum income scheme which it claims would emphasize that the right to a minimum income and the obligation to pay taxes are two sides of the same coin. It would be more equitable and would lighten the administrative burden of social security and taxation while at the same time improving take-up rates. The recommendations are for a guaranteed income plan with a proportional tax on private income and minimum income payments to all income units to be introduced as soon as possible; the consideration of a scheme with minimum income payments to pensioners of more than the poverty line and to other income units of 60-63 per cent of the line; and, for relevant Government departments to begin research directed to the early implementation of the scheme.

GUARANTEED MINIMUM INCOME.

- 23 AUSTRALIA - Department of Employment and Industrial Relations - Women's Bureau, (1985) **Issues for Consideration in Taxation Reform: Submission to the Economic Planning Advisory Council for Consideration Prior to the Taxation Summit**, Canberra, Australian Government Publishing Service, 17pp.

This submission 'summarises major areas of concern for taxation reform and its consequences for women's employment and post-tax incomes. In addition, it draws attention to the need to ensure that proposed reform of the taxation system gives full weight to both the economic position of women as earners, taxpayers and beneficiaries of government assistance and to their social position in families, particularly in relation to responsibilities for the care of children.' The specific concerns covered in this paper are: disincentives to employment, targeted assistance through rebates, net of tax income effects, and indirect taxation and the effects of broadening the base. Any proposal to change the tax unit from that of the individual is undesirable as it disadvantages women as secondary earners in families. The combination of income tested programs together with income tax on earned income can act to produce high effective marginal tax rates. This results in persistent poverty for many women and results in little or no savings to government expenditure. It is argued that 'any long term policy objective to reduce or remove "poverty traps" should consider all income tested benefits.' It is argued that the dependent spouse rebate and the sole parent rebate should be abandoned in favour of an increase in family allowances which are a more equitable and efficient means of targeting assistance to families with children. To protect women who have never worked and who lack the training to re-enter the workforce, a continued payment the equivalent of the dependent spouse rebate could be made through the social security system to such women over the age of say 50 years.

FAMILY ALLOWANCES; INCENTIVES; INCOME UNIT; INDIRECT TAXATION; POVERTY TRAPS; REBATES; TAX BASE; WOMEN.

- 24 AUSTRALIA - Economic Planning Advisory Council (1985), **An Overview of Submissions Received on Taxation Reform**, Canberra, Australian Government Publishing Service, lv. (various pagings).

This volume was prepared as an information paper for the National Taxation Summit, 1985. It provides a brief summary of each submission received by EPAC and identifies 'prominent or persistent patterns within the submissions in either the recognition of problems or the proffering of reform options'. The submissions can be grouped into three classes: (a) Those dealing with a broad package for reform of the taxation system (b) Those concerned with social issues, including concern for compensation for the effects of tax changes, and (c) Those dealing with a small number of specific aspects. The major issues which were identified were: the appropriate balance between equity and neutrality, the tax mix (particularly direct/indirect tax mix) and the breadth of the tax base, the role of Government expenditure restraint, the significance of work disincentives and the appropriate tax unit, capital gains, business income, wealth tax, site rental tax and compensation to low income groups for the effects of a broadly based indirect tax. It concludes that there is scope for reducing the division between equity and efficiency objectives by examining the relative capabilities of the taxation and social security systems for targeting specific income groups. Attachment C summarises submissions predominantly proposing or discussing issues relating to social security recipients, the family, and low income earners.

INCENTIVES; INCOME UNIT; INDIRECT TAXATION; TAX BASE; TAX EXPENDITURES.

- 25 AUSTRALIA - Economic Planning Advisory Council (1986), **Tax Expenditures in Australia**, Canberra, Council Paper, No.13, 21pp.

This paper defines tax expenditures and discusses conceptual issues and various approaches to assessment of their most appropriate role. Broad estimates of the size and scope of Commonwealth tax expenditures are presented and four specific examples are examined in more detail. These are the film industry tax concessions, the 5/3 depreciation provisions, the investment allowance and the gift deduction. Finally, ways of improving existing methods of evaluation and technique for assessing the accountability of tax expenditures are considered.

TAX EXPENDITURES.

- 26 AUSTRALIA - Economic Advisory Planning Council (1987), Aspects of the Social Wage: A Review of Social Expenditures and Redistribution, Canberra, Council Paper, No27, 56pp.**

This paper is concerned with the distributional effects of government social expenditures and taxation. The concept and definition of the social wage is considered and the definition used here is government spending on education, health, social security and welfare and housing and community amenities. There is a detailed analysis of trends in social wage expenditures since 1973-74. This analysis is extended to considering the impact of these trends on the living standards of various types of Australian households, providing examples to illustrate the effects. The wide range of objectives for social wage items are discussed, as are their potential role in incomes policy. Finally, the future of the social wage in the current environment of fiscal restraint is examined. It may be necessary to review the relative importance of the different components of the social wage, give priority to the objective of alleviating poverty and review the efficiency and effectiveness of programs, including consideration of alternative methods of financing and delivering social wage services.

INCOME DISTRIBUTION; TAX EXPENDITURES.

- 27 AUSTRALIA - Economic Planning Advisory Council (1988), Income Support Policies, Taxation and Incentives, Canberra, Economic Planning Advisory Council, Council Paper, No. 35, 100pp.**

'The first half of the paper looks at the evidence on poverty and the role of social security (or similar) payments in preventing or alleviating poverty. It is recognized that other programs (e.g. health, housing) are also important in alleviating poverty; moreover, income transfer programs may have objectives other than poverty alleviation.' It is noted that public income transfers have economic benefits as well as social benefits but that there are a number of potentially adverse side effects also; in particular, tax and social security developments over the past twenty years have given rise to a number of areas of concern: (1) whether benefits are so high in relation to earnings that many are almost as well-off out of work as in employment; (2) whether many beneficiaries face or respond to poverty traps; (3) whether the administration of the social security system itself discourages the return to work by beneficiaries; (4) whether high taxes can generate adverse responses, e.g. reduced work or savings; (5) whether training and other labour market programs can play a greater role in assisting beneficiaries to enter or re-enter employment; and (6) whether the costs of redistribution can be reduced by avoiding churning the displacement of private and occupational provision by Government transfers. Chapter 2 sketches out developments in social security over recent decades. 'This chapter draws on recent research to discuss survey trends in household disposable incomes and in poverty, and relates these trends to the adequacy of social transfers in meeting the income needs of the poor. Chapter 3 explores disincentives associated with unemployment and poverty traps and also discusses some efficiency implications of carrying out income redistribution through taxes and social transfers. Chapter 4 concludes the paper by outlining various policy approaches which may be taken to secure effectiveness of public and private income maintenance arrangements in meeting society's poverty alleviation goals.'

INCENTIVES; INCOME DISTRIBUTION; POVERTY TRAPS.

- 28 AUSTRALIA - Human Rights Commission (1986), The Treatment of Disabled Persons in Social Security and Taxation Law, Canberra, Australian Government Publishing Service, viii, 149pp.**

'The aim of this report is "to examine the difficulties and discrimination faced by disabled persons in the current social security and taxation law".' The research was limited to examining the major inadequacies and anomalies in current legal provisions with special emphasis on the area of income support. Allowances and services are evaluated and taxation legislation reviewed. Recommendations for general reform and taxation reform are made. The availability of pensions, benefits and allowances ought to be more widely publicised and made available from the time the person was eligible. The social security and taxation systems ought to be rationalised so as not to

create disincentives to work part-time. Reforms to specific social security payments such as sickness benefits, invalid pensions, handicapped child's allowance, mobility allowance and aids for people with disabilities are made. Taxation legislation ought to be amended to broaden the assistance to people with disabilities with extra costs incurred through employment, especially those relating to transport and attendant care. There should be a more liberal interpretation of eligibility criteria concerning the granting of the housekeeper rebate and what constitutes a medical expense. Sales tax exemptions ought to be reviewed and the current tariff on imported wheelchairs dropped. All the submissions received for this survey highlighted the anomalies and gaps in income maintenance provisions and delivery of services and the fragmentation in Federal/State funding.

INCENTIVES; REBATES.

- 29 AUSTRALIA - Parliament - House of Representatives - Standing Committee on Expenditure (1982), **Taxation Expenditures**, Canberra, Commonwealth Government Printer, vii, 41pp.

The main reason for this report was 'to seek and obtain remedies to the deficiencies in the information provided to the Parliament on taxation expenditures' which the report claimed are the other side of the same public sector expenditure coin as Budget outlays. Comprehensive information would enable the public, the Parliament and the Government itself to have a more informed debate on the special concessions given to individuals and organisations. The report recommended that Parliament should be given information covering a list of all taxation expenditures; the identification of objectives; and the estimation of the revenue foregone for the major taxation expenditures. It sought a Government commitment to providing this comprehensive information within three years of the report.

TAX EXPENDITURES.

- 30 AUSTRALIA - Priorities Review Staff (1975), **Possibilities for Social Welfare in Australia**, Canberra, Australian Government Publishing Service, v, 52pp.

This paper focuses on the effects of government actions on the welfare of individuals; 'social welfare' is taken to include existing pensions, benefits and allowances, proposed compensation and superannuation schemes, the tax system and non-cash benefits. It should be assessed in terms of coverage, adequacy, respect for the individual, equity, political feasibility and economic and administrative efficiency. Evaluation of the existing welfare system, data on income distribution and the Report of the Commission of Inquiry Into Poverty all suggest that a move towards some form of guaranteed minimum income deserves close consideration. The advantages are seen as: those in genuine need could be helped more generously; people in similar circumstances would be treated similarly; costs should not be raised provided many expensive and ineffective programmes are phased out; and, it would be more flexible. There would still be some basic problems and these are seen as: the more generous the benefits the greater the incentives to go on welfare; the more steeply benefits are tapered with increases in earnings, the greater the incentives to stay on welfare; generous benefits require generous funding and consequent taxation can affect the incentives of taxpayers; there can be perverse effects on the distribution of income such as the way in which those given assistance for structural adjustment receive more than those, equally deserving, who must be content with unemployment benefits; criteria used to define de facto marriage involves arbitrary decisions and invasions of privacy; and, the relationship between the treatment of married couples and single individuals remains arbitrary. Appendix 1 outlines a variety of ways of improving the current welfare/tax systems, including a guaranteed minimum income scheme which is set out in some detail and involves tax credits varying with family size and paid to all families regardless of income; and, a roughly proportional tax on all other income. Costing for the scheme is given and gainers and losers assessed.

GUARANTEED MINIMUM INCOME; INCENTIVES; INCOME DISTRIBUTION.

- 31 AUSTRALIA - Social Welfare Commission (1975), *Review of the Interim Report of the Commission of Inquiry Into Poverty*, Queanbeyan, NSW, Social Welfare Commission, 33pp.**

This paper begins by looking at and criticising the interim recommendations of the Henderson Commission of Inquiry Into Poverty (which are listed in Appendix II) under the headings of child endowment and tax deductions for children, pensioners and beneficiaries, housing assistance and the means test for age pensions. It then goes on to recommend an alternative set of policies which bear several principles in mind. They are aimed primarily but not exclusively at abolishing the extreme forms of poverty, they do not pre-empt the Government's plans to rationalise social welfare and taxation policies, they fit into the general context of a review of income maintenance policy and they bear in mind the limitation of present statistical information. The recommendations on the poverty line are considered interim ones awaiting a further analysis and debate on the whole question of income distribution. Figures for an 'optimum minimum income' for June, 1974 are given based on the criteria that minimum income for a married couple be set at 75 per cent above that of a person living alone (Henderson's is only 42 per cent above); the marginal figure for each child should be approximately one-third of a single person rate, which is consistent with Henderson if the adult is not working; and, no discrimination should be made between a working person and a non-working person. Alternative recommendations on pensioners and beneficiaries are aimed to raise the standard rate of pensions to one quarter of average earning. They include raising the means test on fringe benefits for all pensions so that they are not lost until a pension is not payable; the waiting period for unemployment and sickness benefits be abolished; assistance for a pensioner family with essential costs over and above those provided for in the basic pension; pensions and fringe benefits equivalent to those for widows for men bringing up children on their own; and the residency qualification should be reduced from ten years to three years to alleviate poverty among migrant families. Recommendations are made for non-pensioner families in the form of revision of the tax scale to lessen the burden on low-income earners and a means tested family income supplement scheme. Finally, figures are given for the costs of raising the standard rate of pension by \$2 per week.

GUARANTEED MINIMUM INCOME; INCOME (MEANS/ASSETS) TEST; RATE SCALE.

- 32 AUSTRALIA - Social Welfare Commission (1975), *Social Policy: Two Papers on Current Issues*, Queanbeyan, N.S.W., Social Welfare Commission, 54pp.**

Part II of this paper is a background information paper prepared in the Social Welfare Commission from a Seminar on Poverty organised by the Council of Adult Education, Melbourne, December 1975. It summarises the major outcomes of inquiries commissioned by the Australian Government relating to income maintenance provisions and personal social services. Special attention is paid to the comprehensive review of the various proposals which have been put forward. It includes the Henderson Commission Of Inquiry Into Poverty, the Hancock Committee of Inquiry Into National Superannuation, the Asprey Taxation Review Committee and the Mathews Committee of Inquiry Into Inflation and Taxation.

GUARANTEED MINIMUM INCOME; INDIRECT TAXATION.

- 33 AUSTRALIA - Taxation Review Committee (1974) *Preliminary Report*, 1 June 1974, Canberra, Australian Government Publishing Service, x, 159pp.**

The purpose of this Preliminary Report is to offer a wide-ranging review of the Australian taxation system embodying the Committee's views on most of the major issues of tax reform. Chapters 1 and 2 offer a short historical and descriptive account of the need for tax reform. Chapters 3-5 deal with criteria for tax systems, the question of progressivity and the goals of tax reform. The Committee felt it had been hampered by lack of statistics in certain areas. It concludes that 'the weight of taxation should be shifted towards the taxation of goods and services and away from the taxation of income.' Separate discussions of existing and potential taxes comprise

chapters 7-13. Recommendations in the area of personal income tax include the suggestion for public discussion on the family unit as a basis for taxation, a simplified rate scale, the phasing out of many deductions with parallel adjustments on the expenditure side and an examination of the desirability of taxation of social security benefits. Other recommendations are a partial imputation system for company tax, a capital gains tax, the integration of Commonwealth estate and gift duties, the introduction of a value-added tax in place of wholesale sales tax and a rejection of a wealth tax. Finally, it sees little merit in renaming any part of existing taxation as 'social security contributions', but individual taxpayers ought to be given the means to assess far better than they can at present, both what they are paying in taxes and what they are receiving in return.

DEDUCTIONS; INCOME UNIT; INDIRECT TAXATION; RATE SCALE; TAX BASE.

- 34 AUSTRALIA - Taxation Review Committee (1975), **Commissioned Studies**, Canberra, Australian Government Publishing Service, vii, 364pp.

The Taxation Review Committee commissioned papers by experts in special fields to be of assistance to the Committee in its deliberations. This is intended to be a companion volume to the Committee's Full Report, which see also. For papers relevant to this bibliography see:

ASPREY, K.W. (1975), 'Aggregation of Incomes of Husband and Wife in Family Unit Taxation'.

PODDER, N. and KAKWANI, N.C. (1975), 'Distribution and Redistribution of Household Income in Australia'.

BENTLEY, P.R., COLLINS, D.J. and RUTLEDGE, D.J.S. (1975), 'Incidence of Australian Taxation: Some Further Results'.

INCENTIVES; INCOME SPLITTING; INCOME UNIT; WOMEN.

- 35 AUSTRALIA - Taxation Review Committee (1975), **Full Report**, 31 January 1975, Canberra, Australian Government Publishing Service, xx, 594pp.

The Report begins by explaining why the broad approach to tax reform it has adopted is necessary and timely and explains some of the obstacles it encountered, such as lack of sufficient statistics, lack of agreement among specialists in the many complex areas of reform and the fact that any final evaluation of alternatives must appeal to moral, social and political judgements about which there will always be lack of consensus. One conclusion the Committee believes will be of general acceptability is 'that the weight of taxation should be shifted towards the taxation of goods and services and away from the taxation of income.' The discussion of existing and potential taxes has been written with this in mind. It goes on to make recommendations in regard to the income tax base. It recommends the strengthening of fringe benefits taxation, discussion as to the possible introduction of an optional family unit basis of taxation, simplification of the rate scale, the phasing-out of many of the present deduction with parallel adjustments on the expenditure side, and no automatic indexation of the scale. It suggests a partial imputation system of company tax, considers the international aspects of income tax and the present provisions relating to income from primary production and mining. It deals with aspects of the income taxation of general insurance companies, superannuation and life insurance and the administration of the Income Tax Assessment Act. There is a proposal for a capital gains tax, the integration of gift and estate duties, the way in which charities should be treated as regards taxation and a rejection of a wealth tax. The wholesale sales tax should be replaced with a broad-based value-added tax.

DEDUCTIONS; INCOME UNIT; INDIRECT TAXATION; RATE SCALE; TAX BASE.

- 36 AUSTRALIA - Treasury (1974), **Negative Income Tax and Tax Credit Systems**, Canberra, Australian Government Publishing Service, Treasury Taxation Paper, No. 8, 18pp.

Negative income tax (NIT) schemes offer the possibility of channelling welfare payments through the taxation system. Two types are described in the introduction to this paper. In one type, a guaranteed minimum income is paid where a family has no independent income, 'above that the transfer payment would reduce by a constant proportion of income until the break-even point is reached', above this a 'positive' tax system would take over. Another type of scheme 'would determine a "positive" tax on all income levels, but allow each taxpayer a tax credit to be deducted from his positive tax.' Some examples of different schemes are given, including Friedman's NIT Plan, President Nixon's Family Assistance Plan, the Canadian Special Senate Committee's recommendations for a guaranteed annual income, the U.K. Institute of Economic Affairs' Minimum Income Guarantee Plan and Schwartz's Family Security Program. An example of a tax credit scheme was that proposed by the British Government in 1972. The general issues as to the desirability of such schemes are discussed with particular emphasis on the questions as to whether such assistance should take the form of a tax-linked scheme of the negative income tax or tax credit type, or a scheme of direct welfare payments. One argument for a tax-linked scheme is that it involves less stigma than direct welfare payments and, as benefits are automatic, people would not miss out through ignorance or failure to apply. The main argument for tax-linked schemes, however, appears to be that they avoid the undesirable effects of the overlap between the taxation and social security systems. The paper cautions that full 'harmonisation' of the two systems may not be so easy. It points out that it would seem difficult to allow for wealth in a NIT scheme operating through the PAYE system. The paper points out that the arguments here are necessarily inconclusive as no NIT scheme has yet been put in operation.

COMPARATIVE STUDIES; GUARANTEED MINIMUM INCOME.

- 37 AUSTRALIA - Treasury (1974), **Personal Income Tax: Personal Allowances**, Canberra, Australian Government Publishing Service, Treasury Taxation Paper, No. 7, 36pp.

This paper examines the approach of the tax system to the 'capacity to pay' among taxpayers on the same level of income with major emphasis on the so-called concessional deductions. Other categories of deductions looked at are those granted for particular items of expenditure, and costs of earning income. The rationale for each of the important concessional deductions is considered separately using **Taxation Statistics** as the data source.

DEDUCTIONS.

- 38 AUSTRALIA - Treasury (1974), **Personal Income Tax: the Income Base**, Canberra, Australian Government Publishing Service, Treasury Taxation Paper, no. 3, 56pp.

'This paper discusses certain aspects of the taxation of trusts, superannuation funds and companies, as well as the taxation of persons.' The paper begins with a general description of the income base and some of the criticisms that have been made of it. Most of these criticisms fit into a limited number of broad categories, some of which are considered here in more detail. General considerations about the comprehensiveness of the income base are discussed together with considerations of fringe benefits, superannuation and retiring allowance payments and life insurance. It is considered that the superannuation and life insurance provisions of the income tax law clearly need to be put on a different basis because of serious distortions and inequities. Other categories of non-business income which receive exemptions are discussed, including the exemption of certain social security benefits such as child endowment and many types of pension. These raise equity questions. Would tax equity be better served if social security benefits generally were taxable? Child endowment also raised a special question as it has never been subject to a means test and it is paid to the mother, not the father. Some discussion of alternatives in the Coombs Task Force Report is given in Appendix B to this paper. Three alternative possibilities were listed: (1) Tax child endowment as income of husband or principal breadwinner. (b) Tax it as income of wife and include in her separate net income. (c) Tax it as income of wife, but exclude from her separate net income. These three possibilities are costed.

FAMILY ALLOWANCES; INCOME UNIT; TAX BASE.

- 39 AUSTRALIA - Treasury (1974), *Personal Income Tax: The Rate Scale*, Canberra, Australian Government Publishing Service, Treasury Taxation Paper, No.4, 45pp.**

This paper considers issues relevant to the nature and shape of the tax rate scale. The characteristics of the present (1972-73) rate schedule are described, followed by a history of rate scale from 1954-55 to 1972-73. Section III looks at the arguments for the notion that rates of income tax should be adjusted annually or periodically for the effects of inflation in increasing effective rates of taxation. Partial adjustment and automatic adjustment for inflation are examined. The section on the basic shape of the scale looks at 'capacity to pay', the freeing of low incomes from tax, progression and the maximum rate of tax, the scope for income distribution using the tax rate scale and differential tax rates on earned and unearned income. The practice of averaging income is discussed, and finally, international comparisons of tax rates are made.

RATE SCALE.

- 40 AUSTRALIA - Treasury (1974), *Personal Income Tax: the Tax Unit*, Canberra, Australian Government Publishing Service, Treasury Taxation Paper, No.6, 20pp.**

In Australia, personal income tax payable is determined primarily on the basis of the individual earning the income. This is contrasted with the alternative tax units in operation in other countries such as the United Kingdom, France, the United States, Canada and Sweden. The major questions of principle involved in choosing a taxpaying unit are set out. It is found that under a system using the individual as the tax unit, the burden of taxation on a single income family is approximately 50 per cent greater than that on a family with incomes equally split between husband and wife. This means that the practice of income splitting, legally open to some families, creates an equity problem. The tax unit also has significant vertical and horizontal equity implications, as the tax unit influences the amount of income to which the rate scale is applied. There is discussion of the relative levels of tax on married and unmarried persons and the incentives for wives to enter paid employment. The relationships between different systems is touched upon and it found that although appearing to tend in different directions, aggregation and splitting systems could be made to produce identical results, but a separate rate scale for married couples under the second system is a key element for such an outcome. The paper comes to no specific conclusions but asserts that 'the principal blemish in the existing Australian system is the access of many higher income taxpayers to income-splitting arrangements and the relatively higher taxation paid by single income taxpayers with dependents... a judgment is required as to the best compromise between conflicting objectives.'

INCOME UNIT.

- 41 AUSTRALIA - Treasury (1985), *Reform of the Australian Taxation System: Statement by the Treasurer, The Hon. Paul Keating, M.P. September 1985*, Canberra, Australian Government Publishing Service, iv, 81pp.**

After a general statement of the government's intended reforms of the taxation system and an outline of the main features of these reforms there are three attachments - Attachment A: Estimates of net revenue, Attachment B: Details of measures and Attachment C: Income tax rate scale and distributional impact. The main reforms are outlined as follows: the taxing of all major fringe benefits, whether received in cash or otherwise; the introduction of a capital gains tax with certain modifications to the proposal outlined in the Draft White Paper and only applying after September 19, 1985; no major extension of the indirect tax base but a rationalisation of the existing wholesale tax schedules; a clamp-down on tax evasion and avoidance centred around the introduction of the Australia Card; changes in the tax-free threshold; changes in the prescribed payments system; quarterly provisional tax; losses above a certain size associated with farming and all losses associated with 'negative gearing' of rental property

investments to be 'quarantined'; immediate deductions currently allowed for expenditure by primary producers on conserving water to be written-off over five years; changes in tax treatment granted to investors in films; withdrawal of special rebate and deductions available for certain capital subscribed to petroleum and afforestation companies; changes in income tax on public unit trusts; introduction of a foreign tax credit system; the double taxation of company dividends to cease; steps to alleviate poverty traps; two round of reductions in the personal income tax scale to be provided.

DEDUCTIONS; INDIRECT TAXATION; POVERTY TRAPS; RATE SCALE; REBATES; TAX BASE; THRESHOLD.

- 42 AUSTRALIA - Treasury (1986), (1987) and (1988), Tax Expenditures Statement, Canberra, Australian Government Publishing Service**

'In 1986, a Tax Expenditures Statement was published for the first time, providing comprehensive information on the extent and cost to revenue of tax expenditures', the aim being 'to allow expenditures to be subjected to public scrutiny in a manner similar to that for direct expenditures.' The 1986 Statement provided costings, where available, for 1982-83 to 1984-85. This Statement is intended to be updated annually and the 1987 Statement provides costings, where available, for 1983-84 to 1985-86, and in some cases 1986-87. The Statements are arranged under the headings: conceptual issues, cost measurement issues, comparison with direct outlays, tax expenditure tabulations and trends in tax expenditures, which includes trends in expenditures on social security and tax expenditures.

TAX EXPENDITURES.

- 43 AUSTRALIAN BUREAU OF STATISTICS (1987), 1984 Household Expenditure Survey, Australia: Effects of Government Benefits and Taxes on Household Income, Canberra, Australian Bureau of Statistics, Catalogue No.6537.0., 92pp.**

'This publication presents the results of a study of the effects of government benefits and taxes on the distribution of income of households in 1984. It is based primarily on data collected in the 1984 Household Expenditure Survey (HES), supplemented by data from other sources.' It is stressed that effects shown in this publication depend on the assumptions which have been made, other assumptions might have been made and would have yielded different results. These assumptions include such aspects as the size of the sample, the response rate, estimates of income and expenditure and the scope and coverage of the survey. In the measurement of benefits and taxes no attempt was made to allocate the whole of government expenditure and revenue, only those relevant to private households. Estimates of direct taxes involved for each individual, the sum of the taxable incomes; adjustment for deductions such as union dues, etc; the imputation of tax payable using 1983-84 income tax scales; the adjustment for rebates based on household characteristics and tax eligibility criteria; and the addition of the Medicare levy for 1983-84 based on tax rules. It explains how indirect taxes were calculated. The limitations of these imputations and calculations are discussed. Indirect benefits in areas of education, health and housing provided by Commonwealth, State and Local Government are valued using government outlay data produced by the ABS.

INCOME DISTRIBUTION.

- 44 AUSTRALIAN COUNCIL OF SOCIAL SERVICE (1975), Seminar on Guaranteed Minimum Income, Proceedings of a Seminar held May 1975, Sydney, Australian Council Of Social Service, 103pp.**

'The main purpose of this seminar organised by ACOSS was to familiarise a broader group of people with the concept of guaranteed minimum income, and to provide an opportunity to understand some of the different methods of implementation, the complexities, and the economic, social and political implications of guaranteed minimum income schemes.'

Papers were:

Social objectives and principles of guaranteed minimum income	Bill HAYDEN
Level of guaranteed income	R.J.A. HARPER
Methods of achieving a guaranteed minimum income	J. CUTT
The Family Centre Project: an experiment in guaranteed minimum income and its implications	Jan SALMON
Issues and questions evolving out of the seminar	M. COLEMAN

GUARANTEED MINIMUM INCOME.

- 45 AUSTRALIAN COUNCIL OF SOCIAL SERVICE (1984), **Principles for Tax Reform: a Discussion Paper**, Sydney, ACOSS, 8pp. Also published as EPAC paper 84/18.

This discussion paper lists the following as principles for tax reform: (1) The purpose of taxation is to maximize national well-being, not simply to raise revenue for services. The taxation and social security systems are both part of the one system of transfer payments. Taxation reform must increase both efficiency and equity. (2) Personal tax should be progressive, as this is both more equitable and more efficient. This involves a broadening of the definition of income to include capital gains, employee fringe benefits and gift and death duties and a determination to clamp down on tax avoidance and evasion. (3) Everyone should pay taxes according to their ability to pay, and receive benefits according to their need. (4) Taxes and means tests should not be based on family income but on individual income. (5) Tax and social security assistance should be given for true dependents, and not for those who work at domestic duties or choose not to work. Family allowance should remain universal and the Dependent Spouse Rebate abolished. (6) Indirect taxes should not be levied on the necessities of life, but should apply to luxury consumption. (7) Business consumption and perks must be taxed. (8) Double taxation of pensioners must be minimised as a poverty trap is created by high marginal tax rates. Two measures are necessary while pensioners remain means tested: the rate of taper for those earning little income should be reduced below 50 per cent to, say, 25 per cent; and, the base rate of tax applying to people on reduced pension should be lowered from 30 per cent to, say, 15 per cent. The combination of these two measures reduces the marginal tax rate from 80 per cent to, say, 40 per cent.

FAMILY ALLOWANCES; INCOME UNIT; INDIRECT TAXATION; POVERTY TRAPS; REBATES; TAX BASE.

- 46 AUSTRALIAN COUNCIL OF SOCIAL SERVICE (1985), **Community Taxation Policies**, Sydney, 11pp. Also in **Australian Social Welfare: Impact**, 15 (3), May 1985: Insert.

This paper represents fifteen months of consultation with a wide range of community organisations culminating in a national Community Tax Seminar. All the statements in the paper enjoy substantial majority support. Four steps to taxation reform are outlined: (1) Reforming income tax. Evasion and avoidance must be controlled and the definition of 'taxable income' broadened to more fairly reflect capacity to pay; this should include a capital gains tax and fringe benefits tax. The Tax Office needs to be provided with more resources to ensure tax compliance action is extended. (2) Effective taxes on wealth. A gift and inheritance tax should be introduced and tax on very large accumulations of wealth introduced. (3) Restructuring indirect taxation. A broad-based consumption tax is strongly opposed and the reasons why given. (4) Reforming the interaction of taxation and social security. The present overlap between the two systems is full of injustices and contradictions and needs to be thoroughly rationalised. The removal of poverty traps and high marginal tax rates must be a priority. Work disincentive measures must be addressed. To eliminate some of the poverty traps it is proposed that (a) no pensioner face more than one means test, (b) income-free zones be increased, (c) tax rebates for pensioners/beneficiaries should be abolished and instead the social security/tax system should be redesigned so that the total pension receivable is not taxed. One means of doing this could be paying taxable pensions on an individual basis with the threshold set at

about \$1000 p.a. above the basic pension level. This would allow a pensioner with no supplements to earn about \$20 p.w. before paying tax; and, making pension supplements non-taxable but generally means tested, (d) means testing on the basis of primary family income, (e) the pension and benefit system be simplified, (f) supplementary benefit paid to renters should not start to phase-out prior to the pensions and (g) the cut-off point for the Pensioner Health Card should be raised. Family allowances should be universal and raised to at least their 1976/77 level in real terms and indexed. One youth allowance should replace the mixture of youth payments and one children's allowance replace the mixture of payments for children. It would be funded by 'pooling' current allocations to the additional pension for children, the family income supplement, the dependent spouse rebate, the secondary allowance scheme and minor complementary schemes; it should be means tested on primary parent income; and paid at equal level for each dependent child under 16 years. The means testing must not be on family income, as this would dramatically increase the marginal tax rates on secondary earners. There should be a disability allowance for all persons with a disability.

FAMILY ALLOWANCES; INCENTIVES; INCOME (MEANS\ASSETS) TEST; INDIRECT TAXATION; REBATES; TAX BASE.

- 47 AUSTRALIAN COUNCIL OF SOCIAL SERVICE (1985), 'Tax and income security reform', Annual Report, 1984/5:10-11.**

ACOSS encouraged its members and similar groups to develop their own understanding of tax reform and to draft their own policies, with help and resources from ACOSS where required. This meant that many groups were well prepared for the Taxation Summit in 1985. ACOSS co-ordinated all these efforts which resulted in the Green Paper, Community Taxation Policies, q.v. The third stage was to negotiate with other key players in the tax debate, e.g. the Australian Council of Trade Unions. All this organisation paid off at the Summit, and while not everything the sector wanted will come about, a start has been made.

TAX EXPENDITURES.

- 48 AUSTRALIAN COUNCIL OF SOCIAL SERVICE (1985), Employment, Tax Reform and Poverty: Submission to the Economic Planning Advisory Council, Canberra, EPAC Paper, no.85/25, (various pagings)**

The community sector proposes a tax reform package based on restoring economic efficiency through encouraging those pensioners and beneficiaries not in the workforce to take up paid employment, by restoring equity to taxation, particularly by a much fairer treatment of those with children and by lessening avoidance. The first priority is lowering marginal tax rates at the bottom, and on second earners. There follows a discussion of the tax mix with the wealth tax and indirect taxes options detailed. There ought to be an increase in the progressivity of the tax scales and also an increase in benefit and pension payments, particularly children's supplements.

INCENTIVES; INDIRECT TAXATION; MARGINAL TAX RATES; RATE SCALE.

- 49 AUSTRALIAN COUNCIL OF SOCIAL SERVICE (1987), Federal Budget Priorities: 1987/88. ACOSS Submission to the Australian Government through the Economic Planning Advisory Council, Sydney, Australian Council of Social Service, ACOSS Paper, No.5, 21pp.**

'A detailed submission to the Government outlining a wide range of revenue and expenditure proposals for consideration in the context of the May Economic Statement and the preparation of the next Budget. The proposed measures include delaying the July tax cuts, reducing the generosity of tax concessions on superannuation, and adopting improved procedures to recover tax owed on interest payments and non-franked dividends. An additional \$3 billion in revenue could be obtained by these and other means without introducing any new taxes. ACOSS also proposes additional expenditure of approximately \$1 billion, principally in the areas of social security (including a special Family Assistance Package), housing, employment and education.

DEDUCTIONS; FAMILY ALLOWANCES; TAX EXPENDITURES.

- 50 AUSTRALIAN COUNCIL OF SOCIAL SERVICE (1988), **Federal Budget Priorities 1988/89. ACOSS Submission to the Australian Government Through the Economic Planning Advisory Council**, Sydney, ACOSS, 52pp.

This Statement identifies three areas for Government action in 1988-89 and beyond. These are: further tax reform; greater assistance for people seeking work; and, improved support for people in hardship. It begins with a brief overview of the economic and social environment in which these proposals are being made. In the areas of tax reform it is proposed, among other measures, that the pensioner tax rebate be raised substantially to compensate for inflation. It emphasises that the increased expenditure involved in the proposals for more income support for low income and unemployed groups should be funded by the additional revenue raised by the proposed tax reforms or alternatively by allowing the Budget surplus to remain the same as for the current year rather than allowing it to rise to the higher level expected at the end of 1988-89. Costings are given for all proposals.

INCENTIVES; REBATES; TAX BASE.

- 51 AUSTRALIAN COUNCIL OF SOCIAL SERVICE (1989), **ACOSS Living Standards Package for 1989**, Sydney, Australian Council of Social Service, ACOSS Paper, No.23, 10pp.

'The Living Standards Package is proposed for implementation by the Federal Government before the end of 1989. It is designed to provide equitable and affordable improvement in living standards for all Australians. It gives special priority to families and to low-income people, but it would also restore general income levels to those which prevailed early in 1988...The package has four key elements.' These are: personal income tax cuts for all taxpayers, averaging about \$8 per week at average weekly earnings; Family Allowance increases averaging \$5 per week per child; Family Allowance Supplement increases averaging \$4 per week per child, and indexation of both payments; general pension and benefit increases of about \$3 per week, with additional increases of \$5-\$15 for people in special need, and action to reduce 'poverty traps'; and expenditure increases on public housing, urban and regional development, employment and training programs, and community services for low-income people. All these elements are costed.

FAMILY ALLOWANCES; POVERTY TRAPS; RATE SCALE.

- 52 AUSTRALIAN LABOR PARTY (1982), **The ALP and Women: Towards Equality**, Canberra, Australian Labor Party, 69pp.

This paper 'outlines the policy on issues affecting women of the Australian Labor Party which would be a "program for action on the ALP's assumption of office". The policy statement includes the following areas: law reform and legal protection, Office of the Status of Women, services (health, child welfare, emergencies, occupational health and safety), taxation and benefits, employment, education and housing. The policy was developed in 1982 after wide consultation.'

WOMEN.

- 53 AUSTRALIAN LABOR PARTY (1987), **The Third Hawke Government: An Address by the Prime Minister of Australia, Bob Hawke**, Sydney Opera House, 23 June 1987, Canberra, Australian Labor Party, 40pp.

This contains an address given by the Prime Minister at the Opera House, Sydney, in June 1987. It also includes 'The achievements and the vision: a statement by the Prime Minister' which outlines the policies for the economy, the community and Australia's role in the world. In the area of fiscal policy it is pledged that Labor would bring in a Budget in 1987-88 with a deficit of less than 1 per cent of GDP and that it would do this without new taxes and without discretionary increases in taxes. It would continue to crack down on tax avoidance and welfare fraud. It would not turn to the major spending areas of social expenditures for new savings 'of any

magnitude'. In the area of social security policies for helping pensioners, families, sole parents and unemployment beneficiaries are given. These include measures to address the problem of 'poverty traps' so that pensioners would be able to earn more before their pension would be affected, the income test free area would be increased and extra rent assistance would be given. The new family package of Family Allowance Supplement was announced and details given. Measures to help sole parents by the establishment of a Child Support Agency were promised and a Labor government would seek to close the gap between the adult rate of unemployment benefit and the pension level. New policy costings for 1987-88 and for a full year are given.

FAMILY ALLOWANCES; INCENTIVES; POVERTY TRAPS; TAX EXPENDITURES.

- 54** **BARLING, Peter (1984), 'Taxation + means test = poverty trap', Australian Social Welfare: Impact, 14(2), July:11-12.**

'Means testing and taxation combine to make it nearly impossible for pensioners and beneficiaries to significantly raise their standard of living through part-time or casual work'. The paper gives the example of an unemployment beneficiary who by earning an extra \$7 a week reaches the tax threshold and is taxed at a rate of 30 per cent. For extra income of \$20 or more a week the means test comes into operation and the beneficiary, loses 50c for every dollar earned for extra income between \$20 and \$70 a week. For each \$1 of extra weekly income over \$70 p.w., \$1 of benefit is lost, i.e. a tax rate of 100 per cent, which is a higher rate than that for even the highest income earners. 'Whenever income tests are placed on taxable pensions, benefits or allowances, high effective marginal tax rates and hence, poverty traps are created. Since social security payments are generally both taxable and subject to an income test, virtually all pensioners and beneficiaries are in some kind of poverty trap. The policy implication of poverty traps are clear. Pensioners and beneficiaries must be given the change to improve their standard of living to at least above the poverty line'.

INCOME (MEANS/ASSET) TEST; MARGINAL TAX RATES; POVERTY TRAPS.

- 55** **BASCAND, Geoffrey M. (1985), The Costs and Consequences of Progressive Tax Rates, Melbourne, Centre of Policy Studies, Monash University, Mimeograph, E23, 17pp.**

'The conventional view has been that progressive marginal tax rates are necessary and a desirable means of effecting income redistribution. It is argued that there are limits to the scope for using marginal tax rates to effect redistribution. In particular, the true incidence of taxes increasingly appears to be much less progressive than consideration of the rate structure would suggest. Further increases in marginal tax rates are likely to have little redistributive impact. At the same time, sharply rising marginal tax rates give rise to strong disincentives to work, increases in tax avoidance and evasion and other significant efficiency losses. It is argued that a less sharply progressive marginal tax rate structure offers the prospect of considerable gains in efficiency and community income. Adverse effects on low income earners should be ameliorated by increased cash transfers.'

INCENTIVES; INCOME DISTRIBUTION; MARGINAL TAX RATES.

- 56** **BASCAND, Geoffrey M. (1986), Tax and Benefit Modelling in Australia: Theory and Early Empirical Results from a Partial Equilibrium Approach, Melbourne, Centre of Policy Studies, Monash University, 43pp.**

'The theory and practice of tax policy analysis are described, with special reference to the assessment of tax reform proposals. Limitations of existing approaches with respect to the treatment of microeconomic impacts, in particular labour supply and savings responses, are examined. Some weaknesses of analysing alternative tax structures with existing tools are illustrated, and a simulation package for evaluating taxation is outlined. The model is applied to the evaluation of the government's proposed tax reform in 1987/88 in comparison with various alternative tax regimes.'

MODELS.

- 57 BASCAND, Geoffrey M, (1987), **Integration of Taxation and Social Security: an Evaluation of Alternative Income-Test Parameters**, Melbourne, Centre of Policy Studies, Monash University, Discussion Paper Series, No.D126, 51pp.

This paper questions the method of alleviating the poverty trap by increasing the amount of private income a pensioner or beneficiary may earn before his or her social security payment is reduced under an income test. It begins by establishing various criteria for evaluating income testing parameters; these are budgetary cost, effects on efficiency and the effects on income distribution. It analyses the July 1987 changes to the income test free areas and concludes that only minor efficiency gains were made. Two alternative settings of income test parameters are put forward. 'It is argued that reducing the abatement rate on age and invalid pensions and, simultaneously, reducing the income-test free area is preferable to extending the income-test free area. In contrast, however, the 100% abatement rate for short term beneficiaries is supported, as is the current distinction in income-testing regimes between short and long-term beneficiaries'. This reflects the relative importance for these groups of the conceptually distinct poverty and welfare traps. The income test rules associated with the Government's Family Allowance Supplement are examined and are argued to involve unnecessarily large losses of economic efficiency.

INCENTIVES; INCOME (MEANS/ASSETS) TEST; POVERTY TRAPS.

- 58 BASCAND, Geoffrey, BOYD, Caroline, COX, James, JORDON, James and PORTER, Michael (1985), **Taxation and Social Security**, Canberra, Economic Planning Advisory Council, Discussion Paper, 85/03, 192pp. Also published as Monash University, Centre of Policy Studies, Research Report, B13, 1985.

This paper considers alternative schemes for tax and social security reform in Australia, as the current system is neither efficient nor equitable. It suggests that all income and fringe benefits be taxed on a withholding basis and at a constant marginal rate; that the tax threshold be abolished or at least significantly reduced; and, the social security benefit structure changed so that most low income earners and welfare beneficiaries are not made worse off by these changes. It argues that top marginal rates in the Australian income tax system generate a small and declining share of total revenue, and if they are replaced by lower ones, revenue from high income earners would increase; also, it is argued that given present marginal tax rates, the costs of further redistribution are likely to be high. Reducing marginal tax rates would improve the interaction between the taxation and social security systems. Reforming the tax system would lead to economic growth and smaller numbers of income support recipients, lowering the costs of redistribution to the remainder. The paper looks at the tax and social security systems over the last twenty-five years, and criteria for the evaluation of the tax and social security systems to arrive at their reform suggestions.

INCOME DISTRIBUTION; MARGINAL TAX RATES; TAX BASE.

- 59 BASCAND, G., COX, J. and PORTER, M. (1985), 'Through the tax reform maze: taxing the threshold', *IPA Review*, 39(2), Spring:10-12.

This paper summarises the arguments for removing the tax threshold and dependent spouse rebate and introducing tax rates of 20 per cent on income up to \$20,000, 30 per cent on income from \$20,000 to \$35,000 and 40 per cent on income above \$35,000 which were put forward by the Centre of Policy Studies at Monash University as an alternative to Option C of the Government's Draft White Paper. Low income persons and families would be compensated to ensure they were not disadvantaged by the removal of the tax threshold. The paper answers some of the criticisms made of this option, firstly, that effective marginal tax rates are increased over the range where the income tested programme would be phased out. It argues that the proposals place the high effective marginal tax rates in areas of the income distribution where there are relatively few families and individuals and most families would face a lower marginal rate. Secondly, others have claimed that the proposals are unfair because effective marginal tax rates for some low income earners exceed those of high income earners, but the paper argues that the COPS plan is unlikely to worsen 'poverty trap' problems particularly if pension and benefit income test rates can be reduced in the context of overall tax reform. Thirdly, would the COPS plan be too generous to the rich? It argues that the income tax base would be broadened to encompass fringe benefits, a reduction in marginal tax rates might lead to high income earners earning a greater percentage of their income in taxable form, and the removal of the

threshold would limit both the advantages that high income earners obtain from income splitting and their opportunities to do so.

MARGINAL TAX RATES; RATE SCALE; REBATES; THRESHOLD.

- 60 BASCAND, Geoffrey M. and PORTER, Michael G. (1986), 'Taxes and incentives - the leaky bucket', in HEAD, John G. (ed.), **Changing the Tax Mix**, Sydney, Australian Tax Research Foundation:355-374. Also published as Centre of Policy Studies, Discussion Paper Series, No. D91, 1985.

This paper analyses the effects of some specific alternative combinations of tax and welfare arrangements. It stresses the income and welfare losses generated as a result of disincentive effects under programmes of income redistribution. It is concluded that more selective, targeted or means tested welfare programmes are superior to guaranteed minimum income, negative income tax or demogrant programmes.

GUARANTEED MINIMUM INCOME; INCENTIVES; INCOME (MEANS/ASSETS) TEST.

- 61 BASCAND, Geoffrey M. and TRENGOVE, Chris D. (1987), **Analysis of Tax Reform Options**, Melbourne, Centre of Policy Studies, Monash University, Discussion Paper Series, D116, 138pp.

This paper contains details of a modelling package developed at the Centre of Policy Studies called TAXMOD. This package was developed with the purpose of quickly assessing the revenue, efficiency and distributional consequences of changes to social security and taxation measures. It then uses this model to analyse the implications of three specific taxation reform proposals referred to as Options T, U. and V. It is concerned with the evaluation of real alternatives to the current tax and social security provisions which, it is maintained, must be assessed against the status quo and not against some hypothetical ideal system. Section 3 of the paper describes the 'base case' against which the three options are assessed. This is the current system as known in early 1987. Section 4 then describes the three options which are Option T: a targeted threshold scheme; Option U: a US-type scheme, and Option V: a tax mix switch. Section 5 reports on the revenue, distributional and efficiency impacts of these three options in comparison with the Government's 1987/88 tax regime. Figures show the average percentage change in disposable income, including allowance for the effect of any indirect taxes paid and for changes in social security payments such as family income supplement and family allowances, for various classes of households for each of the three options relative to the base scheme.

INCOME DISTRIBUTION; INDIRECT TAXATION; MODELS; TAX BASE; THRESHOLD.

- 62 BENTLEY, Philip, COLLINS, D.J. and DRANE, N.T. (1974), 'The incidence of Australian taxation', **Economic Record**, 50(132), December:489-510.

'This paper estimates the incidence of total Australian taxation in 1966-67, the incidence of taxation at the Federal, State and local government levels and of some individual direct and indirect taxes. It is a study concerned with problems of estimating the incidences of taxes and government expenditures. The aim of the present paper is to provide estimates of Australian tax incidence together with a brief discussion of the nature and reasonableness of the incidence assumptions necessarily adopted in a study of this nature. Consideration of the more fundamental theoretical incidence problems and the formulation of a tax model for tax incidence will be presented in a later paper. There are five sections. The first deals with the data sources and their limitations. The second outlines the methodological decisions made. This is followed by a discussion of the incidence assumptions adopted and a description of the techniques by which each type of tax was allocated to household income classes. In the fourth section the results are presented, and the final section consists of a brief discussion of some policy implications arising from the study'.

INCIDENCE; TAX EXPENDITURES.

- 63 BENTLEY, P.R., COLLINS, D.J. and RUTLEDGE, J.S. (1975), 'Incidence of Australian taxation: some further results', AUSTRALIA - Taxation Review Committee, **Commissioned Studies**, Canberra, Australian Government Publishing Service: 185-199.

This paper concludes that changes in our tax structure to bring about a proportional or progressive incidence would have to be far-reaching and require a change in emphasis from indirect to direct tax and include changing the tax scale, broadening the definition of taxable income to include capital gains, reduction or abolition of deductions which favour middle and upper income groups and preventing income splitting. More emphasis on death duties and net worth tax would also be desirable. Any changes would also have implications for the revenue-raising relationships between the three levels of government. Different effects which would ensue from implementing a proportional rather than a progressive tax system are explained.

DEDUCTIONS; INCIDENCE; INCOME SPLITTING; INDIRECT TAXATION; RATE SCALE; TAX BASE.

- 64 BOYD, Caroline, JORDON, James and PORTER, Michael (1984), **The 1984 Budget: a Comment on Tax, Social Security and Incentive Issues**, Canberra, Department of the Parliamentary Library, Legislative Research Service, Discussion Paper, No.3, 59pp.

The authors of this paper see unemployment as the single most serious social issue to be addressed by economic policy and in this paper they focus on how the social security and tax systems affect incentives by examining the 1984/85 Budget. In maintaining that the issue of welfare reform is part of a much wider issue which involves looking at reforms to education, taxation, training and labour markets, this paper makes the following points: Sharp increases in marginal tax rates has increased the incentive to earn non-taxable income; the share of declared income in the higher tax brackets has fallen; high marginal rates of personal income tax create an incentive to engage in tax evasion and avoidance and may result in perverse redistributive effects; the tax burden has shifted to lower and middle income earners; the lower are wage costs the greater the incentive to employ labour, but then the incentive to be employed is lower; the higher are social security benefits, the higher wages must be to attract labour to be employed; if minimum wages are high, unemployment will also be high; and, the higher the 'withdrawal rates' on social security benefits, the lower the incentive to seek work.

INCENTIVES; INCIDENCE; MARGINAL TAX RATES.

- 65 BRAIN, Peter, FUNG, William, KING, Anthony and PERKINS, John (1985), **Reform of the Australian Tax System, Paper Two: A Quantitative Evaluation of the Income Distribution and Macroeconomic Effects**, Melbourne, National Institute of Economic and Industry Research for the Australian Council of Trade Unions, 75pp.

'This document contains a preliminary assessment of the income distributional and macroeconomic effects of the Government's preferred tax reform proposal. By way of background material, it provides a brief description of the kind of research that was undertaken to produce the report. The impact on income distribution of the preferred option is based on... the 1981-82 Income and Housing Survey of the Australian Bureau of Statistics. These data are the basis upon which the results given in Part A of this paper are derived. Part B of the paper contains an assessment of the macroeconomic implications of the tax proposal, the assessment taking into account the distributional effects dealt with in Part A by applying them to the NIEIR's annual, multi-sector model of the Australian economy.' It concludes that 'in broad terms the design of the preferred tax option leads to a shift in the burden of taxation from direct to indirect taxes without any undue adverse longer term macro-economic effects... Moreover the distribution of post-tax income will not be adversely affected to any great extent so long as the impact of indirect taxation on income recipients is ignored.'

INCOME DISTRIBUTION; INDIRECT TAXATION; MODELS.

- 66 BRENNAN, Geoffrey and BROOKS, Michael (1983), 'Towards a theory of family taxation: the equity dimension', in HEAD, John G. (ed.), **Taxation Issues of the 1980s**, Sydney, Australian Tax Research Foundation:119-132.

This paper explores the case for family unit taxation from a strictly individualistic base, focussing mainly on equity rather than efficiency aspects and using the conventional horizontal and vertical equity norms. Central to the discussion is an examination of the role of intra-family transfers.

INCOME UNIT.

- 67 BROTHERHOOD OF ST LAURENCE (1985), **Tax Reform, Jobs and Justice: Principles, Issues and Directions for Change**, Fitzroy, Brotherhood of St Laurence, 31pp.

This paper is a submission to the Economic Planning Advisory Council. It maintains that tax reform is central to any commitment to eliminate poverty in Australia and should be related to the achievement of social goals. The present system has difficulty in raising the required levels of revenue and is neither fair nor efficient. The income tax system places a severe and unfair burden on low income earners, and many pensioners and beneficiaries face effective marginal tax rates in excess of the highest marginal tax rate of 60 per cent. The interaction of income testing with the effects of income tax rates therefore leads to poverty traps which act as work disincentives. What is needed is an integrated reform of the tax and social security systems alongside the creation of full employment. The paper supports the following tax reform principles: taxation is necessary and desirable; tax reform must not be equated with tax reduction and should not preclude tax increases; reform should lead to a progressive structure; tax concessions should be provided as direct assistance through government outlays or eliminated; tax should encourage employment; tax reform should be analysed in terms of alternative reform packages and not done piecemeal; community involvement is essential; tax evasion and avoidance need to be eradicated; a simpler system is necessary; and there must be no disadvantage to welfare recipients. First call on any additional revenue raised from tax reform should go to government expenditure in areas of income support and public housing. Secondly, some very regressive State charges and taxes should be reduced. Finally, the Brotherhood supports the need for the modelling of different proposals to ascertain their revenue raising, distributional and efficiency implications.

INCENTIVES; INCOME (MEANS/ASSETS) TEST; INTEGRATION; POVERTY TRAPS; RATE SCALE; TAX EXPENDITURES.

- 68 BROWNE, Peter (1985), 'Howe's task of reform: an interview with Brian Howe', **Australian Society**, 4(12), December:4-7.

In view of the forthcoming Social Security Review, whose terms of reference are quoted here, this article interviews the Minister for Social Security, Brian Howe, on the issues of reform of the social security system. Included in the matters discussed are 'poverty traps' and their disincentive effects on pensioners and beneficiaries working themselves out of poverty. Apart from the disincentive effects of the interaction of the tax and social security systems, it states that they are related in that the 'total tax take has a considerable influence on the level of funds available for social security...Can the tax package be seen as a step backwards for social expenditure?' Howe replies that if the tax reforms go through it may mean that it is easier to talk about increased social expenditure in the years ahead. The benefits of tax reform will take some time to build up.

INCENTIVES; POVERTY TRAPS; TAX EXPENDITURES.

- 69 BROWNE, Peter (1985), 'Tax reform: fair share?', **Legal Service Bulletin**, 10(2), April:52-54.

This article outlines the position on tax reform taken by the Brotherhood of St. Laurence and the Victorian Council of Social Service in their position papers prior to the National Taxation Summit. Tax reform is seen as a component in an attack on poverty and inequality and must be based on a set of principles set out by the Brotherhood of St. Laurence as follows: (1) Taxation is necessary and desirable. (2) Taxation should raise sufficient funds for government to perform its role. (3) The taxation system should be progressive. (4) Assistance to specific groups

should be provided through government expenditure rather than tax concessions and rebates. (5) Tax reform should provide the best climate for growth in employment. (6) Tax reform should involve a comprehensive package of proposals including measures relating to (a) the combined effect of taxation and government expenditures, (b) state and local government taxation (which often hits low income earners hardest) and (c) the overall progressive impact of all forms of taxation. (7) Community involvement in tax reform is essential. The progressivity of the income tax system has been eroded by three main factors: (1) Exclusion of some forms of income from the income tax base which should be broadened to include such things as capital gains, superannuation funds and employee fringe benefits. (2) Evasion and avoidance which requires legislative action and enforcement of legislation. (3) Taxation expenditures given in the form of assistance to individuals and businesses are not treated in the same way as government expenditure by the budgetary process and have escaped public debate. There should be a tax on wealth, a minimum form of which should involve a combination of death and gift duties. The above measures should result in an addition to tax revenue of at least \$5000 million and first call on this extra should go to government expenditure on income support and public housing and second priority should be to reduce some very regressive State taxes and charges. Only then, if there was still a surplus, should income tax cuts be given.

INCIDENCE; TAX BASE, TAX EXPENDITURES.

70 BROWNE, Peter (1986), 'Invisible spending', *Australian Society*, 5(12), December:31.

'The article enumerates the income tax concessions currently available and how much these cost in foregone tax revenue. These figures were released in November 1986 by the Federal Treasurer. It is pointed out that these concessions are often awarded in inverse proportion to need, the 'upside down effect'. Also, their amounts are not subject to public scrutiny and parliamentary debate, as are welfare programs.'

DEDUCTIONS; REBATES; TAX EXPENDITURES.

71 BROWNE, Peter (1988), 'Social justice; putting together the pieces', *Australian Society*, 7, June:22-24.

With changing electoral fortunes, social justice is back in the limelight, but while the government has introduced significant social reforms, little has been done about the broader question of income and wealth distribution, 'in the final analysis the most realistic measure of economic and political power'. Results are presented from WHITEFORD, Peter and DOYLE, Jennifer (1987), 'The income tax rate scale: Labor and Liberal tax reforms - a comparative evaluation', (q.v.) which show how the Labor government's tax reforms have affected the incomes of different groups in the community. Other influences at work on the incomes of the poorest households are mentioned, e.g. pensioner taxpayers, from whom the government has clawed back a significant part of pension payments by additional taxation on all pensioners with private income. While the fringe benefit tax and capital gains tax have produced more revenue for the government from higher income earners, there have been some 'big ticket' benefits for them also from the dividend imputation system and high superannuation tax concessions. If, as according the Australian Financial Review, the October stockmarket crash has been 'little more than a hiccough' for many wealth holders, then the drain from 'average' PAYE taxpayers is continuing apace.

INCOME DISTRIBUTION.

72 BROWNLEE, Helen (1985), 'The dependent spouse rebate', *Australian Tax Forum*, 2(4), Summer:427-438.

Using data from the 1981-82 Income and Housing Survey this paper attempts to clarify the issue of who benefits from the dependent spouse rebate. The data show that it overwhelmingly benefits male rather than female taxpayers. It also benefits married male taxpayers with above average incomes slightly more than those with below average incomes. There are also substantial numbers of married men with a dependent spouse and whose incomes are too low to fully benefit from the rebate, although wage and salary earners are greatly under-represented among these couples. It finds that abolishing the dependent spouse rebate would reduce the disposable incomes of a large number of low to middle income married couples with and without children and they would have to be compensated. The analysis suggests that abolition might also increase inequities between wage and salary earners

and those self-employed couples who reduce their tax liability by minimising and splitting their incomes. An alternative put forward (by Edwards) is income testing on primary-earner income but this involves difficult decisions about the appropriate level at which to begin income-testing and would need to balance the aim of maintaining the disposable incomes of low-income couples, especially those with children, with the need to produce sufficient revenue, for instance, to fund an increase in family allowance payments. The inequities of income splitting would need to be addressed also.

INCOME DISTRIBUTION; INCOME SPLITTING; REBATES.

- 73 BROWNLEE, Helen (1985), 'Poverty traps', *Australian Tax Forum*, 2(2), Winter:161-172,

'This paper examines poverty traps facing pensioners and beneficiaries who want to improve their standard of living by supplementing their pension or benefit with additional income or earnings. Poverty traps exist where high effective marginal tax rates occur over a wide range of a pensioner's or beneficiary's private income. This paper focuses on the high effective marginal tax rates which arise through the interaction of the personal income tax system and the income tests operating within the social security system. The current effective marginal tax rates facing a single parent pensioner with one child are examined and a number of proposals for reducing high effective marginal tax rates are assessed in relation to this family type.' Other factors identified but not discussed in detail in this paper include, for female single parents, the age and educational qualifications of the parent, the ages and number of dependent children, the availability, quality and cost of child care and the availability of suitable employment. Concentration on high effective marginal tax rates should not exclude consideration of these important factors.

INCOME (MEANS/ASSETS) TEST; MARGINAL TAX RATES; POVERTY TRAPS.

- 74 BROWNLEE, Helen (1987), 'The dependent spouse rebate: myths and misconceptions', in AUSTRALIAN INSTITUTE OF FAMILY STUDIES, *Newsletter*, (17), January: 12-14

'Myths and misconceptions concerning the dependent spouse rebate are explored, suggesting that it is not as simple to make changes to the dependent spouse rebate as is commonly believed. While the ideological basis of the dependent spouse rebate might be questioned, any proposals for changes should be carefully scrutinised in terms of "winners" and "losers" of such policy measures, and current inequities caused by artificial income splitting schemes should be taken into account.'

INCOME DISTRIBUTION; INCOME SPLITTING; REBATES.

- 75 BROWNLEE, Helen (1987), 'Family allowances: tax relief or welfare payment?', AUSTRALIAN INSTITUTE OF FAMILY STUDIES, *Newsletter*, (18), May:11.

'An attempt is made to correct a common misconception that family allowances are a welfare payment. Family allowances are a tax equity measure which recognizes the reduced capacity of people with children to pay tax because of the expenses involved in raising these children. Family allowances were introduced in 1976 as a replacement for tax rebates for children and as such should be regarded as part of the tax system, not as a welfare payment. The Institute considers that family allowances must be retained as a way of ensuring tax equity between families with children and people without children, and strongly opposes any plans to means-test such payments.'

FAMILY ALLOWANCES.

- 76 BROWNLEE, Helen (1987), **Family Income Support Policies in Australia**, Melbourne, Australian Institute of Family Studies, 23pp.

'This paper describes financial assistance programs to families with children provided through the taxation and social security systems. Family income support policies are analyzed in terms of both horizontal and vertical equity considerations. The extent to which income support policies alleviate poverty among families with children is examined and the effect of these policies on work incentives for parents is discussed. The issues of parental responsibility for child support vis-a-vis government responsibility is raised. The paper concludes with a brief examination of the major concerns of the current review of social security policy regarding families with children.'

INCENTIVES.

- 77 BROWNLEE, Helen, BURBIDGE, Andrew, GONDOR, George and MCDONALD, Peter (1989), **Families and Tax in 1989**, Melbourne, Australian Institute of Family Studies, AFIT Bulletin, No.5, xv, 56pp.

'Average tax rates have risen between 1976-77 and 1988-89 for all individuals and families with the exception of those on very high incomes and low income families with children' (the latter of whom have benefitted recently from the introduction of the Family Allowance Supplement). Since 1984-85, real disposable incomes have fallen sharply for all income units dependent on one income and 'bracket creep' has contributed to the rises in average tax rates for all taxpayers, with the greater rise for families due, in addition, to the decline in the real value of family concessions. The paper concludes that tax cuts are justified for all tax-payers, but that the cuts should be targetted to middle-income families, particularly those with children, and low income single people who have not benefitted through the FAS initiative. Eight options are considered in the development of a package of proposals for change, including various changes to tax steps and tax rates, raising family allowances, extending the FAS system to higher income levels, and changing levels of family rebates. From this it was concluded that 30-40 per cent of the cost of a package of reforms should be directed towards increasing concessions for families. A proposed package of five components is developed: changes in the tax steps and rates; a new Family Rebate to replace the Dependent Spouse Rebate and the Sole Parent Rebate; Family Allowances to be renamed Child Tax Allowance to be set at a flat rate of \$10 per week per child; an increase in the FAS payment for 13-15 year-old children of \$1 per week; the single pensioner/beneficiary rebate to be increased and the couple pensioner/beneficiary rebate also. The desirable outcomes of such a package are outlined. The package is costed at \$5.6 billion, which, should this prove to be inconsistent with prevailing macro-economic conditions, could be scaled up or down. A scaled-down package costing \$4.2 billion is described. It stands as a 'benchmark against which we can measure the relative merits of other proposals. The evaluation procedures...are in place and can be readily applied to the evaluation of other proposals.'

FAMILY ALLOWANCES; INCOME DISTRIBUTION; RATE SCALE; REBATES.

- 78 BURBIDGE, Andrew (comp.) (1984), **Australian Families Income Transfer Project**: AFIT Bulletin, No. 1, Melbourne, Institute of Family Studies, 46pp.

This bulletin describes the Australian Families Income Transfer Project begun at the Institute of Family Studies in 1982 which, using 1981 Census and ABS 1978/79 income survey data, assesses alternative policy options in the taxation and transfer area and their impact on different types of families. The first step in this project was to write a computer programme examining data on ten types of families (aged single, couples, couples with or without dependent children, sole parent families, etc.). Incorporated in the programme are tax scales, rebate levels and pension and benefit formulae relevant in 1978/79. Information is available on (1) income before transfers and tax; (2) income after transfers but before tax; and (3) income after transfers and after tax in nine income ranges. Numbers below the Henderson poverty line and statistics for the Lorenz Curve and the Gini Co-efficient are produced. The strengths and weaknesses of the first stage are discussed and there is a section which assesses the reliability of the 1978/79 income data and the calculations based on it for expenditure on pensions, family allowances, the cost of the Dependent Spouse Rebate and income tax revenue. The second stage of the Project uses a computer tape containing a 1 per cent random sample from the 1981 Census. This second stage is of assistance in the assessment of the redistributive effects of changing the tax scales, the tax threshold and the levels of the Dependent Spouse Rebate and Sole Parent Rebates. The strengths and weaknesses of the second stage are discussed. Finally, to make the results more relevant to 1984, the project uses the consumer price index, which,

provided it only makes adjustments over short periods of time is reasonably accurate. It is proposed to use unit record data from the ABS 1981/82 income survey when it becomes available.

INCOME DISTRIBUTION; MODELS.

- 79 BURBIDGE, Andrew (1984), 'Improving social security programs: some options and barriers;', in **Australian Family Research Conference**, Canberra, 1983, Proceedings, Volume IV, Policies and Families, Melbourne, Institute of Family Studies: 1-51.

'This paper calls for the provision of resources to establish and collect data for an inquiry into the distribution of assets and income in Australia and a reassessment of the options for changes to income security and taxation provisions.' The first section looks at recent evidence that income inequality is increasing. The second section 'outlines some of the issues and difficulties associated with four popular proposals for making income more equal; namely: a) labour market policies b) adjusting existing pension and benefit programs; c) introducing a universal guaranteed income scheme; and d) introducing a negative income tax scheme... much of the debate has ignored the probability that some policy aspects would require major shifts in social attitudes.' It is concluded that past discussions on taxation and social security have been hampered by inadequate information on the distribution of wealth and the needs and capacity to pay of different groups. Adequate information from a survey and inquiry into wealth and the tax system could improve the chance of policies overcoming the barriers of shortages of revenue and the divergence between nominally progressive but effectively regressive income tax scales.

GUARANTEED MINIMUM INCOME; INCOME DISTRIBUTION; RATE SCALE.

- 80 BURBIDGE, Andrew and MAAS, Frank (1984), 'Throwing out the baby... the need to examine the unintended effects of tax transfer proposals', in **International CFR Seminar on Social Change and Family Policies**, 20th, Melbourne, Institute of Family Studies, Key Papers Part 2:677-700.

'This paper focuses on the tax transfer system as one area of social policy under intensive scrutiny as a result of changes in society and in families. It sketches briefly some of the parameters of the debates being vigorously contested in Australia at present and some of the main value positions represented. It also attempts to identify some of the pitfalls facing advocates of change. Many suggestions if implemented would produce outcomes quite contrary to those intended. Others would produce sufficient side-effects to negate or at least reduce the effectiveness of whatever gains were achieved. The paper recognizes that failing wholesale change to the system, modifications within existing structures, must seek to balance conflicting objectives.'

INCOME DISTRIBUTION.

- 81 BURBIDGE, Andrew and BROWNLEE, Helen (comps) (1985), **Income Redistribution Through Tax and Social Security: a Review of Recent Trends**, Melbourne, Institute of Family Studies, AFIT bulletin, No.2, 45pp.

The first part of this bulletin examines the changes in income tax provisions and social security payments introduced in the 1984-85 Budget. Changes in the tax scale as announced in this Budget are assessed for their redistributive impact on different family types, making allowance for inflation. Changes in the nominal and real levels of income support to families and individuals are compared with average weekly earnings, but because of lack of data on people who are both social security recipients and tax payers, the overall impact cannot be calculated. It was found that the changes reduced the amount of tax payable with two income families benefitting most. There were no changes in levels of rebates for dependent spouse, children, sole parents, pensioners, or the levels of family allowance. Social security changes were directed more than tax changes to families with children. Most pensions and benefits, however, did not increase significantly relative to average weekly earnings. Part 2 puts these changes into the context of income transfer policy changes since 1976-77. It uses three means of assessing change: the 'real incomes' test, the 'relative incomes' test and the 'tax changes' test. The 'real incomes' test uses the Consumer Price Index to adjust for inflation and examine changes in real incomes; the 'relative incomes' test compares changes in the incomes of different groups by taking one group as a benchmark; and the 'tax changes' test

looks directly at the changes in the average tax rates levied on different groups. It concludes that inequality has been reduced by the 1984-85 Budget measures; there have also been several factors operating since 1982 which tend to result in a more equal sharing of income, e.g. the introduction of Family Income Supplement; the measures have gone some way to alleviating poverty and inequality revealed in the 1981-82 income survey but pensioners and beneficiaries are still worse off than in 1976-77; and, the disposable incomes of many pensioners and low income families have fallen relative to higher income earners.

INCOME DISTRIBUTION; RATE SCALE.

- 82 BURLEY, P. (1986), 'A fair go for families', in **Second Australian Family Research Conference**, Melbourne, November, 19pp.

'This paper is based on the Australian Catholic Social Welfare Commission's recently published discussion paper on the deteriorating economic position of Australian families, entitled 'A fair go for families'. The paper presents statistics which show that single income families with dependent spouse and children will have had their disposable share of taxable income insignificantly reduced relative to taxpayers without dependants over the period 1977 to 1988. The paper also charts the decline in tax allowances for dependants since World War 2 to further illustrate the increasing financial pressures on families. For example, tax allowances for two children have dropped from 21 per cent of average weekly earnings in 1950-51 to 0.91 per cent in 1986. In addition, the paper covers the question of the value and rights of the family and principles of equity in taxation with respect to families. It explores several measures which, if adopted, would tend to alleviate the Australian family's financial problems. These measures include family unit taxation through income splitting, cash payments, and tax rebates and deductions.'

DEDUCTIONS; INCOME DISTRIBUTION; INCOME SPLITTING; INCOME UNIT; REBATES.

- 83 CARMICHAEL, Jeffrey and PLOWMAN, Kathleen (1985), **Income Provision in Old Age**, Canberra, Centre for Economic Policy Research, Australian National University, Discussion Paper, No.131, 73pp.

'Since the start of the 1970s there have been substantial changes in the level of real pensions, the coverage of pensions, and the tax treatment of various forms of retirement income. The objective of this paper is to catalogue these changes in policy, and to identify the combination of political philosophy and socioeconomic pressures underlying them. The authors also analyse some of the economic consequences of these policies. The theoretical arguments for government involvement with retirement incomes are reviewed, also the incidence of different forms of intervention. The question of national superannuation is examined.'

INCOME (MEANS/ASSETS) TEST.

- 84 CASS, Bettina (1981), 'The family wage, family allowances and tax rebates: what are the connections?', in **UNITED NATIONS ASSOCIATION OF AUSTRALIA - National Status of Women Committee, Proceedings of the Women and Taxation Conference**, Melbourne, 1981:85-96.

This paper begins with a brief history of the principle of child endowment in Australia up to its adoption by the Commonwealth Parliament in 1941. From 1950 to 1975 'tax allowances for dependent children were extended in the tax system in ways which benefitted higher income earners... In effect, a system of vertical redistribution through the tax system from the poor to the rich was masquerading as a scheme of fiscal assistance to families with children.' The advocacy of the Poverty Commission brought the issue of child endowment or family allowances back into the social welfare framework. In 1975 a less regressive system of tax rebates replaced the more regressive tax allowances, but this still did not benefit families who paid little or no tax, and it benefitted the father, not the mother caring for the children. Family Allowances were introduced in 1976. However, at the same time there were cuts in public expenditure on housing, education and health, which together with the non-indexation of Family Allowances meant their real value was considerably eroded. Figures are given for what the Government has saved by not indexing cash transfers. At the same time, Dependent Spouse Rebate was raised in value although many of those receiving it did not have dependent children. Family Allowance is seen as 'the most equitable means to provide support for the child rearing years of the family life-cycle, rather than fiscal policies, which benefit those

tax-payers who have a dependent spouse.' The Dependent Spouse Rebate redistributes through the tax system to income earning men and provides 'no explicit direct benefit to women responsible for the care of children.'

FAMILY ALLOWANCES; REBATES; WOMEN.

- 85 CASS, Bettina (1982), **Family Policies in Australia: Contest over the Social Wage**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.21, 41pp.

Income tax and social security policies are seen to assume and reinforce women's dependency and provide disincentives to labour market activity while men are assumed to be of necessity wage workers and the current domestic division of labour reinforces work incentives for men. Women provide an invisible welfare system of unpaid domestic labour, physical and material care and emotional support for the family. This is born out by an historical examination of Australian family policies for the periods 1900-1941, 1942-1948 and 1970-1981. The paper then looks at the incidence and impact of unemployment on the family and finds that it is concentrated in low-paid, working class families. State responses for the period 1976-1981 is examined under three headings. (1) Family Allowances in respect of dependent children v. Tax Rebates in respect of dependent wives. The real value of the Family Allowance fell substantially in this period and assistance to families with two dependent children is at its lowest for twenty five years while assistance, relative to earnings for a tax payer with a dependent spouse has never been higher. (2) The treatment of unemployment beneficiaries in the income maintenance system takes no account of the class and family concentration of unemployment. (3) The Social Wage: 1976-1981. Calls for containment of public expenditure have been aimed in the area of expenditure for social purposes. They have not been aimed at the dismantling of the publicly provided infrastructure of the private sector, or the fiscal benefits to the private sector, or at dismantling the institutions of social control. It is concluded that 'state interventions into the sphere of domestic relations and class relations need not inevitably support existing inequalities but may establish contradictions which demonstrate the potential for state redistributive policies which are not locked into the principles of the market or patriarchal domestic relations.'

FAMILY ALLOWANCES; REBATES; TAX EXPENDITURES; WOMEN.

- 86 CASS, Bettina (1983), 'Division of welfare in the recession: the political limits to redistribution, revisited', in JARRAH, Jo (ed.), **53rd ANZAAS Congress: SWRC Papers**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings No.31: 1-32.

With the recession of the 1970s came the slowing of economic growth rates, and in some cases zero growth. This has resulted in political, if not fiscal, limits to redistribution at a time when unemployment, economic disruption and ageing populations are adding to mounting pressure for increased public expenditure. Other public expenditures through the tax system and through occupational welfare are being ignored and they are directing benefits away from the unemployed and low-paid, particularly women, to the middle and upper income groups. 'The personal income tax system must be placed on the political agenda. In relation to both the revenue-raising side of the tax/transfer equation and the progressivity of the tax system, regressive tax expenditures require examination as does the extension of the definition of income for tax purposes...' Unemployment benefits for the single unemployed and Family Allowances must be indexed and work disincentives removed from the system. To talk of political and revenue limits to increased social expenditures while expenditures associated with fiscal and occupational welfare are being extended, only leads to more economic and social inequality.

FAMILY ALLOWANCES; INCENTIVES; INCOME DISTRIBUTION; TAX EXPENDITURES; WOMEN.

- 87 CASS, Bettina (1983), 'Poverty and children: the effects of the recession 1974-1983', **Social Alternatives, Australian Social Welfare: Impact and New Doctor**, Joint Issue, September/October:13-18. Also Social Welfare Research Centre, University of New South Wales, SWRC Reprint, No.20.

Public expenditure to assist families with childrearing costs and responsibilities has not been generous in Australia and has been residual and piecemeal in its administration. One of the significant outcomes of a public policy which has emphasised individual parental provision for the costs of rearing children is the creation of poverty for the

children of low income earners and the children of pensioners and beneficiaries. After describing briefly many of the factors that go with money poverty, this paper concentrates on income deprivation and on the position of children who share their parents' inadequate income. Welfare recipients with children are the most likely to be in poverty because of the non-indexation of both family allowances and the additional child benefit paid to pensioners and beneficiaries. The figures given here understate the gap between total disposable income and the poverty line for unemployment beneficiaries because tax liabilities are not calculated. Unemployment beneficiaries have a higher tax liability than other pensioners and beneficiaries because their additional benefit for children is taxed. 'That 12.3 per cent of children were found to be living below the poverty line in 1978/79 is the outcome of the exclusion of their parents from the labour market or from full-year, full-time work providing an income sufficient for family needs. It is also a significant indication of the failure of the tax/transfer system to provide adequate child support'. Policies need to focus on the tax/transfer system to redistribute adequate income support and services to families with children, particularly in the early childrearing stage.

FAMILY ALLOWANCES; INCOME DISTRIBUTION; INCOME (MEANS/ASSETS) TEST.

- 88 CASS, Bettina (1983), 'Redistribution to children and to mothers: a history of child endowment and family allowances', in BALDOCK, Cora V. and CASS, Bettina (eds.), **Women, Social Welfare and the State In Australia**, Sydney, Allen & Unwin:54:-84.

This chapter begins by giving a history of child endowment in the context of the principle of the 'living wage'. One role perceived for child endowment was that of fostering wage restraint. Organised labour saw it as a universal transfer based on the inherent right of the child to be maintained independent of the wage of the parent and finances through consolidated revenue from a graduated tax on incomes. Women saw it as a right of women and children to an income separate from the 'living wage' concept, to supplement the inadequacies of the basic wage for large families, as recognition for women's economic contribution and as a prerequisite for equal pay. Opponents argued that it would undermine the father's obligation to maintain his own children. The paper describes the major attempts to enact child endowment legislation in New South Wales and the Commonwealth, culminating in a Federal child endowment scheme in 1941. Child endowment reached its peak value in 1950 and from then until 1975 there was 'a system of regressive redistribution through the tax system which provided highest benefits for high income earners, usually fathers; and a system of cash transfers to mothers of dependent children, transfers whose value was allowed to erode, almost into insignificance'. The Poverty Commission returned discussion of child poverty to the political agenda and its recommendations, together with the Asprey Committee's Report on the Australian taxation system were influential in the introduction of the Family Allowance scheme in 1976. Prior to this, in 1975, the regressive tax deductions were replaced by a less regressive system of tax rebates, but this did not benefit families who paid little or no tax and were not paid to mothers, large groups of whom were excluded from its benefits. With the Family Allowance Scheme in 1976, however, a shift from indexed 'fiscal welfare' to unindexed social welfare was accompanied by cuts in public expenditure areas of housing, health, community amenities and Aboriginal services, and unemployment and sickness benefits and widows' and supporting mothers' benefit were subjected to tax. So, a social welfare reform was conceived as a rationale for reduction of public expenditure for social purposes. An appendix notes that comparing OECD countries, very few countries have a commitment to the redistribution of income to mothers with dependent children. In 1988 there was a new edition of this book published with a 'Post-Script: October 1987' for this chapter. Since this chapter was first completed there has been considerable debate around the issues of family allowances and family income support programs in general. The objective of maintaining horizontal equity was seen by some to be in conflict with the objective of vertical equity. Class rather than the feminist issue of redistribution to mothers became the main focus. The ACTU, business and some welfare organisations saw the universal family allowance program as involving a considerable degree of 'middle class welfare'. The position the Social Security Review adopted was that family allowance remain universal but be supplemented substantially by an income-tested additional payment for low income families. The Government announced in the May 1987 statement its intention to income-test family allowance from October 1987, and in the 1987/88 Budget the Family Assistance Package was announced to be introduced in December 1987. On the other hand, 'the dependent spouse rebate... was much more rarely depicted as "middle class welfare" during these debates, and in the climate of expenditure restraint escaped income-testing. Since men comprise 96 per cent of recipients of the dependent spouse rebate... it could be said that gender interests prevailed after all.'

COMPARATIVE STUDIES; FAMILY ALLOWANCES; INCOME DISTRIBUTIONS; INCOME (MEANS/ASSETS) TESTS; UNIVERSALITY; WOMEN.

- 89 CASS, Bettina (1983), 'Taxation and social policy', **Taxation Reform: Papers from the University Symposium**, Kensington, University of New South Wales, Occasional Papers, No.8:13-17.

This paper argues that for equity reasons, taxation and social welfare are integrally related issues of public policy but much more attention has been paid to restraints on social expenditure than on the revenue costs and the redistributive impact of fiscal welfare. Recent research reveals that the tax burden has shifted away from those who derive income largely from property and business and towards wage and salary earners and within these wage and salary earners, increased burden has fallen on low income earners, particularly those with children. Tax evasion and avoidance have increased and the paper lists a number of items which illustrate the regressive impact of a non-comprehensive definition of income. Items such as fringe benefits, superannuation and the favourable treatment of owner occupied housing favour higher income earners. The tax treatment of superannuation as compared with the treatment of age pensions in the social security system is a clear example of the differential treatment of fiscal welfare and social welfare. An example of how the overlap of the social security and taxation systems adversely affects low income earners is in the 'poverty trap' where low income beneficiaries may be subject to effective marginal tax rates of 65 per cent to 80 per cent. The paper concludes that tax expenditures, such as exemptions, rebates and deductions, must be identified and subject to the same budgetary control and reporting as cash benefits; and, the exemption of capital and property from the income tax base and the regressive nature of certain major tax concessions have allowed the subversion of the potentially progressive tax. The paper recommends a capital gains tax, the reintroduction of tax indexation, consideration of the regressive nature of many tax concessions and consideration of the potential of the social security system to redistribute resources to low income recipients.

DEDUCTIONS; INCIDENCE; POVERTY TRAPS; TAX BASE; TAX EXPENDITURES.

- 90 CASS, Bettina (1985), 'The case for review of aspects of the Australian social security system', in JAMROZIK, Adam (ed.), **Income Distribution, Taxation and Social Security: Issues of Current Concern**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.55: 5-17.

This paper opened the proceedings of a one-day public seminar, organised by the Social Welfare Research Centre and held at the University of New South Wales on 29 November, 1985. It discusses the forthcoming Social Security Review, to be directed by the author, by focussing on three aspects. (1) The case for the Review. There have been major economic, social, industrial and demographic changes since 1974 which have implications for the social security system. The review will examine aspects of income maintenance such as the coverage, adequacy, targeting, redistribution of income, opportunities for employment, earning income and saving, simplicity and access, the mix of private and public income support for the aged and retired and community awareness. It will focus on three aspects of the social security system: (a) income support for families with children, including taxation measures, (b) social security policies and work force experience in relation to the unemployed, sole parents and the disabled, and (c) the connection between social security and insurance-based income measures, especially superannuation. (2) The theoretical framework for the Review. The problems of poverty will be addressed in the wider context of the labour market, job creation programmes and the provisions of services. The influence of class and gender will be examined. (3) The timing of the Review. In the context of the current climate of poverty research and tax reform debate the time is right for a Review.

INCENTIVES; INCOME DISTRIBUTION; WOMEN.

- 91 CASS, Bettina (1986), **The Case for Review of Aspects of the Australian Social Security System**, Canberra, Social Security Review, Background/Discussion Paper, No.1., 17pp. Also published as **Social Security Journal**, Spring 1986:2-8.

'This paper analyses the economic, social and demographic changes which have created the need for review of major aspects of social security: changes in the labour market, increase in the rate and duration of unemployment, increase in the formation of sole parent families, the increased proportion of families with dependent children in poverty and the changing mix of public and private insurance-based income support on retirement. The major aspects of social security to be examined are outlined:

- . income support for families with children

- . social security and workforce issues
- . income support for the aged

Finally, the paper outlines some of the major principles of income security measures; equity, coverage and redistribution and the question of facilitating transition to employment for people of workforce age. Two major objectives of social security reform are identified: redistribution to low income people and their families and protection through the vulnerable periods of the life-cycle. The interaction of the tax and social security systems is touched upon.

INCENTIVES; INCOME DISTRIBUTION.

- 92 CASS, Bettina (1986), 'Family assistance: income support for families with children - options for reform', in AUSTRALIAN COUNCIL OF SOCIAL SERVICE, **Social Justice: the Struggle Ahead**, Proceedings of the ACOSS Congress, Sydney, Australian Council of Social Service:4-15.

There are several related principles on which the objectives of family income support are based: horizontal equity, vertical equity, intra-family equity and the reduction of work disincentives. 'Income support for families with children in Australia can be classified into three closely related components: a universal program of family allowances, income-tested additional assistance for low income families, and tax relief for taxpayers with children. Economic, social and demographic changes which have had a significant impact on the circumstances of families have necessitated a review of income support. Of major importance in the economic circumstances of families is the marked increase in the number of low income families dependent on pension or benefit because of unemployment or sole parenthood, and the increase in the number of children in poverty. A number of issues have been raised in recent years about the Australian system of income support for families with children. The issues of horizontal equity, international comparisons, income support for larger families, families with younger children and families with older children, vertical equity, income support for sole parent families, intra-family equity, and income-testing are further areas for reform for which options are presented. The fundamental issue is for groups within the community to debate the value which they place on maintaining the disposable incomes of families with children; the value which they place on alleviating poverty in families; the value placed on facilitating parents' transition to work and on redistributing income to the parent who cares for children.'

FAMILY ALLOWANCES; INCENTIVES, INCOME DISTRIBUTION; INCOME (MEANS/ASSETS) TEST.

- 93 CASS, Bettina (1986), **Income Support for Families with Children**, Canberra, Social Security Review, Issues Paper, No.1, 126pp.

This paper is intended to generate public discussion about the issues involved in the reform of income support for families with children. It starts by looking at the objectives of income support for families and the principles on which they are based - horizontal equity, vertical equity, intra-family equity and the reduction of work disincentives. The changes in the Australian family since the late 1960s and the current system of child income support is described. The latter consists of three elements: the universal programme of family allowances, income-tested additional assistance for low income families, and, tax relief for taxpayers with dependents. Chapter 5 explores whether or not assistance for children might be provided through a tax rebate or tax credits or through income-splitting arrangements in the tax system for married couple taxpayers. The main issues to be considered here are: Frequency of delivery - is assistance paid regularly? Vertical equity - are low income families able to benefit? Do higher income families derive greater benefit? Visibility - is it clear that the tax measure or direct payment is provided as assistance for children? and Intra-family equity - is assistance provided to the parent primarily responsible for children's care? Other questions to be asked are: is the present balance of direct payments and tax relief appropriate and equitable; should greater emphasis be placed on direct payments or should a greater proportion be returned to the tax system? In a period of public expenditure restraint, future directions of reform must focus on greater assistance to low income families, minimise work disincentives and support the transition to employment. The periods of greatest need in families must also be recognized; particularly when children are young, families are large or have a child with a disability.

FAMILY ALLOWANCES; INCENTIVES; INCOME DISTRIBUTION; INCOME SPLITTING; REBATES.

- 94 CASS, Bettina (1986), 'Income support: options for families', in **Income Support Seminar, Melbourne, December, 1986:7-22.**

Since 1976 families with children have seen a decline in disposable income due to the non-indexation of programs in the tax/transfer system, with families bearing a greater share of the effective tax burden. The Social Security Review asks how the following two principles can be pursued and strengthened: (1) that the use of the tax/transfer system to redistribute income to families with children through family allowances is a matter of tax equity, maintaining fairness in the tax system for taxpayers with dependent children; and, (2) the use of the tax/transfer system to redistribute additional income to low income families with children where the parents are outside the workforce is a matter of vertical equity. It sees the following as goals: rectifying the anomalous treatment of children in the social security system; the extension of tax reform and the targeting of tax relief measures specifically to families; wage equity for employees with children; and, adequacy of income-tested payments for children of pensioners, beneficiaries and low income earners. 'Reform of income support for families with children through the social security system is a fundamental counterpart to tax reform and wage fixation, since all three processes of income distribution and redistribution affect the disposable incomes of families.'

FAMILY ALLOWANCES; INCOME DISTRIBUTION.

- 95 CASS, Bettina (1987), 'Family policy and the tax/transfer system', in **The Welfare State: Achievements - Problems - Prospects, 1987 RAIPA Autumn Seminar, 7-8 April 1987, Australian National University, Canberra Bulletin of Public Administration, (51), May: 76-82.** Also published in SAUNDERS, Peter and JAMROZIK, Adam (1987), **Social Welfare in the late 1980s; Reform, Progress, or Retreat?** SWRC Reports and Proceedings, No. 65:169-181.

'This paper is concerned with developing a family policy in the tax/transfer system which addresses two major and related issues: the provision of greater equity for families with child-rearing responsibilities through the restructuring of general family income support programme, and the redistribution of more adequate support to low income families', paying particular attention to those parents unemployed or outside the work force. The present social security system contains some anomalies and weaknesses which have become apparent since the economic and labour market changes of the 1970s. Social security measures must be carried out in conjunction with positive employment policies with the aim not of poverty alleviation but protection from poverty. The social impact of unemployment is discussed. The anomalous treatment of payments for children in the tax/transfer system is also described. The Social Security Review sees the following goals for reform of income support for families with children: (1) Rectification of the anomalous treatment of children in the social security system, (2) The extension of tax reform, (3) The provision of a counterpart to wage fixation - wage equity for employees with children, (4) Adequacy of payments, and (5) The minimisation of work disincentives and the support of parents' transition to work. These objectives suggest measures which substantially increase additional pension/benefit and Family Income Supplement; recognize the increased costs of older children; integrate payments for children into one payment where the basic eligibility criterion is low income; provide child-related payments while parents make the transition to the labour force; raise the threshold for receipt of Family Income Supplement; increase rent assistance; direct income-tested children's payments to the parent caring for children; and index all income-tested additional payments for children. The paper notes the strengths of the argument for maintaining the universal system of family allowances as a tax equity measure and a measure for directing resources to the mother. Areas of special need are defined as: one or more pre-school children in the family; families with four or more children; sole parent families and families with a child with a disability.

FAMILY ALLOWANCES; INCENTIVES; INCOME DISTRIBUTION; UNIVERSALITY.

- 96 CASS, Bettina, KEENS, Carol, and MOLLER, Jerry (1981), 'Family policy Halloween: family allowances: trick or treat?' **Australian Quarterly, 53(1), Autumn:56:73.**

This paper examines changes in the treatment of dependent children under tax and welfare systems in Australia in the period 1975-1980. It also examines the conditions under which the concept 'family policy' was placed on the political agenda in the late 1970s. The Family Allowance scheme is contrasted with the Dependent Spouse Rebate. Family allowances replaced the dual system of child endowment and tax concessions in 1976, but failure to increase the rate of payment in the period 1976-80 meant erosion of its real value, so that families with dependent children

have not benefited while the government has saved money. In contrast, the Dependent Spouse Rebate has increased in value by 100 per cent since its introduction in 1975/76 and many who receive it have no children at all.

FAMILY ALLOWANCES; REBATES.

- 97 CASTLES, Ian (1987), 'Government welfare outlays: who benefits? Who pays?', in **The Welfare State: Achievements - Problems - Prospects**, 1987 RAIPA Autumn Seminar, 7-8 April 1987, Australian National University, **Canberra Bulletin of Public Administration**, (51), May:47-56.

This paper explains how and why the Australian Bureau of Statistics study '**Effects of Government Benefits and Taxes on Household Income** (Cat.No.6537.0) was undertaken, assesses some of its strengths and weaknesses, and presents some examples of the way in which the information can be used to assess the redistributive effects of government taxes and benefits. The information came from the 1984 Household Expenditure Survey, ABS Public Finance data and several other ABS sources. The study shows income redistribution for all households and for households of a single type, (e.g. for married couple only households). It is pointed out that it is not the purpose of the study to contribute to the discussion on important aspects of public policy but to enhance the capacity of others to do so. See also the article by the author in SAUNDERS, Peter (ed.) (1987), **Redistribution and the Welfare State: Estimating the Effects of Government Benefits and Taxes on Household Income**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.67:1-38.

INCOME DISTRIBUTION.

- 98 CCH AUSTRALIA LIMITED (1974), **Preliminary Asprey Report: Implications for the Australian Taxation System**, Sydney, CCH Australia Limited, 78pp.

'This book is designed to provide a comprehensive summary of the considerations, recommendations and conclusions of the Taxation Review Committee in the Preliminary Report with particular emphasis on those areas of particular interest - for example, capital gains tax, company tax, taxation of goods and services.' It gives the historical background to the Report, summarises the proposals, the objectives of a tax system, the question of progressivity and the goals of tax reform.

INDIRECT TAXATION; TAX BASE.

- 99 CCH AUSTRALIA LIMITED (1985), **Tax Reform Proposals**, North Ryde, NSW, CCH Australia Limited, 63pp.

'This special CCH Report has been prepared by the CCH tax editors on the spot in Canberra. It contains full details of all the tax measures announced by the Treasurer, (September 1985). For full details see AUSTRALIA - Treasury (1985), **Reform of the Australian Taxation System: Statement by the Treasurer...** earlier in this bibliography.

TAX EXPENDITURES.

- 100 CHISHOLM, A.H. (1972), 'A negative income tax and low income farm families', **Australian Journal of Agricultural Economics**, 16(2), August:102-114.

'An efficient procedure is proposed for making welfare payments to low income farm families. This is a negative income tax. It uses the income tax system for linking directly transfer payments to income needs, without unduly adverse effects on resource allocation. The negative income tax proposal is considered in relation to rural adjustment and reconstruction.'

GUARANTEED MINIMUM INCOME.

- 101 CLARK, Colin (1980), 'Economics and the family', in *National Seminar on the Family*, University of Melbourne, August 1980, Melbourne, Australian Family Associations:84-89.**

This paper 'explores the influence of economics on the family, including the effect on breaking up extended families and on birth rate. The author argues that the taxation and social services system work toward breaking up families. Reforms are proposed which would encourage reforming and continuation of families. As per head costs are lower for family units, taxation and social services should be based on a family unit and calculated per head. Details of a proposed reverse taxation system and income splitting provisions are presented.'

GUARANTEED MINIMUM INCOME; INCOME SPLITTING; INCOME UNIT.

- 102 COLLINS, David (1979), 'The tax-transfer treatment of the unemployed', *Australian Quarterly*, 51(3), September:29-36.**

'This article examines the treatment of the unemployed by the income tax and unemployment benefits systems and compares their treatment with that accorded to employed taxpayers and to other social service benefits recipients. There appears to be a deliberate discrimination against the unemployed both in terms of the level of benefits and the implied taxation treatment of these benefits. Proposals for the comparable treatment of the unemployed and recipients of other government transfers are presented.'

COMPARATIVE STUDIES; INCENTIVES.

- 103 COLLINS, D.J. (1983), *Some Major Issues in Australian Tax Reform*, Paper at Sixth National Conference of Labour Economists, University of Sydney, October 1983,12pp.**

This paper attempts to explore some of the principles of the design of tax systems and puts forward a range of reform proposals which constitute a package and which it maintains, must be treated as a package as the measures proposed are mutually reinforcing. Tax avoidance and evasion are examined as to the extent, the implications and some possible strategies for dealing with them, such as a capital gains tax, the taxation of fringe benefits, and joint or family taxation to remove the benefits of income-splitting devices such as family trusts and family companies. It recommends the substitution of a general consumption tax (VAT being the preferred tax) for the current regime of indirect taxes and the adjustment of social security cash payments policies to correct for any perceived distributional costs of the switch to a broad-based tax.

INCOME SPLITTING; INCOME UNIT; INDIRECT TAXATION; TAX BASE.

- 104 COLLINS, David J.(ed.) (1985), *Major Issues in Australian Tax Reform*, Sydney, Australian Tax Research Foundation, Conference Series, No.3, 92pp.**

The papers in this volume are from a conference jointly organised by the Australian Tax Research Foundation and the Committee for Economic Development of Australia in advance of the 1985 Tax Summit. The first paper by the editor surveys some of the main issues of tax reform 'without attempting to provide solutions'. It presumes the desirability of tax reform, which is itself not totally uncontroversial. It concludes that 'Any review of the Australian tax system cannot be complete without a review of State taxes and of Federal/State financial relations.' For a discussion of papers relevant to this bibliography see:

MATHEWS, Russell	Distributional equity, tax neutrality and tax effectiveness: issues in tax reform.
DIXON, Daryl	Income tax avoidance and evasion.
WATSON, Ian	Strategy for tax reform.

- 105 COLLINS, D.J. (1986), 'Tax rate implications of changing the tax mix', in HEAD, John G. (ed.), **Changing the Tax Mix**, Sydney, Australian Tax Research Foundation:189-200.

'The rates of indirect consumption tax required to achieve a specified (25%) reduction in personal income tax collections plus a variety of other possible tax substitutions at the federal and state level are computed for three alternative specifications of the sales tax base (comprehensive, broad and narrow). The cost of certain specific and limited concessions in the personal income tax rate scale (and associated provisions and allowances) is also presented, along with a menu of alternative personal tax reductions which could be achieved at a revenue cost of \$200m. Finally, and perhaps most importantly, Collins presents a number of alternative linear and progressive rate schedules which could be achieved at a revenue cost of \$6 billion, about the order of magnitude under consideration in the context of major tax mix change, and provides estimates of their likely redistributive effects.'

INCOME DISTRIBUTION; INDIRECT TAXATION; RATE SCALE; TAX BASE.

- 106 COLLINS, David (1987), 'A view of flat rate taxation', *Tax Matters*, (14), June: 1-2, 4. Also published in *Economics*, 22(3), November 1987:32-34.

This paper is an overview of the advantages, disadvantages and practicality of flat rate taxation in view of the proposals originating from the Queensland Branch of the National Party for flat rate taxation prior to the July 1987 elections. It begins by examining what is meant by the term flat rate taxation under three variants: the 'pure' flat rate; the 'linear' tax as proposed by the Queensland National Party and taxing the threshold, such as the proposal emanating from the Centre of Policy Studies which involves the return to low-income recipients of the tax they would pay at the threshold by the use of means-tested non taxable social security benefits. Another such proposal by DIXON et al. (Tax Credits and Reform of the Tax and Social Security Systems) is also mentioned. These proposals are evaluated under three broad headings: reducing tax creep; increasing work incentives; and reducing tax avoidance and evasion. The major problem of the flat tax is seen as its distributional implications. The alleged benefits of flat or linear taxes are largely illusory and are available through other policies which are not so distributionally harsh.

INCENTIVES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; RATE SCALE; THRESHOLD.

- 107 COLLINS, D. J. and DRANE, N.T. (1982), **The Incidence of Expenditures of Social Welfare Cash Payments in the 1981/82 Federal Budget**, Ryde, Centre for Studies in Money, Banking and Finance, Macquarie University, Working Paper, No.8251B, 86pp.

The greatest increase in Federal Budget expenditure in the last ten years has been in social welfare and it is important to ask whether payments are going to those in the most need. This paper presents estimates of the incidence of expenditure on social welfare payments in the 1981/82 Budget and considers some possible policy implications of these results. Conclusions depend upon whether the primary object of these payments is poverty relief and if so, upon the definition of poverty. The overall conclusion is that the degree of poverty is reduced but it is not eliminated. Several individual benefits are considered and with the exception of family allowances all involve some sort of income testing. Clear inconsistencies of eligibility emerge as some benefits are both means tested and taxed, some are income tested only and some are neither income tested nor taxed. The disincentive effects of high marginal tax rates are touched upon. Finally, income testing applying to most benefits relates to family income, and while there is widespread opposition to family unit taxation there is virtually no opposition to the family unit implicit taxation (usually at high rates) involved in the social security system. Opposition is never as vocal when it applies solely to the poor.

FAMILY ALLOWANCES; INCENTIVES; INCIDENCE; INCOME(MEANS/ASSETS)TEST; INCOME UNIT.

- 108 COLLINS, David J. and MADDEN, Graham M. (1987), **Implications for Tax Revenue and the Distribution of the Tax Burden of Personal Income Tax Reforms**, Sydney, Australian Tax Research Foundation, Research Study, No. 5, 21pp.

This paper aims to fill a gap in which lack of information has inhibited public discussion and analysis of reform of the personal income tax. It provides a 'menu' of reforms available at a given revenue cost. It presents revenue and distributional estimates for the personal income tax for the years 1985/86 to 1987/88. It assumes that changes in the personal income tax system do not provide an incentive for taxpayers to work harder or less hard or incentives to evade or avoid taxes. It looks at revenue costs and distributional effects for the three years under the headings: tax rate changes; tax rate threshold changes; dependents' rebates; State and Federal tax surcharges; income tax reductions available at a revenue cost of \$200m, 1987/88 regime; and, flat and linear taxes.

INCENTIVES; INCOME DISTRIBUTION; RATE SCALE; THRESHOLD.

- 109 CONLEY, Margaret (1985), 'Tax deductions for childcare could force some women out of the workforce', *Australian Social Welfare: Impact*, 15(3), May:7.

Tax deductibility for childcare is regressive as those with the highest incomes would attract the highest level of deductions, which means a subsidy for wealthy parents and nothing at all for low income parents. Converting the deduction to a tax rebate would reduce but not solve the problem. It is argued that if tax deductibility were introduced the present informal system of childcare would become more formalised and therefore more expensive. This means that many low income women would be forced out of the workforce as they cannot afford formal childcare. Tax deductions would not benefit those on incomes too low to attract deductions, such as sole parents, the unemployed, carers of handicapped children at home needing respite care, etc. More satisfactory assistance could best be provided by the government through the outlays side of the budget rather than through tax concessions.

DEDUCTIONS.

- 110 COX, Eva (1982), 'The price of reducing poverty', *Australian Society*, 1(5), December: 21-22.

Recent figures from the Australian Bureau of Statistics show that Australian society is 'grossly unequal in the way it distributes income.' Also, while the tax system is progressive, it is not as progressive as many would like it to be. This article highlights the problems inherent in a social security system based primarily on means-tested benefits. 'The main issue appears to be whether income maintenance programs are seen as being purely for the relief of poverty, or as working towards the diminution of inequality. The present system of means-tested benefits, however, are not paid for by the wealthy but by middle-income earners, who, because they lose any entitlement to payment and are unlikely to gain any tax relief in exchange, resent welfare recipients, who in turn feel stigmatised. Policy makers must look at alternatives that reduce stigma and inequalities as well as poverty. 'The costs of reducing poverty should not be at the expense of the creation of a greater division between haves and have nots.'

INCOME DISTRIBUTION; INCOME (MEANS/ASSETS) TEST; UNIVERSALITY.

- 111 COX, Eva (1986), 'Response to Issues Paper: principles for reform of income support for families with children', in *Income Support Seminar*, Melbourne 1986:62-76.

This paper examines the Social Security Review's Issues Paper, No.1, *Income Support for Families with Children*, by Bettina Cass. It attempts to look at the components of families as well as at the unit and works from the basic premise that the object of reform is the abolition of poverty rather than its temporary alleviation. It begins by analysing labour force participation and goes on to look at income security for children. There has been a growth in the number of children living in families dependent on sole parent pensions, and unemployment and sickness benefits. Their poverty is due to (1) these payments were never intended to be long term support and (2) child allowances in pensions have not been indexed. Another factor to be considered is lone parent families, particularly female-headed ones. The effect that Family Allowances and Family Income Supplement have are examined, including their effects on labour force participation due to the interaction of the tax and social security systems. It would seem logical to extend universal payments, such as Family Allowances, and Handicapped Child Allowance and the Double Orphan's Pension, as means tested benefits tend to have low take up rates and act as work disincentives. The following principles for reform are seen to be necessary: (1) adequacy; (2) vertical equity; (3) horizontal equity; (4) neutrality; and, (5) incentives must be provided for people to move towards earned income. Trade-offs between these will be necessary in the present economic and political climate. In addition, there must be a sole parent assistance package incorporating training and further education, supported job search and work experience, priority to funded child care, and personal support and counselling.

FAMILY ALLOWANCES; INCENTIVES.

- 112 COX, J.P. (1985), **Low Incomes, Welfare and Tax Reform**, Melbourne, Centre of Policy Studies, Monash University, Mimeographs, No.E24, 14pp.

This paper argues 'that moving towards flatter rates of income tax will not involve any significant sacrifice of equity objectives.' Its particular concern is with people who can earn only low incomes. 'The tax threshold, the dependent spouse rebate and other rebates are designed to ease the tax burden for low income individuals. But while some individuals with low incomes are in need of government assistance, others might reasonably be expected to take up a larger share of the tax burden. Moreover the tax threshold flows through to higher income individuals thus requiring marginal tax rates to be higher than would otherwise be the case. There is considerable scope for savings by restricting the value of tax threshold and rebates to those in need of them in effect by income testing. These savings could be used to lower marginal income tax rates.' The arguments presented here, it is claimed, are also relevant to the questions of which low income earners should be compensated for the introduction of an indirect tax and how they should be compensated.

INDIRECT TAXATION; RATE SCALE; REBATES; THRESHOLD.

- 113 COX, J.P. (1985), **Taxation, Social Security and the Family**, Melbourne, Centre of Policy Studies, Monash University, Discussion Paper Series, no.D89, 44pp.

This paper examines the taxation treatment of the family. It begins by providing a brief discussion about the role of families in economic life and how family structures may react to changes in economic conditions. The objectives of taxation and social security policies as they affect families are then discussed. First, policies that would be followed if the government was concerned only with the economist's objectives of efficiency, equity and simplicity, second, examination of the ways in which existing policies have adverse efficiency effects and third, the principles that govern the extent and nature of government redistributions to interest groups and even powerless groups, including families, are discussed. Finally, a number of policy issues concerning taxation of the family are examined: (1) Whether taxation liabilities or social security entitlements should be based on the individual or the family unit. (2) What the definition of income (or consumption) should be for taxation purposes. (3) Whether a shift from direct to indirect taxation would amount to a tax on women, and whether social security payments should be made available to the breadwinner or the parent with control of children, and (4) the income tax rate scale.

INCOME DISTRIBUTION; INCOME UNIT; INDIRECT TAXATION; RATE SCALE; WOMEN.

- 114 COX, J.P. (1986), 'Economic growth and income support policy in Australia', **Economic Record**, 62 (178), September:268-285.

'This paper examines the growth in welfare spending in Australia over the 20 years from the early 1960s to the early 1980s. Particularly for pensioners and beneficiaries with children, the levels of benefit and high tax rates implicit in the tax and social security systems are shown to create disincentives over wide ranges of private income. A careful examination of the evidence indicates that more generous levels of benefits had a modest but significant part in the growth of unemployment since 1970. The paper concludes by suggesting that the efficiency costs of meeting society's distributional objectives can be minimized by targeting assistance to the most needy and by the careful use of income testing.'

INCENTIVES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; RATE SCALE.

- 115 COX, J.P., BASCAND, G.M. and GALLAGHER, P. (1985), **Poverty Estimates and their Implications for Policy**, Melbourne, Centre of Policy Studies, Monash University, Discussion Paper, 36pp.

This paper was presented at the 14th Conference of Economists, Sydney, 1985. It analyses data from the 1981/82 Income and Housing Survey to provide information for the present interest in the relationship between the taxation and social security systems. It begins by looking at the characteristics of low income persons which it maintains is important as the income tax is based on the individual and seems likely to remain so. It is found that the largest group of persons in the low income population is those who do not work, with another large group being persons

who work part time. Persons with business income are more likely to have low incomes than wage earners, and husbands form only a very small group of low income wage earners. The paper questions the efficiency of the tax threshold and maintains that at the very least, it ought to be allowed to continue to drift downwards in real terms. The next section reports on the characteristics of low income families as the social security system is based on a test of family income. The circumstances of low income families in relation to needs is also discussed by considering income after housing costs and the use of equivalence scales. It is argued that the distribution of family unit income after adjustment for needs is more equal than the original distribution of income. Section 4 of the paper provides estimates of the percentage of families living below the Henderson poverty line and finds that between 1978-79 and 1981-82 families with children, particularly sole parent families, increased their share of the poverty population. It concludes that a flatter income tax structure combined with targeted social security measures would be a better means of alleviating poverty. Another possibility would be to extend the family income supplement to a wider range of families with children and needy couples and individuals without children. One way in which this might be done would be to incorporate a housing costs component in the scheme. Rental assistance should not be made available for persons under 25 years of age. A proportional tax should be supplemented by tax free, income-tested benefits.

INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; RATE SCALE; THRESHOLD.

- 116 COX, Jim and FOSTER, Chris (1986), 'Tax changes and social welfare', in HEAD, John G. (ed.), **Changing the Tax Mix**, Sydney, Australian Tax Research Foundation:133-154. Also published as Centre of Policy Studies, Monash University, Discussion Paper Series, no.D90.

This paper reviews the difficult problems involved in designing a comprehensive compensation package to protect low-income families from the effects of a broad-based consumption tax. As households with the lowest incomes tend to be outside the personal income tax system this has to be done through the social security system, but this can not offset all the adverse distributional effects. The reasons for this include: many people with low incomes are not social security recipients; the income needs and expenditure patterns of beneficiaries differ and indexation of the consumer price index is no guarantee of protection. The paper does not discuss the long-term, distributional effects of indirect tax but the immediate impact on poorer families.

INCOME DISTRIBUTION; INDIRECT TAXATION.

- 117 DADDOW, Newton (1986), 'Australia's rising tide of poverty', **National Outlook**, 8(9), October:9-12.

Poverty in Australia is compounded by a crisis in housing and unemployment. There is an increasing gap between those on lower incomes and the wealthy which was made even wider by the proposed tax changes in the 1986 Budget. Over the years there has been a change in the composition of those in poverty. Between 1972/73 and 1981/82 there has been an increase in poverty for single parent households and families with three or more children. 'A contributing factor to higher poverty rates in these groups has been the non-indexation of a substantial proportion of the pension/benefit payments to households with children... Families with children are treated poorly by current taxation and social security arrangements. This applies to families generally and to low income families in particular.' The taxation reform package that resulted from the Taxation Summit of 1985 made provision for a reduction of poverty traps, a measure that was postponed in the 1986 Budget. This deferral of poverty traps legislation together with the postponement of increases in pensions and benefits has caused anguish and disillusionment among those most affected. The article goes on to explain how the poverty trap is caused by the interaction of the taxation and social security systems. It concludes that the proposed tax changes are still largely regressive and would be 'much fairer if the money available from tax reform were directed to targeted income security increases, higher family allowances, and higher tax thresholds at which marginal tax rates apply, rather than reducing the rates.'

FAMILY ALLOWANCES; INCOME DISTRIBUTION; POVERTY TRAPS; RATE SCALE; THRESHOLD.

- 118 DISNEY, Julian (1986), 'Income security and taxation', in Australian COUNCIL OF SOCIAL SERVICE, **Annual report, 1985-86:16-17.**

Income security and taxation issues continue to be major priorities for ACOSS policy development and advocacy. This article outlines the work of the Council over the 1985-86 period in these areas, beginning with the Taxation Summit in 1985. There is a continued call for more effective capital gains tax, the introduction of a moderate wealth tax, and vigorous attacks on rampant avoidance and evasion of corporate tax. Further reform of the tax system should not be aimed solely at raising additional revenue but also designed to remove tax loopholes and inequities. The main reforms proposed are: restricting tax concessions on superannuation so that they apply only to genuine retirement savings; removing exemptions and concessions which deter efficient allocation of resources and harm the balance of trade; reducing tax avoidance schemes involving income-splitting or the use of trusts; extending the prescribed payments system to reduce tax evasion on cash transactions; and substantially modifying or delaying the income tax cuts proposed for the 1989/88 year which principally benefit high income earners. ACOSS continues to oppose a broad-based consumption tax.

DEDUCTIONS; INCOME SPLITTING; INDIRECT TAXATION; RATE SCALE; TAX BASE; TAX EXPENDITURES.

- 119 DISNEY, Julian (1986), 'Misrepresenting welfare debates', **Australian Social Welfare: Impact**, 16, October: Inside front cover.

'The author points out some of the misconceptions and misrepresentation in the debate on welfare issues. He corrects over-favourable impressions of the "work for dole" schemes in the United States and the US income tax reforms. Inconsistencies in the attacks on welfare fraud and welfare spending are noted, in the context of silence about tax fraud and perks.'

INTEGRATION.

- 120 DISNEY, Julian (1987), 'Poverty, welfare and tax reform', in **The Welfare State: Achievements-Problems - Prospects**, 1987 RAIPA Autumn Seminar, 7-8 April 1987, Australian National University, **Canberra Bulletin of Public Administration**, (51), May:15-19.

This paper opens by describing the confusion about the definition and measurement of 'welfare' expenditure which can have serious practical consequences in public debate and government decision making. Whichever definition is used, it must include assistance provided through the tax system. Most forms of welfare, with the exception of social security, are not highly targeted and even provide greater assistance to higher income groups, e.g. superannuation concessions, exemption from capital gains of the family home and education expenditure. Tax reform is very important as the tax system remains a major cause of social injustice and an impediment to economic efficiency. The primary objectives should be to remove loopholes and improve enforcement. These loopholes include such things as superannuation concessions, the non-collection of taxes owed on interest and dividend income, exemption to gold mining companies, favourable treatment to business debt and interest repayments to overseas institutions. There has been excessive and unwarranted attention paid to reducing the budget deficit and decreasing government expenditure. Those calling loudest for equality of sacrifice in current economic times are often those who have profited inordinately from them, while those least able to pay have born the heaviest burden. The government has failed to recognize these inequalities let alone rectify them. Public opinion must be informed and influenced if poverty and inequality are to be redressed.

DEDUCTIONS; TAX EXPENDITURES.

- 121 DIXON, Daryl (1985), 'Costs and benefits of occupational superannuation tax concessions' **Economic Papers**, December:38-54.

The past decade has seen significant debate around the magnitude of the largely hidden government expenditures which benefit employees who are members of employer-sponsored occupational superannuation schemes. The

argument is largely around the uncertainty about the counterfactual position, i.e. what would be the situation if the tax concessions did not exist. It has been argued that concentration on the costs detracts from the benefits many feel accrue from the concessions. This paper attempts to systematically examine the costs and benefits of the tax expenditures. First the methodological issues are discussed then it presents the results of basic financial modelling, including the 'break-even' rates of taxation on benefits which would be necessary to recoup all the tax expenditures, including unfunded schemes. In unfunded schemes 'break-even' rates can exceed 100 per percent; break-even rates are only slightly lower in the case of benefits paid by way of annuity than for lump sums payments; the concessions for unfunded schemes are approximately the same as for funded schemes offering the same benefits; the costs of the concessions increase significantly with the rate of earnings on investment and the associated costs of government borrowing; break-even rates are lower for employees where contributions are nondeductible; and break-even rates for higher marginal rate taxpayers are likely to exceed present tax collections/social security savings, while the converse applies for low marginal rate taxpayers are likely to exceed present tax collections/social security savings, while the converse applies for low marginal rate taxpayers. Tables 2 and 3 summarise the combined effects of taxation and social security provisions on superannuation benefits.

TAX EXPENDITURES.

- 122 DIXON, Daryl (1985), 'Income tax avoidance and evasion', in COLLINS, David J. (ed.), **Major Issues in Australian Tax Reform**, Sydney, Australian Tax Research Foundation, Conference Series, No.3:41-45.

This paper reflects on the nature of the taxation and social security systems 'on the basic assumption that both systems will continue to be faced with major problems associated with avoidance and evasion activities...The general theme of this paper is that there is scope for fundamental reform to simplify both the basic conception of our tax and social security systems and also the systems design to deal directly with the problems raised by avoidance and evasion. It is suggested that, while fines and penalties will play an important role in any tax system, a fundamental change in attitudes which places lesser reliance on fines and penalties for non-compliance and greater emphasis on systems design would be more productive of revenue, result in a more tolerable taxation system and allow scope for a more compassionate social security system. Essential components of the systems design would be broad-based withholding taxes on incomes at source, self-policing provisions and simplification of the tax and social security arrangements.' Various blueprints are discussed. 'Explicit protection of the lowest income groups in society is proposed via an integrated or co-ordinated taxation and social security system. Such protection is not likely to be best achieved by blanket exemptions such as universal tax thresholds, pensions and benefits.'

INTEGRATION; TAX BASE.

- 123 DIXON, Daryl A. (1986), 'Suggested refinements of the Treasury costings of the occupational superannuation tax expenditures', **Australian Tax Forum**, 3(2):223-232.

The Treasury has estimated that tax expenditures for occupational superannuation cost some \$2.6 billion annually. This figure is not generally accepted by industry representatives who argue that it is based on unrealistic assumptions in describing the case of what would happen if tax expenditures did not exist. Also, annual estimates of costs measure only net outlays involved in the given year which provide little indication about the likely future returns or overall costs and benefits. This paper examines the basis of the Treasury estimates of expenditures and assumptions and their critics. The second section covers problem areas concerning unfunded schemes and the costs of deferral. The third section considers the present treatment of revenues received and the final section presents an overview and discussion of policy implications. It is concluded that if present estimates are taken solely as an annual accounting of tax expenditures, it is reasonable to conclude that they understate current year costs.

TAX EXPENDITURES.

- 124 DIXON, Daryl and FOSTER, Chris (1982), *Alternative Strategies to Meet the Income Needs of the Aged*, Canberra, Social Welfare Policy Secretariat, 39pp.**

This paper argues that existing retirement income policies are not integrated effectively and therefore result in inequities. Reassessment is necessary because the population will continue to age; a high percentage of the aged population will continue to receive a pension; sustained increases in real standards of living of the working population and their families are unlikely; and, major welfare problems such as poverty could continue. The paper begins with a brief history of alternative sources of income for people in retirement such as: age pensions, occupational superannuation benefits, income from personal exertion and accumulated savings and property income. Among current problems are those of 'double dipping', and major problems associated with superannuation, including low coverage, inequitable distribution, taxation arrangements encouraging non-contributory schemes, payment by way of lump sum, and a lack of security requirement, (e.g. restrictions on the amounts that can be invested in the businesses of the members' employer) which would aid the protection of assets owned by funds. Three propositions are examined under the headings: (1) The age pension is a valuable asset, (2) Tax concessions for occupational superannuation are also valuable to certain individuals, and (3) Existing policies with respect to the age pension and occupational superannuation could be more effectively targeted. Three alternative strategies for Government assistance are then examined; (1) Provide all assistance through either the pension or the tax system, (2) Provide assistance through both but have no restrictions on the total amount of subsidy that individuals can receive; and (3) Provide assistance through both but have restrictions on the total amount of subsidy that individuals can receive. These alternatives are evaluated and the conclusion is that policies which encourage occupational superannuation arrangements as, and only as, an alternative to income support via the age pension are the preferred because they would give governments greater flexibility in framing future Budgets; they would lead to increased scope for concentrating outlays in areas of more pressing need or in raising the base level of age pension for those without private means of support; they have the potential of increasing the total resources available to persons in their old age above what the Government could make available; and they enable individuals greater scope for satisfying their needs for retirement income. 'The paper also demonstrates the potentially enormous outlays involved in the present arrangements which permit double-dipping.'

INTEGRATION; TAX EXPENDITURES.

- 125 DIXON, Daryl and FOSTER, Chris (1982), 'Welfare and taxes: some issues in the financing of welfare', *Australian Quarterly*, 54(1), Autumn:17-29.**

This paper critically assesses the claim that people have a right to receive an age pension because of their income tax payments over their working life. It is concluded that most people could not have paid, or are likely to pay, sufficient income tax to justify a pension. The continued advocacy of the view that people have paid for their pension through income tax makes it difficult to evaluate properly the merits of proposals to change the way in which welfare is financed and how it is allocated. Greater integration of the tax and social security systems may be required if alternative means of financing and allocating welfare payments are to be designed. Resources can be rationed by one or a combination of the following: making use where possible of charges or contributions; applying tests and eligibility criteria through the social security system; and using the tax system to achieve the desired distribution of income.

INCOME DISTRIBUTION; INCOME(MEANS\ASSETS)TEST; INTEGRATION; TAX EXPENDITURES.

- 126 DIXON, Daryl and FOSTER, Chris (1983), *An Alternative Path to Integration of Social Security and Personal Income Tax Arrangements*, Sydney, Australian Tax Research Foundation, Occasional Paper, No.1, 20pp.**

After going into some of the problems associated with the interaction of the social security and personal income tax systems (including the very high effective combined income test/tax rates for pensioners and beneficiaries compared to other tax payers), this paper proposes a simple change to improve the present system which would be consistent with the ultimate introduction of a Guaranteed Minimum Income Scheme such as that proposed by the Henderson Commission of Inquiry Into Poverty, *Poverty in Australia: First Main Report* (1975) and/or a national superannuation scheme. These improvements include: - a clear definition of the responsibilities of the tax and social security administrations, - the exemption of most persons subject to social security tests from also submitting

to the tax system at the same time in respect of the same income, - a clear definition of the time period of the coverage of the social security and taxation provisions, and, - reduced scope for non-compliance with the provisions of both the tax and social security systems.

INCOME(MEANS/ASSETS)TEST; INTEGRATION; RATE SCALE.

- 127 DIXON, Daryl and FOSTER, Chris (1983), 'Integration of the Australian tax and social security systems by a linear tax: problems and benefits', in HEAD, John G. (ed.), **Taxation Issues of the 1980s**, Sydney, Australian Tax Research Foundation:99-117.

This paper looks at the problems and benefits that could result from an integration of the social security and tax systems by means of a linear tax. Integration would involve both systems sharing the same unit of assessment (individual, family or household), the same definition of income, the same time period for taxation and payment of benefits, and the same marginal rate of tax. One major difficulty is that both systems pursue separate objectives. Some of the advantages of an integrated system often suggested are greater take-up of benefits and pensions by eligible people because the extent of stigma would be reduced; greater community support for higher level of pensions and benefits; more consistent treatment of pensioners and beneficiaries and lower administrative costs. This paper, however, finds them debatable, and concludes that the major administrative problems and unresolved design issues make present integration unfeasible. It may be more feasible to consider arrangements which ensure that pensions subject to the income test are not also subjected to personal income tax. This would also allow tax reform to proceed independently to changes to the social security system.

INCOME(MEANS/ASSETS)TEST; INCOME UNIT; INTEGRATION; RATE SCALE.

- 128 DIXON, Daryl and FOSTER, Chris (1983), 'Social welfare finance: the future', in MENDELSON, Ronald (ed.), **Australian Social Welfare Finance**, Sydney, Allen & Unwin:39-57.

'This chapter examines some key variables which are likely to affect future demands on the public welfare sector and then considers aspects of the existing system which may militate against continuing community support... it concentrates on... the social security sector.' After a brief overview of existing arrangements and commitments, it examines emerging commitments and demographic trends, particularly the ageing of the population and a worsening dependency situation. Two options available to the Commonwealth Government are considered: (1) in some way increase the real burden of taxation on the working population, and (2) to alter existing commitments and reduce future outlays. An acceptable, fair and flexible system of social security will not be possible unless it is accompanied by a sustainable taxation, which in turn will need to be responsive to economic performance.

INCIDENCE; TAX EXPENDITURES.

- 129 DIXON, Daryl and CROMPTON, C. (1983), **Social Welfare Financing: Implications of an Ageing Population**, Canberra, Social Welfare Policy Secretariat, 12pp.

This paper was presented at the Australian Population Issues Seminar, ANU, 18 August 1983. It examines the provision of income support to a large increase in the proportion of the aged population in Australia. It begins by looking at the expected changes in the population over the next fifty years, the rising cost of welfare and the implications of these factors. Existing programmes of social security and taxation must be examined in terms of equity and efficiency. The supporting population can be defined as two groups: those who work and pay taxes; and those who provide direct support to the aged. Factors influencing the size and capacity to pay of the supporting population are identified under labour force, e.g. unemployment, retirement age, immigration; and, demographic factors, e.g. changes in family size, survival of married couples intact. Apart from the income transfers required to support the age pension, other costs associated with care of the aged will also require increased transfers. These are housing, community care, medical care, services for the handicapped and fringe benefits. Policy issues in financing income support include the level of resources to be transferred and the role of the government; the way in which resources are distributed (selective or universal); and, the financing of the desired income distribution. In order to expand taxation collections to the extent necessary in future years, it may be necessary to reduce the relative

importance of personal income taxation by the introduction or expansion of other taxes, e.g. indirect taxes or earmarked social security taxes/contributions.

INDIRECT TAXATION; TAX EXPENDITURES.

- 130 DIXON, Daryl and FOSTER, Chris (1985), **Simplification of Social Security and Tax**, Canberra, Policy Co-ordination Unit, 31pp.

This paper was presented at the 14th Conference of Economists, Sydney 13-17 May 1985. The paper explores various problems which arise from the overlap of the taxation and social security systems. With the increase in pensioners and beneficiaries in the decade since the Henderson Report this overlap has increased and has led to people on social security being liable for taxation at high effective marginal tax rates. Other problems arising from the lack of a clear relationship between the two systems include the bias in favour of pensioners and beneficiaries with fluctuating incomes, especially those on high incomes for part of the year; the lack of neutrality in regard to the timing of the decision to leave the workforce; and the complications for policy making. The paper then looks at various suggestions for change which emphasize the need for the integration of the social security and tax systems, the advantages of these, and some of the reasons why they have not been implemented. Finally an alternative solution which involves a clearer delineation of the roles of the tax and social security systems is offered. The main recommendations are: exemption for pensioners from paying tax; abolition of the pension income test free area; an increase in the basic rate of pension equivalent to the 'cashed-out' value of the free area; and a progressive income test. In conjunction with this it would be desirable to develop a special tax schedule to facilitate the transition of people from the tax to the social security system or vice versa; and, a generalised withholding, tax at the standard rate of 25 per cent. Other issues considered are work incentives for the unemployed and sole parents; supplementary (rent) assistance; and the Medicare levy. The administration, costs, and gainers and losers from this scheme are examined.

INCENTIVES; INCOME(MEANS/ASSETS)TEST; INTEGRATION; RATE SCALE.

- 131 DIXON, Daryl, FOSTER, Chris and GALLAGHER, Phil (1985), 'Social security issues and the tax reform debate', **Economic Analysis & Policy**, 15(2), September:124-144.

If there were to be a switch from direct to indirect taxes there would be some issues which would not be addressed such as the overlap of the tax and social security systems creating unintended effects such as poverty traps; and tax expenditures such as concessions for occupational superannuation which tend to have regressive effects on the distribution of income, and the dependent spouse rebate which is of little benefit to some couples on low incomes. Section 2 examines the switch from direct to indirect taxes from a social security perspective, concentrating on issues relating to compensation. ABS Household Expenditure Survey data are analysed to identify the characteristics of the groups who would fare the worst. Section 3 examines issues relating to the overlap of tax and social security, including the so-called poverty trap and proposals to eliminate it. Section 4 examines various tax expenditures, including the dependent spouse rebate. It concludes with the observation that compensation for a switch from direct to indirect taxes is possible but there are wider welfare and tax issues which should not be ignored.

INDIRECT TAXATION; POVERTY TRAPS; REBATES; TAX EXPENDITURES.

- 132 DIXON, Daryl, FOSTER, Chris and GALLAGHER, Phil (1985), **Tax Credits and Reform of the Tax and Social Security Systems**, Sydney, Australian Tax Research Foundation, Research Study, No.2, 50pp.

Based on the assumption that it is essential to consider the tax and social security systems together, this paper develops a proposal which shows that the tax threshold could be abolished (to achieve lower marginal tax rates) without harming low income earners. The tax threshold would be replaced with a system of refundable tax credits. The Draft White Paper did not endorse these, maintaining that tax credits represented a major departure from the existing tax system, they would be too costly, and it would be difficult to use them to make regular payments to persons with low incomes. The proposal in this paper claims to overcome these problems through a comprehensive

package of measures including non-income tested refundable tax credits, the non-taxation of pensioners and beneficiaries, increasing rates of pensions and benefits, a part-year tax system for those not in the tax system for a full year and a generalised withholding tax. The administrative and incentive effects of the proposal are discussed, and tables attached as to the effects on taxpayers and pensioners and beneficiaries.

GUARANTEED MINIMUM INCOME; INCENTIVES; THRESHOLD.

- 133 DONALD, Owen (1986), **Social Security Reform**, Canberra, Social Security Review, Background/Discussion Paper, No.2, 21pp. Also published in **Social Security Journal**, Spring, 1986:9-20.

This paper aims to further public discussion and begins with a broad outline of the major objectives of social security policy and the criteria by which programmes may be evaluated. Among these criteria it is stated that social programmes should be integrated or at least compatible with other policies and programmes and that social security programmes in combination with other aspects of the tax-transfer system should promote personal incentives to work, earn and save. The paper focuses on issues in social security reform in three areas: (1) social security programmes and the workforce, (2) assistance for families with children, and (3) social security and insurance-based income support schemes. One of the issues involved in the workforce area is the need to address barriers to workforce participation as a result of the combined effects of income testing and income taxation. Groups discussed in this context are women, especially sole-parents and low income families. Some possible solutions put forward are: removing the income test or reducing the rate of taper applying to additional payments for children; increasing the income test 'free areas'; workforce training programmes, direct wages subsidies and job creation measures. Arguments for and against the tax-transfer system's special assistance for dependent women (dependent spouse rebate and Class B widows pension) are discussed. In the area of assistance for families with children, issues discussed are the adequacy and structure of universal family allowances, the effects of income-tested benefits for children in low income families and measures to improve maintenance arrangements. Finally, the relationship between social security and insurance-based income support is investigated. The relationship between superannuation tax concessions and the age pension is examined and found to be regressive. Some alternatives in this area are proposed.

FAMILY ALLOWANCES; INCENTIVES; INCOME(MEANS/ASSETS)TEST; WOMEN.

- 134 DUHS, L.A. and LOUGHEED, A.L. (1985), 'Family income splitting and Australian taxation reform', **Economic Analysis & Policy**, 15(2), September:190-201.

This article addresses the issue of horizontal and vertical equity involved in income splitting and the tax differential which sees single-income families paying additional tax to two income families with the same family income. A table shows the extent of the tax gain to single income families in the event that income splitting was introduced. It also shows the extent to which the 1984 Budget discriminated against single income families. If, as is sometimes suggested, the dependent spouse rebate were abolished they would be discriminated against even more. Present evidence, such as it is, indicated that income splitting as it is allowed presently is widely practiced and is concentrated in the higher income brackets. The article goes on to give the arguments for and against income splitting. The main arguments against are that it is questionable whether families do in fact pool their incomes and that income splitting would act as a disincentive for married women to enter the labour force. A further argument is that an 'imputed' income should be attributed to the non-working spouse in a one income situation in recognition of valuable domestic services. These arguments against income splitting are criticised, the one for 'imputed' income being gone into in some detail. Finally, the article discusses the social costs of family tax. 'Possible social costs of creating tax incentives for two-income families arise in respect of plausible contributions to youth unemployment, juvenile crime, youth drug dependence, child abuse, unemployment in other families, family breakdowns, and even the generation of extra traffic. Hard empirical evidence is scanty in respect of these matters, but they should presently be regarded as unmeasured rather than unimportant.' It concludes that the cost to revenue of permitting universal income splitting may be more than offset by savings in social costs. There is some reason to believe it offers gains on efficiency, equity and social grounds.

INCOME SPLITTING.

- 135 EDWARDS, Meredith (1978), 'A guaranteed income scheme: implications for women', in GRAYCAR, Adam (ed.), **Perspectives in Australian Social Policy: a Book of Readings**, Melbourne, Macmillan:198-205. Also published in **Australian Quarterly**, 48(2), June 1976:74-80.

This essay scrutinises the recommendations of the Henderson Commission of Inquiry Into Poverty and the Priorities Review Staff's 'Possibilities for Social Welfare in Australia' (both 1975). The basic elements of a guaranteed income proposal are discussed under the headings of the tax unit, minimum income payments and tax rates. The author argues that 'the guaranteed income proposals presently before the Government leave a lot to be desired for Australian women... the tax unit is discriminatory, the concessions for working wives are quite inadequate and the economic independence of women is ignored.' Modifications to the proposals are also suggested.

GUARANTEED MINIMUM INCOME; INCOME UNIT; RATE SCALE; WOMEN.

- 136 EDWARDS, Meredith (1979), 'The tax-transfer treatment of married couples', **Australian Quarterly**, 51(2), June:46-53.

'This paper places under scrutiny long accepted tax guidelines affecting the tax treatment of married couples relative to other taxpayers. In particular Edwards attempts to merge basic efficiency and equity principles with changing social attitudes to determine guidelines for the relative tax burdens of single and married taxpayers, one and two-income couples and married taxpayers with and without dependent children. The paper questions the need for the dependent spouse rebate and argues for greater recognition of the costs of parenthood in the tax-transfer system.'

INCOME UNIT; REBATES.

- 137 EDWARDS, Meredith (1980), 'Social effects of taxation', in WILKES, John (ed.), **The Politics of Taxation** Sydney, Hodder and Stoughton:142-183.

The aim of this paper is to challenge some of the assumptions behind current tax structure in the light of recent social changes. It confines itself to the personal income tax structure and concentrates more on issues of horizontal equity than on income taxation as an income redistributive mechanism. It begins by outlining some of the social changes which have relevance for taxation. These are: (a) married women in paid employment; (b) diversity of household types and (c) prevalence of unemployment. The paper raised the issues of the relevance of marriage to taxation; the effect dependent children have on the ability of their parents to pay tax; the difference in tax paid by one-income and two-income households; and the tax treatment of the unemployed. There must be tax reform if certain of the groups identified are not to be unfairly treated, i.e. parents with dependent children, particularly sole parents. All adults not in paid employment could be eligible for benefits regardless of marital status, and an increase in family allowances to help those in most need are two suggestions.

FAMILY ALLOWANCES; INCOME UNIT.

- 138 EDWARDS, Meredith (1980), 'Tax implications of changing family structure;', in DAVIS, Dorothy, et al. (ed.), **Living Together: Family Patterns & Lifestyles**, Canberra, Centre for Continuing Education, Australian National University:157-163.

The present tax system has not taken into account social changes in the structure of the family. Four areas discussed here are: (1) the treatment of married women as dependents; (2) the penalisation of de facto marriage relationships; (3) no recognition is given to the costs incurred in raising children, and (4) the harsh treatment of sole parents. In the light of changes in family structure it is time to re-examine the value behind the tax system, and some suggestions for reform are assessed here. One such suggestion is family taxation. This however, fails to treat taxpayers as individuals in their own right and discourages married women from working. More information is needed about the distribution of income within families, or married women could be taxed on an income share which in fact they do not receive. Another suggestion is to abolish the dependent spouse rebate in favour of increased support for parenthood. Further recognition could be given to parents with a parenthood responsibility

payment (or a home responsibility payment which could also take in those with major responsibility for the sick, disabled or aged).

FAMILY ALLOWANCES; INCOME DISTRIBUTION; INCOME UNIT; WOMEN.

- 139 EDWARDS, Meredith (1981), **Financial Arrangements within Families**, Canberra, National Women's Advisory Council, 2v.

This work describes the results of an exploratory survey into the financial arrangements between husbands and wives done for the National Women's Advisory Council. Fifty married couples were interviewed. Part I sets out the objectives of the research, its scope and limitations and briefly describes the existing literature on family financial arrangements. Part II explains the methodology used in some detail. Part III provides the main findings, and Part IV the conclusions and suggestions for further research. The survey instruments are contained in Attachment A. It was found that the income level and whether or not the wife had paid employment were two important factors affecting the type of financial management the couple used. Women who earned their own incomes were likely to have more say in spending total family income; however, nearly all husbands had either a joint say or overall control of finances even if their wives had paid employment. Women with no paid employment were more vulnerable financially, felt guilty spending on themselves and were bothered by not having their own income. One of the implications of this study for policy makers is that 'any analysis of the distribution of income in society and any analysis of who is and who is not in poverty in the general community could be misleading unless that analysis is carried out in terms of individuals as well as of households. Measures should be taken to increase the economic independence of women and to allow them, once they become parents, to maintain their capacity to earn by continuing in paid employment if they so wish.' Suggestions for further research were made in the areas of factors affecting financial arrangement; family allowances, which were found to be of great importance to an overwhelming majority of women; the effect of the wife's income on the family's standard of living; expenditure issues and methodological issues.

FAMILY ALLOWANCES; INCENTIVES; INCOME DISTRIBUTION; INCOME UNIT; WOMEN.

- 140 EDWARDS, Meredith (1981), 'Financial arrangements within families', **Social Security Journal**, December:1-16.

This paper details some of the findings and raises some of the policy issues of the author's survey of the same name, the abstract for which is given in more detail above.

FAMILY ALLOWANCES; INCENTIVES; INCOME DISTRIBUTION; INCOME UNIT; WOMEN.

- 141 EDWARDS, Meredith (1981), 'Financial arrangements within families: empirical results and tax implications', in UNITED NATIONS ASSOCIATION OF AUSTRALIA - National Status of Women Committee, **Proceedings of the Women and Taxation Conference**, Melbourne:17-22.

This paper describes the survey carried out by the author for the National Women's Advisory Council, the report of which is abstracted above. It asks what difference it would make if instead of increasing take home pay of husbands (and of wives) by tax cuts, family allowances were increased? The majority of the women in the survey claimed that family allowances were important to them. The findings of the survey point to the need for 'a re-examination of tax policies which are based on the assumption of the pooling of income by husband and wife and the equal sharing of the benefits of that income.' The dependent spouse rebate seems to rest on this assumption. 'The question of the appropriate income unit for tax policy is intricately bound up with the extent to which pooling of income occurs in households, particularly in two income households.' It was also found that the standard of living of children would have increased more by the mother taking paid employment than by the father working overtime. The lack of sharing of the benefits of family income in some families could lead to consideration of some form of

direct payment to women who would otherwise not have an income of their own, in the form of family allowance and consideration of unemployment benefits for women in their own right.

FAMILY ALLOWANCES; INCOME UNIT; REBATES; WOMEN.

- 142 EDWARDS, Meredith (1982), 'Financial arrangements made by husbands and wives: findings of a survey', *Australian and New Zealand Journal of Sociology*, 18(3), November:320-338.**

'The paper reports on some exploratory Australian research into financial arrangements made by husbands and wives. The paper first surveys briefly the conclusions of sociological literature on the relationship between marital power on the one hand and family income and the employment status of the wife on the other. The methodology used by the author in her own survey is explained, in particular the reasons why husbands and wives were interviewed during the same time but separately. Management and control aspects of financial arrangements are explained and elaborated on because of their central importance to the topic. One of the more significant findings was the prevalence of arrangements in which wives managed family finances as against the small number of wives who could be said to have had overall control of finances. Another conclusion of the importance of both the income level of the husband and whether or not the wife had paid employment as factors affecting financial arrangements of couples. The paper concludes with some implications for tax and social security policies.' It suggests a cautious approach to policy in using the marital unit for social security and taxation purposes, and states that present policies could be causing inequities. The findings also raise policy issues about the payment of family allowances. If husbands were to receive family allowances or financial assistance for dependent children in another form such as a tax credit, there is no guarantee that this would be distributed to wives and children. It also finds that if indirect taxes were to be increased it may have an adverse effect on wives and children, by reducing the buying power of the housekeeping allowance.

FAMILY ALLOWANCES; INCOME UNIT; INDIRECT TAXATION; WOMEN.

- 143 EDWARDS, Meredith (1982), 'Women, children and family poverty: causes and cures', *Australian Quarterly*, 54(3), Spring:252-259.**

'This article explores the impact that social security income tests have on women and children. It is argued that in so far as the distribution of income within the family is inadequate, there is the real possibility that the numbers of people in poverty could be underestimated. Edwards also argues that income tests can adversely affect the income security of women and children because of the effect that income tests have on women's incentives to seek paid work. The article points out the compatibility between universal payments and a redistribution of income from high income to low income earners, from men to women and from adults to children.'

INCENTIVES; INCOME(MEANS/ASSETS)TEST; POVERTY TRAPS; WOMEN.

- 144 EDWARDS, Meredith (1983), 'The income unit in the social security system: explanation and evaluation', *Social Security Journal*, December:1-23. Also published as a paper, Australian National University, Social Justice Project, Work-in-Progress Seminar, October 28, 1982, 54pp.**

This paper examines current income unit practice for payment in the social security system under three headings, (a) the unit which forms the basis for eligibility; (b) the unit on which to levy any income test; and, (c) the unit for determining the level of payment. The unit upon which eligibility is based is a mixture of individual, married couple and family. Whereas under the tax system married couples are treated as individuals when tax rates are applied, under the social security system the incomes of husband and wife are aggregated. The income unit for social security payment is husband, wife (including de facto) and dependent children, presuming the recipient will share expenditure with dependents. This paper highlights some of the major inequities and inefficiencies which have arisen as a result of recent social changes such as marriage breakdown, household sharing, de facto relationships and the increased labour force participation of women. A major inequity in the system arises as a result of the assumption of female dependency. High effective tax rates inherent in income-testing mean many pensioners and beneficiaries may be inhibited from earning their way out of poverty, the so-called 'poverty trap'.

Another source of inequity is the treatment of a married couple compared to any other two persons living together. The social security system provides no direct recognition of the added costs of living alone, emphasizing instead the cost of renting accommodation. The system would be more efficient and equitable if less emphasis were placed on marital status and more emphasis on living arrangements and the costs of living of individual recipients.

INCENTIVES; INCOME UNIT; POVERTY TRAPS; RATE SCALE; WOMEN.

- 145 EDWARDS, Meredith Ann (1984), **The Income Unit in the Australian Tax and Social Security Systems**, Melbourne, Institute of Family Studies, xiv, 222pp. (Institute of Family Studies. Thesis Reproduction Series) (Australian National University. Thesis, PhD, 1983)

'This study describes and evaluates the different ways in which the individual, the married couple and the family are treated under Australia's personal income tax and social security systems. It also makes suggestions on possible directions for change in the treatment of the income unit in tax and social security policies. The criteria of efficiency, equity and simplicity are used to evaluate the appropriate income unit. Recent changes in the proportion of married women in paid employment and changes in marriage and divorce patterns are taken into account in the evaluation because of the effect that different definitions of the income unit have on decisions to work and to marry. The study challenges two conventional economic assumptions on which much existing tax and social security literature on the income unit is based. The first of these is that the ability to pay tax of a married taxpayer is reduced if the taxpayer has a spouse financially dependent on him or her. The thesis questions this assumption and points out ways in which home activities add to the "full income" of individuals and families. The study confronts difficulties in measuring imputed income from home activities and reaches the conclusion that Australia's tax and transfer systems could pay more attention to the productive nature of home activities and to an individual's capacity to earn income. The second assumption which is challenged is that husbands and wives pool their income and share equally in the benefits of that income so that the proportion in which husband and wife earn or receive the income is immaterial to their individual economic status. The thesis points out the lack of data to support this assumption and presents data collected from the candidate's own survey which suggests great diversity in financial arrangements between husbands and wives. In its examination of efficiency and simplicity criteria and its reassessment of traditional equity criteria, the thesis comes to the conclusion that the individual as the unit in taxation is superior to the marital unit. The case for adopting the individual as the income unit for social security payments is found not to be as clear cut as it was found to be in taxation unless other modifications to the social security system are made. The modifications considered necessary include the introduction of a living alone allowance and more generous payments for children. The conclusion reached is that equity criteria make it difficult to eliminate entirely marital status from the social security payment structure but to reduce emphasis on marital status would promote efficiency, equity and simplicity. The study attempts a systematic and comprehensive examination of the economic issues relevant to the choice of an income unit for the tax and social security systems but ultimately society's value judgements must determine the most appropriate unit.'

INCENTIVES; INCOME UNIT; WOMEN.

- 146 EDWARDS, Meredith (1985), **Income Tests, Work Incentives and Effective Marginal Tax Rates**, Bedford Park, National Institute of Labour Studies Incorporated, Flinders University of South Australia, Working Paper Series, No.79, 30pp.

'This paper is about incentives and disincentives to work created by the combined effect of different rates of taxation and rates of withdrawal on income tested payments. Specifically it deals with effective marginal tax rates (EMTR) and poverty traps.' The combined effects of income testing and taxation create inequities as well as work incentive and disincentive effects, and there is also a gender bias implicit as a large proportion of those affected by EMTRs are women. It is essential that policy makers examine the interaction between income tested payments and rates of taxation to minimise the unforeseen results of high EMTRs which can arise from unsystematic and piecemeal changes. Section 2 of the paper provides details on the theory and available evidence on labour supply response of various groups to changes in net income. Section 3 gives background on the Australian position and recent developments. Section 4 provides examples of poverty traps in specific cases, for example in a sole parent family and a family in which one spouse is unemployed and other spouse attempts to increase earnings. The effect of student allowances is shown, also the effect of imposing an assumed parental income test on junior

unemployment benefit. The concluding Section 5 examines the extent to which problems identified could be alleviated.

INCENTIVES; INCOME(MEANS/ASSETS)TEST; MARGINAL TAX RATES; POVERTY TRAPS; RATE SCALE.

- 147 EDWARDS, Meredith (1986), 'The Australian tax unit: an evaluation', in HEAD, John G. (ed.), **Changing the Tax Mix**, Sydney, Australian Tax Research Foundation:325-340.

This paper introduces the relevant tax unit concepts and assesses the tax unit according to the criteria of efficiency and equity. Efficiency criteria point to the individual as the appropriate tax unit, particularly as this minimises the work disincentive effect for a second earner. Equity criteria also support that conclusion when empirical evidence on the distribution of income within families is taken into account.

INCENTIVES; INCOME DISTRIBUTION; INCOME UNIT.

- 148 FARRAR, Adam (1987), 'The great family allowance debate', **Australian Social Welfare: Impact**, 17(2), April:9-19.

The family allowance has become the symbol for the contemporary debate over welfare expenditure and as such means all things to all people. It has been difficult for those who support a universal family allowance to get their case across in the media - the claim that family allowances are really a tax equity measure does not translate to a popular explanation on radio and television. There has been difficulty in drawing together all the disparate arguments for the allowance into a coherent case, reflecting the deepening confusion about the approach to social welfare generally. One of the arguments against means-testing the family allowance is that any means test must have a degree of administrative complexity and that after taking into account the cost of children, which ought to be done, the savings to government would be substantially reduced. An Institute of Family Studies study showed that 76 per cent of adjusted family incomes of those receiving family allowances are below average weekly earnings for a single person. Family allowance must not be seen on its own but as part of a package to assist families with children. Rather than cut family allowance to some, other things should be looked at first such as tax expenditures on the dependent spouse rebate, tax exemptions for superannuation schemes and high income tax cuts. Family allowance is defended on grounds of universality, horizontal equity and inter-family equity. Means-testing it is an inefficient way of targeting assistance. Family allowance and its predecessor, child endowment, was never meant as a 'welfare' measure but as an adjunct to the wages system. The understanding of what welfare is has narrowed over the last decade and is now taken to mean 'payments, not for needs, but to the needy'. In the public mind 'the division of labour between redistributive tax and horizontal allocation has been reversed. Direct payments are accepted only if they are redistributive (means tested), while fulfilling social goals (work incentives and horizontal equity) is seen as proper in the tax system'. A further irony is that those well-off who are claiming that they don't need the family allowance are the very ones clamouring for tax cuts which will further reduce the progressivity of the tax system.

FAMILY ALLOWANCES; INCOME(MEANS/ASSETS)TEST; TAX EXPENDITURES; UNIVERSALITY.

- 149 FINDLAY, Christopher C. and JONES, Robert L. (1982), 'The marginal cost of Australian income taxation', **Economic Record**, 58(162), September:253-262.

'When the financing of expenditure programmes involves a welfare cost, that cost should be considered part of the opportunity cost of the expenditure programme. In this paper, we explore some concepts of the welfare loss of taxing labour income. We correct some measures previously applied and estimate the marginal cost of Australian public funds. Using our measure of the cost of public fund, we explore the costs of policy options in the motor vehicle industry.'

TAX EXPENDITURES.

150 FREEBAIRN, John W. and WALSH, Cliff (1987), 'Flat tax proposals for Australia: some conceptual issues', in **Flattening the Tax Rate Scale: Alternative Scenarios and Methodologies**, 4th Monash Tax Conference, 25pp.

This paper discusses changes in the income tax schedule over the last twenty-five years, beginning with a definition of what flat-rate taxes are. It goes on to outline some recent proposals for a further flattening of the income tax rate scale and some implications of this in terms of revenue collected; neutrality of tax treatment of different economic activities and economic efficiency; distribution, equity and simplicity. 'Some social security payments may have to be increased under a flat tax scheme... in order to maintain the after-tax income of recipients.' Finally, it concludes that further moves to flatter tax rates may well need to include a package of issues such as measurement of the income tax base (fringe benefits, capital gains etc.), other forms of taxation (including indirect taxes and corporate income taxes), abatement rates on social security payments (such as family allowances, pensions), and in some contexts the level and composition of government expenditure financed with taxation revenue.

INCOME DISTRIBUTION; INDIRECT TAXATION; RATE SCALE; TAX BASE; TAX EXPENDITURES.

151 FREEBAIRN, John, PORTER, Michael and WALSH, Cliff (eds) (1987), **Spending and Taxing: Australian Reform Options**, Sydney, Allen & Unwin, 283pp.

The National Priorities Project commissioned the Centre of Policy Studies at Monash University to undertake research on various aspects of government expenditure and taxation and this book is one of the outcomes. It explores policy options for reforming the tax system and expenditures of Commonwealth, State and Local governments in the late 1980s, and presents arguments for discussion by the wider community. Chapter 1 opens with a broad overview of the issues and options canvassed in later chapters. Chapters 2 and 3 survey issues relating to the performance of the Australian economy and the growth of the public sector, and chapter 4 offers a rationale for a comprehensive package of reforms of tax and expenditures. Chapters 5 to 10 discuss public spending issues such as health, education, labour market programmes (for an abstract of Chapter 8, 'Social security and welfare spending', see HENDRIE, Delia and PORTER, Michael). Chapter 10 gives an overview of spending reform options. Chapters 11 to 14 focus on taxation, the present system, its defects and options for reform of the personal income and business tax systems. Chapter 15 reviews the package of expenditure and taxation options and their implications. Key elements are; a flatter tax rate scale for personal income taxation; reduction in company taxation; movement towards a more neutral tax system; returning responsibility to the private sector for some health, education, job training and other services; increased levels of competition and efficiency in public sector production activities; a more tightly targeted system of social security and encouragement to return to the workforce; and a reduction in public expenditure deficits and borrowings.

INCOME(MEANS/ASSETS)TEST; RATE SCALE; TAX EXPENDITURES.

152 FREEBAIRN, John, PORTER, Michael G. and WALSH, Cliff (1987), 'Tax and expenditure reform options', **Tax Reform - the Next Steps: Symposium**, Melbourne, Centre of Policy Studies, Monash University, 31pp.

This paper begins with an overview of tax and expenditure reform options. It outlines the recent history of taxation in Australia, the introduction of a fringe benefits tax, the growth of tax exempt income and the current state of indirect taxes. The Centre of Policy Studies sets out three options under the headings Option V, Tax mix switch scheme; Option U, US-type tax scheme and Option T, Targeted threshold scheme. Each is assessed in relation to the Government's reform which comes into full effect in July 1987. Comparisons are made in terms of revenue collected, marginal tax rates and what they mean for incentives, average tax rates and gainers and losers relative to the Government scheme, and other advantages and disadvantages. Common to the overall reform package are budget savings measures which the paper specifies under the areas of education, health and other social welfare expenditures. It advocates the reintroduction of tertiary fees and better targeting of funding on schools with the most radical plan involving 'privatising' public schools with 'voucher type' funding of students rather than institutions. It advocates the scrapping of Medicare and universal subsidies, requiring public hospitals to cover full costs from direct charging, by converting them into commercial statutory bodies or privatising them entirely and abolishing NHS drug listing. In the other areas of social welfare it advocates tighter means-testing of pensions; reducing benefits from the tax deductibility of superannuation; means-testing of Family Allowances or their

abolition altogether with a tightly targeted Family Income Supplement: the application of more thorough-going insurance principles to unemployment benefit provision with vouchers for purchasing education and training for under 19 year olds. Further consideration must also be given to other cash benefits such as sole parent and invalid pensions. The paper concludes that the COPS options retain a progressive average income rate structure and still uses the tax transfer system to assist low income groups via rebates and supplements, while significantly flattening the tax schedule and providing greater incentives for individual and business enterprise.

FAMILY ALLOWANCES; INCENTIVES; INCOME(MEANS/ASSETS)TEST; INDIRECT TAXATION; MARGINAL TAX RATES; RATE SCALE; TAX EXPENDITURES; THRESHOLD.

- 153 FREEBAIRN, John, PORTER, Michael and WALSH, Cliff (eds) (1988), *Spending and Taxing II: Taking Stock*, Sydney, Allen and Unwin, in association with Centre of Policy Studies, National Priorities Project, 205pp.

'The principal theme of [Chapter 7], and other parts of this book, is that government policies should encourage individuals and families who can do so to provide their own highly efficient arrangements for retirement income, health and accident insurance, and many other components of what is known as social security. In practice, the vast majority of effective welfare services and the bulk of income security are provided privately. A problem with the social security system is that it has gradually gone beyond its brief. It is now much more than a safety net for the less fortunate; it is in part a wasteful middle-class welfare system funded by a tax system, both of which discourage self-provision. There is, of course, a continuing and important role for a well-designed and carefully targeted social security system, a role which can more readily and more effectively be provided by government if it is not bogged down churning taxes and welfare through the middle income groups. This chapter, and its sister chapters on accident compensation and tertiary education, illustrate ways in which some existing arrangements discourage individuals and families from self-provision. Interaction of the recently introduced family allowance supplement (FAS) and the high marginal rates of income taxation results in significant disincentives for many families to seek extra hours of work and job promotion so as to generate adequate family incomes. For a wide range of family incomes below average weekly earning, the effective marginal tax rate exceeds 80%, and for a smaller income range it exceeds 100%. A comprehensive and integrated reassessment of the taxation and social security system could reduce the extent of these disincentives. A flatter tax system based around a top marginal tax rate of 30% makes the disincentive problems far more manageable - and allows us to avoid poverty traps which might otherwise arise. With respect to the rapidly growing public outlays for supporting single-parent families, recent analyses indicate that the social 'security' arrangements provide financial incentives for some low income families to separate. While money is not the only cause of family separation, for some it can be the "last straw that breaks the marriage". For the majority of Australians the key to self-confidence and self-provision is obtaining a job. Current regulations and attitudes to minimum wages effectively discriminate against those with limited skills and work experience, especially the young but also single parents and others. A major policy contribution to reducing reliance on the social security system would be to allow greater flexibility in labour remuneration and training arrangements. Such would enhance the capacity of enterprises, and of enterprise unions, to tailor work arrangements to local worker preference without the restrictions of national or state awards.'

INCENTIVES; INTEGRATION; MARGINAL TAX RATES; POVERTY TRAPS; RATE SCALE.

- 154 FREEBAIRN, John, PORTER, Michael and WALSH, Cliff (1988), 'Tax cuts: desirable and practical', *Australian Tax Forum*, 5(3):285-299.

This article is a reply to MANNING, Ian (1988), 'Are tax cuts practicable?' *Australian Tax Forum*, 5(3):265-283. It continues to argue that 'large expenditure cuts are justified in their own right as part of a broader strategy of raising national productivity. The lower tax rates such cuts would finance would then bring additional gains to private sector productivity.' The authors also argue that their proposals are given support by actual events. 'Federal government changes in the tax treatment of superannuation, in the family allowance, in unemployment benefits for youth, in labour market programs, and in the funding of tertiary education are all in the direction of the change, if not the magnitude' of the authors' two books, *Spending and Taxing: Australian Reform Options* (1987), and *Spending and Taxing II: Taking Stock* (1988).

RATE SCALE; TAX EXPENDITURES.

- 155 GALLAGHER, Phil and FOSTER, Chris (1986), 'Targetting income support to the poor'. in **Income Support Seminar**, Melbourne, 1986:78-116.

This paper raises the issue of targeting outlays to families with children in the present climate of budgetary restraint and public attitudes to taxation. After examining some general issues such as horizontal and vertical equity, budget constraints, target efficiency, adequacy and financing, new and comprehensive poverty estimates are presented according to a variety of equivalence scales. The results are discussed in the context of a range of policy issues under the headings, broad issues, targeting issues, priority groups, and, young and large families. 'It is argued that where vertical equity is the major concern it is inappropriate to consider universal programs. Admittedly, there is an argument for these on horizontal equity grounds but in the context of budgetary pressures it would seem reasonable to conclude that vertical equity considerations should have a higher priority than horizontal equity considerations.'

INCOME(MEANS/ASSETS)TEST; UNIVERSALITY.

- 156 GRAYCAR, R. (1987), 'Social security and personal income taxation', in GRAYCAR, R. and SHIFF, D., **Life Without Marriage: A Woman's Guide to the Law**, Sydney, Pluto Press:101-135.

'Key aspects of state policy which are reflected in social security and tax law and policy are examined, particularly from the perspective of how cohabiting women are affected by the tax/transfer system. The chapter outlines the major pensions, benefits and allowances available through the social security system, then undertakes a detailed examination of the "cohabitation rule" and explains how the personal income taxation system treats women living outside marriage. It concludes with an examination of some of the debates surrounding these areas of state fiscal policy and shows how state policy in these areas both presumes and perpetuates women's economic dependence on men. This is a particular problem for women who are living with a man but not married to him'.

WOMEN.

- 157 GRBICH, Judith (1985), 'The taxation of women: dependent spouse rebate or income-averaging?' **Legal Service Bulletin**, 10(2), April:68-72.

This article 'focuses closely on the impact of the tax system on women and argues that, if women are to be accorded tax equity, a new approach is required: income taxation of women should take account of the reality of their fluctuating incomes and the pattern of their participation in the labour force; and argues that instead of a dependent spouse rebate paid to the male spouses of women who are currently not earning, a fluctuating income rebate should be provided for those women so that, in effect, their incomes can be averaged.'

REBATES; WOMEN.

- 158 GRBICH, Yuri and GRBICH, Judith (1984), 'Tax expenditures as a regulatory tool: targeting superannuation dollars', **Australian Tax Forum**, 1(1), March:96-120.

'Collective regulation of economic activity is the dominant feature of our complex, capital-intensive and interdependent Australian economy. The job is to better control and target that intervention. The first part of this paper explains and develops a conceptual tool for that purpose, the "tax expenditure concept". In the second part of the paper this conceptual tool is applied in the superannuation context.' Tax and transfers can be used as effective tools of a deliberate regulatory policy. 'The proposed scheme involves a lowering of taxpayer antipathy to taxes by earmarking compulsory retirement saving and making it clear to the electorate that the scheme is merely a form of saving with deferred benefits.' It involves an administrative integration of transfers and income security for the aged. The paper concludes that more important than whether or not this specific proposal is acceptable is the underlying concept: 'to integrate available tax expenditures and direct budget outlays in pursuit of coherent policy objectives, with a clear sense of priorities.'

INTEGRATION; TAX EXPENDITURES.

- 159** GRBICH, Yuri (1986), 'Putting zero tax threshold proposals back on the agenda', *Australian Tax Forum*, 3(1):105-113.

This article argues that the measures for zero tax threshold should be 'put back on the long term tax reform agenda and addressed gradually, with a thoughtful incremental strategy'. The case for the proposals is put: they provide potential for much more careful targeting of tax expenditures or revenue foregone on the real poor; they act as a base for a more coherent withholding tax strategy; they facilitate integration of the tax and social welfare systems; they offer scope to contain the structural income splitting problems; and, for any given level of progression, they allow us to keep the marginal rates of tax down while maintaining any given choices about the appropriate progression in average rates. It argues that reform must recognize realities and be 'a best choice of evils'. The central issue is to target tax expenditures and welfare dollars to the real poor and balance this against the need to taper the rate of claw-back of benefits and preferential tax treatment in such a way as to give a reasonable incentive to the welfare beneficiary to re-enter the workforce. The article outlines a possible structured approach: remove the tax-free threshold and raise the vast bulk of revenue at a 25 per cent rate with progressive rates applying well above the average wage; target the existing rebates and welfare transfers with a system of diminishing credits; limit the availability of the personal tax credits to earned income and poor families; and, move towards integration of the welfare benefit level with the threshold for tax and, by introducing a smooth claw-back rate of benefits as income rises, to remove poverty traps. The integration of the two systems can bring about administrative rationalisation and savings.

GUARANTEED MINIMUM INCOME; INTEGRATION; RATE SCALE; TAX EXPENDITURES; THRESHOLD.

- 160** GRIMES, Don (1983), 'Speech to the National Economic Summit', *Australian Social Welfare: Impact*, 13(2), May:15-18.

This speech discusses the role of social security expenditure in Australia and its relevance to the programme of economic recovery that is the goal of this Summit. After a brief review of welfare spending, it is contended that despite a common perception in Australia that social welfare expenditure is out of control, compared with other developed countries Australia does not spend generously in this area. It distinguishes between expenditure which involves using up goods and services by the government and transfer payments which move purchasing power from some individuals to others. It points to another misconception which maintains that any payments directed to any but the 'truly needy' are wasted. What matters is not the gross flow to and fro of the tax/transfer system, but the net result of those flows. It is claimed that there is little scope to tighten income testing in the social security system and in fact there are grounds for regarding it as too harsh at present. The interaction of the social security system with the tax system sometimes means very high effective marginal tax rates for low income earners. While many decry social security expenditures they are remarkably silent on hidden spending in the form of revenue foregone through tax expenditures. These are regressive and benefit mainly the already well off. An example of this is in the area of retirement income where some are able to benefit from tax concessions for occupational superannuation and who then take that superannuation in a lump sum and invest it, thereby avoiding the income test on the pension and so receiving the age pension as well. Social security reform must not be considered in isolation from tax reform or that of other systems which impact on income distribution.

POVERTY TRAPS; TAX EXPENDITURES.

- 161** GRIMES, Don (1983), 'Welfare spending: myth and reality', *Labor Essays 1983*, Melbourne, Drummond:80-94.

This essay intends to explain why social welfare spending has risen and 'to illustrate some of the complexities of social security reform, and to urge that the role of the social security system not be examined in isolation from the complementary role of the taxation system or of other systems which affect income distribution.' It starts by briefly examining the dimensions of the rise in welfare spending over the past decade and the reasons for this rise. After making some international comparisons on social security expenditure it describes the role of social security transfer payments, especially their role in making income distribution more equal. It looks at 'welfare as a political choice' and the criticisms made against the present system as welfare for the middle-class. The relationship between social security and taxation and means tests is examined. It also discusses the possibility of a contributory

system and concludes that it is still possible 'to combine the best features of the Australian system with some form of contributory approach in certain circumstances, possibly along the lines of a levy earmarked for social security protection', e.g. a national superannuation scheme. 'Such a system would require an understanding that social security is no longer - if it ever was - a residual system designed to pick up those who for some reason or another could not provide for themselves.' Reform of the social security system must be made in the light of understanding how the system works and its complex interrelationships with other areas of government policy.

COMPARATIVE STUDIES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; TAX EXPENDITURES.

- 162** GROENEWEGEN, P.D. (1971), 'Rationalizing the Australian taxation system', *Economic Record*, 47(120), December:531-552.

This paper states that 'the need for piecemeal tax reform in Australia has become less urgent...what is required is drastic overhaul rather than small repairs. The imposition of new taxes, such as the proposed net worth tax and value-added tax, should be accompanied by the abolition of certain existing taxes which no longer serve a useful purpose. An important task of tax reform at present would therefore be an overall review of the whole system with the long-term aim of obtaining a simpler tax structure capable of achieving the objectives desired ...The analysis of the paper suggests that a major part of the tax system - personal income tax- also needs considerable review.' Major changes are needed to improve equity and many of these may require compensatory changes either in other parts of the tax system or in parts of government expenditure. 'Supplementing the personal income tax with a personal net worth tax might facilitate reform of the rate structure; changes in the maze of allowable and concessional deductions would require changes in social welfare payments and in other forms of cash subsidy.' Although not discussed in details in this paper they are aspects which 'are part and parcel of practical tax reform.' A Royal Commission is called for or prospects for reform are not very bright.

DEDUCTIONS; INDIRECT TAXATION; RATE SCALE; TAX BASE.

- 163** GROENEWEGEN, P.D. (1981), 'The income unit for taxation: individual, married couple and family?', in UNITED NATIONS ASSOCIATION OF AUSTRALIA - National Status of Women Committee, *Proceedings of the Women and Taxation Conference*, Melbourne:57-68.

This paper addresses three issues: (1) A brief investigation of the tax unit implications of the Carter-Simons comprehensive income definition for income tax purposes; (2) a short examination of the major equity, efficiency and simplicity considerations underlying the choice of tax unit for the personal income tax; and (3) some policy conclusions about what to do or what not to do. Incentives to work, save and invest are briefly examined and some of the implications of income splitting investigated. Income splitting creates inequities of both a horizontal and vertical nature. Another crucial factor in equity considerations relating to the choice of the tax unit, rests on the treatment of dependents of the taxpayer. Allowances for dependent children can be provided by deductions from taxable income; rebates from tax liability; social security allowances and family quotient system of taxation, (this latter practised in France). Allowances for health and education expenses are also discussed. It concludes that 'the present system greatly favours single tax payers, two income families (especially those without dependent children), and that it discriminates in favour of those with property and/or business income by providing them with opportunities for income splitting, which are denied to the vast majority of tax payers.' Three policy proposals are put forward: (1) The Government should tax all non-wage and salary household income in the hands of the highest income earner in that family unit; (2) family allowances should be immediately indexed on a twice yearly basis; and (3) concessional rebates should be re-introduced at the standard rate for all taxpayers with respect to expenses on education (subject to maximum) and on health (including insurance).

FAMILY ALLOWANCES; INCENTIVES; INCOME SPLITTING; INCOME UNIT; REBATES.

- 164** GROENEWEGEN, P.D. (1984), 'Rationalizing Australian taxation revisited', *Economic Record*, 60(169), June:113-127.

'This paper reviews the author's (1971) tax rationalization proposal to examine whether a tax simplification scheme eliminating minor transaction taxes and reducing heavy reliance on personal income tax by introducing a general consumption tax continues to have merit for Australian tax reform. The first part of the paper points to increases in avoidance and evasion as a major change perceivable in Australian taxation between the 1960s and the 1980s and indicates other important changes that have occurred. Section II presents an equity and simplicity case for general indirect consumption taxation supplemented by personal income and wealth taxes. Section III discusses the inter-governmental financial relations implications of the proposed rationalization. The paper concludes that in the light of events in 1983 such rationalization proposals suitably modified continue to have merit.'

INDIRECT TAXATION.

- 165** GROENEWEGEN, P.D. (ed.) (1987), *Australian Taxation Policy*, 2nd Edition, Melbourne, Longman Cheshire, xv, 324pp.

'This book of reading is designed to provide in easily accessible form a survey of the major tax policy issues which have been discussed in Australia from the mid-1970s onwards.' The book is divided into four sections: (1) Objectives and problems in tax reform; (2) The incidence of taxation; (3) Official inquiries into Federal taxation; and (4) Specific tax reform proposals. For details of papers abstracted in the bibliography see:

WARREN, N.A. (1979), Australian tax incidence in 1975-76: some preliminary results.
HEAD, John G. (1985), Reform of the Australian tax system - some reflections on the Draft White Paper.
MATHEWS, Russell (1980), The structure of taxation.

INCIDENCE; TAX BASE.

- 166** GRUEN, F.H. (1982), 'The welfare expenditure debate: economic myths of the Left and the Right', *Economic Record*, 58(163), September:207-223.

This paper is a revised version of the Giblin Memorial Lecture, delivered at the 52nd ANZAAS Congress, May 1982. It examines four specific welfare expenditure debates from the viewpoints of Right (taken to be those concerned with the dangers of too much welfare expenditure) and the Left (those in favour of more welfare expenditure). The debates are: (1) the issue of adequacy or meanness of Australian social welfare provisions made by the government; (2) the issue of incentives or the behavioural effects of changing the tax/transfer system; (3) the redistributive effects of welfare/tax provisions. Do they benefit the middle classes or do they reduce poverty and hardship? and (4) given present demographic trends and the increasing take-up of social security benefits by those eligible, is the existing social security programme sustainable in the long-term? The author sees the following as the fundamental economic myths of the Left and the Right. The left has an unwillingness to concede the effect on incentives of changes in the tax/transfer system while the Right claims that any attempt to redistribute to the poor is fraught with disaster. There needs to be a balance struck between these two extremes.

INCENTIVES; INCOME DISTRIBUTION; TAX EXPENDITURES.

- 167** **A Guide to Tax Reform: a Guide to the Government Draft White Paper on Tax Reform, presented to the National Taxation Summit Conference (1985), Canberra, Australian Government Publishing Service, 13pp.**

This short guide to the Government's Draft White Paper begins by explaining what is meant by tax reform, tax levels and then goes on to give a brief outline of the current Australian tax system and the phenomenon of rapidly growing tax avoidance and evasion. It offers some options for reform of the existing tax system including a national identification system, fringe benefits and capital gains taxes and reform in the areas of 'negative gearing', farming 'write-offs', concessional expenditure rebates and business tax concessions. It explains Options A, B and

the Government's preferred Option C, including how this would affect pensions, benefits and allowances and families.

FAMILY ALLOWANCES; INDIRECT TAXATION; REBATES; TAX BASE; TAX EXPENDITURES.

- 168 HARDING, Ann (1982), 'Unequal burdens: personal income tax changes since 1975', *Current Affairs Bulletin*, 59(2), July:14-21.

This paper describes the changes in personal income tax in each financial year from 1976/77 to 1981/82. In this time full tax indexation was only applied twice. The overall effect of the changes in the personal income tax system has been to place a greater relative burden on lower and middle income earners and to lower tax rates for high income groups. Taxpayers with dependents fared worse than single taxpayers. The inequality in the tax system has increased since 1975, and if health insurance costs are taken into account most taxpayers are in a worse position than in 1975. Other factors contributing to inequality are (a) there has been an increased burden of indirect taxes due to the crude oil levy (b) tax evasion and avoidance place a heavier burden on low income earners and (c) greater inequality in the tax system has not been offset by government expenditure as the greatest declines in this area have been in the areas that would help low income earners the most, i.e. housing, health, urban development and public education.

INDIRECT TAXATION; RATE SCALE; TAX EXPENDITURES.

- 169 HARDING, Ann (1984), *Who Benefits?: The Australian Welfare State and Redistribution*, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.45, 147pp.

Despite wide agreement that redistribution of resources from the higher to the lower income groups is a goal of Australian taxation and social policy, there is disagreement as to how successful this has been. While some agree that the goal is being achieved, others argue that the welfare state actually benefits the middle and upper income groups the most. There is, however, a lack of information about who are the beneficiaries of the welfare state. This study aims to fill in some of that gap in our knowledge. The study uses data collected by the Australian Bureau of Statistics in its 1975-76 Household Expenditure Survey, and the problems involved in incidence analysis are discussed and the limitations indicated, e.g. local and state governments were excluded from analysis. Dividing the population into twelve income groups, 'original' income was calculated, taxation subtracted and the estimated benefits of federal expenditures on social security, education, health and housing added to gain the net effect of the welfare state on each income group. To do this the taxation system and types of tax are described and the amount each group paid in tax in 1975-76 assessed. Federal outlays on social expenditure were calculated for the same year. In addition, likely changes in both areas since 1975-76 are briefly outlined. The taxation system was found to no longer meet the policy goal of equity and to be in urgent need of reform. Although social outlays on the expenditure side of the budget were found to be pro-poor, this was principally due to the impact of cash transfers within the social security system. It is important to analyse separately the benefits resulting from outlays on education, health and housing which were found to be more equally distributed among all households, rather than being pro-poor. While health and housing were to some extent redistributive, education was less so. Policies to boost the participation rates of children from the lower income groups after school leaving age appear to be essential. The combined effects of the taxation and social expenditure activities of the federal government were found to be redistributive overall; this was still true when some non-welfare expenditures (e.g. defence, industry assistance and transport etc) were taken into account. The study concludes that 'while minimal redistribution occurs through the taxation system, social outlays comprise a significant redistributive force. If need hardly be said, however, that despite the positive impact of the welfare state the distribution of income remains massively unequal.'

INCIDENCE; INCOME DISTRIBUTION; TAX EXPENDITURES.

- 170 HARDING, Ann (1985), 'Indirect taxes: reinforcing inequality', **Legal Service Bulletin**, 10(2), April:60-63.

This paper discusses the effects of a uniform, broad-based goods and services tax which would hit low income families (especially those with children) harder than high income families as they would pay a greater percentage of their disposable income in tax. Even a selective goods and services tax raises certain problems which are discussed. Any move to a broad-based tax on consumption will require extensive compensatory measures if the tax burden on low income families is not to be increased. Full compensation for the poor would be extremely complex and expensive and would only ensure that their living standards remain at the same level in a highly unequal income distribution. Only redistribution would mean a rise in their living standards and would be assumed to be an essential part of any reform.

INCOME DISTRIBUTION; INDIRECT TAXATION.

- 171 HARDING, Ann (1985), **Tax and Social Security**, Paper given to the 14th conference of Economists, University of New South Wales, May 1985. 39pp.

After a brief description of the Australian federal social security system, the paper considers some examples of the interaction between the tax and social security systems. Beneficiaries with minimal amounts of private income may be liable for income tax and may face high marginal tax rates which create a 'poverty trap'. The effects of indirect taxes can also be detrimental to those in receipt of social security. Therefore the two systems must be considered together, and the overall effect of the tax/transfer system is more important than the effect of any single tax or outlay measure. The adverse effects of introducing a broad-based consumption tax are described. The compensatory measures required if it were to be introduced are also discussed.

INDIRECT TAXATION; POVERTY TRAPS.

- 172 HARDING, Ann (1985), 'Tax reform, equity and social security', **Australian Tax Forum**, 2(2), Winter:223-238.

Tax and social security systems overlap so extensively that they must in future be considered as one tax/transfer system as it is the combined impact of the two that is critical. Some examples of the interaction of the two systems are described and the implications of this interaction for distributional analysis is examined by taking some possible tax reforms as illustrations. It looks at the proposal to introduce a broad-based consumption tax as proposed in the White Paper, and the accompanying compensatory cuts in income tax and increases in government cash transfers which would need to be implemented. Three major approaches to compensation are discussed, each of which suggests different tax cuts or pension increases. The final section examines the White Paper's proposals for compensating low income groups.

INCOME DISTRIBUTION; INDIRECT TAXATION.

- 173 HARDING, Ann (1986), **Assistance for Families with Children and the Social Security Review**, Canberra, Social Security Review, Background/Discussion Paper, No.4, 18pp.

This paper begins by providing a brief introduction to the current tax/transfer system of assistance to families. It then looks at a number of the concerns with this system to be addressed by the Social Security Review. These are: (1) levels of assistance to families with children. The real value of the tax/transfer assistance has declined and the average tax rates (as a proportion of gross income paid in income tax) of families with children has increased much more than those of families without children. There has also been a lower growth in the disposable incomes of families with children. The Review, therefore, will attempt to develop a clearer picture of family income distribution. Comparisons will be made with families in comparable overseas countries. (2) The adequacy of payments for low income families must be assessed as there has been a growth in the number of children in low income families. (3) Universal or selective assistance? Recent research has found that the universal family allowance was well targeted towards lower and middle income groups. There is also a growing concern about the possible side effects of increasing concentration of income-tested assistance, e.g. the high marginal tax rates faced

by many recipients of pensions and benefits because of the overlapping of income tests and liability for income tax. These may act as a work disincentive and impact upon disposable income. As a matter of equity is it fair that low income earners face marginal tax rates of 62.5 to 100 per cent while the highest income earners face 6 per cent? Another cause for concern is the low take-up rate for some income-tested assistance. (4) Is assistance correctly targeted? Policy in this area is hampered by a lack of reliable data. (5) Is assistance best delivered through cash transfers or through tax revenue forgone? (6) To what extent should family assistance be used to offset the unequal distribution of income within families, eg. should assistance be targeted to mothers? All these issues need to be addressed by the Social Security Review.

FAMILY ALLOWANCES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; MARGINAL TAX RATES; POVERTY TRAPS; UNIVERSALITY; WOMEN.

- 174 HARDING, Ann (1986), *Women and Social Security*, Paper given to National ALP Women's Conference, 26 January 1986, 10pp.

'The first section of this paper briefly describes the main features of the social security system, while the second section analyses what proportion of these outlays are received by women. The final section discusses four topical policy issues which are of relevance to women.' One of these is poverty traps, which illustrate the interaction of the social security and taxation systems where marginal tax rates have a dramatic effect on income, especially that of sole parents. Other State, Federal and local government assistance can also overlap with the income tax and social security systems, e.g. public housing, education assistance and rate concessions.

MARGINAL TAX RATES; POVERTY TRAPS; WOMEN.

- 175 HARDING, Ann and WHITEFORD, Peter (1984), *Equity, Tax Reform and Redistribution*: Submission prepared by the Department of Social Security for the Economic Planning Advisory Council meeting of 29 March 1985, Canberra, Development Division, Department of Social Security, Research Paper, No.28, 89pp. Also published as EPAC Paper, 85/4.

To avoid adverse distributional effects when designing tax reforms, both the social security and taxation systems must be looked at together. The narrowness of the tax base, tax avoidance and evasion and consequent revenue constraints have affected the living standards of low income groups by reducing the revenue available to finance redistributive measures such as increases in the income tax threshold and social security cash transfers, and reductions in marginal tax rates. Desirable reforms would be measures aimed at reducing tax evasion and avoidance, broadening the tax base or introducing taxes on capital gains, inheritances and gifts, employee fringe benefits and ownership of wealth. Low income groups, families with children and social security recipients warrant priority in any tax-transfer reforms. The paper argues that extending indirect taxes would also create major inequities. The introduction of a uniform-rate, broad-based tax on goods and services would disadvantage low income households (especially those with children) more than high income households, as it would take up a higher percentage of their disposable income. If indirect taxes were introduced many compensatory measures would need to be taken, such as, increased social security payments, tax credits or negative income tax schemes. However, unless there is some redistribution of income to low income groups to improve their absolute standards of living, even these compensatory measures would only succeed in keeping the poor in their present inequitable position.

INCOME DISTRIBUTION; INDIRECT TAXATION; TAX BASE.

- 176 HARDING, Ann and WHITEFORD, Peter (1985), 'Equity, tax reform, and redistribution', *Social Security Journal*, June:1-11.

This is an abbreviated version of the authors' paper of the same name published as Development Division, Department of Social Security, Research Paper, No.28, which see for an abstract.

INCOME DISTRIBUTION; INDIRECT TAXATION; TAX BASE.

- 177 HARDING, Ann and SEYMOUR, Frankie (1986), 'Who benefits from family allowances?', *Australian Society*, 5(2), February:27-28.

Family allowances have been criticised for going to families who are not 'in need'. The authors argue that much of this debate has been misled by an inadequate definition of income. 'Once family income is adjusted to take account of the number of adults and children dependent upon it, a clearer picture of the relative poverty or affluence of different family types emerges - and the results (of Department of Social Security research) suggest that family allowances are well targeted towards lower and middle income families.' Data from the 1981-82 Income and Housing Survey were used together with equivalence scales recommended by the OECD. These results are based on gross income...after taking into account tax burdens, the adjusted incomes of these families would be even lower. The results 'suggest that payments which go to all families with children irrespective of their income make a significant contribution towards a fairer income distribution. This is particularly important given the increasing recognition that means tests on social security payments often contribute to the creation of poverty traps...Finally, while family allowances are often seen solely as a social security payment they actually replaced tax rebates for children in the mid 1970s, and can thus best be regarded as a taxation measure which helps to achieve equity between different family types...(they) can be seen as a taxation measure which also provides additional income to the very poor (who did not formerly benefit from the child tax rebates)'.

FAMILY ALLOWANCES.

- 178 HARRIS, C.P. (1974), 'Welfare and the tax system: personal income tax and social security programs', *Social Security Quarterly*, 1(3), Summer:9-15.

'The main purpose of this paper is to analyse the way in which tax measures can form an integral part of social security programs, either supporting or replacing expenditure measures. It is apparent that in some instances the equity effects of the tax system are opposed to social welfare objectives, and it will be argued that there are good reasons why taxation measures should at least be considered as alternatives to expenditure measures as major elements of social security programs.' The ways in which modifications to the personal income tax could be used as part of a welfare programme are: replacement of concessional deductions systems by one of tax rebates; a system of negative income taxation; abolition of family allowances and their replacement by a tax oriented scheme, with P.A.Y.E. tax deduction schedules being constructed to allow for negative taxation; geographical tax rebates based on interregional differences in costs of living, coupled with a policy of abolishing locality allowances as additions to wages except for special circumstances; introduction of different tax scales for income from property and income from personal exertion; regular reviews of tax scales to adjust for changes in the relative burden of taxation as a result of inflation; and, pressure of unions to accept higher take-home pay resulting from tax changes as a substitute for some kinds of increases in award wages.

DEDUCTIONS; FAMILY ALLOWANCES; GUARANTEED MINIMUM INCOME; RATE SCALE; REBATES.

- 179 HARRIS, Ralph (1980), 'Taxation and public spending in a modern democracy', in WILKES, John, *The Politics of Taxation*, Sydney, Hodder and Stoughton:1-42.

This paper calls for a reduction in government expenditure and taxation. There should be 'a major shift of services from government to private enterprise, and of finance from taxation to charging'. It raises the concept of negative income tax to achieve a minimum income.

GUARANTEED MINIMUM INCOME; TAX EXPENDITURES.

- 180 HEAD, Brian W. (1980), 'Inequality, welfare and the state: distribution and redistribution in Australia', *Australian and New Zealand Journal of Sociology*, 16(3), November:44-51.

'Redistribution of wealth and income has been a fundamental objective of social democratic parties in their contributions to the expansion of the "welfare state". There has been considerable discussion concerning the most appropriate measures to achieve the redistributive objectives, and to tackle effectively the problems of poverty and

inequality. The paper notes both radical and neo-conservative critiques of existing forms of state welfare activities. Data on the distribution of wealth and income in Australia are presented, and comparisons made with other advanced capitalist societies. Redistribution is then discussed, examining the level and directions of direct public expenditures on welfare. The effects of the taxation and subsidy systems are noted.' The present tax system is a cumbersome and ineffective mechanism for redistribution, with the long term position of progressive taxes being undermined by recent events. Low income earners and women are disadvantaged, while high income earners reap the benefits of a whole series of items that are deductible from their taxation. 'Finally, some reasons for the limits or constraints on "welfare" spending are discussed, and an argument is made for the need to locate the "welfare" debate, and to analyse "welfare" expenditures, within a broader theory of state activities.'

COMPARATIVE STUDIES; INCOME DISTRIBUTION; TAX EXPENDITURES; WOMEN.

- 181 HEAD, John G. (ed.) (1983), **Taxation Issues of the 1980s: Papers Presented at a Conference Organised by the Centre of Policy Studies, Monash University, Sydney, Australian Tax Research Foundation**, xii, 438pp.

The papers here are a series of contributions by an international group of experts in the field of taxation policy. For a discussion of papers relevant to this bibliography see:

MORGAN, David R., Personal income tax indexation: the Australian experience.

DIXON, Daryl and FOSTER, Chris, Integration of the Australian tax and social security systems by a linear tax: problems and benefits.

BRENNAN, Geoffrey and BROOKS, Michael, Towards a theory of family taxation: the equity dimension.

APPS, Patricia, The tax unit: an Australian perspective.

KAKWANI, Nanak C. The impact of personal income taxation and government transfers on income distribution and poverty in Australia.

WARREN, Neil, A. Who bears the Australian tax burden?

- 182 HEAD, John G. (1984), 'Alternative tax instruments and tax reform strategies', **Australian Tax Forum** 1(1), March:15-38.

'The aim of this paper is to explore the role of alternative tax instruments. For this purpose the objectives of tax policy will be taken as given.' The paper looks at personal direct taxation as a single tax system and states that problems of complexity, including administration, compliance and taxpayer understanding rank high. Supplementary tax instruments may be required. In looking at the comprehensive personal income tax it sees the major problem as the 'inconsistent nexus of provisions (including those of the corporate profits tax) governing the taxation of different types and sources of income from capital.' There are also problems which have their origin in the design of the progressive rate structure. The disincentive effects of high effective marginal tax rates may have been underestimated. Rising marginal rates also account for 'some of the most intractable problems of equity and complexity encountered in the design of the tax unit, including the problem of income splitting and the difficult choice between deductions and credits for dependents.' The paper goes on to examine direct personal consumption taxes, corporate taxation and indirect commodity taxes. It maintains that a possible role for broad-based commodity taxes emerges in relation to horizontal equity and neutrality objectives but makes no contribution to vertical equity. In fact, they place a burden on low-income families which would have to be relieved by other means, including sales tax credits, increased welfare payments and adjustments in the lower wage rate categories. Finally personal wealth taxes are discussed. The paper concludes that 'the choice of appropriate tax instruments and tax reform strategies is therefore a matter of high economic and social importance for the 1980s' because the serious deficiencies which characterise the tax systems of most industrialised western democracies have contributed to the progressive decline of taxpayer compliance and community acceptance.

DEDUCTIONS; INCENTIVES; INCOME SPLITTING; INCOME UNIT; INDIRECT TAXATION; MARGINAL TAX RATES; RATE SCALE; TAX BASE.

- 183 HEAD, John G. (1985), 'Reform of the Australian tax system - some reflections on the Draft White Paper', *National Economic Review*, (4), August:59-69. Also published in GROENEWEGEN, P.D. (ed.) (1987), *Australian Taxation Policy*, 2nd edition, Melbourne, Longman Cheshire:136-151.

This paper reviews the Government's **Draft White Paper: Reform of the Australian Tax System**. It states that the Paper 'is in some respects an unusual tax policy document, serving the dual purpose of replacing the now somewhat outdated Asprey Report as a comprehensive review of major structural issues and also the government's blueprint for reform. Perhaps inevitably, in view of its dual purpose, the paper falls to some extent between two stools, being somewhat less than even-handed as a review of structural problems and somewhat diffuse, sketchy and long-winded as a blueprint.' The alternative tax reform strategies and scenarios are analysed. A major conclusion of this paper is that a composite tax reform strategy combining tax mix change with income tax reform along the lines of the Government's preferred Option C offers the best prospects for success. 'The Draft White Paper provides an excellent basis for public discussion and a sensible strategy for reform.'

INDIRECT TAXATION; TAX BASE.

- 184 HEAD, John G. (ed.) (1986), **Changing the Tax Mix: Papers Presented at a Conference Organised by the Centre of Policy Studies, Monash University, Sydney**, Australian Tax Research Foundation, xi, 401pp.

The papers in this volume cover the main structural reform issues, both in relation to the tax mix and also in the areas of income and wealth taxation. For description of the papers relevant to this bibliography see:

MORGAN, David R., An agenda for tax reform.

WARREN, Neil A., The distribution impact of changing the tax mix in Australia: some preliminary findings.

COX, J.P. and FOSTER, Chris, Tax changes and social welfare.

COLLINS, D.J., Tax rate implications of changing the tax mix.

EDWARDS, Meredith, The Australian tax unit: an evaluation.

APPS, Patricia and SAVAGE, Elizabeth. The tax structure.

BASCAND, Geoffrey M. and PORTER, Michael G., Taxes and incentives - the leaky bucket.

INCENTIVES; INCOME DISTRIBUTION; INCOME UNIT; INDIRECT TAXATION; TAX BASE.

- 185 HEAD, John G. (1986), 'Reforming the Australian tax system: the issue of comprehensiveness in the Draft White Paper and the tax reform package', *Economic Analysis & Policy*, 16(2), September:145-167.

This paper is primarily concerned with the principles of comprehensiveness and uniformity as they are treated in the Treasury's **Reform of the Australian Taxation System: Draft White Paper and Reform of the Australian Taxation System: Statement by the Treasurer...**(the tax reform package). The analysis is related to previous Australian studies and also to major overseas studies. It looks critically at Approach A and the government's preferred Approach C. Approach C proposed the replacement of the present narrowly-based wholesale sales tax with a broadly-based consumption tax of 12.5 per cent to finance across-the-board reduction in income tax rates. The Draft White Paper argues for the maximum degree of comprehensiveness and uniformity in this. One of the limitations of indirect tax is the difficulty in ensuring that a subsistence level of income is effectively exempt from tax; an elaborate compensation package involving an array of welfare payments is described in Chapter 14 of the Draft White Paper. The amount of compensation required by different groups would be determined from information in the 1984 Household Expenditure Survey, which it is here claimed is of limited and uncertain relevance. Compensation would be withheld from non-needy but ostensibly low-income earners such as secondary earners, part time earners and income-splitters. The proposed tax mix change and the compensation package constitutes an alternative, indirect partial method of 'taxing the threshold.' It is claimed that any benefits gained could be achieved more simply by taxing the present income tax threshold directly under the personal income tax. The proposed income-tested tax credit for genuinely low-income households could also be determined with much greater accuracy under the income tax approach. Uncertainties regarding the compensation package were one of the major reasons for the defeat of Approach C.

COMPARATIVE STUDIES; INDIRECT TAXATION.

- 186 HENDERSON, R.F. (1971), 'The relief of poverty: negative income taxes and other measures', *Economic Record*, 47(117), March:106-114.

This is a review of **Poverty in Britain and the Reform of Social Security**, by A.B. ATKINSON. It begins by describing how the Beveridge Plan in Great Britain has failed to relieve poverty adequately. It moves on to consider a guaranteed minimum income or negative income tax scheme proposed in the United States to be limited to families with dependent children. It then looks at a similar proposal in Britain put forward by Professor Lees in 1967. This negative income tax was to replace family allowances but its effect would also have provided disincentives to work and incentives for evasion. A solution to this was offered in a scheme proposed by the Child Poverty Action Group in Britain. This proposed combining tax allowances and family allowance into a single schedule of payments. The paper then looks at comprehensive social dividend schemes which have been under discussion in Britain over the past twenty-five years. The paper argues that whereas in the United States the gap in the social welfare provisions for poor families is big enough for a minimum income policy to be an efficient reform measure, in Britain and Australia it would seem a piecemeal approach would be preferable, providing certain criteria were met. There must be detailed, comprehensive and up-to-date information on the classes of persons in poverty and a co-ordinated programme to deal with them. Neither requirement could be met in Britain or Australia at the time of writing. It is suggested that the wage determination system could be a valuable approach to the reduction of poverty. Finally, an income supplement scheme for the aged and the need for investigating the needs of recent migrants is touched upon.

COMPARATIVE STUDIES; FAMILY ALLOWANCES; GUARANTEED MINIMUM INCOME.

- 187 HENDERSON, Ronald F. (1978), 'Criteria for welfare: needs or earnings?' in GRAYCAR, Adam (ed.) **Perspectives in Australian Social Policy: a Book of Readings**, Melbourne, Macmillan: 177-185.

This essay argues that 'a guaranteed minimum income is the fairest and most comprehensive way of achieving a reasonable income for all those unable to earn.' Our existing system of social security could also be extended to fill the gaps that remain and there is room for discussion on the 'pros and cons of patching as against radical change to a guaranteed minimum income scheme.' What the author objects to are two other proposed schemes for national compensation for accidents and sickness (the Woodhouse Report) and national superannuation (the Hancock Report) which are based on earnings and contributions. 'They would create a most unequal society of pensioners and beneficiaries and would...prevent Australia from achieving the abolition of poverty'.

GUARANTEED MINIMUM INCOME; INCOME DISTRIBUTION.

- 188 HENDERSON, Ronald (1980), 'Review article: Poverty in Britain and Australia: Reflections on Poverty in the United Kingdom by Peter Townsend', *Australian Quarterly*, 52(2), Winter: 221-227.

This is a review of Peter Townsend's book **Poverty in the United Kingdom: a Survey of Household Resources and Standards of Living**, Harmondsworth, Penguin and Allen Lane, 1979. This book is based on extensive research 'broader and deeper than any that has been done in Australia.' It explores deprivation at work, in housing and environment and the various groups discussed include the unemployed and under-employed, sole parents, the elderly, the disabled, the low paid and the older workers. A deprivation scale used by Townsend to measure poverty is compared with equivalence scales used by the Henderson Poverty Inquiry. Townsend concludes that in determining poverty, cash income is inadequate and 'a plural approach is unavoidable'. Lifestyle rather than consumption ought to be measured to determine who suffers deprivation. Adding in employer welfare benefits increases the extent of inequality, which would also be true in Australia. Another calculation adds the benefit conferred by public social services and found the main beneficiaries of these to be middle income earners. This would also be true in Australia. Townsend found that, as in Australia, the progressivity of the income tax system was counterbalanced by the regressive effect of indirect taxes. The Australian tax system penalises the single-income unit and fails to achieve horizontal equity. Henderson argues that taxation ought to be levied 'on the same income unit basis as is used by the Commonwealth Social Security for pensions and benefits'. The effects of multiple means-tested schemes were looked at by Townsend but he failed to discuss the effects on the incentives to

work of some of these schemes. Henderson goes on to argue, as Townsend does not, for a 'single universal negative income tax or guaranteed income scheme'.

COMPARATIVE STUDIES; GUARANTEED MINIMUM INCOME; INCENTIVES;
INCOME(MEANS/ASSETS)TEST; INCOME UNIT; INDIRECT TAXATION.

- 189 HENDERSON, Ronald (1982), 'Welfare and taxes: some issue in the financing of welfare - a comment', *Australian Quarterly*, 54(2), Winter:173-175.

This is a comment on the paper by Daryl DIXON and Chris FOSTER, 'Welfare and taxes: some issues in the financing of welfare', *Australian Quarterly*, 54(1), Autumn 1982:17-29, and a subsequent paper by the same authors, *Alternative Strategies to Meet the Income Needs of the Aged*, Canberra, Social Welfare Policy Secretariat, 1982. In the first of these papers, the authors focus on old age pensions, an area they find progressive, while if they had looked at the whole taxation system it is not progressive. The progressivity of the income tax is offset by the regressive impact of indirect taxes and tax avoidance. Even in the second paper, where taxation concessions for superannuation are taken into account, the authors' preferred scheme still permits people to receive both superannuation benefits and old age pensions subject to limits. Henderson maintains that this is dangerous as tax concessions are most likely to favour the rich. The great increase in social security expenditure has come from unemployment and the first aim of those concerned with financing welfare should be to suggest measure to achieve higher levels of employment.

INCENTIVES; INCOME DISTRIBUTION; INDIRECT TAXATION; TAX EXPENDITURES.

- 190 HENDERSON, Ronald (1985), 'Poverty: 10 years on', *Australian Society*, 4(6), June:6-8.

The increase in unemployment over the years 1975-85 has been a cause of the increase in poverty. To tackle the problem of poverty the problem of unemployment must be tackled first. Unemployment must be understood against a background of inflation, and measures to control it 'have been harsh and ham-fisted' with reductions in government expenditure on urgently needed services and increases in the price of public goods. Another factor is the nature of the current industrial revolution and employment trends. There must be major improvements in education and training to tackle youth unemployment. It is becoming realized 'how much real income escapes tax.' Broadening the tax base to bring in an extra \$3 or \$4 billion might be feasible and this should be spend in 'increasing employment in community services, on reducing rates of tax, and raising the level of income support for the poorest people.'

RATE SCALE; TAX BASE; TAX EXPENDITURES.

- 191 HENDRIE, Delia and PORTER, Michael G. (1987), 'The capture of the welfare state', in *The Welfare State: Achievements - Problems - Prospects*, 1987 RAIPA Autumn Seminar, 7-8 April 1987, Australian National University, *Canberra Bulletin of Public Administration*, (51), May:20-30.

This paper argues that a democratic government is one readily captured by powerful interest groups and this results in transfer to people who are not disadvantaged, 'middle class welfare', while those requiring support are disadvantaged. The paper suggests a withdrawal of government from many areas of regulation and expenditure (particularly education and health) and for it to focus on distributive policies in the areas which work (in particular, social security). It argues that reform of welfare policy should be towards tighter targeting of benefits with a shift away from universal benefits, together with incentives to become self-supporting by labour market reforms, particularly for young people and sole parents.

INCENTIVES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST.

- 192 HENDRIE, Delia and PORTER, Michael (1987), 'Social security and welfare spending', in FREEBAIRN, John, PORTER, Michael and WALSH, Cliff (eds) (1987), **Spending and Taxing: Australian Reform Options**, Sydney, Allen & Unwin:119-145.

This chapter argues that 'social security policies should be the principle vehicles of redistribution, and that they properly be targeted on those in genuine need. Well-functioning labour markets, education and training systems provide the principal means of raising incomes and removing poverty. Increased national output and employment over the long term have a greater bearing upon the well-being of the less advantaged members of society'. It begins by looking at recent trends in welfare spending which has increased from 17 per cent of total budget outlays in 1970-71 to 27.8 per cent in 1986-87. The reasons for this growth are identified as growth in numbers of pensioners and beneficiaries because of changes in general economic and demographic conditions; the introduction of new programmes and changes in the eligibility conditions for existing programmes; and, increased generosity of benefits. Six major groups of welfare beneficiaries are identified and four categories of social welfare are discussed: aged pensions and superannuation; unemployment benefits; supporting parents pensions; and assistance to families. The principles governing the assessment here suggest that a social security system should provide support for those unable to provide for themselves; not encourage people to seek help who do not genuinely need it; and provide recipients with strong incentives to become self-supporting, helped by labour market reforms.

INCENTIVES; INCOME DISTRIBUTION.

- 193 HORN, Robert V. and KEENS, Carol (1980), **Taxation and the Family**, Economic Society of Australia and New Zealand, New South Wales Branch, Economic Monograph, No.357, 11pp.

This paper begins by commenting briefly on some general features of the Australian personal income tax system which have relevance for considerations of family taxation. There follows a discussion of the implications of recent reform proposals; (1) those of the Wilson Working Party of the Government's Health and Welfare Committee and (2) the 1980 March and August Budget measures referred to here as the Howard Reforms. For the Wilson Committee proposals this paper looks at the optional income splitting proposal. This does not take into account social changes in the composition of the family. The question of work disincentives is also discussed. Income splitting, or a correspondingly graded rise in the spouse rebate, would benefit single as against dual earner married couples and act as a work disincentive to spouses (mainly married women).

INCENTIVES; INCOME SPLITTING; REBATES; WOMEN.

- 194 HORN, Robert V. (1981), **Fiscal Welfare Effects of Changes in Australian Income Tax, 1972-73 to 1980-81**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.9, 59pp.

'The taxation system affects the fiscal welfare of individuals. Its operation is determined by a variety of economic, social and political considerations, and its impact depends not only on the tax laws themselves but also on income distribution and inflation. This paper reviews changes in the Australian personal income tax over the period from 1972/3 to 1980/1. The principal factors, such as exemption limits, tax rates, concessions for dependants and inflation are first dealt with separately, and then their combined effect is reviewed for taxpayers at various levels of income and responsibility for dependants. The general conclusion is that the burden of income tax has increased over the period for all incomes, except for very low earners who have become tax exempt through successive tax reforms. For others, there has been a small relative shift in the tax burden from high earners to those at middle or low income levels; and also a relative shift in the tax burden from taxpayers without dependants to those with dependant children and relatives.'

INCIDENCE; TAX EXPENDITURES.

- 195 HORNE, Shirley, HARPER, R.J.A. and BUCHANAN, Louise (1978), Means Testing and Social Welfare Policy, Sydney, Australian Council of Social Service, vii, 162pp.**

One of the main aims of this report was to collect detailed information on as many means tests as practicable in order to provide a reference document for workers in the field, as existing information was in piecemeal form making comparisons difficult and discrepancies hard to detect. Other factors prompting the research were the criticism that means-tested benefits were not taken up by those that need them most, and the fact that they can cause 'poverty traps'. Information was collected on all government departments which were known to use means tests, with the bulk of the data coming from the Department of Social Security whose payments affect the greatest number of people. State and local government information was restricted to Victoria and no attempt was made to cover all the non-government bodies which used means tests. Most of the data were collected in the latter part of 1975 but an attempt was made to allow for all changes that took place up to July 1976. It is concluded that 'means tests are so numerous and varied that they are unlikely to be removed...(and) will remain an arm of social policy. The most fruitful endeavour which might, therefore, be undertaken is one aimed at reducing the number of means tests to which the same person or family is subjected, and to simplify, co-ordinate and integrate the considerable number of means test that will remain.' Some means-tested benefits are no longer necessary and could be abolished, others could be abolished if the present levels of pension and benefit were raised. Some improvements in the direction of rationalisation and integration might be made by making a common definition of means more widely used by administering authorities, and standardising the amount of allowable resources an applicant may have before the pension or benefit is reduced.

INCOME(MEANS/ASSETS)TEST; INTEGRATION; POVERTY TRAPS.

- 196 HOWARD, John (1981), 'Taxation policy and the family', AUSTRALIAN FAMILY ASSOCIATION, Second National Seminar, The Family - Education and Community Support, University of Melbourne, November 1981, Melbourne, Australian Family Association:40-48.**

After making some observations on attitudes to family and family life in Australia, this paper provides some background to the taxation system considered essential for an understanding of the impact of taxation on the family.

- 197 HOWARD, John (1984), 'Taxation reform', Australian Tax Forum, 1(1), March:8-14.**

This article outlines the Liberal Party of Australia's views on taxation reform and taxation policy. It examines the aims of the taxation system and makes some observations on its present operation, with some overseas comparisons. It briefly outlines some areas where reform is needed, including the possibility 'of taking welfare payments and distributions out of the taxation system and putting them into the social security budget as direct welfare payments,' e.g. the Fraser Government's removal of child deductions from the taxation system and replacing them with family allowances through the Department of Social Security. The same could apply to industry concessions. It is concluded that the single most important reform to be made is the broadening of the tax base with an increase in indirect taxation and reduction in income taxation.

COMPARATIVE STUDIES; INDIRECT TAXATION; TAX BASE; TAX EXPENDITURES.

- 198 HOWE, Brian (1987), "'The welfare state": reform, progress or retreat', SAUNDERS, Peter and JAMROZIK, Adam, (eds), Social Welfare in the Late 1980s: Reform, Progress, or Retreat? Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.65:3-11.**

After describing Labor's tradition of social reform, the author goes on to criticise the attack being made on the welfare state by the 'New Right'. An intellectual counter-attack is needed to dispel the myth that in Australia social welfare expenditure is escalating out of control. It points to the fact that many of the more highly taxed OECD countries have more generous welfare systems than ours and have better performing economies. It points to changes in the labour market which have led to increased unemployed and goes on to outline an agenda for reform which would need a new approach to unemployment assistance, making it more labour market oriented; a

refocussing of family programs; and, redefining responsibility for child support between parents and the taxpayers. Fundamental to this is a fair tax system.

COMPARATIVE STUDIES; INCENTIVES; TAX EXPENDITURES.

- 199 HOY, Philida (1980), 'Implications for social security of changing child care practices', in DAVIS, Dorothy, et al. (ed.), **Living Together: Family Patterns & Lifestyles**, Canberra, Centre for Continuing Education, Australian National University:164-173.

This paper looks at some of the implications of changing child care practices (resulting from sole parent families or where the prime child carer is in paid employment) for the social security and tax systems. Two issues are addressed: the relative requirements of sole parent families with particular emphasis on parenthood costs; and the effect of child care expenses on a pensioner's decision to seek paid employment. The evidence suggests that social security payments for sole parents such as the living alone allowance, child pension and mother's/guardian's allowance should be raised. There is also a poverty trap involved in sole parent pensioners seeking paid employment as they have higher marginal tax rates than the general public and they must pay for child care with after-tax income. Child care expenses ought to be deducted from gross income before means tests are applied.

DEDUCTIONS; MARGINAL TAX RATES; POVERTY TRAPS.

- 200 HUNTER, Margaret (1985), 'Tax deductibility and the tax summit', **Australia Social Welfare: Impact**, 15(3), May:2, 30.

'Welfare organisations need a commitment from the Tax Summit to reforming tax concessions for charities...Welfare organisations need to decide what to ask the Tax Summit to do about their own taxation and tax concessions as well as looking at main-stream issues affecting the whole community.' Tax deductibility status as defined by the Income Tax Assessment Act favours the older, well established and richer groups and the newer, more innovative groups miss out. The ACOSS position on tax concessions is basically to abolish them and target the increased revenue to those in need. Exemptions from paying tax can be looked at separately. Abolishing tax concessions on the payment of taxes by voluntary groups would have several disadvantages. 'One possible approach to the issue could be to call for the abolition of tax deductibility for donations, but at the same time broaden and rationalise the exemptions from paying tax.' The latter should have community support.

DEDUCTIONS.

- 201 INGLES, David (1982), **Financing Social Security: an Analysis of the Contributory 'Social Insurance' Approach**, Canberra, Development Division, Department of Social Security, Research Paper, No.19, 94pp.

Unlike most other OECD countries, Australia does not have a 'social insurance' approach to social security but relies heavily on general revenue finance with emphasis on flat-rate and generally income-tested benefits. This paper examines such questions as to how Australia has resisted the social insurance approach; whether the present approach is wrong and what direction should it be taking now? It begins with a brief resume of some Australian proposals for contributory social insurance schemes, together with some reasons why they were never proceeded with. The next section looks at various views on social insurance systems, the arguments for contributory finance, the issue as to whether or not contributions are 'payment for protection', or simply another name for a tax, and the concept of 'taxable capacity'. The question of whether contributory finance is more likely than general revenue finance to help the poorest is examined, including the implications of the pay-as-you-go versus funding issue. Section 6 considers the pros and cons of the payroll tax as a base for social security levies, and a number of financing reforms are advocated. Section 7 examines the arguments for and against earmarking particular taxes to social security expenditure and the extent to which taxes levied to finance particular programmes be adjusted for the risk experience of individuals or employers. Finally, the major issues are summarised and possible directions for Australia in the direction of contributory finance considered.

TAX EXPENDITURES.

202 INGLES David (1985), 'Integrating taxation and social security', *Social Security Journal*, June:25-32.

This paper begins by briefly looking at some past proposals to integrate taxation and social security. It looks at the guaranteed minimum income schemes of the Henderson Inquiry and the Priorities Review Staff, both 1975. Other integration proposals touched upon are those of Meade and Dilnot in the United Kingdom and Asprey in Australia. Dixon and Foster of the Social Welfare Policy Secretariat have argued that full integration is not feasible at the present time and their proposal suggests arrangements under which pensioners who are subject to a means test are not also subject to personal income tax, and, for those on pension or benefit only part of a year, that they be subject to a pro rata tax liability rather than a full-year averaging as at present. The paper goes on to argue that the case for integration is strong and gives reasons of more efficiency through reduced administrative overlap; compliance costs could be eased for clients; enforcement would be facilitated; ease of understanding would be facilitated; and, current difficulties in defining the period of income assessment might be reduced or eliminated. A proposal to this end is then described. Separate social security income tests would be abolished and replaced by special tax scales applicable to those in receipt of social security. Those on benefits for less than a year would be subject to a special part-year tax system. Pensions would be entirely freed from tax and the separate supplementary assistance income test would be abolished. Details of the special pensioner tax scales are given. The Department of Social Security would act as a withholding agent for the Tax Office and the Tax Office would be responsible for end-of-year reconciliation, enforcement and compliance. The main obstacles to this proposal are seen as administrative problems and there are likely to be cost implications, particularly in the initial phases, but overall integration is seen as worthy of further investigation.

GUARANTEED MINIMUM INCOME; INCOME TEST; INTEGRATION; RATE SCALE.

203 INGLES, David, JACKSON, Wayne, PODGER, Andrew and RAYMOND, Judy (1982), **Taxation Expenditures: Submission by the Department of Social Security to the Inquiry Into Taxation Expenditures by the House of Representatives Standing Committee on Expenditure**, Canberra, Development Division, Department of Social Security, Research Paper, No.17, 47pp.

'The paper discusses the concept and rationale for tax expenditures and their relevance in the areas of assistance for dependants, assistance for retirement, and the taxation treatment of social security payments. Under each of these areas, different options for the treatment of certain personal income tax measures for Budget presentational purposes are identified for the Committee's consideration. A short section on the implications of a shift in the balance of taxation away from personal income tax is also included. A summary list of those measures in the tax system that could be regarded as "tax expenditures" within the functional heading "Social Security and Welfare" is at Attachment A.'

TAX EXPENDITURES.

204 INSTITUTE OF FAMILY STUDIES (1985), **Changing the Australian Taxation System: Towards a Family Income Guarantee**, Melbourne, 40pp. Submission to the Economic Planning Advisory Council.

This submission focuses on two main propositions for the reform of the Australian taxation system. (1) Families with children (especially those on low incomes) require adequate support through the tax-transfer system; and (2) such support should be provided through an integrated tax-transfer system. The operation of the social security system must be examined at the same time as the taxation system to assess how families are affected with respect to equity and efficiency consideration. Overall income redistribution is determined by the interaction of the two systems. Government assistance to families with dependent children, both through the taxation and social security systems, is described and it is concluded that they are worse off since 1976-77. Possible directions to move to support such families are outlined, the basic proposition being that they will require far greater support within the tax-transfer system than they now receive and that such support should be delivered as efficiently as possible by a simplified system to provide all families with a guaranteed income assessed only against their demonstrable need for such support. By integrating fully the income support and taxation systems the poverty traps and disincentives to work would be minimised. Some measures called for are indexation of child-related payments, a revised system of family allowances and modification of the supplementary payment for low income families. Discussion of tax reform must also bear in mind the balance between support in the form of cash and tax benefits and support via

service provision. Finally, proposed changes to the taxation system such as a broadly based consumption tax and tax cuts are criticised.

FAMILY ALLOWANCES; GUARANTEED MINIMUM INCOME; INDIRECT TAXATION; INTEGRATION; RATE SCALE.

- 205 INSTITUTE OF FAMILY STUDIES (1985), *Families and Australia's Economic Future: Submission to the Economic Planning Advisory Council*, Melbourne, Institute of Family Studies, 31pp.**

This submission is a contribution to the government's review of taxation and welfare structures. It outlines 'the current nature of Australia's families and the changes taking place in Australian family patterns which affect, directly or indirectly, the economy;' and indicates 'how policies which link "benefits" and "services" for families in a "benefit-service package" relate to both fundamental value directions and to the problems of raising taxation revenue in order to fund that package.' It argues 'that family structures and the way they change are central to economic stability and vice versa', and lists many questions which must be borne in mind when planning for income transfer reform. The final section offers suggestions 'for changes to income transfer programs based on the Institute's Australian Family Income Transfer project (AFIT).' This project uses information from the Census and the ABS Income Surveys. Some of the major criticisms of the present tax and social security systems are discussed emphasising the aim of increasing base rates of payment, particularly for families with children, the aim of co-ordinating the tax and social security systems so as to reduce disincentives to work, the need for a mechanism to offset for low income groups the regressive effects should the government choose to introduce a consumption tax on goods and services, and the need to supplement equal employment programs with policies which promote a more equal distribution within families of family income and family responsibilities.

INCENTIVES; INCOME DISTRIBUTION; INDIRECT TAXATION.

- 206 JACKSON, Wayne (1982), 'Universal and selective income support: some equity and efficiency considerations', *Social Security Journal*, June:14-31.**

'This paper examines some of the broader economic aspects of universal and selective income support against the traditional concerns for equity and efficiency'. It begins by examining the distributional considerations where much of the literature has dwelt on the more obvious forms of assistance identifiable from social welfare budgets and paid little attention to assistance paid through the tax system. The paper argues that any assessment of universal and selective income support must examine the taxation and social security systems together and consider the distribution of 'net benefits'. 'The second part of the paper discusses the different concepts of efficiency that are relevant to the assessment of income support programmes: target, technical, administrative and economic efficiency.' There is a need to distinguish target efficiency from economic efficiency and 'to consider the response of both the winners and the losers (in terms of net benefits) in order to assess the impact of universal and selective programmes on economic output.' It is stated that this paper does not set out to establish that one form of provision is better than another. 'Rather, it seeks to discuss some of the distributional and efficiency considerations of relevance in determining the direction which might be taken in the future development of income support provisions.'

INCOME DISTRIBUTION; UNIVERSALITY.

- 207 JAMROZIK, Adam (ed.) (1985), *Income Distribution, Taxation and Social Security: Issues of Current Concern*, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.55, 148pp.**

Report of the proceedings of a one-day seminar organised by the Social Welfare Research Centre and held in November 1985. For details of papers relevant to this bibliography see:

CASS, Bettina, The case for review of aspect of the Australian social security system.
WHITEFORD, Peter, Horizontal equity in tax-transfer arrangements.

- 208 JAMROZIK, Adam (1986), 'Social security and the social wage; priorities and options in social policy', in JAMROZIK, Adam (ed.), **Social Security and Family Welfare: Directions and Options Ahead**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.61:9-41.

'This paper examines some of the current issues in social policy and social welfare, in the context of the division of responsibility in the Australian Federal system of government. The issues that are especially considered are income support provisions and services and utilities which are sometimes regarded as parts of the "social wage". The paper aims to identify possible priorities and options in social security and social welfare under conditions and constraints of a "deregulated" economy, which are experienced now and are likely to intensify in future. The problem of inequality generated in these conditions is seen as the main issue for social policy considerations. The paper suggests reforms in taxation and social security which, if implemented would make the social security system more equitable by improving the position of low-income families at least in relative terms.'

INCOME DISTRIBUTION.

- 209 JAMROZIK, Adam, HOEY, Marilyn and LEEDS, Marilyn (1981), **Employment Benefits: Private or Public Welfare?**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.15, 138pp.

'This report is concerned with the subject of occupational welfare, i.e. benefits received by employees in addition to wages or salaries, which are commonly referred to in various terms, such as employment or employee benefits, fringe benefits, non-wage benefits, or, more recently, as remuneration package. The examination of recent and earlier data indicates that employment benefits are widespread throughout industry but their distribution favours considerably higher level employees. Recent changes in the structure of the labour market, e.g. the increase in part-time work in certain sectors of industry, further accentuate the inequalities in this distribution. The findings of the study raise a number of issues for social welfare policy. For while employment benefits are received, and perceived, as rewards for contribution to economic production, a significant proportion of their cost is borne by the State through taxation revenue foregone, and by the community through higher prices of goods and services. Occupational welfare is therefore a "hidden" part of the overall social welfare system. While it may be deemed appropriate that people receive rewards that are commensurate with the value of their contribution to economic production, the contribution by the State negates the accepted redistributive principles on which the public social welfare is, or is believed to be, based.'

INCOME DISTRIBUTION; TAX EXPENDITURES.

- 210 JAMROZIK, Adam, HOEY, Marilyn and LEEDS, Marilyn (1983), 'Occupational welfare: supporting the affluent', in GRAYCAR, Adam (ed.), **Retreat from the Welfare State**, Sydney, Allen & Unwin:55-73.

This chapter is based on the work done for the authors' SWRC Reports and Proceedings, No.15, which see also.

Occupational welfare (benefits in cash or kind in addition to salary received through participation in the workforce as employees) is essentially the same as social and fiscal welfare. It differs in that whereas the concepts of 'deserts' or 'needs' underlay the receipt of other welfare, occupational welfare goes to those with the highest salaries. The different ways of looking at occupational welfare by such as Titmuss, Sinfield and Rein are examined followed by a description of employment benefits received in Australia. The costs of such benefits and their social implications are discussed. These implications for social policy arise from the hierarchical distribution of benefits, the problems of distinguishing between benefits as production costs or as private consumption, in determining who bears the costs and who benefits, and the relationship between occupational welfare and public social welfare. The State forgoes taxation revenue and the community pays through higher prices of goods and services and consequently, occupational welfare is a 'hidden' part of the social welfare system.

INCOME DISTRIBUTION; TAX EXPENDITURES.

- 211 JONES, Glen and SAVAGE, Elizabeth (1986), **Modelling Australian Indirect Tax Reforms: a Welfare Consistent Approach**, Paper delivered at the Monash Tax Conference, Monash University, 1986, 30pp.

In recent years arguments for tax changes are frequently put in terms of restoring incentives and improving efficiency, and arguments against are put in terms of winners or losers. Both use theory-inconsistent welfare indicators such as observed household income. 'To identify tax reforms that are truly welfare-improving requires models which link actual behaviour of individual economic agents to exact measure of welfare excess burden and overall social gain.' This 'optimal tax approach and empirical analyses of the welfare effects of tax reform which have been inspired by it, apply economic theory consistently to the analysis of actual tax problems...Horizontal and vertical equity, efficiency and tradeoffs between them have now been rigorously defined and made operational...To analyse equity and efficiency effects unit record data is essential for the simulation of reforms, because of the dispersion of gains within the group "represented" by the group average.' This paper illustrates 'that advances in applied welfare economics coupled with the theoretical insights of the optimal tax literature, allow a much richer analysis of tax reforms.' Part 2 discusses the specification of the demand system and the importance of functional form. In Part 3 components of the welfare analysis of tax reform are described and results for a number of indirect tax reforms are presented. Part 4 discusses the pros and cons of different approaches to tax analysis.

INCOME DISTRIBUTION; INDIRECT TAXATION; MODELS.

- 212 JONES, M.A. (1983), **The Australian Welfare State: Growth, Crisis and Change**, Sydney, Allen & Unwin, xi, 355pp.

Chapter 7 discusses social security policy issues which include conflicting taxation and social welfare objectives. Taxes influence incentives and can seriously conflict with welfare state objectives. In 1982 it was widely believed that the Australian taxation system was too reliant on personal income tax and tax avoidance and evasion were high. However, 'anything but token changes to the Australian tax system are very unlikely.' The chapter looks at the equity of the tax system. The Australian income tax system is progressive but imposes quite high taxes at relatively modest incomes; indirect taxes are regressive on the low-income groups. Government assistance in the form of allowances for dependent spouses and children are low compared to other OECD countries. Tax policy should be co-ordinated with welfare programmes, particularly in terms of the minimum taxable income. Negative income tax schemes are examined and some of the objections stated. 'Tax policy is far too complex, and equity has always been and always will be a secondary objective, especially in an economist-dominated policy environment. Governments can hide expenditures much more effectively in tax policies than in direct social programmes. Cynics would say that this is why social programmes are becoming directly funded while many inequitable subsidies to manufacturers and to the more affluent are managed through the tax system.'

GUARANTEED MINIMUM INCOME; INCIDENCE; TAX EXPENDITURES.

- 213 JORDAN, Alan (1979), **Changing Family Patterns and Social Security Protection: the Australian Scene**, Canberra, Development Division, Department of Social Security, Research Paper, No.3, 27pp. Also published in **Social Security**, December 1980:25-36.

This paper offers a broad outline of some historical trends in the structure and functioning of families in Australia and some features of the Australian system of social security as it affects various types of households. Some attention is given to the relationship between social security policy and wages, taxation and housing policies. Section II looks at social and demographic changes in the Australian family. Section III briefly looks at the present social security system of categorical benefits and pensions, personal services and assistance-in-kind. Section IV looks at the 1970s and beyond - the changing composition of the population dependent on social security as a result of the changing conjugal family and recent economic and demographic events. It touches on what the relevant 'income unit' should be, the differences between this income unit for social security and taxation purposes. Full compatibility of the social security unit with the taxation system unit and both with family law, is seen as desirable but difficult to achieve because each serves a different purpose. Other relevant issues touched upon are selectivity versus universalism and the resource constraints of recent times.

INCOME UNIT; UNIVERSALITY.

- 214 JORDAN, Alan (1987), *The Common Treasury: the Distribution of Income to Families and Households*, Canberra, Social Security Review, Background/Discussion Paper, No.22:213-233.**

Chapter eleven of this paper is on the tax-transfer system and equality. It begins by making the distinction between the primary distribution of income and the second, corrective distribution that might be effected through a tax-transfer system. It then looks at the contribution of social security to income distribution. 'Historically, social security transfers have contributed more to the efficient and humane management of existing inequalities than to their abolition...It may be concluded, briefly, that income is redistributed by social security payments, although the net redistribution is considerably less than gross expenditure. Neither the net amount redistributed nor the ultimate beneficiaries can be specified. The extent to which the social security system contributes to reduction of inequalities other than of income is unclear...substantive inequality is probably not redressed and for many may be aggravated by segregation or stigmatisation...Only by change in the institutions directly related to the primary distribution can greater equality be achieved in respect both of income and other social goods.'

INCOME DISTRIBUTION.

- 215 KAKWANI, Nanak C. (1977), 'Measurement of poverty and negative income-tax', *Australian Economic Papers*, 16(29), December:237-248.**

'This paper deals with the problem of deriving a suitable poverty index...The approach followed here is that of transfer of income from rich to poor so that the income of every one who is poor is brought to the "poverty level". The poverty index derived with this approach turns out to be similar to one proposed by Sen. The negative income tax is one of the commonly suggested fiscal measures to transfer income from rich to poor in order to reduce poverty. One of the first formulas for negative income tax was proposed by Friedman. Under this plan the poor families are affected in two ways. Firstly, their mean income increases and secondly their income inequality is reduced. In this paper we consider a negative income tax plan similar to one proposed by Friedman and investigate its effect on the proposed poverty index. The second section gives the derivation of the poverty index along with its upper and lower bounds. The index derived here makes use of three poverty indicators, viz., the percentage of poor, the aggregate poverty gap and the distribution of income among the poor.'

GUARANTEED MINIMUM INCOME; INCOME DISTRIBUTION.

- 216 KAKWANI, Nanak C. (1981), *Income Redistribution and the Australian Indirect Tax System*, Kensington, Centre for Applied Economics, University of New South Wales, Working Paper, No.28, 18pp.**

The main contribution of this paper is to provide estimates of the degree of progressivity (or regressivity) of the sales or excise tax on more than 300 individual consumption items. These estimates are based on the 1975-76 Household Expenditure Survey. Sections 2-6 discuss the methodology and the limitations and Section 7 presents the interpretation and policy implications of the results. The results show that indirect taxes on most goods and services are regressive.

INDIRECT TAXATION; INCOME DISTRIBUTION.

- 217 KAKWANI, Nanak (1983), 'The impact of personal income taxation and government transfers on income distribution and poverty in Australia', in HEAD, John G. (ed.), *Taxation Issues of the 1980s*, Sydney, Australian Tax Research Foundation:153-180.**

Using data from the Household Expenditure Survey 1975-76, this study measures 'the direct impact of the Australian personal income tax and government cash transfers on the distribution of household income by size of income and by other household characteristics'. Vertical and horizontal equity characteristics are paid particular attention. The major conclusions are that: the overall effect of the personal income tax is progressive; the use of household income unadjusted for household size and composition tends to overestimate the impact of horizontal inequity and underestimate that of vertical equity; the progressivity index of government benefits is almost ten times that of taxes and more highly redistributive towards greater equality; the combined effects of the tax/transfer system has become more egalitarian since 1966-67; there has been a considerable increase in income inequality since 1966-67 and seems likely to continue; of all benefits, sickness and special benefits are the most progressive

and family allowance the least; the reduction in the incidence of poverty for adults is far greater than that for children and all poverty indicators show an increase in poverty as a result of taxation, (about 149,000 individuals in 35,000 households are living in poverty because they are required to pay income tax).

INCOME DISTRIBUTION.

- 218 KAKWANI, Nanak C. (1983), **Measurement of Welfare with Applications to Australia**, Kensington, Centre for Applied Economic Research, University of New South Wales, Working Paper, No.53, 45pp.

'This paper is concerned with the measurement of welfare which takes into account both the size and distribution of income. An alternative approach to measuring welfare, which captures the sense of envy felt by individuals when they compare their incomes with each other is considered. This methodology is then used to analyse the extent and nature of welfare in Australia. The main objective of the empirical investigation is to measure the direct impact of Australian personal taxes and government cash transfers on the distribution of economic welfare by the size of income and by other household characteristics. The Household Expenditure Survey 1975-76 forms the basis of the present study.'

INCOME DISTRIBUTION.

- 219 KAKWANI, Nanak (1983), **Redistributive Effects of Income Tax and Cash Benefits in Australia**, Kensington, Centre for Applied Economic Research, University of New South Wales, CAER Paper, No.18, 108pp.

The alleviation of poverty by government redistributive policies has become an accepted social norm. These redistributive policies can be classified into two main categories: (1) Policies which have direct impact on the working of the markets generating incomes for households and individuals, and (2) Fiscal policies - both direct and indirect tax and income support programmes for low income families. Using data from the 1975-76 Household Expenditure Survey, this paper measures the direct impact of the Australian personal income tax and government cash transfers on the distribution of household income by size of income and by other household characteristics, such as size and composition. It provides quantitative measures of both horizontal and vertical equity. The study attempts to measure the impact of taxes and cash benefits on the overall level of poverty, using the Henderson poverty line. Both income tax and cash benefits reduce inequality in household income distribution in Australia, but cash benefits are far more important in this respect.

INCOME DISTRIBUTION.

- 220 KAKWANI, Nanak (1986), **Analyzing Redistribution Policies: A Study Using Australian Data**, Cambridge, Cambridge University Press, ix, 293pp.

The study develops appropriate techniques to analyse the nature of income inequality and welfare and to 'measure the direct impact of taxes and government cash transfers on the distribution of income and welfare by size of income and other household characteristics.' The data used are obtained from the Household Expenditure Survey, 1975-6. There is a brief outline of the Australian tax and social security systems at the beginning but the analysis could be applied to other countries. 'This study is divided into four parts. The first part is focused on some methodological and conceptual problems in measuring the distribution of income and welfare. The second part deals with some of the basic issues in the measurement of income inequality, redistribution, and equity. The third part presents the empirical results of the distribution and redistribution of income in Australia and discusses policy conclusions emerging from them. The last part considers issues concerning the measurement of welfare and poverty and presents the empirical evidence for Australia relating to these areas.' Only the direct impact of taxes and cash transfers are measured, the indirect effects cannot yet be measured. In-kind benefits are not taken account of in this study. The book claims to be 'the first study that attempts to quantify the effects of horizontal and vertical equity on income distribution.'

INCOME DISTRIBUTION.

- 221 KASPER, Wolfgang (1983), 'The market approach to social welfare', in MENDELSON, Ronald (ed.), **Australian Social Welfare Finance**, Sydney, Allen & Unwin:80-93.

This chapter calls for a greater use of the market in social welfare and examines the arguments for and against a market approach to social welfare. One of the 'market-confirming instruments of social welfare' examined is a negative income tax. The arguments for and against a negative income tax are examined. The main advantages claimed are that it would be more equitable, and a system under which the Tax Commissioner handles welfare finance would be more administratively simple and ensure that the tax dollar is spent more on the needy than on 'bureaucratic intermediaries.' Poor people would have more choice and be more self-reliant and the more vocal and politically influential groups would have less reason for lobbying, which in turn could moderate the increase in social welfare costs. It would be easier to control the tax rate in the low income range and facilitate the return to work by eliminating the 'poverty traps'. Accelerated structural change and resultant job losses would automatically be catered for under a general negative income tax scheme. Some of the drawbacks from the literature are listed; costs of social welfare to the community might rise, people may be induced to shift the burden of their own support onto the state, many of the needy may lack the capacity for looking after themselves and a Constitutional obstacle is touched upon. To overcome some of these obstacles the threshold for income subsidies would have to be set sufficiently below the minimum wage. Earned pension rights could be treated as separate, non-taxable incomes. The negative income tax scheme could be supplemented by a (voluntary?) unemployment insurance scheme. The paper goes on to discuss health finance, education vouchers and youth endowment schemes and the redistribution of wealth by bequest taxes. All these schemes are seen to be more cost-effective, widen individual choice and self reliance, and devolve certain responsibilities for individual welfare to the family and the individual.

GUARANTEED MINIMUM INCOME.

- 222 KEATING, P.J. (1984), 'The Government's taxation objectives', **Australian Tax Forum**, 1(1), March:2-7.

This paper outlines the Government's general approach to taxation reform without indicating any specific policy measures. It begins by discussing three criteria for tax reform: equity, efficiency and simplicity, and goes on to indicate some areas in need of reform. Consideration is given to measures outside the tax system, the broadening of the tax base and avoidance and evasion. It is stressed that the taxation system must be considered in conjunction with existing social welfare assistance. The progressivity of the tax/transfer system should be enhanced but this will take some time.

TAX BASE.

- 223 KEENS, Carol and CASS, Bettina (1982), **Fiscal Welfare: Some Aspects of Australian Tax Policy. Class and Gender Considerations**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.24, 55pp.

This paper examines aspects of the social division of welfare (identified by Titmuss as social, occupational and fiscal welfare) with particular emphasis on fiscal welfare. It aims to show how both class and gender inequalities intersect to exclude the non-employed and the low-paid (both of which categories include an over-representation of women) from the benefits of fiscal welfare. It further demonstrates how both social security and tax policies have been developed around assumptions of domestic division of labour and family dependencies. Evidence is given from figures of income distribution and weekly earnings to show the low income position of the majority of women. Women are also disadvantaged in the area of occupational welfare (i.e. employee fringe benefits, in particular superannuation). Although the Australian income tax system is nominally progressive, in practice it officially sanctions a wide range of deductions and exemptions which favour higher income earners and disadvantage low income groups. The lowering of the tax threshold has further disadvantaged low-income groups, particularly households with two or more children. It is shown that changes in the income tax system over the period 1975-1982 have further reduced the nominal progressivity of the system, with lower income groups, particularly those with children, now carrying a larger share of the tax burden than before 1975. Fiscal welfare and social welfare are compared. Not only are the groups that benefit from these two areas different, but there is none of the stigma attached to fiscal welfare that adheres to recipients of social welfare, nor is fiscal welfare subjected to the same degree of scrutiny and control. For effective government redistributive policies there should be the same degree of scrutiny of both systems. The paper then goes on to argue that the privileged position given to the dependent spouse

rebate and the non-indexing of family allowances has further disadvantaged low-income households with children and women with children. A postscript examines the 1982-83 Budget and concludes that the divisions between the social security and taxation systems have been reinforced. A less detailed version of this report appears in GRAYCAR, Adam (ed.) (1983), *Retreat from the Welfare State*:123-148.

FAMILY ALLOWANCES; INCIDENCE; REBATES; TAX EXPENDITURES; WOMEN.

- 224 KING, Anthony (1987), 'Analysing the distributional consequences of policy: the use of microanalytic simulation methods', *National Economic Review*, (6), February:7-28.

'The potential for advances in distributional analysis through the use of unit record data lies in the application of microanalytic simulation methods to Australian circumstances...NIEIR (National Institute for Economic and Industry Research) is currently engaged in the development of microanalytic simulation techniques for application to Australian policy analysis. Here, after outlining the basic methods of microanalytic simulation, two examples of early applications by NIEIR of the techniques are described. The first example concerns the comparison of options for tax reform considered at the 1985 Tax summit, while the second further develops the techniques in order to estimate the extent of poverty in Australia in 1985-86. These are followed by a discussion of the potential of microanalytic simulation and an outline of the NIEIR research program in this area'. Conventional data bases with partially aggregated data can cause difficulties for simulations of tax/transfer arrangements which can be overcome by unit record data. Assessing the distributional implications of Option C of the Draft White Paper with its tax mix change and compensation package to low income earners is discussed here. Options A and B are assessed also. The basis for microsimulation was unit record data from the 1981-82 Income and Housing survey. It was shown that Option A lead to slightly increased inequality among income units while with Options B and C, with the introduction of compensation measures, the relative incomes of low-income units increased. The macroeconomic effects of Option C were also taken into account and it was found that there were no undue adverse effects.

INCOME DISTRIBUTION; INDIRECT TAXATION; MODELS.

- 225 KING, P. (1982), 'De factos and ex-spouses: the tax implications', *Rydge's*, November: 122-124.

'While the Family law Act signified both a recognition by legislature of the change in social attitudes to marriage and the adoption of a more humanitarian and practical analysis of the relationship rather than a strictly legalistic one, the Income Tax Assessment Act lagged. Entitlements are discussed in relation to maintenance payments, rebates, concessional expenditure, housing loan interest rebate, home insulation costs, superannuation and payments to associated persons. The taxation benefits which are available to the taxpayer in respect of a de facto or the ex-spouse are limited while in certain circumstances such a relationship may prove disadvantageous in making claims under the Income Tax Assessment Act.'

REBATES; TAX EXPENDITURES.

- 226 KREVER, Rick (1985), 'Tax expenditures: the other spending program', *Legal Service Bulletin*, 10(2), April:63-68.

Tax expenditures are much less visible than budget outlays but nevertheless are an important area of government spending. The basis of the tax expenditure concept is the benchmark tax base - based on three principles: neutrality, horizontal equity and vertical equity. Each of these areas is considered by the author. The number of tax expenditures operating through the tax system is daunting and yet no tax expenditure programmes compare favourably with the positive spending programmes for which they are a substitute and are often exposed as unjustifiable government handouts. To illustrate these points two examples are given - subsidies for superannuation contributions and subsidies for the acquisition of new plant and equipment. the article goes on to give an explanation of why tax expenditures are attractive to governments; (1) government accounting benefits, (2) departmental cost-shifting, (3) immunity from change and (4) the most significant, subsidy invisibility. There is no

doubt that tax expenditures ought to be subjected to the same scrutiny as other government expenditures, as the vast number benefit the wealthy but are paid for by the PAYE earners.

TAX EXPENDITURES.

- 227 KREVER, Richard (1985), 'Tax expenditures for disabled persons', *Australian Social Welfare: Impact*, 15(3), May:9-10, 26, 28.

A major step along the path to social justice for disabled people is to dismantle the financial barriers preventing complete social integration and the issue is how to disburse the financial assistance required. It is argued here that income tax system is not the preferred tool for this disbursement. Proposed changes to the operation of the income tax law allowing deductions for the expenses incurred by disabled people in integrating in society (e.g. transport, wheelchairs, etc.) are 'undesirable from both tax policy and community welfare perspectives.' Firstly the article looks at 'why deductions for transportation costs and maintenance expenses incurred by disabled workers do not satisfy the neutral income tax criteria on which the technical deduction provisions in the tax act are based.' It then asks that if expenses 'are not deductible in the context of a neutral tax system, should they nevertheless be permitted as tax expenditures to assist disabled persons?' It is argued that they should not because (1) by this means the largest benefits go to those who need them least, (2) inappropriate officials are targeting the benefits, and (3) only a small portion of disabled persons would receive any assistance under a tax expenditure programme. Certainly there must be expenditure on disabled persons but the better way to do it is through direct, non-tax spending programmes.

DEDUCTIONS; TAX EXPENDITURES.

- 228 LE BRETON, Peter (1974), *Poverty; an Urban Paper*, Canberra, Australian Government Publishing Service, 24pp. Also published as 'Poverty: radical or piecemeal changes?' In WILSON, Paul R., (ed.) (1977), *Of Public Concern: Contemporary Australian Social Issues*, St. Lucia, University of Queensland Press:194-220.

This paper looks at the relationship between poverty and social values and structures in Australian society and poverty and urbanisation. It aims to develop an analytical framework to explain the mechanisms which produce and perpetuate poverty, consider the obstacles to be overcome to eliminate or reduce poverty and contribute towards the development of social structures and values conducive to the elimination of poverty. The third part of the paper offers various recommendations, including some on taxation. Reform of the taxation system should include 'a reduction in regressive tax measures, a restructuring of income tax rates to make them more progressive, an increase in the number of value of deductions for low-income earners, the introduction of a negative income tax to ensure a guaranteed adequate family income, an effective and progressive capital gains tax, and perhaps 100% death duties'. Public expenditure programs, determined more by reference to equity and less to narrow efficiency criteria, are perhaps the main prerequisite for alleviating poverty. The paper concludes that in considering the government's taxing and spending activities, the role of the public sector actually aggravates and perpetuates inequality, notwithstanding the progressive distributional impact of social security programs, as the provision of services such as education, child care and recreational facilities are inequitable.

DEDUCTIONS; GUARANTEED MINIMUM INCOME; RATE SCALE; TAX BASE.

- 229 LEVER, Chris (1984), 'Income testing rental assistance - an examination of present problems and possible solutions', *Social Security Journal*, December:42-50.

This article describes the supplementary rental assistance available to pensioners and beneficiaries and the changes it has undergone since its introduction in 1958. The income test on this form of assistance was more stringent than that on other pensions and benefits. 'This paper examines the overlaps which occur (or are close to occurring) between the RA (rental assistance) income test and the pension/benefit income tests and the personal income tax system.' After identifying the overlaps 'several problems which result from them are identified and possible options for the reduction or removal of these problems' is discussed. The two main problems are the possible effects on the incentive to work and 'the implications for equity of the high effective marginal tax rates faced by

pensioners and beneficiaries who receive the allowance...It is possible to identify two broad strategies for reducing or removing the above problems. The first is to adjust the parameters of the RA and pension/benefit income tests to ensure that no direct overlap occurs between them in the range of income over which the RA is withdrawn. The second is to restructure the relationship between the pension and benefit income tests to remove the separate income test applying to the payment of the allowance.'

INCOME(MEANS/ASSETS)TEST; MARGINAL TAX RATES.

230 LIBERAL PARTY OF Australia (1987), Tax policy papers, Melbourne, lv.(various pagings)

These taxation policy papers consist of:

1. Overview statement by the Hon John Howard MP, Leader of the Liberal Party - 'Get in Front again'.
2. Summary table of taxation and expenditure aggregates.
3. Personal and family tax proposals - main features and ready reckoners.
4. Business, farm and other taxation reforms.
5. Summary tables of expenditure savings.
6. Expenditure savings - explanation of major changes.
7. Other offset to taxation measures.
8. Asset sales.
9. The economy and taxation reform.
10. The benefits for families.

TAX BASE; TAX EXPENDITURES.

231 LOVERING, Kerry (1981), 'Indirect taxation - in more ways than one', in UNITED NATIONS ASSOCIATION OF AUSTRALIA - National Status of Women Committee, Proceedings of the Women and Taxation Conference, Melbourne:41-51.

This paper discusses indirect taxation in its wider context with particular emphasis on its implications for women as taxpayers and as members of families. It begins with an 'integrated outline of what really constitutes taxation and revenue collection and distribution in this country.' It argues that 'indirect taxes - which take no account of ability to pay - will fall proportionally much harder on women than men.' It goes on to examine the 'tax-foregone system or the avoidance-evasion system'. Spouse rebates, superannuation payments and employee fringe benefits all benefit men more than women. In the area of social security it points out that family allowances, payable to women, are now worth less than when they were introduced and cost the government less than when they were paid as tax deductions in the tax system. 'Discrimination on the grounds of marriage prevents women from receiving benefits not only for unemployment but also for all other benefits.' Expenditure on health and on primary and secondary education are almost equal but males receive sixty per cent of the university and higher education allocations. It concludes that 'indirect taxation in its various forms is inimical to the best interests of Australian women. It seems that both the collections and distribution of revenue are biased against the interests of women.'

FAMILY ALLOWANCES; INCIDENCE; INDIRECT TAXATION; TAX EXPENDITURES; WOMEN.

232 MANNING, Ian (1981), 'The 1970s: a decade of social security policy', Australian Economic Review, (53), 1st Quarter: 13-19.

The purpose of this paper is to examine the trends in social security in the 1970s concentrating on income transfer and including income tax rebates and deductions. Four main types of social security are discussed: (1) Payments to assist people who have no parents or spouse to fend for them; (2) Payments to families with dependents; (3) Commonwealth ex-gratia payments to former employees; and (4) Students living allowances. The paper looks at changes in the number of recipients and changes in rates. The increased number of pensioners and beneficiaries came from demographic trends, the easing of the means tests and other eligibility criteria for some payments and the increase in unemployment. 'Social security provisions can only be fully assessed when considered jointly with

the tax system which finances them, and particularly in relation to the income tax which has so much in common with the income test operated by the social security authorities.'

DEDUCTIONS; INCOME(MEANS/ASSETS)TEST; REBATES; TAX EXPENDITURES.

- 233 MANNING, Ian (1981), 'Guaranteed incomes', in HENDERSON, Ronald F. (ed.) *The Welfare Stakes: Strategies for Australian Social Policy*, Melbourne, Institute of Applied Economic and Social Research, University of Melbourne: 179-203. Commentary by Hugh PRITCHARD: 203-207.

Traditionally, two principles have been put forward as standards of justice by which income should be apportioned among the population - the needs principle, where incomes should be equal, and the second is that they should be determined in a process of exchange. Much of the Australian tax and social security system can be justified in exchange-economy terms, although the needs principle is recognized in the payment of family allowances and in the attempt to tax wealthy people more heavily than poor. 'Both those whose fundamental concern is to improve efficiency in exchange, and those who hope that the scheme would be a vehicle for greater generosity to the poor seem agreed on the desirability of minimum income payments, to be determined on the basis of family size and private income, without further conditions of entitlement, and with the net payment from the government tapering away as private income rises.' The paper concludes 'the two-tiered guaranteed income scheme financed by a broadly based consumption tax' is 'conservative enough to be administratively feasible, yet constituting a return to first principles, as demanded by those who find the present system short on consistency, logic and generosity. It meets the concern of the exchange economist that the social security and tax systems should minimally disrupt market choices, and present the smallest possible incentives to behaviour designed to maximise individual social security receipts, while similarly meeting the concern for greater equality by arranging that the tax and social security system should accomplish the maximum feasible redistribution of income.'

GUARANTEED MINIMUM INCOME; INCOME DISTRIBUTION; INDIRECT TAXATION.

- 234 MANNING, Ian (1981), 'Social security and the future', *Australian Economic Review*, (53), 1st Quarter:29-34.

This paper discusses the options available in the field of social security for the future. It begins by looking at the present programmes and some of the criticisms of them in the areas of pension rates, means tests, superannuation funds and compensation payments. It looks at the social insurance and guaranteed minimum income proposals arising from the National Superannuation Inquiry, the National Committee of Inquiry Into Compensation and Rehabilitation and the Henderson Poverty Inquiry of the 1970s. The first two of these schemes would provide earnings-related pensions and benefits for a high proportion of those on social security and would considerably raise the disposable incomes of the aged and sick at the expense of a reduction in the disposable incomes of people in the workforce. This is in contrast to the guaranteed income scheme which would be financed by a 40 per cent proportional income tax or a general consumption tax and would include a large increase in taxes balanced by guaranteed income payments. It would shift disposable income from richer to poorer families and from smaller to larger families. Compared with the social insurance alternative it would be less generous to the aged and disabled and more generous to families with children, particularly low-income families. Both these approaches have a different judgement as to the tax burden income earners would accept. The paper concludes that there must be further debate involving the questions of the acceptability of national insurance contributions, the relative urgency of payments to different groups, the criteria on which payments should be made and how the whole set of social security payments should fit in with wider questions of the national economy.

GUARANTEED MINIMUM INCOME; INCOME(MEANS/ASSETS)TEST; INDIRECT TAXATION.

- 235 MANNING, Ian (1983), 'The 1983-84 Budget and tax reform', *Australian Economic Review*, (63), 3rd Quarter:19-25.

This paper reviews some of the aspects of the debate on reform of the taxation system focussing on questions of equity and incentive within the income tax system. It also analyses the role the measure introduced in the 1983-84

Budget will play in tax reform. Three main reasons for dissatisfaction with the present income tax are identified as (1) the bulk and complexity of the Act make the position of many taxpayers uncertain, (2) there are problems associated with the progressive rate structure, particularly in the area of incentives. The effects of the interaction of the taxation and social security systems are discussed covering linear income tax, a guaranteed minimum income scheme and specific-purpose social security taxes; and (3) the definition of income is unsatisfactory. The specific effects in these three areas of measures in the 1983-84 Budget are analysed. This Budget has 'reaffirmed the Australian tradition of a progressive income tax coupled with means tested social security payments, and indeed has confirmed the extension of means tested payments to low income families through the family income supplement. Only as regards the taxation of assets and asset incomes are there hints of reforms to come.'

GUARANTEED MINIMUM INCOME; INCENTIVES; INCOME(MEANS/ASSETS)TEST; TAX BASE.

- 236 MANNING, Ian (1984), 'Income tests in the Australian social security system', *Australian Economic Review*, (65), 1st Quarter:34-46.

This article describes briefly the joint effects of income tests and the income taxation system in reducing the increases in the disposable income of pensioners and beneficiaries derived from increases in earnings or asset incomes. It also provides information on changes over the past decade and concludes with mention of a few studies on the work disincentive effects of income testing. It concludes that despite the introduction of the tapered means test in 1969, the implied marginal tax rates on the part-time and low-wage, full-time earnings of many pensioners are higher than the highest marginal rate of income tax. The interaction of income tests and income tax leads to steep budget lines for many low-income people. There are indications that, in the case single parent, the work disincentive effects of the income test are important in influencing labour participation rates.

INCENTIVES; INCOME(MEANS/ASSETS)TEST; MARGINAL TAX RATES; POVERTY TRAPS; RATE SCALE.

- 237 MANNING, Ian (1985), *Incomes and Policy*, Sydney, Allen and Unwin, ix, 192pp.

'This book provides both a description and an evaluation of the Australian distribution of income in the context of the current debate about policy on incomes.' Part 1 looks at incomes policies; how they might be brought together 'sensibly in a way which helps bring about a reduction in inflation and unemployment.' 'Two main canons of justice are described both of which are commonly used to assess the fairness of income patterns: justice in exchange (fair market transactions) and justice in distribution (the meeting of needs).' These canons are sometimes in agreement but often in conflict, so that a simple incomes policy (of the types advocated by the political parties) must be seen as naive. Part 2 looks at the national income and three deductions which affect it (interest and dividends paid overseas, taxes, and the business retained surplus); and at 'the portion of national income which reaches individuals and households as income in one form or another.' Part 3 looks at individual incomes under the headings of labour force participation, earnings, and payments for skills. 'Given that earnings are unequal, and would still be so even were justice in exchange and equality of opportunity to be observed in the labour market, other means have to be employed to bring about some balance between justice in exchange and justice in distribution.' Part 4 discusses the possible means: (1) sharing between individuals in families (to some extent this happens but is far from complete), (2) by saving and insurance families can transfer income from good times to bad (this also happens to some extent but there is a countering tendency at work by the way wealth is transferred between the generations), and (3) 'the tax and social security system is the most powerful means we have of bringing about compromise between the principles of justice in distribution and justice in exchange. Reforms are suggested which would aid this reconciliation and also help in incorporating these two most powerful arms of government policy on incomes into a general incomes policy.' Integrating the taxation and social security systems would enable many of the existing inequities to be rectified, it could reduce the interference of the tax and social security systems in each others transactions, 'so that the pattern of incentives is less affected by taxes and social security eligibility conditions' and a simplified system would lend itself to incorporation into a more general policy on incomes. A guaranteed minimum income scheme is one way of integrating the two systems (such as that

suggested by the Henderson Inquiry). An alternative scheme could 'retain the social dividend or guaranteed income payments, but abandon the income tax in favour of a broad-based tax on expenditure.'

GUARANTEED MINIMUM INCOME; INCENTIVES; INCOME DISTRIBUTION; INDIRECT TAXATION; INTEGRATION.

- 238 MANNING, Ian (1985), *Reform of the Australian Tax System, Paper One: A Detailed Commentary on the Draft White Paper*, Melbourne, National Institute of Economic and Industry Research for the Australian Council of Trade Unions, 52pp.**

This paper, which is a detailed commentary on the Draft White Paper of June 1985, begins with a section on income distribution in Australia, as 'the strategy in this paper will be to assess the incidence of income tax changes on individual taxpayers, then on income units, and finally to consider consumption taxes on this basis.' The paper goes on to examine the Draft White Paper in chapter order with the exception of Chapter 22 which repeats material from the other chapters except for a brief discussion on the macroeconomic effects of tax reform which is dealt with in a supplementary paper. Chapter Ten is on the interaction between the social security and the income tax. 'The taxability of pensions was introduced as a means of recouping some of the cost of the abolition of the means test for old age pensioners.' So why are pensions still taxed? Two answers are given - it recoups part of the payment made to people who receive social security for only part of a year and it has the effect of steepening the means test over part of its range. Some question the disincentive effects of the high marginal tax rates created, disincentives which the author argues are somewhat overstated as many pensioners are too old or sick to work anyway, cash returns against idleness are not an important consideration for groups with strong labour force attachment and in any case assistance other than cash incentives would be needed, e.g. job creation. However, 'the fairness of imposing high marginal tax rates on the poor is very dubious.' One way to overcome the undesirable effects 'without reducing the generosity of pensions and benefits below their present inadequate levels is by straightening out the tax rates, and applying the same marginal tax rate to pensioners and non-pensioners alike', a scheme such as the Henderson Guaranteed Minimum Income Scheme. The Government's preferred proposal 'is that it proposes that revenue be raised by a flat-rate tax (in this case a consumption tax) and that low-income people be compensated through social security payments. It is, however, a very inefficient and watered-down version' as low-income people would still be subject to high marginal tax rates. The arguments against a guaranteed income scheme are not those in the Draft White Paper but are different: (1) it would recompense workers more by guaranteed income payments than by pay packets; (2) it provides no solution to the tax unit problem; and (3) it relies on guaranteed income payments akin to family allowances to maintain the progressivity of the tax system. If these payments were not indexed in times of inflation a highly regressive tax system would result.

GUARANTEED MINIMUM INCOME; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; INCOME UNIT; MARGINAL TAX RATES; RATE SCALE.

- 239 MANNING, Ian (1988), 'Are tax cuts practicable?' *Australian Tax Forum*, 5(3):265-283.**

This article reviews the case for tax cuts as put forward by the Centre of Policy Studies, Monash University in the two books: FREEBAIRN, PORTER and WALSH (1987), *Spending and Taxing: Australian Reform Options*, and FREEBAIRN, PORTER and WALSH (1988), *Spending and Taxing II: Taking Stock*. The COPS argument is justified on grounds of excess burdens and public choice theory which this article argues is a shaky foundation on which to build. It is argued that in the areas of social security, health, schools, housing and post-school education and training, COPS underestimated the costs of its cuts and the numbers of people who would be disadvantaged, e.g. 'COPS underestimated the efficiency and equity costs of tighter means testing and the elimination of the non-deserving from the social security system; it was also argued that COPS targets for the reduction of social security expenditure could not be met by these measures alone and could almost certainly require a cut in pension rates, and so disadvantage a very large number of low-income people.' If the people disadvantaged by the COPS package acted to obtain recompense there would be a rise in the inflation rate, and perhaps 'a new era of conflict over the distribution of incomes', gravely affecting Australia's international economic competitiveness and economic growth. For a reply to this article see FREEBAIRN, John, PORTER, Michael and WALSH, Cliff (1988), 'Tax cuts: desirable and practical', *Australian Tax Forum*, 5(3):285-299.

RATE SCALE; TAX EXPENDITURES.

- 240 MANNING, Ian (1988), 'Structural change through expenditure cuts', *National Economic Review*, (8), March:12-28.

'Tax cuts financed by cuts in government expenditure are a favourite component of right-wing strategies for Australian economic recovery. The intellectual justification of this strategy in public choice theory is shown to be thin, not only on theoretical grounds but in terms of its application to social security, schools and the health services. The strategy would benefit the rich rather than the poor, and very probably cause industrial unrest and cost inflation. The priorities for taxation cuts of the National Institute of Economic and Industry Research (NIEIR) and the Centre of Policy Studies (COPS) are expressed in detail.'

RATE SCALE; TAX EXPENDITURES.

- 241 MANNING, Ian and SAUNDERS, Peter (1978), 'On the reform of taxation and social security in Australia', *Australian Economic Review*, (41), 1st Quarter:51-57.

This article discusses the long-term strategies outlined in the Report of the Taxation Review Committee (the Asprey Report), the Commission of Inquiry into Poverty (the Henderson Report), the Report on National Superannuation (the Hancock Report), and the Report on Rehabilitation and Compensation (the Woodhouse Report). Particular attention is paid to the relationship between the general strategy for reform of the taxation system outlined in the Asprey Report and the recommendations for reform of the social security system contained in the Henderson Report. 'The Asprey Report's belief that there are two ways in which the Australian taxation system may be developed, one complex and one simple, is confirmed in the three social security reports.' The Asprey report defends its simple system on the grounds of efficiency and administrative certainty. The Henderson Report would add social dividends for greater progressivity and the alleviation of poverty. 'The basic similarities in approach between the Henderson social security proposals and the Asprey tax reform proposals suggest many comprise possibilities to achieve a unified system which embraces both.' A 'combined Asprey/Henderson system offers greater hope of administrative efficiency and efficiency in the prevention of poverty than its complex alternative.'

GUARANTEED MINIMUM INCOME; INDIRECT TAXATION.

- 242 MARKS, Bernard (1985), *Tax Reform White Paper: Implications and Analysis*, North Ryde, NSW, CCH Australia Limited, CCH Tax Reform Analysis Series, ix, 109pp.

'The purpose of this book is to explain and analyse the proposals for tax reform in the Government's "Draft White Paper" (Reform of the Australian Tax System). The proposals broadly affect both income tax (including capital gains) and indirect taxes on goods and services...The book does not consider the broad economic effect of the proposals. The emphasis is on how the proposals will likely operate and what will change.' It discusses the content and purpose of the Draft White Paper, the key recommendations, why the Government believes tax reform is necessary, international comparisons and the premises for tax reform. Part II describes the impact on income tax under the chapter headings: assessable income; allowable deductions; tax concessions and expenditures; taxation of individuals and the family (including the tax unit, rebates, personal tax rates, social security and the tax system and income splitting), taxation of business and investment entities, international taxation, inflation adjustments, and enforcement measures. Part III outlines consumption taxes and the single-stage retail sales tax.

COMPARATIVE STUDIES; DEDUCTIONS; INCOME SPLITTING; INCOME UNIT; INDIRECT TAXATION; RATE SCALE; REBATES; TAX BASE; TAX EXPENDITURES.

- 243 MATHEWS, John (1986), 'Rethinking the safety net', *Australian Society*, 5(11), November:19-21.

The 'introduction of a scheme for a guaranteed minimum income (GMI) is supported and the two main alternatives evaluated. These alternatives are based on consumption tax on goods and services or income tax respectively. The author favours a consumption tax supported GMI payable to individuals over 18. The GMI is seen as preferable to Australia's fragmented system of welfare payments, tax rebates and pensions. The author discusses possible

benefits from GMI, including a more flexible working environment, financial independence of women, enhancement of public sector services, improved social cohesiveness and elimination of poverty traps.'

GUARANTEED MINIMUM INCOME; INDIRECT TAXATION; POVERTY TRAPS; WOMEN.

- 244 MATHEWS, Russell (1980), 'The structure of taxation', in WILKES, John (ed.), *The Politics of Taxation*, Sydney, Hodder and Stoughton:82-141. Also published in Groenewegen, P.D. (ed.) (1987), *Australian Taxation Policy*, 2nd edition, Melbourne, Longman Cheshire:190-201; also published as Australian National University, Centre for Research on Federal Financial Relations, Reprint Series, No.34.**

This paper argues that the attempt to achieve equity in the tax system through a progressive income tax has failed and has also failed to meet the other objectives of taxation policy, efficiency and simplicity. There must be changes in the tax structure. A broadening of the tax base accompanied by adjustments to government transfer and other expenditures to ensure equity. There is consideration of the way taxes are classified and the effects of different forms of taxation. The structure of the Australian tax system is described and international comparisons made. There is a section on the dominating influence of the progressive income tax, and subverting of the income tax system by it no longer meeting the requirements of certainty and social justice. It is argued that vertical equity can be achieved along with the other objectives of a tax policy through changes in the tax structure, involving the substitution of various types of fund flows, transactions and wealth for incomes and profits as the principal bases for taxation. Also, equity objectives may be achieved through government transfers and other expenditures rather than through the tax system. The tax system is asked to do too much.

COMPARATIVE STUDIES; INDIRECT TAXATION; TAX BASE.

- 245 MATHEWS, Russell (1983), *The Case for Indirect Taxation*, Canberra, Australian National University, Centre for Research on Federal Financial Relation, Reprint Series, No.54, 26pp. First presented as First Endowment Lecture in Taxation Law and Policy, Taxation Institute of Australia (Victorian Division), May 1983.**

'It is the purpose of this paper to examine the reasons for the Australian aversion to indirect taxation and to consider the extent to which those reasons are valid.' It begins by looking at the nature of indirect taxation followed by international comparisons of the structure and level of taxation in Australia with other OECD countries. The arguments against indirect taxation are examined in detail and the paper concludes that the traditional arguments against indirect taxation - that it is inefficient, inequitable and inflationary - are founded on fiction rather than reality. On the contrary, a carefully designed taxation system which incorporates a broad-based consumption tax will achieve significant gains in efficiency; it will improve the vertical distribution of taxes as between high and low incomes and the horizontal distribution as between wage and salary earners and other income recipients; and it will reduce the destabilising consequences of taxation on the economic system, with respect to both inflation and unemployment.' A reformed tax structure would also require a diminution in both the level and the progressivity of the personal income tax, combined with simplification of the revenue base; progressive annual wealth taxes; and the integration of taxation and social security arrangements.

COMPARATIVE STUDIES; INCIDENCE; INCOME DISTRIBUTION; INDIRECT TAXATION; TAX BASE.

- 246 MATHEWS, Russell (1983), 'Policy issues in Australian taxation', *Taxation Reform: Papers from the University Symposium*, Kensington, University of New South Wales, Occasional Papers, No.8:6-9.**

This paper begins by summarizing the chief characteristics of the Australian taxation system. It then goes on to point to some of the major deficiencies of the present system and claims that 'it is through its effects on distributional equity that the Australian tax system is most seriously deficient and in need of reform...avoidance and evasion have driven a wedge between the nominal and the actual effects of the tax.' This has caused problems in the areas of both vertical and horizontal equity. 'In designing tax systems and tax instruments it is necessary to have at least as much regard to tax effectiveness and taxpayer compliance as to the social and economic objectives of taxation policy.' The principal elements for a reformed tax system are outlined. These include the substitution

of cash flows for incomes as the revenue base for taxes imposed on earnings in the form of wages and salaries, dividends, interest, property incomes and the net cash receipts of business enterprises, along with the elimination of concessional deductions for non-tax purposes, the substitution of proportional rates for the progressive rate structure, and the extended use of pay-as-you-earn tax deductions at the source of earnings; the introduction of a broad-based consumption tax; the introduction of progressive annual wealth taxes along with the reintroduction of death duties in respect of very large estates; the extended use of earmarked taxes or benefit levies, such as social security contributions and earmarked hospital contributions, education levies and motor taxes; the more effective integration of taxation and social security arrangements, along with a greater role for redistributive expenditure policies; and the continued use of property taxes as the main local revenue source. It concludes that 'it is not possible to have an efficient, equitable and revenue effective system of taxation without both wealth taxes and a broad-based consumption tax.'

DEDUCTIONS; INCOME DISTRIBUTION; INDIRECT TAXATION; TAX BASE.

- 247 MATHEWS, Russell (1985), 'Distributional equity, tax neutrality and tax effectiveness: issues in tax reform', in COLLINS, David J. (ed.) **Major Issues in Australian Tax Reform**, Sydney, Australian Tax Research Foundation, Conference Series, No.3:23-34. Also published as Australian National University, Centre for Research on Federal Financial Relations, Reprint Series, No. 67.

This paper examines broad issues of taxation policy relating to three questions: (1) What do we expect our tax system to do? (2) What is wrong with our existing taxation policies in terms of these expectations? (3) What can we do to set matters right? The traditional view of the tax system as primarily a means to raise government revenues has been changed over the years. A different view has prevailed which can be described as 'an interventionist view', which sees the tax system as a means of securing 'numerous social, economic and even political objectives, which have nothing to do with revenue raising and even impede the task.' The effects of this view have been such that the criteria of fairness, neutrality and simplicity have been eroded. This paper concludes that the tax system should revert to its traditional role of revenue raising. Social reforms, while necessary, are best achieved through other means than the tax system. It is argued that it will be necessary to abandon 'the legislative and administrative complexities of the existing income tax system...we need to develop taxation policies that will establish a clear, direct and unchanging relationship between the amount of tax paid and the economic activities which are taxed.'

INCOME DISTRIBUTION.

- 248 MATHEWS, Russell (1985), 'Tax reform, distributional equity and tax effectiveness', **Economic Analysis & Policy**, 15(2), September:110-123.

This paper considers the case for tax reform by reference to the major objectives of tax policy which include distributional equity. It concludes that the attempts to use the tax system as a means of social reform have failed and it should return to its traditional role of raising government revenues. Social reforms are best achieved by other means. Taxation policies need to establish a clear, direct and unchanging relationship between the amount of tax paid and the economic activities which are taxed. A reformed tax system needs three principal elements: (1) a cash low tax incorporating a proportional rate above an exemption level should be substituted for the existing progressive personal income tax and company tax; (2) a broad-based consumption tax in the form of a value-added tax on retail sales tax should be substituted for the existing wholesale sales tax, the State payroll tax and most other selective indirect taxes; (3) annual net wealth taxes should be introduced at modest rates above a generous exemption level.

INCOME DISTRIBUTION; INDIRECT TAXATION; TAX BASE.

- 249 McALISTER, Colin, INGLES, David and TUNE, David (1981) 'General revenue financing of social security: the Australian minimum income support system', **Social Security Journal**, December:24-38.

This paper 'describes the Australian minimum income support system and the other main elements of social security in Australia, including the methods of financing and the benefit structure.' It lists the major elements of

social security provided by Federal, State and Local Governments, including personal income tax rebates. It is argued that overall the system bears a 'resemblance to GMI/demogrant/negative income tax schemes.' Part II of the paper assesses the general revenue financed minimum income support system of Australia relative to the 'social insurance' approach more common in other countries. There appear to be considerable advantages for general revenue financed minimum income support payments as a means of alleviating poverty and meeting immediate social problems. Part III outlines proposals to make more use of social security contributions and/or special taxes in Australia and briefly discusses some of the recent major public inquiries, and finally, future problems and prospects are investigated. These include the growth in the aged population, the costs of children, the role of the private sector and funding and capital formation.

GUARANTEED MINIMUM INCOME; REBATES; TAX EXPENDITURES.

- 250 McCLELLAND, Alison (1985), 'Post Summit, the debate continues', Australian Society, 4(12), December:13-15.**

'With the government's final tax package now open to scrutiny it is clear that the real gains for low-income groups remain off the government's tax reform agenda.' The proposed changes still mean many low income Australians will continue to face higher tax rates than the most highly paid workers, and revenue lost through tax cuts will mean constraints on pensions and benefits and other social expenditure. Measures to relieve poverty traps have not gone far enough and many pensioners and beneficiaries still face tax rates of over 60 per cent. 'Instead of using additional revenue from tax reforms to provide income security and create a more progressive tax system, costly and regressive tax cuts dominate the tax package. Further rounds in the tax reform struggle are necessary if substantive gains for the poorest Australians are to be achieved...To achieve increased tax equity, the 1987-88 tax cuts must be restructured, with priority given to: targeted income security increases, increases in family allowances as a means of reducing the tax burden on households with children, raising tax bracket thresholds at which the marginal rates apply, providing tax relief for low and middle income earners.'

FAMILY ALLOWANCES; INCOME DISTRIBUTION; POVERTY TRAPS; RATE SCALE; THRESHOLD.

- 251 McCLELLAND, Alison (1985), 'Redistribution and taxation reform: talk to ACOSS Congress, 1984', Australian Social Welfare: Impact, 15(1), January:6-8.**

A major stumbling-block to the redistribution of social and economic opportunities is the tax system and its inability to raise sufficient revenue equitably. This paper does not look at tax reform suggestions from the welfare sector but looks at some of the proposals from very different organisations, the argument being that the package eventually adopted will be a result of trading off the demands of different groups. As the welfare sector is not in a strong position it must maximise its influence by being informed on and evaluating the more significant proposals. The issues arising from these are the overall level of taxation; the high relative reliance on income tax; a broadening of the base of indirect taxes; and, the introduction of capital or wealth taxes. Tax reform is most popularly seen as tax reduction although compared to other developed countries Australia not to highly taxed. The welfare sector would like to see more revenue raised from taxation to pay for an adequate social security system, affordable housing for all, accessible and low cost child care and better job creation programmes; otherwise redistribution will continue to leave out the low income earners. When participating in the tax reform debate the welfare sector must keep in mind two things: (1) the revenue raising potential of different proposals, and (2) the distributional impact of different proposals. This should include the distributional impact of additional government spending through increased taxation, as well as looking at whether it is possible to compensate through the income security system for more regressive taxation alternatives that could raise considerable revenue.

INCOME DISTRIBUTION; INDIRECT TAXATION; RATE SCALE.

- 252 McCLELLAND, Alison (1987), *Investing in Our Future: a Better Deal for Children*, Fitzroy, Victoria, Brotherhood of St Laurence, Policy in Practice, No.3, vii, 60pp.

'A submission to the Social Security Review on Issues Paper No.1 - 'Income support for families with children', the paper concentrates on the income security of all families with children. Reform of income support for families with children is critical; the poverty of families with children needs to be reduced and the tax treatment of these families made more equitable. Section 1 briefly summarises the Issues Paper and the function of the Social Security Review. Section 2 examines the issues which are central to income security reform for families with children. These include reducing the incidence of poverty in households with children, and improving the equity of tax treatment of families. Section 3 looks at the desirable objectives for reform, while Section 4 contains the conclusion, suggests priorities and sounds warnings about the future.'

INCIDENCE; WOMEN.

- 253 MEAGHER, G.A. and AGRAWAL, Nisha (1986), 'Taxation reform and income distribution in Australia', *Australian Economic Review*, (75), 3rd Quarter:33-56.

'This article contains an analysis of the effects of changes in the existing tax mix on the distribution of income in Australia. Shifts from direct to indirect taxes, similar to 'Options C' in the Government's Draft White paper on tax reform, are considered. The general equilibrium effects of the policy changes are analysed using an extended version of the ORANI model of the Australian economy. The Shorrocks 1 index is then used to identify the sources of inequality in the pre and post-change distributions. The results are based on data from the ABS Income and Housing Survey for 1981-82.' This article is followed by a comment by Patricia APPS. Also given at the 15th Conference of Economists, held at Monash University, 25-28 August, 1986.

INCOME DISTRIBUTION; INDIRECT TAXATION; MODELS.

- 254 MENDELSON, Ronald (1982), *A Fair Go: Welfare Issues in Australia*, Melbourne, Penguin: 29-38.

Chapter 3 of this book is entitled Taxation and Welfare. 'Taxation and welfare are intertwined in their effects, especially in Australia which uses a means test and taxes social security benefits, and things have altered in recent years, probably away from rather than towards equal distribution...The tax and welfare systems thus must be looked at together, and both are currently in need of reform.' The costs of social welfare are briefly examined and the way the taxation system operates. The interaction of the two systems, including the operation of the means test, the taxation of benefits and the attempts of both systems to benefit the family are also discussed. It is concluded that almost everyone would benefit from a simpler and fairer taxation system and what the elements of such a system ought to be are outlined. One of these elements is a proportional system as suggested by Russell Mathews. Also discussed are indirect taxes, in particular a value-added tax on consumption and an annual wealth tax on personal net worth. Mathews would also like to see an employees' contribution for social security purposes. 'The long-term paralysis of reform in Australia in this field (of social security and taxation), as in other areas is something that voters can no longer leave to the politicians: they must take up the issue, debate it and demand action.'

INCOME(MEANS/ASSETS)TEST ; INDIRECT TAXATION; TAX BASE.

- 255 MENZIES, Colin (1983), 'Some aspects of the means testing debacle', *Australian Social Welfare: Impact*, 13(5), November:13-16.

This paper concludes that some general rules for means testing should be: a means test should only be applied to the primary earner's income, not the household income; means test tapers can create 'poverty traps' by introducing high marginal tax rates, so that extra wage income brings very little disposable income; transfer payments act to overcome economic distortions which create poverty, and so raising the amount transferred through higher taxation can act to make the economy more efficient, and thus increase economic growth.

INCOME(MEANS/ASSETS)TEST; MARGINAL TAX RATES; POVERTY TRAPS.

- 256 MOORE, Jim and WHITEFORD, Peter (1986), *Trends in the Disposable Incomes of Australian Families, 1964-65 to 1985-86*, Canberra, Social Security Review, Background/Discussion Paper, No.11, also Development Division, Department of Social Security, Research Paper, No.31, vii, 103pp.**

This paper is a resource document for the component of the Social Security Review which is dealing with family assistance. It brings together information on the social security and taxation systems and the impact the two have on the disposable incomes of various family types, covering the period 1964/65 to 1985/86. The income groups here studied are maximum pension and benefit rates and 50, 100 and 200 per cent of average weekly earnings. In general, for the period, there were significant percentage increases in the disposable incomes of all groups but the increases were not uniform. The disposable incomes of pensioners, beneficiaries and low income families increased, in percentage terms, more than those of higher income families. On the other hand, the actual dollar increases were considerably greater for higher income families. However, within the whole period there are significant variations among the groups and the various shorter periods. The real disposable incomes of pensioners and beneficiaries with children declined substantially between 1976/77 and 1982/83 and increased substantially between 1982/83 and 1985/86, although not sufficiently to offset the previous decline in all cases. This is particularly true of sole parent families and large families. Families with children outside the pension/benefit/family income supplement systems have fared less well than those with no children due to large declines in the real value of family allowances since 1976/77 and tax rebates since 1982/83. Statistical appendices detail information on the tax/transfer system, social security outlays, tax revenues, social security payment rates, values of dependent deductions and rebates and information on the disposable incomes of the various groups.

DEDUCTIONS; FAMILY ALLOWANCES; INCOME DISTRIBUTION; REBATES.

- 257 MORGAN, David R. (1983), 'Personal income tax indexation: the Australian experience', in HEAD, John G.(ed.), *Taxation Issues of the 1980s*, Sydney, Australian Tax Research Foundation:71-97.**

'This paper considers Australia's experience with personal tax indexation since 1976. Section 1 considers the impact of inflation on government finances overall, while section 2 focuses on the impact on the distribution of the personal tax burden. Section 3 provides an essentially factual account of Australia's experience with indexation, and Section 4 an assessment of the experience. Section 5 contains some concluding remarks.' Appendix B examines the impact of inflation on government expenditure, including that on cash benefits to persons.

INCIDENCE.

- 258 MORGAN, David R. (1986), 'An agenda for tax reform', in HEAD John G. (ed.), *Changing the Tax Mix*, Sydney, Australian Taxation Research Foundation:1-19.**

This paper begins with a description of the current tax system. It then discusses the increased reliance on personal income taxes which has meant a significant escalation in both the marginal and average tax rates faced by a wage and salary earner on average weekly earnings. The personal income tax base effectively excludes some sources of income such as capital gains, fringe benefits, owner-occupied housing, negative gearing and other tax shelters, most of which are only available to the higher income groups. In examining the tax unit three major issues are investigated: income splitting, tax differences between one and two income families, and work disincentives and the status of women (any move toward a married couple as the tax unit may have a disincentive effect on women entering the labour force). The interaction of the taxation and social security systems is another area which can cause 'poverty traps', resulting from the very high marginal rates of income reduction faced by some social security beneficiaries who can earn additional income. Other sections of the paper deal with consumption taxes, the taxation of capital and business income, and wealth taxation. The costs of tax reform are generally more readily understood by the community than the benefits. This problem has hindered the implementation of tax reform in many countries so that 'a good deal will hinge not only on the nature of the proposed reforms themselves but also on the staging of their implementation over time and the character of the transitional provisions adopted.'

INCENTIVES; INCOME SPLITTING; INDIRECT TAXATION; MARGINAL TAX RATES; POVERTY TRAPS; RATE SCALE; TAX BASE.

- 259 MORGAN, David R. (1986), 'The Government's tax reform package: an overview', *Australian Tax Forum*, 3(1):3-30.**

This paper focuses on the implementation of the Government's September 1985 taxation package, some aspects of the Draft White Paper and some of the alternative taxation reform proposals canvassed at the time of the National Taxation Summit. It begins by briefly outlining some of the more obvious problems in the taxation system and then proceeds to describe the objectives of and constraints on reform. Before looking at the actual September reform package the Draft White Paper is looked at under the headings income tax base, business income and consumption tax. Alternative packages are examined, including the group of proposals identified with the Centre of Policy Studies at Monash University which involved 'taxing the threshold'. The major objection to these being that they involve substantial redistribution of the tax burden towards those on low incomes, even allowing for compensation. Particularly affected would be married women and social security recipients. Another alternative proposal related to income testing family allowances and the dependent spouse rebate and another to broadening the indirect tax without going as far as substituting a broad based consumption tax along the lines of Option C. Finally the September tax reform package is examined. The measures are listed and their revenue consequences set out in Attachments A and B of the paper.

FAMILY ALLOWANCES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; INDIRECT TAXATION; REBATES; TAX BASE; THRESHOLD; WOMEN.

- 260 National Taxation Summit: Record of Proceedings, Monday 1 - Thursday 4 July 1985, Canberra, Australian Government Publishing Service, xvi, 240pp.**

This volume contains a complete record of the proceedings of the National Taxation Summit - a list of official participants and observers, together with the final Summit agenda. Using the Draft White Paper's Options A, B and the government's preferred Option C as a basis, speakers representing a wide cross-section of the Australian community discuss taxation reform under the following five headings; (1) the need for tax reform and the Draft White Paper, (2) avoidance and evasion - broadening the income tax base, (3) broadening the consumption tax base and compensation, (4) business taxation and (5) plenary session. Many of the speakers discuss the effects of tax reform on social security. The Government's preferred Option C was rejected and work on a compromise package was still in progress at the end of the Summit.

INDIRECT TAXATION; TAX BASE.

- 261 NEVILLE, John (1984), 'Tax, deficits, and welfare: can the money be found to raise the poor above the poverty threshold?' *Australian Society*, 3(10), October:10-11.**

This article discusses the fact that many people were disappointed that the 1984 Budget did not increase welfare expenditure by more. It argues 'if welfare expenditure is to be increased without reduction in other expenditure categories, either taxes will have to be increased or the budget deficit will be larger.' Wage restraint is essential if the level of economic activity in Australia is to continue to grow. This is achieved at present through the Prices and Income Accord. The Unions agreed to this on condition that taxes were cut, and hence the tax cuts in the 1984 Budget. The argument that a large deficit drives up interest rates is shown by way of a table to be unconvincing. Other arguments are about the effects of increasing the deficit on the interest bill on the public debt, and the fact that it would destroy 'businessmen's confidence in the Hawke government's ability, or desire, to be a responsible economic manager.' So, a very much large deficit would have seriously jeopardised economic recovery, however, 'a modest increase in the size of the deficit would enable a significant increase in the level of social security benefits paid to many recipients.' The suggested increase is between \$250m and \$500m larger than the planned deficit of \$6,745m, a task which would not have been beyond the skills of the government to sell to the business community.

RATE SCALE.

- 262 NORRIS, Keith (1985), 'Taxes transfers, and the social wage in Australia 1975-84', *Australian Bulletin of Labour*, 11(4), September:212-235.

'The object of this paper is to derive and present measures of the living standards of various households types, for the period 1975-84', taking into account changes in prices, taxes, transfers and some government expenditure on goods and services (the social wage) measured by the cost of the provision. After briefly summarising previous studies in this area, sixteen household types are studied and the methods used to derive annual estimates of living standards described. Disposable income is estimated by deducting income tax and medical levies from the household's earnings and/or social security payments. A share of government expenditure on education, health and other social expenditures is assigned and converted into 1984 prices to enable comparisons. With two exceptions, all households experienced a modest rate of growth in living standards, the two exceptions being a household comprising a sole parent with one child on supplementary parent benefit and one-third average female earnings, and a household comprising a single unemployed adult. The social wage as measured here is redistributive. For low income households with children the social wage is a very significant component of their living standards.

INCOME DISTRIBUTION.

- 263 O'DONOHUE, Jane (1988), *An Examination of Taxation Arrangements for Couples with Children: Evaluating the Options of Income Splitting*, Canberra, Social Security Review, Background/Discussion Paper, No.23, Department of Social Security, Social Policy Division, Research Paper, No.40, 39pp

'This paper seeks to explore the distributional impact and consequences for economic efficiency of introducing a system of income-splitting (or income-averaging) for couples with children compared to the current system in Australia which is predominantly based on the individual as the unit for income tax purposes. Part one briefly outlines the differences between taxation based on the individual and the marital unit for various household types, the assumptions underlying the choice of the tax unit, the type of unit used in various OECD countries, and the recent history of debate in Australia about the tax unit. Part Two assesses the case for income-splitting as a form a marital unit taxation against the standard criteria for tax reform - equity, efficiency and simplicity - and also indicate the cost to revenue of several income-splitting options...The analysis indicates that income-splitting for couples with children would not produce a tax system superior to the current Australian system. Income-splitting would be an extremely costly way of increasing assistance to families...As well as the tax revenue foregone, income-splitting would also involve additional administrative costs due to the increased complexity of the taxation scheme. Income-splitting would increase inequity between high and low income families...Many families including low income families would not be able to gain from income-splitting, and low income families would be further disadvantaged if income-splitting were fully financed by increases in direct taxation. The argument for income-splitting as a means of improving horizontal equity between single and two income couples with children with the same family income who currently pay differing amount of tax is weakened by the fact that two earner families incur additional costs in earning the second income. In addition, childless taxpayers - about half of all taxpayers - may well see themselves as disadvantaged by such a tax regime. Income-splitting would not necessarily improve the well-being of all family members, given current evidence of inequities in the sharing of family income. Effective marginal tax rates facing the secondary earner would also be substantially increased, adding to workforce disincentives. For these reasons it would be preferable to curb the practice of non bona fide income-splitting amongst the self-employed rather than extending income-splitting to wage and salary earners. In addition, assistance for children provided through transfer payments such as Family Allowance and the Family Allowance Supplement would better meet the tax equity objective of income-splitting for couples with children.'

COMPARATIVE STUDIES; FAMILY ALLOWANCES; INCENTIVES; INCOME DISTRIBUTION; INCOME SPLITTING; INCOME UNIT.

- 264 OGBORN, Keith (1986), *Social Security and the Labour Force - Looking Ahead*, Canberra, Social Security Review, Background/Discussion Paper, No.3, 20pp. Also published in *Social Security Journal*, December 1985:1-13.

This paper looks at the current social security treatment of people of workforce age, to illustrate some of the range of possibilities for dealing with them, and to point out areas where further information on how our society and economy is working would be useful for effective decision making. It examines the structure of social security and

claims that lack of income is not the only problem. We need a better mix of assistance and services must be co-ordinated and the effects of the interaction of the income taxation and social security systems are mentioned. High effective marginal tax rates may act as work disincentives. Two solutions have been proposed over the years; integration of the tax and social security systems or a guaranteed minimum income. Some of the reasons why they have not been taken up are explained.

GUARANTEED MINIMUM INCOME; INCENTIVES; INTEGRATION; MARGINAL TAX RATES.

- 265 OXLEY, Carol (1987), *The Structure of General Family Provision in Australia and Overseas: a Comparative Study*, Canberra, Social Security Review, Background/Discussion Paper, No.17, 23pp. Also published in *Social Security Journal*, Winter 1987:42-54.**

This paper discusses some issues raised recently regarding the universality of family income support such as whether universality should be retained in the system of family income support; whether the present system provides appropriate recognition of the increased costs for families with children; whether family allowances should be restructured to reflect the needs of particular types of households, e.g. families with young children or large families; and whether or not universal assistance for children might be provided through the tax system as an alternative to cash benefits. The paper looks at some of the arguments for the retention of universal family income support that have been used in recent debates overseas, and compares the structure and level of universal child income support in a number of countries with the Australian family allowance. The countries looked at are Austria, Belgium, Canada, Denmark, France, Germany, the Netherlands, New Zealand, Spain, Sweden, the United Kingdom and the United States. The paper illustrates the low value of the family allowance compared to similar allowances paid overseas but says that this does not imply that Australia should aim to reach the average level of assistance provided in these countries as the needs of families can be met through a wide variety of mechanisms and incomes affected by policies in the taxation area. Data in this paper do not compare how Australia measures to other countries in this area. The low level of assistance to families in the area of family allowances in Australia, however, highlights the question of the extent to which the Australian community values children and the social function of parents in raising them.

COMPARATIVE STUDIES; FAMILY ALLOWANCES; UNIVERSALITY.

- 266** PFEFFER, Monica (1986), 'State concessions, poverty traps and the pensioner health benefits card', in **Income Support Seminar, Melbourne, 1986:161-172.**

This paper 'covers issues in the provision of State concessions, raising equity and efficiency concerns in eligibility, funding and delivery of concessions. It also moots reforms which could be carried out by States/Territories acting alone. Section 2 looks at concessions from the perspective of poverty alleviation and draws out the links, based on a common goal, between State systems of assistance on the one hand and the Commonwealth income security system on the other'. State concessions generally favour aged pensioners, homeowners and two adult households whereas the increase in poverty in Australia is towards sole parents, married couples with four or more children, long term unemployment beneficiaries and families in private rental housing. A problem is also created by the link between most State/Territory concessions and the health cards provided by the Commonwealth. This link creates poverty traps in that it acts as a disincentive to earn or save because of the loss of benefits. Recent initiatives of the Commonwealth in relation to taxation reform are described but it is cautioned that there may be some unintended consequences for the households the Commonwealth wishes to benefit arising from the interaction between the Commonwealth and State systems. Examples are given to illustrate this. 'Section 3 raises some of the possibilities for broad-based reform of the State/Territory concessions system considered by Welfare Administrators' Sub-Committee on Income Security'. Ideally, the most comprehensive and effective mechanisms for tackling poverty are either the integration of the taxation and social security systems through a Guaranteed Minimum Income scheme, or their complete separation via tax credit arrangements. Within a more realistic timeframe the following options for reform were identified: abolition of the current distinctions between types of pensions, benefits and allowances, which favour certain stages of the life cycle over other aspects of need; raising the level of payment for a single adult with one child to the married rate; raising and equalising the 'free' areas for pensioners and beneficiaries and reducing the rate of withdrawal of pension or benefit in order to reduce high effective marginal tax rates; increased attention to social wage expenditures; and, increased attention to measures to reduce housing-related poverty. The ideal mechanisms for reforming concessions are either the provision of State and local services free, financed by a steeply progressive State taxation system, or the transfer of all concessions to the Commonwealth in a reformed income security system. More realistically a number of possibilities are examined.

INCENTIVES; POVERTY TRAPS; TAX EXPENDITURES.

- 267** PODDER, N. and KAKWANI, N.C. (1975), 'Distribution and redistribution of household income in Australia' **AUSTRALIA - Taxation Review Committee, Commissioned Studies, Canberra, Australian Government Publishing Service:111-151.**

This study investigates the impact of personal income tax and government cash benefits on the distribution of household income in Australia using data from the Australian Survey of Consumer Expenditures and Finances. Section I defines the terms used here such as household, original income, gross family income (original income plus cash benefits), disposable family income (gross family income minus tax), and imputed rent. Section II presents figures for the distribution of original income, the components of original income by income range and age group. Section III analyses the impact of income tax, cash benefits and imputed rent. Cash benefits are found to have the greatest equalising impact on income distribution, income tax is redistributive, but to a much lesser extent and the effects of imputed rent are much the same as income tax. Section IV investigates the impact of income tax and cash benefits on different socioeconomic groups. 'The main finding of this paper is that government cash benefits go much further than income tax in redistributing income...The redistributive role of progressive income tax has been found to be exaggerated. It is doubtful if concessional deductions play any significant role in diminishing the redistributive nature of income tax. But...multiple income earnings distort the progressive rate of income tax...However, it is not possible from this analysis to draw firm conclusions about the distribution of economic welfare among household units.'

INCOME DISTRIBUTION.

- 268** PODGER, Andrew (1975), **A Comprehensive Income Security System, Queanbeyan, NSW, Social Welfare Commission, 4pp.**

This paper looks at the objectives of a comprehensive income security program, and the major alternative forms a guaranteed minimum income scheme can take by examining the recommendations of the Interim report of the

Commission of Inquiry Into Poverty and an alternative program put forward by the Social Welfare Commission. It then proposes a comprehensive package consisting of a two-tiered tax credit scheme, insurance funds to provide earnings related benefits in excess of the above minimum benefits, to be financed primarily through contributions, and emergency relief programs, including lump sums on widowhood, desertion and maternity.

GUARANTEED MINIMUM INCOME.

- 269 PODGER, A.S., RAYMOND, J.E. and JACKSON, W.S.B. (1980), **The Relationship Between the Australian Social Security and Personal Income Taxation Systems: a Practical Examination**, Canberra, Development Division, Department of Social Security, Research Paper, No.9, 79pp. Also published in MENDELSON, Ronald, (ed.) (1982), **Social Welfare Finance: Selected Papers**, Canberra, Centre for Research on Federal Financial Relations, Australian National University:37-97; and a shortened version appears in **Social Security**, June 1981:1-17.

The purpose of this paper is to provide a basis for discussion of the more general issues and policy options relating to the interaction of the social security and taxation systems. It examines the effects of the interaction of the two systems on disposable incomes and effective marginal tax rates. The first part of the paper covers some issues relating to vertical equity, the second to issues relating to horizontal equity. Part three discusses the relationship between vertical and horizontal equity and part four compares current arrangements and sets out a proposals for integration of social security and personal income tax.

INCOME DISTRIBUTION; INTEGRATION; MARGINAL TAX RATES.

- 270 PODGER, Andrew, RAYMOND, Judy and JACKSON, Wayne (1980), **The Finance of Social Security: Some Implications of the Interaction Between Social Security and Personal Income Tax**, Canberra, Development Division, Department of Social Security, Research paper, No.11, 34pp.

This paper focuses on two issues arising from the authors' earlier paper, **The Relationship Between the Australian Social Security and Personal Income Tax Systems: a Practical Examination**, Research Paper, No.9. These are, (1) the concept of the cost of social security and (2) the debate over universality versus selectivity. Consideration of both these issues should not concentrate solely on social security cash outlays but should also take into account the impact of the personal income tax system. This paper looks at the implications of the interactions between the two systems using four examples; the provision of minimum income support, the relationship between age pensions and occupational superannuation, assistance to dependants, and the Poverty Inquiry's preferred guaranteed minimum income proposal, to demonstrate how the cost and the universality or selectivity of a program can change when the context is considered as a whole.

GUARANTEED MINIMUM INCOME; TAX EXPENDITURES; UNIVERSALITY.

- 271 PODGER, Andrew, RAYMOND, Judy and JACKSON, Wayne (1983), 'Income security; social security and personal taxation', in MENDELSON, Ronald (ed.), **Australian Social Welfare Finance**, Sydney, Allen & Unwin:162-181.

This chapter looks at the complex interaction of the social security and taxation systems by focusing on two issues: the cost of social security, and the debate over universality versus selectivity. Consideration of these two issues must not concentrate solely on social security cash outlays but also take into account the impact of the personal income tax system. These issues are discussed in the context of four examples: 'the provision of minimum income support, the relationship between age pensions and occupational superannuation, assistance for dependants, and the Poverty Inquiry's preferred guaranteed minimum income (GMI) scheme.' The main thrust of this paper lies in 'a plea for social policy to be examined in a broader framework.'

GUARANTEED MINIMUM INCOME; TAX EXPENDITURES; UNIVERSALITY.

- 271 PORTER, Michael G. (1980), 'Taxation, incentives and productivity', in WILKES, John (ed.), *The Politics of Taxation*, Sydney, Hodder and Stoughton:184-226.

This paper focuses on aspects of taxation, in particular income and expenditure taxation. It notes some of the likely negative effects of tax progression on both equity and productivity. Productivity, individual incomes and national well-being are probably reduced by disincentives to work in the progressive income tax. A move to flat marginal tax rate (e.g. 35 per cent) seems an attractive proposal so long as associated programs of social security and expenditure deal with the extremes of inequality.

INCENTIVES; RATE SCALE.

- 273 PORTER, Michael G. (1985), *Tax Options - The Issues of Fairness and Efficiency*, Melbourne, Centre of Policy Studies, Monash University, Mineograph, 9pp.

This paper reports on work done at the Centre of Policy studies on indirect taxation for the Australian Tax Research Foundation and work done on income tax and social security policies commissioned by the Economic Planning Advisory Council. In the course of this work, analysis increasingly led to the rejection of the Keating view that, at least in part, progressive income tax ought to be replaced by indirect taxation. Instead, a broader income tax strategy is favoured. This would have 'similar intended effects, would be similarly broad in base, but would achieve larger cuts in marginal effective tax rates across the board and foster greater gains in efficiency and growth.' The scheme proposed involves in part taxing fringe benefits, but 'the chief source of revenue is the taxing of roughly \$32 billion of income (1985/6 terms) which currently escapes all taxation, that is income below the tax-free threshold.' It suggests compensating some low income families for the effects of abolishing the threshold and argues that this is more straightforward than compensating for indirect taxation. The proposal offers a transitional path, involving a three step tax system of 20 per cent, 30 per cent and 40 per cent, towards an eventual flat rate of around 25 per cent by 1990. This, it maintains, would be far less disruptive than a shift to indirect taxes. Also, while the Keating tax package would leave unchanged the combined weighted average marginal effective tax rate at around 43 per cent, this proposal involves a drop to around 34 per cent.

INDIRECT TAXATION; RATE SCALE; THRESHOLD.

- 274 PORTER, Michael, COX, Jim and BASCAND, Geoffrey (1985), 'Tax reform proposal from Centre of Policy Studies', *Australian Tax Forum*, 2(3), Spring:273-284.

This paper begins by discussing the fundamental issues of tax reform under the headings: efficiency, equity and simplicity. It then discusses a detailed tax reform option of the Centre of Policy Studies at Monash University called Option D, which was proposed as an alternative to Option C in the Draft White Paper on Tax Reform. It suggests that all income be taxed, including the first dollars, to achieve much lower marginal rates on the last dollars. This is claimed to induce greater incentives to effort, lessen tax avoidance and evasion and create incentives to new employment creation. There follows discussion about how this Option D would effect pensioners and beneficiaries, low income earners, dis-savers and high income earners. The next section compared the Draft White Paper's Option C with this Option D. It is argued that Option D is to be preferred on grounds of efficiency, equity, compliance and enforcement and uncertainty, i.e. the less progressive COPS proposal would reduce the yield from fiscal drag. Finally, Option D is compared with what took place in the September 1985 tax package, i.e. adoption (in a modified form) of the base broadening measures announced in the Draft White Paper, reductions in marginal tax rates, alignment of the top personal income tax rate with the company rate and a full imputation system for relief of dividend taxes, and, a number of measures to reduce poverty traps. It concludes that while the September package is a significant reform in the right direction it does not solve the problem of high marginal tax rates.

INDIRECT TAXATION; MARGINAL TAX RATES; POVERTY TRAPS; RATE SCALE; TAX BASE; THRESHOLD.

- 275 PREST, A.R. (1975), 'The Australian tax system reviewed', *Economic Record*, 51, December: 576-582.

This paper reviews the Taxation Review Committee's Preliminary Report (1974). It looks at the Committee's approach and recommendations, considers their merits and points to some questionable features. Some reference is made also to Treasury Papers 1-13. While the author states that there are many good features of the Report (it has done its homework well, the arguments are well-developed and the style is very good) he states that he will spend more time on the questionable features. Some examples of analytical weaknesses in both the report and the Papers are given, e.g. the proposition that a broad-based consumption tax can be used as a means of assisting exports; in the calculation of the overall incidence of the Australian tax and expenditure system and in the area of estate and gift duties. It is concluded that while the Committee 'has produced a well-balanced and highly readable report with proposals for a combination of taxes and a set of rate structures which look eminently reasonable...At the same time one gets the feeling that some of the deeper subtleties of tax analysis have been neglected and that the Committee may have been a little too closely tied to the apron strings of a Treasury wishing to concede as little change as possible in such important areas as indexation of the income tax system.'

INCIDENCE; INDIRECT TAXATION; RATE SCALE.

- 276 PRITCHARD, Hugh and SAUNDERS, Peter (1978), 'Poverty and income maintenance policy in Australia - a review article', *Economic Record*, 54(145), April:17-31.

This is a review of the Commission of Inquiry Into Poverty, First Main Report, 1975. It begins by critically examining the extent of poverty as measured in the Report and the current social security system which has failed to raise pension and benefit levels to the poverty line and index them. It then looks in detail at the approach of the Report to an integrated tax/transfer system in the form of a Guaranteed Minimum Income. In so doing it focuses on five areas: transition problems, redistributive consequences, efficiency and social values, the incentive question, and the scheme's effect on social policy. In addition to the Guaranteed Minimum Income scheme the Report sees some additional measures as necessary and these are also examined.

GUARANTEED MINIMUM INCOME; INCENTIVES; INCOME DISTRIBUTION; INTEGRATION.

- 277 RAYMOND, Judy and WHITEFORD, Peter (1984), *Some Implications of the Interaction of the Personal Income Taxation and Social Security Systems*, Canberra, Development Division, Department of Social Security, Research Paper, No.22, 49pp.

This paper looks at major changes in the social security and income tax systems since the early 1970s that have affected the current distribution of incomes. It examines the interaction between the two systems 'to establish patterns and trends in disposable incomes', and looks at some of the complexities of the interaction of the two systems under the headings, assistance to dependents, taxation treatment of pensioners and beneficiaries and de facto couples. As well as the determination of disposable incomes, the systems can have indirect effects, particularly for secondary workers and sole parents who face high effective marginal tax rates which cause poverty traps and poverty plateaux and undermine the incentive to work. It is concluded that on assessing the redistributive effects of any proposed changes to the tax system, the following must be considered: the position of pensioners and beneficiaries vis a vis taxpayers in general; consistency in treatment of categories between the two systems; effects on incentives and disincentives; the fact that many people are in both systems; the fact that similar forms of assistance can be provided through both systems; and, it is generally the social security system that is more efficient in targeting assistance to low income groups.

INCENTIVES; INCOME DISTRIBUTION; MARGINAL TAX RATES; POVERTY TRAPS.

- 278 **Reform of the Australian Tax System: Draft White Paper** (1985), Canberra, Australian Government Publishing Service, xiv, 279pp.

This paper begins with an overview of the case for reform of the Australian taxation system. It sets out the essential criteria for tax reform: equity, efficiency and simplicity. In addition to these the following needs are identified: the

prevention of tax avoidance and evasion; the recognition of the impact of inflation; the need to review government tax expenditures, as distinct from direct outlays, as a means of most effectively and equitably targeting intended beneficiaries; the harmonisation of federal, state and local tax systems and the recognition of the interaction of the taxation and social security systems. The interaction of the latter two systems have resulted in pensioners and beneficiaries facing high withdrawal rates and creating 'poverty traps'. Three approaches to reform are canvassed. The Government's preferred Approach C consists of four measures: the broadening of the income tax base and a clamp down on tax avoidance and evasion; the introduction of a uniform-rate minimal exemptions goods and services tax to be applied at the retail level; the setting of this tax at 12.5 per cent so as to effect a substantial shift in the tax mix away from direct taxes; and a package of social security measures to compensate those disadvantaged by the change in the tax mix. This compensation would reduce high effective withdrawal rates by increasing the income tax threshold and by the reduction in the 25 per cent marginal tax rate to 20 per cent. Approach A consists of the first of these measures only, and Approach B combines the first element with a compromise on the second and third elements - a 5 per cent rate on all goods and services at the retail level and a 10 per cent wholesale tax on certain luxury items in addition.

INDIRECT TAXATION; MARGINAL TAX RATES; POVERTY TRAPS; RATE SCALE; TAX BASE; TAX EXPENDITURE; THRESHOLD.

- 279** **Reform of the Australian Tax System: an Overview**, (1985), Canberra, Australian Government Publishing Service, 11pp.

This is, as it states, an overview of the Draft White Paper, which see for the details.

- 280** **RICHARDSON, S. (1979), 'Income distribution, poverty and redistributive policies', in GRUEN, F.H. (ed.), *Surveys of Australian Economics*, Vol. II:11-62.**

This chapter reviews the literature of the preceding decade on income distribution, poverty and redistributive policies, with some comment and suggestions for further work. Section 2 on income distribution has several dimensions though only that of the size of distribution of family income is related to the subsequent sections of the chapter. Section 3 investigates poverty and Section 4 looks at 'possibilities of redistributing income where the prime interest has been the derivation of policies for the reduction of poverty.' This section examines the pros and cons of negative income tax schemes by largely looking at the Asprey Report (1975), the Henderson Report (1975) and the Hancock Report (1976). It then goes on to look at these three reports, together with the Woodhouse Report (1974) on the question of whether benefits ought to be earnings related. It briefly describes the redistributive impact of the taxation system and compares it with that of social welfare payments.

GUARANTEED MINIMUM INCOME; INCOME DISTRIBUTION.

- 281** **SAUNDERS, Peter (1976), 'A guaranteed minimum income scheme for Australia? Some problems', *Australian Journal of Social Issues*, 11(3):174-186. Also published in *Australian Quarterly*, 48(2), June 1976:74-80 and in GRAYCAR, Adam (ed.) (1978), *Perspectives in Australian Social Policy: A Book of Readings*, Melbourne, Macmillan:186-197.**

'The integration of the income taxation and social security systems is implicit in a guaranteed minimum income scheme. Some of the issues involved in this integration are highlighted. The two systems have developed independently in Australia, mainly because of the fundamentally different roles that the two serve. It is argued that although the two systems should work in harmony, their complete integration will present many great conceptual and practical difficulties which would reduce the effectiveness of both. Thus the poverty problem can be more fruitfully attacked by reform with the existing social security system in Australia than by the introduction of an integrated system.'

GUARANTEED MINIMUM INCOME; INTEGRATION.

- 282 SAUNDERS, P.G. (1979), 'Equity, income redistribution and the Australian direct tax-transfer system', *Economic Papers*, (62), November:53:68.

This paper is concerned with proposals for reform of the Australian taxation system which are conceived as amendments to rather than radical changes to the existing system. They are self-financing and aim to raise low incomes, the revenue for which is to come from some form of capital taxation, e.g. an annual wealth tax. It is argued that this can be done without conflict with efficiency and simplicity objectives to any great extent. The reforms proposed are: (1) An approximately revenue-neutral change in the system of family allowances, brought about by including them in the income tax base and simultaneously increasing their level. (2) A substantial increase in basic pensions and benefit levels, accompanied by some changes in the relative payments to families of differing composition. (3) Reductions in the average and marginal rates of income tax on higher income recipients. (4) Some form of capital taxation, concentrated on high wealth holders. These proposals are discussed in some detail.

FAMILY ALLOWANCES; RATE SCALE; TAX BASE.

- 283 SAUNDERS, Peter (1981), 'The Commission of Inquiry Into Poverty's Guaranteed Minimum Income Scheme: a perspective from the 1980s', *Australian Economic Review*, (53), 1st Quarter:20-28.

This article is a review of income maintenance policies during the 1970s to assess whether or not there has been a move to the Guaranteed Minimum Income Scheme recommended by the Commission of Inquiry into Poverty in 1975. Section II of this article reviews developments in the social security and personal income taxation systems since the mid 1970s; Section III analyses the Scheme itself in some detail and proposes some ways to overcome some of the inherent difficulties which arise; Section IV summarises the main arguments and conclusions. The late 1970s have seen an increase in the overlap of the social security and personal income taxation systems. The scheme is discussed in some details under the three headings; (1) minimum income levels and tax rates, (2) the tax unit and (3) administrative considerations. The introduction of a linear tax schedule, enhanced by the abolition of the surtax component of the Scheme, would be beneficial if any undesirable redistributive effects are offset through compensatory tax adjustments, e.g. capital taxation restricted to the wealthy. A scheme based on the individual unit appears to have considerable advantages over the proposed family unit scheme. The administrative advantages of the scheme are unproven, the extent of cost savings unspecified. This is due to a lack of relevant Australian data.

GUARANTEED MINIMUM INCOME; INCOME UNIT; RATE SCALE; TAX BASE.

- 284 SAUNDERS, Peter (1981), 'Taxation and incentives to work with particular attention to women', *Social Security Journal*, December:17-23. Also published in UNITED NATIONS ASSOCIATION OF AUSTRALIA - National Status of Women Committee, *Proceedings of the Women and Taxation Conference*, Melbourne, 1981:69-77.

This paper reviews briefly the economic literature on the effects of taxation on work incentives, with particular emphasis on their relevance to women. The focus is on the effects of income tax on work behaviour, and the paper begins with the economist's conventional theory of labour supply, followed by empirical evidence of the effects of taxation on labour supply. One particular aspect of importance for policy is that the reduction in labour supply may impede the ability of governments to use tax-transfer policies to redistribute income. An example illustrating this point follows.

INCENTIVES; WOMEN.

- 285 SAUNDERS, Peter (1982), *Equity and the Impact on Families of the Australian Tax-Transfer System*, Melbourne, Institute of Family Studies, xiii, 116pp. (Institute of Family Studies. Monograph, No.2)

'This study is primarily concerned with the effects of the Australian income taxation and income support systems on the relative income positions of families of differing size and composition'. It focuses on the tax treatment of single income families relative to two income families, single parent families relative to married couple families and families with children relative to families without children. Its aim is to 'provide a comprehensive picture of how

the elements in the Australian tax-transfer system have changed in the last two decades and the implications of these changes for families in different circumstances with regard to income and composition. This is accompanied by an introduction to the analytical framework normally adopted by economists to analyse tax and income support questions'. Section 1 outlines the Australian taxation and income support system. Section 2 discusses equity, efficiency and simplicity. Section 3 contains a comprehensive and detailed analysis of how the tax and income support systems have affected different families over the last two decades. Section 4 discusses ways in which the focus of policy could be shifted, either by redirecting existing expenditures or by reforming the system. Three reform proposals are discussed in detail: the income testing of family allowances, the adoption of family unit taxation and negative tax schemes, in particular the guaranteed minimum income scheme proposed by the Poverty Commission. Section 5 outlines the major findings and implications of the study.

**FAMILY ALLOWANCES; GUARANTEED MINIMUM INCOME; INCOME DISTRIBUTION;
INCOME(MEANS/ASSETS)TEST; INCOME UNIT.**

- 286 SAUNDERS, Peter (1982), 'Henderson guaranteed minimum income scheme: a perspective from the 1980s', in MENDELSON, Ronald, (ed.), *Social Welfare Finance: Selected Papers*, Canberra, Centre for Research on Federal Financial Relations, Australian National University:99-114.**

This paper reviews income maintenance policies of the later 1970s to assess how far we have moved towards a guaranteed minimum income (GMI) scheme as proposed by the Henderson Poverty Commission. After examining the effects on poverty of unemployment from 1973 to 1979, it reviews developments in the social security and taxation systems since the mid 1970s. One aspect is the replacement of income tax deductions and child endowment by family allowances, although their initial level and the failure to index them have eroded their value. Under a GMI scheme the social security and taxation systems become fully integrated so that in the transition period there should be more overlap between the two systems. In some areas this has happened, e.g. the introduction in 1973 of liability of age pensions to income tax, its extension to other pension categories in 1976-77, the income testing of indexation increments to age pensions for the over-70s. 'In addition, effective income tax thresholds, defined as the income at which net transfers from the government become zero, have been raised to the respective poverty lines'. The remaining problems are inadequate pension and benefit levels, unsatisfactory indexation, lack of coverage in some cases, and the stigma imposed on recipients. It is not obvious that a GMI scheme would resolve these problems, particularly the first two. Many of the advantages of the GMI scheme arise from the introduction of a linear tax schedule which is further enhanced if the surtax component of the scheme is abolished and compensatory tax adjustments are made elsewhere. 'A GMI scheme based on the individual unit appears to have considerable advantages over the proposed family unit scheme.' The administrative advantages of the GMI scheme are unproven due to lack of relevant evidence for Australia. The scheme may reduce non-receipt of entitlement through ignorance or stigma but here again evidence is lacking. Further evidence is crucial to informed choice between the proposed GMI scheme, the current system or alternative GMI schemes.

**FAMILY ALLOWANCES; GUARANTEED MINIMUM INCOME; INCOME(MEANS/ASSETS)TEST;
INCOME UNIT; RATE SCALE.**

- 287 SAUNDERS, Peter (1986), 'Making the case for welfare spending', *Australia Social Welfare: Impact*, 16(7), November:6-8.**

This paper shows that social security spending in Australia is low by international standards. The argument that although we spend less it is more effectively targeted is questioned. This argument assumes that the only goal of welfare expenditure is the alleviation of poverty, which the paper maintains is responsible for many of our current difficulties. The assumption of the only goal being the alleviation of poverty has emphasized the 'them and us' mentality which is a barrier to social security reform. This argument also ignores the fact that the ability of government to raise revenue and finance its spending is not independent of the form that spending takes. Even as a tool for poverty alleviation the system has not been very effective with an increase in poverty over the last decade. Although a higher proportion of welfare expenditure may be targeted on the poor the absolute level of assistance may be well below that under alternative arrangements. The redistributive impact may also be less than in more universal schemes as can be seen by comparison with other OECD countries. A selective system also means high implicit marginal tax rates or poverty traps on the poor, acting as work disincentives. Many of the problems of the taxation system are the same as those of the social security system. We must find other taxes rather than relying on

the personal income tax, three possibilities being: earmarked social security contributions, broadening the base of indirect taxes, and wealth tax. The rejection of Option C at the Tax summit in 1985 is regretted. When looking at what government spends and how it raises its revenue we must look at government spending as a whole and at the same time examine other government intervention such as tax expenditures.

COMPARATIVE STUDIES; INCOME DISTRIBUTION; INDIRECT TAXATION; MARGINAL TAX RATES; POVERTY TRAPS; TAX BASE; TAX EXPENDITURES; UNIVERSALITY.

- 288 SAUNDERS, Peter (1986), 'Perspectives on social security expenditure: in defence of universal payments', in *Income Support Seminar*, Melbourne, 1986:139-159.

This paper argues that the expenditure and tax aspects of government budgets are not independent. The level and composition of government spending is the outcome of complex interactions of political, social and economic processes. Where welfare spending is concerned there is a need 'to focus public debate on rationalisation and improved effectiveness within government interventions as a whole'. The debate must be widened to include government spending as a whole and other forms of government intervention such as tax expenditures. Any reassessment of welfare expenditure must particularly look at the extent to which tax expenditures are helping to achieve the goals of the welfare system or whether it would be better to replace them with direct spending programmes. It is demonstrated that social security spending in Australia is already well below most OECD countries. Protagonists for a selective system argue that although this is true, it is targeted on the most needy but this argument rests on two assumptions; (1) that poverty alleviation is the only goal of social security and (2) it ignores the fact that government ability to raise revenue and finance its spending is not independent of the form that spending takes. 'Although a higher proportion of welfare expenditure may be directed to the poor under a selective system, the absolute level of assistance may still be well below that prevailing under alternative arrangements'. Selectivity is achieved by eligibility criteria and the use of income and asset tests. As recent studies show, the selective system has not performed very well, with poverty increasing, particularly among single parent families and families with three or more children. Greater targeting does not imply more redistribution since the redistributive impact depends on the total level of spending as well as how spending is distributed. A selective social security system means high implicit marginal tax rates (or poverty traps) on the poor. Our heavy reliance on personal income tax has reached its limit. One solution would have been to adopt Option C of the 1985 Tax Summit proposals. It would have increased the potential for increasing future revenue and have eased the pressures for continued restraint on government spending. The mechanisms for wage restraint and compensation would also have been in place. Finally, the possibilities for the introduction of social security contributions are raised. This is particularly relevant in the light of the projected increase in the aged population in the next three to four decades. Tax expenditures which encourage the spread of occupational superannuation schemes must be balanced against the saving in pension expenditure which will result. Support for a welfare system requires support from the community at large, i.e. a system in which they have a stake and from which they expect to benefit.

COMPARATIVE STUDIES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; INDIRECT TAXATION; MARGINAL TAX RATES; POVERTY TRAPS; TAX EXPENDITURES; UNIVERSALITY.

- 289 SAUNDERS, Peter (1987), 'An agenda for social security in the years ahead', *Australian Journal of Social Issues*, 22(2), May:409-423.

This paper is about the recent debate on social welfare spending in Australia, focusing on social security spending in particular. It begins by comparing Australia with other OECD countries, followed by an outline of recent economic developments in Australia and their implications for government spending, particularly on social security. Given that the constraints on government spending will remain for some time it is important that the debate on welfare spending be broadened to include government spending as a whole and other forms of government intervention such as tax expenditures. A case for a more universalist approach rather than the past reliance on selectivity is put and the dangers of selectivity described. The tradition of selectivity on the expenditure side does not extend to tax expenditures where benefits tend to increase rather than decrease with private income and provide no assistance to the lowest income recipients. It is important that cost-saving is borne fairly by both direct expenditure and tax expenditures. Tax expenditures must also be brought under review if public resources are to be allocated more equitably and efficiently. It is necessary to find other taxes to supplement the limited scope for continued growth in personal income tax revenue that is relied upon so heavily at the present. The three main possibilities discussed

here are (1) earmarked social security contributions, (2) taxes on the value or transfer of net wealth, and (3) broadening the base of indirect taxes. The report concludes by summarising the main issues discussed.

COMPARATIVE STUDIES; INDIRECT TAXATION; TAX BASE; TAX EXPENDITURES; UNIVERSALITY.

- 290 SAUNDERS, Peter (ed.) (1987), **Redistribution and the Welfare State: Estimating the Effects of Government Benefits and Taxes on Household Income**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.67, iii, 77pp.

These are the papers from a Workshop whose purpose it was to critically assess both the results and the methodological framework of the Australian Bureau of Statistics' study 'The Effects of Government Benefits and Taxes on Household Income' (ABS Catalogue No.6537.0) The papers are as follows:

CASTLES, Ian, The effects of government benefits and taxes on household incomes: estimates for Australia and other countries:1-38.

This paper identifies and quantifies the observed distributions of household incomes in Australia and four other countries (Sweden, the United Kingdom, the United States and New Zealand), and the observed distributions of direct and indirect benefits and taxes which explain the differences in income distribution. All the data relate to 1984 except in the case of New Zealand which is for 1981-82. Various tables show the effects of direct benefits, direct taxes and the net effect of direct benefits and direct taxes, with adjustment for household size. The studies for Australia, New Zealand and the United Kingdom also allocate certain indirect benefits and taxes to households. The final section comments on some of the criticisms which have been made of the various studies from these countries.

SAUNDERS, Peter, Comments on Ian Castles' paper:39-46.

These comments are divided into two sections: (1) considers some of the methodological and conceptual difficulties of fiscal incidence studies, and (2) focuses more specifically on the international comparisons, on the nature of the results themselves and some of their implications.

PIGGOTT, John, Statistical incidence studies: an economic perspective:47-63..

This paper argues 'that the statistical calculations of fiscal burden can be an important starting point in investigating the redistributive impact, or "incidence" of government policies, but that in the absence of further development the estimates as reported can generate seriously misleading perceptions of the redistributive impact of government programmes.' Section 2 examines the treatment of taxes in statistical calculations of fiscal incidence, Section 3 discusses the treatment of public goods and other public expenditures, Section 4 widens the discussion to address the issue of life cycle incidence calculations, and Section 5 summarises the main conclusions which are: (1) omitting excess burdens from redistributive calculations is likely to introduce major errors, (2) the economic effects of taxes on labour and savings have largely been ignored, (3) consumer surplus gains are ignored, (4) further error is introduced by ignoring private goods provided partly or wholly by the public sector, and (5) a life cycle, rather than annual approach is preferable.

WARREN, Neil, Comments on John Piggott's paper:64-66.

This comments that we must be clear about what the questions are before we start offering up the answers, but the author has very little disagreement with Piggott's paper which provides a good balance to the ABS study.

LE PLASTRIER, Vicki, Summary of general discussion:67-75.

This section summarises the general discussion which took place under the following headings:

The underlying assumptions of the Fiscal Incidence Study.

The taxation data used in the analysis.

The similarities and/or differences between and ABS study and its UK counterpart, the CSO studies.

The question of access to the detailed allocation methods used in the ABS study and, more generally to future unit record file data.

COMPARATIVE STUDIES; INCIDENCE; INCOME DISTRIBUTION.

- 291 SAUNDERS, Peter and WHITEFORD, Peter (1987), **Ending Child Poverty: an Assessment of the Government's Family Package**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.69, 86pp.

This paper assesses the Hawke Government's Family Package, introduced in December 1987. This package involves a new Family Allowance Supplement to replace payments for children of pensioners and beneficiaries and the Family Income Supplement for children in low income working families, a more liberal income test than those applying to current payments, uniform rent assistance to be extended to all Family Allowance Supplement recipients, the payments to increase in line with inflation and a new Child Disability Allowance free of a means test to be introduced. This paper focuses on the impact of the package on the financial circumstances of low income families, particularly its impact on poverty among families with dependent children. It begins by documenting evidence on the increase in child poverty since the 1960s and compares the degree of child poverty in Australia with other advanced economies and finds the comparison unfavourable to Australia. Issues in the measurement of poverty which are relevant to this assessment are discussed. This paper presents results using an 'age-adjusted' poverty line derived from detailed Henderson poverty lines. The package is described in detail in Section 5 and assessed in Section 6 under three headings: changes in disposable income, effective marginal tax rates and work disincentives (there are reasons to suggest that the package will have favourable effects on effective marginal tax rates, the number facing higher rates being small), and the effects on child poverty. Finally the paper canvases some additional policy options which it says will be needed to achieve the Government's goal of no child poverty by 1990. These are increased employment opportunities overall and specifically targeted housing policies to help poor families.

COMPARATIVE STUDIES; FAMILY ALLOWANCES; INCENTIVES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; MARGINAL TAX RATES.

- 292 SAVAGE, Elizabeth (1984), **Discrimination and Public Policy: the Role of Traditional Economic Theory**, Sydney, University of Sydney, Paper given at ANZAAS Congress, Canberra, May 1984, 20pp.

'The Sex Discrimination Act specifically excludes the area of social security. The author states that this is a serious omission because although in principle the tax/benefit system treats women in the same way as men, in practice it is very discriminatory. It discusses the implications of modern tax theory for the reform of the tax/benefit system and identifies inadequacies of the traditional approach, in particular for policies affecting women. In this context, the existing structure of tax and social security policy is examined and prevalent views concerning the reform of the tax and income security systems are discussed.'

WOMEN.

- 293 SAVAGE, Elizabeth (1985), **The Family and Tax/Income Security Policy: Welfare Theory and Directions for Reform**, Sydney, Australian Council of Social Service, 79p. (ACOSS Welfare Economics Monograph, No.1)

'This paper concentrates on the equity implications of not including the value of leisure and home production in the measure of ability to pay tax and need for benefits...In particular, the paper focuses on the implications of varying household compositions and activity patterns for the equity and efficiency of the tax and income security systems.' Particularly pertinent is the treatment of these systems of women, who are often trapped in poverty and reliant on benefits in the long term. There is a discussion of tax and social security reforms intended to reduce work

disincentives on the basis of gender and marital status. Part 1 defines the role of the taxation and social security systems, redistribution, ability to pay and horizontal and vertical equity. Part 2 contrasts the public finance definition of the ideal tax base with that of modern tax theory. Part 3 examines the untaxability of leisure and home production for the choice of the tax unit and for income testing social security benefits. Part 4 illustrates the work disincentive and efficiency effects of high marginal tax rates. Part 5 examines the results of modern tax analyses for the consideration of indirect taxation and the balance between direct and indirect taxation. Part 6 discusses methodological problems in the empirical analysis of reforms and identifies procedures necessary to ensure reliable empirical results and Part 7 suggests directions for reform and topics for empirical study.

INCENTIVES; INCOME DISTRIBUTION; INDIRECT TAXATION; MARGINAL TAX RATES; RATE SCALE; TAX BASE; WOMEN.

- 294 SAVAGE, Elizabeth (1985), 'Myths and misconceptions in the tax reform debate', *Legal Service Bulletin*, 10(2), April:55-60.

The Government's preferred tax reform options would further disadvantage the poor and the economic arguments put forward in favour of these options are based on myths and misconceptions which the author then lists as follows: Myth 1: income tax has disincentive effects and efficiency costs - indirect tax does not, Myth 2: a constant rate indirect tax is more efficient than varying rates on goods, Myth 3: indirect taxes are always necessarily regressive, Myth 4: high marginal income tax rates cut in too early, Myth 5: the social security system should be used for redistribution - the tax system to raise revenue, Myth 6: high income earners face the highest tax rates on income, Myth 7: income is the best basis for determining ability to pay, Myth 8: joint income of husband and wife is the best basis for determining ability to pay, Myth 9: existing tax system advantages two-earner households, Myth 10: joint taxation is more efficient than taxation on an individual basis. Arising from these myths and misconceptions are undesirable directions for reform such as: (1) income tax cuts to those in the 46% and 60% brackets and any moves towards proportional income tax (2) an across-the-board constant rate indirect tax, (3) any further moves towards joint taxation involving either the introduction of income splitting or increase in the Dependent Spouse Rebate, and (4) any further income testing of benefits. More desirable reforms are: (1) policies aimed at reducing poverty and unemployment traps, (2) a change in the income testing of pensions, benefits, rebates and so on toward the income of the higher earner, (3) broadening the income tax base to tax fringe benefits and abolishing tax shelters, (4) the taxing of capital gains and the reintroduction of death and gift duties, (5) increase in universal payments for children and (6) selective indirect taxes which can be shown not to increase the tax burden on low earners and pensions and beneficiaries.

INCENTIVES; INCOME DISTRIBUTION; INCOME SPLITTING; INCOME UNIT; INDIRECT TAXATION; RATE SCALE; REBATES; TAX BASE.

- 295 SAVAGE, Elizabeth (1987), 'The tax debate - catchcries don't tell the story', *Australian Social Welfare: Impact*, 17(2), April:6-8.

One motivation for tax reform in Australia was due to the fact that tax avoidance and a shift to income via fringe benefits had increasingly eroded the tax system and created a serious distributional problem for the tax-transfer system. The objectives for reform were (1) to obtain a reliable revenue source and (2) restore progressivity. The first led to consideration of a broad-based consumption tax which was not given community support because of its regressivity and the second led to proposals to close loopholes via capital gains and fringe benefits tax. Another motivation, given wide media coverage, was that male average weekly earnings had exceeded the level at which the 46 per cent marginal tax rate cut in. The media failed to explain the difference between average and marginal rates of tax and how representative AWE figure is (the majority of earners always earn less than AWE). The government chose to lower marginal tax rates which benefit upper middle to high income individuals. Policies of the Liberals, the Nationals, business and farmer groups propose further marginal tax rate cuts, and to finance tax cuts by expenditure cuts, a broad-based consumption tax and income tested transfers or combinations of the three. APPS, Patricia (1987), *Tax and Social Security Reform*, Sydney, Australian Tax Research Foundation, Occasional Paper, No.2 analyses the equity and disincentive effects of these kinds of proposals. They would redistribute the tax burden from high to middle and low income earners; redistribute the tax burden from couples to single earners; redistribute the tax burden from heads to spouses. Far from increasing incentives, these measure would increase disincentives. Neither equity nor efficiency arguments support the targeting of transfers using joint incomes. Due

to the combined effects of taxation and social security income tests, the highest effective tax rates occur at the bottom of the income distribution. Income testing the Dependent Spouse Rebate and disallowing the large tax concessions on superannuation are options the government ought to be looking at. The paper points out that income-testing family allowances aggravates equity and efficiency problems because many who would have their family allowance cut would not receive tax cuts. The tax and transfer systems must be dealt with as a whole.

FAMILY ALLOWANCES; INCENTIVES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; INDIRECT TAXATION; MARGINAL TAX RATES; RATE SCALE; REBATES; TAX BASE; TAX EXPENDITURES.

- 296 SAVAGE, Elizabeth (1987), *Simulating Tax Reforms: the Lessons of the Last Decade*, Paper in Flattening the Tax Rate Scale; Alternative Scenarios and Methodologies, 4th Monash Tax Conference, Monash University, December 1987, 12pp.

'During the 1970s, the results of optimal tax models largely rewrote tax theory.' There have also been rapid advances relevant to tax evaluation in the areas of microeconomic theory, notably duality, and in the econometric estimation of demand systems including labour supplies. They have made it possible to develop theory consistent empirical procedures, advances which have often been undervalued or even ignored by policymakers. This paper describes some of the major developments relevant to the tax reform problem and to explain problems associated with failing to incorporate them in empirical tax analysis. It focuses on: (1) revenue neutrality (2) preference specification and aggregation of utilities (3) modelling behaviour and functional form, and (4) the concept of optimality and equity/efficiency trade-offs.

MODELS.

- 297 SHAVER, Sheila (1983), 'Sex and money in the welfare state', in BALDOCK, Cora and CASS, Bettina (eds.), *Women, Social Welfare and the State*, Sydney, Allen & Unwin:146-163.

This chapter argues that the social security and taxation systems combine to support the sexual division of labour, and maintain women primarily as wives and mothers and only secondarily as wage workers. It begins with a brief outline of the taxation system and changes made to the social security system since the 1950s. The mechanism of women's subordination is concealed by a structural asymmetry between the tax system in which the individual is the unit, and the social security system in which the unit is the nuclear family. There has been a reduction in the capacity of the social security system to redistribute income towards the working class. There have been no changes in the means test applied to unemployment, sickness and special benefits where working class men are the largest number of recipients. In the general pressure for tax reform the most common proposal has been for a broad based consumption tax, which is likely to have some regressive impact. It has the household as its unit. 'A shift away from personal income towards expenditure taxation would diminish the asymmetry between the individual and family units currently employed to circulate the social wage from taxpayers to beneficiaries.' While family allowances, widows' pensions, supporting parents' benefits and other welfare provisions are important to women and may be supportive, they are also confining. 'Feminist consideration of social policy have yet to come to terms with the price women pay for the money they receive.'

INCOME (MEANS/ASSETS)TEST; INCOME UNIT; INDIRECT TAXATION; WOMEN.

- 298 STEPHENSON, Annie (1987), 'The May "Economic Statement": winding back welfare', *Legal Service Bulletin*, 12(4), August:172-175.

This article describes the changes to social security arrangements as a result of the 1987 May Economic Statement. These changes apply to unemployment benefit, sickness benefit, assets testing, sole parents, family allowance, invalid pension and departmental powers concerning overpayments and 'abuse'. It is noted that 'if meaningful reform in social security requires a shift towards individually (as opposed to family) based entitlement, the minimisation of categories, the clarification of criteria, and progressive redistribution via the tax system, then the "economic statement" represents, in every sense, a giant step away from the achievements of these goals.' It likens

these measures to President Reagan's actions in winding back welfare provision in the United States. To force a proportion of welfare recipients into a job market where jobs are not readily available to older women, the long-term unemployed, single parents with children or chronic invalids, will result in a movement of people from pensions onto unemployment or special benefits. It will lead to an increased reliance on charities, State emergency relief and families whose resources are already depleted. In a postscript, the article welcomes the announcement in June 1987 of the Government's 'family package' which will, it says, 'soften some of the harshest effects of the May statement for poor families with children.' Other welcome proposals include a child disability allowance, the retention of fringe benefits for three months by pensioners reentering the workforce, pensioners being able to earn up to \$1000 per annum before their pension is reduced, and hardship provisions being applied to the assets test for benefits.

INCENTIVES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST.

- 299 STRETTON, Hugh (1980), 'Future patterns for taxation and public expenditure in Australia', in WILKES, John (ed.), *The Politics of Taxation*, Sydney, Hodder and Stoughton:43-81.

This paper begins by debunking 'the myth that tax revolts are caused by "welfare overload"' and claims that in fact the opposite is nearer the truth. The countries with a more generous attitude to welfare have the least backlash and better economic growth than the countries with a mean attitude to welfare, such as Australia. The reactionary shift in the tax and welfare systems is seen against a larger change in the mechanisms of inequality which are being reinforced by the Fraser Government. The relationship between the public and private sectors is examined, with arguments against those who argue for a reduction in the public sector and an increase in the private sector. Finally, there are proposals for useful new directions for public policy and public economic activity, including radical reform of the tax/transfer system.

INCOME DISTRIBUTION; INTEGRATION; TAX EXPENDITURES.

- 300 TAPPER, Robin (1978), *Taxation and social welfare: some aspects of negative tax proposals*, in AULSA conference, Australasian Universities Law Schools Association, Paper 9, 21pp.

This paper discusses negative tax proposals from a legal point of view, focusing on the following questions. 'Does it make sense to talk about a payment, which has traditionally been regarded as a welfare payment, as if it were part of the taxation system?' The discussion is confined to income taxation here. If tax and welfare are two sides of the transfer payment system and ought to be brought together 'why are principles of tax law and of welfare law in fact so different?' If a guaranteed minimum income is a citizen's right and to build it into the taxation system makes it legally more of a right, 'what exactly are these rights and what is it about the tax system which creates these rights?' It begins by briefly looking at, and then discussing in more detail, some of the factors leading to negative tax proposals or used to justify them such as the 'poverty trap', education, rebates and exemptions, cutting taxes for the poor, the idea of guaranteed minimum income as a right. It is concluded that it is not possible to answer the question of whether it makes sense to talk of welfare benefits in a taxation context in the light of the discussion here as it leaves too many questions unanswered. 'In particular the issue of special tests for negative tax payments and the comparison of the appeals procedures, require a great deal more consideration.' It claims that although this paper is cursory and introductory, 'nevertheless it demonstrates scope for further study.'

GUARANTEED MINIMUM INCOME; POVERTY TRAPS; TAX EXPENDITURES.

- 301 **Tax Reform: Social Justice or...Just Kidding**, (1985), s.l., Australian Pensioners' Federation, et al., 16pp.

This pamphlet, in giving some facts and figures, shows the inequity of the Australian taxation system. Low and middle income earners have been paying an increasing share of taxation. The situation of pensioners and beneficiaries shows this most clearly. It advocates reform of the personal income tax system so that all income, not just wages and salaries is subject to taxation, the introduction of a wealth tax, the rejection of a broad based consumption tax, and a review of the way the social security and taxation systems interact to trap those on pensions

and benefits in to poverty. The additional revenue gained through taxation reform should be directed towards improved social security benefits. The pamphlet urges the petitioning of politicians on these issues.

POVERTY TRAPS; TAX BASE.

- 302 Tax Reform and Social Welfare:** Report of Proceedings of a Public Seminar convened by the Australian Council of Social Service at Sydney, February 8th, 1980, Sydney, Taxation Institute Research and Education Trust, ix, 75pp.

The papers are as follows:

ALLEN, Peter, Some issues in the reform in relation to social security:3-10.

This paper outlines briefly some of the changes in the tax/transfer systems that have taken place over the last five years and their effects on income distribution and on those with incomes below the poverty line. There follows a selective discussion of some of the reform proposals under the headings - combined effects of income tax and social benefits, the income unit, the tax base and lone parents.

HENDERSON, Ronald, Reforms of taxation to improve welfare:11-14.

The problem of family poverty is becoming more acute and this paper briefly outlines some of the inequalities of the present tax/transfer system. It claims that it is crucial that there should be a Negative Income Tax or Guaranteed Minimum Income. The dangers of more reliance on indirect taxation are discussed as are some other reform suggestions. It would not be enough to reform the tax system alone as many people in poverty are outside the tax system. It concludes that only when everyone is included in the tax system, negative or positive, will there be income maintenance for all.

DIXON Daryl and RYDER, David, Social welfare policy: background notes:15-24.

This paper deals with two aspects of the taxation system of interest to the Social Welfare Policy Secretariat: (1) the direct social impact of the system, particularly as regards equity and the interaction with the social security system, and (2) the indirect effects arising from the need to obtain revenue to finance the Commonwealth's social welfare expenditures. Particular points discussed are: lack of a precise definition of a family; distribution of income within families; financial support for dependent children; marriage and government payments and liability for tax.

WILSON, Ian, Income splitting simplified, family allowances increased:25-32.

This outlines a specific proposal for tax reform and tax cuts together with an increase in family allowances and spouse rebate put forward by the Working Party of which the author was chairman. The advantages of this proposal are examined and the way it is to be financed discussed.

EDWARDS, Meredith, A critique of income splitting proposals:33-38.

This paper discusses what the author sees to be some of the major weaknesses of the proposal above as far as income splitting is concerned. It looks at the effects of the proposal on low income earners, the effect of social change and the impact on parents.

GRIMES, Don, Taxation and social security:39-42.

All reforms to the tax/transfer system ought to take us in the direction of a Guaranteed Minimum Income scheme. Many reforms have been to the advantage of the middle and higher income groups and to the detriment of the most needy, e.g. the 1978 tax cuts, the change from a means test to an income test for social security recipients and the proposal for income splitting for income tax purposes. Two myths must be debunked; (1) that we are among the most highly taxed countries in the world, and (2) that social welfare expenditure is so high that it is causing economic strife. We must look to needs and equity in reforming the two systems.

GROENEWEGEN, P.D., Taxation trends: characteristics and issues:43-59.

This paper looks at some of the tax options available to the government up to 1984/85, and urges those interested in social welfare to plan a program for a social security package compatible with likely developments in taxation, which is likely to include a broad-based consumption tax.

FAMILY ALLOWANCES; GUARANTEED MINIMUM INCOME; INCOME DISTRIBUTION; INCOME SPLITTING; INCOME UNIT; INDIRECT TAXATION; TAX BASE.

303 Taxation and the Family Unit: Report of Proceedings of a Public Seminar, Sydney, May 30th 1979, Sydney, Taxation Institute Research and Education Trust, vii, 46pp.

The Taxation Review Committee (Asprey) of 1975 recommended the changing of the unit of taxation from the individual to the family but stipulated that before implementing such a change there should be thorough public debate on the matter. These proceedings are a collection of four papers concerned with the issues involved in the choice of an appropriate 'unit' for the taxation of personal income, issues which are economic, legal and social in nature. The four papers are as follows:

PARSONS, R.W., Asprey Committee proposals for family unit taxation:4-10.

This paper begins by discussing the benefits of various income splitting techniques and the discrimination involved in them. It examines the legal issues surrounding a system based on the individual and on the family. An analysis of the recommendations of the Asprey Report, 1975 is made in which the preferred unit of taxation is the family.

GROENEWEGEN, P.D., Taxation and the family unit: some economic aspects:11-28.

The main points covered in this paper are: (1) When is the family unit important and when is it unimportant for taxation? (2) What is international practice in this matter in the OECD countries? (3) What is Australian practice and what suggestions have been put forward in Australia to alter it? and (4) What inferences for tax unit policy can be derived from the three criteria for taxation which are frequently mentioned, i.e. efficiency, simplicity, and equity? Finally, some inferences are drawn from this evaluation of the economic aspects of the family unit in connection with some current inequities in the Australian taxation system.

EDWARDS, Meredith, Taxation and the family unit: social aspects:29-39.

This paper examines two recent social changes (a) the dramatic increase in married women in paid employment, and (b) the increasing diversity of family and non-family households. It then looks at the implications of these changes for the taxation and social security systems. A problem arises from the definition of marital status. Another problem is that any move away from the individual as the unit for tax will act as a disincentive to married women seeking paid employment outside the home. There are also equity considerations arising from assumptions about economic behaviour within households. The proclaimed inequities of the present system are not as great as they first appear and may be improved by recognizing parenthood rather than marital status within the tax/transfer system.

McARDLE, C., Taxation and the family unit: a unionist's view:40-46.

The present taxation system increasingly discriminates against low-paid groups, which include a large proportion of migrants and women, and to suggest the family as the unit of taxation would further discriminate against these groups who are unable to speak up for themselves. The labor movement must take their part.

COMPARATIVE STUDIES; INCENTIVES; INCOME SPLITTING; INCOME UNIT; WOMEN.

- 304 THOMSON, Norman J. (1973), 'Taxation: dependents and equity', *Australian Quarterly*, 45(2), June;97-103.

This article analyses alternative methods of dealing with the two most common forms of family assistance: deductions from taxable income for dependents and child endowment. At present the highest income groups receive the greatest benefit per dollar of deductions from taxable income. Reforms briefly assessed are; dependents' allowances paid as taxable grants; and dependents' allowances and child endowment as taxable grants. The budget costs of both of these are calculated. It is for the taxpayer-voter to decide if such broad reforms are worth the costs.

DEDUCTIONS; FAMILY ALLOWANCES.

- 305 THOMSON, Norman J. (1976), 'Taxation and the Asprey and Mathews Reports', *Australian Quarterly*, 48(4), December:76-87.

'This article is a comment upon the Taxation Review Committee Full Report (the Asprey Report) and the Report of the Committee of Inquiry Into Inflation and Taxation (the Mathews Report) in the light of the change in emphasis in taxation policy in Australia in recent years.' The terms of reference for the Asprey Committee were very general in nature and many of the issues required exercises of judgement in what are essentially issues of morality. The main recommendations were a simple general indirect tax in the form of a value added tax (VAT) and a reduction in the reliance on income tax by simplifying the tax and distributing the burden of tax fairly. Nowhere, however, was 'a fair distribution of the burden of taxation' ever precisely explained. There was a hope expressed that these would be coupled with a selective expenditure programme to compensate the poor for any increased tax burden caused by the recommendations. They recommended that deductions for dependents be replaced by rebates and (preferably) the eventual replacement of deductions and rebates by increases in child endowment. By contrast the terms of reference for the Mathews Committee were decisive and required a technical analysis of the effects of inflation upon industrial and company taxation. The major recommendation, tax indexation, was adopted, (but later dropped).

DEDUCTIONS; FAMILY ALLOWANCES; INDIRECT TAXATION; REBATES.

- 306 TINGLE, Laura (1986), 'The recipe to slash our tax', *Business Review Weekly*, 31 October:46-53.

There is a risk that 'in considering the future of personal income tax, the promise of an illusory "fistful of dollars" will prevent genuine reform of our tangled tax system.' This article gives a 'recipe for tax reform, the main 'ingredients' of which are indexation, the widening of the tax brackets, the removal of the tax-free threshold, the retention of a progressive scale, the concept of minimum tax liability, tax on interest income and real tax cuts. Under Keating's proposed tax cuts those on higher incomes benefit more than those on lower. This trend is reversed by the BRW package. One of the most difficult areas is the relationship between the taxation and social security systems. Mentioned are the different unit for assessment of the two systems and the interaction of the two systems for low income earners to create 'poverty traps'. An alternative would be to exempt pensions and benefits from the tax system. If the BRW indexation of tax scales were introduced it would alleviate the problem of indexed pensions gradually rising above the tax-free threshold (or, if the tax free threshold were removed, above the minimum tax-rate proposed of 10 cents in the dollar). Also under the BRW package, pensioners would likely benefit from the change to taxing interest income at real rather than nominal rates. Porter's Option D proposal is discussed and also the scheme of Dixon, Foster and Gallagher for refundable tax-credits. Overall, the BRW package proposals on the tax free threshold would seem to be well matched by the initial compensation measure of making social security benefits and pensions non-taxable. Finally, it is concluded that 'the unpleasant reality is that we do not know enough about some of these groups to effectively target compensation in order to keep any redistributive effect to a minimum.'

INCOME UNIT; POVERTY TRAPS; RATE SCALE; THRESHOLD.

- 307 TULLOCH, Patricia (1977), 'Guaranteed minimum income; four proposals', *Legal Service Bulletin*, 2(10), December:348-352.**

The weakness of the income security system in Australia leaves many recipients below the poverty line and many of the 'nearly poor' are not given assistance. As a result of this there have been suggestions for a guaranteed minimum income. This paper looks at four such proposals and compares them. These are the proposals of the Henderson Commission of Inquiry Into Poverty; the Priorities Review Staff report on Possibilities for Social Welfare In Australia; the Woodhouse Report (the National Committee of Inquiry Into Compensation and Rehabilitation in Australia); and the Hancock Report (the National Superannuation Committee). These proposals are examined around four main issues: (1) which contingencies merit state intervention, (2) the criteria for allocating eligibility, (3) the level of benefit, and (4) the method of financing. It concludes that there is a pressing need for a guaranteed minimum income scheme which should take precedence over an earnings-related, contributory scheme. A contributory scheme, if introduced, should be additional to, and operate in conjunction with, a guaranteed minimum income scheme for all income units. A contributory scheme should be determined by the extent to which it could or could not be positively redistributive.

GUARANTEED MINIMUM INCOME.

- 308 Understanding Tax Reform: an Introduction (1985), Sydney, Published jointly by the Australian, New South Wales and South Australian Councils of Social Service, 34pp.**

This booklet was published prior to the 1985 National Taxation Summit as a guide to the Australian taxation system and some of its inequities. It sets out to explain some of the concepts used in the current taxation debate and outlines some of the main options for reform. These are discussed under the following headings, (1) redefining 'income' for tax purposes. Income should be more broadly based to include capital gains, occupational fringe benefits and wealth and capital transfers. (2) Indirect taxes. If indirect taxes do rise they must be designed to adequately protect or compensate low-income earners for their regressive nature and they must include services. (3) Tax concessions, which represent revenue forgone by the Government and which tend to benefit higher income earners, ought to be abolished and replaced with a range of Government payments targeted to people who need them most (e.g. families with children) or companies who would make the most productive use of them (e.g. by creating employment). (4) Tax avoidance and evasion costs the Government millions of dollars each year and further measures must be taken to close the loopholes in the system. (5) Indexation of income tax bands must be introduced to put a stop to the steady increase in tax collected from low and middle-income earners, and to stop the work disincentive effect.

INCENTIVES; INDIRECT TAXATION; TAX BASE; TAX EXPENDITURES.

- 309 UNITED NATIONS ASSOCIATION OF AUSTRALIA - National Status of Women Committee (1981), *Proceedings of the Women and Taxation Conference*, Melbourne, June 1981, Melbourne, United Nations Association of Australia, vi, 173pp.**

This conference was convened so that 'women should be informed, whether they be taxpayers or not, about some of the issues that are being discussed, and as to how they are treated by the taxation system.' It discusses such issues as income splitting, indirect taxes, resource and wealth taxes, the arguments for and against child care as a tax deduction, the question of whether family allowances should be taxed and the tax policies of the major women's organisation. For individual papers see:

EDWARDS, Meredith, Financial arrangements within families: empirical results and tax implications.
APPS, Patricia, JONES, Glen and SAVAGE, Elizabeth. Tax discrimination by dependent spouse rebates.
LOVERING, Kerry, Indirect taxation - in more ways than one.
GROENEWEGEN, P.D., The income tax unit: individual, married couple and family?
SAUNDERS, Peter, Taxation and incentives to work.

ALLEN, Peter, Some effects of the interaction of the taxation and income security systems on women.
 CASS, Bettina, The family wage, family allowances and tax rebates: what are the connections?

FAMILY ALLOWANCES; INCENTIVES; INCOME SPLITTING; INCOME UNIT; INDIRECT TAXATION;
 REBATES; TAX BASE; WOMEN.

- 310 VANN, Richard (1986), 'Fiscal law', in *Law and Australian Legal Thinking in the 1980s: a Collection of the Australian Contributions to the 12th International Congress of Comparative Law*, held at the Law Schools of the University of Sydney and Monash University, Melbourne, 18-27 August, 1986, Sydney, Organising Committee:577-601.

This paper examines the reasons why Australia has not followed the practice of other OECD countries in levying social security contributions. It also looks at the alternative solutions that have been adopted for problems dealt with by social levies in other countries. It examines social security schemes, including negative income tax schemes and means testing, which focus attention on the relationship of the social security and income tax systems. The combination of income tax and means testing often creates 'poverty traps'. Other solutions are described under the headings of superannuation, child endowment and family allowances; national health; provision of roads and a section on Commonwealth/State relations. It concludes that a shift from benefit and contributory taxes to insurance is unlikely in Australia. A return to stricter means testing of benefits is more likely and is already underway in the age pensions area. Greater coverage of private superannuation is inevitable, it is argued, and alteration to taxation arrangements is seen as another possibility, e.g. the possibility that more benefits will be taxed and that action taken to reduce poverty traps may reduce social expenditure costs. 'The eventual outcome will almost certainly involve a number of compromises but is likely to represent an evolution of the Australian tradition of relying on the provision of means tested benefits from general revenues.'

FAMILY ALLOWANCES; GUARANTEED MINIMUM INCOME; INCOME(MEANS/ASSETS)TEST;
 POVERTY TRAPS.

- 311 WALLACE, R.H. (1975), 'Taxation reform: but what is the agenda?', *Economic Record*, 51, December:564-575.

This paper reviews the broad argument for reform given in the Preliminary Report (1974) of the Taxation Review Committee. The author agrees with the Committee's general argument that it is neither necessary nor helpful to pursue equity through each individual tax measure by assigning to the tax instruments 'functions which can better be performed either through the social welfare system or deliberate expenditure by the authorities,' although he argues that the Committee reached this conclusion via a 'tortuous' route. 'Time and again the Committee gives a splendid discussion of a particular issue and then backs away from a firm conclusion,' it gives as an example, the indecisive approach to the tax unit. The Committee failed to give 'clear-cut guidance for the proposed long-run reconstruction of the system. If the reformers' vision is to become political reality - rather than ignored or distorted - the vision must be sharply defined.'

INCOME DISTRIBUTION; INCOME UNIT.

- 312 WARREN, Neil A. (1977), *A Value Added Tax for Australia*, Melbourne, Committee for Economic Development of Australia, 50pp.

A Value Added Tax (VAT), forming part of a tax reform package including a tax credit scheme 'could provide the key to initiating the overall reform of the Australian Tax System and the achievement of the traditionally ideal attributes of a "good" tax system: equity, efficiency, simplicity and neutrality.' Chapter 6 examines the explicit means the Government can take to reduce general community tax inertia upon VAT's introduction. Direct aid to those disadvantaged by a broad-based indirect tax could take various forms: (1) the restructuring of direct income taxation by four methods: (a) increased tax rates on high income groups; (b) decreased rates on low income groups; (c) increased income tax exemption level through increasing tax rebates; and (d) the introduction of Negative Income Taxation. (2) Tax credits, or (3) a flexible policy approach. 'The introduction of tax credits against the

income tax, and a direct refund when no income tax is paid would be "ideal"...The real benefits to be gained from the introduction of a tax credit scheme is its conduciveness to future indirect tax reform, providing a base upon which to efficiently compensate those disadvantaged by tax structure changes.'

GUARANTEED MINIMUM INCOME; INDIRECT TAXATION.

- 313 WARREN, Neil A. (1979), 'Australian tax incidence in 1975-76: some preliminary results', *Australian Economic Review*, 3rd Quarter;19-39. Also published in GROENEWEGEN, P.D. (ed.) (1987), *Australian Taxation Policy*, 2nd Edition, Melbourne, Longman Cheshire:80-102.**

This article reports the first results from a study on Australian tax incidence being undertaken by the Centre for Applied Economic Research, University of New South Wales. After an introduction there is a summary of the findings, and examination of the methodology adopted in previous studies and its limitations; a description of data sources and an outline of the methodology adopted in estimating tax incidence with these available data. Finally the results and some analysis of their implications is presented, together with plans for future research in this area.

INCIDENCE.

- 314 WARREN, Neil A. (1982), *Who Bears the Australian Tax Burden?* Kensington, Centre for Applied Economic Research, University of New South Wales, Working Paper, No.40, 51pp. Also published in HEAD, John G. (ed.) (1983), *Taxation Issues of the 1980s*, Sydney, Australian Tax Research Foundation:181-207.**

This paper examines who bears the tax burden in Australia, what is the current distribution of welfare (or ability-to-pay) and whether the tax burden is distributed equitably between groups in society. A practical application of the methodology outlined in this paper is made focussing on the incidence of all taxes (federal, state and local) in 1975-76 across eighteen different demographic-economic groupings. The tax system in 1975-76 was seen to have a widely different impact on these different groups. A cause for concern is the degree of progressivity of taxes on single adults and pensioner couples. 'However, no attempt has been made to examine how the experience of the different groups has changed since 1975-76 or the policy implications of these results', these are the subject of another study below.

INCIDENCE; INCOME DISTRIBUTION.

- 315 WARREN, N.A. (1986), *Changes in Australian Tax Incidence Between 1975-76 and 1984-85*, Kensington, Centre for Applied Economic Research, Working Paper, No.94,50pp.**

This paper aims to provide some insight into the broad direction of changes in tax incidence from observable information, and subsequently, qualify this with what is in essence anecdotal evidence. It begins by detailing some of the methodological issues encountered by any study trying to empirically measure the distributional impact of taxation on the household sector. There is some agreement that intertemporal studies have worth. The methodology adopted for this study is described and qualifications given together with notes on the data sources used and their limitations. The results of the study conclude that the changes which took place from 1975-76 to 1984-85, particularly with regard to personal income tax, have made the system less equitable and that a shift to a broad-based consumption tax would not dramatically affect tax equity but might bring efficiency and simplicity gains. The recent income tax base broadening issues such as capital gains tax, fringe benefit tax and changes to negative gearing provisions are a step in the direction of a more equitable tax system.

INCIDENCE; INDIRECT TAXATION; TAX BASE.

- 316 WARREN, N.A. (1986), 'The distributional impact of changing the tax mix in Australia: some preliminary findings', in HEAD, John G. (ed.), **Changing the Tax Mix**, Sydney, Australian Tax Research Foundation: 115-132. Also published as Centre for Applied Economic Research, University of New South Wales, Working Paper, No.79.

This paper focuses on the distributional impact of some selected changes to the current goods and services taxes and to the personal income tax schedule. After presenting some basic facts on the current Australian sales tax and personal income tax systems, estimates of the distributional impact of changes to these are made. Finally the implications of these observations for the probable course of the tax reform debate are discussed. It is very important that the objectives of the taxation and welfare systems are highlighted and a package developed that will substantially achieve those objectives. Both systems are in need of rationalisation and the way they interact must be given careful consideration. Considerable attention must also be given to designing a package to compensate those adversely affected by a change in the tax mix. Finally, with regard to exempting certain commodities from an indirect tax base (such as food, clothing, health, etc.) it is found that there may be little value in doing this from an overall distributional viewpoint.

INCOME DISTRIBUTION; INDIRECT TAXATION.

- 317 WARREN, Neil (1987), **The Distributional Impact of a Change in the Tax Mix in Australia**, Sydney, Australian Tax Research Foundation, Research Study, No. 6, 123pp.

This paper examines the case in general for a mix of direct and indirect taxes in the light of recent developments in Optimal Tax Theory. It looks at the basic case for a move to indirect taxes, the form they should take and the implications for tax and welfare reforms in Australia. The objective is to propose a tax and welfare reform package which is 'defensible in theory, realistic in its approach and recognises that constructive debate in this area depends on maximum information'. The proposal not only heeds economic and social issues but considers political and administrative feasibility. It begins with a brief overview of the tax debate in Australia, takes stock of the literature on the appropriate tax mix, deals with the functioning of the personal income tax and discusses the indirect tax system. Chapter 6 addresses the social welfare system and its interaction with the tax system. Chapter 7 uses a model, STATAX, to assess Option C of the Draft White Paper. Chapter 8 empirically evaluates several tax/welfare packages centring on changes in the tax mix. In relation to the personal income tax the following are considered: means testing the tax threshold; abolition of the dependent spouse rebate, sole parent rebate and rebates to pension, and benefit recipients; all Government pensions, benefits and allowances to be taxable and a non-refundable means tested tax credit be made available to all persons with an additional payment for working persons, and the head of a married couple where the head is working or unemployed. With respect to the social welfare system: no special benefit allowance for mothers or guardians; no separate income means test for persons over 70 years; restructure of the Family Income Supplement and abolition of family allowances; development of a passport system of benefit credits and adoption of a single means test for all benefit credits. This package is compared with the present system, and its distributional impact assessed.

FAMILY ALLOWANCES; INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; INDIRECT TAXATION; MODELS; REBATES; THRESHOLD.

- 318 WARREN, N.A. (1987), 'Indirect taxes, tax mix and tax equity', in **Flattening the Tax Rate Scale: Alternative Scenarios and Methodologies**, 4th Monash Tax Conference, Papers, 18pp.

This paper argues that flattening the income tax rate scale through a change in the tax mix (the introduction of a broad based consumption tax) has multiple dimensions and involves not only changes in consumption and income taxes, but probably also changes in the social welfare system. It highlights the difficulties confronting any attempt to introduce indirect tax reform. The problems are particularly severe if a revenue neutral constraint is imposed. It is shown that under a revenue neutral constraint, reducing the marginal rates of personal income tax financed through a tax mix change is only possible if the poor are allowed to become worse off. Section III looks at the incidence of the current tax and social welfare systems. Problems here are choice of unit of analysis (individual, couple or household), and how to go about comparing different household types. Section IV examines the arguments for a change in the mix of direct and indirect taxes. The paper argues that a rationalisation of what already exists is better than introducing further complexities. It then examines some of the more immediate issues

involved in possible changes to the indirect tax system. Section VI draws conclusions. It is argued that major indirect tax reform, where there are no major losers, requires a package that is substantially non revenue neutral. A broad based consumption tax should not be argued for as a way to reduce the personal income tax marginal tax rate as this is an unnecessarily complicated way of doing this. It should not be argued for on grounds of taxing personal income tax evasion and avoidance. It must be argued for as a means to significantly reform the indirect tax system, not the personal income tax system. The poor must be singled out for special study and compensated for any tax mix changes.

INCIDENCE; INCOME UNIT; INDIRECT TAXATION; MARGINAL TAX RATES.

- 319 WARREN, Neil A. (1988), 'Flattening the income tax rate scale through changes in the tax mix', *Australian Tax Forum*, 5(2):181-217.

'This article argues that flattening the income tax rate scale through a change in the tax mix (by introducing a broad-based consumption tax) is a reform package fraught with difficulties...The problem is that such a reform involves changes in at least two major taxes (consumption and income taxes) and also major changes to the social welfare system (to compensate those adversely affected by the reform).' It is argued that using tax mix changes as the way to finance a cut in the personal income tax marginal rates is a complicated way to effect the change sought. It would cause a redistribution of the tax burden from the middle and upper groups to the lower income groups; the poor must be singled out for special study and compensated in any tax mix changes. Flattening the personal income tax effective marginal tax rate is better done via personal income tax broadening, so a broad-based consumption tax should not be sold for this reason. It should also not be sold only as a means of taxing evaders and avoiders, these people are quite likely not to spend their money on consumables but on financial assets. 'A broad-based consumption tax is likely only to be introduced in the future if it is the focus of the reform package. That is, a broad-based consumption tax must be argued for as a means to significantly reform the IT [indirect tax] system, not necessarily the PIT' [personal income tax].

INCIDENCE; INDIRECT TAXATION; MARGINAL TAX RATES.

- 320 WATSON, Ian (1985), 'Strategy for tax reform', in COLLINS, David J. (ed.), *Major Issues in Australian Tax Reform*, Sydney, Australian Tax Research Foundation, Conference Series, No.3:61-64.

This paper presents the Australian Council of Trade Union's strategy for tax reform. The need for reform is seen to be reflected in several factors: the current taxation system is not equitable; Australians, by international standards, are not highly taxed; Australia has a high reliance on personal income tax; there is a narrow tax base reflecting a number of factors: (a) tax avoidance, (b) the freely available fringe benefits, and (c) the distribution of tax expenditures have a highly differential impact between and within individuals and companies; Australia is unique in its failure to tax capital and wealth; and it has an odd status in terms of indirect taxation with a high reliance on a limited range of sales taxes at high rates, while having low reliance on indirect taxation overall. The paper goes on to comment on the Prime Minister's nine criteria for reform: (1) There must be no increase in taxation as a proportion of GDP. (2) Tax reform must continue the process of personal income tax relief. (3) Tax reform must contribute to smashing tax avoidance and evasion. (4) Tax reform must lead to a simpler system. (5) Reform must result in a fairer system and an overall system which is progressive. (6) Reform must not disadvantage welfare recipients. (7) If a reform package involves indirect taxation it must be acceptable to those whose response affects moderation in wage movements. (8) Reform must provide the best climate for investment, growth and employment; and (9) It must have widespread community support. 'The process of reform should be comprehensive, taking into account the relationship with government expenditures, with particular reference to social security recipients, and the reform should be concerned with equitable redistribution.'

INDIRECT TAXATION; TAX BASE; TAX EXPENDITURES.

- 321 WHITEFORD, Peter (1981), **Work Incentive Experiments in the United States and Canada**, Canberra, Development Division, Department of Social Security, Research Paper, No.12, 166pp.

This paper describes a series of social experiments carried out in the United States and Canada to investigate the effects of a guaranteed income on the work behaviour of families. Part 1 gives the historical background out of which these experiments developed and discusses the negative income tax as one form of guaranteed income, together with the work incentive problems associated with it and the labour supply theory underlying it. Part 2-6 describe in some detail five of these experiments. Part 7 evaluates them, considering such issues as work incentives, relevance to the Australian situation, the Australian debate on guaranteed minimum income and social experimentation as a social policy strategy.

COMPARATIVE STUDIES; GUARANTEED MINIMUM INCOME; INCENTIVES.

- 322 WHITEFORD, Peter (1985), 'Horizontal equity in tax-transfer arrangements', in JAMROZIK, Adam (ed.), **Income Distribution, Taxation and Social Security: Issues of Current Concern**, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.55:19-67.

'This paper describes the major features of the personal income tax and social security systems in Australia, discussing the parallels between the two systems and analysing their interaction. The paper concentrates on the issue of horizontal equity...and discusses what this implies for the treatment of families in the tax-transfer system.' Current provisions affecting families are reviewed and parallels and overlaps discussed. It is noted that this interaction between the taxation and social security systems has increased since the mid-1970s, with more pensioners and beneficiaries liable for income tax and paying higher effective marginal tax rates which act as work disincentives. Taxpayers and social security recipients are not discrete populations and the perception of many that cash transfers are a cost while tax concessions are costless is misleading, and means that tax concessions are subject to less scrutiny than direct expenditures. Tax and social security should be seen as two sides of the same coin. The paper goes into the issue of public payments for private choice (i.e. to have children) and the adequacy of payments. Issues affecting proposals for change to family assistance arrangements include the appropriateness of the assumptions about behaviour underlying the programmes, e.g. the dependent spouse rebate; the value of home activity; support for marriage or neutrality between family relationships; income-sharing within the family and effects on work incentives. The arguments for and against universal or selective support are reviewed.

INCENTIVES; REBATES; TAX EXPENDITURES; UNIVERSALITY.

- 223 WHITEFORD, Peter (1986), 'Costs of children', in **Income Support Seminar**, Melbourne, December 1986:23-61.

This paper provides a summary of research, both overseas and Australian, that seeks to estimate the financial costs of raising children. 'The first part of the paper discusses how the financial costs of children can be measured. The second section summarises the available Australian and overseas evidence. The paper then compares the results of this research with current practice in the Australian social security and taxation systems. Current policies are also assessed in relation to recent trends in family assistance and to practice in comparable OECD countries. The paper concludes with a discussion of further research questions and the desirability of policy changes.' It concludes that families with children, and low income families in particular, are treated unfairly in current tax/transfer arrangements. When tax cuts are considered, it should be made certain that they be provided in a form that benefits families with children as well as those without children. Also, 'the links between general family assistance and assistance for low income families should be clearly recognised.'

COMPARATIVE STUDIES; FAMILY ALLOWANCES.

- 324 WHITEFORD, Peter (1986), *Issues in Assistance for Families - Horizontal and Vertical Equity Considerations*, Canberra, Social Security Review, Background/Discussion Paper, No.5, also Development Division, Department of Social Security, Research Paper, No.29, 56pp.**

This paper describes the main features of family income support programmes and identifies current concerns, arguing that tax and social security programmes should not be thought of as inherently different measures concerning different groups but should be considered together. Family allowances are looked at in detail. It is found that by international standards, support to families in Australia, in particular low-income families, is low. Research on the costs of children also indicates that allowances for children of pensioners and beneficiaries is relatively low. Analysis of trends shows that there has been a significant decline in the real value of assistance to families since 1976, while the real value of after-tax incomes of most wage and salary earners has increased in the same period. Arguments for universality and selectivity in family assistance programmes are examined and it is asked whether current family assistance programmes provide greater benefit to lower income families. Areas for further research identified are costs of children, particularly children with disabilities, the impact of long-term unemployment and the costs of working for families with children, and women and sole parents in particular. Comparative studies with overseas countries would also be indispensable, examining such issues as assistance through the tax system as well as social security, the advantages and disadvantages of tax credits and direct expenditures as alternative forms of support. The appropriate income unit for tax and social security and the treatment of women also merit further investigation.

COMPARATIVE STUDIES; FAMILY ALLOWANCES; INCOME UNIT; UNIVERSALITY; WOMEN.

- 325 WHITEFORD, Peter (1986), *Protection of Low Income Groups Under Indirect Tax Changes*, Kensington, Social Welfare Research Centre, University of New South Wales, iii, 40pp.**

Paper presented to the 15th Conference of Economists, Monash University, August 25-29, 1986 and based on an address given to the seminar on Tax Reform and Low Income Groups, organised by the Victorian Consultative Committee on Social Development and the Victorian Social Security Consultative Committee on 19 June, 1985.

'This paper discusses the proposals put forward in the Draft White Paper in June 1985 for compensation for low income groups following the proposed introduction of a broad-based consumption tax. The paper identifies the general principles underlying this compensation package and evaluates the effectiveness of the proposals in relation to comprehensiveness of coverage, distributional implications and administrative arrangements. The paper discusses alternative arrangements that could be considered if a broad-based consumption tax were to be introduced.'

INCOME DISTRIBUTION; INDIRECT TAXATION.

- 326 WHITEFORD, Peter (1986), 'Similarity and difference: a comparative approach to family income support', in JAMROZIK, Adam (ed.), *Social Security and Family Welfare: Directions and Options Ahead*, Kensington, Social Welfare Research Centre, University of New South Wales, SWRC Reports and Proceedings, No.61:43-84.**

This paper's intention is to identify some issues of broad interest to the Social Security Review by discussing alternative approaches to family income support. It focuses on the principles underlying policies of different countries to illustrate the range of mechanisms available to meet different goals. It begins by describing briefly the Australian tax/transfer system, its goals and various criticisms of current arrangements. It then turns to an international comparison of family income support policies looking at both the similarities and differences between the policies of these countries and Australia. The countries investigated are Canada, France, West Germany, Japan, New Zealand, Sweden, the United Kingdom and the United States. The paper concludes that reasons for concern about the current adequacy of family income support programmes in Australia are reinforced by comparison with other systems and that what is required is not a redistribution within existing programmes, but a commitment of new resources. The conclusion also points to the essential complementarity between private and public provisions for social welfare and between various aspects of public support. It also points out that tax measures should not be viewed as inherently different from measures of direct assistance and that when assessing family income support

policies it is necessary to take account of all aspects of public provisions - taxation and occupational benefits as well as social security.

COMPARATIVE STUDIES.

- 327 WHITEFORD, Peter (1986), 'Taxation reform and the tax threshold', in **Australian Tax Reform: In Retrospect and Prospect**, Monash University, Melbourne, December, 53pp. A revised version in SWRC Discussion Paper, No.3, 1988.

This paper begins with an outline of the current tax rate arrangements in Australia and how they have developed in the past twenty years. It concentrates on the zero rate step, in operation since 1978, as this has the most significance for social security recipients and low income earners. In this period, pensioners with no income apart from the pension, have not had to pay income tax, but between 1976-77 and 1984-85, beneficiaries faced increasing tax liabilities. In March 1984 exemption from tax of additional benefit for children together with the introduction of benefit rebates and the extension of the dependent spouse rebate to de facto couples in 1984-85 means that beneficiaries without private incomes are now protected from paying income tax. The effects on the tax liability of different family types of the dependent spouse rebate, sole parent rebate and family allowances are also demonstrated. A brief international comparison suggests the need for caution in following assumed international trends. The paper then describes and assesses four different proposals, two from the Centre of Policy Studies, one from Yuri Grbich and one of D. Dixon, C. Foster and P. Gallagher. They are assessed in terms of equity, efficiency, and their claim to more closely integrate the taxation and social security systems. The paper concludes that the most important thing to note is that the threshold is a step in the tax rate scale and not an exclusion of income from tax, so it is not accurate to describe proposals to reduce or income test the threshold as a means of broadening the income tax base. Income testing the threshold simply involves the redistribution of current tax liabilities, with in many cases the highest income earners receiving the highest benefits.

INCOME(MEANS/ASSETS)TEST; RATE SCALE; REBATES; THRESHOLD.

- 328 WHITEFORD, Peter (1988), **Taxation and Social Security: An Overview**, Kensington, Social Welfare Research Centre, University of New South Wales, Discussion Paper, No.3, 38pp.

'This paper describes the interaction between the taxation and social security systems in terms of the overlaps between income tests and the income tax rate scale and common populations. 'The paper then discusses objectives common to the taxation and social security system, referring particularly to assistance for families, tax expenditures and assessment of the redistributive impact of current arrangements. 'The paper reviews two recent suggestions for change - the proposed introduction of a broad-based consumption tax and proposals to income-test the tax threshold - and assesses the compensation packages associated with these reforms. The paper then outlines how possible poverty traps develop because of the interaction of the two systems and canvasses some approaches to alleviating these poverty traps. The paper concludes that the growing interaction of taxation and social security reflects both conscious policy changes and economic and social developments, which mean that the issues identified will remain of concern for some time to come.'

INCOME DISTRIBUTION; INCOME(MEANS/ASSETS)TEST; INDIRECT TAXATION; POVERTY TRAPS; RATE SCALE; TAX EXPENDITURES; THRESHOLD.

- 329 WHITEFORD, Peter and DOYLE, Jennifer (1987), 'The income tax rate scale: Labor and Liberal Tax reforms - a comparative evaluation', in **Flattening the Tax Rate Scale: Alternative Scenarios and Methodologies**, 4th Monash Tax Conference, Papers, 22pp.

'The purpose of this paper is to describe the Liberal Party's proposal for reform to the personal income tax rate structure and compare it to the record of the Government's changes to the rate structure since 1983. Part 2 of the paper summarises rate changes and changes to rebates and transfers since 1983 and assesses their effects in terms of average tax rates at different levels of income for differing model family types. Concerns arising from these trends are identified and discussed. Part 3 of the paper evaluates the 1987 Liberal proposals in a similar format,

concentrating on changes in average tax rates. The paper concludes with a brief discussion of the areas of concern with the current rate structure.' It is concluded that the Government's changes since 1983 have emphasized targeting assistance to low income families and reducing the top marginal rate, and, while the marginal rate around Average Weekly Earnings has been reduced, average tax rates have increased because the \$19,500 threshold has fallen in real terms. In this area the Liberal Party's proposals (increasing this threshold by \$500 and reducing the marginal rate from 40 to 38 per cent) would make very little difference. In the area of assistance to families the Liberal Party's proposals move towards greater universality of assistance.

COMPARATIVE STUDIES; MARGINAL TAX RATES; RATE SCALE; REBATES; THRESHOLD.

330 WILKES, John (ed.) (1980), *The Politics of Taxation*, Sydney, Hodder and Stoughton, 320pp.

This book consists of the proceedings of the 46th Summer School of the Australian Institute of Political Science held in Canberra in January 1980. For individual papers of relevance to this bibliography, see:

HARRIS, Ralph: Taxation and public spending in a modern democracy.

STRETTON, Hugh: Future patterns for taxation and public expenditure in Australia.

MATHEWS, Russell: The structure of taxation.

EDWARDS, Meredith: Social effects of taxation.

PORTER, Michael G: Taxation, incentives and productivity.

KEMP, D.A: Taxation: the politics of change.

331 WILLIS, John (1977), 'Family allowance; tuning up the system;', *Legal Service Bulletin*, 2(10), December;352-355.

This paper discusses the changes to 'child endowment' arrangements made in the Commonwealth Government mini-budget of May 1976. These changes made child endowment a universal payment in the social security system as distinct from being a tax rebate in the taxation system under the old system. The changes, their administration and access are described. Stigma is reduced as Family Allowance being a universal payment it is seen as a right rather than a handout. The advantages for women are explained. However, unless the allowance is to become indexed, its value will rapidly diminish and the payments for the fourth and succeeding child are far below those suggested by the Henderson Report. Although the Family Allowance scheme is not a guaranteed minimum income scheme it could nevertheless become part of an overall scheme to ensure adequacy of income throughout the community.

FAMILY ALLOWANCES.

332 WILSON, Ian (1980), *Economics and the family*, in, *National Seminar on the Family*, University of Melbourne, August 1980, Melbourne, Australian Family Association:77-83.

'The paper focuses on "the income needs, not only of the family, but also of its members". Three issues are considered: how can equality of tax treatment be achieved for families with similar incomes? How can women be given an increased degree of economic independence? How can family allowances be increased in a way which preserves their universal character but gives greater help, not to only families, but to mothers with the lowest incomes?'

FAMILY ALLOWANCES; WOMEN.

- 333 WINFIELD, Rosalind (1985), 'Tax deductions for child care expenses: the case for', **Australian Social Welfare: Impact**, 15(3), May:8, 30.

Women are disadvantaged by the present childcare arrangements. Places in childcare centres are scarce and private childcare centres do not attract subsidies for their fees. Affirmative action will not be redressed until the question of childcare has been addressed. The dependent spouse rebate does not benefit the majority of taxpayers with children and it is the working woman who needs tax deductions for child care. Details of a test case for a change in the law in this area are given. 'The tax system could be used to provide adequate and high quality non-profit child care needed by the community. Child care should not be seen solely as a welfare issue, but as a taxation issue and an investment in the future.'

DEDUCTIONS; REBATES; WOMEN.

- 334 WOMEN'S ACTION ALLIANCE (1984), **Taxation and Social Welfare; Measures Affecting Families: Submission to Economic Planning Advisory Council**, Camberwell, Victoria, Women's Action Alliance, 22pp.

'This paper contains submissions and documentation on: unemployment; reasons for married female workforce participation; measuring unpaid work; the spouse rebate; family allowances; total tax impact on families; the costs of raising children; expenditure taxes; capital taxes; restructuring the tax and social welfare system; policy proposals for the 1984/85 Budget, and further proposals for medium term implementation.'

FAMILY ALLOWANCES; INCENTIVES; TAX EXPENDITURES; WOMEN.

- 335 WOMEN'S ACTION ALLIANCE (1985), **Submission to the Economic Planning Advisory Council: Recommendations on Taxation Reform**, Camberwell, Victoria, 27pp.

This second submission deals with taxation matters from the point of view of women and families. It examines the effect on families of the existing tax structure, showing that tax changes over the last twenty years have adversely affected the single income family on moderate income, particularly one with a number of children. The progressive income tax system is cancelled out by the regressive expenditure taxes. The main recommendations are: (1) That social welfare benefits be increased to compensate for the proposed retail tax. (2) That the spouse rebate and the sole parent rebate be converted to a refundable tax credit cashable in the hands of the recipient. (3) That income tax be based on the family unit, and be determined by income and the number of dependents; the preferred option being the quotient system. (4) That family allowances be restored to their real 1976 value. The submission also recommends that the tax and social security systems be integrated by the use of refundable tax credits.

FAMILY ALLOWANCES; INCOME UNIT; INDIRECT TAXATION; INTEGRATION; REBATES; TAX EXPENDITURES; WOMEN.

- 336 WOMEN'S ELECTORAL LOBBY (1985), **Submission on Taxation Reform**, Canberra, 13pp.

This submission argues that women and men should be recognised as individuals with equal rights and obligations and treated accordingly under the tax system. Any move to replace the individual as the tax unit with a family unit would be a retrograde step. It proposes that the current spouse rebate be abolished and that free, high quality, community based child care facilities should be available to all who wish to use them. It does not support any increase in indirect taxation on the grounds that it is regressive.

INCOME UNIT; INDIRECT TAXATION; REBATES.

- 337 ZAGORSKI, Krzysztof (1988), 'Public opinion on taxes and government spending', **Australian Journal of Social Issues**, 23(4), November:300-308.

'This article analyses egalitarian attitudes as well as opinions concerning taxation and government spending. Australians would prefer to have their taxes reduced than to increase government spending on social services, if faced with such an alternative. Typical welfare programs have a low priority, but the public would like to see increased spending on education and science, health services, roads improvements, military defence, and fighting against drug addiction. An individual's opinions about government spending are influenced by his or her socio-economic characteristics, with unemployed people and urban dwellers being more supportive of government spending on social programs.'

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KEY-WORD DEFINITIONS AND INDEX

COMPARATIVE STUDIES: crossnational comparisons.

36, 88, 102, 161, 180, 185, 186, 188, 197, 198, 242, 244, 245, 263, 265, 287, 288, 289, 290, 291, 303, 321, 323, 324, 326, 329.

DEDUCTIONS: concessional deductions from taxable income.

5, 33, 35, 37, 41, 49, 63, 70, 82, 89, 109, 118, 120, 162, 178, 182, 199, 200, 227, 228, 232, 242, 246, 256, 304, 305, 333.

FAMILY ALLOWANCES: including child endowment, Family Allowance Supplement, and Family Income Supplement.

4, 5, 6, 9, 11, 16, 23, 38, 45, 46, 49, 51, 53, 75, 77, 84, 85, 86, 87, 88, 92, 93, 94, 95, 96, 107, 111, 117, 133, 137, 138, 139, 140, 141, 142, 148, 152, 163, 167, 173, 177, 178, 186, 204, 223, 231, 250, 256, 259, 263, 265, 282, 285, 286, 291, 295, 302, 304, 305, 309, 310, 317, 323, 324, 331, 332, 334, 335.

GUARANTEED MINIMUM INCOME: includes various proposals for GMI Schemes (tax credits, negative income tax) and their critiques.

5, 22, 30, 31, 32, 36, 44, 60, 79, 100, 101, 132, 135, 159, 178, 179, 186, 187, 188, 202, 204, 212, 215, 221, 228, 233, 234, 235, 237, 238, 241, 243, 249, 264, 268, 270, 271, 276, 280, 281, 283, 285, 286, 300, 302, 307, 310, 312, 321.

INCENTIVES: (including disincentives) to work created by the interaction of the social security and taxation systems.

12, 13, 15, 19, 23, 24, 27, 28, 30, 34, 46, 48, 50, 53, 55, 57, 60, 64, 67, 68, 76, 86, 90, 91, 92, 93, 95, 102, 106, 107, 108, 111, 114, 130, 132, 133, 139, 140, 143, 144, 145, 146, 147, 152, 153, 163, 166, 182, 184, 188, 189, 191, 192, 193, 198, 205, 235, 236, 237, 258, 263, 264, 266, 272, 276, 277, 284, 291, 293, 294, 295, 298, 303, 308, 309, 321, 322, 334.

INCIDENCE: who bears the tax burden?

9, 10, 63, 64, 69, 89, 107, 128, 165, 169, 194, 212, 223, 231, 245, 252, 257, 275, 290, 313, 314, 315, 318, 319.

INCOME DISTRIBUTION:

1, 3, 4, 8, 13, 14, 16, 17, 20, 26, 27, 30, 43, 55, 58, 61, 65, 71, 72, 74, 77, 78, 79, 80, 81, 82, 86, 87, 88, 90, 91, 92, 93, 94, 95, 97, 105, 106, 108, 110, 113, 114, 115, 116, 117, 125, 138, 139, 140, 147, 150, 161, 166, 169, 170, 172, 173, 175, 176, 180, 184, 187, 189, 191, 192, 205, 206, 208, 209, 210, 211, 214, 215, 216, 217, 218, 219, 220, 224, 233, 237, 238, 245, 246, 247, 248, 250, 251, 253, 256, 259, 262, 263, 267, 269, 276, 277, 280, 285, 287, 288, 290, 291, 293, 294, 295, 298, 299, 302, 311, 314, 316, 317, 325, 328.

INCOME (MEANS/ASSETS) TEST: various tests applied to determine pensions and benefits entitlements.

4, 5, 11, 31, 46, 54, 57, 60, 67, 73, 83, 87, 88, 92, 106, 107, 110, 114, 115, 125, 126, 127, 130, 133, 143, 146, 148, 151, 152, 155, 161, 173, 188, 191, 195, 229, 232, 234, 235, 236, 238, 254, 255, 259, 285, 286, 288, 291, 295, 297, 298, 310, 317, 327, 328.

INCOME SPLITTING: the aggregation and equal splitting of incomes of husband and wife for taxation purposes.

12, 13, 14, 15, 17, 19, 21, 34, 63, 72, 74, 82, 93, 101, 103, 118, 134, 163, 182, 193, 202, 242, 258, 263, 294, 302, 303, 309.

INCOME UNIT: discussion on what the unit should be for taxation and social security purposes, e.g. the family, the individual, a married couple.

4, 9, 11, 12, 18, 21, 23, 24, 33, 34, 35, 38, 40, 45, 66, 82, 101, 103, 107, 113, 127, 135, 136, 137, 138, 139, 140, 141, 142, 144, 145, 147, 163, 182, 184, 188, 213, 238, 242, 263, 283, 285, 286, 294, 297, 302, 303, 306, 309, 311, 318, 324, 335, 336.

INDIRECT TAXATION: taxation on goods and services as distinct from income taxation.

2, 7, 23, 24, 32, 33, 35, 41, 45, 46, 48, 61, 63, 65, 98, 103, 105, 112, 113, 116, 118, 129, 131, 142, 150, 152, 162, 164, 167, 168, 170, 171, 172, 175, 176, 182, 183, 184, 185, 188, 189, 197, 204, 205, 211, 216, 224, 231, 233, 234, 237, 241, 242, 243, 244, 245, 246, 248, 251, 253, 254, 258, 259, 260, 273, 274, 275, 278, 287, 288, 289, 293, 294, 295, 297, 302, 305, 308, 309, 312, 315, 316, 317, 318, 319, 320, 325, 328, 335, 336.

INTEGRATION: works on the overlaps of the taxation and social security systems and means for overcoming the problems associated with them.

4, 5, 67, 119, 122, 124, 125, 126, 153, 158, 159, 195, 202, 204, 237, 264, 269, 276, 281, 299, 335.

MARGINAL TAX RATES: tax rates applying over specific income ranges.

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MODELS: Simulations of the interaction between the taxation and social security systems using economic models.

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