

## 5 THINGS FOR SOCIAL SECURITY RECIPIENTS TO WATCH IN THE HENRY REVIEW

1. **Does the report propose to increase public revenue as the population ages to meet the growing cost of health and disability services?**

ACOSS advocates a health care and disability levy.

2. **Would the taxation of superannuation be fairer?**

ACOSS advocates replacing the flat 15% tax on contributions by a more equitable tax concession - a capped annual rebate on contributions from all sources. If super tax breaks were reformed in this way without altering their overall cost, the retirement savings of low and middle income earners could be substantially increased (e.g. by 2-3%) at no cost to Government.

3. **Would the tax treatment of housing be fairer?**

People with substantial housing wealth benefit most from existing tax breaks for housing, while those with less income and assets entering the housing market (as first home owners or tenants) receive limited support and are disadvantaged by the effect of housing tax breaks on house prices.

ACOSS advocates strengthening and extending the taxation of land, and replacing the system of unlimited deductions for losses on investment income (negative gearing) with improved tax breaks for investment in construction of low cost housing (e.g. the National Rental Affordability Scheme).

4. **Are opportunities for people to arrange their financial affairs to avoid income tax curbed?**

ACOSS advocates this so that the majority who don't use tax shelters don't end up paying more tax, and services aren't reduced, to cover the growing gaps in public revenue.

The main mass-marketed tax shelters include negatively geared investments, private trusts and companies, and company cars. If the tax base was 'broadened' by removing or reforming these tax shelters, the same revenue could be collected using lower tax rates, and equity would be improved.

5. **Would investment incomes (e.g. capital gains and interest) be taxed more consistently, and would this be achieved by raising or lowering overall taxes on investments?**

Tax rates on different investment and savings options vary markedly. For example, tax rates on housing and capital gains are at the low end while tax rates on interest and dividends are at the high end.