Tax Policy

If taxes are low and flat, the level of compliance and the incentive to work are raised. Conversely, as taxes increase the incentive to work is reduced and efforts to avoid or minimize tax are increased. Too many on welfare benefits decline opportunities to work because of the adverse effects small earnings and high tax rates have on their welfare benefits.

If the Australian tax system is to offer incentives to be productive, to expand activities, to shift people from welfare to work, to pay tax and invest in the future, then it must be simpler, flatter, low and, in the eyes of taxpayers, a fair and reasonable system.

- Family First believes that the Australian Tax Act, which runs to over 10,000 pages is far too complicated and should be simplified.
- Family First believes that individual Australians and Australian companies can spend a dollar far more effectively and efficiently than the government.
- Family First believes that diverting entrepreneurial energy into tax minimization schemes is a most unproductive use of that rare talent we call entrepreneurship.

Earning and Churning

High rates of income tax require low and middle income earners to pay significant amounts of their income in tax only to have it returned as welfare, health, education and family payments.

Managing income to maximize benefits has become something of an art form in Australia as those in receipt of aged pensions, superannuation, disability pensions, unemployment benefits and family payments seek to avoid penalties for earning too much.

- Family First believes that Australia's tax system should be structured to avoid incessant churning.
- Family First deplores the massive cost of tax collection and compliance.
- Family First believes that each and every one of these costs is a burden on the economy and a dead weight on taxpayers.

A 20/20/20 Flat Tax system

- Family First believes that reform of the tax system is essential if Australia is to become the productive and self-reliant nation it has the potential to be.
- Accordingly, Family First believes that a simplified flat tax system should be introduced.
- Family First believes that a 20/20/20 tax system ($20,000 tax-free threshold, 20% flat income tax and 20% flat company tax), would create dynamic changes in economic activity and human behaviour, the result of which would be a substantial expansion of the Australian economy, productivity and investment. It would also substantially reduce the size of government.

Petrol Tax

Petrol Taxes were introduced as a 'user pays' system. *"Those who use the roads should pay for the roads*" – building new ones and maintaining existing ones. Over the years these designated petrol taxes were gradually siphoned off into 'general revenue'. In 2010 approx $20bn was raised in petrol taxes but only $2bn spent on roads.

- Family First believes substantially more of our petrol taxes should be allocated to improving Australia's road system.
- Family First believes that vastly improved dual-lane roads separated by substantial median strips should be constructed.

Payroll Tax

Payroll taxes create substantial disincentives to employ people. They are a 'penalty on performance'.

- Family First believes payroll taxes should be abolished.

Mining Tax

The Mineral Resource Rent Tax is a penalty on Australia's most productive sector.

- Family First opposes the Mineral Resource Rent Tax.

- Family First recognizes that Australia's minerals belong to the States and that it should be left to individual States to determine what level of State royalties should apply to that State's minerals.

Vertical Fiscal Imbalance

Australia's tax revenue balance has moved dramatically from the States to the Commonwealth. The imbalance that now exists, known as 'Vertical Fiscal Imbalance', has put the Commonwealth in an all powerful position to dictate to the States how and where funds will be spent.

Australia has the highest level of vertical fiscal imbalance of any federal country in the world. The Federal government raises over 70% of all general government revenues whereas the States' share was just 20%.

The Commonwealth raises much more than is required to fund its own operations while the States raise just over half of what they require to fund theirs. The balance of the States' financial requirements are met through Commonwealth grants. This fiscal imbalance which gives the Commonwealth enormous economic power and influence is inefficient and inequitable. This has the effect of keeping States like South Australia and Tasmania in a position of mendicancy in that they receive more funding than they generate.

- Family First believes that taxpayers and consumers should be fully informed as to what is a State tax and what is a Commonwealth tax.

- Family First believes that the States and the Commonwealth should only collect taxes for their own purposes. Those who spend the money should have the responsibility of raising it.

Commonwealth Grants Commission

Australia's Council of Australian Governments (COAG) has become a fourth tier of government - Local, State, Federal and now COAG. The last thing Australia needs is another level of government.

- Family First believes the Grants Commission should be abolished.

- Family First believes the chronic ‘blame game’ that exists between the Federal Government and State Governments whereby each blames the other for poor service delivery and/or under funding, must end.
- Family First believes a wholesale review of the collection and distribution of income tax, company tax and GST should be conducted as a matter of urgency.