



Family taxation: An unfair and inefficient system

Patricia Apps, The University of Sydney and Australian National University

ABSTRACT

This paper presents an analysis of the 2006–2007 family tax system. The results show that most families are now taxed, in effect, on the basis of joint income. Through a succession of reforms the Howard Government has shifted the tax burden to two-earner families to such an extent that many now pay close to the same amount of tax as a family in which only one parent need work to earn the same income while the other works full-time at home. As a consequence, the incomes of second earners in low and average wage families are taxed effectively at the highest *average* rates in

the economy. The study explains why the system is unfair and seriously damaging for the economy in its impact on female labour supply in an ageing population. On the basis of the results, the paper argues for a return to a progressive individual income tax system, to improve support for families and to raise female participation and productivity.

Patricia Apps

<pfapps@law.usyd.edu.au>

is Professor of Public

Economics, Faculty of Law,