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## A Clear Choice: Ending poverty for the cost of tax cuts

### About this analysis

This analysis was prepared by Anglicare Australia by comparing major costs of addressing poverty with income foregone from the upcoming Stage Three Tax Cuts.

It draws on costings from the Parliamentary Budget Office, which projected the costs of raising income support payments to \$88 per day. This rate is above the Henderson Poverty Line.<sup>i</sup>

Figures on the social housing shortfall, and the projected cost of addressing that shortfall, are sourced from peer-reviewed modelling conducted by the Australian Housing and Urban Research Institute.

The costs of each of these projects are then compared to the income foregone from the Stage Three Cuts, as projected by the Parliamentary Budget Office.

### Background information and assumptions

The Stage Three Tax Cuts, legislated under the previous Government and set to be enacted under the current Government, would create a flat tax rate of 30 cents in the dollar for those earning between \$40,000 and \$200,000. This will erode much of Australia's progressive taxation system, and is projected to cost \$243.5 billion in foregone revenue over the next ten years.<sup>ii</sup>

This foregone revenue was compared to the cost of the two actions that could most substantially reduce poverty in Australia. The biggest risk factor for poverty is living on government income payments, with key working age payments set well below the poverty line:

- The **JobSeeker Payment** is paid to those between the ages of 22 and the Age Pension age. As of June 2022, 831,601 people receive the JobSeeker Payment.<sup>iii</sup>
- The **Parenting Payment** is paid to those who are the main carer of a child under the ages of 6 and 8, depending on whether they have a partner. As of June 2022, 302,294 people receive a Parenting Payment.<sup>iv</sup>
- The **Carer Payment** is paid to those who give constant care to someone who has a severe disability, illness, or an adult who is frail aged. As of June 2022, 301,217 people receive a Carer Payment.<sup>v</sup>

The second major risk factor is housing stress. Australia has a shortfall of 433,000 social housing dwellings,<sup>vi</sup> forcing people on the lowest incomes them into unaffordable leases in the private rental market and putting many at risk of homelessness.

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## What we found

According to the Parliamentary Budget Office, raising the rate of key payments to \$88 per day would cost:

- \$128.1 billion over ten years for the JobSeeker Payment
- \$39.35 billion over ten years for the Parenting Payment
- \$30.57 billion over ten years for the Carer Payment.<sup>vii</sup>

These changes would cost \$198 billion over ten years. This is considerably less than the cost of the Stage Three Tax Cuts, as shown at Table 1.

Around 1.44 million Australian adults would benefit from this change. In addition to the adult recipients, almost 840,000 children have a parent receiving one of these payments as of June 2022.<sup>viii</sup>

**Table 1. Raising key payments above the poverty line**

Measure	Cost over ten years (billion)
Raising JobSeeker Payment	\$128.1
Raising Parenting Payment	\$39.35
Raising Carer Payment	\$30.57
Total	\$198
Cost compared to Stage Three Tax Cuts	-\$45

According to peer reviewed modelling conducted by the Australian Housing and Urban Research Institute, Australia is facing a shortfall of 433,000 social homes. The current construction rate, around 3,000 dwellings a year, falls far below need.<sup>ix</sup> Even with the proposed Housing Future Fund, the shortfall will continue to grow.

To eliminate the backlog and meet demand, the modelling projects a building program of 36,000 social housing dwellings each year for twenty years.<sup>x</sup> This program would effectively end the social housing shortfall and provide secure, affordable rental homes to hundreds of thousands of people.

This measure would cost around \$5 billion over the first five years under one model. We have extended this to ten years for under \$10 billion, as shown at Table 2.

**Table 2. Ending the social housing shortfall**

Measure	Cost over ten years (billion)
Annual construction of 36,000 social homes	\$10
Total	\$10
Cost compared to Stage Three Tax Cuts	-\$233.5

Together, the total cost of these measures is \$198 billion over ten years. This remains considerably less than the total cost of the Stage Three Tax Cuts, as shown at Table 3.

**Table 3. Cost of combined measures**

Measure	Cost over ten years (billion)
Raising JobSeeker Payment	\$128.1
Raising Parenting Payment	\$39.35
Raising Carer Payment	\$30.57
Annual construction of 36,000 social homes	\$10
Total	\$208
Cost compared to Stage Three Tax Cuts	-\$35.5

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<sup>i</sup> University of Melbourne (2022) [Poverty Lines: Australia. June Quarter 2022](#).

<sup>ii</sup> Parliamentary Budget Office (2022) [Appendix G](#). See page 281.

<sup>iii</sup> Australian Government (2022) [DSS Payment Demographic Data](#).

<sup>iv</sup> Ibid.

<sup>v</sup> Ibid.

<sup>vi</sup> Australian Housing and Urban Research Institute (2018) [Social housing as infrastructure: An investment pathway](#).

<sup>vii</sup> Op cit: Parliamentary Budget Office. See page 416.

<sup>viii</sup> Op cit: Australian Government.

<sup>ix</sup> Op cit: Australian Housing and Urban Research Institute.

<sup>x</sup> Ibid.

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