Answers to Questions in RE Think Tax Discussion Paper

RJ Tanner

Introduction

A separate paper has been prepared outlining why the current system of personal income tax has failed to deliver the objectives of a proper revenue collection system to improve productivity, foster employment whilst growing the economy at the same time looking after the disadvantaged in our community.

For whatever reason it has been deemed necessary to give a tax free threshold to every taxpayer at the base of the tax structure and then apply very high marginal rates to a person's remaining income. The consequence of this policy is that average income workers are thrust into marginal tax arrangements which are not only the highest in the world but creating a legion of non taxable taxpayers who by any standard are quite wealthy. This is an oxymoron or paradox which is entirely deficient in the paper and must be responsibly addressed.

The paper contains excellent background material of how the so called bracket creep is adversely affecting the average worker but it is quite irresponsible to ignore the fundamental reason for this serious situation. The only time that this principle is enunciated is on page 144 dealing with tax expenditure on payroll tax which the Business council of Australia has estimated that exemptions remove close to half of the potential payroll tax base, As this paper points out there is a potential and staggering $261 billion or 37% of the personal tax base of $704 billion on which no tax is potentially collected. In blunt terms this is approximately $53 billion of revenue which can be used to either; lower marginal rates, balance the budget or increase welfare or all three.

The implied theme of the tax discussion paper is that a higher GST is needed to correct the current budgetary imbalance. Political and fairness reasons will see this higher GST concept fail. It is not correct as is stated in the paper that a GST is a proportionate tax as it is highly regressive in that it consumer a disproportionate slice of lower people's incomes. If per chance, a higher GST was introduced the political reality would be a higher yet tax free threshold which could compound the current crisis. It is appalling that the concept of a lower flatter rate of tax is not even mentioned in the discussion paper and it is to be hoped that Treasury and Government will adhere to the principles of developing a system which is "lower, simpler and fairer".

The answers to the Discussion questions follow in the **vane** of these opening remarks.

1) The current overall tax system needs a fundamental change to meet the concept of the lower simpler and fairer tax manifesto. The aim is to make the first step as low as

possible to deal with the vast majority of taxpayers. It is suggested with supporting evidence that this can be as low as 15 cents with a higher rate of 30 cents above average weekly earnings. These rates are well below the current regime rates. Measures are suggested to deal with any apparent anomalies.

2) It is vital that Australia's personal income tax structure become internationally competitive. Chart 2.3 shows the crisis which is now enveloping Australia. Corporation tax can also be reduced to stop profit shifting and revenue manoeuvring which effecting corporation tax revenue.

3) It is vital that the high marginal tax rates be dramatically reduced to boost economic growth. The only trade off is to compassionately deal with lower income earners which maybe effected by the new low marginal rates. An example is a comparison of existing tax and the proposed new flat rate tax of 15% to $70,000.

Taxation Statistics 2011-12

Non Taxable taxpayers		3,102,910	
Taxpayers		9,188,805	
Total Tax Files		12,291,715	
			$M
Existing tax to $46,456 where average 15% now cuts in			13,171
Under New System	NTT 32,296 m x 15		4,844
	0-46456 140,565 x 15		21,084
		Total	25,928
	Less Low Income Tax Offset LITO		8,131
		Total	17,797
	Increase in tax 0-46,456		4,626

The LITO would need to be increased by this amount and only applied to earned income.

4) Reducing complexity will occur automatically with a lowering of marginal rates as the current complexity is a result of politicians unsuccessfully attempting to redress the high marginal tax regime.

5) Personal Income Tax is the main part of the tax system to be addressed as it raises the bulk of the revenue $194 billion as opposed to company tax $60 billion and GST $50 billion.

6) The individuals' income tax system should be proportionate and not progressive, The progressive tax system has become so tyrannical that it is effecting intra family transfers between husband and wife. There is now enormous financial pressure for the wife to earn money in the tax free threshold whilst normally the husband is subject to punitive high marginal rates. This can create enormous health problems for the wife after the birth of children such as post natal depression. It is suggested that the personal income tax system should be neutral so that a proper discussion can take place on the subject of child care.
   Overall there should be a simple flat system of 15% for 80% of taxpayers (refer to Table 1)

7) Fringe Benefits Tax should be paid by the employee (the recipient) and not the employer. It is another way of avoiding the progressive tax system and gives rise to complications for transfer payments.

8) Income tax should be at the same low flat rate across the system. Many lower income part time individuals would benefit as the tax free threshold applies only to the first income. Many second and third jobs are denied the tax free threshold and average tax rates of 30% or more are taken out for subsequent multiple jobs. The flat rate of 15% is specifically designed so that the worker can keep 85% of whatever he or she earns and not be required to wait until refunds occur after the lodgement of a tax return.

9) Taxation as with all management decisions should be on the basis of marginal rates including withdrawal rates on all pensions which are very high. Similar comments to question 8 dealing with the average tax rates which are taken out at source for second and subsequent jobs.

10) With a dramatic lowering of marginal and withdrawal rates the interaction between the tax and transfer system will become easier for the individual in dealing with reports for Centrelink. The so called "free areas" can be abolished.

11) Australia will suffer a crisis in the near future if the very high marginal tax rates are not lowered. In addition to the existing high marginal rates there is a potential 11% higher education fee structure to be repaid. A highly trained young doctor with a HECS debt may choose to work overseas and not in Australia causing shortages

12) Tax Planning only exists because the individual strives to meet the onslaught of what they perceive to be an unfair system. High marginal substantially contribute to pre tax wage demands.

13) The real incentive for tax planning revolves around the use of the tax free threshold on which no tax is paid. The return on investment for legally getting the dollar past

the taxman is very high for high marginal rates falling from 96% at 49 cents to just 17.6% at 15 cents.

14) Tax Offsets in deserving categories work better when the marginal tax rates are low and the withdrawal rates are low. Tax Offsets such as LITO should only apply to earned income.
15) Work related expenses should be allowed for the costs of working. A standard single deduction is not appropriate.

16) Fringe Benefits Tax is part of an individual's income and the tax should not be paid by the giver.

17) There should be no concession or exemptions if the fringe benefit is taxed in the hands of the recipient. The problem would virtually cease to exist if the marginal taxing structure is low.

18) Complexity on the taxation of savings will disappear under the new low marginal tax regime of 15 cents. Tax can be deducted at source which should aid Government revenue.

19) Capital Gains Tax will be at the new low rates of 15 cents to $70,000 and 30 cents thereafter. This will approximate to the existing 50% discount which can be abolished.

20) The Dividend Imputation system could be abolished under the new low marginal tax system. There is a wide variation in fully franked, partially or nil franked dividend. The decision on the franking of dividends will vary from company to company. Franking Credits total approximately $8 billion.

21) The so called negatively gearing of income relies on the very high marginal rates of taxation. With the reduction in marginal tax rates to 15 and 30 cents there will be a large reduction in the quantum of tax that can be saved at the margin. The perceived problem will disappear without effecting business or the supply of rental accommodation.

22) Under the new low marginal taxing proposals Australia could abolish contribution tax and tax on the earnings of the fund. Tax on retirement benefits could be made at the new low marginal rates of 15 cents and 30 cents.
23) Domestic savings will increase dramatically under the new low marginal tax regime. There is limited scope for sensible taxation of savings under the existing high marginal taxing system.

24) Very important. Australian Asian trading neighbours have dramatically lower corporate tax rates and Australia risks being left behind in terms of investment in Australia and the quantum of corporate tax being collected. Many Australian companies have subsidiaries who invoice their sales in low tax countries and profit shifting occurs to low tax entities. By abolishing dividend imputation the corporate rate in Australia could fall to 25% and possibly lower to 20%. The revenue implications of lowering the tax rate would mean that imputation credits would only be passed through to shareholders at the new low corporate rate.

25) The dividend imputation system may not be serving the Australian economy well in an increasingly open competition for funds. The best outcome for Australian capital is to lower the marginal tax rates

26) Make no comment in a complex area.

27) With a lower company tax rate the asset treatment for tax purposes could approximate their economic life.

28) With a lower company tax rate the compliance costs could come down.

29) Make no comment in a complex area.

30) Make no comment in a complex area.

31) A lower corporate tax rate would still attract investment.

32) Make no comment in a complex area.

33) Make no comment in a complex area.

34) In the area of transfer pricing existing regulations can be kept as the problem will disappear with a low corporate tax rate especially in Asian countries. Many Australian companies have subsidiaries in countries close to where they make sales.

35) Australian companies will benefit from a substantially lower corporate tax rate in their balance of debt, equity and retained earnings.

36) High corporate tax rates encourage complicated corporate structures. They should disappear if the company tax rate is lowered.

37) Make no comment in a complex area.

38) Make no comment – best left to the politicians to consider the special circumstances.

39) Make no comment in a complex area.

40) The best incentives for innovation are to lower company rates and high marginal personal rates.

41) The general thrust of all business structures is to place income in the name of individuals or companies where they tax rates are low.

42) Make no comment in a complex area.

43) This is a problem of the system. This can be achieved by lowering personal marginal tax rates.

44) Under a lower personal margin tax regime, small business would have fewer costs and more working capital for the real business of running the enterprise.

45) The Capital Gain Tax concession can be replaced by a simple 15% and 30% regime for individuals and a 20% corporate tax rate.

46) Make no comment in a complex area.

47) 48) 49) 50) The Fringe Benefit Tax if paid by the recipient would make may existing tax arrangements simpler. This would not create a problem for a legitimate business if owned by a not for profit organisation.

51) The basis of the proposal to extend the rate and the base of the GST will involve compensation to the lower income earners. This will most likely involve a higher tax free threshold, the principal reason for the structural malfunction of the personal income tax system.

52) The great majority of tax revenue is collected by the Commonwealth but is spent by the States on health and education in what is known as the vertical fiscal imbalance. It should be possible to devise a federal system of personal income tax to meet the requirements of all state expenditure by adjusting the income rests for the new low marginal taxing system. High on the agenda should be an arrangement which abolishes payroll tax currently levied by the States to create more employment.

53) The States should be given a proportion of personal income tax and corporate tax in the same manner as the GST is provided to the states. Local government should also be considered for a fixed share.

54) 55) The view is taken that the appropriate mix of taxes on fuel, alcohol, tobacco, luxury car tax, agricultural levies and tariffs is one which excites high level of debate which is best left to the politicians. The principal crisis is in the steep progression in the personal income tax arrangements.

56) The main part of the Australian Tax System which affects everyone is the complexity associated with the personal income tax system. To re-iterate the principle cause of this complexity is the zero based tax free threshold and then the very steeply rising marginal rates. All taxpayers are affected by the steep progression in Australia's personal income tax system.

57) 58) 59) 60) 61) In spite of the often touted benefit of the progressive income tax system being necessary for social cohesion the system is actually creating disparity in wealth and difficulties for middle income Australia. Complexity has arisen because of political pressure to patch up a system which is plainly not working.

62) This would be very difficult. There are more important priorities.

63) 64) Treasury should be fearless in costing alternative systems particularly a low flat rate system with ideas to compensate those individuals who may be affected.

65) Treasury should be the vanguard of costing new tax policy arrangements with ideas and compensatory mechanisms for those seemingly affected.

66) The issue of the release of official Taxation Statistics should be mentioned. I have attempted to publish tables based on statistics which show the incidence of tax by five percentiles and tables which show the number of individuals in various circumstances who should be protected. The Manner in which these statistics are published makes the preparation of these tables nearly impossible.

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Why the Progressive Income Tax System has failed Australia

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1. Introduction

Taxation has been famously defined by the advisor to Louis XIV of France as the art of so plucking the goose as to obtain the maximum amount of feathers with the minimum amount of hissing. The problem at the moment is that the geese are not only hissing but honking loudly.

The current personal income tax system in Australia is based on the tax system described by Karl Marx in the Communist Manifesto of 1848 as "an integral part of the communist aims of abolishing private property, the family and all rights of inheritance in order to enable the takeover by the State of the means of production and distribution of goods".

There can be little argument that a proper personal income tax system should aim to bring about social cohesion, provide the government with sufficient revenue to run the country and to accommodate the less fortunate in society whilst at the same time create the right atmosphere for full employment. There should be no argument that persons on higher income should pay higher income tax. The overwhelming argument is not whether a person on higher income should pay higher taxes but should these higher income earners pay progressively or proportionately more. Stripped of all the hyperbole, verbiage and buffoonery in the taxation debate this quintessential point is should the higher portion of an individual's income be subjected to higher rates of tax than the lower part?

One of the often confusing issues in the whole taxation reform debate is a definitional problem because tax reform means different things to different people. The sole purpose of this paper is not to canvass these options but to concentrate purely on the personal income tax system which raises three times the level of Company Tax and four times the amount of the Goods and Services Tax. The history of government enquiries and investigations into taxation in all its forms is littered with failures for a number of practical and constitutional issues. It is the purpose of this paper not to discuss relatively minor revenue raising taxes at either the State or Federal level.

2. The Current Structure of Personal Income Tax

The current disarray in the personal income tax structure in Australia had its origins in the disastrous principal recommendation of the Henry Tax Review that the Tax Free Threshold (TFT) be increased to $25,000 with a constant marginal rate of 35% and 45% above this level. The Rudd/Gillard Governments increased the TFT from $6,000 to $18,200 whilst reducing the Low Income Tax Offset (LITO) from $1,500 to $445 with a 1.5% abatement meaning that the effective TFT is currently further increased by $2,342 to $20,542. The 15 cent marginal rate was increased to 19 cents and the 30 cent rate to 33 cents. There is a 37 cent rate above $80,000 and the present Government has increased the 45 cent rate above $180,000 to 47 cents. The Medicare/disability levy of 2 cents should be added to these rates.

Following statements by the Reserve Bank Governor and Treasury Secretary that average weekly earners (now around $76,800) face the prospect within twelve months of a marginal tax rate of 39% also sharply focuses that less than half average weekly earners currently pay an effective marginal tax rate of 36.5%. Add another potential 11% for the repayment of Higher Education Loan Program, Student Financial Supplement and Tertiary and Further Education debts and it is easy to see why the Australian economy is characterised by low growth, high unemployment and collapsing manufacturing industries.

The reason that the personal income tax system is in such disarray with middle and upper income Australians saddled with the highest marginal tax rates in the industrialised world is to be found i the structure of the personal income tax rates. The current effective tax-free threshold of $20,542 means that there is a staggering $261 billion or 37% of the tax base of $704 billion on which no tax is potentially collected. This threshold gives rise to nearly 3 million non taxable taxpayers who are neither poor nor sleeping on the park bench. Table 2 shows that they pay nothing yet report 4 million incomes covering fringe benefits, allowances, interest, dividends, rent, capital gains and franking credits. The present Government is committed to maintaining all current taxation thresholds whilst at the same time attempting to reduce the yawning budget deficit. This is almost certainly the reason why the Taxation White Paper has been delayed while they grapple with the irreconcilable problem of Government revenues not keeping up with expenditure due to anarchy in the personal taxation revenue system. It should be noted that the figures in Tables 1 and 2 refer to the 2011/12 taxation year which are the latest available. This is the taxation year before the previous Labour Government substantially increased the TFT which has been maintained by the current Government.

3. The Current Distribution of Taxpayers in Australia by Percentiles

In an attempt to quantify the distribution of taxpayers Table 1 has been prepared showing the five percentile breakup of taxpayers, the contribution by each five percentile and the rates of average tax paid by each group. An adjustment has been made to franking credits due to the highly misleading policy of including franking credits in the tax paid by individuals even though this credit is refunded to the taxpayer.

The following broad points should be:

- The median income of taxpayers is around $46,000 meaning that 50% of taxpayers are below this level and 50% above. This is somewhat complicated by the fact that there are nearly three million non-taxable taxpayers based on 2011/12 figures which are the latest available. This figure of non-taxable taxpayers may currently have swelled by one million due to the higher TFT since July 2012. They have $32 billion of total income.

- The median income of taxpayers is well below average weekly earnings of $76,800 disclosed on 2nd March 2015. The makeup of those earning below $46,000 are what economists call secondary incomes and are not principal family breadwinners. They include income splitters, children, students, part time workers, recent immigrants, temporary residents, Australian citizens who spend much of their time abroad, dependant spouses, young people entering the work force for the first time, apprentices and retires not dependant on social security.

- The cumulative taxable income of those earning up to $46,000, the 45th percentile, is $140 billion or 22% of total taxable income. Their average rate of tax is approximately 15% even though the effective marginal rate of tax could be as high as 36.5%. They contribute approximately 10% of the tax collected.

- The cumulative taxable income of those earning up to average weekly earnings of $76,800, the 75th percentile, is $315 billion or 49% of total taxable income. Their average rate of tax rises to nearly 22% whilst the effective marginal rate of tax could be as high as 36.5%.

- The incomes above the 80th percentile of average weekly earnings total $326 billion or 51% of total taxable income. Their average rate of tax increases from 22% to 32.5%. They pay 68% of personal income tax collected. It is the group which some critics say should be denied some or all of their deductions.

4. Toward a Solution to the Prevailing Tax Chaos

Whilst it is to be expected that the Labor Party which brought in the current system, the current Coalition Government offers only a continuation of the prevailing chaos causing unemployment to grow and industries to close. For example, Page 7, Item 5 of the Coalition's Real Solutions manifesto states "we will keep the current income tax thresholds". This is pollie speak for maintaining the very high marginal tax rates at low levels of income. The real reason for maintaining the current threshold is to legitimise the very high marginal rates where the bulk of taxable income lies. Playing to the politics of envy the top rate above $180,000 has been increased to 47% which supposedly will raise an additional $2.7 billion. There is, however, incontrovertible evidence that this new higher top marginal rate will not raise any additional revenue and in fact revenue from the top five percentile will fall due to increased deductions at the margin (see Table 1).

The latest available statistics for 2011/12 show that the average rate of tax on taxable incomes is 21.5%, falling to 20.2% if an adjustment is made to the misleading figures for franking credits. A pure flat rate of tax of this magnitude would raise the same amount of revenue as present and in all probability more. These average rates of tax currently cut in around $66,000. At this level there would be approximately 6.5 million taxpayers and 2.9 million non-taxable taxpayers or 74% of all taxpayers who would pay slightly higher rates of tax and 26% who would pay less tax. These statistics which are eagerly seized upon by the opponents of flat tax ignore the fact that the upper 26% of taxpayers contribute approximately 73% of all personal income tax revenue.

Whatever are the merits of such a system it would be too much for the political hallabaloo and the politics of envy so rampant in Canberra.

It would be possible to introduce a "progressive" flat rate tax system of 15 cents up to $70,000 with a 30% rate thereafter. It may be possible to extend the $70,000 level to current average weekly earnings around $76,800. The revenue implications are set out in the attached Table 4.

5. Dealing with the Politics of Envy

The official statistics for 2011/12 show that the effective tax rate of 15% cuts in at approximately $46,000. At this level, 4.4 million taxpayers and 3.1 million non-taxable taxpayers would pay slightly higher rates of tax whilst they only contribute approximately 10% of total tax revenue. These are staggering and politically dynamic numbers. This modified progressive flat rate tax with no TFT has real political legs and would address the problem of the unbridled abuse of the PITS (Progressive Income Tax System) over four decades which is now coming at a devastating loss to our industries and our international competitiveness. The pre-tax increment to obtain a $1,000 post tax wage rises to $1,818 at 45%, $1,589 at 37%, $1,492 at 33%, $1234 at 19%, falling to just $1,176 at 15%. The principal reason for the high cost structure of our industries will be addressed.

The personal income tax system in Australia needs an immediate and urgent overhaul. There would need to be special compensation for approximately 2.4 million pensioners, unemployed and sole parents (see Table 3):

- The grossing-up of all pensions and unemployment benefits by giving these categories an increase of 20%.

- The withdrawal rates on all pensions (ie loss of pension) when pensioners earn income from work should be reduced to 15% from the present withdrawal rates of 60% (unemployed pension), 50% (aged pension) and 40% (disability pension).

- The reduction in average tax rates at various low income levels if part-time workers take on a second job where they are denied the TFT.

- Re-engineering of the LITO to apply only to earned incomes.

Workers on less than $46,000 will welcome the new constant rate of 15% secure in the knowledge that they can keep 85% of all earnings including any social security benefit.

At the higher end of the earning spectrum there are a number of measures which can blunt the political hullabaloo of lower marginal rates:

- Total incomes can be used for taxation purposes removing superannuation, negative gearing and work-related expenses arrangements.

- Switch the Fringe Benefits Tax from employers to employees.

- Remove the Family Tax Benefit from those on higher incomes.

- Place a surcharge on franked dividends for very high income earners.

- Require that employers reduce the gross pay of employees on very high incomes to a point at which after-tax income would be no more than 5% greater than it had been before. The same would apply to senior public servants and members of the judiciary. The process would be helped if the Prime Minister and Treasurer set the example.

- The Contribution on Tax for Superannuation payments would be at the new low marginal rates.

6. Conclusion

It will be appreciated that the introduction of a modified progressive flat rate system with no TFT will be violently opposed by many not disinterested groups:

- Politicians will not want it. It would stop their own revenue receipts running at twice the rate for the individual.

- Public servants will not want it. It would interfere with their retirement pension, bloated by the PITS.

- Captains of industry will not want it. It would reduce their superannuation payments on retirement.

- The Welfare Industry will not want it. They will be in grave danger of losing their *"raison d'etre"* as existing welfare recipients would have their employment prospects improved.

- The Australian Taxation Office will not want it. It would require fewer staff.

- The Superannuation Industry will not want it. They will wish to continue with the illusion that they are better at managing savings than the individual.

- The Judiciary will not want it. They would no longer be able to sit in judgment on complicated cases having their origin of dispute in the PITS.

- Academia will not want it. They will no longer be able to write esoteric articles on taxation.

- The Tax Industry – its lawyers, accountants and consultants will not want it. They will lose a lucrative source of income.

- Bankers will not want it. It would lessen the dependence on debt in favour of equity financing.

- The Millionaires will not want it. They will not be able to engage in schemes to reduce their tax rates.

- The well-organised Trade Unions such as lawyers, doctors, dentists and accountants will not want it. They will not be able to foist a fee structure onto their clients based on the PITS.

- The Socialists will not want it. It will strike at their "soak the rich" philosophy.

- Those whose taxation philosophy is based on envy will not want it. They will never be able to accept the principle that people who work hard should not be taxed at a punitive rate in order to subsidise those who do not work hard.

A more unholy collection of cats is hard to comprehend but it is even more reason to change the existing system designed to benefit those powerful individuals whose numbers probably do not exceed 1% of the population. If anyone thinks that this list is too polemical I can assure you that it is based upon true life experiences.

The present tax system of the PITS starts out on the premise that everybody is a pauper when that is patently not the case. These arrangements in reality give a tax free holiday to those who are really quite wealthy.

We are now witnessing the final collapse of a taxation system laid down by Karl Marx and so enthusiastically expanded by all Australian governments – a felony compounded by the raising of the tax-free threshold which laid the basis for a huge and flourishing cash economy but in the process destroying some of our industries due to high wage costs.

If governments were to deliberately set out to design a taxation system that would erode the liquidity that small businesses need to function effectively, would consciously discriminate against wage and salary earners in favour of other executive incomes through superannuation and would provide a major stimulus to wage inflation and industrial conflict, it would be difficult for them to develop a set of taxation arrangements that would be more successful in meeting such a perverse objective.

But finally spare a thought for Karl Marx who would be turning in his grave in Highgate, London, if he knew that a variation of his system in Australia would see his hard working workers pay exhorbitantly high marginal tax rates, associates of millionaires pay nothing and bourgeoise property owners obtaining a deduction for interest at high marginal rates!

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- *Former Member of the Australian Stock Exchange*
- *Graduate in Agricultural Science, University of Sydney, 1966*
- *Involved in film making covering some of the most documented events in maritime history – "Aussie Assault" (documenting the victory of Australia II in the America's Cup in*

1983), and "First Fleet – Right of Passage" (the multi-award winning documentary the 1987/1988 Re-enactment)

- *Co-authored with Jonathan King and David Iggulden the writing of the story of the First Fleet Re-Enactment – "The Battle for the Bi-Centenary"*
- *Member of the Sydney-Portsmouth Sister City Committee since 1992 and Chairman since 2002*
- *Primary Producer running sheep and cattle at Coolah, NSW.*

Table 1: Five Percentile Distribution of Taxpayers in Australia 2011-12

Grade of Taxable Income $	Cumulative Number of Taxpayers	Total Number Cumulative %	Total Income $m	Cumulative Total Income $m	Taxable Income $m	Cumulative Taxable Income $m	Net Tax $m	Cumulative Net Tax $m	Franking Credit $m	Cash Tax $m	Average Rate of Cash Tax %	Average Rate of Net Tax %	% Net Tax Collected	% Net Tax Collected Cumulative
0 - 20,000	490,520	5	8,888	8,888	8,257	8,257	198	198	40	158	1.9	2.4	0.1	0.1
20,000 - 23,747	980,000	10	11,438	20,326	10,698	18,955	470	668	104	366	3.4	4.3	0.3	0.4
23,747 - 27,545	1,469,975	15	13,394	33,720	12,573	31,528	799	1,467	102	697	5.5	6.4	0.5	0.9
27,545 - 31,061	1,959,950	20	15,261	48,981	14,379	45,907	1,051	2,518	102	949	6.5	7.3	0.7	1.6
31,061 - 34,206	2,449,945	25	16,913	65,894	15,996	61,903	1,267	3,805	132	1,155	7.2	8.0	0.9	2.5
34,206 - 37,072	2,940,080	30	18,507	84,401	17,496	79,399	1,628	5,433	132	1,496	8.5	9.3	1.1	3.6
37,072 - 40,001	3,429,925	35	19,900	104,301	18,871	98,270	2,033	7,466	125	1,908	10.1	10.7	1.4	5.0
40,001 - 43,124	3,919,905	40	21,410	125,711	20,360	118,630	2,568	10,034	161	2,407	11.8	12.6	1.8	6.8
43,124 - 46,456	4,409,915	45	23,046	148,757	21,935	140,565	3,137	13,171	161	2,936	13.5	14.3	2.1	8.9
46,456 - 50,054	4,899,985	50	24,825	173,502	23,634	164,199	3,744	16,915	155	3,589	15.1	15.8	2.6	11.5
50,054 - 54,062	5,389,925	55	26,767	200,349	25,488	189,687	4,407	21,322	144	4,263	16.7	17.3	3.0	14.5
54,062 - 58,475	5,879,930	60	28,932	229,201	27,553	217,240	5,146	26,468	141	5,005	18.2	18.6	3.6	18.1
58,475 - 63,383	6,369,850	65	31,306	260,587	29,830	247,070	5,961	32,429	143	5,818	19.5	19.9	4.1	22.2
63,383 - 69,048	6,859,845	70	33,993	294,580	32,398	279,468	6,873	39,302	143	6,730	20.7	21.2	4.7	26.9
69,048 - 75,651	7,349,880	75	37,142	331,722	35,414	314,882	7,850	47,152	212	7,638	21.6	22.1	5.4	32.3
75,651 - 82,733	7,839,850	80	40,724	372,446	38,771	353,653	8,927	56,079	212	8,715	22.4	23.0	6.2	38.5
82,733 - 93,416	8,329,830	85	44,963	417,409	42,964	396,617	10,480	66,559	329	10,151	23.6	24.4	7.2	45.7
93,416 -110,829	8,819,795	90	51,865	469,234	49,618	446,238	12,984	79,543	252	12,732	25.6	26.2	8.9	54.6
110,829 - 147,578	9,209,790	95	64,572	533,846	61,905	508,140	17,594	97,137	998	16,596	26.8	28.4	12.2	66.8
147,578 or more	9,799,820	100	137,804	676,651	132,471	640,609	47,641	144,776	4,493	43,148	32.5	35.9	32.9	100
Taxable Taxpayers	9,799,820	100	671,651	671,651	640,609	640,609	144,776	144,776	7,979	136,797	21.3	22.5	100	100
NonTaxable Taxpayers	2,936,210	23	32,296	32,296	0	0	0	144,776	543	0			0	0
Total Taxpayers	12,736,030	12,736,030	703,947	703,947	640,609	640,609	144,776	144,776	8,521	136,797	20.2	21.5	100	100

Source: Taxation Statistics 2011-2012

Table 2: Selected Wealth Indicators from Taxable Income Data 2011/12

Grade of Taxable Income $	Fringe Benefits		Allowances		Gross Interest		Interest Deductions		Franked and Unfranked Dividends		Dividend Deductions	
	Number	Amount per Taxpayer $	Number	Amount per Taxpayer $	Number	Amount per Taxpayer $	Number	Amount per Taxpayer $	Number	Amount per Taxpayer $	Number	Amount per Taxpayer $
Non Taxable	35,585	19,502	263,455	2,296	1,536,580	1,963	70,840	2,272	769,580	1,801	46,050	3,452
0 - 6,000	105	19,047	695	2,877	7,090	564	165	-	3,410	880	310	0
6,001 - 10,000	80	25,000	1,010	1,980	5,540	361	60	-	570	1,754	30	0
10,001 - 15,000	205	19,512	1,500	2,667	4,746	632	85	-	658	1,527	35	0
15,001 - 20,000	13,460	20,876	71,650	2,051	209,530	1,532	9,685	1,342	52,196	2,012	4,070	3,439
20,001 - 25,000	28,235	21,321	114,310	1,924	325,735	1,581	16,185	1,235	92,130	1,790	6,870	3,202
25,001 - 30,000	37,960	21,127	124,705	2,061	349,815	1,880	19,085	1,257	109,920	2,356	8,825	2,720
30,001 - 37,000	64,315	20,213	213,510	2,402	611,130	2,308	35,930	1,308	210,180	3,135	17,990	2,779
37,001 - 40,000	28,755	19,301	98,060	2,396	276,515	2,169	16,795	1,429	95,970	3,240	8,185	2,810
40,001 - 45,000	45,610	18,570	154,780	2,138	425,200	2,034	25,845	1,276	144,225	2,794	12,355	2,834
45,001 - 50,000	41,620	17,581	144,530	2,269	390,685	1,976	23,975	1,251	136,335	2,867	11,760	2,891
50,001 - 55,000	38,590	16,791	132,315	2,388	346,150	1,938	21,650	1,339	124,530	2,899	10,960	3,102
55,001 - 60,000	36,845	15,985	122,800	2,589	315,090	1,948	19,980	1,351	115,925	3,045	10,370	3,182
60,001 - 70,000	70,560	15,065	209,465	3,017	533,220	2,008	34,650	1,529	210,480	3,373	19,660	3,510
70,001 - 80,000	63,215	14,411	172,180	4,117	446,845	2,184	29,845	2,211	198,840	5,196	19,560	3,981
80,001 - 90,000	50,135	13,842	123,950	4,493	324,910	2,360	22,325	2,598	156,095	5,166	16,290	4,113
90,001 - 100,000	36,690	13,409	85,230	5,009	219,865	2,656	16,120	2,543	111,745	5,559	12,805	4,295
100,001 - 150,000	92,595	13,380	177,335	6,857	491,020	3,297	39,210	3,519	279,930	8,702	36,850	5,292
150,001 - 180,000	25,840	14,705	34,920	10,910	117,505	4,544	10,590	6,232	77,150	17,407	11,980	7,178
180,001 - 250,000	29,040	16,976	27,720	14,610	107,820	5,889	11,010	7,720	77,200	23,628	13,545	8,269
250,001 - 500,000	26,380	22,024	15,605	25,953	75,755	9,095	9,070	11,356	56,135	46,430	11,825	13,192
500,001 - 1,000,000	6,040	30,298	2,775	65,225	19,425	16,679	2,895	23,834	15,510	119,034	3,415	24,012
1,000,001 or more	2,080	47,087	720	130,555	7,320	43,989	1,130	51,327	6,035	517,978	1,345	48,327
Taxable	738,330	16,927	2,029,770	3,773	5,610,970	2,487	366,285	2,629	2,276,160	8,547	239,040	5,171
Total	773,910	17,046	2,293,225	3,603	2,654	2,654	437,125	2,617	3,045,710	6,843	285,095	4,962

Source: Taxation Statistics 2011-2012

Table 2: Selected Wealth Indicators from Taxable Income Data 2011/12

Grade of Taxable Income $	Capital Gains Current Year		Gross Rent		Rental Deductions		Franking Credits		Franking Credit $m	Net Tax $m	Cash Tax $m
	Number	Amount per Taxpayer $	Number	Amount per Taxpayer $	Number	Amount per Taxpayer $	Number	Amount per Taxpayer $			
Non Taxable	143,480	15,744	326,945	16,813	327,195	20,159	750,925	723	543	-	0
0 - 6,000	1,435	6,272	9,055	16,455	9,045	13,488	3,380	338	1	16	15
6,001 - 10,000	390	12,820	4,815	19,938	4,800	12,708	555	0	0	17	17
10,001 - 15,000	410	21,951	3,965	24,464	3,985	14,880	615	0	0	22	22
15,001 - 20,000	11,420	17,338	39,195	16,482	39,420	18,391	50,285	796	40	144	104
20,001 - 25,000	18,430	17,146	63,650	15,459	64,115	18,326	88,980	719	64	699	635
25,001 - 30,000	22,995	15,351	73,895	15,454	74,415	18,195	106,470	950	102	1,267	1,165
30,001 - 37,000	44,015	16,292	129,695	15,745	130,540	18,540	204,170	1,288	263	3,217	2,954
37,001 - 40,000	19,240	16,320	58,810	15,712	59,335	18,390	93,205	1,341	125	2,083	1,958
40,001 - 45,000	28,740	15,658	92,275	15,649	93,040	18,819	139,850	1,151	161	4,292	4,131
45,001 - 50,000	26,980	16,049	89,670	15,724	90,530	19,242	131,010	1,183	155	5,098	4,943
50,001 - 55,000	24,920	17,456	84,730	15,720	85,670	19,820	120,260	1,197	144	5,541	5,397
55,001 - 60,000	23,440	21,032	81,010	15,961	81,870	20,337	111,690	1,262	141	5,917	5,776
60,001 - 70,000	43,105	20,021	148,810	16,290	150,620	20,760	202,445	1,413	286	12,133	11,847
70,001 - 80,000	42,580	23,673	137,690	17,154	139,360	21,620	191,240	2,211	423	12,391	11,968
80,001 - 90,000	34,570	24,964	105,465	18,007	106,800	22,397	149,770	2,196	329	10,648	10,319
90,001 - 100,000	26,005	27,884	77,080	18,427	78,095	23,100	106,865	2,358	252	8,527	8,275
100,001 - 150,000	73,685	37,280	194,835	20,828	197,655	26,162	265,935	3,753	998	25,999	25,001
150,001 - 180,000	24,030	55,431	51,740	24,758	52,455	30,769	73,950	7,518	556	8,900	8,344
180,001 - 250,000	25,570	67,423	50,400	28,234	51,035	34,898	74,320	10,172	756	10,613	9,857
250,001 - 500,000	21,780	105,188	36,905	35,820	37,355	44,305	56,215	19,870	1,117	12,673	11,556
500,001 - 1,000,000	6,730	220,208	9,300	50,967	9,360	64,743	15,085	50,776	766	6,725	5,959
1,000,001 or more	3,205	1,578,411	3,235	86,862	3,255	98,310	5,865	221,313	1,298	7,854	6,556
Taxable	523,665	41,680	1,546,265	18,434	1,562,736	22,576	2,192,160	3,639	7,979	144,776	136,797
Total	667,145	36,100	1,873,210	18,151	1,889,935	22,157	2,943,085	2,895	8,521	144,776	136,255

Source: Taxation Statistics 2011-2012

Table 3: Genuine Low Income Earners 2011/12

Taxable Income	Australian Government Allowances and Payments	Australian Government Pensions and Allowances	Tax Offsets - Australian Superannuation Income Stream	Tax Offsets - Senior Australians	Tax Offsets - Pensioner	Total Deserving Category
	No.	No.	No.	No.	No.	No.
Non Taxable	398,895	494,685	18,680	468,760	136,225	
0 - 6,000	90	5	35	10	-	
6,001 - 10,000	705	20	30	70	5	
10,001 - 15,000	740	35	45	100	10	
15,001 - 20,000	77,460	625	910	90	15	
20,001 - 25,000	122,930	985	6,435	350	230	
25,001 - 30,000	88,785	9,130	7,805	15,975	2,055	
30,001 - 37,000	86,890	81,120	26,030	77,630	37,645	
37,001 - 40,000	24,780	28,520	13,595	26,805	13,340	
40,001 - 45,000	27,885	33,135	20,845	24,950	14,990	
Sum to $45,000	**828,860**	**648,261**	**94,410**	**614,740**	**204,515**	**2,390,786**
45,001 - 50,000	17,080	17,835	17,615	14,510	4,705	
50,001 - 55,000	10,685	9,445	13,990	3,655	160	
55,001 - 60,000	7,070	5,480	11,520	2,085	75	
60,001 - 70,000	8,190	5,145	17,720	880	20	
70,001 - 80,000	4,670	2,455	13,750	15	5	
80,001 - 90,000	2,530	1,410	9,980	-	5	
90,001 - 100,000	1,560	870	7,235	-	-	
100,001 - 150,000	2,560	1,875	17,145	-	-	
150,001 - 180,000	395	395	4,585	-	-	
180,001 - 250,000	235	345	4,945	-	-	
250,001 - 500,000	70	170	3,275	-	-	
500,001 - 1,000,000	10	15	680	-	-	
1,000,001 or more	5	5	215	-	-	
Taxable	485,325	199,015	198,390	167,130	73,260	
Total	884,225	693,705	217,070	635,890	209,485	

Source: Income Taxation Statistics 2011/12

Table 4: Revenue Implications of a Flat Rate of Tax at 15% to $70,000 and 30% thereafter

Based on Taxation Statistics 2011-12

	Number
Non Taxable Taxpayers	2,936,210
Taxpayers	9,799,820
Total Tax Files	12,736,030

Income Rest to $70,000 ($69,048 nearest 5 percentile)

	Number of Taxpayers	Taxable Income $m	Tax $m
Non-Taxable Taxpayers	2,936,210	32,296 x 15	4,844
Taxpayers	6,859,895	279,468 x 15	41,920

Above $70,000

9,799,820 less 6,859,895	2,939,925		640,609	
			less 279,468	
			361,141	
Less portion of income to $70,000				
2,939,925 x 70,000		205,794 x 15	30,869	
Balance above $70,000		155,347 x 30	46,604	
		361,141	124,237	
Medicare / Disability Levy 2% on $640,609m			15,296	
			139,533	
Tax as assessed			144,776	136,797 on cash basis
Apparent shortfall / surplus			5,243m	2,736m

Personal Income Tax according to the 2014 budget is expected to bring in $176 billion on 2014/15. We do not know the percentile distribution for the current year but the revenue base will be much greater allowing personal income tax receipts to more than cover this apparent shortfall, if indeed there is not a cash surplus. The new tax regime will be revenue neutral.