Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Hume, Jane

Question:
Senator HUME: Can Treasury please outline for the committee who currently pays personal income tax, what proportion of tax is paid by those on the top marginal tax rate, how much that is in dollar terms, what proportion is paid by the top one per cent of taxpayers and those on lower marginal tax rates, what percentage of taxpayers they make up and how much tax they pay? Perhaps give us a broader picture of the demographic breakdown of personal income taxpayers now.

Ms Mrakovcic: We can outline for you that, according to the 2015-16 tax stats, which I believe are the latest year available that we're quoting, the top one per cent of taxpayers paid around 16.9 per cent of all tax paid, the top five per cent paid around 33 per cent, the top 10 per cent paid around 44.9 per cent, the top 25 per cent paid around 67 per cent and the top 50 per cent paid around 87.5 per cent.

CHAIR: Do you have that in dollar terms?

Answer:
The dollar amounts corresponding to the percentage figures provided by Ms Mrakovcic during the hearing are shown in Table 1.

Table 1: Income and personal tax payable by percentile, taxable individuals only

Selected taxpayers	Personal tax payable ($b)	Share of personal tax 2015-16
Top 1 per cent	31.5	16.9%
Top 2 per cent	41.9	22.5%
Top 3 per cent	49.6	26.6%
Top 4 per cent	55.9	30.0%
Top 5 per cent	61.5	33.0%
Top 10 per cent	83.6	44.9%
Top 20 per cent	113.5	60.9%
Top 25 per cent	124.8	67.0%
Top 50 per cent	163.0	87.5%
All taxpayers (100%)	186.3	100%

Source: ATO Taxation Statistics 2015-16 Individuals Table 16, the figures above refer to tax returns lodged by 31 October 2017.
In this context, a personal income taxpayer is someone who lodged a tax return and paid more than $0 in personal income tax for the year.

Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Ketter, Chris

Question:
Senator KETTER: Do you have a figure as to what wage or income level the top 10 per cent, say, represents?

Answer:
According to the Australian Taxation Office's Taxation Statistics for 2015-16, the top 10 per cent of taxpayers each had a taxable income of at least $126,120.

Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Hume, Jane

Question:
Senator HUME: Can you take me through data on the number of people who pay no net tax after transfer payments?

Answer:
The primary taxation unit is the individual, which is used for the assessment of personal tax. The individual's various sources of income are drawn together and taxed as one whole. Our estimate is that in 2015-16 about 46 per cent of Australian adults, 18 years and over, did not pay any personal tax.

The estimate of individuals who did not pay any 'net' tax after transfer payments is more complex because some transfer payments are assessed and paid on a couple or family basis. For example, family assistance is based on the combined income of couples and is provided to eligible families rather than individuals within families. Due to this complexity, typically we analyse the net outcome after taxes and transfer payments at the household level. On this basis, in 2015-16 around 40 per cent of Australian households, rather than individuals, received more in government payments than they paid in income taxes.

Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018)
Reference: Hansard
Senator: Hume, Jane

Question:
Senator HUME: What would be—and you might have to get your calculators out—the cumulative percentage reduction in tax paid under the government's plan, by 2024-25, for an income earner who earns, say, $50,000 or $90,000 or $200,000? Is that a bit too hard? You can perhaps take it on notice.

Answer:
The cumulative percentage reduction in tax paid under the Personal Income Tax Plan over the period of 2018-19 to 2024-25 for taxable incomes of $50,000, $90,000 and $200,000 is as follows:

Table 2: Cumulative tax liability and change in tax paid from 2018-19 to 2024-25 under the Personal Income Tax Plan

Taxable income each year ($)	Cumulative tax paid under Personal Income Tax Plan ($) (A)	Cumulative tax paid - 2017-18 tax system ($) (B)	Cumulative reduction in tax ($) (C)	Cumulative reduction in tax (%) C/B
50,000	56,089	59,829	3,740	6.25
90,000	154,439	159,124	4,685	2.94
200,000	458,809	470,624	11,815	2.51

These figures are calculated over the period of 2018-19 to 2024-25, relative to the base year of 2017-18. They have been calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset and the Medicare levy under the Personal Income Tax Plan.

Further information on this basis is available on page 17 of the *Stronger Growth to Create More Jobs* booklet, as well as the Tax Relief Calculator at https://www.budget.gov.au/2018-19/content/incometax.html

Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018)
Reference: Hansard
Senator: Ketter, Chris

Question:
Senator KETTER: If we looked at, for example, average weekly ordinary time earnings across different jurisdictions and identify what the amount of tax paid is. I'll leave that with you. If you could come back to me on that, I would be interested in it.

Answer:
Comparisons across jurisdictions are inherently complicated by fundamental differences in tax systems, including the treatment of social security contributions and the basis on which personal tax is levied and calculated.

The OECD attempts to provide a broadly comparable set of statistics for average personal tax rates for full-time average earnings across countries. An example is available at Attachment A and on the OECD website at the following location: https://stats.oecd.org/

Division/Agency: Macroeconomic Conditions Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Ketter, Chris

Question:
Senator KETTER: If I could just move to some of the assumptions. We've heard some criticism today about some of the budget assumptions. Firstly, productivity growth is assumed to be at 1.6 per cent. Is that over the forward estimates and the medium term?

Answer:
Labour productivity growth is an important determinant of Australia's potential GDP growth. The Budget projections, which cover the last 2 years of the forward estimates and the medium term, assume that labour productivity grows at a trend rate of 1.6 per cent a year, in line with its 30-year average annual growth rate.

Division/Agency: Macroeconomic Conditions Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Ketter, Chris

Question:
Senator KETTER: You might want to take some of these on notice. I'd be interested in more information on the migration figures. I did talk to ISA about these assumptions. What are the migration figures that are implied in the budget over the forward and medium term compared with the level of migration that's occurred over the last five years?

Mr Ewing: We'd have to take those on notice as well.

Answer:
The migration assumptions for the 2018-19 Budget can be found in Table A.2 of Budget Paper 3.

Table 4: Net overseas migration over the past 5 years:

2012	2013	2014	2015	2016
237,500	206,200	178,800	181,100	225,000

Source: ABS cat. no. 3101.0

Projections of the trend participation rate are built up from age and gender-specific labour force data.

Division/Agency: Macroeconomic Conditions Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Ketter, Chris

Question:
Senator KETTER: The figure for wages growth is something we've talked about a fair bit. Is that an area that you might be more familiar with? What's the historical outcome for wages growth in the past five years?

Answer:
Over the past five years, average annual wage growth in the Wage Price Index has been 2.2 per cent.

Division/Agency: Macroeconomic Conditions Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Ketter, Chris

Question:
Senator KETTER: He was saying that the terms of trade are currently about 47 per cent above the long-term post-war average. I don't know that he went to this specifically, but in previous interviews he said that the terms of trade are being driven by Chinese credit creation monetary policy and the Chinese are tightening at the moment. So he was pointing to the downside risk there.

Answer:
The terms of trade are reported by the ABS. They are heavily influenced by commodity prices, given Australia's position as a key global commodity exporter. The terms of trade are currently elevated given renewed strength in key commodity prices in recent years. From 2018-19, the terms of trade are forecast to fall as prices of some key commodities are assumed to decline to more sustainable levels. Adoption of this prudent judgement has been supported by comprehensive market and industry consultation.

Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Ketter, Chris

Question:
Senator KETTER: Okay. Now, in finishing up, I just want to give you a final opportunity to say anything about the gender distributional impacts of the budget, particularly in relation to the income tax cuts. This is your opportunity to say something. I understand that earlier today the Treasurer said that it was ridiculous to suggest that the stage 3 of the personal tax cuts would benefit men more than women. He said it was ridiculous. There must be some evidence or information underpinning that comment.

Ms Mrakovcic: I have nothing to add to my earlier comments on this.

Senator KETTER: So where would the Treasurer be getting that information from?

Ms Mrakovcic: I don't have anything to add to what I said earlier.

Senator KETTER: Could you take on notice—

Ms Mrakovcic: I'm happy to take that on notice.

Answer:
Please refer to page 70 of the Senate Economics Legislation Committee Hansard transcript of 6 June 2018.

Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Storer, Tim

Question:
Senator STORER: Would you have any information on the fiscal impact of extending the low and medium income tax offset beyond 2021-22? Would it be a similar level if it were extended to the end of 2028-29 period?

Answer:
Please refer to Mr Ewing's evidence on page 76 of the Hansard transcript of the Senate Economics Legislation Committee on 6 June 2018.

Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Ketter, Chris

Question:
Senator KETTER: There was an article in The Australian on 30 May which dealt with Treasury costings of analysis of the government's tax plan compared to an alternative tax plan. Minister Cormann tabled, during the course of estimates, a document which had the wage rates which were underpinning that analysis. Are you familiar with what I'm talking about, Ms Mrakovcic?

Ms Mrakovcic: I am familiar with it. I do recall it being raised at estimates last week.

Senator KETTER: It's something you can take on notice for me, but could you confirm for me that of the 30 annual wage rates referred to in that document, apart from four or five, all are in the top 10 per cent of income earners?

Answer:
Treasury has not attempted to replicate the analysis on projected wages in 2024-25 for various occupations as published by *The Australian*.

Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018)
Reference: Hansard
Senator: Hume, Jane

Question:
Senator HUME: I have a question about bunching, which is the phenomenon of taxpayers gathering behind a particular threshold. Do you have any data on whether that occurs?

Answer:
Analysis on bunching around the tax thresholds using ATO data has been undertaken by Shane Johnson and Robert Breunig and is available in their paper titled *'Taxpayer responsiveness to marginal tax rates: Bunching evidence from the Australian personal income tax system'*, published by the University of Western Australia in 2016.

The analysis found that historically there is evidence of significant bunching at all the main tax thresholds in the Australian tax system.

A copy of this paper is available online at the following link:
http://www.business.uwa.edu.au/__data/assets/pdf_file/0006/2937822/160927-Shane-Johnson-bunching.pdf

Division/Agency: Tax Analysis Division
Topic: Senate, Economics Legislation Committee (Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018
Reference: Hansard
Senator: Ketter, Chris

Question:
Senator KETTER: To help you with your question on notice on the matter of the millionaires that we talked about earlier: it was Grattan, and they've indicated that it's the AfrAsia Bank Global wealth migration review which was released recently.

It looked at the migration of millionaires around the world. Ten thousand millionaires moved to Australia last year; almost none left. This is the highest net migration of millionaires to any country last year in absolute terms, let alone relative terms. I'm interested in whether you can shed some light.

Answer:
The Australian Government does not collect information on the net worth of individuals who are granted visas. As such, we are unable to provide a reliable estimate of the number of millionaires that were granted permanent residency visas each year.

The skilled stream of Australia's migration program targets individuals who have skills to make a positive economic contribution. Targeting these individuals delivers higher workforce participation and productivity benefits, along with fiscal improvements, since skilled migrants are likely to contribute more to tax revenue and less likely to use social services.

The skilled stream includes a Business Innovation and Investment Program that allows eligible individuals of significant net worth to gain a visa if they plan to operate a business or undertake significant investments in Australia. In 2016-17, 7,260 permanent residency visas were granted under this stream. However, high wealth individuals may also be granted visas through other visa classes.

Attachment A

Dataset: Table I.6. All-in average personal income tax rates at average wage by family type

All in average income tax rates at average wage		All in rate				All in less cash transfers		
		Single person		One-earner married couple		Single person	One-earner married couple	
		No child	Two children	No child	Two children	Two children	No child	Two children
Year		2017						
Unit		Percentage						
Country								
Australia	i	24.4	24.4	24.4	24.4	16.1	24.4	16.1
Austria	i	32.4	30.2	32.4	30.2	19.1	32.4	19.1
Belgium	i	40.5	37.0	31.4	28.9	28.8	31.4	20.7
Canada	i	22.8	18.0	18.6	18.0	1.8	18.6	1.2
Chile	i	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Czech Republic	i	24.1	11.8	17.1	4.8	7.6	17.1	0.7
Denmark	i	36.1	34.8	32.0	32.0	16.5	31.5	25.3
Estonia	i	18.4	15.9	15.4	13.0	4.7	15.4	4.8
Finland	i	30.2	29.9	30.2	30.1	21.8	30.2	24.7
France	i	29.2	22.2	22.5	22.2	11.4	22.5	18.2
Germany	i	39.9	28.1	31.8	21.7	28.1	31.8	21.7
Greece	i	26.0	25.5	26.9	26.5	22.4	26.9	23.7
Hungary	i	33.5	23.4	33.5	23.4	13.5	33.5	14.5
Iceland	i	28.7	28.7	21.5	21.5	24.8	21.5	18.6
Ireland	i	19.4	13.4	13.4	10.4	1.3	13.4	1.2
Israel	i	17.7	11.6	17.7	17.7	7.5	17.7	15.0
Italy	i	31.2	26.6	28.9	24.3	21.5	28.9	19.3
Japan	i	22.3	22.3	20.9	20.9	17.7	20.9	16.3
Korea	i	14.5	12.4	14.0	12.2	12.4	14.0	12.2
Luxembourg	i	29.1	28.3	18.0	18.0	15.3	18.0	5.0
Mexico	i	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Netherlands	i	30.4	24.9	28.6	28.6	14.9	28.6	24.6
New Zealand	i	18.1	18.1	18.1	18.1	6.4	18.1	6.4
Norway	i	27.6	25.5	26.6	26.6	19.4	26.6	22.5
Poland	i	25.1	19.5	23.9	19.5	7.4	23.9	-4.8
Portugal	i	27.5	20.8	22.2	15.5	15.9	22.2	11.9
Slovak Republic	i	23.5	19.0	17.2	12.7	14.1	17.2	7.8
Slovenia	i	33.7	27.5	30.3	25.4	17.1	30.3	12.3
Spain	i	21.1	10.6	17.5	13.9	10.6	17.5	13.9
Sweden	i	25.0	25.0	25.0	25.0	18.8	25.0	18.8
Switzerland	i	16.9	10.8	13.6	10.4	3.9	13.6	3.5
Turkey	i	27.9	26.7	27.1	25.9	26.7	27.1	25.9
United Kingdom	i	23.4	23.4	22.8	22.8	18.7	22.8	18.1
United States	i	26.0	17.1	21.0	14.2	17.1	21.0	14.2

Data extracted on 07 Jun 2018 05:07 UTC (GMT) from OECD.Stat

Dataset: Table I.7. Top statutory personal income tax rate and top marginal tax rates for employees

Year		2017					
Income Tax		Top marginal tax rates		Top statutory personal		Average wage in national currency units	Average wage in US dollars based on Purchasing Power Parities
		Personal income tax	Personal income tax & employee social security contributions (All-in rate)	Top tax rates	Threshold (expressed as a multiple of the average wage)		
Unit		Percentage	Percentage	Percentage	Ratio	National currency	US Dollar
Country						i	
Australia	i	49.0	49.0	49.0	2.2	83,542.0	55,098.7
Austria	i	48.0	48.0	48.0	7.9	45,976.8	57,580.8
Belgium	i	46.0	60.2	52.9	1.0	47,324.3	58,545.1
Canada	i	53.5	53.5	53.5	4.3	51,642.5	40,983.3
Chile	i	35.0	35.0	35.0	7.7	9,349,964.0	22,615.9
Czech Republic	i	20.1	31.1	15.0	0.3	355,149.7	27,535.8
Denmark	i	55.8	55.8	55.8	1.3	413,503.1	56,210.9
Estonia	i	19.7	21.3	20.0	0.1	14,809.9	26,795.9
Finland	i	49.0	58.3	51.4	1.9	43,986.1	49,012.6
France	i	53.9	55.1	54.5	14.6	38,582.1	48,339.2
Germany	i	47.5	47.5	47.5	5.4	49,450.0	63,551.0
Greece	i	55.0	55.0	54.0	3.9	20,886.4	35,165.1
Hungary	i	15.0	33.5	15.0	0.0	3,578,650.8	26,012.2
Iceland	i	44.4	44.4	46.2	1.2	8,903,714.4	63,660.6
Ireland	i	48.0	52.0	48.0	1.9	36,358.1	45,093.0
Israel	i	50.0	50.0	50.0	4.3	147,983.5	39,215.2
Italy	i	42.3	52.8	47.2	2.7	30,838.2	43,304.2
Japan	i	55.8	56.1	55.9	8.5	5,201,390.7	52,946.0
Korea	i	39.3	43.2	41.8	3.8	46,140,295.7	52,505.3
Latvia	i	10.9	21.4	23.0	0.1	10,904.8	21,755.0
Luxembourg	i	41.4	42.8	41.4	2.8	58,564.7	65,716.3
Mexico	i	35.0	35.0	35.0	25.4	118,203.6	12,730.0
Netherlands	i	49.7	52.3	52.0	1.4	50,908.5	62,981.1
New Zealand	i	33.0	33.0	33.0	1.2	58,824.0	39,826.3
Norway	i	38.5	46.7	38.5	1.6	577,664.4	56,400.7
Poland	i	22.1	39.9	32.0	2.0	49,569.7	27,816.3
Portugal	i	50.0	61.0	56.2	15.6	17,993.0	30,888.5
Slovak Republic	i	21.7	35.1	25.0	3.5	11,425.6	23,484.0
Slovenia	i	39.0	61.1	50.0	5.0	18,903.8	31,417.2
Spain	i	43.5	43.5	43.5	2.4	26,534.7	40,451.4
Sweden	i	60.1	60.1	57.1	1.5	434,858.8	47,657.6
Switzerland	i	36.1	41.7	41.7	3.5	86,041.9	70,835.1
Turkey	i	30.5	45.5	35.8	3.2	40,308.0	29,263.0
United Kingdom	i	45.0	47.0	45.0	3.9	38,208.1	54,318.9
United States	i	46.3	48.6	46.3	8.0	52,988.0	52,988.0

Data extracted on 07 Jun 2018 04:46 UTC (GMT) from OECD.Stat