

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 620

Topic: Average Proportion of Income Paid in Tax in Australia

Hansard Page: Written

Senator Bob Brown asked:

620. The US billionaire Warren Buffet has observed that in the US very high income earners can pay lower average rates of tax than medium income earners.

Can Treasury provide estimates of the average proportion of income paid in tax in Australia by (i) average income earner, (ii) someone in the top quintile of income earners, (iii) someone earning a million dollars a year?

Please take into account a broad measure of income including capital gains (even if unrealised and/or untaxed) and distinguish between income and other taxes paid.

Answer:

The Treasury has not undertaken detailed analysis of the proportion of income paid by very high income earners using the broad measure of income described by Senator Bob Brown.

*Taxation Statistics 2008-09*, published by the Australian Tax Office, provides information on taxable income from various sources and net tax various income groups. The pattern of tax paid to measures of income is summarised in Table 1, below.

Table 1 – Ratio of tax to income, by taxable income ranges, 2008-09 income year.

2008-09 income year Income earners taxable income	\$45,000 to \$60,000	\$90,000 to \$150,000	More than \$180,000	More than \$1 million
A. Net income tax <sup>a</sup> as a per cent of taxable income	18.7%	28.3%	39.2%	44.9%
B. Net income tax and super contributions tax <sup>b</sup> as a per cent of adjusted total income <sup>c</sup>	17.1%	24.9%	33.1%	n/a <sup>d</sup>

Notes:

(a) Net income tax = gross tax less tax offsets plus Medicare levy plus Medicare levy surcharge.

(b) Super contributions tax = employer based contributions (super guarantee and salary sacrifice contributions) plus non-employer sponsored contributions taxed at 15 per cent.

(c) Adjusted total income = total income from tax return add back (excluded capital gains, net farm management deposits, reportable fringe benefits, rental capital works deductions, small and general business tax break, tax losses of earlier years

claimed, business depreciation expenses) and subtract deferred business losses. An adjustment for unrealised losses is not possible with this data set.

(d) Public data on the super contributions for those with taxable income of more than \$1 million as not published in *Taxation statistics 2008-09*.