

# Top earners shoulder more of the tax burden

**Tom McIlroy** and **Michael Read**

Jun 8, 2023 – 7.00pm

The share of tax paid by Australia's highest earners is at its highest level in at least a decade, with new data showing the top 1 per cent contributed nearly a fifth of personal income tax revenue in 2020-21.

Figures released by the Australian Taxation Office on Thursday showed the average individual tax bill for the top 1 per cent of earners was \$317,090 in the period, up by more than \$47,000 from a year earlier, according to analysis by *The Australian Financial Review*.



The Albanese government is under pressure to scrap or wind back the stage three tax cuts. **Alex Ellinghausen**

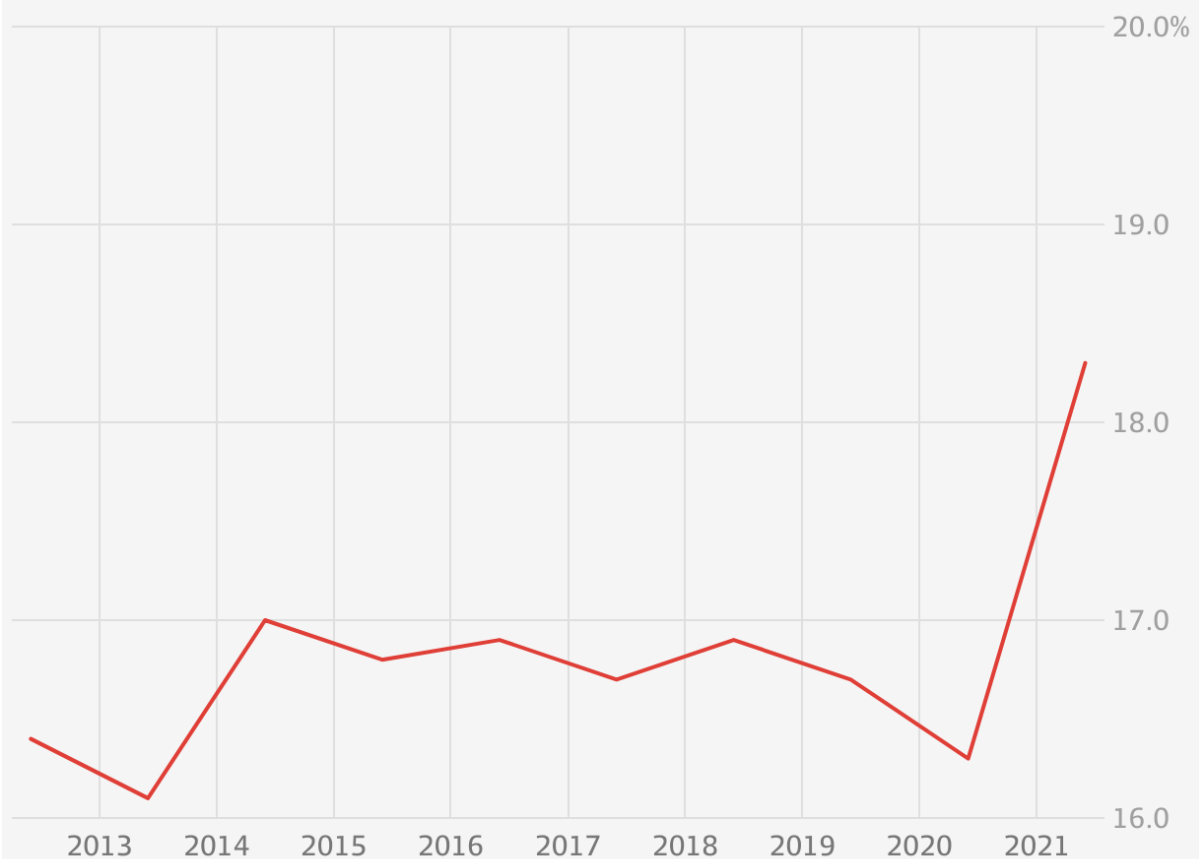
The release of the figures came as the latest [national accounts](https://www.afr.com/link/follow-20180101-p5deo8) [https://www.afr.com/link/follow-20180101-p5deo8] showed personal income taxes were eating up a near-record 16 per cent of household earnings, as wage inflation pushes workers into higher tax brackets.

Facing structural budget deficits and growing demands from crossbenchers and the Greens, the Albanese government is resisting calls to scrap or wind back the stage three tax cuts, designed to correct bracket creep.

Australian National University Tax and Transfer Policy Institute director Robert Breunig said while stage three was not perfect, abolishing the changes would be a step in the wrong direction.

“I think if you got rid of the stage three tax cuts, you’d be moving in the wrong direction in terms of where we should be taxing.” he said.

**Share of tax paid by top 1 per cent of earners**



Source: ATO

But Greens leader Adam Bandt told *The Australian Financial Review* the cuts would allow the wealthy to rip money away from everyone else.

“It’s right that the very wealthy pay proportionally more tax, because that’s what a progressive tax system means,” Mr Bandt said.

The federal budget has become increasingly reliant on income taxes as inflation pushes ordinary earners into higher tax brackets. Last month's budget papers showed more than 50 per cent of total Commonwealth tax revenue will be paid by individual taxpayers in 2023-24 [<https://www.afr.com/link/follow-20180101-p5d6i7>].

The new figures show the 117,000 taxpayers in the top 1 per cent of taxable income paid 18.3 per cent of all income tax revenue – up from 16.3 per cent a year earlier.

For the top 3 per cent, the average total tax bill was nearly \$190,000, up by about \$18,000 in the year, and representing 28.1 per cent of all revenue. A year earlier the figure was 25.9 per cent.

Taxpayers in the top 10 per cent paid an average of \$93,536 in 2020-21, or 46.2 per cent of the total tax take. Their average tax bill grew by \$6000. A year earlier their average share was 44.2 per cent.

The increase in the share of tax paid by the top 10 per cent mainly reflects a large increase in taxes paid by the top 1 per cent of earners.

The annual taxation statistics release shows the total number of taxpayers grew by about 316,000 people, with total revenue growing from \$225.3 billion to \$236.7 billion between 2019-20 and 2020-21.

Nationally, the average taxable income was \$68,289 in 2020-21, and the average net tax paid was \$20,226.

Australia's progressive tax system means the bottom 50 per cent of taxpayers paid just \$27.5 billion in tax in 2020-21, or 11.6 per cent of the \$236.7 billion in income taxes collected by the ATO. In 2019-20, that figure was 12.6 per cent.

Mr Bandt said Labor wanted to dismantle the progressive system and “push the country towards a flat tax neoliberal nightmare.

“With everyday people struggling to make ends meet, Labor should spend \$313 billion making Australia fairer, starting with getting dental into Medicare, freezing rents and wiping student debt, instead of giving \$9000 a year tax cuts to Gina Rinehart and Clive Palmer.”



## Taxes paid by taxable income percentile

2020-21 financial year

▼ Percentile	Income range	Average net tax per person	Share of tax paid
100	\$377,553 or more	\$371,091	18.3%
99	\$267,368 to \$377,552	\$114,596	5.7%
98	\$223,539 to \$267,367	\$83,147	4.1%
97	\$199,645 to \$223,538	\$68,795	3.4%
96	\$183,610 to \$199,644	\$59,840	3.0%
95	\$174,538 to \$183,609	\$54,496	2.7%
94	\$164,460 to \$174,537	\$50,699	2.5%
93	\$155,818 to \$164,459	\$47,094	2.3%
92	\$148,609 to \$155,817	\$44,069	2.2%
91	\$142,425 to \$148,608	\$41,540	2.1%
90	\$136,956 to \$142,424	\$39,278	1.9%
89	\$132,077 to \$136,955	\$37,286	1.8%
88	\$127,735 to \$132,076	\$35,517	1.8%
87	\$123,857 to \$127,734	\$33,923	1.7%
86	\$120,471 to \$123,856	\$32,411	1.6%
85	\$117,796 to \$120,470	\$31,221	1.5%
84	\$114,918 to \$117,795	\$30,179	1.5%
83	\$112,138 to \$114,917	\$29,134	1.4%
82	\$109,526 to \$112,137	\$28,124	1.4%
81	\$107,106 to \$109,525	\$27,194	1.3%

Additional 80 rows not shown.

Table: Michael Read • Source: Australian Taxation Office

Experts say the stage three package will slightly overcompensate the highest income earners [<https://www.afr.com/policy/economy/the-real-cost-of-stage-three-tax-cuts-is-6b-not-18b-20230511-p5d7m5>] for bracket creep, but system will remain progressive after implementation.

Treasurer Jim Chalmers said this week he understood the stage three cuts were “contentious”, but the government had not changed its view on their implementation.

ANU's Professor Breunig said Australia had one of the most progressive tax systems in the world, and wealthy people earning income through salaries, investments and capital gains were "paying their way".

"What's missing there is the question of who are the people who have a lot of wealth who aren't paying a lot of tax. One of the problems with our system is that we are asking a very small number of people to pay a tremendous amount of tax.

"I think there are other people who probably should be paying more tax who are using tax minimisation strategies like trusts, and then there's also a lot of income that is untaxable.

"There are a lot of older people in Australia who have a lot of wealth and who also have a lot of tax-free income."

Jarden chief economist Carlos Cacho [<https://www.afr.com/link/follow-20180101-p5d86y>] said bracket creep was an easy way for governments to earn more revenue over time.

"However, from a policy perspective I think it encourages stagnation – politicians can rely on bracket creep to improve the budget without reforms or policy changes," he told the *Financial Review*.

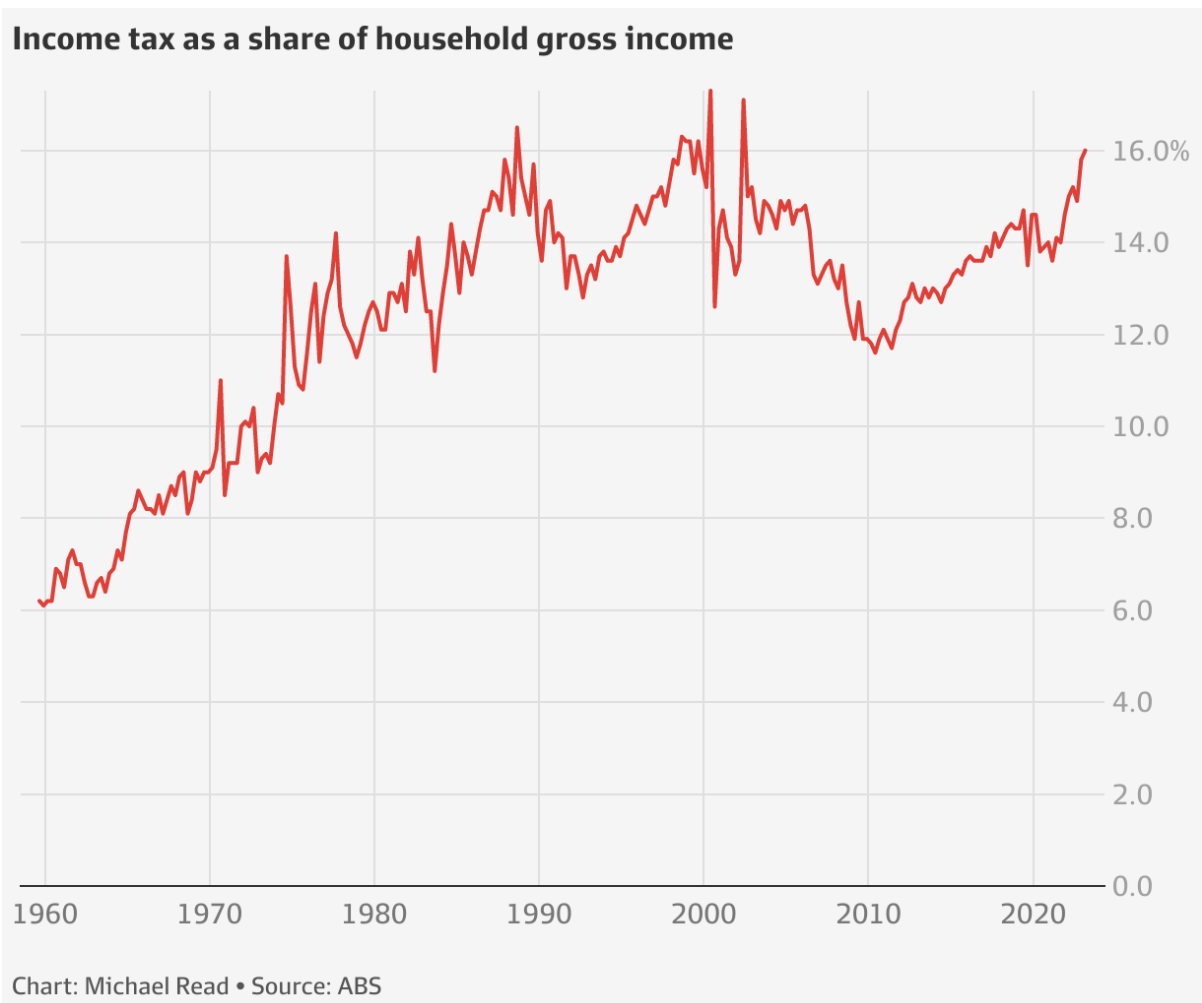
"Further, it also encourages tax avoidance for those that can."

While reducing bracket creep was important, Mr Cacho said there was a case for a deeper look at the tax and transfer system.

"In particular, improving the efficiency of the tax system by increasing the revenue from GST and offsetting this in changes to income tax and transfers.

"The fiscal demands of an ageing population, along with the continued growth of the NDIS and the risk of higher rates for longer means more needs to be done to ensure the long-term sustainability of the budget.

"While allowing bracket creep to continue helps this, it encourages poor policy and we should strive for a better and more efficient tax system."



UNSW tax expert Bob Deutsch said top earners had shouldered a disproportionate share of the tax take for some time, something often lost in the economic and political debate.

“It has always been the case that the top 1 per cent have paid a disproportionately higher percentage of tax,” Professor Deutsch said.



“In some ways, that should be the case because we have a progressive tax system, but the extent to which that is the case is perhaps underestimated.”

Professor Deutsch said the stage three tax cuts should go ahead, because of long-term improvement to the system.

“In the longer term, it will provide a better framework of taxation for the broad population, even though in the shorter term it will give greater benefits to the higher paid.

“We have had very high levels of bracket creep over many years and the stage three cuts will, to some extent, address that.

“The disadvantage of stage three is they will make the tax system slightly less progressive because the rates will be skewed more favourably to the top end.”

Thursday’s figures show that to make it into the top 1 per cent of taxpayers, a person had to have a taxable income of more than \$377,553 in 2020-21, though this figure has almost certainly increased in 2023 due to bracket creep.

To make the top 10 per cent, a person needed a taxable income of more than \$142,425, and to make the top 20 per cent a person needed a taxable income of \$107,106.



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