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Left Behind: Who Benefits from the Stage Three Tax Cuts

About this analysis

This analysis was prepared by Anglicare Australia using the eligibility criteria for the Stage Three Tax Cuts. This is compared with income data to estimate which parts of the country will benefit most and least from changes to the tax system.

Estimates are drawn from the latest Australian Bureau of Statistics 'Personal Income in Australia' data. Using income quartiles from the 'Total income distribution by geography' tables for 2019-20, this analysis estimates which States, Territories, and local regions will benefit the most, and least, from the tax cuts.

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 \$45,001 and \$200,000.

The tax cuts, which come into effect in July 2024, will:

- Increase the income at which the top tax bracket begins from \$180,001 to \$200,001.
- Remove the 37 percent bracket for incomes between \$120,001 to \$180,000.
- Lower the tax rate for incomes between \$45,001 to \$200,000 from 32.5 percent to 30 percent.

These changes will erode much of Australia's progressive taxation system. Those earning less than 45,000 will receive no benefit from the tax cuts, while the greatest benefits will go to the highest income earners. It is projected that 78% of the tax cuts will go to 20% of Australia's highest income earners.ⁱ

As we prepare for the introduction of the tax cuts, Australians are also adjusting to the end of the Low and Middle Income Tax Offset. The Offset provided Australians earning \$90,000 or less with a benefit of \$1,080 each year.ⁱⁱ The end of the Offset means that these Australians will receive no functional benefit from the Stage 3 Tax Cuts at a time when cost-of-living pressures are high, and rents are soaring.

This analysis looks at the number and percentage of people who will benefit from the changes in different parts of the country, breaking these benefits down by States, Territories, and regions.

What we found

Our analysis shows that the parts of the country in need of the most support amidst rising living costs will benefit the least from the tax changes. Tasmania and South Australia will fare the worst, as shown at Table 1. Citizens in both States are the least likely to earn high incomes.

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Tasmania and South Australia have also benefited the least from Australia's low rate of unemployment. For example, Tasmania and South Australia have consistently shown the most dire results in Anglicare Australia's Jobs Availability Snapshot, which measures demand for entry-level work.

Table 1. Beneficiaries of tax changes, by State and Territory

State/Territory	Est. number of recipients	Est. percentage of recipients
Tasmania	57,146	12.1%
South Australia	209,224	13.9%
New South Wales	1,199,884	18.4%
Northern Territory	37,536	18.6%
Queensland	683,706	19.1%
Victoria	919,094	19.3%
Western Australia	443,408	23.3%
Australian Capital Territory	101,282	31.5%

Source: ABS Personal Income in Australia,ⁱⁱⁱ ABS Regional population.^{iv}

The picture becomes richer when looking at the regional impact of the changes. The stage 3 tax cuts are most likely to benefit high income earners who live in wealthy areas of Australia's largest capital cities. Those getting no benefit from the changes are more likely to live in poorer rural areas, or disadvantaged periurban areas, as shown at Table 2. Table 2 lists regions where fewer than one in five residents will receive any benefit.

Table 2. Beneficiaries of tax changes, by SA4 Regions

Region	Est. number of recipients	Est. percentage of recipients
Mid North Coast (NSW)	16,529	8.8%
New England and North West (NSW)	16,657	9.3%
South East (SA)	15,780	9.4%
South East (Tasmania)	3,181	9.4%
Darling Downs, Maranoa (Queensland)	10,895	9.5%
Far West and Orana (NSW)	12,101	9.8%
Coffs Harbour, Grafton (NSW)	12,371	10.0%
North West (Victoria)	15,157	10.0%
Wide Bay (Queensland)	23,052	10.1%
Barossa, Yorke, Mid North (SA)	10,364	10.1%
West and North West (Tasmania)	11,136	10.3%
Shepparton (Victoria)	12,479	10.5%
Outback (NT)	9,789	10.5%
Richmond, Tweed (NSW)	22,695	10.6%
Launceston and North East (Tasmania)	14,219	10.6%
Murray (NSW)	12,026	10.8%
Adelaide North (SA)	39,838	11.2%
Warrnambool and South West (Victoria)	13,645	11.4%
Riverina (NSW)	17,797	11.7%
Hume (Victoria)	18,407	12.1%
Outback (SA)	10,439	12.2%
Southern Highlands and Shoalhaven (NSW)	16,185	12.5%
Central West (NSW)	25,023	12.8%
Latrobe, Gippsland (Victoria)	30,295	12.8%

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Table 2. (Continued)

Region	Est. number of recipients	Est. percentage of recipients
Logan, Beaudesert (Queensland)	31,824	13.0%
Sydney South West (NSW)	44,771	13.2%
Outback (Queensland)	11,385	13.6%
Wheat Belt (WA)	17,552	13.6%
Central Coast (NSW)	41,603	14.1%
Ballarat (Victoria)	19,072	14.2%
Sydney Inner South West NSW	71,202	14.3%
Moreton Bay North (Queensland)	24,250	14.6%
Hobart (Tasmania)	28,800	14.6%
Cairns (Queensland)	28,112	14.7%
Adelaide West (SA)	30,715	14.7%
Bendigo (Victoria)	18,913	14.8%
Adelaide South (SA)	48,250	14.9%
Toowoomba (Queensland)	18,947	15.4%
Capital Region (NSW)	31,234	16.3%
Mornington Peninsula (Victoria)	39,970	16.3%
Outer West Sydney and Blue Mountains (NSW)	47,188	16.4%
Melbourne Outer East (Victoria)	76,824	16.4%
Newcastle and Lake Macquarie (NSW)	55,627	16.8%
Ipswich (Queensland)	36,539	16.8%
Illawarra NSW	45,063	16.9%
Melbourne South East (Victoria)	92,328	16.9%
Outback, South (WA)	19,829	17.0%
Hunter Valley (excluding Newcastle) (NSW)	37,341	17.1%
Sydney Outer South West (NSW)	38,330	17.2%
Sydney Parramatta (NSW)	60,052	17.3%
Townsville (Queensland)	32,773	17.6%
Melbourne North West (Victoria)	50,473	18.0%
Sunshine Coast (Queensland)	46,405	19.1%
Sydney, Blacktown (NSW)	51,293	19.3%
Geelong (Victoria)	43,184	19.4%
Gold Coast (Queensland)	75,843	19.4%
Melbourne North East (Victoria)	76,738	19.8%
Bunbury (WA)	26,718	20%

Source: ABS Personal Income in Australia;^v ABS Regional population.^{vi}

Anglicare Australia notes that the Stage 3 Tax cuts are now projected to cost \$254 billion in foregone revenue over the next ten years.^{vii} If the Australian Government can afford to redistribute a quarter of a trillion dollars in revenue to country's wealthiest regions, then it can surely afford to help those which have been hit the hardest by recent cost-of-living pressures.

Given diminishing public revenues, and growing public expenditure needs, we cannot afford the cost of the next round of tax cuts. They will clearly benefit those who need the least support and entrench regional inequities for years to come.

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ⁱ Taken from a forthcoming Anglicare Australia analysis of the tax cuts.

ⁱⁱ Australian Taxation Office (2022) [Low and Middle Income Earner Tax Offsets](#).

ⁱⁱⁱ Australian Bureau of Statistics (2022) [Personal Income in Australia](#).

^{iv} Australian Bureau of Statistics (2022) [Regional Population](#).

^v Op cit: Personal Income in Australia.

^{vi} Op cit: Regional Population.

^{vii} The Treasury (2022) [Transcript, The Hon Dr Jim Chalmers](#).

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