



TRICKLE UP

Living costs and the Stage 3 Tax Cuts



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About this analysis

This analysis was prepared by Anglicare Australia on the effects of the Stage Three Tax Cuts. It looks at the benefits received by high income earners on a fortnightly basis, and compares them with a basic basket of goods for low and middle income households. The aim is to show how far this money could go if it was targeted to those in need of relief.

Estimates are drawn from the latest Australian Bureau of Statistics 'Personal Income in Australia' data, official data monitoring the cost of petrol, average estimates of household spending on goods and essentials, and original research on the average costs of household items and groceries.

Background information and assumptions

The Stage Three Tax Cuts, legislated under the previous Government and set to come into effect 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.

Unless they are repealed before July 2024, the tax cuts will: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 people earning up 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 percent of the tax cuts will go to 20 percent of Australia's highest income earners.¹

As we prepare for the introduction of these high-end tax cuts, Australians are facing some of the highest cost of living pressures seen in years. Interest rates have been rising, rents are at record highs, and sustained inflation over the past eighteen months has seen food and groceries become more and more expensive. Recent polls show that cost of living relief is now the first priority of Australians.² Polling has also consistently shown that the Stage 3 Tax Cuts are not popular with the public. As recently as October 2023, a majority of Australians supported scrapping the tax cuts. This includes those set to benefit the most.³

This analysis brings together these two debates by looking at the benefits received by the highest income quintile, and the impact those benefits could have if they were directed at essential spending for low and middle income earners in need of cost of living relief.

Findings

Our analysis shows how the Stage 3 Tax Cuts will translate into benefits for Australians at different income levels and in different income quintiles (Table 1). Those on the lowest incomes will receive no benefit, while those on the highest incomes will receive an annual benefit of over \$9,000. This translates to a fortnightly benefit of almost \$350 per week.

Table 1. Beneficiaries of tax changes by income level

Gross Income	Annual Benefit	Fortnightly Benefit
up to \$40,000	nil	nil
\$50,000	\$125	\$4.81
\$60,000	\$375	\$14.42
\$70,000	\$625	\$24.04
\$80,000	\$875	\$33.65
\$90,000	\$1,125	\$43.27
\$100,000	\$1,375	\$52.88
\$110,000	\$1,625	\$62.50
\$120,000	\$1,875	\$72.12
\$130,000	\$2,575	\$99.04
\$140,000	\$3,275	\$125.96
\$150,000	\$3,975	\$152.88
\$160,000	\$4,675	\$179.81
\$170,000	\$5,375	\$206.73
\$180,000	\$6,075	\$233.65
\$190,000	\$7,575	\$291.35
\$200,000 or more	\$9,075	\$349.04

First scenario

Australia's top five percent of income earners are those earning more than \$180,000 per year before tax. They will receive an estimated annual benefit of \$6,075 per year. This equates to \$233.65 per fortnight.

Anglicare Australia's calculations for our first scenario show that this could help a low or middle income household pay for an average tank of petrol, car insurance payment, mobile phone bill, and a modest selection of groceries on a fortnightly basis.⁴

These costs are outlined at Table 2.

Table 2. Basic basket of goods, first scenario

Item	Estimated cost
Petrol, 40 litre tank ⁵	\$78.68
Car insurance, fortnightly payment ⁶	\$44.10
Mobile phone bill, fortnightly contribution ⁷	\$21.00
Bread, fresh white loaf	\$3.54
Cheese, local, 250g	\$3.65
Milk, regular, 1 litre	\$2.30
Eggs, regular, dozen	\$5.78
Beef mince, 3-star regular, 500g	\$7.00
Chicken fillets, 1kg	\$12.68
Selection of produce ⁸	\$26.10
Selection of dry goods ⁹	\$27.52
Total cost per fortnight	\$232.07

Second scenario

Our second scenario is based on the benefits received by those earning over \$200,000. Their fortnightly benefit of \$349.04. In addition to the goods purchased in the first scenario, this would add the ability to make a fortnightly contribution to the total cost of electricity for an average Australian household.

These costs are outlined at Table 3.

Table 3. Basic basket of goods, second scenario

Item	Estimated cost
Petrol, 40 litre tank	\$78.68
Car insurance, fortnightly payment	\$44.10
Mobile phone bill, fortnightly contribution	\$21.00
Electricity, fortnightly contribution ¹⁰	\$98.00
Bread, fresh white loaf	\$3.54
Cheese, local, 250g	\$3.65
Milk, regular, 1 litre	\$2.30
Eggs, regular, dozen	\$5.78
Beef mince, 3-star regular, 500g	\$7.00
Chicken fillets, 1kg	\$12.68
Selection of produce	\$26.10
Selection of dry goods	\$27.52
Total cost per fortnight	\$330.07

Recommended actions

Based on this analysis, Anglicare Australia calls on the Government to abandon the Stage 3 Tax Cuts and instead invest in targeted cost of living relief for households on low and middle incomes. This is consistent with public expectations at a time of immense financial pressure, with rising interest rates, record-high rents, and the impacts of inflation being felt strongly by households.

Anglicare Australia notes that the Stage 3 Tax cuts are now projected to cost \$254 billion in foregone revenue over the next ten years.¹¹ If the Australian Government can afford to redistribute a quarter of a trillion dollars in revenue to the country's highest income earners, then it can surely afford to help those which have been hit the hardest by recent cost of living pressures.

As we prepare for the introduction of the tax cuts, Australians are still adjusting to the end of the Low and Middle Income Tax Offset which expired in 2022. The Offset provided Australians earning \$90,000 or less with a benefit of \$1,080 each year.¹² The end of the Offset means that these Australians will receive no benefit from the Stage 3 Tax Cuts at a time when low and middle income tax relief is disappearing, cost of living pressures are high, and rents are soaring.

Anglicare Australia understands concerns about actions that could drive inflation. However, looking at the main drivers of inflation over the last three quarters, these are not affected by consumer behaviour. Fuel, the cost of building of new homes, rents, electricity, and property rates and charges have been the most consistent drivers of inflation in Australia according to the Australian Bureau of Statistics.¹³ Petrol prices and the cost of building homes are largely driven by international factors, while rents, electricity prices, and property rates and charges are not impacted by consumer behaviour. Although restaurant meals contributed to inflation in the September quarter, this effect is likely to be worsened by adding to the disposable income of higher income earners rather than providing targeted relief to those in need.

Given diminishing public revenues, and growing public expenditure needs, we cannot afford the cost of the next round of tax cuts. Our analysis shows they benefit those who need them the least while failing to assist those who need urgent cost of living relief at a time of great financial stress.

In the years since these changes were planned, our world has changed. Australians have lived through fires, floods, and a pandemic only to enter a cost-of-living crisis. Along with the cost blowout of the tax cuts, this makes the tax cuts a different proposition in 2023. The Government should heed these changes and repeal the tax cuts before they come into effect.

References

- 1 Anglicare Australia (2023) [A Costly Choice](#).
- 2 See for example the [Essential Report](#) and [Newspoll](#) from November 2023.
- 3 The Australia Institute (2023) [Polling – Stage 3 tax cuts and revenue](#).
- 4 Grocery costs are drawn from global living cost database Numbeo. Where item costs were not available, Anglicare Australia conducted original research assuming grocery delivery to metropolitan cities.
- 5 Cost based on the Australian Institute of Petroleum's [weekly report ending 26 November 2023](#).
- 6 Assumptions based on a 2010 Toyota Camry parked in a metropolitan city.
- 7 Assumptions based on a monthly plan of \$45 per month, including calls and 10gb data.
- 8 Includes apples, bananas, tomatoes, potatoes and onions at 1kg each, and one head of lettuce.
- 9 Includes rice, beans, chickpeas, pasta, oats, jam, oil, and canned fish.
- 10 Assumptions based on Australians' [average weekly spending](#) on electricity.
- 11 The Treasury (2022) [Transcript, The Hon Dr Jim Chalmers](#).
- 12 Australian Taxation Office (2022) [Low and Middle Income Earner Tax Offsets](#).
- 13 Australian Bureau of Statistics (2023) [Consumer Price Index, Australia](#).

