

SAVE OUR SCHOOLS

Education Policy Comment

A Golden Age of Tax Concessions for the Rich

New data released by the Australian Treasury in February shows it is a golden age of income tax concessions for the rich. Tax concessions for the wealthy in Australia are at unprecedented levels. They benefitted nearly \$40 billion from seven major tax concessions in 2019-20. The avarice of the rich is robbing disadvantaged schools and other public services of much-needed revenue. It has huge social and economic costs.

The latest tax expenditure statement (now called [Tax Expenditures and Insights Statement](#)) shows that the top 10% of taxable income earners received \$39.1 billion from just seven forms of tax concessions. The total revenue forgone from these seven tax concessions in 2019-20 was a\$84.4 billion and 46% of this went to the top 10% of income earners.

Major Tax Concessions for Top Income Earners, 2019-20

Tax Expenditure	Revenue Forgone (\$M)	Share to Top 10% (%)	Gain by Top 10% (\$M)
Employer Superannuation Concessions	20,250	30	6,075
Superannuation Earnings	15,750	39	6,143
Rental Dedications	18,600	35	6,510
Franking Credits	17,200	68	11,696
Capital Gains Discount	9,240	75	6,930
Donations & Gifts	1,970	55	1,084
Managing Tax Affairs	1,400	47	688
Total	84,410	46	39,095

Source: Australian Treasury, *Tax Expenditures and Insights Statement*, February 2023.

The figures ignore tax avoidance through family trusts. High income earners can also reduce taxation through family trusts. Trust earnings can be allocated to family members who have low income from other sources so that the taxable income attracts the lowest rate of tax possible. For example, a high proportion of the trust income can be allocated to adult family members who work part-time so as to take advantage of the tax-free threshold applying to them. In some circumstances it is possible to reduce the tax bill to almost zero.

The Treasury does not estimate the tax revenue lost through this rort. However, it does show that about 22% of those who receive trust distributions are in the top income decile and they accounted for about 60% of all income received from trusts by individuals. This amounted to about \$31.2 billion.

Estimates of the loss to tax revenue are hard to come by. However, a few years ago the University of NSW tax law expert, [Dale Boccabella](#), estimated that tax avoidance through family trusts is reducing government taxation revenue was at least \$2 billion a year. At the time, he said this was a conservative estimate.

The rich also get rewarded with tax concessions to employ armies of lawyers, financial consultants, and accountants to arrange their tax affairs to avoid tax. The costs of this “wealth defence industry” can be claimed as a tax deduction. The Tax Expenditures and Insights Statement shows

that the top 10% of income earners received a tax concession amounting to nearly \$658 million in 2019-20.

The cost of these tax concessions is borne by the rest of the community. It siphons off revenue that would be better used to fund schools, TAFE and universities as well as other services such as health care, mental health, public housing, unemployment benefits and so on. As the economists Emmanuel Saez and Gabriel Zucman have observed, tax avoidance is “[the triumph of injustice](#)”.

The Stage 3 tax cuts for the rich will rob even more funding from services for low income families. According to estimates by the [Parliamentary Budget Office](#) the Stage 3 tax cuts will cost \$243 billion over eight years from 2024-25 to 2032-33. The top 20% of income earners would receive a tax cut of \$188 billion, nearly 80% of the total benefit of the tax cuts. Those with a taxable income of \$180,000 or more would get \$118 billion. The top 1% of income earners, with taxable incomes of over \$309,000 in 2021-22, will get a tax cut worth \$11.8 billion. This massive windfall for the richest people in Australia will exacerbate inequality and deny much needed funding for key services such as public education, health care, aged care and the NDIS.

To compound the injustice, the richest families in Australia also benefit from over \$1 billion a year in government funding for the elite private schools they send their kids to. Figures published on My School show that 126 of the richest schools in Australia received \$1.25 billion in government funding in 2020. Not only do the wealthy avoid paying tax, but they get huge subsidies out of the taxes paid by the rest of the community. The sheer scale of the avarice is gobsmacking.

These schools have a massive resource advantage over public schools. Yet, public schools which enrol over 80% of low socio-economic, Indigenous, remote area and disability students are massively under-funded. They are under-funded by nearly \$7 billion this year alone.

It is a disgraceful injustice and an inexcusable waste that elite private schools catering for the wealthy should continue to receive government funding while disadvantaged public and private schools are denied adequate funding and face severe shortages of teaching staff and educational materials. Yet, the avarice of the wealthy and their tax concessions goes unchallenged by governments while the rest of the community, especially disadvantaged families, suffers from inadequate services. As the US Supreme Court Justice Oliver Wendell Holmes famously said over 100 years ago: “Taxes are what we pay for civilized society”. It is time the rich in Australia fulfilled their obligation to support a better society.

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