

PER CAPITA TAX SURVEY 2011:

Public attitudes towards taxation and government expenditure

David Hetherington



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Acknowledgements

The author would like to thank the Australia Institute for enabling Per Capita to place the Tax Survey alongside its *Measuring What Matters* Survey. Special thanks are due to Josh Fear at the Institute who was particularly unstinting with his time and counsel. In addition, the author is grateful for the valuable insights of Louise Doyle, Josh Funder, Dennis Glover, Rod Glover, Anthony Kitchener, Simon Moodie and Tim Soutphommasane throughout the project. Most importantly, Per Capita acknowledges the generous support of the Morawetz Social Justice Fund without which this work would not have been possible.

About the author

David Hetherington is the founding Executive Director of Per Capita. He has previously worked at the Institute for Public Policy Research and for L.E.K. Consulting in Sydney, Munich and Auckland. He has authored or co-authored numerous reports on economic and social policy including *Energy Market Design and Australia's Low-Carbon Transition* (2010), *Employee Share Ownership and the Progressive Economic Agenda* (2009), *Case Studies in Social Innovation* (2008), *The Full-Cost Economics of Climate Change* (2008), *Unlocking the Value of a Job* (2008), *The Investing Society* (2007), *Disability 2020* (2007) and *Would You Live Here?* (2006). His articles have appeared in the Sydney Morning Herald, the Australian Financial Review, the Age and The Australian and he is a regular radio and TV commentator on Radio National and ABC News24. David holds a BA with First Class Honours from UNSW and an MPA with Distinction from the London School of Economics where he won the George W. Jones Prize for Academic Achievement.

About Per Capita

Per Capita is an independent progressive think tank which generates and promotes transformational ideas for Australia. Our research is rigorous, evidence-based and long-term in its outlook, considering the national challenges of the next decade rather than the next election cycle. We seek to ask fresh questions and offer fresh answers, drawing on new thinking in science, economics and public policy. Our audience is the interested public, not just experts and practitioners.

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Executive Summary

The Per Capita Tax Survey for 2011 has asked 1,300 Australians for their views on personal tax contributions, overall taxation levels, public service spending and new tax proposals such as the Minerals Resource Rent Tax and the carbon tax. Whereas much tax commentary is highly technical and driven by representatives of assorted interest groups, this Survey captures public attitudes towards tax and government spending, shining a light on citizens' view of their own tax system.

The results demonstrate both continuity and change over the last twelve months. Australians continue to desire a more progressive tax system which sees higher income earners and big business making a greater contribution. As in 2010, we find that citizens want governments to spend much more on public services. We see a repeat of the two forms of cognitive dissonance observed last year. First, individuals want more spending on public services, but believe they personally should pay less tax. And secondly, many high-income individuals believe that the wealthy should pay more tax, but feel that their own tax levels are too high, despite the fact that on any objective measure, they are themselves wealthy.

There are also shifts in community sentiment since last year: attitudes towards tax have become less generous. More people believe they pay too much tax, particularly those nearing retirement age, and more say that high-income earners and big business pay too little tax. While still high, support for spending on public services has fallen considerably.

We also surveyed attitudes towards the proposed new taxes on mining and carbon emissions. A majority of respondents support a mining super-profits tax, and supporters of an emissions trading scheme outnumber supporters of a carbon tax by two to one. There is a distinct split between younger and older respondents, as younger people discount the future at a lower rate: they are more likely to support both the mining tax and carbon pricing.

Finally, we asked about Australia's tax levels relative to peer countries and found considerable ignorance around Australia's comparative tax levels. Most respondents believe that Australia is a high-taxing, big government country when in fact its tax-to-GDP ratio falls within the lowest 20% of the OECD.



Introduction

Tax has been the dominant theme of Australia's public debate over the past 12 months. Since the release of the Henry Review of Taxation in May 2010, a series of tax proposals have charged opinions across the political spectrum, including the minerals resource rent tax, the flood levy and the carbon tax. It is not an exaggeration to say that mining tax contributed heavily to the collapse of Kevin Rudd's Prime Ministership, and that the destiny of the Federal Government is intimately linked to the fortunes of its carbon tax proposal. Tax policy has rarely been more influential.

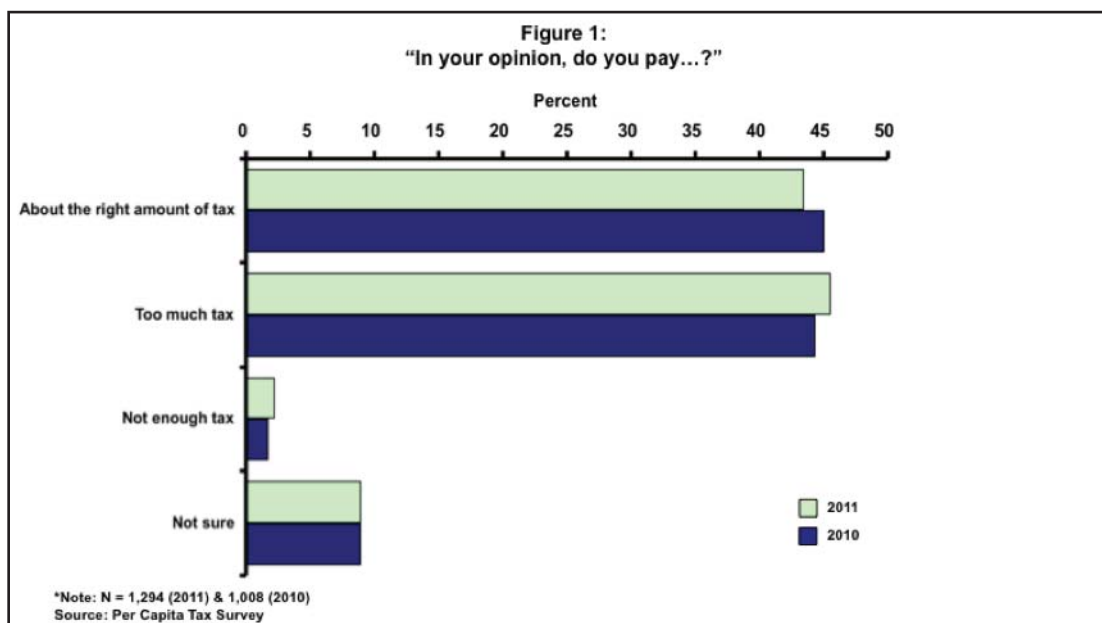
Yet this debate takes place largely between political and media elites. Aside from opinions expressed on talkback radio (and these callers may not be representative), there is precious little evidence of the public's perception of the tax system at large. For this reason, Per Capita last year undertook its inaugural Tax Survey (Gregory and Hetherington, 2010). Based on positive feedback to that research, and the continuing importance of tax to fairness and prosperity in Australia, Per Capita has chosen to continue its Tax Survey as an annual exercise.

The 2010 Survey found widespread support for a more progressive tax system, considerable lack of awareness about true patterns of tax and spending, and a cognitive dissonance in which citizens express a contradictory desire for increased public spending but lower taxes.

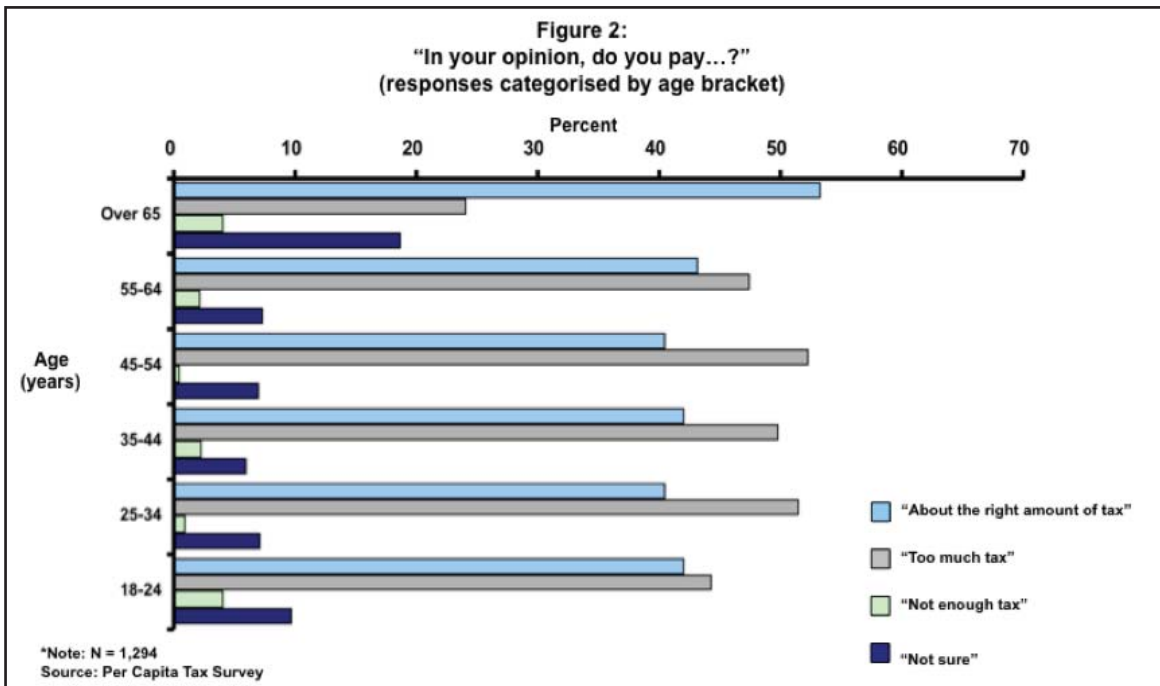
The vast majority of last year's questions were retained for 2011, including all questions on one's own tax position, the tax position of others and the level and segmentation of public expenditure within the economy. We have also added a number of questions on new developments in the tax debate. We have asked respondents for their views on carbon pricing, the adequacy of superannuation savings, and changes to the rate of GST. Finally, we sought respondents' perceptions of the overall level of tax and spending in Australia relative to other developed economies, and compared these with actual levels of tax and spending across the OECD.

Section I: Attitudes towards personal tax obligations

The Survey begins by asking respondents for their views on the level of their own tax payments. As in 2010, responses fell into two large blocs (see Figure 1). 46% of respondents believe they pay too much tax, while an additional 43% say they pay about the right amount of tax. While these groups are similar in size, their relative size has shifted since last year when more people (45%) felt they paid the right amount of tax than believed they paid too much (44%). This suggests a slight hardening of attitudes towards personal tax obligations, a suggestion which is strengthened by the modest fall in those who feel they pay too little tax.

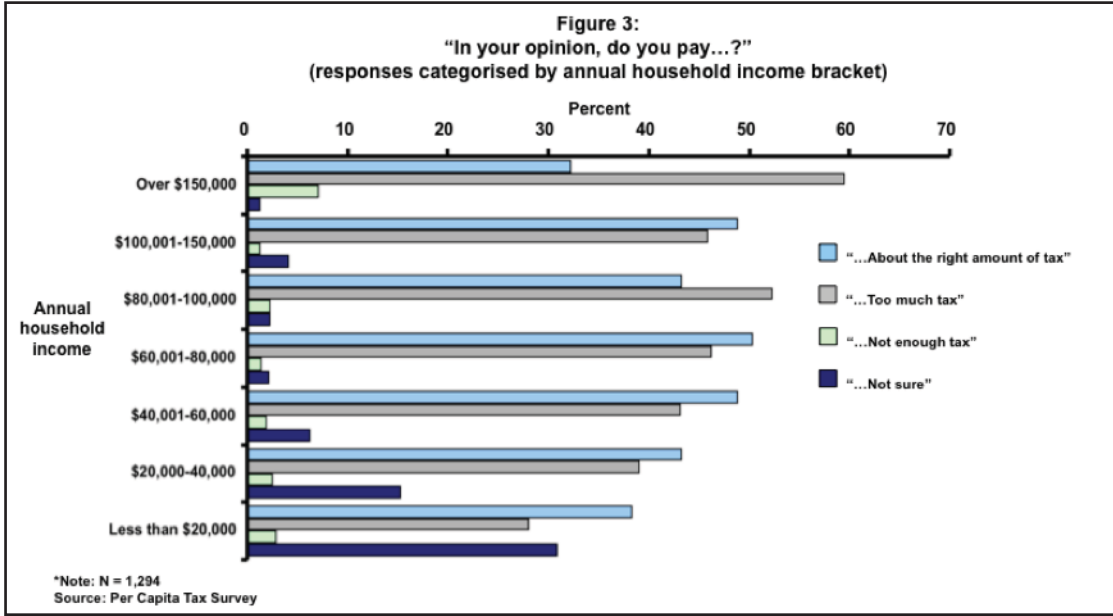


There is a clear division across age groups in these responses. In all age groups below 65 years, those who feel they pay too much tax outnumber those who say they pay about the right amount by between 2 and 12 percentage points. In the over 65 age group, on the other hand, the latter group outnumbers the former by almost 30 percentage points (see Figure 2). More working age Australians responded that they are overtaxed compared with any other outcome, while more of those in retirement see their own tax burden as reasonable.



In the last 12 months, the biggest shift has occurred in the 55-64 year age group where the share of people who say they pay about the right amount has fallen from 50% to 43% and those who say they pay too much has risen from 40% to 47%, a net change of 14 percentage points. It is likely that this shift is a response to collapse in value of retirement nest-eggs during the global financial crisis, and that these respondents feel less financially secure now than they did one year ago.

There is a similar, though less clear, differentiation when the responses are split by income (see Figure 3). Amongst households with incomes below \$80,000, the most frequent response is that they pay about the right amount of tax. On average, 46% of these participants offered this response, compared with 40% who felt they pay too much tax. This pattern is repeated amongst households earning \$100,000-150,000, where the respective figures are 49% and 46%.

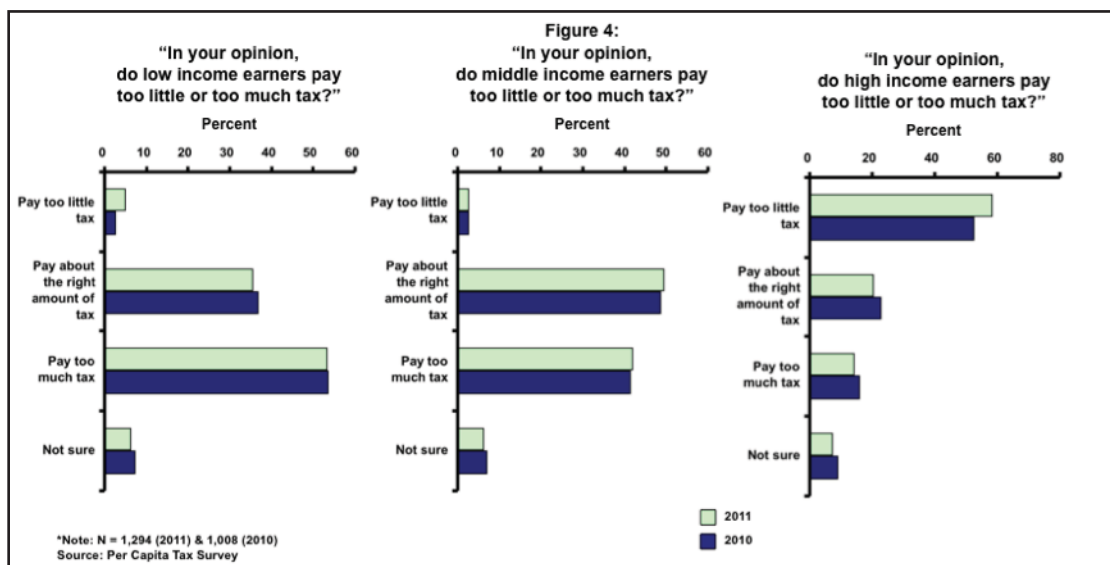


Respondents from high-income households (earning above \$150,000 p.a.) feel differently. Amongst this group, 60% perceive that they pay too much tax, while 32% say they pay about the right amount. This split is repeated amongst the \$80,000-100,000 p.a. households where 52% of respondents say they pay too much, and 43% view their payments as about right.

Section II: Attitudes towards personal tax obligations

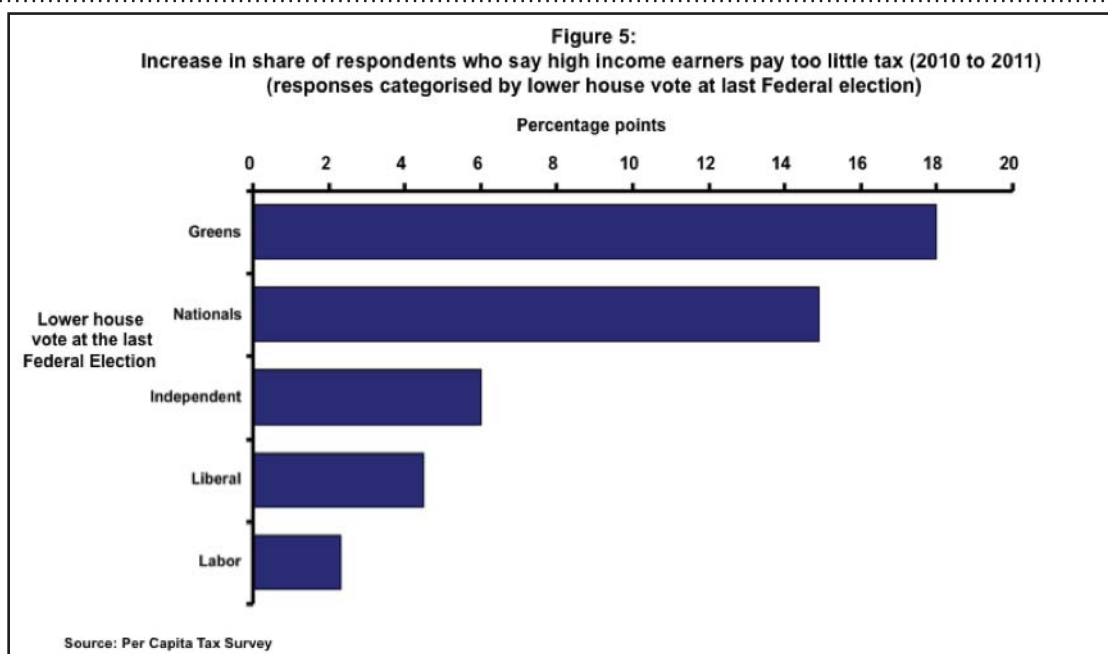
Having examined perceptions of one's own tax obligations, we now turn to attitudes on tax levels within the community. It remains the case in 2011 that Australians desire a more progressive tax system, in which a greater share of the tax burden falls on high-income earners and big business and a smaller share on low-income households and SME's.

53% of all respondents feel low-income earners pay too much tax, and 42% feel middle-income earners pay too much, yet only 14% believe high-income earners pay too much. Conversely, 58% of respondents feel high-income earners pay too little tax, while the equivalent figures for mid- and low-income earners are 3% and 5% respectively (see Figure 4).



As with views on one's own obligation, there is a modest hardening of attitudes towards general levels of taxation since the 2010 Survey. The share of respondents who believe that high-income earners pay too little tax has increased by 6 percentage points, and for low-income earners, it has increased by two percentage points.

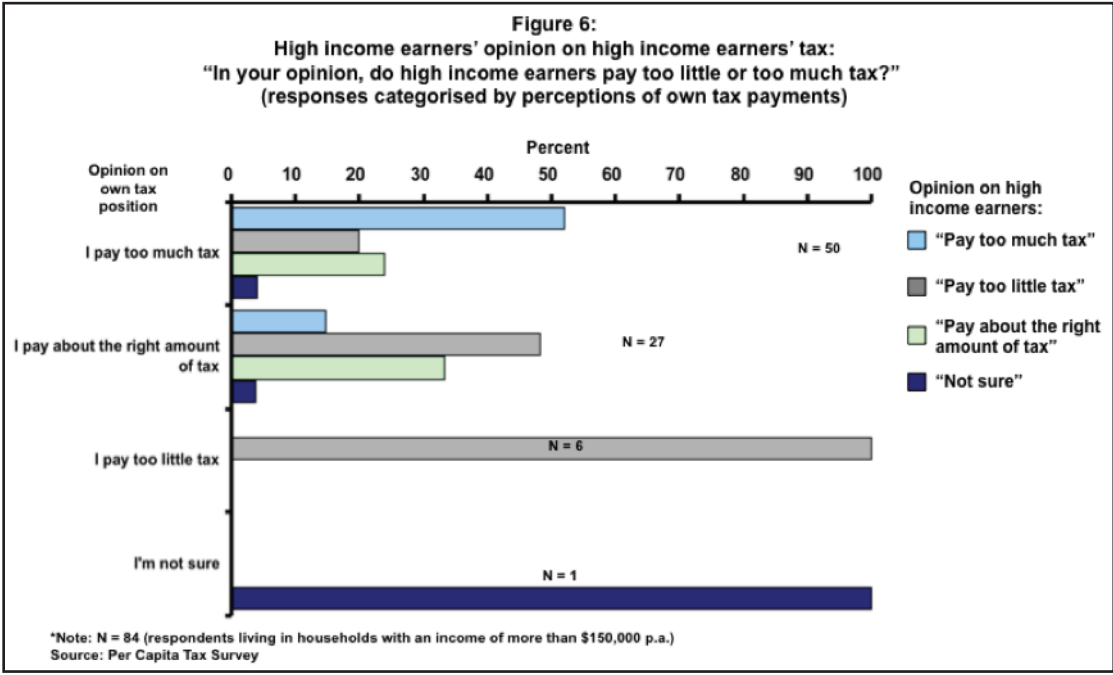
This hardening of attitudes is visible across the political spectrum. A majority of supporters of each political party at the last Federal election believe that high-income earners pay too little tax, and this share has increased for each party's supporters by an average of six percentage points over the past 12 months (see Figure 5).



The hardening is even more visible when attitudes towards the tax obligations of high income earners are segmented by income. Across all households earning below \$150,000, a majority of respondents believe high income earners pay too little tax. However, what's more striking is the change since 2010. Amongst households with incomes below \$100,000, almost 9% more respondents believe that high-income earners pay too little tax compared to 2010. Conversely, for those households on more than \$100,000, over 7% fewer people feel that the wealthy pay too little tax.

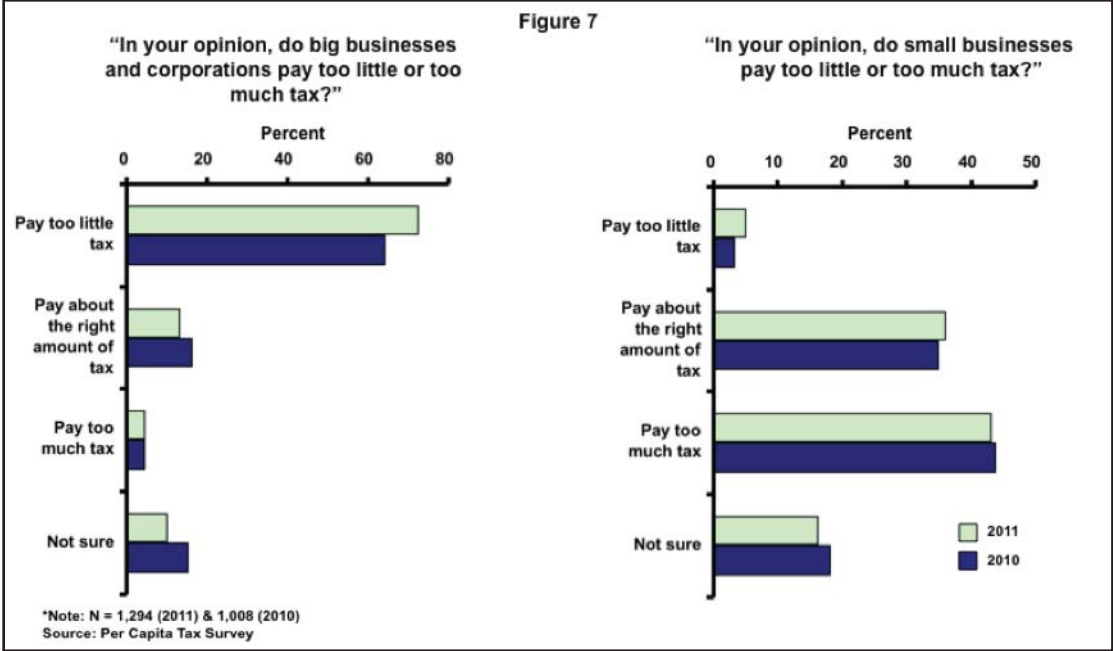
The responses amongst higher income households suggest that they have felt greater financial pressure over the last 12 months. Additionally, the visibility of the tax debate seems to have provoked a perception amongst both ends of the income spectrum that each end is doing better at the expense of the other. Lower-income households increasingly believe that the top end pays too little tax, while higher-income households increasingly feel that their own tax burden is too high.

Alongside this sits another unusual feature of attitudes amongst high-income households in households earning over \$150,000. A significant share of them believe that other high-income earners pay too little tax, even if they see their own tax burden as considerable. Of those who say they personally pay too much or about the right amount of tax, 30% also believe that high income earners as whole pay too little tax (see Figure 6).



There are two potential explanations for this belief. Either this group believes their peers are engaging in unacceptable tax avoidance, or perhaps more likely, they do not actually see themselves as high-income earners. This possibility is intriguing, given the extensive debate following the recent Budget about the use of \$150,000 as a threshold household income for determining access to various welfare benefits. For the purposes of this survey, we have considered households on over \$150,000 to be high income earners, which according to the most recent HILDA survey, constitute the top 13.5% of households in Australia.

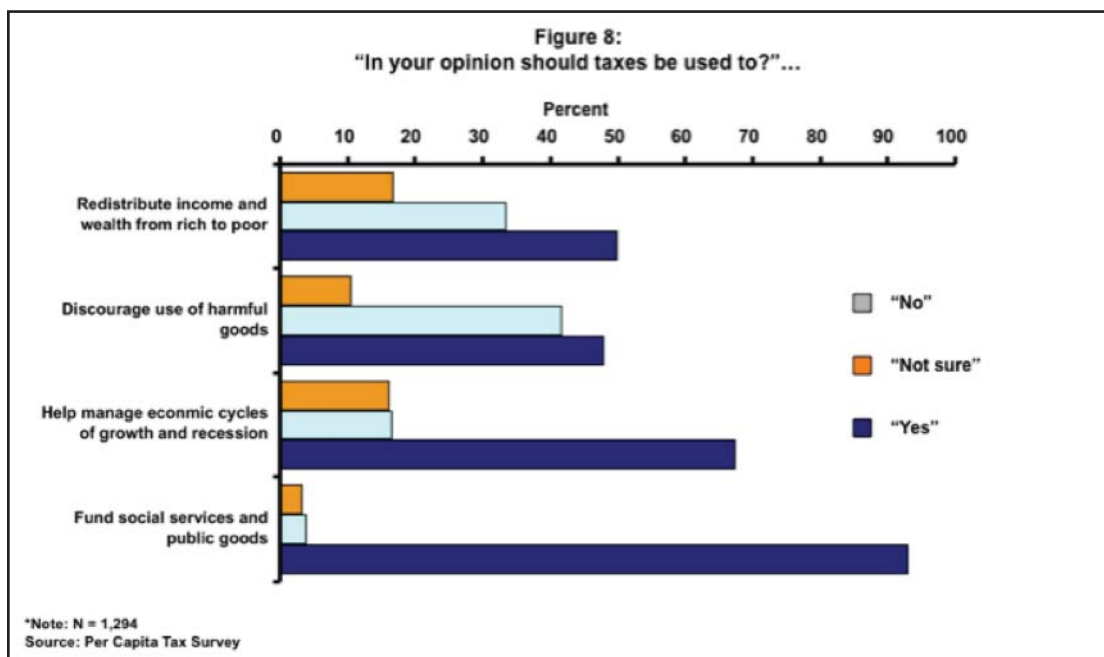
Responses on levels of company tax demonstrate attitudes similar to those held about personal income tax. There is a widespread belief that the company tax system is not progressive enough, and the perception that companies of all sizes pay too little tax has strengthened over the last year. 72% of respondents believe that big business pays too little tax, while only 5% say the same about small business. Conversely, 43% say that small business pays too little (see Figure 7).



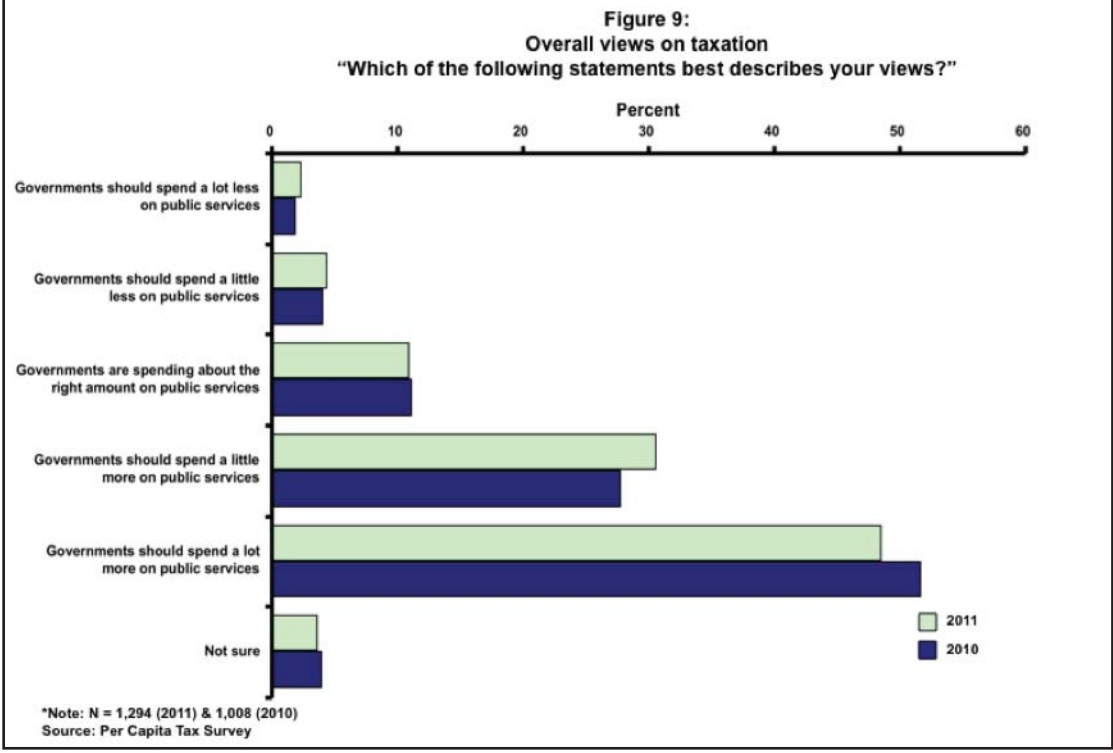
These numbers have moved considerably in the last year, with an 8% increase in those who say big business pays too little tax. The raw survey results show a minor increase in those who feel small business pays too little tax and corresponding decrease amongst those who say it pays too much, although these are not large enough to be statistically significant.

Section III: Attitudes towards tax and public services

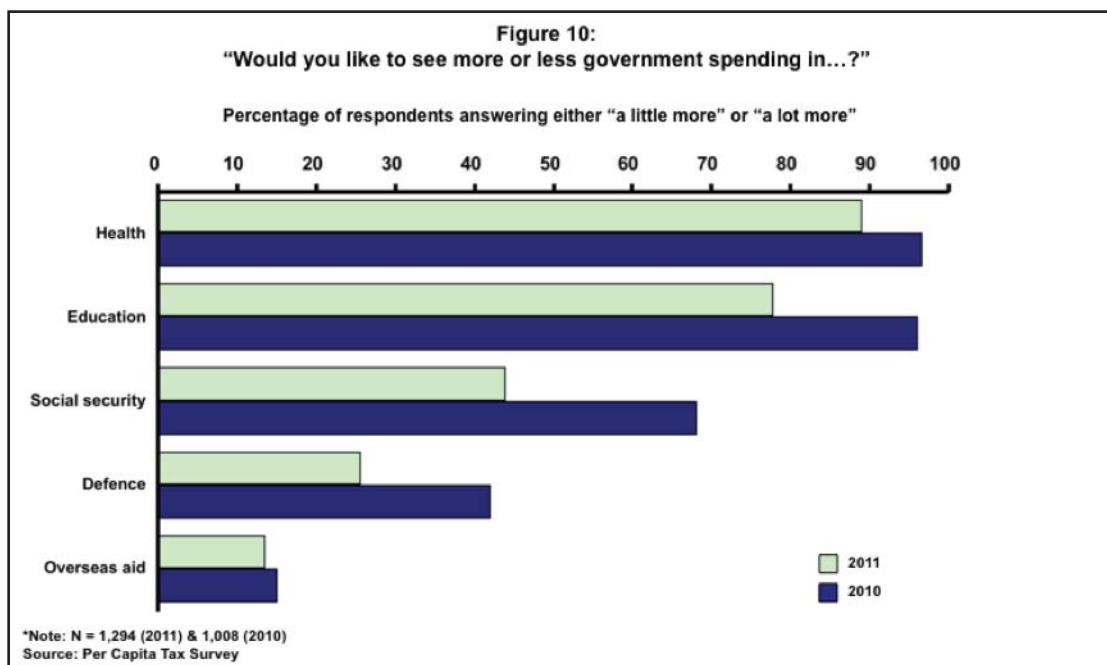
The Survey asks respondents what they believe taxes should be used for (see Figure 8). Almost everybody (93%) agrees that taxes should be used to fund social services and public goods. Two-thirds (67%) believe that they should be used to manage economic cycles of growth and contraction, although support for this has fallen by 9 percentage points since 2010, perhaps as a result of disputes over stimulus spending. Exactly one half (50%) believe they should redistribute income from rich to poor, an increase of 3 percentage points over last year. Finally, 48% believe that taxes should be harnessed as behavioural incentives to discourage the use of harmful goods, a drop of 8 points since last year, which may reflect the controversy over the carbon tax debate.



This year's Survey demonstrates continuing strong support for increased government spending on public services. 79% of respondents believe that spending on public services should be higher, with only 7% calling for reductions in spending. The share of people who believe that governments should spend a lot more has contracted by 3% over the past year, which matches exactly the increase in those who want a little more spending (see Figure 9). The share of respondents who want reductions in spending has increased by 1%, although again this is not statistically significant.

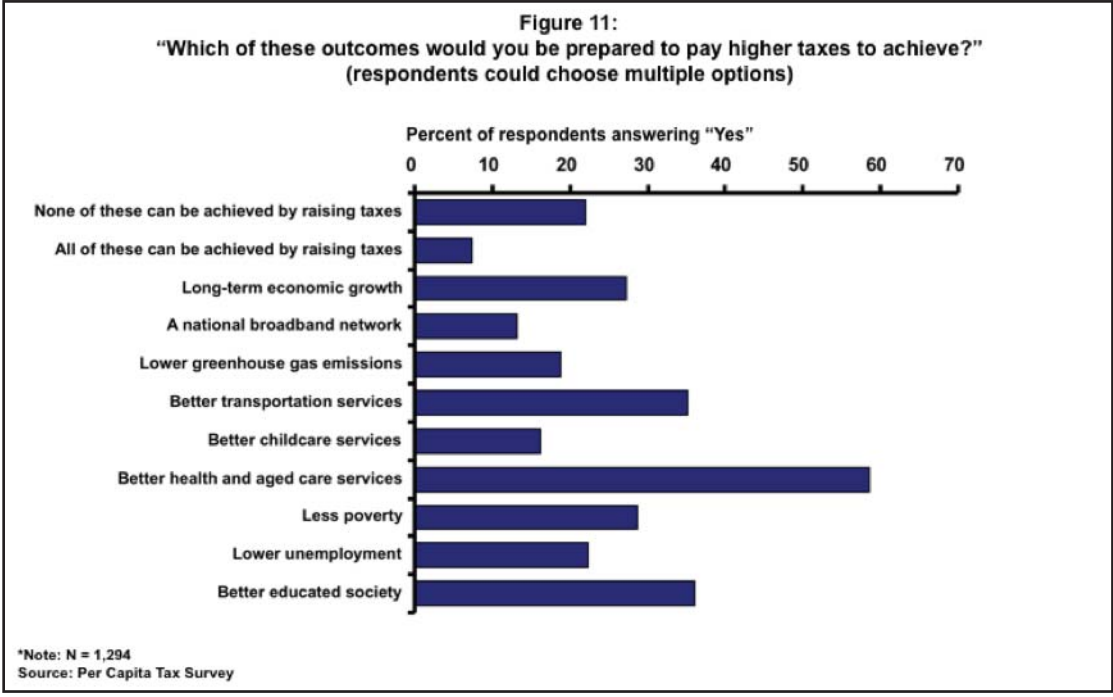


The preference for reduced spending is visible across the spectrum of public service provision. In the five of the areas specifically canvassed in this question, the order of preference for greater spending remained the same as in 2010, with health first, followed by education, social security, defence and lastly foreign aid. However, in all five areas, there was a fall in support for increased spending (see Figure 10). The biggest fall, in both absolute and relative terms, was in social security where support for higher spending fell 24 points to 44%. In defence, more respondents actually preferred less spending (33%) than wanted more spending (25%), a reversal of the 2010 results.

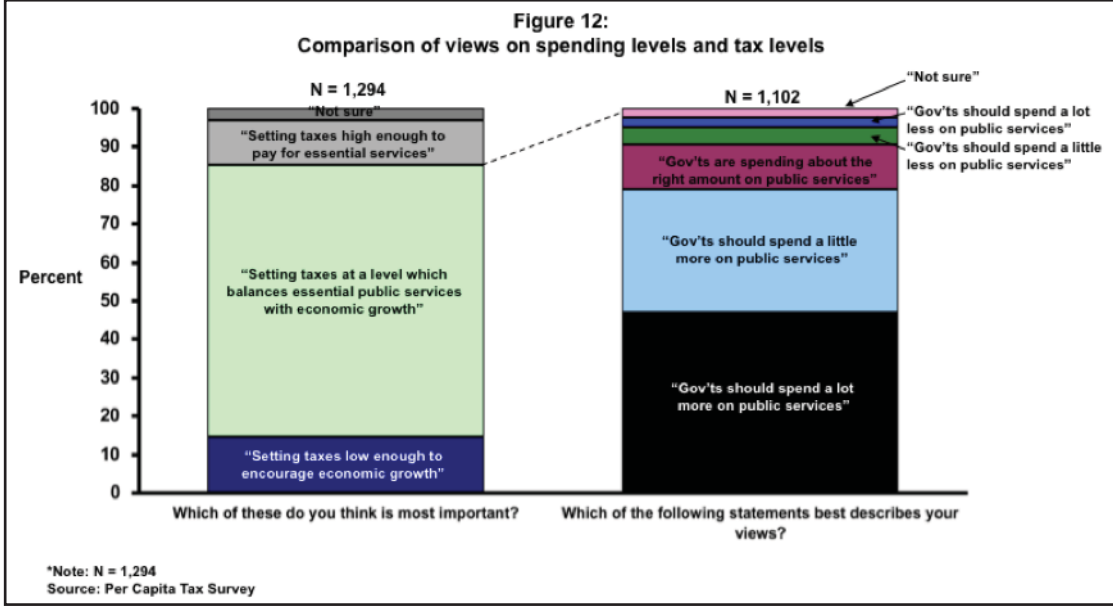


We believe it is important to test the preference for higher spending by linking it explicitly with the higher taxes required to support it. To do this, we have added a new question in 2011 asking which public policy outcomes respondents would personally be willing to pay higher taxes to achieve (see Figure 11). The results show that support for higher taxes to achieve an outcome is lower than unconditional support for higher spending on that outcome shown in Figure 10 above. For example, while 89% for respondents say they want more public spending on health, only 59% would be willing to pay higher taxes for better health and aged care services. Similarly, 78% want greater spending on education, but only 36% would pay more tax for a better educated society.

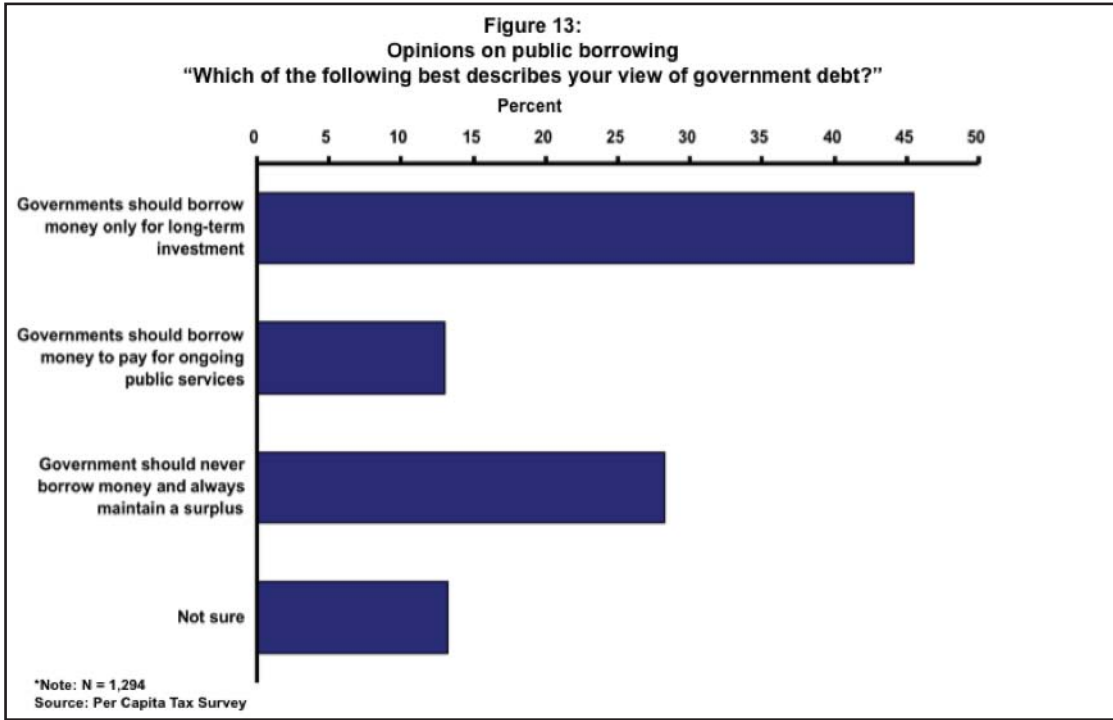
It is worth noting the preference order here. Better health services and education outcomes are the first two spending priorities, followed by improved transport services. What is less predictable, and more interesting, is that these are followed by the desire to pay more taxes for less poverty, long-term economic growth and lower unemployment at fourth, fifth and sixth respectively with support between 22% and 29%. These priorities score more highly than other high-profile policy objectives including lower greenhouse gas emissions and the national broadband network. They also suggest that a significant share of respondents believe that higher taxes can in some circumstances deliver superior economic outcomes like lower unemployment and poverty reduction. On the flip side, 22% believe that none of the proffered outcomes can be achieved through higher taxes.



Next, we asked respondents whether it is more important that governments set taxes high to deliver essential services, set them low to stimulate economic growth or strike a balance between the two. 71% believed that governments should strike a balance, 14% that they should set taxes low and 12% that they should set them high. Does this mean that the majority of Australians are happy with current levels of tax and public services? In aggregate, 79% of respondents say that governments should spend more on public services but this response does not include an explicit recognition that more taxes (or debt) would be required to pay for them. Even when we isolate the responses of those who believe that governments should either set taxes low or strike a balance between tax and service levels, we see that 78% remain in favour of higher government spending on public services (see Figure 12). It appears a majority those who believe in small or limited governments feel that governments should still be spending more on public services in Australia.



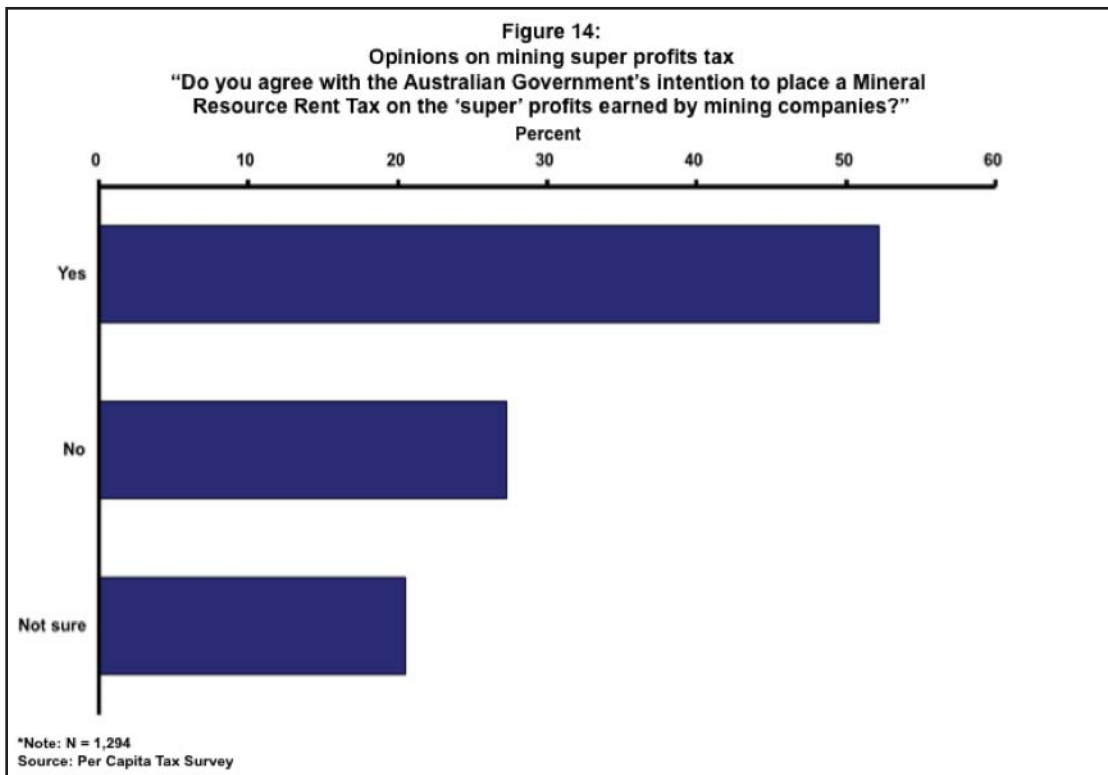
Finally, we sought respondents' views on governments' use of debt. Here we see that there is extremely low support for the use of debt to fund recurrent public expenditure. Only 13% of participants felt that ongoing spending on public services should be debt-funded. In contrast, 46% believe that governments should only borrow for long-term investment, while 28% say that governments should never borrow and instead maintain permanent surpluses (see Figure 13). So while the majority of participants do not believe it fiscally responsible to use borrowed money to pay for services like health and welfare, almost half of all respondents believe governments should use debt to fund long-term social needs like infrastructure and education.



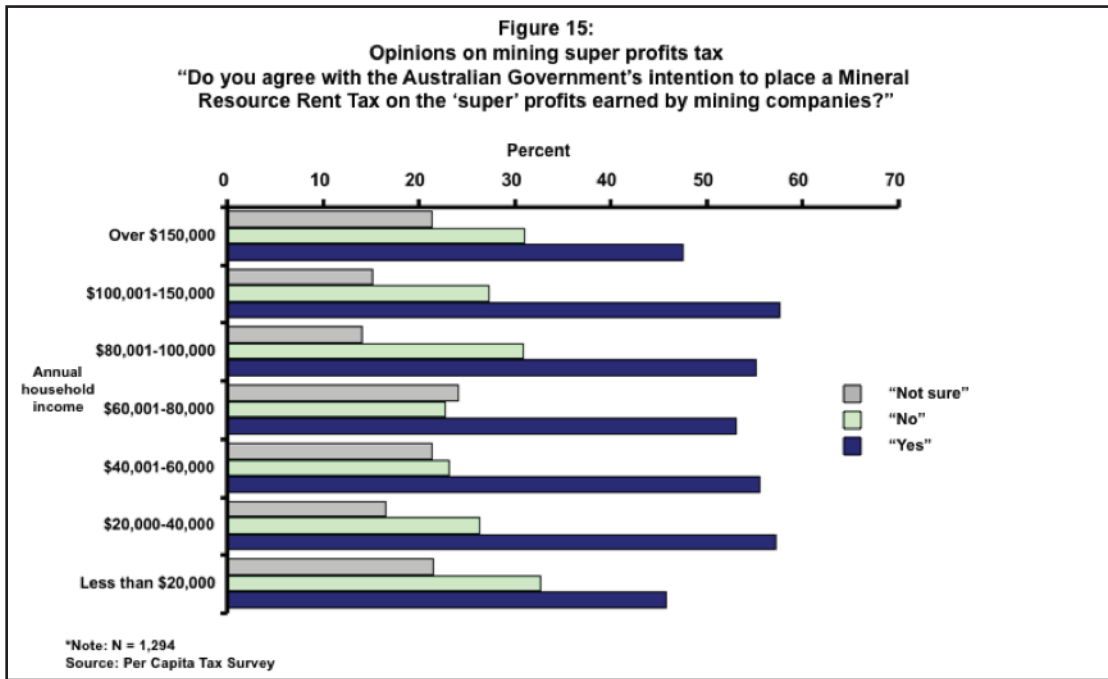
Section IV: Current tax reform proposals

The past year has seen a number of major new tax reforms proposed by the Federal Government. Some of these have emerged in direct response to the Henry Review while others, notably the carbon tax, are attempts to address changed political circumstances.

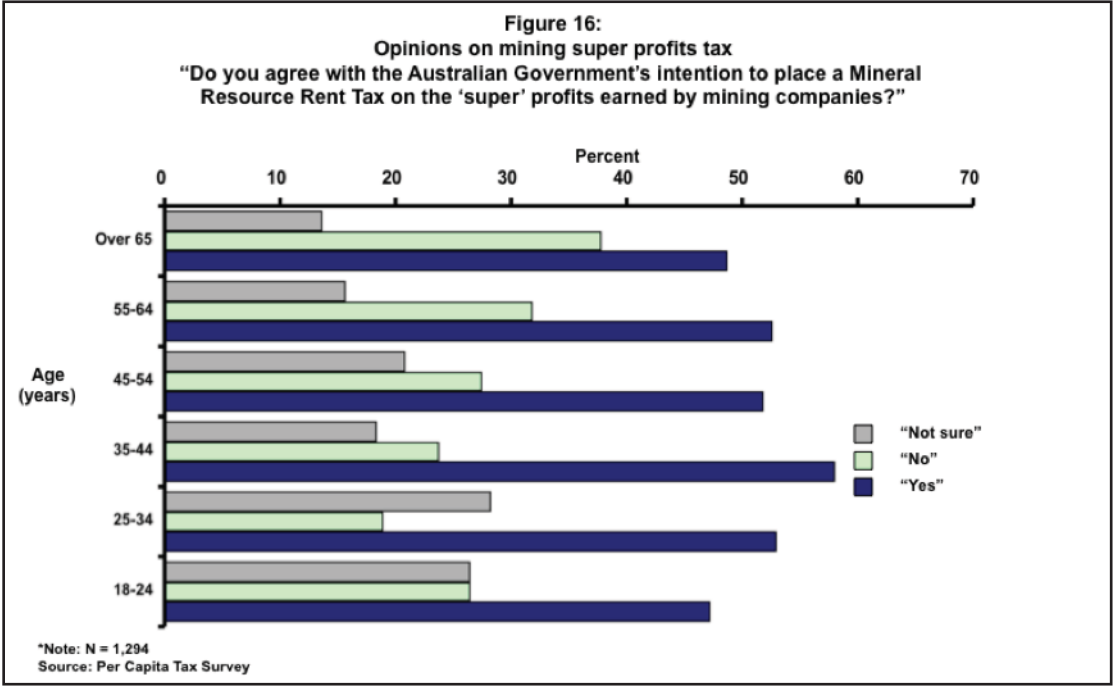
The first big tax proposal has been the minerals resource rent tax (formerly the mining super-profits tax). When asked for their opinions on this proposal, an absolute majority of respondents (52%) said they supported the tax. About half this number opposed the tax (27%), with the remainder unsure (see Figure 14).



When these results are analysed by income, we see that for an MRRT is stronger in the middle income brackets and weakest in the lowest and highest income brackets. In all income bands from \$20,000 to \$150,000, supporters of an MRRT outnumber opponents by a factor of around two to one. While support is noticeably lower below \$20,000 and above \$150,000, at 46% and 48% respectively, support amongst these households still outweighs opposition by at least 13 percentage points (see Figure 15).

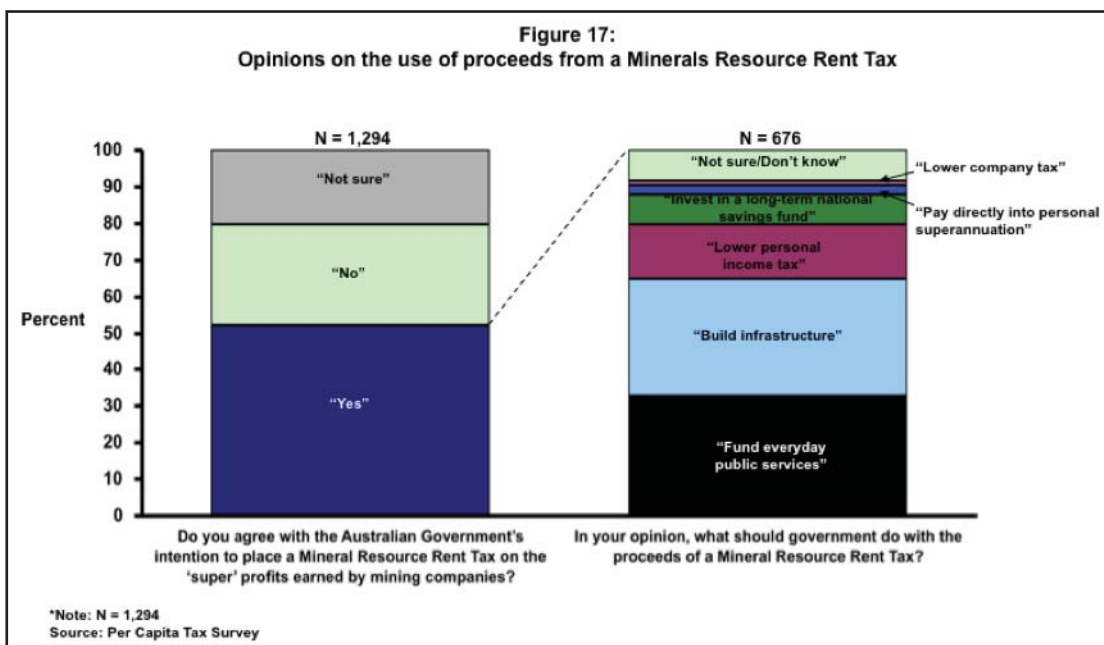


This pattern is mirrored in the breakdown of responses by age (see Figure 16). The greatest support for an MRRT is in the 35-44 year old age group at 58%, while the weakest support for the MRRT is in the under 18 and over 65 age groups with 47% and 49%. Interestingly, above 25 years, opposition to the MRRT increases steadily with age, from 19% in the 25-34 year old bracket to 38% in the over 65 group. This result is unsurprising as we would expect to see a correlation between age and an unwillingness to set aside current income for future consumption.

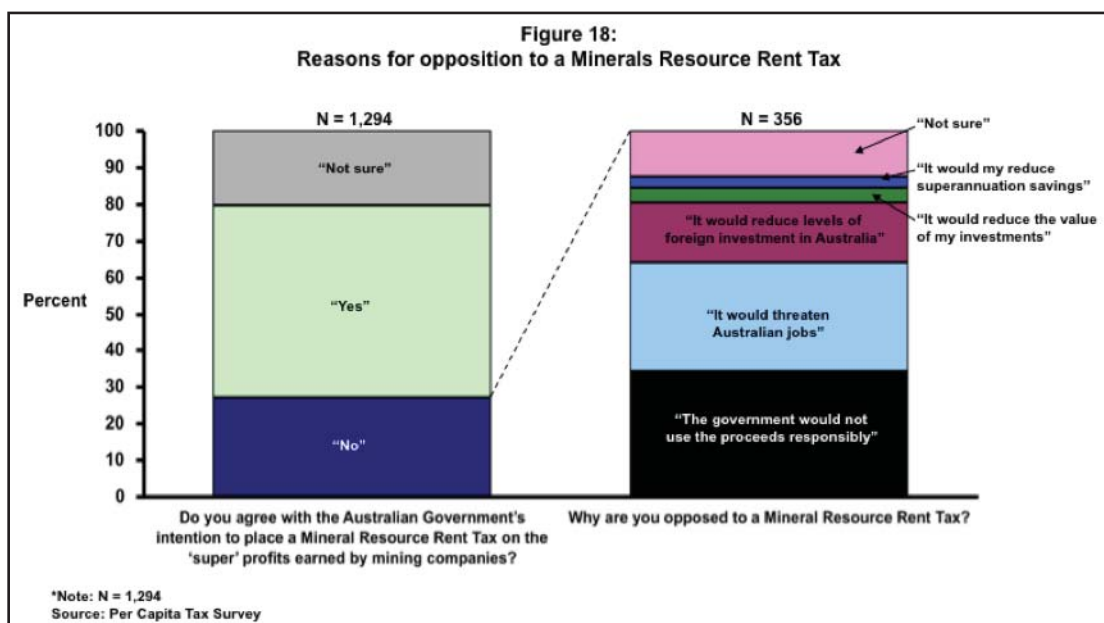


Surprisingly, the pattern of support by state is not distributed as expected. The conventional wisdom holds that opposition would be highest in the mining states of Queensland and Western Australia, but these states exhibit relatively high levels of support at 52% and 54% respectively, with 27% and 36% opposed. Conversely Victoria, which one might expect to provide strong backing for an MRRT, is the only state where less than half of respondents support the idea (46%).

The Survey then asks supporters of the MRRT how the Government should spend the proceeds of the tax (see Figure 17). 33% of supporters believe the funds should be used to fund everyday public services, while a further 32% believe they should be spent on building infrastructure. Just 15% feel the proceeds should be used to fund personal income tax cuts, while only 8% say they should be invested in a long-term national savings fund.

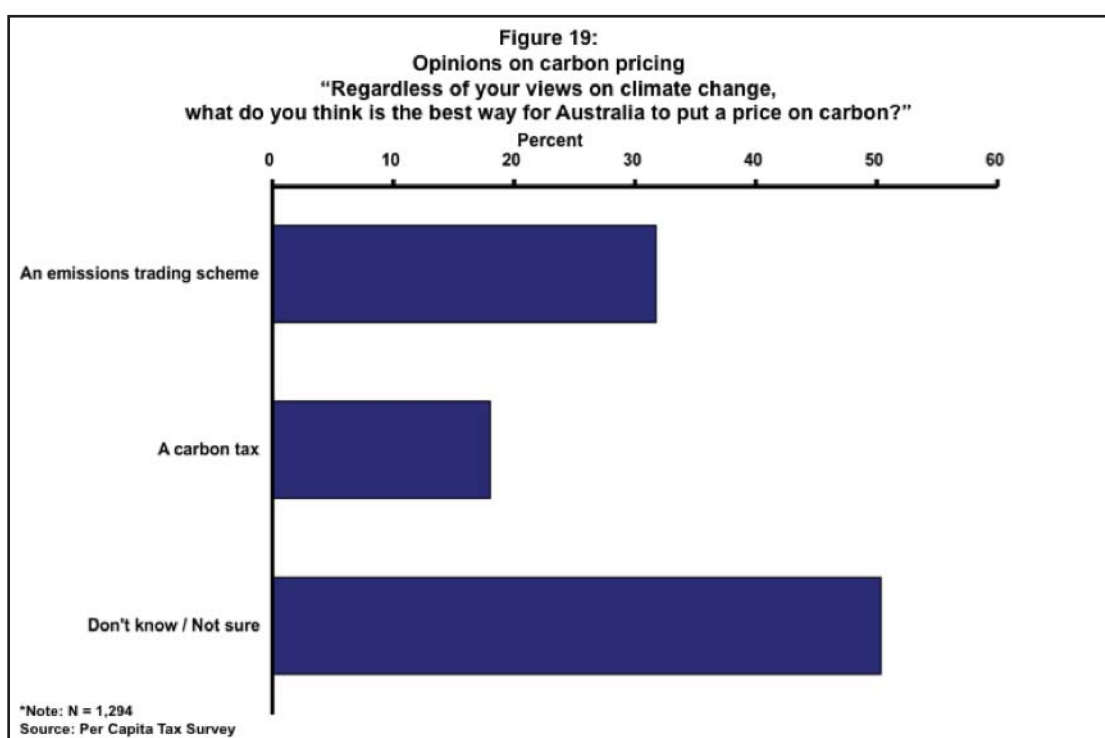


Finally on this topic, the Survey explores the factors underlying opposition to the MRRT (see Figure 18). Notably, the single most common response justifying opposition to an MRRT was that the government would not use the proceeds responsibly: over a third of opponents offered this reason (34%). This suggests that the opposition might not specifically be to an MRRT itself, but that more generally the Government has lost the trust of the electorate to spend new revenue wisely. Other reasons offered for opposing an MRRT included the threat to Australian jobs (29%), reduction in foreign investment (16%), and a reduction in the value of personal savings (4%).





We next turn to question of carbon pricing, in particular the preferred mechanism for putting a cost on emissions. Here we see why the Government has experienced such resistance to its carbon tax proposal. Within the Survey, supporters of an emissions trading scheme (32%) outnumber supporters of a carbon tax (18%) by almost two to one. What's more striking, however, is that half of all respondents are unsure or don't know what their favoured mechanism would be. This goes some way to explaining why politicians have such difficulty in garnering support for carbon pricing: both the issue and the proposed responses are so complex that many citizens feel they cannot support a particular approach with confidence.



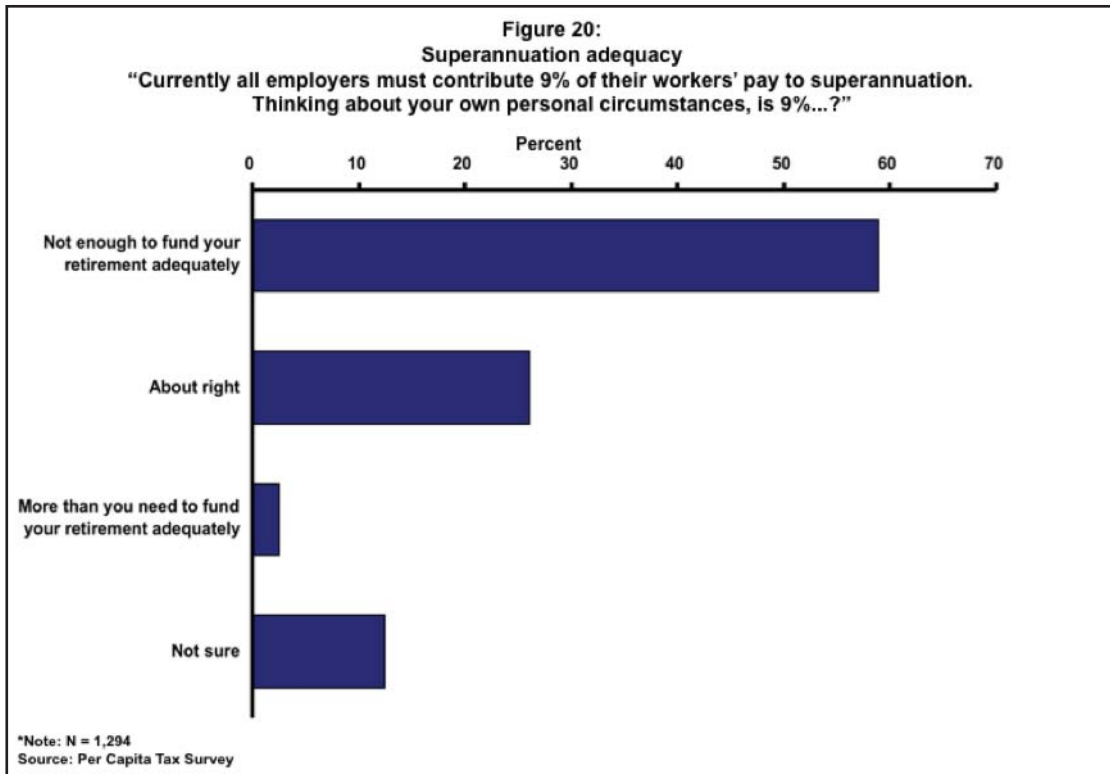
Interestingly, support for both an emissions trading scheme and a carbon tax falls with age. For both options, support is more than 50% higher in the 18-24 year old group than in the 65 years and over group.

Support for a carbon tax rises with income with the highest support (32%) found in the top bracket of \$150,000 and over. For the emissions trading scheme, support is highest in the middle income brackets with 36% in the \$60-80,000 range and 35% in the \$100-150,000 range.

There is little variation in support for a carbon tax by state, with all of the states exhibiting around 17% in favour. Support for an ETS is more variable, with the highest levels found in NSW (35%) and WA (34%) and the lowest in SA at 24%.

The final policy reform explored in the Survey concerns national savings. The Federal Government has recently announced plans to lift the rate of compulsory superannuation contributions from 9% to 12% by 2019. Technically, superannuation is not a tax but it does share many of the features of a tax mechanism, not least mandatory deductions from personal income, so is worthy of examination in this Survey.

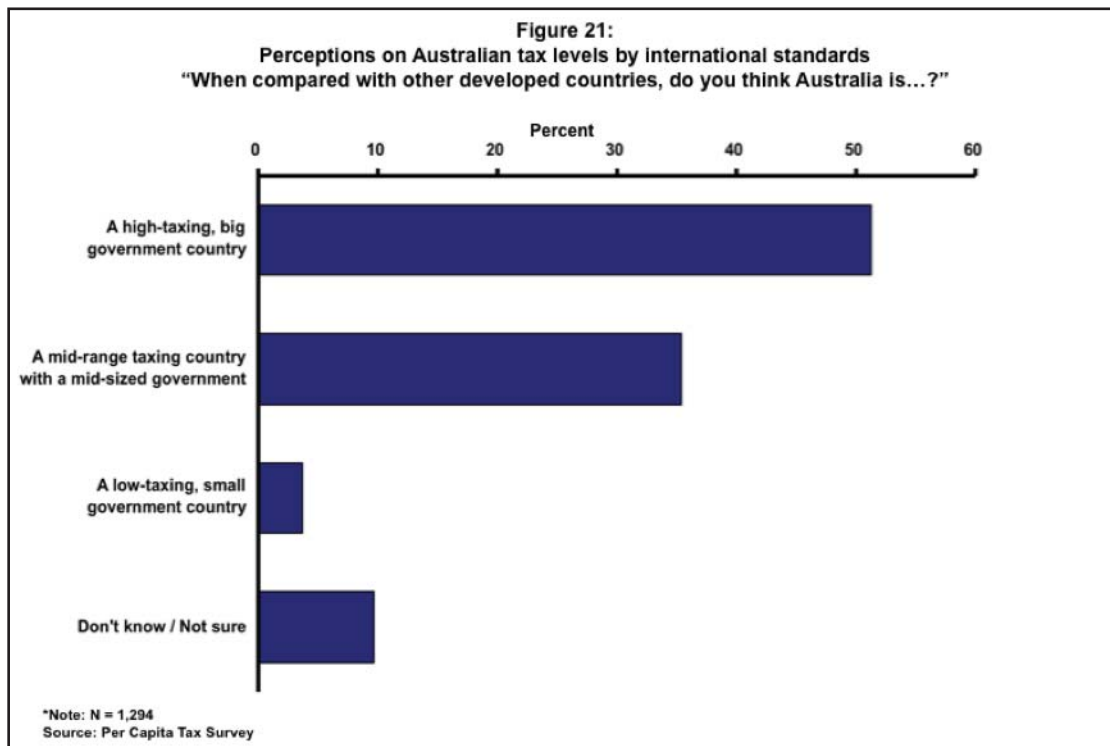
When asked for their views on the adequacy of the current 9% rate of superannuation, a considerable majority of respondents (59%) stated that this was not sufficient to fund their retirement. 26% of respondents felt that 9% was about the right level to fund retirement, while only 3% said that it was too much (see Figure 20).



The concern around the inadequacy of a 9% superannuation rate is centred in both the middle age bands and the middle income brackets. The highest levels of unease are recorded in the 35-44 year age group (70%) and the \$60-80,000 and \$100-150,000 income brackets (66% each).

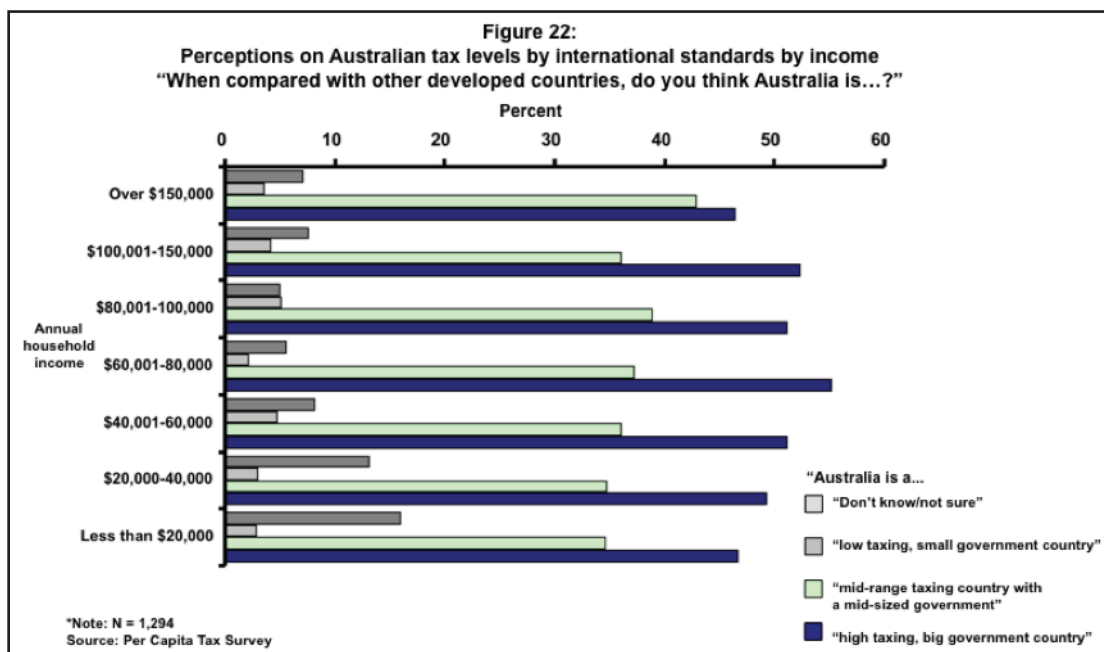
Section V: Perceptions of tax in Australia and the world

The Survey concluded by asking respondents for their views on the extent of taxation in Australia relative to other developed countries. Specifically, the Survey asked whether respondents perceived Australia, compared with other OECD countries, as a high-taxing/big government country, a low-taxing/small government one, or a country with mid-range taxes and mid-sized government (see Figure 21).



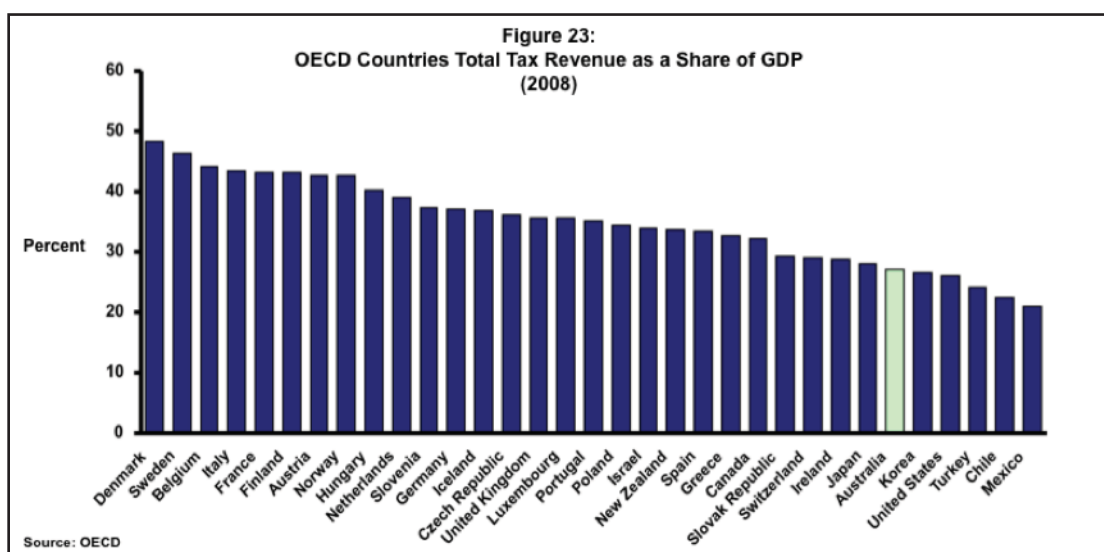
The majority view is one of Australia as a high-taxing, big government state. 51% of all respondents supported this view, while only 4% saw Australia as low-taxing and small-government. Around a third of all respondents, 36%, said that we are a country with mid-range taxes and a mid-sized government.

The perception that we are a high-taxing, big government country is strongest in the middle-income bands, with 55% of households in the \$60,000-80,000 range agreeing with the proposition. In contrast, the \$150,000+ income band showed was most amenable to the notion that we're a country of mid-sized government and mid-range taxes with 43% agreement (see Figure 22).



Belief in the idea of 'big government' in Australia increases broadly in line with age. In the 18-24 age group, the perception of mid-sized government outweighs that of big government, by 43% to 40%. This ratio inverts in the 25-34 year old group and then continues to exhibit increasingly greater belief in big government up to the 55-64 age group, where 60% of respondents say Australia is a big-taxing, big-government state.

How do these perceptions compare with the reality of Australia's tax burden? Not well, it turns out. The most recent OECD data suggests Australia is a low-taxing country by rich-country standards. Australia's tax-to-GDP ratio of 27.1% places it 6th lowest, or in the lowest quintile, of 33 OECD countries (see Figure 23).





Of course, it is unlikely that respondents are familiar with the details of international tax comparisons, so in one sense, it is not surprising that perception does not closely mirror reality. However, the fact that Australians perceive a relatively high national tax burden itself influences the tax debate in Australia and should be an area for consideration for policymakers.



Section VI: Conclusion and considerations for policy makers

The 2011 Tax Survey shows that Australians continue to support a more progressive tax system and increased government spending on public services. Yet many, particularly those on the highest incomes, feel that they personally pay too much tax. A majority of respondents feel that high-income earners and big business actually pay too little tax, and these sentiments hold across age groups, income levels and political party affiliation.

For the second year, we continue to see a cognitive dissonance in the Survey results: people want higher overall taxation and more public expenditure, but don't believe they personally should pay for it. Instead, they feel that others wealthier than themselves should shoulder an increased burden. Even in the highest income group, a significant share of respondents say that high-income earners pay too little tax while simultaneously believing they themselves pay too much tax. This suggests that people's perceptions of their own relative wealth do not match the objective reality of their position on the national income distribution.

The most striking finding of the 2011 Tax Survey is that Australians feel less favourable towards the level and fairness of taxation in Australia than they did a year ago. This shift is seen across a wide range of Survey responses. In some specific cases, the shift is not statistically significant but in aggregate, it is clear that community attitudes towards tax have deteriorated.

Unlike in 2010, the share of people who say they pay too much tax outweighs those who say they pay about the right amount. In particular, those workers nearing retirement have changed their view markedly, with 8% more saying this year that they pay too much tax. With regards to fairness, the share of people who say that big business and high-income earners pay too little tax has increased, by 8% and 6% respectively.

Support for government spending on public services has also fallen considerably. The share of people who say that government should spend a lot more on public services has fallen by 3%, while support for more spending on health, education and social security has fallen by 8%, 18% and 24% respectively. When offered a menu of policy outcomes that they would be willing to pay more tax to achieve, the only outcomes that received more than one-third support were better health and aged care services (59%), a better educated society (36%) and better transport (35%).

What might explain these twin shifts – on the one hand, a perception of decreasing fairness within the tax system and on the other, a decline in support for spending on public services? The primary role of this Survey is to report trends in public attitudes rather than analyse their causes, but it is worth considering briefly what has changed over the last year. The most significant change has been that the emergence of highly charged public debates in response to tax reform proposals by the Rudd and Gillard governments, notably the mining super-profits tax and the pricing of carbon emissions. These debates have certainly polarized attitudes towards taxation within the community.

An exacerbating factor may be a growing perception that taxpayers have not received adequate returns from public spending in recent years. These perceptions have been created by infrastructure bottlenecks, inadequate public



transport (particularly in NSW) and poorly managed elements of the 2008-09 fiscal stimulus such as the pink batts scheme.

Finally, there have been increasing cost of living pressures over the past 12 months which may have hardened attitudes towards levels and distribution of taxation. The rapid turnaround in savings rates in the wake of the global financial crisis effectively means that many households have less income available for spending on everyday items. In addition to this, prices of certain basic goods such as utilities and food have increased faster than incomes compounding the pressure on households. Per Capita has argued that there is no general 'cost of living crisis' in the community, but acknowledges that perceptions of cost of living pressures may influence attitudes to tax (see Soutphommasane, 2011).

Despite this hardening of attitudes, Australians remain supportive of important parts of our tax-and-spending system. A majority of people favours continued government borrowing, although over three-quarters of these prefer that government borrow for long-term investment only rather than to pay for ongoing public services. Even amongst those who say the most important feature of the tax system is that taxes are set low enough to encourage economic growth, a large majority favours greater spending on public services.

Equally, Australians are supportive of several major tax reform proposals currently in the public debate. Supporters of a minerals resource rent tax outnumber opponents by almost two to one. A clear majority of respondents say the current rate of superannuation contributions is inadequate, suggesting support for proposals to increase contribution rates to 12%. However, an emissions trading scheme is almost twice as popular as carbon tax as a means for pricing carbon emissions, perhaps explaining some of the Government's current difficulties in this debate.

A final intriguing feature of the 2011 Tax Survey is the disconnect between perception and reality along two dimensions. One concerns individuals' own income and tax obligations relative to others: most people think those on high incomes should pay more tax but almost nobody who believes this, including those on objectively high incomes, feels they should pay more tax.

The second concerns the relative tax take of Australia compared with other rich countries. Most respondents say Australia is a high-taxing, big government country when in fact the national tax take is in the lowest 20% of the OECD.

It's likely that these misconceptions affect broader attitudes towards taxation and public spending amongst the community. In the interests of an informed debate, it would be desirable if we could address such misconceptions. In the 2010 Tax Survey, Per Capita advocated the introduction of a personalized receipt from the ATO which provided each taxpayer with a breakdown of the uses of their tax contribution. Since then, Shadow Treasurer Joe Hockey has embraced this idea, explaining "...we're going to tell [taxpayers] exactly where their taxes go. So that if they say pay \$20,000 a year in tax ... we will explain to them exactly how much will be going on welfare, on health, on education, on defence." (Hockey, 2010) Now, Per Capita proposes extending this idea to include the position of the taxpayer on the national income distribution and of the Australian tax take relative to other OECD countries.

We believe these steps would make a small but important contribution to a better understanding of our tax system and our own position within it.

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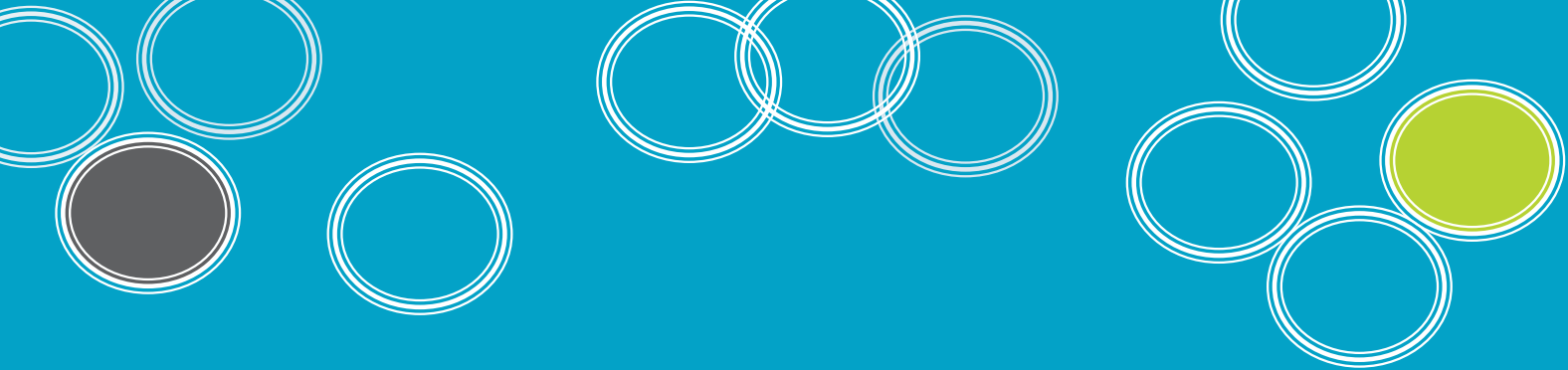
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Methodology

The Per Capita Tax Survey 2011 was answered online by 1,294 Australians aged 18 years and over in late 2010. This group was a nationally representative sample, with demographic data collected on age, gender, household status, state of residence, political party preference and income. The Survey was administered jointly with the Australia Institute's *Measuring What Matters* Survey.

Respondents were asked 14 specific questions on tax, plus a range of demographic identifiers. The questions were authored by Per Capita staff, and the majority of questions were carried over from the 2010 Per Capita Tax Survey. The raw data was analysed in STATA and the dataset is available from Per Capita.



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