Per Capita Tax Survey 2015
Public Attitudes Towards Taxation and Public Expenditure

David Hetherington
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About Per Capita

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Australia has witnessed a remarkable shift in public attitudes to public spending and tax over the last two years. We no longer feel overtaxed. We want more spent on public services, especially health and education, and we are willing to pay more tax to enable that.

These sentiments were first revealed in the 2014 Per Capita Tax Survey, which marked a stark turnaround from earlier years of the Survey. In 2015, it is clear the same sentiments have hardened and that we are seeing a step-change in public attitudes after a decade in which anti-tax hostility was the norm.

Perhaps the most striking finding of the 2015 Survey is the extent to which Australians feel their tax system is unfair. Over 60% of respondents believe the system favours the wealthy. Overwhelmingly, they say that the wealthy and big business are not paying their fair share of tax. They view corporate tax avoidance in particular as a blight on the system. Only 3.2% say a tax cut for big business is warranted.

These changes have several probable causes. The first is that the Federal Government’s alarmist rhetoric has convinced Australians that the budget position can no longer sustain regular tax cuts, and more broadly that over-taxation is not a genuine problem. A second is that the Government’s approach to budget repair has inadvertently brought questions of fairness to the fore, demonstrating that the Australian public is strongly opposed to a range of regressive policies from the Medicare co-payment to the refusal to address over-generous tax concessions for the wealthy. Finally, the perception of unfairness is likely to be pronounced for wage-earners and households with children due to a weakening economic climate, in particular flat wages and rising unemployment. Economic insecurity and the fear of loss of livelihood are important drivers in the shift in attitudes towards tax.

This is the fifth Per Capita Tax Survey. The first Survey was in 2010, and it has been conducted every year since except 2013. In March 2015, the Survey asked a representative sample of 1,413 adult Australians about their attitudes to a range of questions on public spending and tax.

The specific results of the 2015 Survey are grouped into four main findings.

First, there is ongoing support for higher spending on public services. 69.3% of respondents want to see spending on services raised, while only 8.2% would rather spending were reduced. The most preferred areas for greater spending were health (with 83.3% support) and education (73.4%).
Second, we find that Australians are broadly comfortable with their own tax contributions. More than half of all respondents (53.2%) say either they pay about the right amount of tax or feel they pay too little. The gap between those who say they pay the right amount and those who say they pay too much is +12 points. This is a major turnaround from earlier surveys; in 2012, the gap was -16 points.

Third, Australians feel that the tax system is unfairly weighted in favour of high-income earners and large businesses. Two-thirds (66.9%) feel that high earners pay too little tax, and three-quarters (75.9%) think the same of big business. Over 60% say that the system favours the wealthy, and 65% think the best way to raise new taxes for public spending is to crack down on corporate tax avoidance.

Fourth the public strongly supports specific taxation and public spending policies which are progressive in nature. 77.6% of respondents would prefer spending were cut elsewhere to pay for more funding of public schools, and most of these think spending should be cut in the non-government school system. 55.6% of respondents are opposed to a Medicare co-payment at any level, and 58.4% want to see negative gearing either restricted or abolished.

These results explain much of the opposition to measures contained in the Abbott Government’s first Budget, and why a number of them have since been abandoned. But they also suggest the government should do more to address some unfair aspects of the tax system. Policies to address corporate tax avoidance, negative gearing and superannuation tax concessions for the wealthy would be a good place to start. Given the political shift in the Abbott Government’s second Budget, and the ongoing deterioration in the budget position, such policies are becoming more and more needed.

A healthy and fair public sector and tax and transfer system is an integral part of a healthy economy. And a sustainable budget balance is an indicator, rather than a cause, of a healthy economy. The results of this year’s Survey suggest that, deep down, the electorate understands these fundamental truths.
The past year has delivered an extended and fractious national debate over the nature of tax and public services in Australia. The scene was set by the Abbott Government’s first Budget in May 2014 which proposed a radical reshaping of the Federal Government’s role in funding and service delivery. It fundamentally questioned the role of public spending and the public sector in Australian society, with direct implications for state government and public institutions far beyond the specific activities of the Commonwealth. Among its controversial measures were a new Medicare co-payment, the deregulation of university fees and the withdrawal of $80 billion of Commonwealth funding for state-run health and education services.

These proposals went down like a lead balloon with the public. The Government struggled to attract popular or political support for the program, which meant that the most draconian measures either failed to pass the Senate or were discarded without reaching it. By the 2015 Budget, the government’s tactics had shifted key measures of the 2014 program were dumped (although it is by no means clear the overall strategy has been abandoned).

Much analysis of the 2014 Budget and the ensuing debate was interpreted the public response as a rejection on the grounds of fairness.

The Per Capita Tax Survey seeks to understand in quantitative terms through a broad-based survey process exactly how public sentiment towards tax and public services has evolved over the last 12 months.

This is the fifth annual Per Capita Tax Survey. It is the only regular comprehensive survey specifically focused on attitudes to public services and tax in Australia. As in previous years, we asked a representative sample of Australians for their views on a range of questions on public services and tax. We elicit opinions on the quality and desirability of different public services, the fairness of individual and business tax obligations, the fairness of the tax system as a whole and on a range of individual measures that have been prominent in the recent policy debate.

Each year the Survey retains a core of about ten questions, allowing us to build up a time-series analysis of attitudes to the fundamentals of tax, service provision and public spending. The remaining questions vary to reflect current and urgent issues.
In 2014, there was a marked turnaround in public attitudes from the first three survey waves. The first three Surveys demonstrated a distinct dissatisfaction with levels of tax paid – more than half of all respondents felt they paid too much tax. In 2014, this share fell by 18 percentage points to 33% while the percentage of people who said they paid about the right amount jumped by 17 points to a majority of 53%.

This year’s Survey asked a demographically representative sample of 1,413 Australians to answer questions online in March 2015. There is a sampling margin of error of 2.6% at a 95% confidence level.

This report presents the Survey findings as follows. Section I reports individual attitudes to the level and quality of public services, and levels of public debt. Section II reports respondents’ perceptions of their own tax contributions, while Section III addresses perceptions of the overall tax system. Section IV analyses attitudes to various specific tax and public spending policy questions, including retirement incomes, funding of public education, a Medicare co-payment and negative gearing. Section V covers Australians’ perceptions of big versus small government. Section VI draws conclusions and offers interpretations of the overall lessons to be learned from the 2015 Survey.
Section I: Attitudes to Public Spending

The first question in the Survey asks people to rate various dimensions of Australia’s public services. Respondents are asked to score public services from 0-10 in terms of quality, usefulness, ease of access and value for money (see Figure 1). The overall rating of public services has declined slightly since the 2014 survey. The mean score for all public services is 5.92, while last year’s mean score was 6.14. The mean for each of the individual dimensions has declined.

While the scores for each dimension are closely clustered, the ranking order of dimensions remains similar. Quality and usefulness are grouped at the top of the list, although usefulness has jumped slightly ahead of quality. Value for money and ease of access are lower rated, suggesting while public services are of reasonable quality and useful to their lives, citizens feel that they are costlier and harder to access than is desirable.
The Survey then asks respondents about government spending on public services. A strong majority of Australians (69.3%) believe governments should spend more on public services. However, over the course of the Survey since 2010, we have seen a gradual erosion in support for much greater spending and this continued, albeit marginally, in the 2015 Survey. The share who said governments should spend a lot more fell by 1.8 percentage points, to 40.0% while the share who said they should spend a little more grew by 1.4 points to 27.3%. The total share who said government should spend less remained around 8%.

The Survey shows that health remains the area with the highest support for greater spending (83.3%), followed by education (74.4%), social security (42.2%), defence (33.0%) and overseas aid (15.0%). This order has not changed since the Survey began in 2010. However, support for greater spending on health and education has fallen somewhat over that period, health by 13 percentage points and education by 23 points. Support for both fell back this year after a rebound in 2014.

Support for greater spending on social services fell by 1.2 percentage points (within the margin of error) but notably, support for more spending on both defence and overseas aid rose over the last year – by five percentage points for defence and 1.3 points for aid. It is interesting to consider whether this is in response to public debate around commitment to local defence procurement in the former case, or persistent cuts in successive Budgets in the latter case, or in both cases is linked to changes in public perceptions of world events.
The Survey then asks which outcomes from a defined set of nine options (see chart below) would respondents be prepared to pay higher taxes to achieve. As in previous years, the top three were better health and aged care services (51.9% would be willing to pay more tax for these), better schools, universities and TAFEs (35.7%) and better transport (34.5%).

After a jump in willingness to pay for every single outcome from 2013 to 2014, willingness to pay more fell back for each outcome in 2015. The scale of these falls was remarkably consistent across categories. The share who said that they would not be willing to pay higher taxes for any of these outcomes increased slightly from 21.3% to 23.0%.
The questions then turn to how Australian governments might raise funds if respondents wanted to see more money spent on public services. The clear preference of respondents was for a reduction in corporate tax avoidance which was supported by almost two-thirds of respondents (65.0%). Raising income tax on the top 5% of earners was supported by 44.2% of respondents and reductions in concessions for negative gearing by 35.1%.

By contrast, several options for increasing tax revenue that are much more widely proposed and promoted are much less popular. Only 15.4% of respondents wanted to raise the rate of the GST and only 13.0% wanted the GST broadened to include all consumption purchases. A tiny 3.5% said that governments should borrow more to pay for public services, while 9.5% said that none of the options presented should be used to pay for more public services.
Finally, we asked respondents about public borrowing for long-term investment. There has been a marked decline in support for such borrowing since last year’s Survey. The largest group of respondents still support the approach (34.5%), but this has declined by 8.1% since 2014. In contrast, the share who do not support borrowing for investment has risen to 31.4% from 27.6% in 2014, and those who aren’t sure constitute 34.2% of respondents.

Overall, support for greater spending on public services still remains high, particularly in health and education, along with a clear preference for progressive policies to achieve this increased spending. More than 70% of respondents want more spent on health and education; between 37.5% (for education) and 51.9% (for health) would be happy to pay more taxes themselves for these; and 65.0% say we should raise the funds by reducing corporate tax avoidance.

At the same time, however, there has been a small drop in both the rating of Australia’s public services and overall support for greater public spending on these services. In the latter case, this is the continuation of a gradual trend that stretches back to 2010.

Finally, there has been a marked fall in support for public borrowing to pay for long-term investment. The share of people who support this approach is only marginally greater than those who are against it or those who are undecided.
Section II: Personal Tax Obligations

Part II of the Survey explores Australians’ perceptions of their own individual tax contributions. These questions have been asked in each Survey since 2010, and last year demonstrated a major shift in attitudes to personal tax obligations. In 2014, the share of people who said they pay too much tax fell by 17%, and the share who were comfortable with their contribution rose by about the same amount.

This year, the proportions have moved slightly in the other direction. Around half of all respondents (49.8%) believe they pay about the right amount of tax, down three percentage points from 2014. Meanwhile, 37.9% say they pay too much tax, a jump of five points over the same period. Interesting, the share who say they pay not enough tax has jumped in this Survey by 1.6 points.
In our analysis, we have divided these responses by age cohort. The results reveal a polarised distribution in the attitudes of respondents to personal tax. The largest group of both younger people (<25) and older people (>45) feel broadly that they pay about the right amount of tax. For those above 45, this share ranges between 47.8% and 70.4%, while for those under 25 the share is 41.7%.

The only two cohorts where the largest share believes that they pay too much tax are the 25-34 and 35-44 year olds. The cohort that feels most over-taxed is the 35-44 year old group, where 50.7% believe they pay too much tax, a gap of 11.1 points over those who say they pay the right amount. In the 25-34 year cohort, the equivalent numbers are 46.5%, and a gap of six points.

The analysis then turns to a breakdown of responses by household income. Again these results reveal striking differences in the pattern of attitudes according to income. Unsurprisingly the group that most feels they are overtaxed are those with incomes over $200,000 per year: 54.4% of these respondents say they pay too much tax.

In every other income bracket, the share that say they pay the right amount exceeds those who say they pay too much, with the largest gap in the $20,000-40,000 bracket (33 points) and the smallest gap in the $80,000-100,000 bracket (four points). Apart from the high-income bracket, it is this $80,000-100,000 group that feels under most pressure from their tax obligations. This is a stark turnaround from last year’s survey when the share of respondents in this cohort who felt they paid the right amount exceeded those who thought they paid too much by 16 points. Now, 45.2% of them say they pay too much tax, a higher share than either group in the $100,000-200,000 cohort. Across these higher income bands, 51% of respondents say they pay the right amount of tax.
Broadly, the 2015 Survey tells us that the largest group of the population, around half, is comfortable with the level of tax they pay. The share who feel they pay too much tax has increased somewhat, by five percentage points, after falling dramatically in the 2014 Survey. However, it is still well below the levels of the first three Survey rounds.

It is the early- to mid-career, child-raising age cohorts between 25 and 44 years old who feel most heavily overtaxed. Sentiment has particularly shifted in the 25-34 year old group, with a fall of five points in those who say they pay the right amount. Above the age of 45, the perception of being overtaxed falls away steadily. In terms of income, it is to be expected that the highest income bracket of $200,000 say they are most overtaxed, but also noteworthy that it is the middle-income $80,000-100,000 group has the second highest share who believe they pay too much tax.
Section III: Fairness of the Tax System

The third part of the Survey solicits respondents’ views on the fairness of the tax system as a whole. Respondents are asked about fairness of both personal and company tax obligations. This section analyses these responses by age, household income and political persuasion.

When asked about the tax contributions of low, middle and high-income earners respectively, clear patterns quickly emerge. Overwhelmingly, people believe that high-income earners pay too little tax: 66.9% of respondents agree with this. Only 9.2% feel they pay too much tax.

Most people feel that middle-income earners pay about the right amount of tax (56.8% say this), although a healthy minority (32.3%) believes they pay too much. Respondents are evenly split, however, as to whether low income earners pay the right amount or too much (43.3% and 43.5% respectively).

Since last year, there has been a five percentage point fall in the share who say high-income earners pay too little tax, and small jumps in the share of those who say low- and middle-income earners pay too much tax (two points in each case).
In the case of the most pronounced finding – that high-income earners pay too little tax – we have examined the responses by age and income. This sentiment is held by an absolute majority of respondents in each individual age cohort. It is held most strongly by the 55-64 year old group (with 77.6% support), and generally increases with age. Conversely, the view that high-income earners pay too much tax broadly decreases with age, albeit at much lower levels. 15.9% of 25-34 year olds believe this, while only 1.6% of over 65s do.

Among income brackets, respondents in households earning $80,000-100,000 felt most strongly that high-income earners pay too little tax, with 77.1% of people supporting this. Support for this view was strong (>69%) in each income bracket up to $100,000. It then tails off between $100,000 and $200,000, before falling to 38% above $200,000.

It remains striking that almost two-fifths of the highest income earners think they pay too little tax. It is equally striking that in each cohort up to the $200,000 level, less than 10% of respondents feel high-income earners pay too little tax.
Among Survey respondents, political persuasion is identified by their lower house vote at the last federal election. There is notable consensus across the political spectrum. Amongst each group of party supporters, at least 50% believes that high-income earners pay too little tax. For Liberal supporters, this figure is 61.5%; for Labor, Greens and independents supporters, it is between 76 and 77%. And in each case, less than one-fifth of respondents believe those on high incomes pay too much tax. For Liberals, the share is 12.5%, and it is below 8% for each of Labor, Greens and Independents’ supporters.
A further question simply asks respondents which group of individuals they believe the tax system favours most. More than three-fifths (61.6%) assert that the tax system most favours the wealthy. The second most common response, that those on welfare do best from the tax system, is far lower at 15.3%. Almost nobody believes that the system favours older people or younger people (2.4% and 1.4% respectively). Less than a tenth of respondents (8.8%) say that the tax system favours no-one in particular.

Figure 14: Which group do you think our tax system favours the most?

In past Surveys, we have noted a cognitive dissonance where those on high incomes simultaneously claim that high-income earners pay too little tax but that they themselves pay too much.

This dissonance has abated somewhat in the 2015 Survey. Of those high-income respondents (>$150,000 p.a.) who say they personally pay too much tax, 38.1% say high earners generally pay too little tax, still a healthy share but down from 49.0% last year. Of those who say they personally pay about the right amount of tax, 55.1% feel that high earners generally pay too little, down from 72.9% last year.
Finally, the Survey asks about perceptions of fairness in the business tax system. These remain largely unchanged since 2014. Overwhelmingly, people feel that big business pays too little tax – 75.9% offer this opinion, down 1.1% from last year. 12.3% believe big business pays about the right amount of tax, while only 3.2% say it pays too much. Public support for a big business tax cut is negligible.

Perceptions of small business tax are very different. The largest group of respondents, 43.9%, says that small business pays about the right amount of tax. Just over a third of respondents, 34.5%, feel small business pays too much tax, although this has fallen by four percentage points since last year. Only 5.7% of people say that small business pays too little tax.
We then ask citizens about the extent to which corporate tax avoidance changes the overall fairness of the tax system. Nearly three-fifths of respondents (59.7%) believe tax avoidance by business affects the fairness of the system a lot, and a further 22.1% believe that fairness is somewhat affected it. Only 5.4% of people say that business tax avoidance impacts overall fairness very little, while almost no-one (2.9%) believes that the system’s fairness is completely unaffected by companies avoiding tax.

Taken together, we see very strong views emerge on the fairness of the overall tax system which are consistent with previous years’ Survey results. Over two-thirds of respondents believe that high-income earners pay too little tax and more than three quarters say big business pays too little. While these views are widely held, they have moderated slightly since last year’s Survey round.

Respondents say that the system favours the wealthy most, and that corporate tax avoidance has a major impact upon the overall fairness of the system.

The perception that high-income earners pay too little tax increases steadily with age, and is held by at least half of all respondents in each age cohort. The same perception is held most strongly by those in the $80,000-100,000 income bracket, although is reasonably consistent across all brackets below $100,000. It falls steadily above that, and is held by less that 40% of people in the over $200,000 bracket. The cognitive dissonance that we have seen in previous Surveys has abated somewhat in this round.
In this section of the Survey, we ask about a number of issues that have been prominent in the public debate over the previous years. This year, we have carried over questions from the 2014 Survey on the funding of retirement incomes and public education, and added two new questions on the Medicare co-payment and negative gearing. We have dropped one question on perceptions of the adequacy of individuals’ own retirement incomes.

Retirement incomes

Retirement income policy has become increasingly contested in recent years. The debate has unfolded along several dimensions: fiscal sustainability, adequacy of incomes given longer lives, and the fairness of the tax concessions designed as incentives to save through superannuation. The more important policy decisions of the Abbott Government in this context include the removal of the Low Income Superannuation Contribution, the re-indexation of the aged pension downwards from wages growth to CPI growth (since abandoned), and the decision not to review costly and regressive superannuation tax concessions.

The backdrop of this debate has been the growing realisation that a combination of longer lives and lower investment yields means our retirement income system will struggle to provide decent incomes for future retirees.

The Survey asks people how they think we should fund additional savings to build retirement incomes. The most popular approach, supported by 36.2% of respondents, is to increase the rate of superannuation contributions, a jump of three points over last year. The next biggest group, at 23.8%, supports additional tax concessions on superannuation contributions, although support for this has fallen by two points since last year. The next biggest group, at 23.8%, supports additional tax concessions on superannuation contributions, although support for this has fallen by two points since last year. Changing the aged pension rate (supported by 11.8%) and working longer (by 11.5%) are less popular, and support for the latter has fallen by three points since 2014.
Education funding

The funding of schools has also featured heavily in the policy debate in the recent years. During the Gillard government, the focus of the discussion was the Gonski reform package, and in particular, whether the states and territories would sign up to the associated funding agreement (most have now signed). Since then, the most important development has been the announcement by the Abbott Government in the May 2014 Budget that it would rescind the additional funding contained in the final two years of the six-year Gonski agreement. As the lion’s share of new money was contained in the final two years, this equates to billions of dollars withdrawn from school funding.

This year’s Survey again asked citizens how any additional funding to public schools should be paid for. Once again, the most popular approach is to cut public spending on non-government schools. Almost half of respondents supported this option (46.2%), although this support has fallen by six percentage points since 2014. A further 31.4% of respondents said that other spending should be cut to pay for more spending on public schools, a one-point fall on last year. Only 6.9% said we should increase taxes to lift spending, a jump of two points.
The discussion of a Medicare co-payment is a new addition to the national public debate, after it was proposed by the Abbott Government in the May 2014 Budget. The proposal involved a new compulsory $7 co-payment for each doctor’s visit, which would be used to fund a $20 billion medical research future fund. After much public opposition, the proposal was amended in December 2014 and finally abandoned in March 2015.

Just after the decision to abandon the policy was announced in March this year, our Survey asked Australians whether they agree with the idea of a Medicare co-payment, and if so, how much it should be. More than half of all respondents (55.6%) said they did not support a co-payment. Almost a quarter (24.6%) said they did support a co-payment set at $5, while a further 7.8% said they supported one at $7. Less than 2% said they supported it at some other level.
Negative gearing

Negative gearing, the practice of running investment properties at a loss for favourable tax concessions, has emerged over the last year as a new front in the policy debate. This has occurred because of the growing budget deficit and the fact that the concessions flow disproportionately to higher-income households. The concession costs the budget more than $20 billion per year, but its proponents say it is important to stimulating new home building in a perennially under-supplied market.

Given this emerging debate around the place of negative gearing, we asked respondents what changes, if any, from a set menu they would like to see made to the policy. Almost three-fifths of citizens (58.4%) would like to see negative gearing abolished or restricted. The most popular definite response was to abolish negative gearing completely (offered by 19.1% of people). This was followed by restricting it to both new-build and affordable housing to increase supply (18.3%), not restricting it at all (15.8%), restricting it to affordable housing only (12.9%) and finally restricting it to new-build only (8.1%).
Section V: International Tax Comparisons

The final section of the Survey examines perceptions of how tax and spending in Australia compare with those in other developed countries. Much of Australia’s budget debate is couched in terms of ‘ending waste’ and preventing ‘big new taxes’, supporting the impression that Australia is a high-taxing, big-spending country.

The Survey data confirm that this impression remains widespread. The largest share of respondents (47.3%) believe that Australia is a high-taxing, big-government country. The next largest group (36.5%) say it is a country with a mid-sized government with mid-range taxes. Only 6.5% believe it is a low-taxing, small-government nation.

The strength of the high-taxing, big-government perception has increased a fraction after falling considerably in the 2014 Survey. Conversely, the strength of the mid-sized government view has fallen somewhat. Australians are feeling that their country has become a bit more high-taxing by international standards.
When we analyse these responses by household income, there is a notable concentration of views at the low and high ends of the income spectrum. It is the wealthiest and poorest households who believe most strongly that Australia is a high-taxing, big government country (with 58.2% and 55.4% agreeing respectively). In no other group does a majority believe this. It is these same two groups who show least support for the proposition that Australia has a mid-sized government and mid-range taxation (34.2% and 29.2% respectively). Conversely it is the middle-income brackets who are most likely to agree with this proposition.

As in previous years, we juxtapose these perceptions against the objective data on Australia’s tax take compared with other developed countries. It turns out that most Australians have a poor understanding of the country’s tax-and-spending intensity. While over 80% of Australians believe the country is either high- or mid-taxing, the most recent data confirm that Australia’s tax-to-GDP ratio is in the bottom 20% of the 34 OECD developed economies. Australia’s ratio is 27.3% compared to an OECD average of 33.7%. Only Ireland, Switzerland, South Korea, the US, Chile and Mexico have lower tax takes.
It is true that in these latest OECD statistics Australia’s ratio has increased by 0.8% and that we have moved ahead of Ireland and Switzerland amongst the OECD members. Perhaps this has contributed to the modest lift in perceptions of overtaxation. Nevertheless, it remains the case that Australia is a low-taxing country whose electorate has become convinced it is highly taxed by international standards.
Section VI: Concluding Thoughts for Policymakers

The 2015 Per Capita Tax Survey has consolidated the major turnaround in attitudes seen in 2014. In last year’s Survey, we saw dramatic falls in the share of people who said they were overtaxed and corresponding increases in those who felt their tax contributions were about right. We witnessed large jumps in the shares of respondents who believed that high-income earners and big business paid too little tax. Finally, we saw an end to year-on-year falls in support for more spending on public services.

Each of these findings has been consolidated in the 2015 Survey, albeit with some minor movement compared with last year. Australians continue to feel much more comfortable with their own tax contributions than they were five years ago. And they continue to feel that the system is unfair, favouring those individuals at the top of the income ladder and those businesses at the top of the corporate tree.

The findings of the 2015 Survey can be grouped into four major themes. First, we see that support for higher spending on public services remains strong. 69.3% of respondents want more spending on services, while only 8.2% would rather see spending reduced.

Health and education continue to be the preferred destinations for this spending, advocated by 83.3% and 73.4% of respondents respectively. However, support for these have fallen somewhat while support for greater spending on defence and foreign aid have risen. The public’s willingness to pay higher taxes for better services is also strongest for health, education and transport, although this too has fallen somewhat since 2014. Overall ratings for public service quality have fallen marginally, with citizens feeling that value for money and ease of access are particularly challenging. Finally, respondents’ appetite for public borrowing for long-term investment has also fallen, by about eight percentage points.

The second major theme that has carried over from 2014 is that Australians are broadly happy with the level of their own individual tax payments. Around half of all respondents (49.8%) say they pay about the right amount of tax, and a further 3.5% say they pay too little. This consolidates the big shift towards greater comfort with tax contributions seen in the 2014 Survey.
On the other side of the ledger, slightly more than a third (37.9%) say they pay too much tax. The groups where this sentiment is most pronounced are in the $80,000-100,000 and the >$200,000 income brackets. The only age cohort where a majority feels they pay too much tax is the 35-44 year old group.

Another feature that suggest people are more comfortable with their own tax payments is the abatement of the cognitive dissonance that has been seen in previous Surveys where high-income earners say they personally pay too much tax, but that high-income earners as a group don’t pay enough. For the first time the share of high-income earners who believe they are overtaxed and that high-income earners generally are overtaxed is not exceeded by those who say that high-income earners generally pay too little tax.

The third principal theme of the Survey findings is that the tax system overall is unfair. Overwhelmingly, respondents say that the system is skewed in favour of the rich and, in particular, big business. Two-thirds of respondents (66.9%) believe that high-income earners pay too little tax, and three-quarters (75.9%) feel that big businesses pay too little. These findings are consistent across age, income and political persuasion. In every age cohort, every political persuasion and every income bracket except those households earning over $200,000 per year, a clear majority of respondents say the rich don’t pay enough.

When asked which group the system favours most, over 60% say the wealthy, more than forty-five points higher than the next most common answer (those on welfare). Almost 80% say that corporate tax avoidance affects the overall fairness of the system either somewhat or a lot. When asked how we should raise more tax for quality public services, the most popular option is to reduce corporate tax avoidance (65.0%) and the second most popular is to raise income tax on the top 5% of earners (44.2%). There is a clear message here for governments about the direction in which any reform of the tax system should move.

The final major theme of the 2015 Survey is a series of strong public views on individual policy issues currently prominent in the national debate. To fund longer lives, most people (36.2%) prefer higher rates of superannuation contributions and the gap from this to the next most popular option has increased from seven points to 12.

To increase funding on public schools, more than three quarters of respondents (77.6%) would prefer this to be done by governments cutting spending elsewhere, and almost half (46.2%) believe those cuts should be in the non-government school system.

More than half of all respondents (55.6%) are opposed to a Medicare co-payment at any level, suggesting that the Abbott government was correct in identifying widespread opposition to its co-payment proposal.

In the area of negative gearing, almost two-fifths of people (39.3%) felt that it should be restricted to either new-build and/or affordable dwellings, while a further one-fifth (19.1%) felt it should be abolished completely. Conversely, only 15.8% felt it should remain as is.

These strong views amongst the electorate should give governments pause for thought. Before we consider their implications for policy though, it is valuable to pause and ask what factors might drive these and other main themes in the 2015 Survey results.
A combination of two developments appears to be the most powerful influence on the 2015 results. The first is the public arguments that the Abbott Government has made around the need to repair the Budget, and the policies that have ensued from this need. The second is a weakening macroeconomic climate that is putting incomes and job security under threat, particularly in the middle-income bands.

The Government’s arguments have certainly shifted or in some cases hardened public opinion. In part, these responses have been sought by the Government; elsewhere they’ve been unintended. One intended effect of the Government’s public arguments is the fall in support for borrowing for long-term investment. It has conveyed the unequivocal message that further debt is unhealthy for the Australian economy, and the public appears to have listened.

Another is the message that taxes are not good mechanisms for lowering greenhouse gas emissions, or reducing inequality or building a national broadband network. Each of these enjoys limited support in the electorate, in line with the Government’s arguments on these issues.

Other effects have been unintended consequences of the Government’s messaging. It has successfully quashed the prevailing sentiment in the electorate for the last decade that additional tax cuts are a desirable thing. We now have two years of data showing that Australians are comfortable with their tax contributions, rather than overtaxed.

It has also hardened the public sentiment that saw last year’s Budget broadly opposed on the grounds of fairness. By persisting for most of 2014 with things like the Medicare co-payment and the lower indexation of the pension, the Government has solidified opposition to these specific policies, and reinforced a broader perception that Australia’s tax-and-spending system is unfair.

The second factor that has created a particular perception of unfairness in specific parts of the electorate is likely to be stagnant wage growth and a softening labour market. This is especially notable in the middle-income and child-rearing household brackets, whose household budgets are likely to be tightest and who feel most pressure from weakening economic indicators.

It is the 25-44 year age brackets that assert most strongly that they are overtaxed. Apart from those on incomes over $200,000 p.a., the group that feels most overtaxed is the $80,000-100,000 income bracket. This group also believes more strongly than any other that high-income earners pay too little tax.

What is the appropriate policy response to the sentiments expressed in the Survey? While formation of specific policy should never be driven by public opinion, it is nonetheless valuable to understand the broad preferences of the electorate in the area of public spending and tax.

There are perhaps three sets of considerations that policymakers should take from the results of this year’s Survey in terms of forming future policies. The first is a general set of principles around the level and distribution of tax and spending. When designing changes to the system, they should recognize that today’s electorate wants four main outcomes. Firstly, greater spending on public services, particularly health and education. Secondly, the raising of additional tax revenue through fair means. Thirdly, no further tax cuts that will erode services. And finally, a fairer distribution of the tax burden, both in design and practice, away from low- and middle-income earners and small business towards higher income earners and big corporations.
The second set of considerations concerns specific policy proposals – the Survey results speak to a clear set of preferences around a number of these. In particular, voters would like to see government doing more to combat corporate tax avoidance. They would like governments to spend more on public schools by cutting spending elsewhere, especially on non-government schools. There is no appetite for a Medicare co-payment, and little appetite for further government borrowing even for long-term investment. Voters want superannuation contribution rates increased to fund longer lives in retirement, and negative gearing restricted to a combination of affordable and new-build housing.

Finally, policymakers should consider additional means to provide citizens with factual information about the tax system; the facts on their own contributions in absolute and relative terms, on the use of their contributions in terms of spending area, and on the tax share of GDP over time and compared with peer countries.

Treasurer Joe Hockey is to be commended for making a start in this area by providing a breakdown of spending by area with citizen’s annual tax statements. The approach should be expanded further. For it is only with objective and comparative information about relative tax contributions that citizens can form sound judgments about the quality of Australia’s public services and tax system.
Appendix: Questions for 2015 Per Capita Tax Survey

1) Thinking about Australia’s public services generally (e.g. health and education), on a scale of 0 – 10 how would you rate them on the following factors (where 0 = poor and 10 = excellent):
   a) Quality
   b) Ease of access
   c) Value for money
   d) Usefulness to you

2) Which of the following statements best describes your views on government spending and public services?
   a) Governments should spend a lot more on public services
   b) Governments should spend a little more on public services
   c) Governments are spending about the right amount on public services
   d) Governments should spend a little less on public services
   e) Governments should spend a lot less on public services
   f) Not sure/don’t know

3) Would you like to see more or less government spending in each of these areas?
   (For each choice, provide options: spend much more; spend a little more; spend the same as now; spend a little less; spend much less; not sure/don’t know)
   a) Health
   b) Education
   c) Defence
   d) Social security/welfare
   e) Overseas aid
4) Which of these outcomes would you be prepared to pay higher taxes for? Please select all that apply. [randomised order]
   a) Better schools, universities & TAFEs
   b) Lower unemployment
   c) Less inequality
   d) Better health and aged care services
   e) Better childcare services
   f) Better transportation systems
   g) Lower greenhouse gas emissions
   h) A national broadband network
   i) Long-term economic growth
   j) None of these can be achieved by raising taxes

5) If you wanted to raise more tax in Australia to pay for quality public services, which of the following approaches would you support? (choose as many as you wish):
   a) Raise personal income tax rates
   b) Raise income taxes on the top 5% of income earners
   c) Raise the rate of GST
   d) Broaden the GST base to include all items
   e) Broaden the GST base to include private education and private health insurance only
   f) Remove the 50% discount on capital gains tax
   g) Cut superannuation tax concessions, where over 50% of all concessions go to top one-fifth of income earners
   h) Cut negative gearing tax concessions, where over 50% of all concessions go to top one-fifth of income earners
   i) A broad-based tax on land ownership (a land tax)
   j) A financial transactions tax payable by institutional investors
   k) A wealth tax on financial assets
   l) A crackdown on corporate tax avoidance, such as the offshoring of profits to low-tax jurisdictions
   m) By borrowing more
   n) None of these

6) In the past, governments have borrowed for long-term investment in the same way people take out a mortgage for a house. Are you in favour of such borrowing?
   a) Yes
   b) No
   c) Not sure
7) In your opinion, do you pay...?
   a) Too much tax
   b) About the right amount of tax
   c) Not enough tax
   d) Not sure/don’t know

8) In thinking about the overall fairness of the tax system, do the following groups pay too little or too much tax?
   (options: pay too much tax, pay about the right amount of tax, pay too little tax, not sure/don’t know)
   a) Small businesses
   b) Big businesses and corporations
   c) Low-income earners
   d) Middle-income earners
   e) High-income earners

9) Which group do you think our tax system favours the most?
   a) the wealthy
   b) those on welfare
   c) older people
   d) younger people
   e) any other group
   f) no particular group
   g) not sure/don’t know

10) Do you agree with the idea of a Medicare co-payment? If so, how much do you think the co-payment should be per visit?
    a) Yes, I think it should be a $5 co-payment
    b) Yes, I think it should be a $7 co-payment
    c) Yes, I think it should be a co-payment of another amount
    d) No, I do not agree with the idea of a co-payment
    e) Not sure/don’t know

11) To what extent do you think corporate tax avoidance affects the overall fairness of the taxation system?
    a) Not at all
    b) Very little
    c) Somewhat
    d) A lot
    e) Not sure/don’t know
12) When thinking about retirement income to provide for longer life expectancies, do you think this income should be funded by:
   a) Higher superannuation contributions
   b) Further tax concessions on superannuation
   c) Working longer
   d) Changing the rate of the aged pension
   e) Not sure/don’t know

13) If government is to increase funding to public schools, how should it be paid for?
   a) By raising taxes
   b) By cutting spending on non-government schools
   c) By cutting other spending
   d) Other
   e) Not sure/don’t know

14) Negative gearing is a favourable tax concession for those who own investment properties. Which of the following changes do you think should be made to negative gearing?
   a) Negative gearing should be restricted to new-build housing only, to increase the supply of new housing
   b) Negative gearing should be restricted to affordable housing only, to increase the supply of affordable housing
   c) Negative gearing should be restricted to both new-build and affordable housing, to increase the supply of both
   d) Negative gearing should be abolished completely
   e) Negative gearing should not be restricted at all
   f) Not sure/don’t know

15) When compared with other developed countries, do you think Australia is...? [randomised order]
   a) A high-taxing, big government country
   b) A low-taxing, small government country
   c) A mid-range taxing country with a mid-sized government
   d) Not sure/don’t know