

# Rich Man's World: Gender Distribution of the Stage 3 Tax Cuts

*The stage 3 tax cuts will go mainly to male, high income taxpayers. Half will go to the top 10%, 72 per cent going to the top 20 per cent while the bottom half get only five per cent and the bottom 20 per cent get nothing. Men will get twice as much of the tax cut as women.*

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## INTRODUCTION

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The Government has claimed that young women are some of the biggest beneficiaries of their income tax cuts over recent years. But the stage 3 tax cuts, which the Government has committed to introduce after the next election, will see most of the benefit go to high income older men.

## WHAT ARE THE STAGE 3 TAX CUTS?

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Stage 3 is legislated to begin in 2024-25. These tax cuts are worth about \$184 billion over the next 10 years.<sup>1</sup> They get rid of the 37 cents in the dollar tax bracket, lower the 32.5 cents in the dollar bracket to 30 cents and increase the threshold for where the top tax bracket starts from \$180,000 to \$200,000.

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<sup>1</sup> Wright S (2022) *Stage 3 tax cuts to cost \$184 billion as decade of deficits looms*, The Sydney Morning Herald, 28 July, available <<https://www.smh.com.au/politics/federal/stage-3-tax-cuts-to-cost-184-billion-as-decade-of-deficits-looms-20210727-p58dd1.html>>

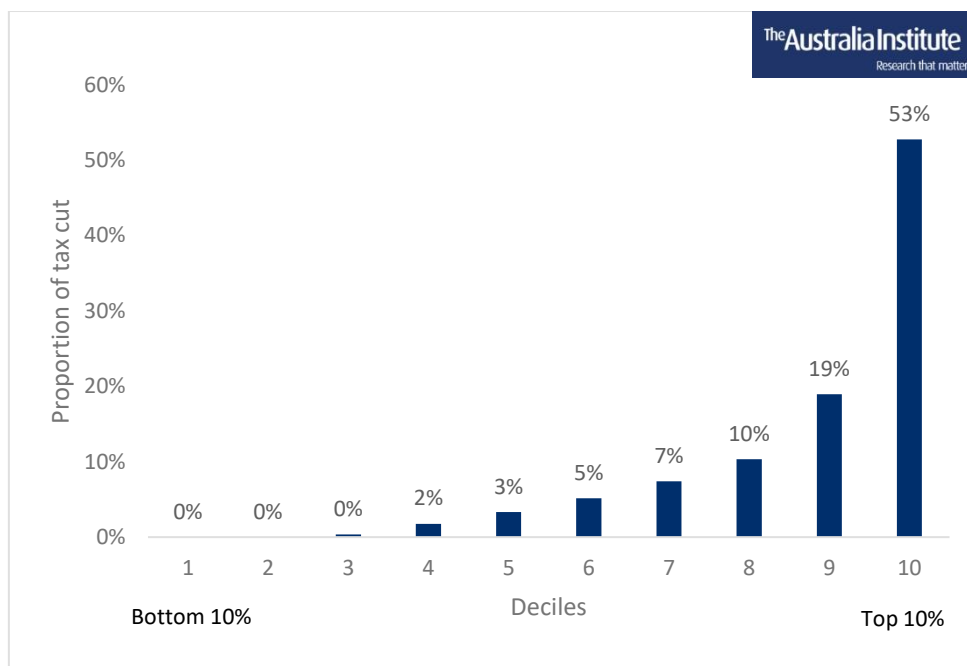
# INCOME DISTRIBUTION OF THE STAGE 3 TAX CUTS

Someone on an income of \$50,000 a year gets a tax cut of \$125 a year (\$2.40 per week) while someone on an income of \$200,000 gets \$9,075 (\$174 per week). This means someone on \$200,000 has four times the income but gets 73 times the tax cut.

The Australia Institute has analysed the distribution of the stage 3 tax cuts using Australian Tax Office statistics. This calculates an income distribution of all taxpayers and shows the size of the tax cut going to each income decile. Each decile contains 10 per cent of taxpayers starting with the 10 per cent of lowest income earners in the first decile, rising through the deciles to the 10 per cent highest income earners in the 10<sup>th</sup> decile.

Most of the tax cut goes to high income earners with more than half going to the top 10 per cent and 72 per cent going to the top 20 per cent. The bottom half only get 5 per cent and the bottom 20 per cent getting nothing. The distribution of the tax cuts by decile is shown in Figure 1.

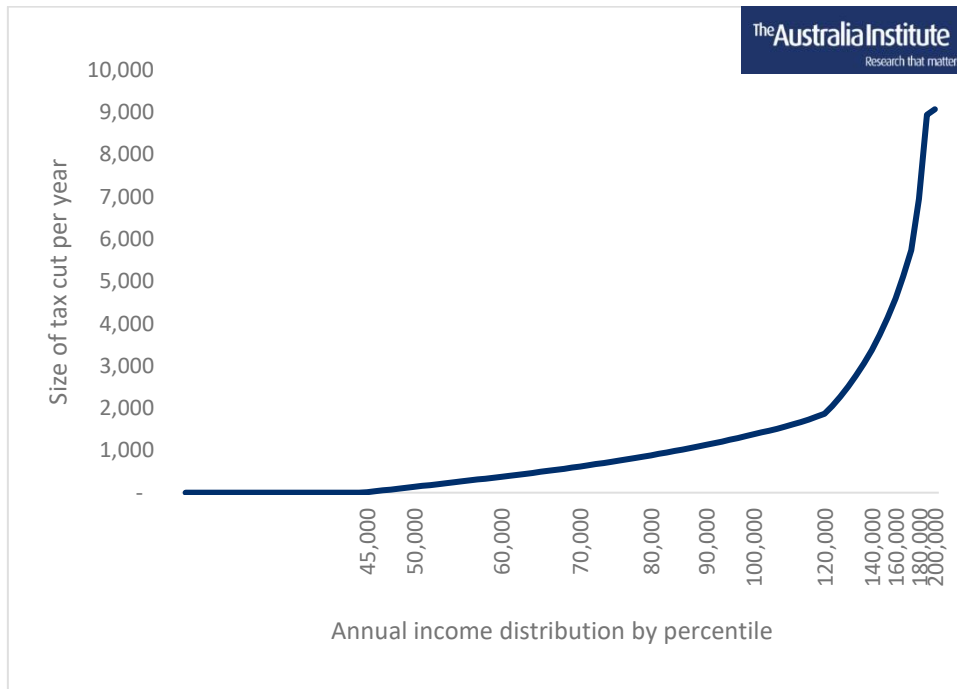
**Figure 1 – Income distribution of Stage 3 of the tax cuts in 2024-25**



Source: Calculations by model described in Appendix A

The biggest winners from this tax cut are those earning more than \$180,000, with those on \$200,000 getting the maximum amount of the tax cut. Figure 2 shows how the tax cut benefit rapidly increases as incomes rise. It shows taxpayer percentiles with significant income points labelled and how large a tax cut each percentile gets.

**Figure 2 – Size of tax cut over the income distribution**

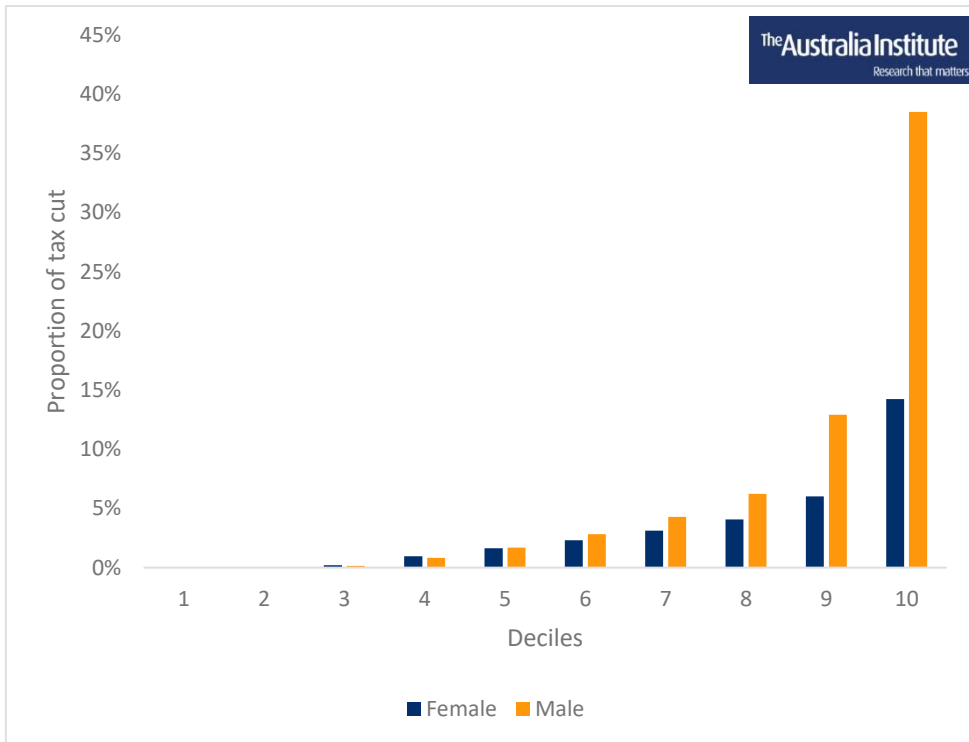


Source: Calculations by model described in Appendix A

## THE GENDER DISTRIBUTION OF THE STAGE 3 TAX CUTS

Men benefit twice as much as females from the stage 3 tax cuts. While women get 33 per cent of the tax cut, men get 67 per cent of the tax cut. This means that for every \$1 of the tax cut that women get men get \$2.

This is because the tax cut mainly goes to high income earners and men are more likely to earn larger amounts of income. Figure 3 shows the distribution of the stage 3 tax cuts by decile and also split by gender. We can see those men in the top 10 per cent of taxpayers get almost 40 per cent of the tax cut. Women in the top 10 per cent of taxpayers get only 15 per cent of the tax cut because there are much fewer women in the top 10 per cent.



Source: Calculations by model described in Appendix A

At the other end of the income distribution, women make up a larger proportion of those earning in the bottom 40 per cent of taxpayers but this group only gets two per cent of the tax cut.

## STAGE 3 MAKES INCOME TAX LESS PROGRESSIVE

The Treasurer Josh Frydenberg has also claimed that removing the 37-cent tax bracket is “real, significant, structural tax reform”.<sup>2</sup> This so called ‘reform’ will make the income tax system less progressive. The proportion of tax paid by the top 20 per cent will fall from 59 per cent to 58 per cent.<sup>3</sup> This means that the remaining 80 per cent of taxpayers will pay a larger proportion of the total tax take. The outcome of this is that inequality will get worse. High income earners will end up with more of Australia’s income and low income earners will end up with less.

<sup>2</sup> Frydenberg J (2022) *Frydenberg: Morrison Government not to blame for by-election swing against NSW Coalition*, Interview with Patricia Karvelas, ABC RN Breakfast, 14 February, available at <<https://www.abc.net.au/radionational/programs/breakfast/frydenberg-morrison-government-not-to-blame-for-by-election/13753206>>

<sup>3</sup> Calculations by model described in Appendix A

## CONCLUSION

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The Government might want to focus on the benefit going to young women from their tax plan, but the largest part that is yet to come into effect will benefit older, high-income men. These tax cuts will weaken our progressive income tax system and are bad for inequality. The good news is that they do not come into effect till July 2024, which is plenty of time for the government and the parliament to abandon them.

## APPENDIX A

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The Australia Institute calculates the benefit of the tax cut flowing to taxpayers by income deciles using the latest taxation statistics. The taxation statistics were used to construct a model of Australia's income tax system. All taxpayers were then broken into 100 groups from the lowest income earners to the highest. By inflating income by nominal GDP and calculating how much tax each group pays as the income tax cut is introduced, how much of the tax cut will go to each income decile can then be calculated.