Per Capita Tax Survey 2017
Public Attitudes Towards Taxation and Public Expenditure

Emma Dawson
with Warwick Smith
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Executive Summary

This is the seventh Per Capita Tax Survey, which has been conducted annually since 2010, with the exception of 2013.

The Survey provides a snapshot of the Australian public’s attitudes towards taxation and public expenditure, and a long-term view of trends in public sensibility towards our tax and transfer system.

As in previous surveys of recent years, the 2017 Survey finds a high level of public support for increased spending on public services, particularly in health and aged care, and education.

This desire reflects an ongoing decline in the perception of the value and utility of public services amongst respondents.

The public’s support for more government spending on services follows the abandonment of the “debt and deficit disaster” rhetoric by the federal government. This shift in debate is also the likely cause of a significant rise in the proportion of Australians who believe the government should borrow to invest in long-term infrastructure assets.

While a majority of Australians are willing to pay more tax themselves to support improvements in health and aged care, the overwhelming view of respondents is that high-income earners and big business are not paying enough tax. Fully two-thirds of Survey respondents want to see the Budget Repair Levy of 2% on high-income earners extended beyond its current cessation date of 30 June this year.

This strong sense that wealthy Australians are not paying their fair share of tax is reflected in the overwhelming support for the so-called “Buffet Rule”. Australians clearly want to see tax minimisation by high-income earners addressed by policy makers.

At the same time, almost nine-in-ten Australians believe that tax avoidance by large corporations is a significant factor in undermining the fairness of our tax system.

The Survey also finds that a significant majority of Australians now support the abolition or restriction of negative gearing, demonstrating that even the most politically difficult debates can be swayed by carefully crafted and articulated policy.

Other findings from this year’s Survey point to lukewarm support in the community for the replacements of stamp duty with a land tax, and a preference for increased superannuation contributions to support retirement incomes.
Australia’s personal income tax system is highly progressive, with relatively low marginal tax rates for low-income earners and relatively high marginal tax rates on high incomes. Our transfer system is the most tightly targeted in the world, with pensions, allowances, and supplementary and family payments means-tested to ensure that income support is provided to those in need.

Nevertheless, the battle over how to best reform our tax and transfer system continues to dominate our public debate. The current federal Coalition Government and its Labor Opposition are perhaps more divided on questions of tax and transfer than at any point since the introduction of the GST almost two decades ago. While the Government champions tax cuts for big business and high income earners, Labor opposes any measures that seek to place a greater burden on those on the low and middle rungs of the income ladder, instead advocating reforms to negative gearing and capital gains tax as a means of raising revenue.

Over the last 12 months, ideas floated before the 2016 federal election, such as increasing the rate of the GST and allowing the states to levy income taxes, have been abandoned by the Government. During the same period, Labor has grappled with internal disputes over the introduction of “Buffett Rule” to tackle tax minimisation by the top 1% of earners, and calls to explore the radical idea of a Universal Basic Income.

Ultimately though, the debate proceeds along a well-worn path: whether the government should cut public spending to close the deficit and provide further income tax cuts, or raise additional revenue through a mix of tax reform and the introduction of new taxes and levies to meet the nation’s long-term spending needs.

And this debate rages on among politicians, policy makers and commentators, seldom with much regard for the views of the populace. Public attitudes towards government services, spending and taxation are usually considered through a political lens, gathered in snap polls which seek opinions on isolated policy proposals.

Per Capita’s annual Tax Survey is different. It sets out to obtain a broad-based understanding of public sentiment towards Australia’s tax system and the provision of public services, and builds a picture over time of changes in community attitudes.

This is the seventh Per Capita Tax Survey. As in previous years, we asked a representative sample of Australians for their views on a range of questions. We seek opinions on the quality and effectiveness of public services, the fairness of the overall tax and transfer system and of individual and business tax contributions, and on a range of other measures that have been at the fore of recent policy debate.
Each year we retain a core of roughly two-thirds of the questions, allowing us to build up a time-series trend of attitudes towards tax, services and spending. The remaining questions are altered to assess reactions to current policy proposals, with some questions being asked over two or three years if the issue remains central to the public debate. A full list of the questions asked in this year’s survey can be found in the Appendix.

This year’s fieldwork was undertaken between 26 April and 5 May 2017, immediately before the federal budget was handed down on 9 May. It was conducted as an online survey of 1,408 Australians with nationally representative samples by gender, age and state or territory.

The survey has a sampling margin of error of 2.6% at a 95% confidence level for answers given by all respondents. When considering answers by particular subgroups, the margin of error may be considerably higher. Where results are described as essentially unchanged from last year, this indicates any change is not statistically significant. All changes which are quantified and discussed are statistically significant.

The Survey findings are structured as follows:

- Section I outlines respondents’ attitudes to the level and quality of public services, and levels of debt;
- Section II presents individuals’ perceptions of their own tax contributions;
- Section III presents respondents’ perceptions of the fairness of the overall tax system;
- Section IV canvasses views on a range of individual tax and spending issues that are pertinent to the current policy debate, including retirement incomes, negative gearing, a “Buffett Rule” to limit tax minimisation, land tax, the repeal of the budget repair levy and company tax cuts;
- Section V covers people’s perceptions of tax and spending levels in Australia relative to those in other OECD countries; and
- Section VI presents an overall interpretation of this year’s responses.

The annual Per Capita Tax Survey is the only comprehensive study focused on community attitudes to public services and tax in Australia. It provides policy makers with a valuable assessment of the Australian public’s views of taxation and the provision of government services, and a rare insight into the nation’s values and expectations of the tax and transfer system that underpins our cohesive and egalitarian society.
Section I: Attitudes to Public Spending and Debt

The Survey begins by seeking respondents’ views on various aspects of public service delivery in Australia: quality, ease of access, value for money and usefulness. We ask respondents to score these aspects on a scale of 0-10 (see Figure 1). Since 2014, we have found the same ranking of these different aspects: Australians score our public services highest for quality and usefulness, followed by ease of access and then value for money.

It is notable that the rating for each aspect has declined for the third consecutive year. The rating for quality has declined by 0.6 out of 10 since 2014, while for usefulness it has declined by 0.5 out of 10. Ease of access and value for money have declined by 0.57 and 0.66 respectively since 2014.

This ongoing decline in the regard of Australians towards their public services may reflect well-publicised problems over the last 12 months with the Census and Centrelink debt-recovery practices, as well as the ever-increasing pressure on Australian public services due to ongoing funding cuts, wages and hiring freeze and increased demand.
The Survey then proceeds to record people’s views on government spending on public services (see Figure 2). After a decline in 2016 to 65.3%, 2017 has seen a significant increase in support for greater spending to 74% (the highest number since 2011), and a corresponding drop in the number of people who think that government spends about the right amount on public services, from 16.7% in 2016 to 12% now, while 9.6% believe government should spend less. The number of people who said the government should spend a lot less on services also declined in 2017, from 5.2% in 2016 to 3.5% this year.

This increase in support for greater government spending on public services over the last 12 months may reflect the public’s awareness of, and discomfort with, cuts to various payments under the Medicare system in recent years and a pitched battle between the Government and the Opposition about spending on education, health and social security. It also comes after the Government has abandoned its heightened rhetoric about debt and the “budget emergency” in the lead up to this year’s federal budget.

The Survey then asks respondents for their preferences for the allocation of public expenditure (see Figure 3). Since the first Tax Survey, health has drawn the most support from respondents as the area that should attract more government spending, followed by education. This trend continues in 2017, with 88% of respondents supporting increased spending on health, and 81% on education – increases from 83% and 76% respectively in 2016. After several years during which the level of support for more spending on social security remained steady at around 40%, 2017 saw a significant increase in this figure, with 48.7% of respondents now supporting greater government spending on pensions and other income support measures. Support for greater spending on defence has recovered 2.9% in 2016 to return to 2015 levels of 33.2%, while support for spending on foreign aid has also increased slightly from 14.9% in 2016 to 18.3% this year.
The next question asks respondents for which, of a number of different policy outcomes, they would personally be willing to pay higher taxes (see Figure 4).

As in previous years, the only government services for which a clear majority of respondents were personally willing to pay more tax was better health and aged care services, although this number declined slightly from 63.7% in 2016 to 58.2% this year. Almost half of respondents (47%) would be willing to pay more tax for better educational institutions, which is relatively unchanged from last year.

Notably, the third most popular response in 2017 was that 40% of respondents would be willing to pay higher taxes for better transportation services, overtaking support for higher taxes to underpin long term economic growth at 34%. This may reflect growing frustration with commute times in Australia’s increasingly congested capital cities, and may also have been affected by the changing rhetoric from the Government towards increasing investment in infrastructure such as roads and public transport through “good debt” (see below).
Given consistent findings that less than half of all survey respondents are willing to personally pay more tax to support any services other than health and aged care, we then ask respondents what other taxation measures the Government might implement to raise additional revenue to pay for quality public services (see figure 5).

Reducing corporate tax avoidance remains by far the most popular option when people are asked how the government should raise additional tax revenue, with 71% support.

The next most popular options, as in previous years, are to raise tax on the top 5% of income earners (47%), and to cut tax concessions on negative gearing (34%) and superannuation (27%).

Interestingly, in the context of recent debate around growing inequality, the sharpest increase in the 2017 Survey was in the number of respondents who support an increase in personal income tax on the top five per cent of income earners, up from 44% in 2016 to 47% this year.

Also of interest is that, while the survey didn’t ask specifically about a levy on banks as introduced in this year’s federal budget, support for a financial transactions tax dropped from 18.8% in 2016 to 16% this year.

In the next question, we asked respondents for their views on governments taking on debt for long-term investment (see Figure 6). In previous years, public opinion on this question was quite evenly split, with 36.9% of respondents in 2016 supporting public borrowing for long-term investment, and 35.0% opposing. This demonstrated a decline in support for such borrowing, with a 5.7% drop since 2014.

2017 has seen a marked turn around in this trend, with support for government borrowing for long-term investment growing by over 7% from 2016 to its highest level in the history of this Survey, now at 44%. Opposition to such borrowing has also fallen significantly, by 4%, from 35% in 2016 to 31% in 2017.
The responses to this first section of our annual tax survey give us a snapshot of the public’s beliefs about the funding of public services. Australians continue to demonstrate concerns about the usefulness, ease of access and value for money of public services, with a further decline in their regard for such measures in 2017 building on a downward trend since 2015.

A strong majority of respondents believe that governments should spend more on the delivery of quality public services, with a majority supporting greater public spending on health and education.

2017 results demonstrate an ongoing willingness by respondents to pay higher taxes for certain policy outcomes, although it should be noted that the greatest levels of support are for increased taxation on high income earners and corporations rather than for measures that would be likely to affect the majority of respondents to this survey.

Perhaps the most striking finding this year is the turn around in support for government debt to support long-term infrastructure investment. Given the 2017 Survey was conducted in the fortnight immediately preceding the 2017 federal budget, much of this change can likely be attributed to the Treasurer’s deliberate and quite marked change in rhetoric to redefine borrowing for long-term investment as “good debt”.

Regardless of the obvious self-interest at play in this changed approach by the Coalition Government, it does seem that this move has begun to persuade the electorate of what economists have argued for some time: that, with continuing low interest rates, low inflation risk, and slow economic growth, a responsible government should be drawing on its Triple A credit rating to borrow funds to invest in long-term infrastructure development.
The next section of the Survey turns to understanding people’s attitudes towards personal tax obligations, both their own and others’. In many ways the heart of the annual Tax Survey, the questions in this section have been included since the first Survey in 2010 and allow us to understand people’s feelings regarding their own interactions with Australia’s tax and transfer system.

We first ask respondents for their opinions on their own tax contributions (see Figure 7). The largest share of respondents, just over half (51.5%), believe that they pay about the right amount of tax – up from 48.8% in 2016. The next largest group, comprising 39.6%, say they pay too much tax. This number is unchanged from 2016. Only 1.9% of respondents believe they pay too little tax.

*Note: N = 1,412 (2016), 1,443 (2015), 1,446 (2014), 1,422 (2012), 1,294 (2011) & 1,006 (2010). There was no survey conducted in 2013.*

Source: Per Capita Tax Survey
We then examine attitudes to one’s own tax contributions by age (Figure 8). These attitudes display a distinct pattern, constant over the seven years of the survey, in which the youngest and oldest cohorts believe they pay about the right amount of tax, while the age brackets in the middle of the distribution – those who make up the bulk of full-time pay-as-you-go (PAYG) taxpayers - are more likely to say they pay too much.

![Figure 8: “In your opinion, do you pay...?”](image)

We also evaluate people’s attitudes to their own tax payments by household income (Figure 9).

In each income category up to $150,000, the proportion of those who feel their tax contribution is about right exceeds those who say they pay too much tax. In every category between $20,000 and $80,000, an absolute majority believes their tax is about right; the same is true, for the first time in this survey’s history, for those in the $150,000 - $200,000 category, where 50% of respondents said they paid about the right amount of tax, as opposed to 47% who felt they paid too much.

In the $100,000-150,000 bracket, respondents who felt they paid too much tax outnumbered those who felt their contribution was about right; while this was inside the margin of error – 47% to 46% - this is the first time the survey has found a greater number of respondents in this income bracket reporting that they felt overtaxed.

Only in the highest income bracket, those households earning over $200,000 per annum, did an absolute majority – 52% - believe they pay too much tax, as opposed to 44% who felt their contribution was about right.
These analyses of people’s views of their own tax contribution by age and income highlight some interesting issues. In 2016, there were two age cohorts who clearly believed they were paying too much tax: 25-34 year olds, and 45-54 year olds, with both groups recording close to 50% on this measure. In 2017, those two age cohorts have slipped back below 50% (47% and 45% respectively), but a clear majority (54%) of Australians aged 35 to 44 believe they are paying too much tax.

As noted above, Australians in these three age cohorts make up the majority of PAYG taxpayers and are the most likely to be paying off student debts, entering the housing market, paying mortgages and raising families: it is unsurprising that negative feelings about the amount of tax they are paying arise in these cohorts, who face a number of competing financial pressures and are most keenly aware of the income tax they contribute from their fortnightly paychecks.

The fact that, for the first time, more households in the $100,000 - $150,000 income bracket felt they paid too much tax than those that felt their tax was about right – and than those in the income bracket above them – indicates that households in this relatively well-off bracket are feeling increasingly squeezed.

Also notable is that, for the first time in the Tax Survey’s history, it is those earning over $200,000 who feel more aggrieved at the amount of tax they are paying than any other household income group. The fact that a majority of Australia’s highest income earners feel they are paying too much tax could be the result of several years’ of government rhetoric that has sought to portray this group as the “lifters” in an economy unduly burdened by “leaners”.

Figure 9: “In your opinion, do you pay...?”
(responses categorised by annual household income bracket)

Note: N = 4,001 (2017)
Source: Per Capita Tax Survey
Section III: Fairness of the Tax System

The third section of the Survey explores perceptions of the integrity of the tax system. It asks about the relative fairness of contributions from low-, middle- and high-income earners, and from small and big businesses. The majority of questions have been asked since the first Survey in 2010, allowing us to build a picture of trends in popular sentiment over time.

After a significant jump of six percentage points, to 49.5%, in 2016 in those who say low-income earners pay too much tax, 2017 sees this figure holding fairly steady at 50% (see Figure 10). The proportion of respondents who say low-income earners’ tax payments are about right dropped 1.5% since last year to 39%. The share who say they pay too little is up by the same amount, from 4.5% in 2016 to 6% this year.

![Figure 9: In your opinion, do you pay ...? (responses categorised by annual household income bracket)](chart.png)
An outright majority of respondents (55%) believe that middle-income earners pay about the right amount of tax, effectively unchanged from last year (see Figure 11). Similarly, the share who say that middle-income earners pay too much tax is relatively unchanged at 37%.

As in previous years, the most strongly held view in this section of the Survey is that high-income earners do not pay enough tax (see Figure 12). This is supported by over two-thirds of respondents (68%). Only one-fifth of people (20.0%) say that high-income earners pay about the right amount of tax, while 9% believe that they pay too much. Both these levels are similar to last year.
As with previous surveys, we have analysed the gap between those who believe high-income earners pay too much and those who think they pay too little by age, household income and political persuasion.

In each age bracket, an outright majority believes that high-income earners pay too little tax (see Figure 13). The intensity of this belief increases consistently with age, from 56% support in the 18-24 age bracket to 79% in the over 65 bracket. Notably, the proportion of 18-24 year olds who hold this belief is up by 4.7% since 2016.

An outright majority also supports this view in every income bracket except over $200,000 per annum (see Figure 14). The strength of this view is remarkably consistent for incomes between $20,000 and $150,000, ranging between 67% and 78%. It falls to 62% for incomes between $150,000 and $200,000, which is a significant increase on last year’s figure of 55.9% for this income bracket.

45% of respondents from households in the over $200,000 income bracket believe high-income earners pay too little tax. This group has the largest share who say high-earners pay too much tax, but this finding is one of the largest statistical shifts in the last 12 months recored by the Survey: in 2016, 28.8% of respondents in this income bracket believed high-income earners were taxed too highly, but in 2017 that figure has dropped a remarkable 11.8% to 17%. It is notable that just 38% of respondents in this income bracket feel they are taxed about the right amount – this is 7% fewer than those who believe high-income earners should make a greater contribution.
We also analyse the responses by voting intention at the next Federal election (see Figure 15). At least 58% of the supporters of every major party believe that high-income earners pay too little tax; for supporters of every party other than the Coalition, that figure is over 70%.

The perception that those at the top of the income scale are making inadequate contributions to the national budget is shared across the political spectrum, but it is those who intend to vote for One Nation or Independent/Other candidates at the next election who are most likely to believe that high income earners are not paying enough tax.

This speaks to the impact of perceived inequality on voting intentions, indicating that disillusionment with the major parties may in part be driven by the feeling that the most well-off members of society aren’t paying their fair share.
The Survey then turns to attitudes towards business tax contributions. For the fourth year in succession, well over three-quarters of respondents (82%) say that big businesses and corporations don’t pay enough tax (see Figure 16). This represents a long-term increase of around 15 percentage points over responses recorded in the first three Survey rounds from 2010. 11.0% of respondents say that big business pays the right amount of tax, down 2% from last year, while 4% say it pays too much, unchanged from last year.

Australians hold quite different attitudes towards the tax contributions of small businesses than they do to those of big businesses and corporations (see Figure 17). Only 6% believe that small businesses pay too little tax. The largest group of respondents (48%) say small businesses pay the right amount of tax, while 39% say they pay too much. These findings are virtually unchanged from last year.
The last question in this section asks about the impact of corporate tax avoidance on the fairness of the tax system (see Figure 18). Over two-thirds of respondents (65%) say that corporate tax avoidance affects the fairness of the tax system a lot, up 4.4 percentage points from last year, which in turn was up three percentage points from 2015. A further 22% say it affects the system somewhat, unchanged from 2016. Only 6% say the impact of corporate tax avoidance is very little, while 2% believe it has no effect at all, both of which figures are unchanged since 2016.

In total, this means that 87% of respondents to the Survey now believe that corporate tax avoidance is affecting the fairness of Australia’s taxation system.

Taken together, results from this section of the Survey provide some compelling insights into Australians’ views of the fairness of our taxation system.

People believe strongly that the tax system is skewed in favour of the rich and against the poor. 68% of Australians believe high-income earners don’t pay enough tax and 82% feel big businesses and corporations are dodging their fair share. In every age group, every political persuasion and every income bracket except those over $200,000, an absolute majority agree that high earners pay too little tax, and 87% believe that corporate tax avoidance reduces the fairness of the system either somewhat or a lot.

These sentiments are strengthening year on year. There has been a statistically significant drop of more than 10% in those who say high-income earners pay too much tax, and a marked increase in those who say that company tax avoidance affects the system a lot.
Section IV: Current Issues in the Policy Debate

The Survey now turns to an examination of issues that are pertinent to the current policy debate. In 2017, we have retained questions from previous years’ surveys that cover retirement incomes, negative gearing and the so-called “Buffet Rule” to cap tax deductions for high-income earners. We have added three new questions in 2017: one on the replacement of stamp duty with land tax, as currently being phased in in the ACT and recommended nation-wide by the Greens; one on the removal of the budget deficit levy which will occur on 1 July this year; and one canvassing views about the Government’s tax cuts for business, both those already legislated for small businesses and those yet to pass the Parliament for big businesses and corporations.

RETIREMENT INCOMES

Following years of contentious policy debate, in which it became widely accepted that the concessions available on superannuation contributions were highly regressive, disproportionately favouring high-income earners, the Coalition Government moved to redress the imbalance in the 2016 federal budget.

Measures were introduced to place a $1.6million cap (indexed to inflation) on the accumulated super balance that can be transferred into the retirement phase, in order to limit tax-free investment earnings for those in the retirement phase; to put a lifetime cap of $500,000 for non-concessional super contributions; to apply a 30% tax on contributions by those earning more than $250,000 (down from the previous threshold of $300,000); and to reduce the concessional contributions cap to $25,000 (down from $35,000 for people aged 49 and over and $30,000 for those under 49).

Despite these changes, which have been broadly welcomed, the debate about retirements savings goes on, fueled by the community’s understanding that private savings, including superannuation, will be insufficient to support significant numbers of Australians in their retirement.

A combination of increased longevity, ongoing low yields from superannuation savings, and extended periods out of the workforce, applicable especially to women but affecting more workers as employment becomes increasingly insecure and casualised, are driving growing fears that the pool of savings available to support Australians in their old age will be woefully insufficient.
Given this ongoing community concern, the Survey asks people how they believe we should be increasing retirement incomes to pay for longer life expectancies (see Figure 19). The most popular response, supported by over one third of respondents (35%), is to have higher rates of superannuation contribution, with this support up two points from last year. The next most popular with 30% is for further tax concessions on superannuation: this figure is up 5.1% from 24.9% in 2016, which is noteworthy in light of recent tightening of concessions. It is more popular amongst higher income earners and those in the middle of their working lives.

There has been a slight fall in people who say we should change the Age Pension rate (down three points to 15%, after rising seven points to 18% in 2016), and an offsetting lift in those who say we should work longer (up two points to 10%).

Australians are most supportive of measures that lift their private superannuation savings, followed by increases to the pension. The prospect of working longer has relatively low support but it may be slowly gaining acceptance.

NEGATIVE GEARING

The debate around reforming Australia’s long-standing negative gearing arrangements has remained at the fore of public policy debate since last year’s federal election, driven by an escalating crisis in housing affordability in the major cities of the eastern seaboard. The proposals Labor took to the 2016 election - to restrict negative gearing tax deductions to new-build investment property and halve the capital gains discount on assets held longer than 12 months from 50% to 25% - proved to be popular with the public, but have not found favour with the Government, who in the 2017 federal budget confirmed its position of leaving existing negative gearing and capital gains policies intact.

For the third year, the 2017 Tax Survey asks respondents which, if any, changes they would like to see made to negative gearing (see Figure 20). This year’s survey finds some significant changes in the community’s views of negative gearing, doubtless affected by the increasingly desperate state of first home buyers and a growing understanding of the issues due to the ongoing public discussion of options.
While last year the largest share of people (24.5%) said they were unsure or didn’t know which changes they would like to see made to negative gearing, Australians’ views have apparently hardened over the last 12 months, with that figure now at just 18%.

In 2016, the most popular remaining option (with 18.9% support) was to restrict negative gearing to both new-build and affordable housing. This year, that figure has dropped to 15%, while 13% say it should be restricted to affordable housing only, and 12% say it should be limited to new-build only – these two figures are relatively unchanged since 2016.

And while 19% of respondents believe that negative gearing should remain untouched, the most striking finding in this year’s Survey is that, for the first time, the complete abolition of negative gearing is by far the most popular option, with support at 23%, up from just 15.4% last year.

For the first time in this Survey’s history, more Australians support the abolition of negative gearing than any other option put forward for its reform.

A “BUFFETT RULE”

The Buffett Rule is named after American billionaire investor Warren Buffett and posits that high income households should not pay a lower share of their income in tax than middle-class households pay. It is essentially a deductions cap: a simple measure by which tax law creates a floor under which high-income earners are unable to reduce their taxable income via deductions or other legal measures.

The idea entered the Australian public debate when, at its 2015 National Conference, the ALP resolved to consider a minimum income tax rate on Australians earning over $300,000 a year. The last year has seen the debate over the Buffett Rule continue within the ALP, and while shadow Treasurer Chris Bowen has explicitly ruled out adopting it as party policy, Labor did propose a cap on deductions for managing tax affairs in its response to the 2017 federal budget.

The 2016 Tax Survey asked for the first time whether there should be a minimum overall tax rate for very high-income earners, defined as the top 1% of earners (see Figure 21). A large majority (69.1%) last year said that they would support such a proposal, a figure which has risen in 2017 to 73%. This now exceeds the share of those who opposed the proposal (at 14%, relatively unchanged) by over five to one. A further 13% said they were unsure about
LAND TAX REPLACING STAMP DUTY ON HOUSING

Stamp duties are one of our least efficient taxes while land tax is the most efficient of the major taxes in the Australian tax mix. In acknowledgement of this, the ACT is currently transitioning from stamp duties levied on the purchase of housing to annual land tax levied on the unimproved value of land. Despite the fact that economists are virtually united in supporting this shift, other states and territories are yet to follow suit and land taxes have had, at best, lukewarm support from the public. However, this year the Australian Greens have called on all states and territories to follow the ACT’s example and switch from stamp duties to land taxes as part of a push for more affordable housing.

When asked whether or not they agree with proposals to replace stamp duties on real estate with annual land taxes, respondents were split evenly between yes and no; both just under 35% with the remainder undecided (see Figure 22). Interestingly, male and female respondents held opposing views with men more likely to support the change and women more likely to oppose it.
BUDGET REPAIR LEVY

Introduced in the 2014 budget, the Budget Repair Levy introduced an additional 2% tax charged on income above $180,000 per annum, for three years. Intended to “share the load” of budget repair beyond the low- and middle-income earners who were hardest hit by that budget’s drastic cuts in government spending, the Levy will cease on 30 June this year.

For the first time in 2017, we asked Survey respondents whether they thought the Levy should be repealed as intended, extended temporarily, or made permanent – in effect, raising the highest marginal tax rate to 49.5% (45% + new 2.5% medicare levy + Budget Repair Levy).

Only 23% of respondents agreed with the repeal of the Levy this year. 66% supported extending the Levy, either permanently (41%) or temporarily (25%). The rest were unsure.

More than 40% of all respondents earning up to $100,000 per annum felt that the Levy should be made permanent; the only group in which a majority (52%) believed the Levy should be repealed on 30 June this year was those households earning in excess of $200,000 per annum (Figure 23).

COMPANY TAX CUTS

The last question addressing current policy issues was about the Government’s proposed and partially legislated company tax cuts from 30% to 25%. This was the first year we have asked this question and it had the lowest response for “unsure / don’t know” of any of the questions about specific policy measures, suggesting that people have strongly formed views about this issue.

The responses to this question indicate that the Senate has got it about right on the public’s support for company tax cuts in passing legislation to deliver the cuts only to businesses with a turnover of up to $50 million per annum.

A significant majority (68%) either strongly support (30%) or support (38%) cuts to company tax for businesses with an annual turnover of up to $2 million (Figure 24).

A small majority (51%) either strongly support (13%) or support (38%) cuts to company tax for businesses with an annual turnover of up to $10 million.
For bigger businesses, the community support for tax cuts is weak. For businesses with an annual turnover of up to $50 million, opposition runs to 66% (36% oppose, 30% strongly oppose) with support of just 27% (19% support, 8% strongly support), while for large corporations with a turnover in excess of $50 million annually, public support for the tax cut is just 17% (9% support, 8% strongly support) and fully three-quarters of Australians oppose the cut outright (27% oppose, 48% strongly oppose).

These findings are consistent with the views expressed elsewhere in the survey about the relative contributions of small and big business to the national economy, and do not hold much comfort for a government apparently intent on extending the company tax cut to big business and large corporations.

Figure 24:
Company tax was recently cut from 30% to 25% for businesses with a turnover of less than $50 million per annum, coming into full effect by 2026-27. Do you support or oppose tax cuts for businesses with annual turnovers of...

Note: N = 1,400 (2017). 5% in each category answered “Don’t know/not sure.”
Source: Per Capita Tax Survey
Section V: International Tax Comparisons

The last set of questions in the Survey examines perceptions of tax and spending levels in Australia compared to those in other OECD countries. While the 2017 budget saw a welcome retreat from some of the more egregious rhetoric around the “debt and deficit disaster”, the argument over whether Australia has a “spending problem” or a “revenue problem” – that is, whether we are spending too much on services or raising too little in taxation - is ongoing, and has undermined the usefulness of Australia’s fiscal policy debate in recent years. Given this, it is instructive to evaluate how Australian citizens understand the extent of taxation and spending in Australia, and how we compare to similar countries.

The responses to this question, as in previous years, clearly indicate that Australians feel they live in a high-taxing, big government (ie: high spending) country (see Figure 25). and this feeling is becoming more pronounced. An outright majority (51%) believe this, up only one point since last year, when we saw an increase of five points on 2015.

Over one-third of people (38% - up from 31.4% in 2016) say that Australia is a mid-range taxing country with a mid-sized government: this share has recovered more than the five points it lost last year. Very few people (4%) believe Australia is a low-taxing, small government nation.
In reality, Australia ranks 31st out of 36 OECD countries in size of government, as measured as the tax share of GDP. Our tax-to-GDP ratio is 27.8% compared with an OECD average of 34.2% and a maximum level (for Denmark) of 49.6%. Of the 36 OECD countries, only Switzerland, the United States, Korea, Chile and Mexico have lower tax-to-GDP ratios than Australia.

The empirical data show that the majority of respondents who believe that we are a high-taxing, big government country are quite wrong. Only 4% of respondents correctly identify Australia as a low taxing, small government country. This gulf between perception and reality continues to distort the national debate about appropriate levels of spending and taxation in Australia.
Section VI:
Concluding Thoughts for Policymakers

At a time when the ideological divisions between our major political parties towards tax and spending are in sharp relief, the 2017 Per Capita Tax Survey presents compelling evidence of the Australian public’s preferred policy responses to issues of taxation and public service provision.

Many of the Survey’s findings are in line with the results of the previous three years, after a major shift in 2014. In the three years since the Abbott Government handed down its notoriously unpopular first budget, public sentiment about the fairness and sustainability of our tax and transfer system has followed an obvious trend, which now seems to have solidified.

That trend has seen a significant increase in the public’s stated support for more spending on public services, and a hardening of their views about the fairness of Australia’s tax and spending settings.

Almost three quarters (74%) of respondents say governments should spend more on services, up from 65.3% support for greater spending last year. By contrast, only one-in-ten Australians say governments should spend less on public services.

After years of debate over whether Australia has a spending problem or a revenue problem, the Australian public’s verdict is in: they want more spending on public services.

The community’s demand for increased spending on services is largely driven by the perception, clearly demonstrated in the Survey’s findings, that the quality, usefulness, ease of access and value for money of public services are declining.

An overwhelming majority of people want to see more spending on health and education in particular, where support for increased spending is up 5% on last year for each measure – 88% of Australians want the government to spend more on health, and 81% want them to spend more on education.

The Australian public is apparently not convinced by arguments that Australia has a spending problem; they clearly see the need for increased spending on services, and are willing to countenance increased revenue measures to get there.

This includes a willingness by people to pay more tax themselves for specific outcomes. For example, 58% of respondents say they would personally pay more tax for better health and aged care services. Almost half say the same for better schools, universities and TAFEs.
However, the overwhelming evidence is that Australians feel that most low- and middle-income earners are making a fair contribution to public revenue, while those at the top of the tree are not paying their fair share of tax.

An outright majority of people feel they pay the right amount of tax, but significant majorities believe that high-income earners and big business don’t pay enough tax. These majorities exist in every age cohort, across every political persuasion and in every income bracket except those earning over $200,000 per year.

So while the public wants to see more spending on services, they are quite clear about where that additional revenue should come from: it is high income earners and big business that should be making a greater contribution.

71% of survey respondents believe we should crack down on corporate tax avoidance to pay for more services. More than two-thirds of respondents believe high-income earners pay too little tax and 66% believe the budget repair levy of an additional 2% taxation on such wealthy individuals should be temporarily or permanently retained beyond 30 June this year.

Perhaps most strikingly, almost three-quarters of Australians – 73% - believe there should be a minimum rate of tax for very high-income earners under which they cannot reduce their taxable income through tax deductions (known as the “Buffett Rule”).

87% of respondents say that corporate tax avoidance affects the overall fairness of the tax system, up four points from last year. 65% say this avoidance affects it a lot, again up by four points since 2016.

This speaks to a loss of faith in our tax and transfer system to meet the needs of the average Australian. It is a clear indication that people believe our current taxation system is unfair and favours wealthy corporations and individuals at the expense of ordinary citizens.

Beyond this obvious trend in public sentiment towards our tax and transfer system, the 2017 Survey provides some insights into the public’s view of specific policy measures currently put forward by our political leaders. These include changes to superannuation tax concessions, reforms to negative gearing, government borrowing to support long-term infrastructure investment, the introduction of land tax to replace stamp duty, and the Government’s partially legislated company tax cuts.

The great lesson from the Survey’s findings on these specific policy measures is surely that the public can be persuaded to change views if political leaders are willing to prosecute the case for policy change through evidence-based, consistent arguments. Shifts in sentiment towards several key policy issues are evident in the 2017 Survey results.

The restriction of negative gearing was once regarded as a “no go” zone for Australian politicians, but over the last couple of years, the public has moved to a majority acceptance that changes to the tax deduction scheme are necessary.

Labor took a courageous lead on this debate ahead of the 2016 federal election and has held a consistent line since announcing its policy to restrict negative gearing and cut the capital gains tax concession. Combined with an overheated property market, these arguments have persuaded a significant majority of Australians - 63% - that negative gearing should be reined in.

In the same way, public sentiment towards government borrowing has apparently been significantly strengthened by Treasurer Scott Morrison’s bold change in rhetoric in the lead up to the 2017 federal budget that saw him redefine borrowing to invest in infrastructure as “good debt”. The 2017 Survey was conducted during the fortnight that Morrison prosecuted his case for this change, and it appears to have had a marked effect on public attitudes.
In 2016, 36.9% of respondents supported public borrowing for long-term investment, and 35.0% opposed it – a fairly even split. In 2017, support for such borrowing increased by over 7% to its highest level in the history of this survey, now at 44%, with opposition at just 31%.

Morrison deserves credit for beginning to persuade the electorate that, with continuing low interest rates, low inflation risk, and slow economic growth, a responsible government should be drawing on its Triple A credit rating to borrow funds to invest in long-term infrastructure development.

There is one glaringly obvious finding in this year’s survey that the Parliament cannot ignore: when it comes to company tax cuts, it seems the Senate got it about right in passing those cuts only for businesses with a turnover of up to $50million p.a.

Even this goes further than public sentiment supports: while a majority of respondents support the tax cut for businesses with a turnover of up to $10million, opposition to the cut for businesses with turnovers of up to $50million is at 66%.

The government continues to prosecute the case to extend this cut to large corporations with a turnover in excess of $50million annually, but they and the business lobby face an uphill battle to persuade a skeptical public of their case: fully three quarters of Australians oppose the tax cut for such large corporations.

Taken together, the findings of the 2017 Per Capita Tax Survey demonstrate that Australians are actively engaged with the policy debate and open to persuasion by political leaders on specific policy prescriptions. As a whole, the Australian public remains strongly committed to measures that share both the burden and the spoils of our tax and transfer system fairly across society.

The evidence is clear that the Australian public can and does grasp far more nuance in the policy debate than the adversarial arguments of politicians often allow.

The lesson for policy makers is that strong, evidence-based policy will be accepted by the Australian people if it is cogently argued for, demonstrably fair and reasonable, and demonstrates clear societal benefits. The challenge now is for our leaders to rise to the task.
Appendix: Questions for 2017 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
   k) Don’t know / not sure

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) An inheritance tax on any part of an estate above $1million
   m) A crackdown on corporate tax avoidance, such as the offshoring of profits to low-tax jurisdictions
   n) None of these
   o) Don’t know

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?
   a) Small business
   b) Big businesses and corporations.
   c) Low income earners
   d) Middle-income earners
   e) high-income earners

9) 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

10) 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

11) Negative gearing is a tax concession for those who own investment properties, which makes property investment more attractive. Which of the following changes, if any, do you think should be made to negative gearing?
    Negative gearing should be
    a) restricted to new-build housing only
    b) restricted to affordable housing only
    c) restricted to both new-build and affordable housing
    d) abolished completely
    e) not be restricted at all
    f) Not sure/don’t know
12) Should there be a minimum rate of tax for very high income earners (i.e., the top 1% of income earners) under which they cannot reduce their taxable income through tax deductions? (This is known as the “Buffet Rule”).
   a) Yes
   b) No
   c) Not sure / don’t know

13) 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

14) You agree with proposals to replace stamp duties on real estate sales with annual land taxes (applying only to new purchases)?
   a) Yes
   b) No
   c) Not sure/don’t know

15) At the end of June this year the temporary budget repair levy (a 2% additional tax charged on income above $180,000 per year) is scheduled to be removed. Do you think the budget repair levy should be
   a) temporarily extended
   b) kept permanently
   c) removed in July this year as currently planned
   d) Not sure/don’t know

6) Company tax was recently cut 30% to 25% for businesses with a turnover of less than $50 million per annum, coming into full effect by 2026-27. Do you support or oppose tax cuts for businesses with annual turnovers of...
   a) Up to $2 million
   b) Up to $10 million
   c) Up to $50 million
   d) Over $50 million