

THE PER CAPITA TAX SURVEY 2021



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About Per Capita

Per Capita is an independent progressive think tank, dedicated to fighting inequality in Australia. We work to build a new vision for Australia based on fairness, shared prosperity, community and social justice.

Our research is rigorous, evidence-based and long-term in its outlook. We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy.

Our audience is the interested public, not just experts and policy makers. We engage all Australians who want to see rigorous thinking and evidence-based analysis applied to the issues facing our country's future.

About the authors

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Emma is co-editor, with Professor Janet McCalman, of the collection of essays *What happens next? Reconstructing Australia after COVID-19*, published by Melbourne University Press in September 2020. She holds a BA with First Class Honours from LaTrobe University and an MA with Distinction from Monash, and is an Honorary Fellow in the School of Social and Political Sciences at the University of Melbourne.

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Acknowledgements

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Executive summary

The annual Per Capita Tax Survey provides a unique insight into the views held by Australians of all ages, from across the country, about the role of tax and public services in our national life. Now in its 11th iteration, the 2021 Survey comes after perhaps the most extraordinary year in living memory, during which every aspect of life was disrupted by the COVID-19 pandemic and resulting recession.

We conducted the Tax Survey twice in 2020 – once before the onset of COVID, in February, and once again after the full impact of the crisis was beginning to be appreciated, in August. The results were striking: they revealed a renewed appreciation of the essential services provided by government, less anxiety about personal tax contributions and a greater level of comfort with public debt. It was impossible to know whether these significant shifts in public sentiment would self-correct as social and economic circumstances stabilised, or whether the great disruption brought about by COVID-19 would result in lasting changes to the views of Australians about our tax and transfer system.

The 2021 Survey, which was conducted in early April, finds that some of the shift in public attitudes has, so far, stuck. Appreciation of public services remains higher than it was pre-COVID, as does support for long-term government borrowing to fund investment in the economy. Views about personal tax contributions, on the other hand, are largely reverting to pre-COVID positions, although there is stronger support across all income and age groups for wealthy Australians to pay more tax.

Some findings of the Survey seem to be eternal: a significant majority of respondents still believes that big business doesn't pay its fair share of tax, and that corporate tax avoidance affects the fairness of Australia's taxation system, as they have since the Survey's inception in 2010. As always, some of the Survey's most intriguing findings relate to issues in the current policy debate. Support for Stage 3 of the Government's legislated personal income tax cuts dropped sharply in the wake of COVID, and has not recovered in the months since, with support for the tax cuts at just 29.3% while the proportion who believe they should be reduced or stopped is 43.3%. The issue remains divided along party lines: even among Coalition voters, only 1 in 5 is happy with the distribution of Stage 3 of the tax cuts, but this drops to around 1 in 10 among Labor and cross-bench voters.

Reversing Stage 3 of the tax cuts and diverting the revenue to fixing aged care was the most popular choice of the various options given to find sufficient funding to address the recommendations of the Royal Commission into Aged Care Quality and Safety, well ahead of a Medicare-style levy on all taxpayers.

Support for a 'Buffett Rule' to enforce a deductions cap on high-income earners remains popular among Australians, as does action to restrict negative gearing on investment properties, but views on the appropriate rate of the unemployment benefit are split: while a majority (52.3%) of respondents want to see the rate of JobSeeker further increased beyond the Government's recent small raise of \$25 a week, there is no clear consensus on how much more should be provided, and almost a third of respondents do not support any further increase, with 20.5% saying the new rate is sufficient, and 11.2% believing it is now too high.

The Per Capita Tax Survey 2021 is, effectively, the first of the 'post-COVID' era. It provides valuable insights into public sentiment towards government's role in the recovery, which we hope will be useful to policy makers in the months ahead.

Introduction

This is the 11th publication of the Per Capita Tax Survey, which has been conducted annually since 2010, with the exception of 2013. The results provide a snapshot of Australian attitudes towards taxation and government expenditure, and a long-term view of trends in public opinion on our tax and transfer system.

After conducting the Survey twice in 2020, we have reverted to the standard pre-budget poll, which was put out to a representative sample of Australians in April 2021. The findings reveal that some significant shifts in public sentiment towards the role of government that emerged in the wake of COVID-19 are, so far, still in place; whether such changes will be permanent is a question to be answered in future years.

After 10 years, the Annual Per Capita Tax Survey has built up a valuable longitudinal study of Australians' views of core economic policy settings. 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 focused on surveying responses to current policy proposals, with some questions being asked over two or three years if the issue remains central to the public debate.

This year's fieldwork was undertaken between 1 and 12 April 2021 through Dynata, as an online survey of 1550 Australians with nationally representative samples by gender, age, and state or territory of residence. 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 is likely to be higher given that the sample size for a subgroup is necessarily less than the total sample size of 1,550 people. Where results are described as essentially unchanged from previous years, this indicates any change is not statistically significant.

A full list of the questions asked in this year's survey can be found in the Appendix.

The Survey findings are structured as follows:

- Section I outlines respondents' attitudes to public services, and to levels of public 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 minimization, the rate of unemployment benefits (JobSeeker), Stage 3 of the legislated personal income tax cuts that are due to take effect in 2024, and funding for aged care.
- 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 our tax and transfer system. This year's survey reveals the views of Australians towards the role of government at the most extraordinary time in living memory.

All 11 tax surveys are available on the Per Capita website.

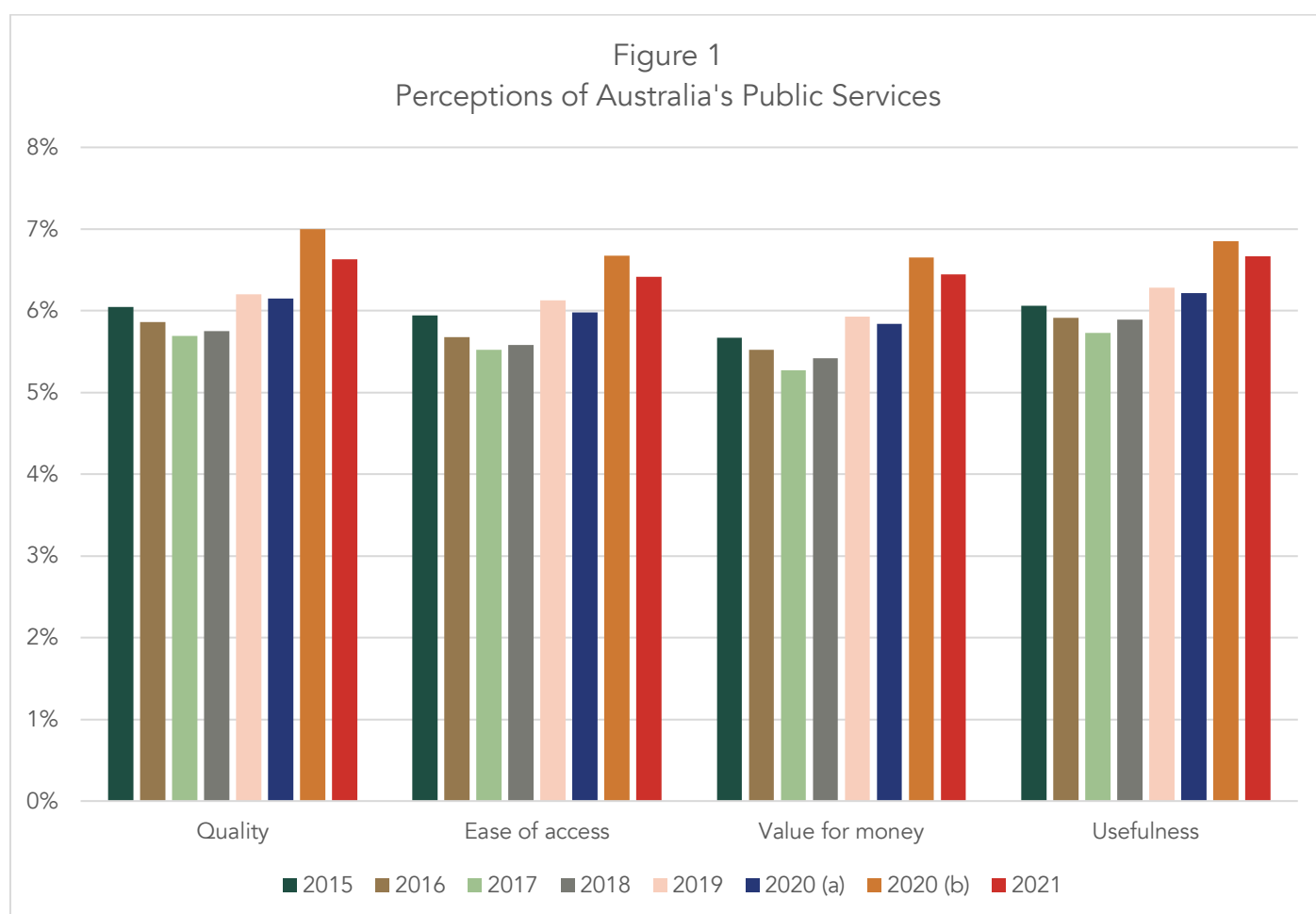
Section I: Attitudes to public spending and debt

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 2015, 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.

In the post-COVID survey undertaken in August 2020, we saw a statistically significant lift in the appreciation of public services by respondents, across all metrics. Six months later, Australians appear to remain more appreciative of their public services than they were in the years before the pandemic, although there has been a slight decline on each measure.

The rating for quality has fallen from 7 in August 2020 to 6.6 now, while for usefulness it declined less sharply from 6.8 to 6.7. The ratings for ease of access and value for money are each down from 6.7 in August to 6.4 in 2021.

Despite the small falls in ratings since the height of the pandemic last year, public perceptions of Australia's public services are still more favourable now than in any pre-Covid year.



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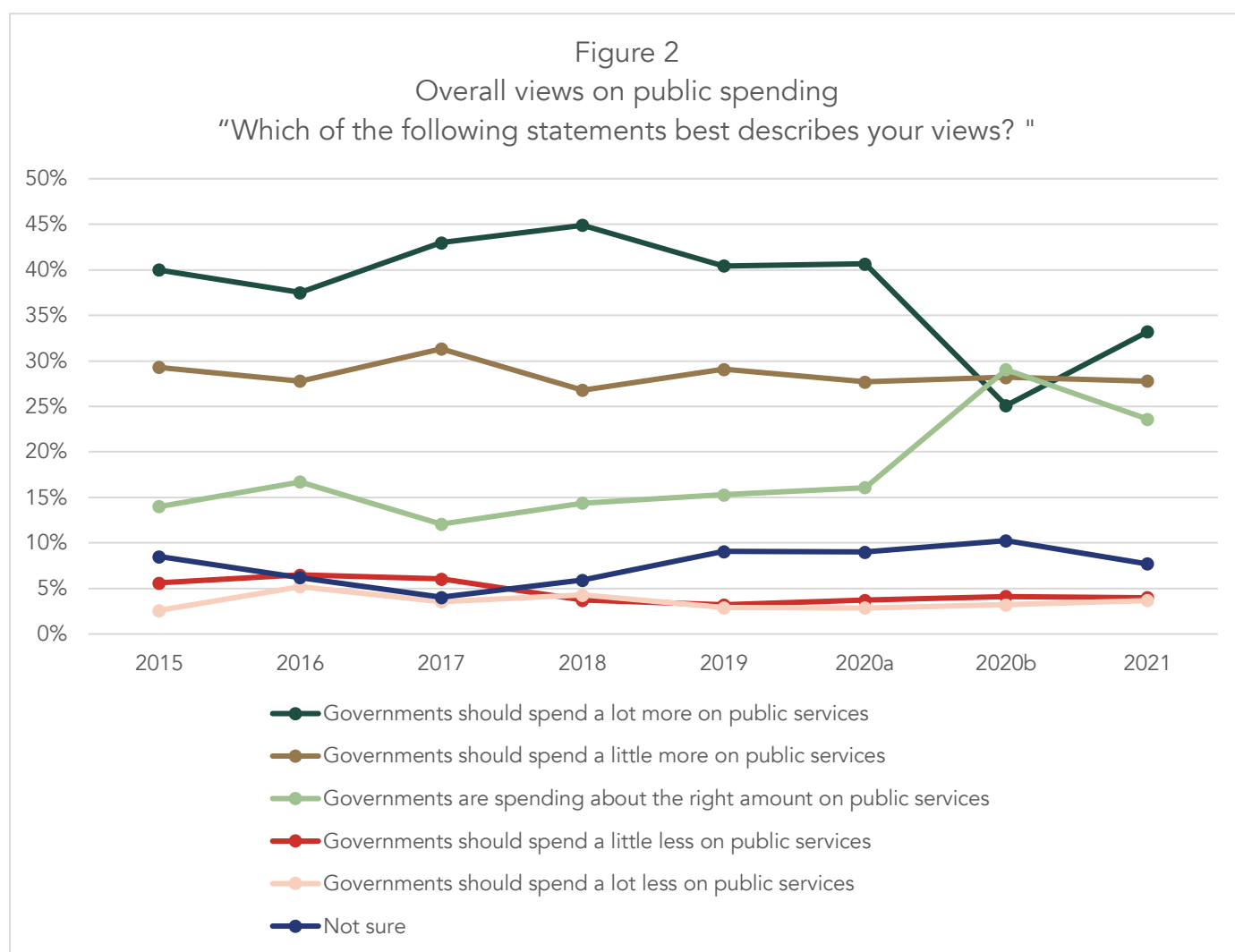
The Survey then proceeds to record people's views on government spending on public services (see Figure 2). Again, the 2020 surveys revealed a significant shift in the views of respondents in the wake of the pandemic.

In early 2020, before the onset of COVID-19, 68.3% of respondents believed governments should spend more (either a lot or a little) on public services, but by August, this figure had dropped markedly to 53.3%, almost entirely due to a significant reduction in the proportion of respondents who believed governments should spend *a lot more* on services (down from 40.6% in February to just 25.1% in August).

In 2021, this figure has recovered somewhat to 61%, driven by a resurgence in the proportion of those saying governments should spend *a lot more* on services, which is up by 8.1% since August 2020.

This is largely reflected in the drop in the proportion of people who now think governments are spending 'about the right amount' on public services, which fell from 29% in August to 23.6% in 2021.

Changes in the responses of those who think that governments should spend less on public services have been statistically negligible since the outset of the tax survey, but the level of uncertainty has dropped from 10.3% in August 2020 to 7.7% today.

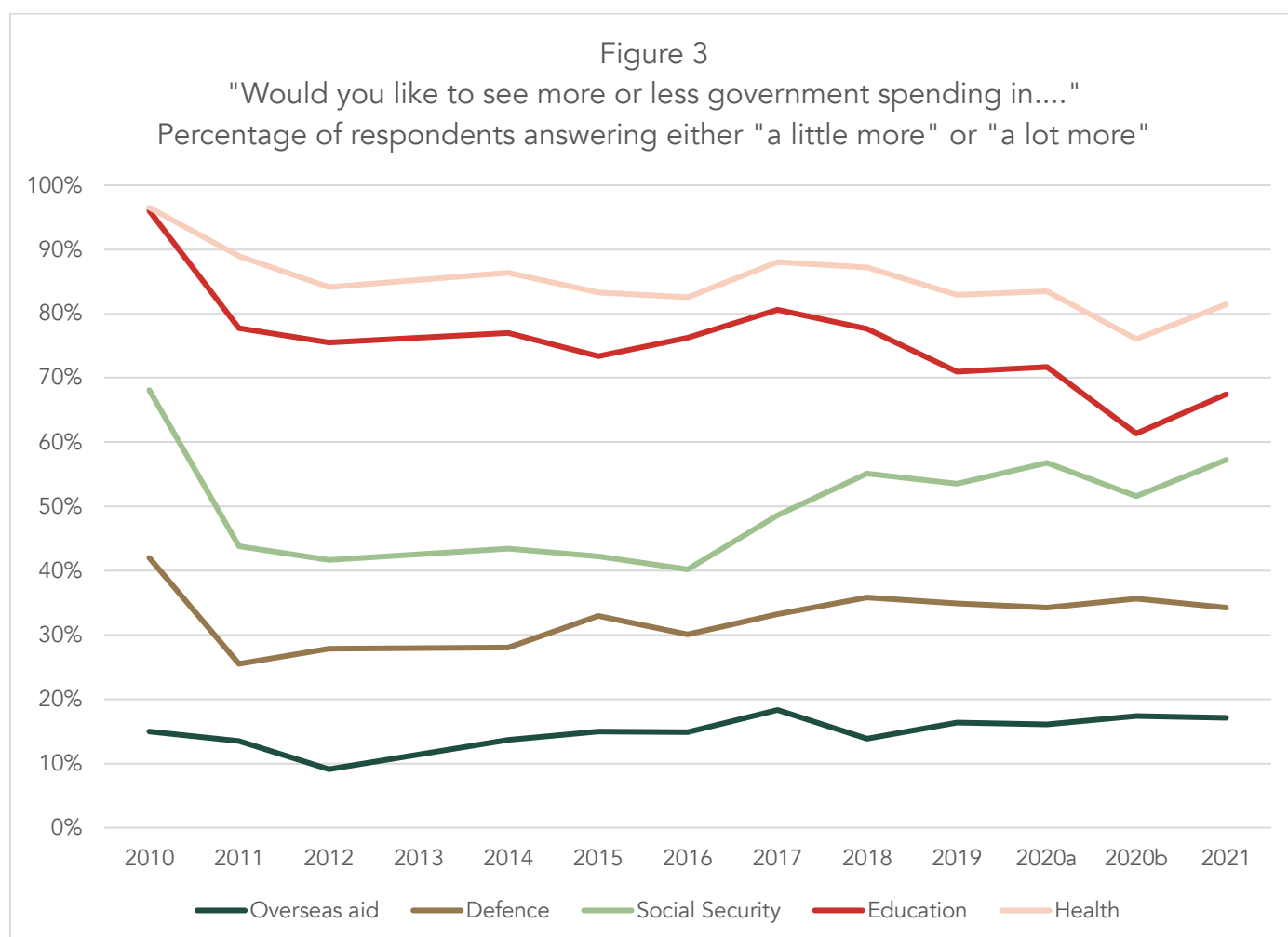


Respondents are then asked for their preferences for the allocation of public expenditure (see Figure 3). In all annual Tax Surveys, a majority of respondents has indicated support for more government spending on health and education and, since 2018, for more spending on social security.

The post-COVID survey of August 2020 (2020b) showed marked declines in the proportion of people who want to see more spending on all three measures in the wake of COVID-19. The proportion of respondents who wanted more government spending on health declined by 7.5%, and on education by a 10.4% in the six months since the February 2020 survey, to their lowest scores in the history of the survey. The fall in the proportion of those who want to see increased social security spending was less severe, at 5.2%.

Much of the falls in support for more spending has been recovered in the months since the height of the pandemic, with the 2021 survey showing an increase of 5.4% in support for more spending on health. While support for more spending on education rose by 6%, at 67.4% this figure is still significantly lower than it was pre-pandemic and, other than the August 2020 result, is the first time support for more spending on education has fallen below 70% since the commencement of the Survey in 2010.

Conversely, the 5.6 point increase in support for more spending on social security lifts that score to 57.2%, which is its highest in a decade. Changes in support for more spending on defence and overseas aid were, as in previous years, statistically negligible.



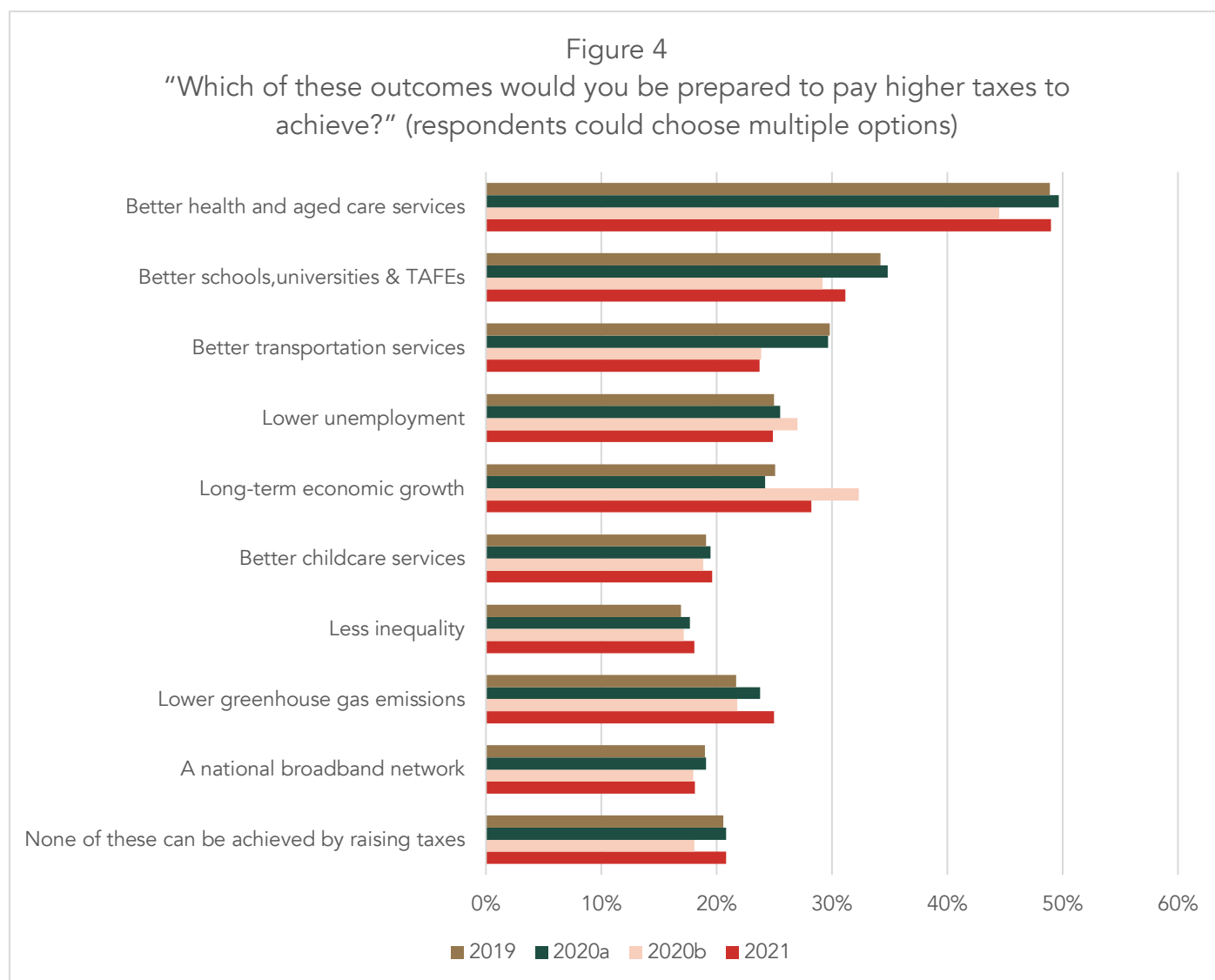
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The next question asks respondents for which, of a number of different policy outcomes, they would personally be willing to pay higher taxes (see Figure 4).

Until the 2019 survey, we consistently found that a majority of respondents were personally willing to pay more tax for better health and aged care services. Two years ago, that majority was lost with a result of 48.9%. In the wake of COVID-19, the figure collapsed to its lowest point in the survey's history, to just 44.5% in August 2020. In 2021, the result has recovered to 49%, but is still shy of the majority findings of the early years of the Tax Survey.

The recovery in the proportion of those willing to pay more tax for better educational institutions has been smaller: having dropped to just 29.2% in the wake of COVID-19 – down from 46.7% in 2017 – this figure now stands at 31.2%

In 2021, 1 in 4 respondents said they would be willing to pay higher taxes to lower greenhouse gas emissions, the highest result since 2016, while just 1 in 10 said they would willingly pay more in tax for better childcare services.

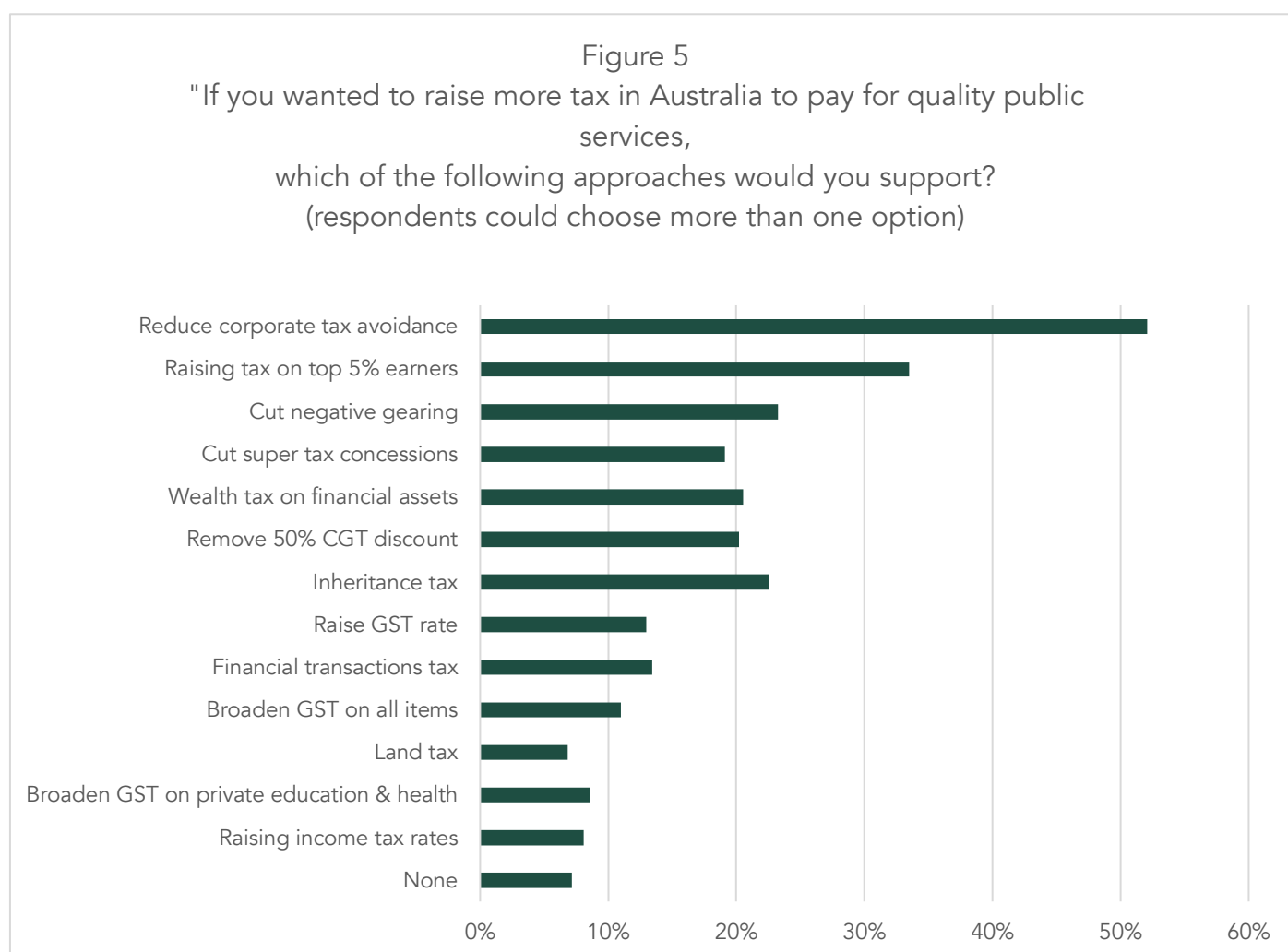


Given that, as in previous years, a clear majority of respondents want the government to spend more on services, but most are not personally willing to pay more tax to fund such spending, we ask respondents for their views about what other measures the government should implement to fund service provision (see Figure 5).

In keeping with the findings of every tax survey since 2010, reducing corporate tax avoidance remains the most popular option when people are asked how the government should raise more revenue. After falling 9 points between the February and August 2020 surveys to just 47.3%, this option has now recovered majority support, at 52.1%.

Other preferred options, as in previous years, are to raise tax on the top 5% of income earners (33.5%) and to cut tax concessions on negative gearing (23.2%).

Notably, the proportion of respondents nominating support for an inheritance tax is up by 7.4 points on the August 2020 Survey, to 22.6% - the highest level of support for this option since it was first included in 2018. This is now the fourth most popular option for raising tax revenue, ahead of a wealth tax on financial assets (20.5%), removing the 50% discount on capital gains tax (20.2%) and cutting tax concessions on superannuation (19.5%).

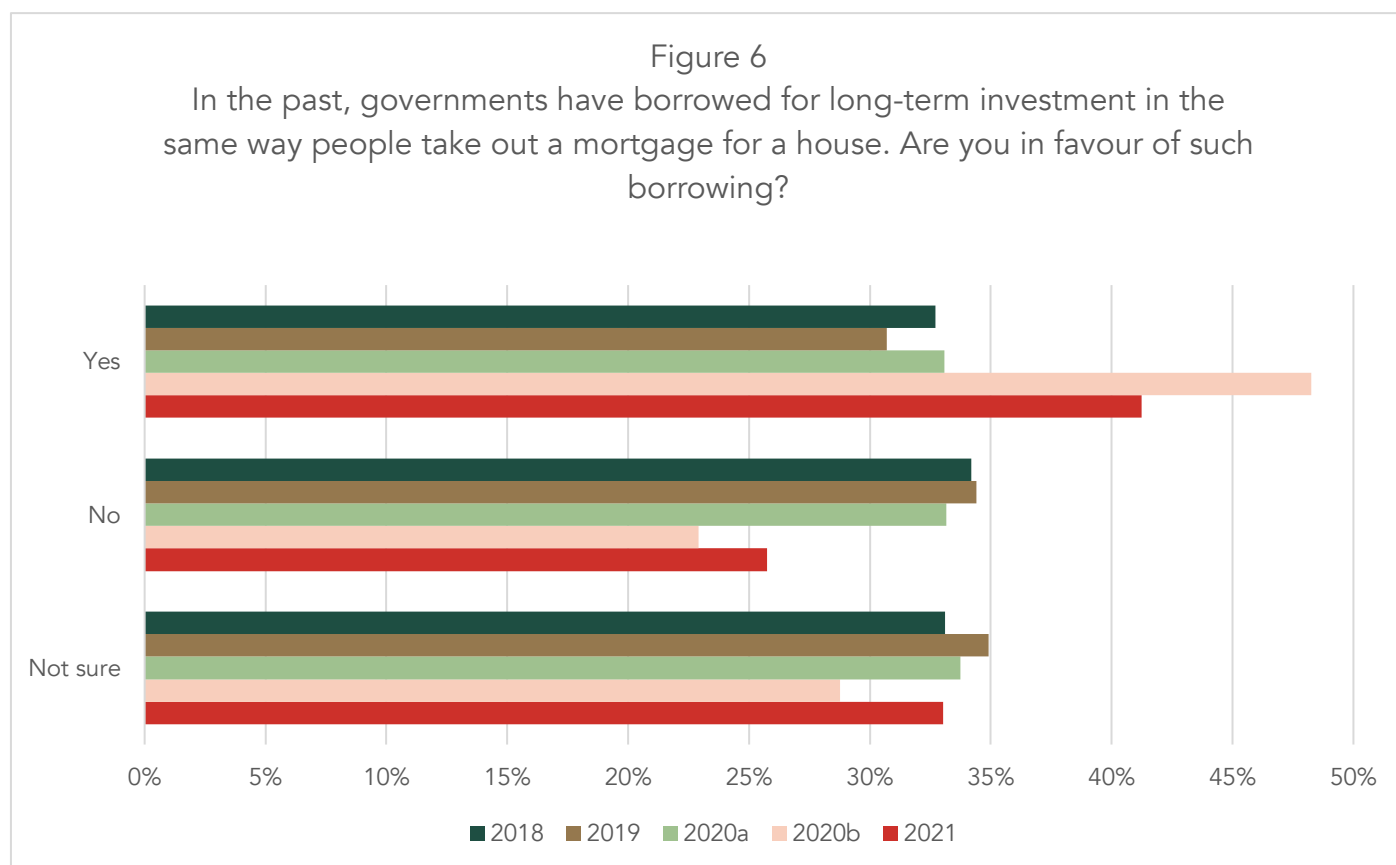


The survey next investigates public views of government debt, asking whether respondents support government borrowing for long-term investment (see Figure 6). In the years prior to the pandemic, findings for this question were almost evenly split, with around a third of respondents opting for each of the three responses – ‘yes’, ‘no’ and ‘not sure’.

In the wake of COVID-19, we saw a huge shift in attitude to public debt, which reflected the widespread acceptance of emergency spending during the height of the pandemic. Responses to the survey in August 2020 were much more sharply divided. While 28.8% of respondents remained unsure, support for government borrowing for long-term investment was up by more than 15 points to 48.3%, while those opposed to government debt was a record low of just 22.9%.

In 2021, uncertainty about this issue is back up to 33%, while opposition has increased slightly to 25.7%.

Support for government borrowing to fund long-term investment has fallen more than 7 points since August, but at 41.2% signs are that the increased support for public debt to fund investment may be more than a temporary change.



The findings of the first section of the report in 2020 showed significant movement in public attitudes to the funding of government services as the economic consequences of COVID-19 became apparent. In 2021, while some of the more extraordinary shifts have reverted slightly, there is evidence to show that the impact of the pandemic may have permanently altered public views on the role of government and the funding of public services.

On all four metrics used to assess Australians' views of public service delivery - quality, ease of access, value for money and usefulness – the significant up-tick in public appreciation of public services in August last year has declined, but not back to pre-COVID levels. It remains to be seen whether the Australian people's new-found appreciation of our public services will last.

There was a significant drop of more than 15 points between February and August 2020 in the proportion of respondents who said they wanted to see a lot more government spending on public services, and a commensurate rise in the share of respondents who thought the level of spending was about right. As noted last year, this significant shift in public sentiment coincided with a massive increase in public spending to support society through the worst of the pandemic, and it was therefore possible that the finding reflected the public's approval of emergency spending measures rather than any underlying change in the attitude towards long-term spending patterns.

Much of this short-term government spending was being withdrawn just as the 2021 survey was in the field, and a little over half of the drop in support for a lot more government spending on services has been recovered since August last year. Future surveys will reveal whether public appetite for significantly increased spending on services will be fully restored once the post-pandemic economic outlook is more settled.

Similarly, much of the drop in the proportion of respondents who want to see more spending on education, health, and social services that we saw in the August 2020 survey has been recovered, suggesting that there is public appetite for greater expansionary fiscal investment in key areas of social security as we enter the recovery phase.

Willingness among survey participants to personally pay more tax to support public services has also recovered over the last eight months, although in the cases of education and transport, findings remain notably lower than they were pre-pandemic. Respondents are slightly more willing, though, to pay more income tax themselves to support action on climate change (greenhouse gas emissions), better child care services and long-term economic growth than they were in the years before COVID-19.

Perhaps most notable in this section, given the extraordinary debt taken on by the federal government to support Australia through the pandemic, was the huge increase in August 2020 in support for government borrowing to fund long-term investment, and commensurate drop in those opposed to government debt.

While around half of that increase has been lost in 2021, support for public debt to fund investment remains about 10 points higher than at any time prior to the pandemic. This may reflect a permanent shift in sentiment towards government debt, in keeping with shifts in political rhetoric and public debate about the role of debt and deficit in driving growth and economic recovery.

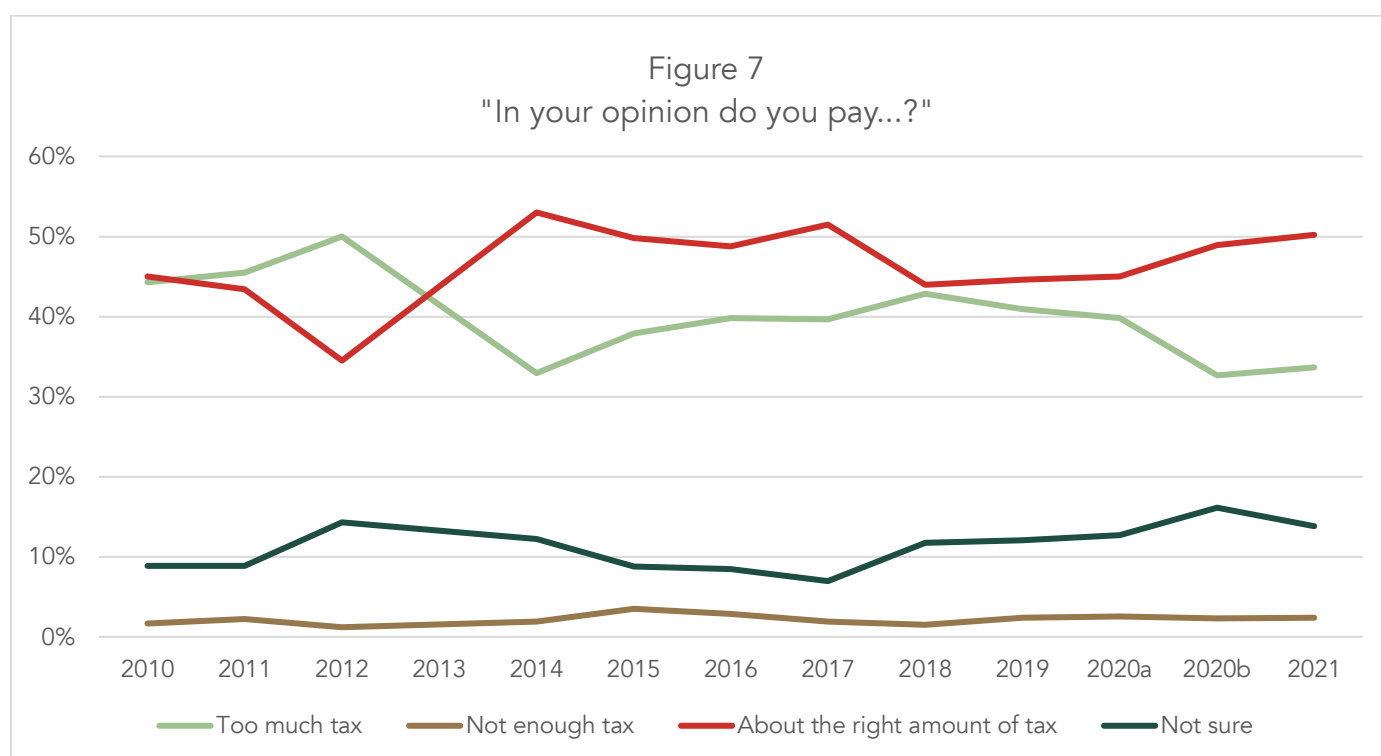
Section II: Personal tax obligations

The second part of the Survey seeks Australians' views about their own personal tax obligations, and those of other taxpayers. This is the heart of the annual tax survey: the questions in this section have been included since the first survey was conducted more than a decade ago. These findings allow us to build a longitudinal study of people's feelings about their interactions, and those of their fellow Australians, with our tax and transfer system.

We first ask respondents for their views on their own tax contributions (see Figure 7). After a notable drop in the 2018, 2019 and 2020 surveys from the historical average, the proportion of people who believed they paid about the right amount of tax recovered in 2021 to the slight majority it had held between 2014 and 2017, and is now at 50.2%.

The proportion of respondents who believe they pay too much tax has dropped more than 10 points over the same period, from 43.9% in 2018 to 33.6% this year, which is statistically consistent with the findings of the August 2020 survey.

The figure for those who believe they don't pay enough tax has held steady at around 2% since the Survey's inception (2.4% this year). The proportion of respondents who are "not sure" in 2021 is 13.8%.

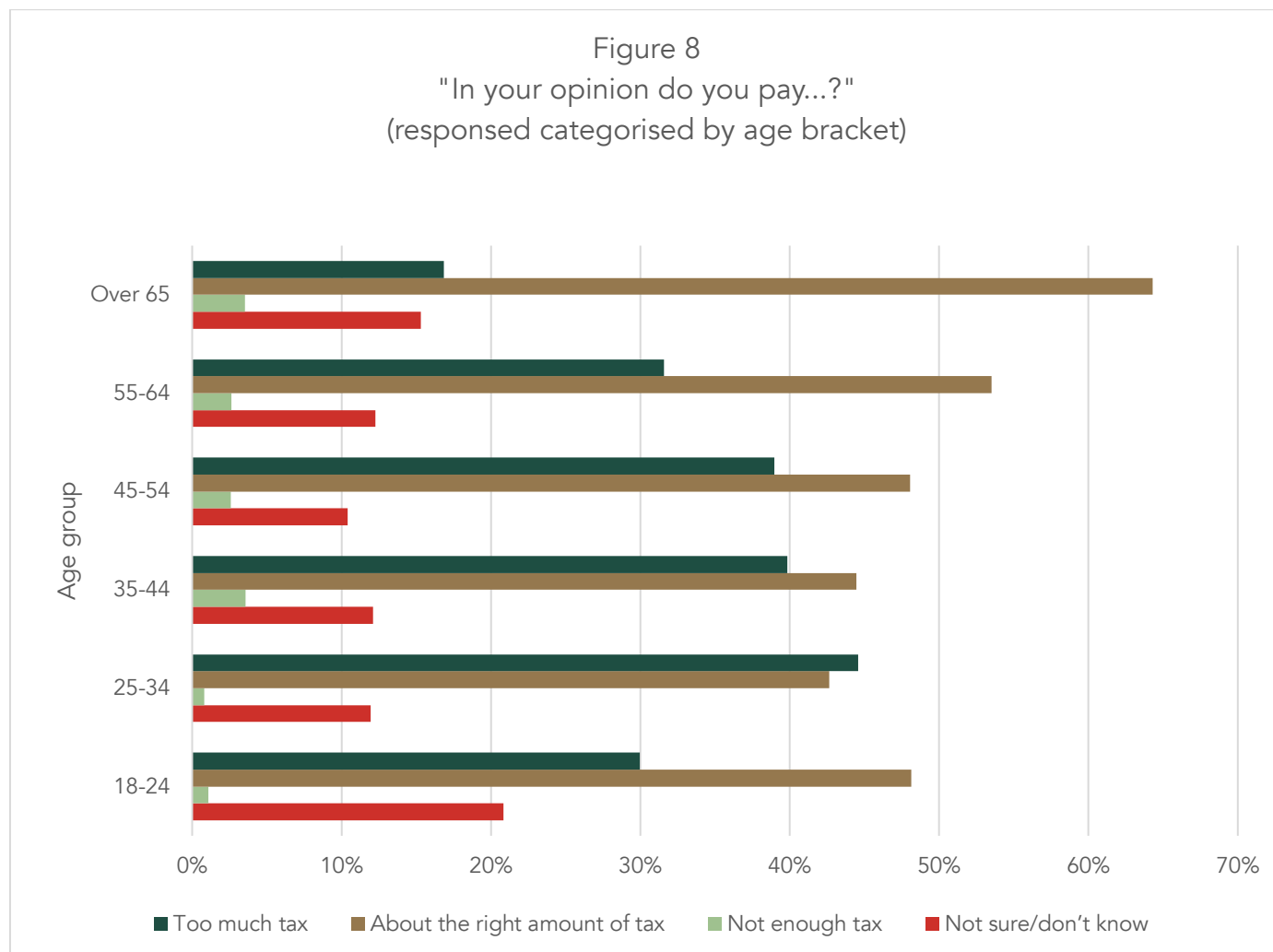


We then break down attitudes to personal tax contributions by age (see Figure 8). As in all previous tax surveys, a comfortable majority (64.3%) of those aged over 65 believe they pay about the right amount of tax, as does a smaller majority (53.5%) of those aged between 55 and 64.

In fact, in 2021, respondents from all age brackets other than those aged between 25 and 34 were more likely to say that they paid about the right amount of tax rather than too much, and in that demographic

the difference was less than 2 points, with 44.6% believing they pay too much, against 42.7% who were comfortable with their tax contributions.

48.1% of respondents in both the 18 to 24 and 45 to 54 age groups reported that they paid about the right amount of tax, while for those aged between 35 and 44 the figure was 44.5%.



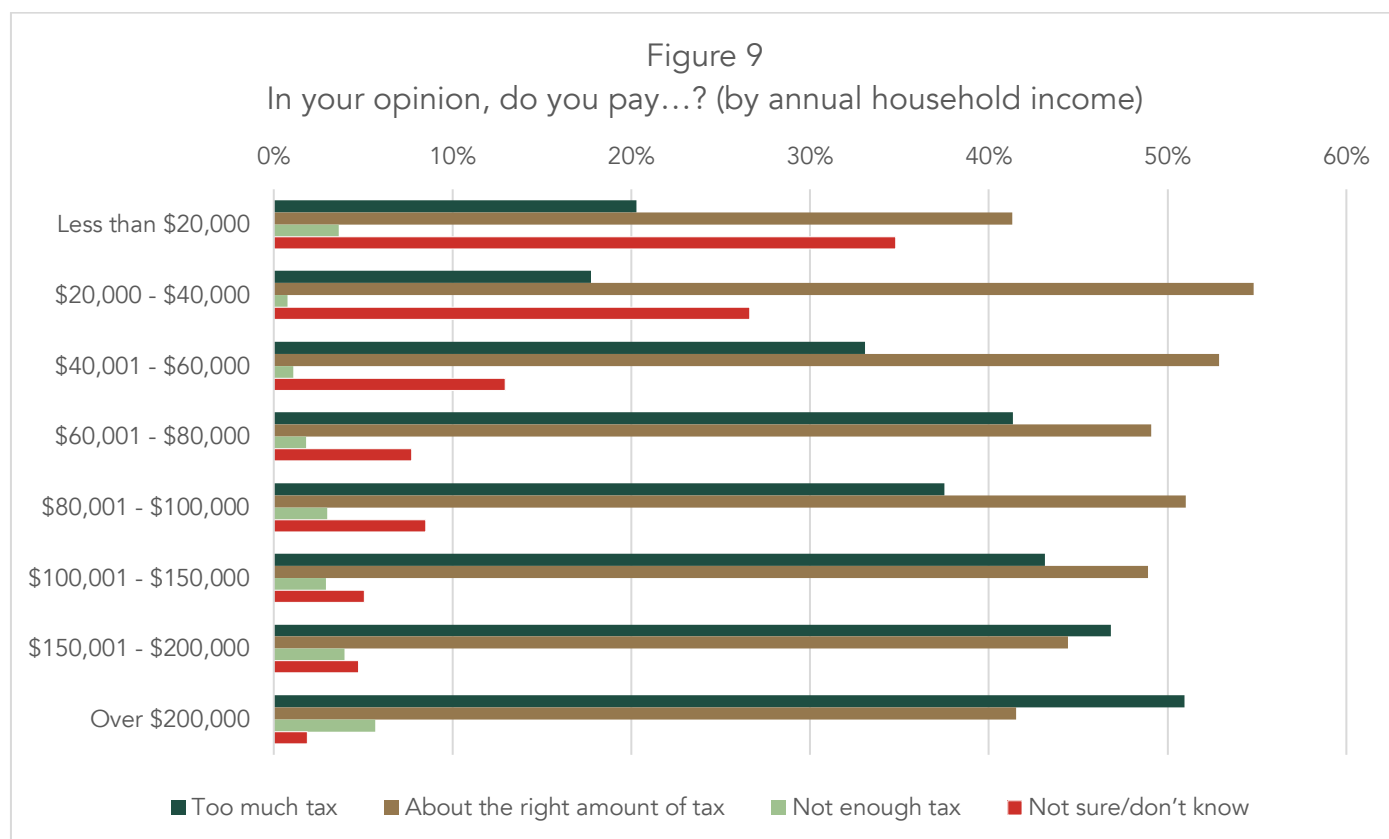
As in previous years, taxpayers in those age brackets who could be expected to have dependent children at home (i.e., aged between 25 and 54) were the most likely to say that they paid too much tax.

We also measure people's feelings about their own tax payments by household income (see Figure 9).

Only among those earning more than \$200,000, as in previous years of the survey, did a majority (50.9%) say they paid too much tax, statistically the same finding as the August 2020 survey, and which represents a significant drop of 7.3% since 2019, when the proportion was 58.2%.

In the second highest income bracket, those earning between \$150,001 and \$200,000, 46.8% reported feeling that they pay too much tax, against 44.4% who felt they paid about the right amount.

Respondents in all other income brackets were far more likely to say their tax contribution was about right than they were to say they paid too much.



The findings of this section in the August 2020 survey showed that Australians were much more comfortable with their personal tax contributions in the immediate wake of COVID-19, and these views have held steady over the past eight months. As we noted last year, it is difficult to ascribe a specific cause to this shift in views, which could be due to the fact that many wage-earners are still contributing significantly less net tax due to increased levels of government income support and/or job losses. It remains to be seen in future surveys whether this shift marks a permanent change in attitude to personal income taxes.

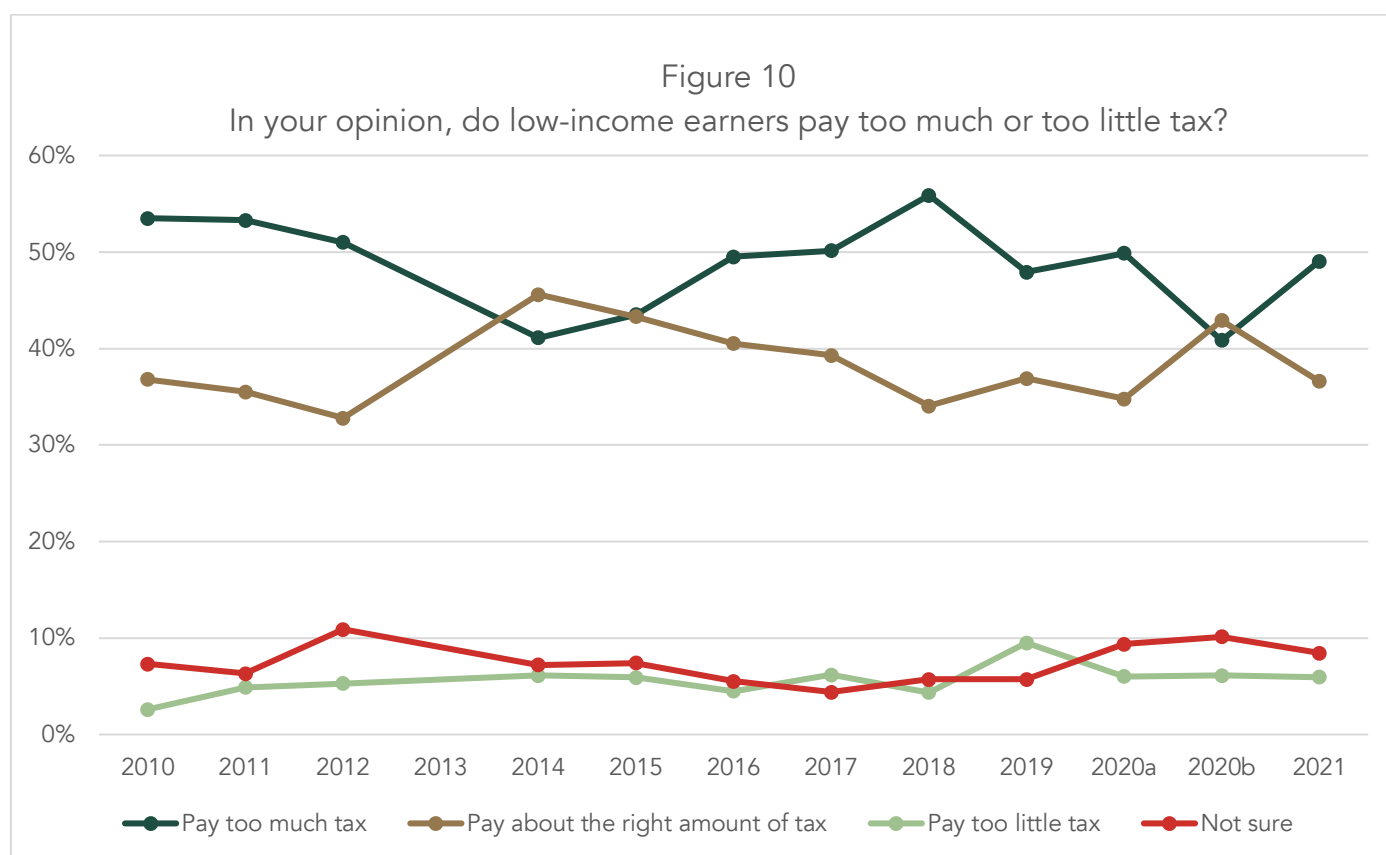
Section III: Fairness of the tax system

The third section of the Survey is concerned with the perceived justice and integrity of Australia's tax and transfer system. We ask respondents for their views of the relative fairness of tax rates paid by low-, middle- and high-income earners, and by small and big businesses. The majority of these questions have been asked since the first Survey in 2010, allowing us to build a picture of trends in public sentiment about the fairness of our tax system over time.

The survey conducted in August 2020 revealed significant shifts in the views of Australians about tax justice, but those shifts appear to have reverted as Australia's economic circumstances began to stabilise after the impact of COVID-19.

After dropping 9.1 points between February and August 2020, the share of those who believe low-income earners pay too much tax has recovered 8.2 points to 49% in 2021, in line with pre-COVID results (see Figure 10). Similarly, after lifting 8.1 points between February and August last year, the proportion of respondents who say the tax contribution of low-income earners is about right has fallen 6.3 points to 36.6%, again consistent with the surveys taken in the years immediately before the pandemic.

The share of respondents who say low-income earners pay too little tax and of those who are unsure have remained statistically consistent since 2019.



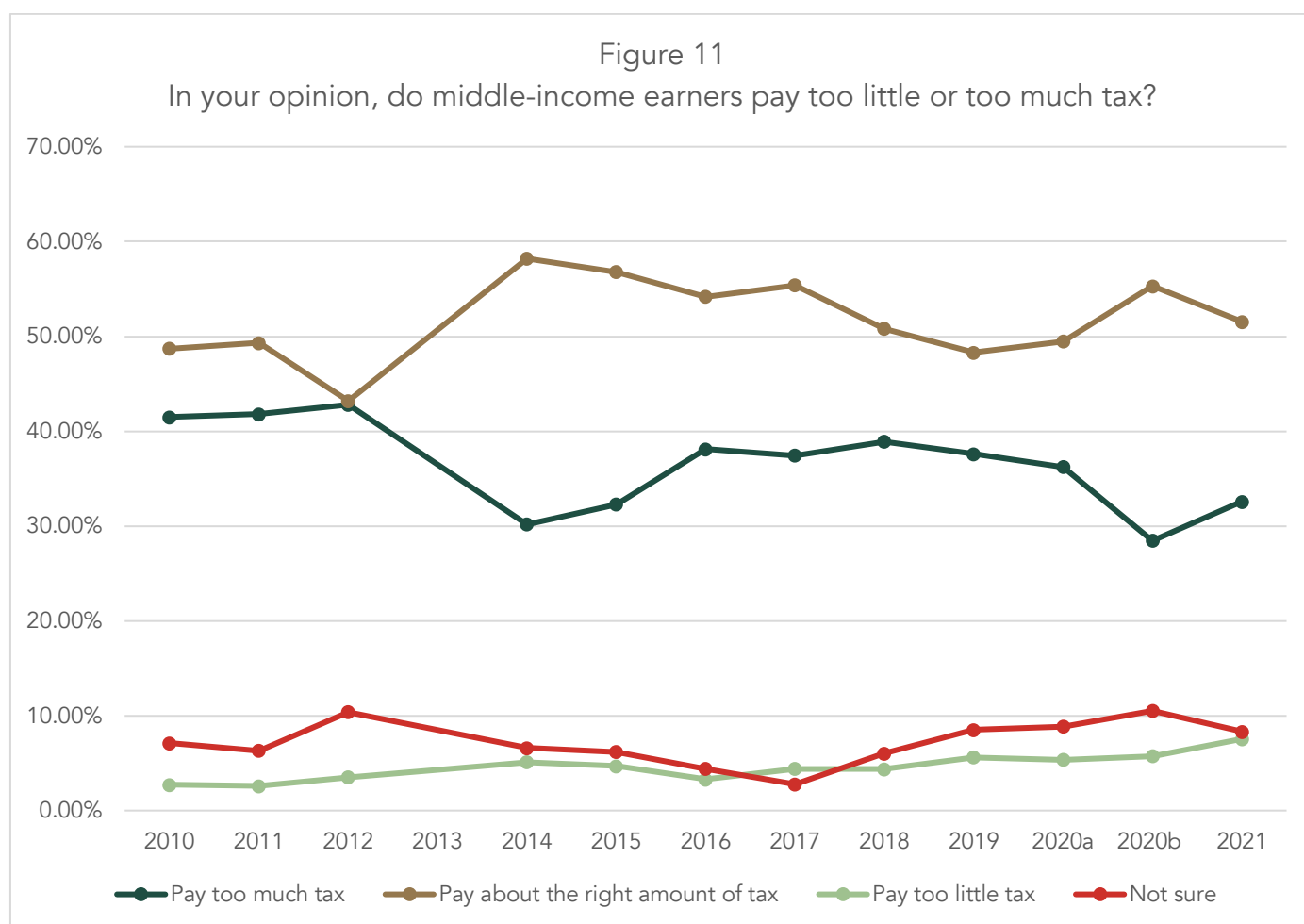
Similar reversions were seen in the views about the tax contributions of middle-income earners. After falling for the first time to a minority position (48.3%) in 2019, and holding relatively steady in the February 2020 survey (49.5%), the percentage of respondents who believe that middle-income earners pay about

the right amount of tax lifted significantly in August, to 55.3%, which is more in line with the results from the surveys taken between 2014 and 2017 (see Figure 11).

After dropping to a record low of 28.5% in August last year, the share who said that middle-income earners pay too much tax has lifted 4.1 points to 32.6% in 2021, although this is still 5 points down on the 2019 result.

The proportion of respondents who believe the tax contributions of those in middle income brackets is about right has dropped 3.7 points since the post-COVID survey of 2020, but at 51.6%, it remains 2.1 points higher than the pre-COVID finding.

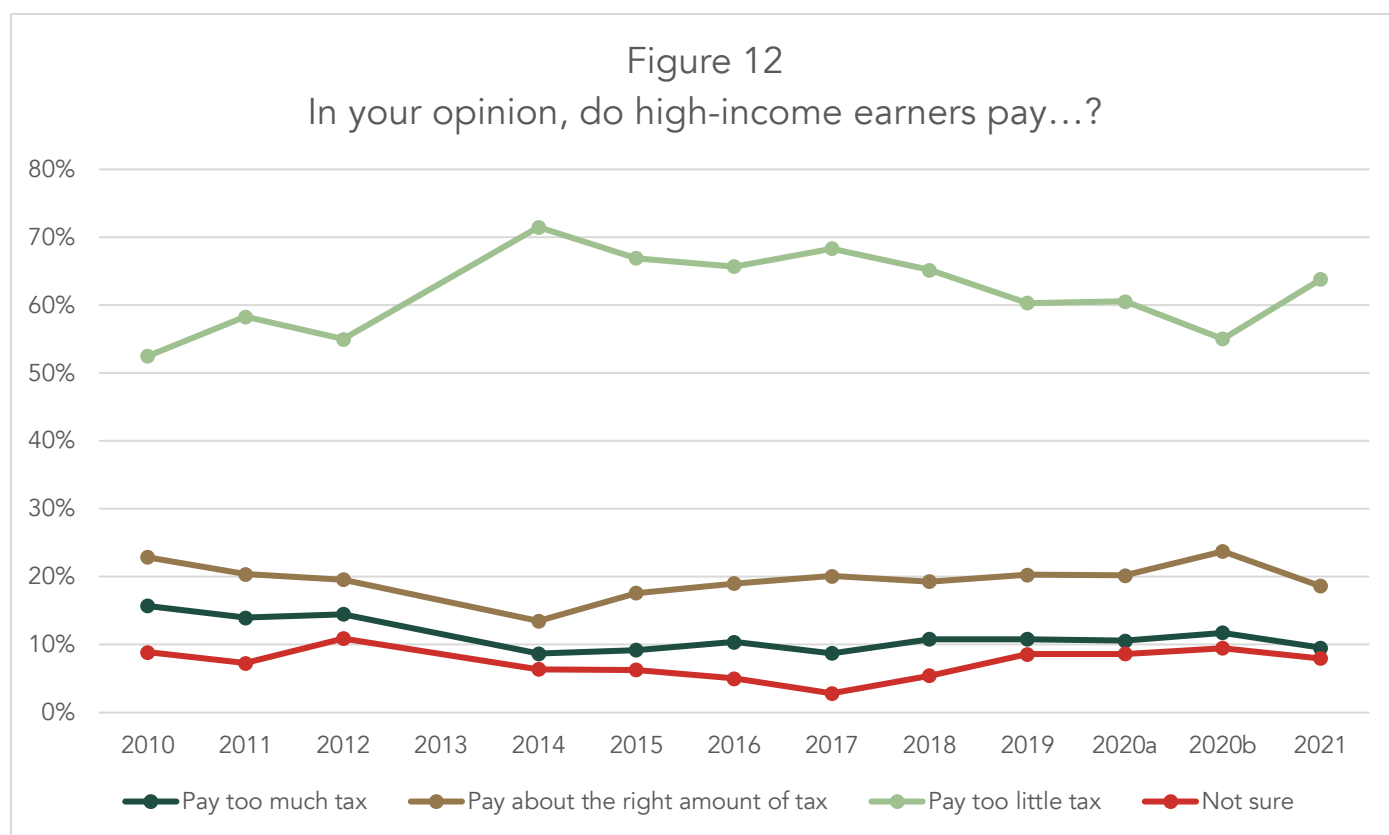
Changes in the views of those who say middle-income earners pay too little tax and those who are unsure are statistically insignificant.



In every tax survey since the first in 2010, the most strongly held view about the fairness of our tax system has been that high-income earners do not pay enough tax, and 2021 is no different (see Figure 12).

In the wake of COVID, the share of people who thought the tax contribution made by high-income earners was insufficient was 55%, the lowest figure since the survey taken in 2012. The 2021 survey has recorded an 8.8 point turnaround in this finding, to 63.8%, the highest result since 2018.

With a drop of 5 points since August 2020, 18.7%, or less than 1 in 5 respondents, say that high-income earners pay about the right amount of tax, while just 9.6% believe that they pay too much, the lowest figure since 2017. Uncertainty about this question has been fairly consistent since 2019.



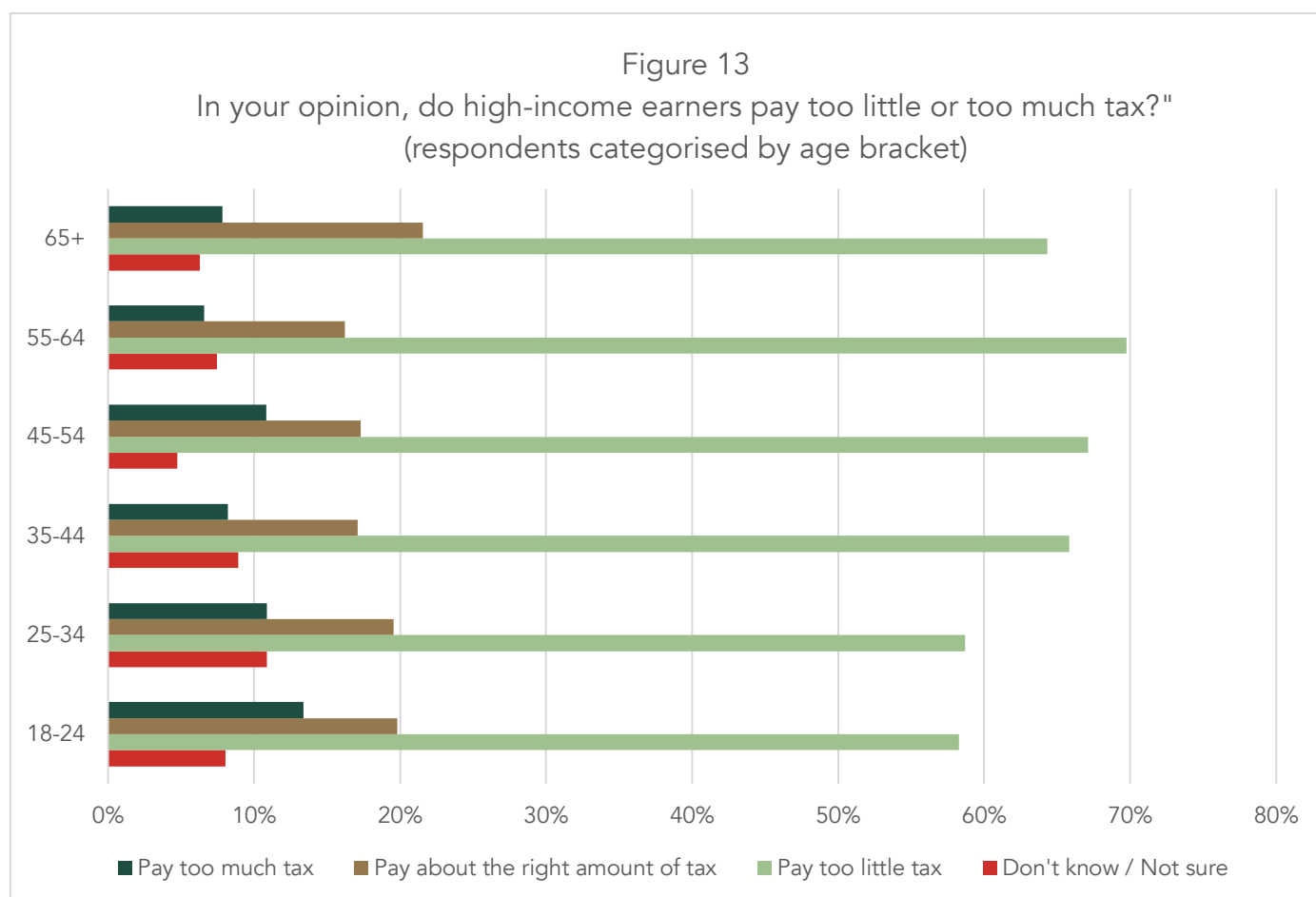
As with previous surveys, we break down the findings about views towards the tax contributions of high-income earners by age, household income and voting intention. For simplicity, we provide this breakdown only for the current survey (see Figure 13).

Since 2018, the view that high income earners pay too little tax has been in decline among younger voters, and by the survey taken in August 2020, this was a minority view among respondents aged up to 44 years old.

In 2021, a strong majority of all respondents say that high-income earners do not pay enough tax. Among 18 to 24 year olds, there has been a remarkable 21.2 point increase in this response since August 2020, with 58.3% of respondents now holding this view. Among 25 to 34 year olds, the lift has been 15.6 points, to 58.7%, while for those between 35 and 44 the share of those who think more tax should be paid by people in the highest income bracket has increased by 16.5 points, to 65.8%, which is a significant increase even on the 2019 figure of 58.2%.

Among 45 to 54 year olds, 67.1% felt high income earners should pay more tax, up 7.8 points from 59.3% in August 2020, but consistent with the pre-COVID finding of 67.5% in 2019. Of those aged between 55 and 64, 69.7% felt that the tax contribution by high income earners was too low, an increase of 4.2 points on the August 2020 result of 65.5%, but still significantly below the 2019 result of 78%.

Interestingly, the proportion of those in the oldest age group, 65+, who say that high income earners pay too little tax is actually falling: down 10.8 points from a high of 75.1% in August 2020, to 64.3% in 2021 – which is still 4.8 points lower than the pre-COVID result of 69.1% in 2019.

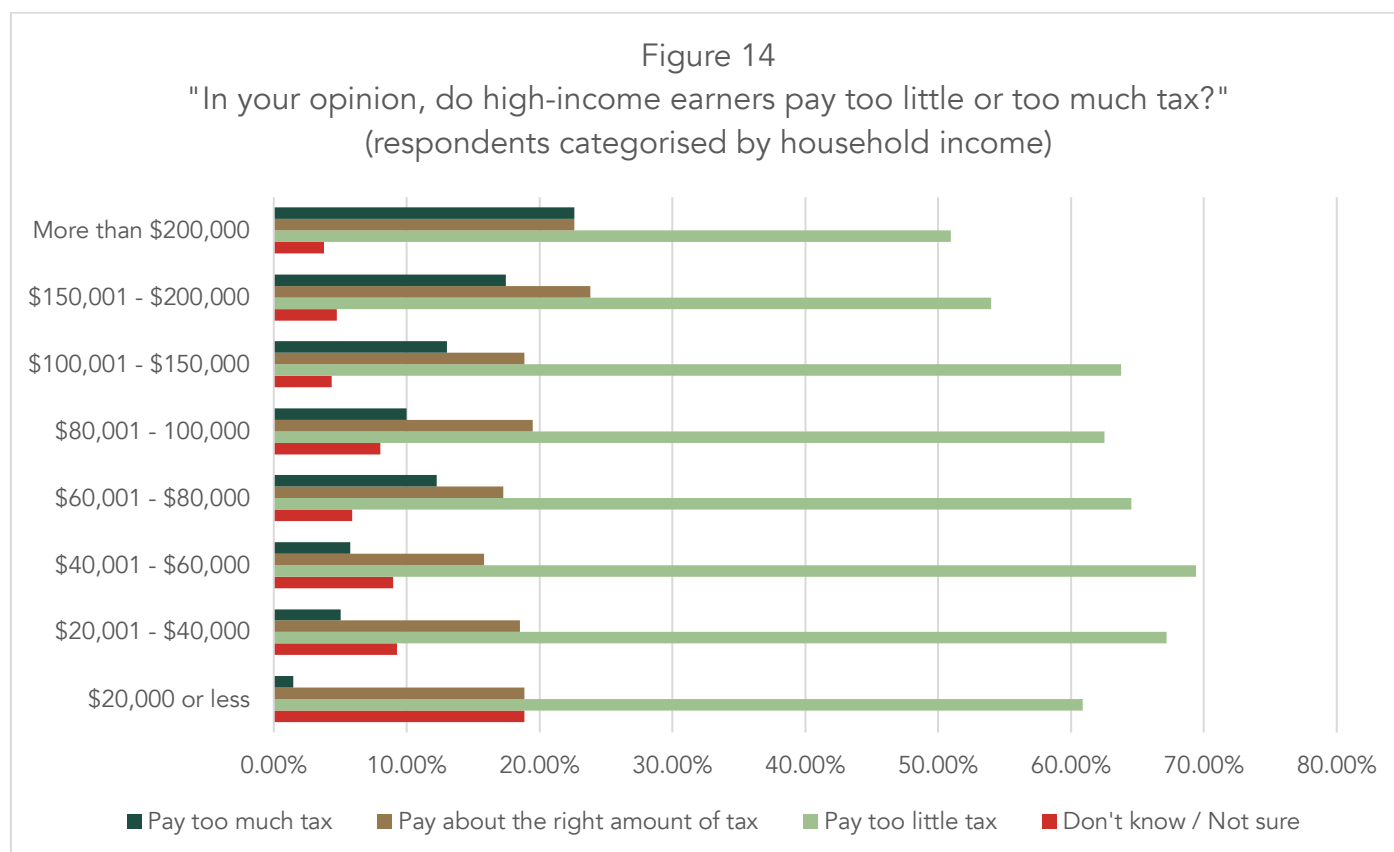


In most previous surveys, a majority of respondents to this question in every household income bracket other than the very highest has reported a belief that high-income earners pay too little tax, but for the first time in 2021, this view is also held by a very slight majority (50.9%) of those earning more than \$200,000 a year. This is an increase of 16.5 points on the August 2020 result of 34.4%

The share of those earning over \$200,000 per annum who believe high income earners pay too much tax is 22.6%, a drop of more than 5 points since 2019, and equal to the proportion of those in this income bracket who think the tax contribution by high income earners is about right. Respondents in this income bracket have the most certain views about this question, with only 3.8% responding that they are unsure.

The view that that high-income earners don't pay enough tax is held most strongly by those in the middle-income brackets, ranging from 62.5% of those earning between \$80,001 and \$100,000pa to 69.4% of those earning between \$40,001 and \$60,000.

While in August 2020 only 43.2% of very low-income earners believed that high income earners didn't pay enough tax, this figure is now up by 17.7 points to 60.9%, but almost 1 in 5 (18.8%) of respondents in this category are unsure of their views.



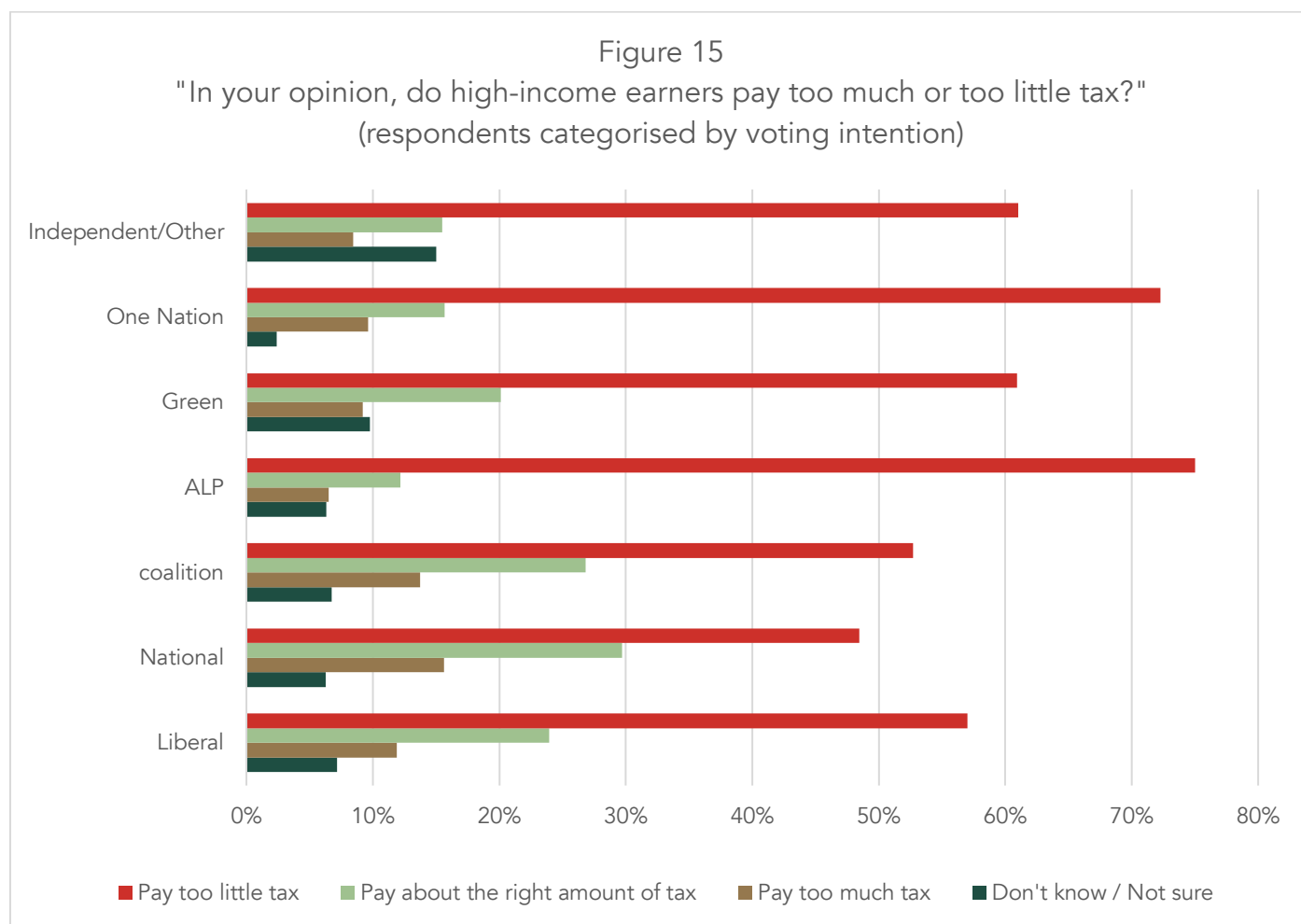
We also break down respondents' views on the tax paid by high-income earners by voting intention at the next Federal election (see Figure 15). A majority of all voters believe that high-income earners pay too little tax, including a small majority of Coalition voters – 52.7%, up from 46.3% in 2019. However, there is a significant difference in the views of voters for the National and Liberal parties on this question, with just 48.4% of National Party voters agreeing that the tax contribution of high-income earners is too small, compared to 57% of Liberal voters.

A full three-quarters (75%) of Labor voters would like to see high income earners pay more tax, up from 67.8% in August 2020, as would 60.9% of those who intend to vote for the Greens (up from 51.2% in August last year) and 61% of those who intend to vote for Independents/Others (up from 51.6%).

The biggest shift on this question has been from One Nation voters, among whom 72.3% believe that high-income earners should pay more tax – a remarkable 21.5 point increase since August 2020.

More than a quarter of Coalition voters (26.8%) say that those at the top of the income scale pay about the right amount of tax; 13.7% say they pay too much. Only 6.5% of Labor voters believe high-income earners pay too much tax, which is consistent with last year's findings, while the share of ALP voters who believe the tax contribution by high-income earners is about right has dropped 6 points since August last year to 12.2%.

Just under 1 in 10 of those intending to vote Greens or One Nation believe high-income earners pay too much tax (9.2% and 9.6% respectively) while among Independent voters that figure is 8.5%. Uncertainty remains highest, at 15%, among those who intend to vote for Independent or Other candidates.



After examining attitudes to personal income taxes, the Survey then asks respondents for their views about tax paid by business.

After dropping almost 10 percentage points between February (72.4%) and August (62.8%) 2020, the proportion of respondents who said they believe big business and corporations pay too little tax has rebounded to 72.6% (see Figure 16).

Similarly, the 7 point lift between February and August 2020 in the proportion of respondents who said that big businesses paid the right amount of tax has been reversed, with the 2021 figure of 12.7% consistent with the pre-COVID surveys of 2019 and February 2020.

As demonstrated consistently throughout the history of the Per Capita Tax Survey, Australians hold quite different views of the tax paid by small business than they do that paid by large corporations (see Figure 17). The share of respondents who are unsure about this issue, and of those who say small business don't pay enough tax, has remained statistically consistent over the last few surveys.

Interestingly, the change of around four percentage points recorded between February and August 2020 among respondents who believe that small business either pay too much or about the right amount of tax has been maintained into 2021. Compared to the historical average, more people are now likely to say that the tax contribution by small business is about right (47.8%) and less are likely to respond that small businesses pay too much tax (29.7%).

Figure 16
In your opinion, do big businesses and corporations pay...?

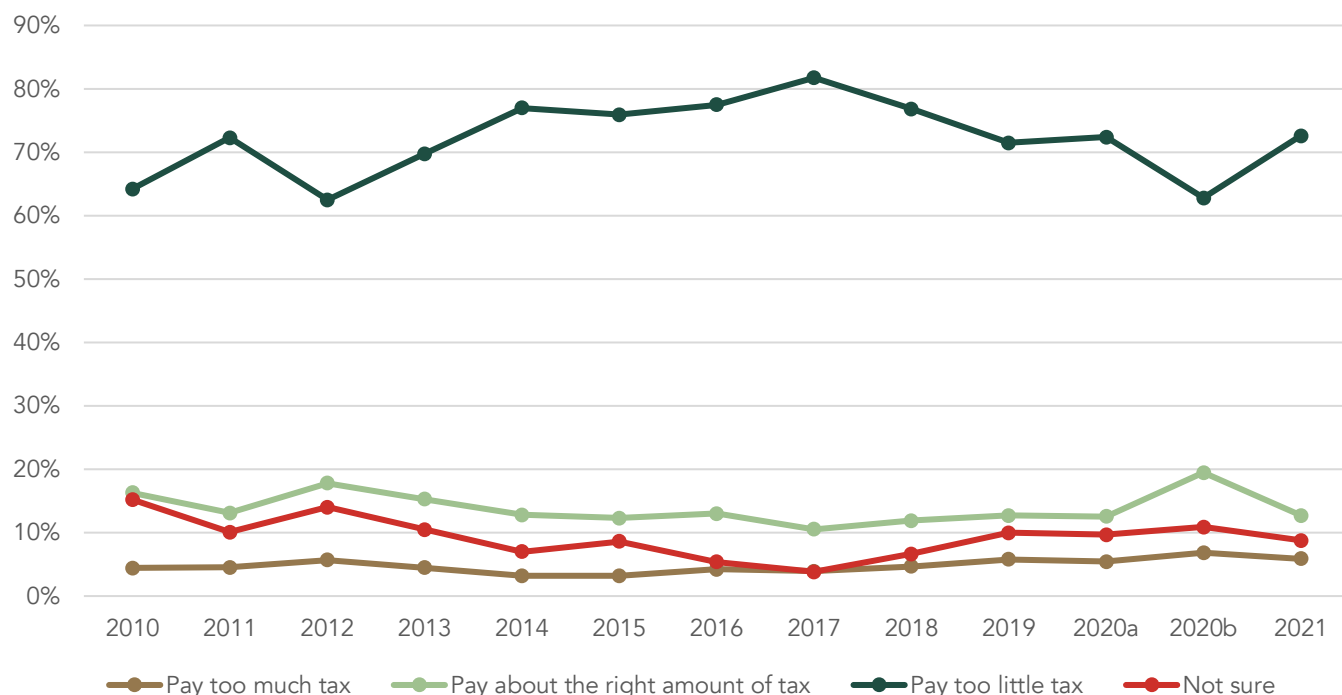
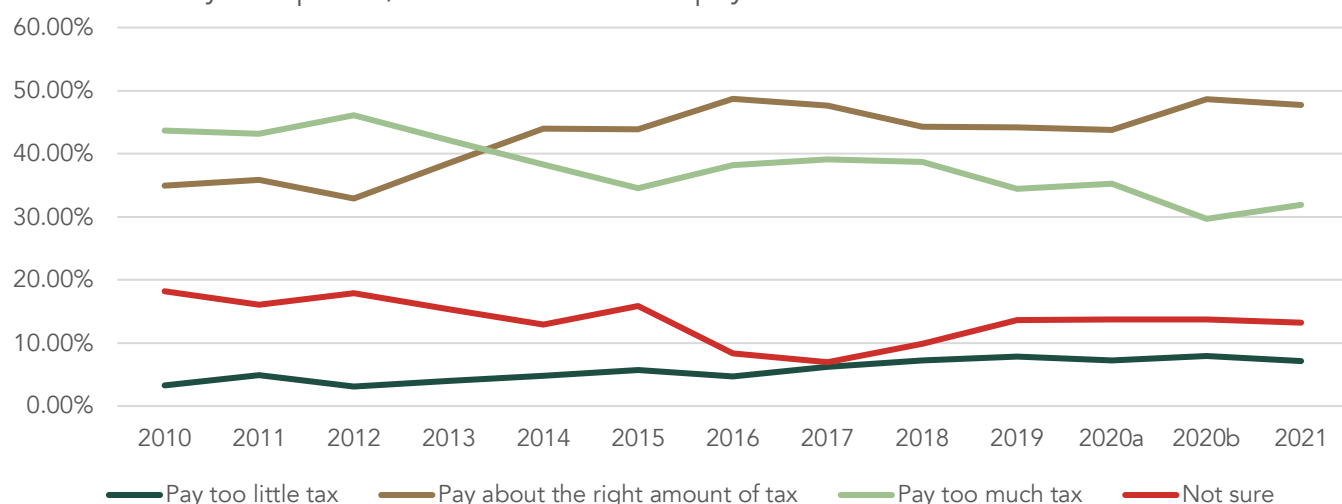


Figure 17
In your opinion, does small business pay too little or too much tax?



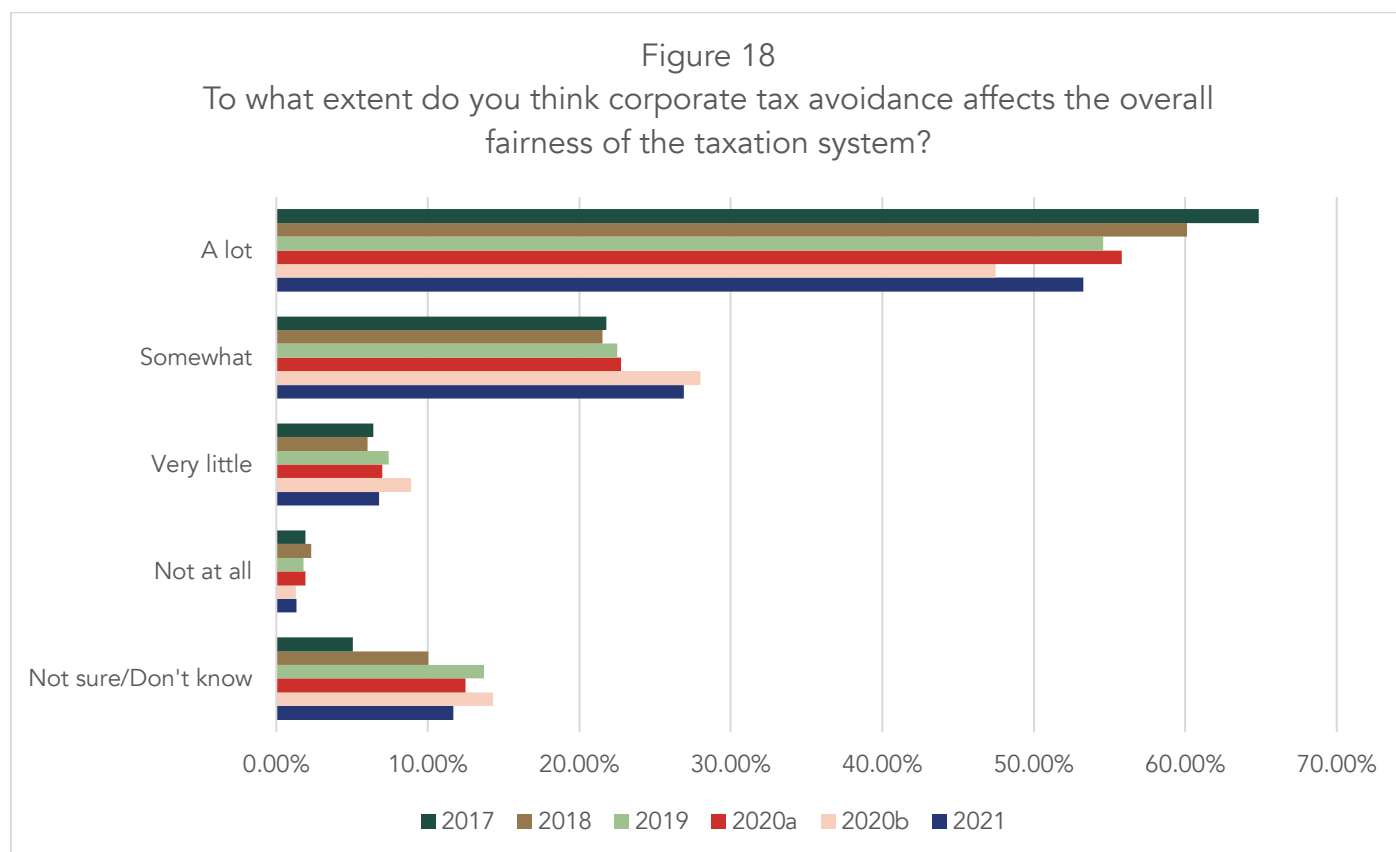
The last question in this section of the Survey asks whether people believe that corporate tax avoidance affects the fairness of the tax system (see Figure 18). Throughout the 10-year history of the Survey, a significant majority of people have responded that it does.

The 2021 Survey results are no outlier: a total of 87% of respondents believe that corporate tax avoidance affects the fairness of Australia's taxation system to some degree.

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In all surveys prior to August 2020, a majority of respondents believed that tax avoidance by big business affected the fairness of the tax system *a lot*. This majority was lost in the wake of COVID, with 47.5% giving this response, but has returned, to 53.3%, in 2021. 26.9% said that corporate tax avoidance affects tax justice 'somewhat', and a further 6.8% believed it had 'a very little' effect.

Only 1.4% of respondents does not believe that corporate tax avoidance affects the fairness of Australia's taxation system, while 11.7% are unsure.

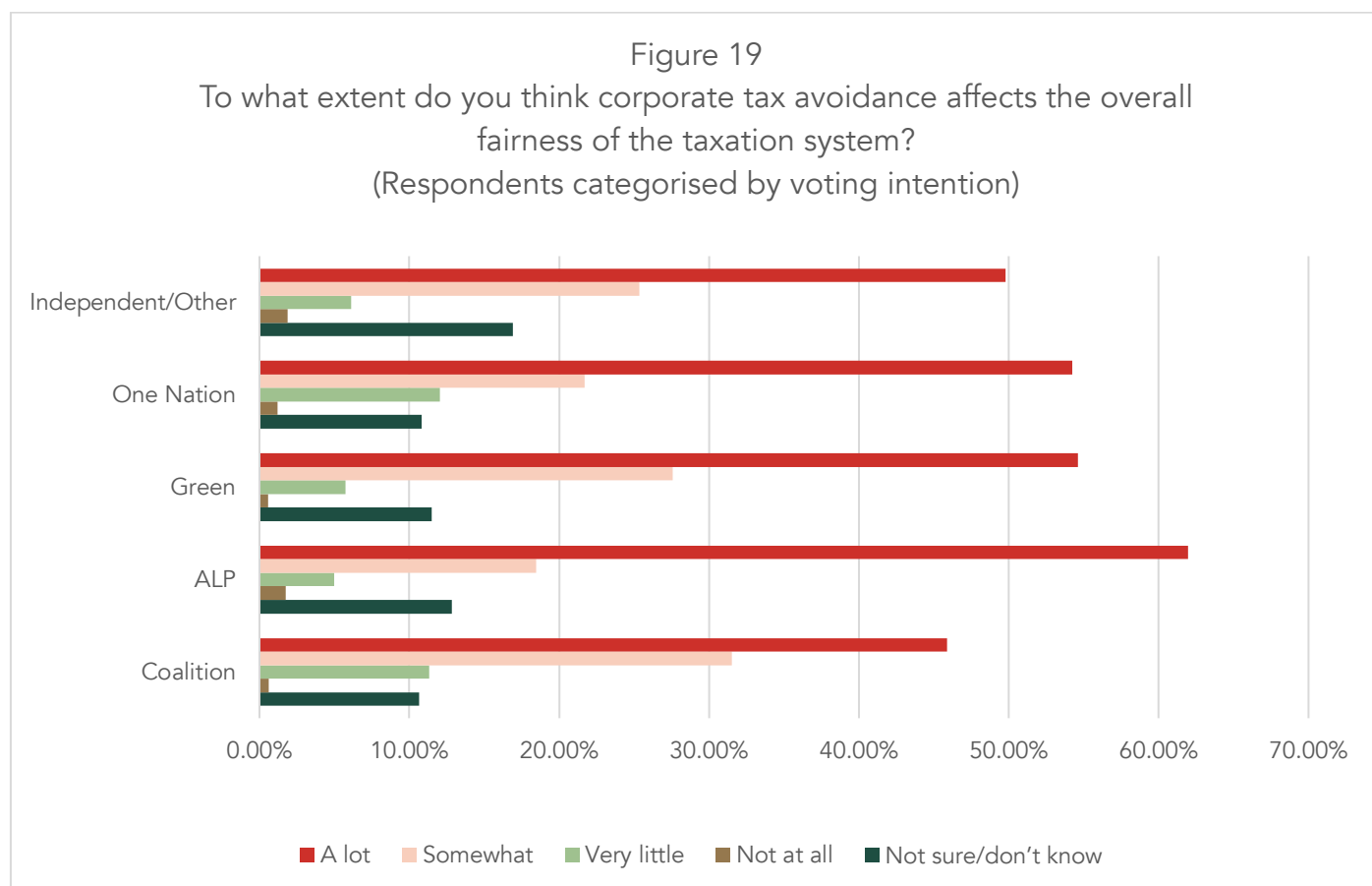


As in all previous surveys, other than that of August 2020, when we break responses to this question down by voting intention, we find that at least three quarters of respondents in every voter group believe that corporate tax avoidance affects the fairness of the taxation system either somewhat or a lot (See Figure 19).

62% of Labor voters think tax avoidance by big business affects fairness in the tax system a lot, while 18.5% say it does so somewhat, for a total of 80.5%, while among Coalition voters, 45.9% believe fairness is affected a lot, and 31.5% somewhat, by corporate tax avoidance, for a total of 77.4%.

Of Greens voters, 54.6% believe corporate tax avoidance affects fairness in the tax system a lot, while 27.6% say it does so somewhat, for a total of 82.2%, while among One Nation voters, 54.2% say fairness is affected a lot by tax avoidance, and 21.7% say it is affected somewhat, for a total of 75.9%.

Among voters who support independent or other candidates, 49.8% say corporate tax avoidance affects the fairness of Australia's tax system a lot, and 25.4% say it affects it somewhat, giving a total of 75.2%.



Since the first Tax Survey in 2010, respondents have consistently demonstrated concern about the fairness of Australia's tax system. Almost 9 in 10 Australians agree that corporate tax avoidance reduces the fairness of tax in Australia, while almost three-quarters of respondents believe that big business doesn't pay its fair share. By contrast, fewer than 1 in 10 Australians thinks the level of tax paid by small business is too low.

There has also been an 8.8 point increase since August last year in the share of respondents who believe that high-income earners don't pay enough tax; its highest level since 2018.

Section IV: Current issues in the policy debate

The fourth part of the Survey canvasses public views about issues in the current public policy debate. In 2021, we have retained questions from previous years' surveys that cover negative gearing, retirement incomes, the so-called "Buffett Rule" to cap tax deductions for high-income earners, and the appropriate rate of unemployment benefit (JobSeeker).

We have retained the question introduced last year seeking respondents' views on Stage 3 of the personal income tax cuts that were legislated in 2019, and added a new question asking respondents how they would prefer the government to provide the funding for necessary improvements in aged care as called for by the recent Royal Commission into Aged Care Quality and Funding.

As in previous surveys, we have broken responses to the questions about current policy issues down by voting intention.

Retirement incomes

The question of how to fund adequate retirement incomes has remained at the forefront of policy debate over the last year, as the independent Retirement Incomes Review (RIR) handed down its report in February 2021. Debate about potential changes to Australia's universal superannuation system has continued as the deadline for increasing the Superannuation Guarantee (SG) rate by 0.5% approaches on 1 July this year.

While the federal government has now ruled out further postponing the scheduled increase to the SG rate in this year's budget, there remains a significant dispute between those who believe that the current SG rate is sufficient, and those who believe it will not meet the needs of current and future retirees.

Those who support a higher rate of SG include the ALP, industry super funds, some independent commentators, and the union movement. They variously cite the need to save more for retirement due to increased longevity, and the growing rate of insecure employment across the economy, which sees more workers, especially women and young people, out of the labour force for longer periods and with reduced capacity to save.

Opponents cite the high cost of the super system, due to excessive fees and charges and significant tax concessions that mainly benefit high-income earners, while some critics argue that a higher rate of the age pension is a preferable solution for low-income workers.

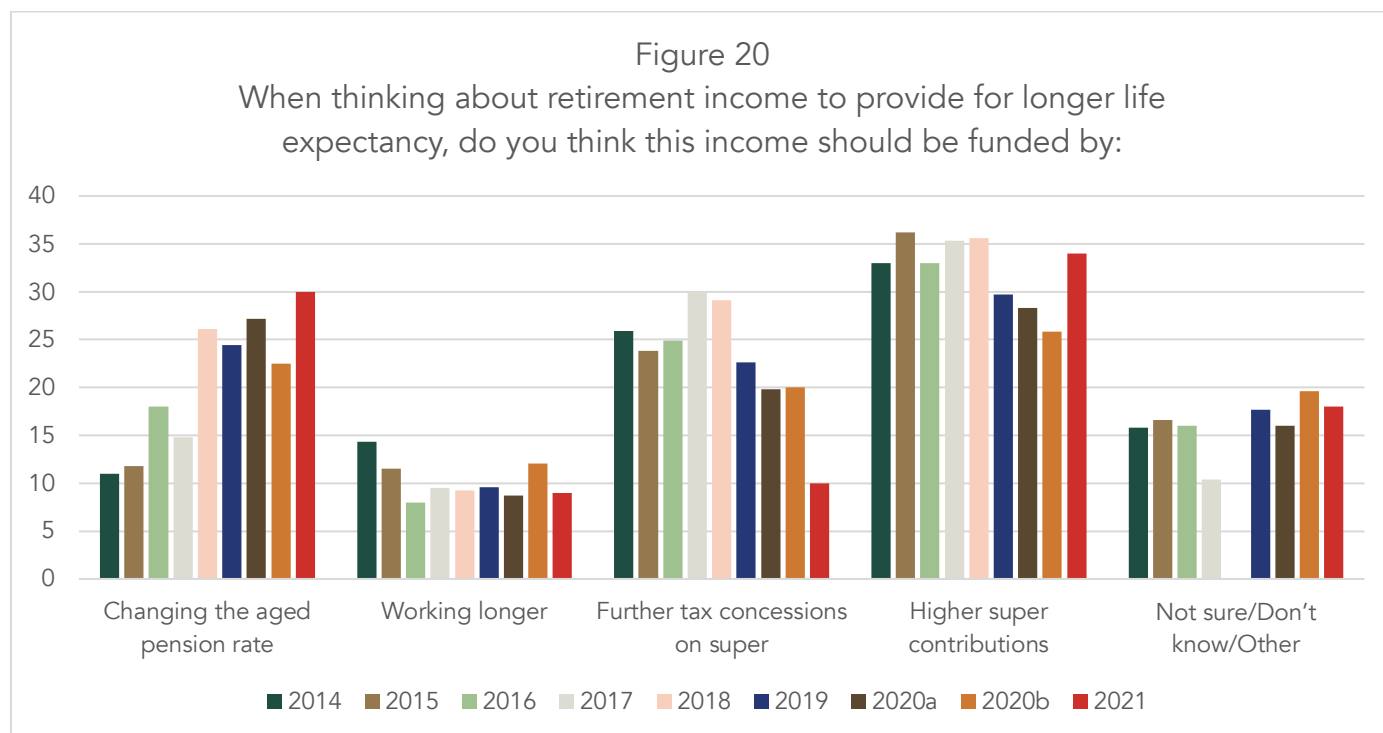
In the context of this ongoing public debate about the role of superannuation and an increased focus on retirement incomes in the wake of the RIR, the Survey's long-standing question about retirement incomes, which asks people how they believe we should be increasing retirement incomes to pay for longer life expectancies, continues to provide interesting and useful findings (see Figure 20).

The proportion of respondents opting for higher superannuation contributions as the preferred way to fund retirement incomes has risen from its lowest point since we first posed this question in 2014 - 25.8% in August last year - to 34% in 2021, the highest result since 2018.

At the same time, support for increasing the rate of the age pension is at a record high, with 30% of respondents choosing this option, up 7.5 points on the August 2020 result.

Support for further tax concessions on superannuation has collapsed to 10%, just half of its previous lowest result in 2020, and a third of its highest level of support in 2017, and only just ahead of support for the option of working longer, which at 9% is the least popular choice, consistent with the findings of previous surveys.

Almost 1 in 5, or 18%, of respondents are unsure about this issue.



When we break these findings down by voting intention, we find notable differences in views according to the political persuasion of respondents (see Figure 21).

Among those who intend to vote for One Nation, increasing the rate of the age pension is by far the most popular option to support better retirement incomes, with 41% support, up from 28.2% in August 2020. Uncertainty about this question has fallen 5.5 points among One Nation voters, to 14.5%, while the number that opts for higher superannuation contributions is 2.7%, statistically consistent with the findings from last year. 13.3% believe people should work longer, while support for further tax concessions on superannuation has more than halved, from 21.2% in August 2020 to just 9.6% now. 14.5% of One Nation voters reported being unsure about this issue.

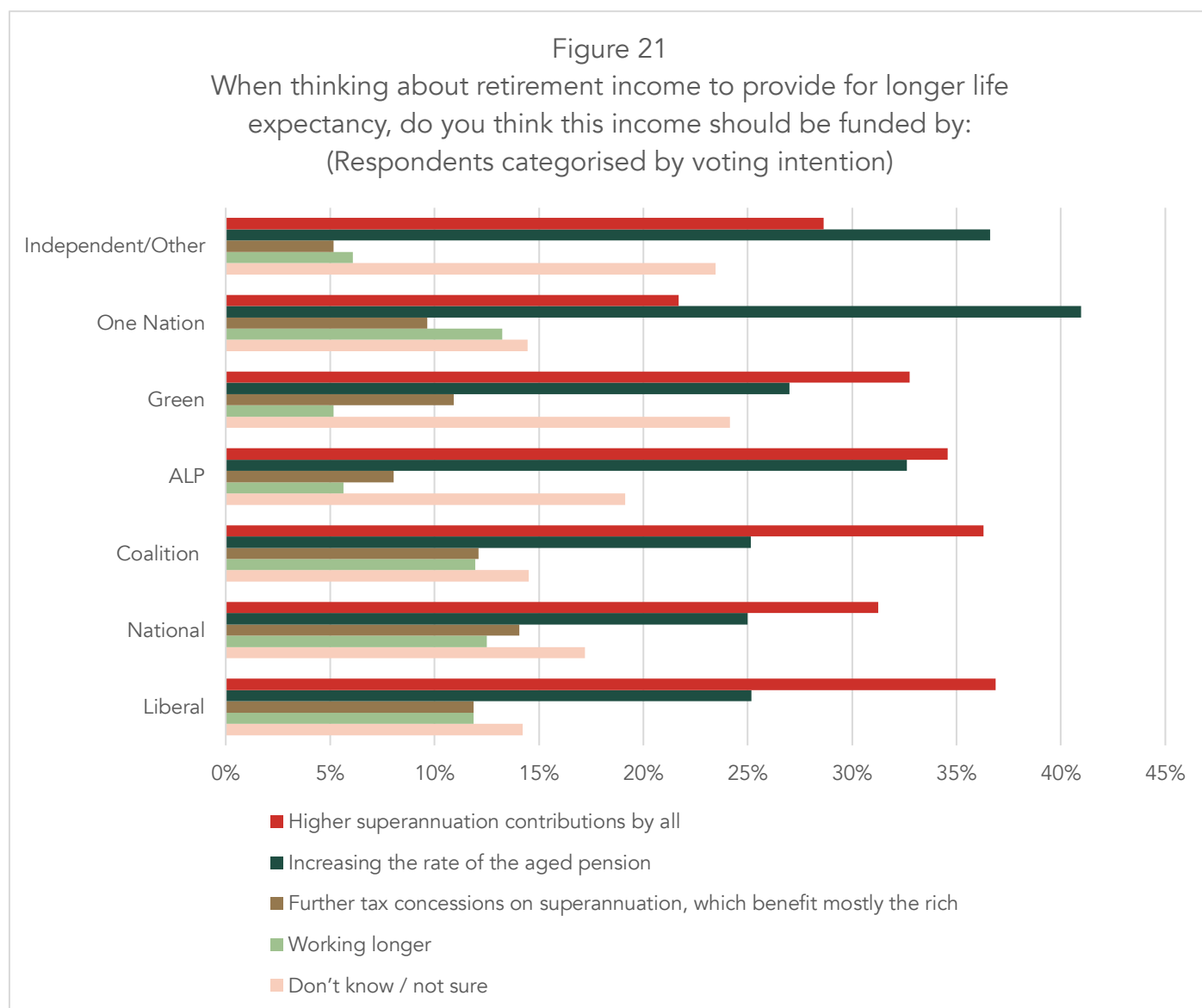
At 36.6%, increasing the rate of the age pension is also the most popular choice of voters who intend to support an Independent or 'other' candidate at the next election, followed by higher superannuation contributions, at 28.6%. This group of voters is the least likely to support further tax concessions on super, with just 5.2% of independent voters opting for this choice, while 6.1% support working longer. Uncertainty remains high among these voters, at 23.5%.

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Among Greens voters, higher superannuation contribution is the most popular choice, with 32.8% support, followed by increasing the rate of the age pension at 27%. At just 5.1%, support for working longer is lowest among Greens voters, while 10.9% would like to see further tax concessions on superannuation. Almost a quarter of Greens voters, 24.1%, are unsure.

Labor voters also favour higher super contributions, with 34.6% opting for this choice, just ahead of 32.6% who would prefer to increase the rate of the age pension. Just 5.7% of Labor voters believe the route to better retirement incomes is working longer, while 8% support further tax concessions on superannuation. Just under 1 in 5, or 19.1%, of ALP voters are uncertain about this issue.

Interestingly, given the apparent hostility to universal superannuation among some Government MPs and Senators, the option of higher superannuation contributions is easily the most popular option among Coalition voters, with more than a third (36.3%) nominating this as their preferred option for increasing retirement incomes. A quarter of these voters would rather see the age pension increased (25.2%), while 12.1% support further tax concessions on superannuation. Just over 1 in 10 (11.9%) of Coalition voters believe retirement incomes should be bolstered by people working longer, and 14.5% are unsure.



Negative gearing

For the seventh year, the 2021 Tax Survey asked respondents which, if any, changes they would like to see made to negative gearing (see Figure 22). While it is unclear whether either major party will pursue reform to property tax concessions after the 2019 election, the massive spike in house prices since the pandemic means that housing affordability remains a significant policy challenge. For this reason, we have elected to keep this question in the survey this year.

We have also introduced an additional choice of solution to this question, to reflect the changing parameters of the debate: respondents may now choose the option of abolishing negative gearing but 'grandfathering', or exempting, all existing arrangements from the policy change. Just under 1 in 10, or 8.6%, of respondents chose this new option.

Views on negative gearing have been broadly consistent since we first included this question in the Survey in 2014, but uncertainty about this issue continues to rise, and is now at a record 31.6%. 16% of respondents want to see negative gearing abolished completely, consistent with the result in August last year, while 13.6% don't want the tax concession restricted at all. Almost a third of respondents (30.2%) believe negative gearing should be restricted in some way, with 10.9% of respondents saying it should be restricted to affordable housing, 6.2% saying it should be restricted to new builds, and 13.1% opting for both.

When we combine the figures of those supporting some form of restriction with the 16% of those who believe negative gearing should be abolished completely and the 8.6% who support abolition with grandfathering of existing arrangements, we find majority support of 54.8% for some form of curtailment of current negative gearing policy.

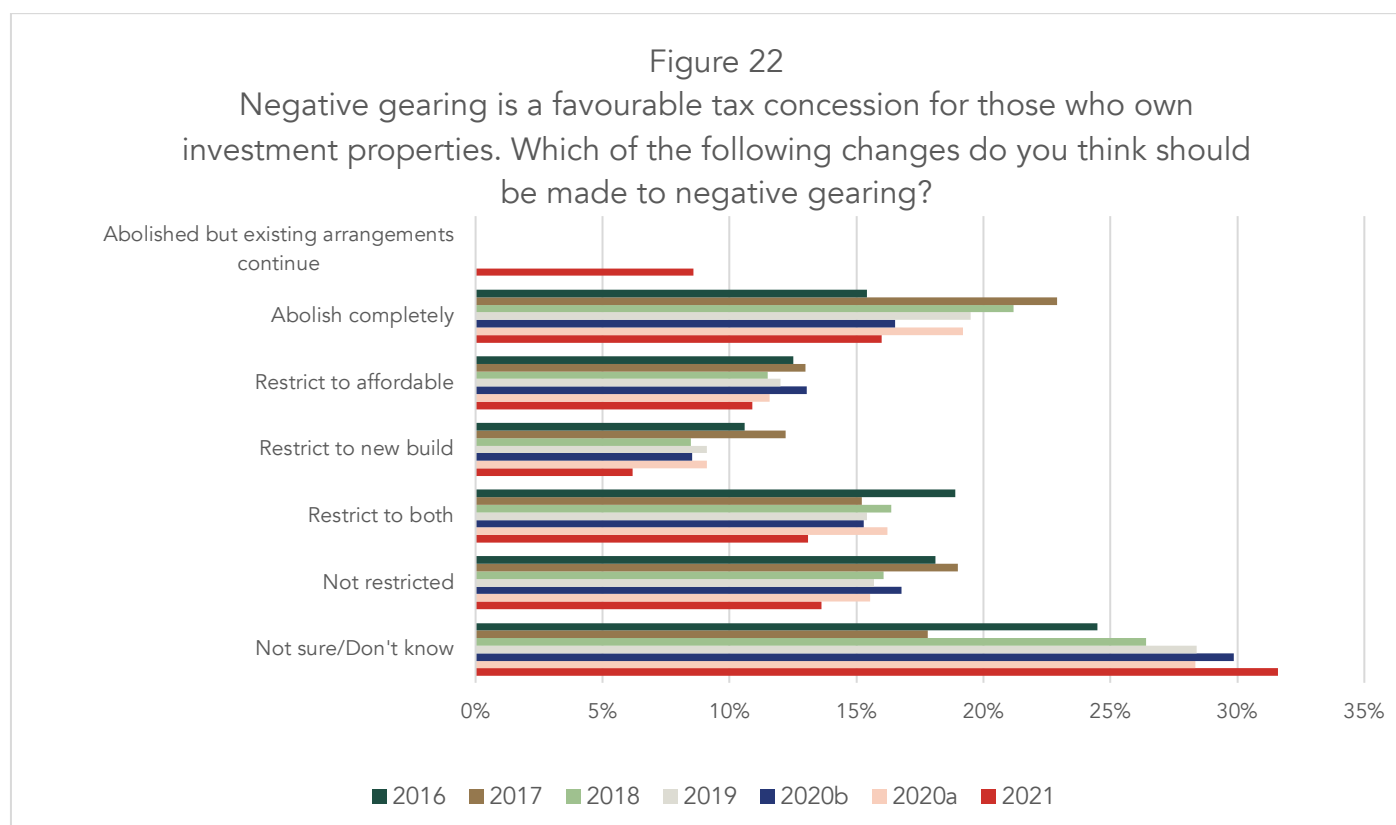


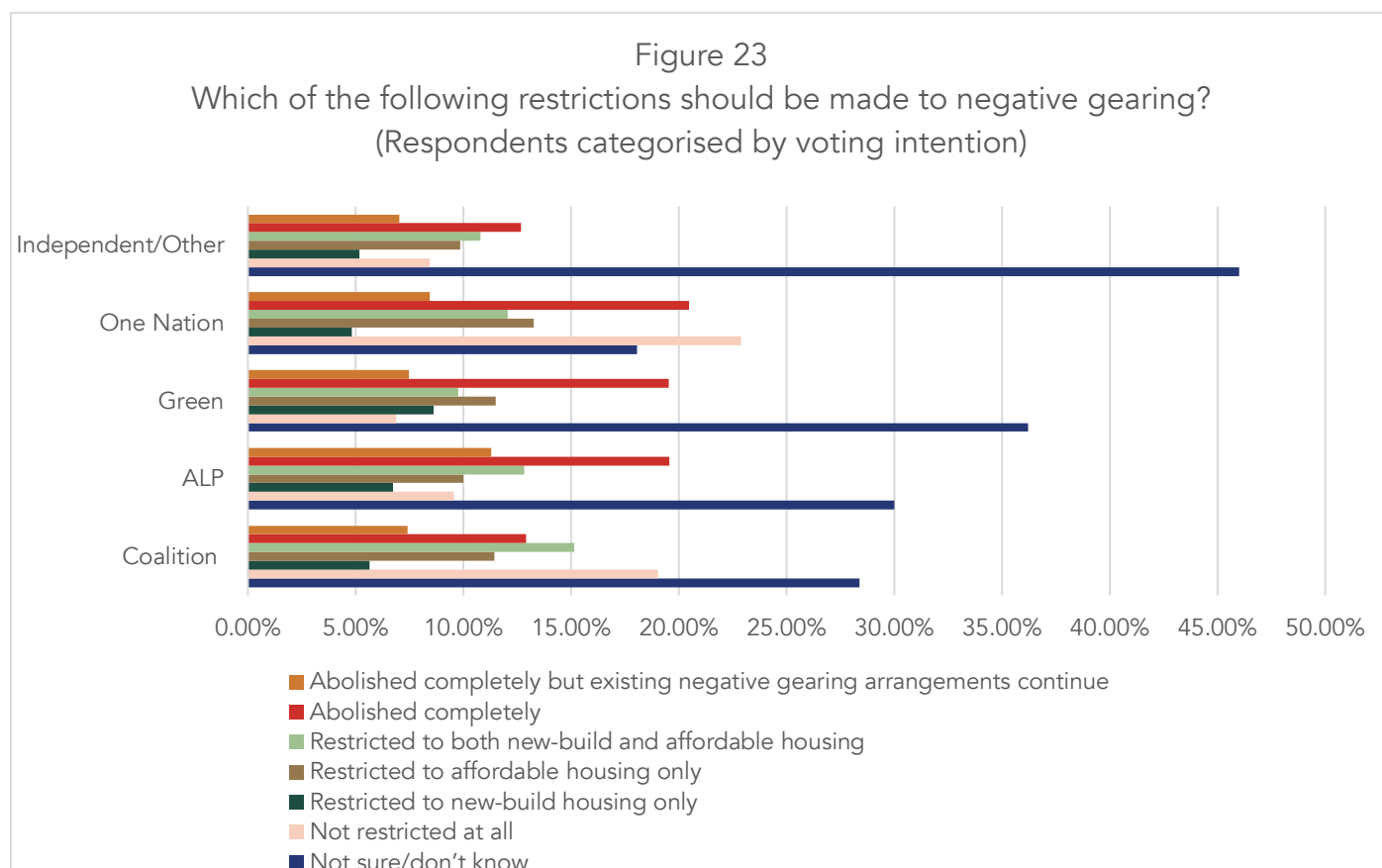
Figure 23 shows the 2021 responses to this question broken down by voting intention and reveals clear differences in views along political lines. Consistent with previous years' findings, 1 in 5 (20.5%) Coalition voters do not want to see negative gearing restricted at all, compared to just 1 in 10 (9.6%) ALP voters, 8.5% of independent voters and 6.9% of those who intend to vote for the Greens. Leaving negative gearing policy unrestricted is also the most popular choice among One Nation voters (22.9%).

Almost as many of those who intend to vote for One Nation, though, want to see negative gearing abolished completely (20.5%), while another 8.4% support abolition if existing arrangements are grandfathered. A further 31.2% of voters for One Nation support restricting the tax concession to either affordable or new-build housing, or both. At 18.1%, uncertainty is lowest among these voters.

Among ALP voters, abolishing negative gearing entirely is the most popular choice, at 19.6%, with 11.3% supporting abolition with grandfathering of existing investment properties. A further 29.6% of Labor voters would like to see negative gearing restricted to a mix of affordable and new-build housing. Despite years of Labor policy to restrict negative gearing, however, 30% of ALP voters remain unsure about it.

A similar proportion of Greens voters, 19.5%, would like to see negative gearing abolished completely, and a further 7.5% support abolition if existing arrangements are exempted. 29.9% of those who intend to vote Green are in favour of restricting the tax concession, either to affordable or new build housing or both, but uncertainty is even higher among these voters, at 36.2%.

Coalition voters are the least likely to be in favour of abolishing negative gearing, with 12.8% supporting outright abolition and 7.4% doing so if existing investments are exempt. 31.5% of Coalition voters support restricting negative gearing to a mix of affordable and new-build housing, with 27.9% unsure.

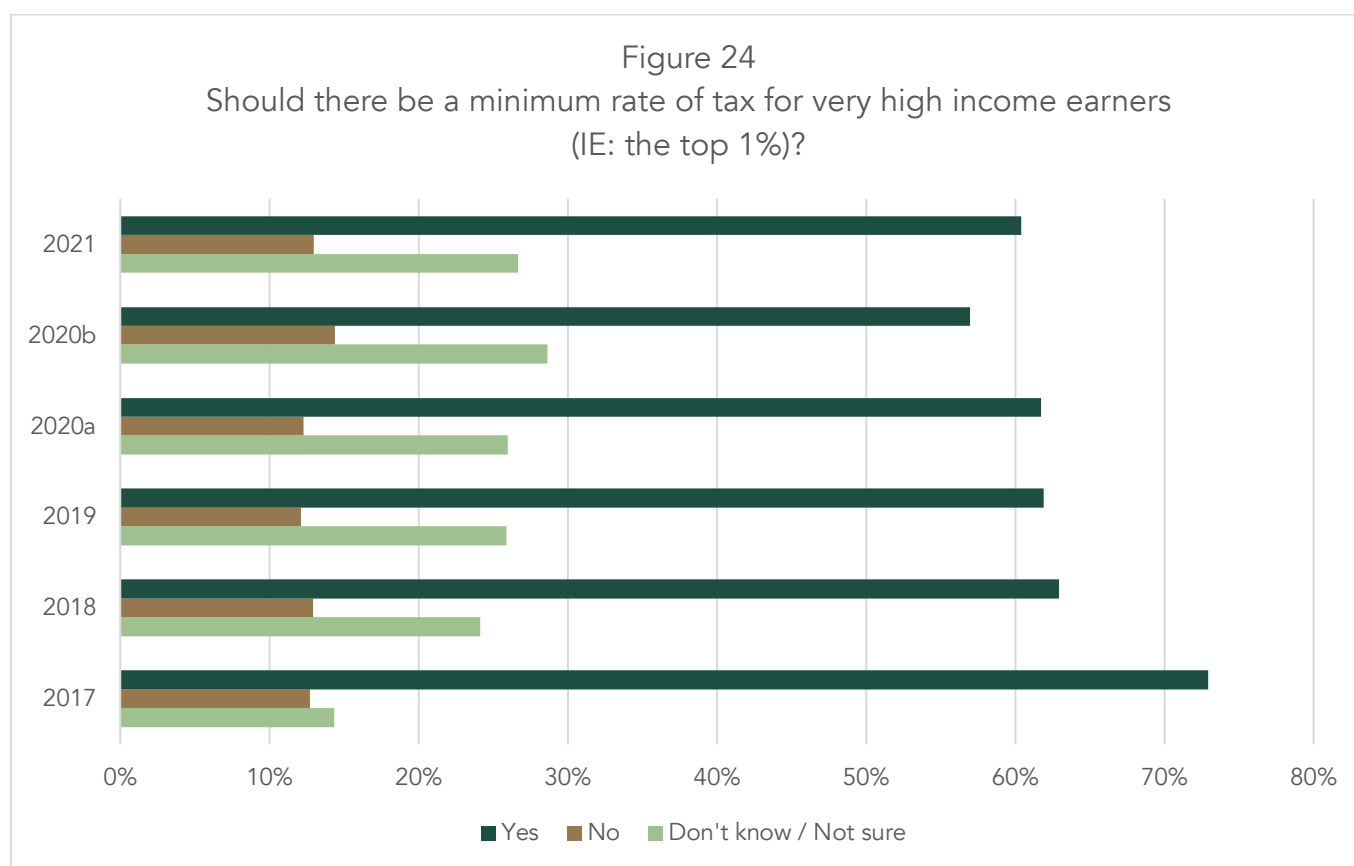


A 'Buffett Rule'

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

Since 2016, we have asked respondents to the Tax Survey whether they support the introduction of a Buffett rule in Australia, under which a minimum rate of income tax would be legislated for very high-income earners, defined as the top 1% of earners (see Figure 23). The proposal has enjoyed majority support since we first asked this question, although support has declined since its peak of 72.9% in 2017.

After a slight decline in the immediate aftermath of the COVID-19 recession to 57%, support for a Buffett Rule has recovered in 2021 to 60.4%, statistically consistent with pre-COVID findings. At 13%, opposition to the idea remains in line with the findings of previous surveys, as does the proportion of those who are uncertain, which is 26.7%.

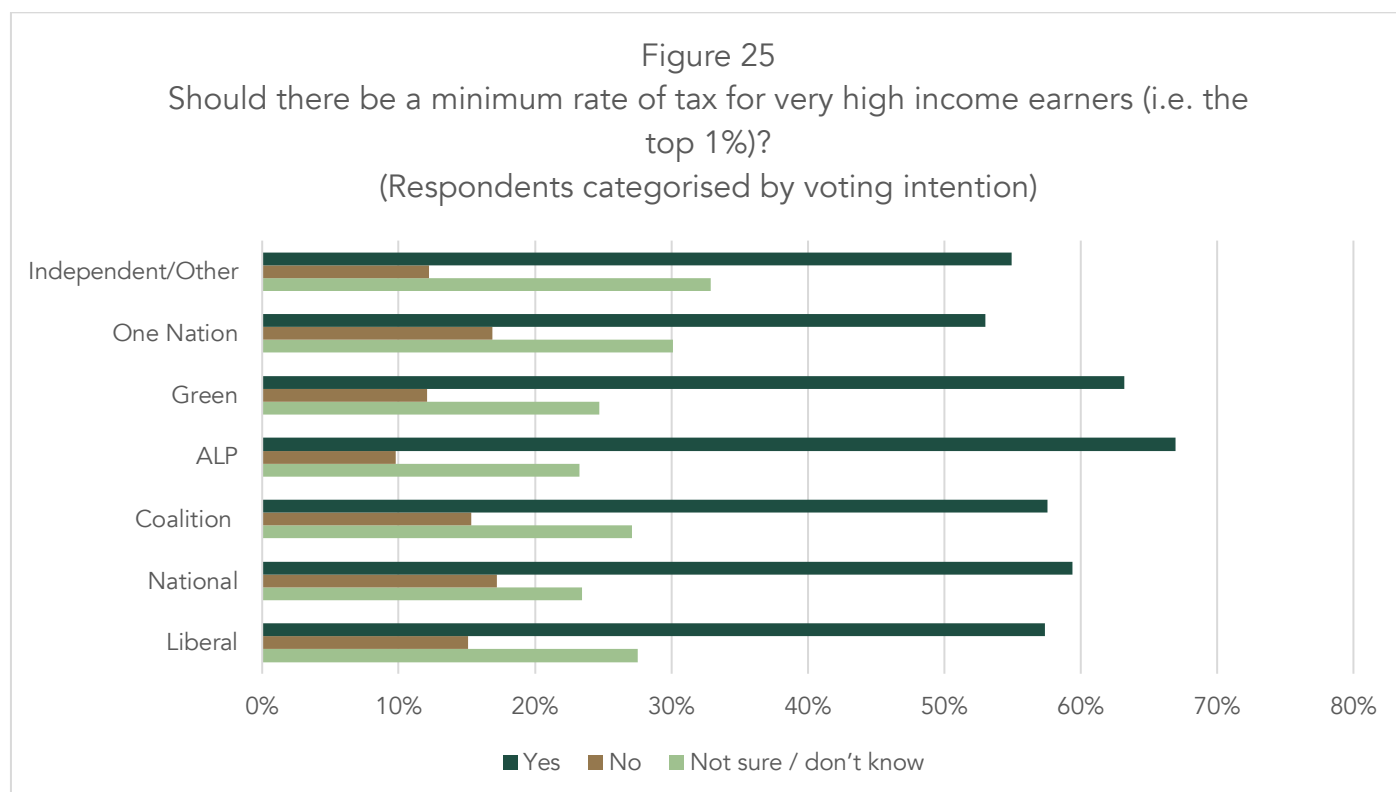


When we break the results for this question down by voting intention, we find majority support for a Buffett Rule among voters of all persuasions (see Figure 25).

Support is highest among ALP voters at 67%, compared to 63.2% of Greens voters, 57.6% of Coalition voters, 54.9% of those who intend to vote for independent or 'other' candidates, and 53% of voters for One Nation.

Opposition to a Buffett Rule is strongest among One Nation voters, at 16.9%, followed by Coalition voters at 15.3%. 12.1% of Greens voters are opposed to introducing a Buffett Rule, as are 12.2% of independent voters. Just 9.8% of Labor voters are against the idea.

Almost a third (32.9%) of votes for Independent or 'Other' candidates are unsure about this proposal, along with 30.1% of One Nation voters and 27.1% of those who vote for the Coalition. There is less uncertainty among Labor voters (23.3%) and those who intend to vote for the Greens (24.7%).



The rate of JobSeeker

Beginning in 2019, we have asked respondents for their views on the rate of the unemployment benefit, then known as Newstart and, since last year, as JobSeeker.

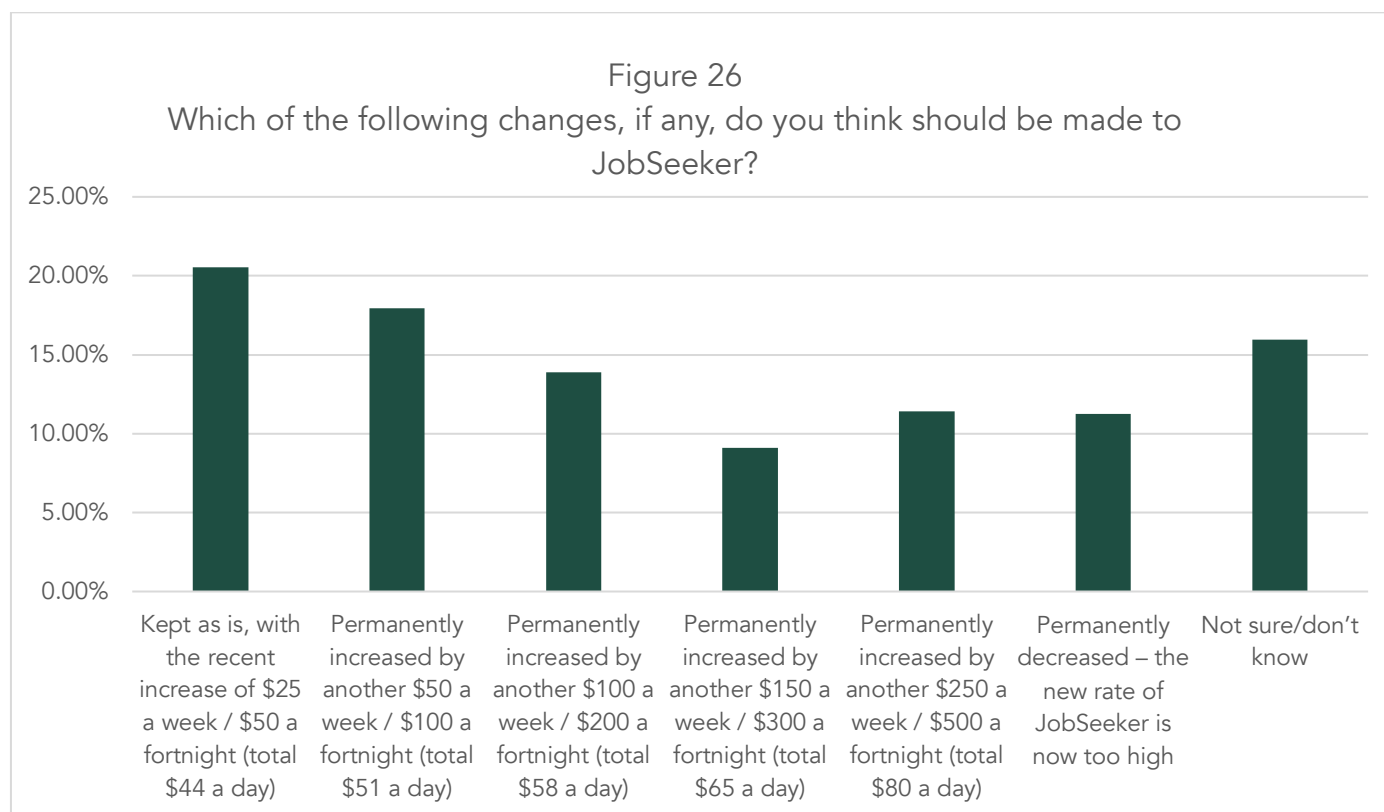
When we first included this question in the Survey, the Australian Council of Social Services (ACOSS) was leading a prominent campaign to persuade the government to increase the rate of Newstart by \$75 per week, and the Survey taken in that year found a bare majority of 51.9% of respondents supported that campaign. By early 2020, that figure had increased slightly to 55.8%.

Following the sudden spike in unemployment following the onset of COVID-19, the federal government implemented a "Coronavirus supplement" to the rate of unemployment benefit, effectively doubling it overnight. This supplement was gradually reduced over the 12 months to 30 March 2021, when it was removed and a permanent increase of \$25 a week / \$50 a fortnight was made to the base rate of JobSeeker. The full rate is now \$620 a fortnight.

The Government's decision to limit the permanent increase to the JobSeeker rate to just \$50 a fortnight has been condemned by ACOSS, which is now campaigning for a further increase of \$300 a fortnight,

while the Greens and advocates for unemployed people such as the Australian Unemployed Workers Union (AUWU) are demanding the reinstatement of the original 'Coronavirus supplement', which would require an increase of another \$500 a fortnight.

In light of the various changes in the rate of JobSeeker over the last 12 months, and the changing demands of activists, we have altered the options offered to Survey respondents to reflect the various positions argued for by different policy thinkers and advocates (see Figure 26).



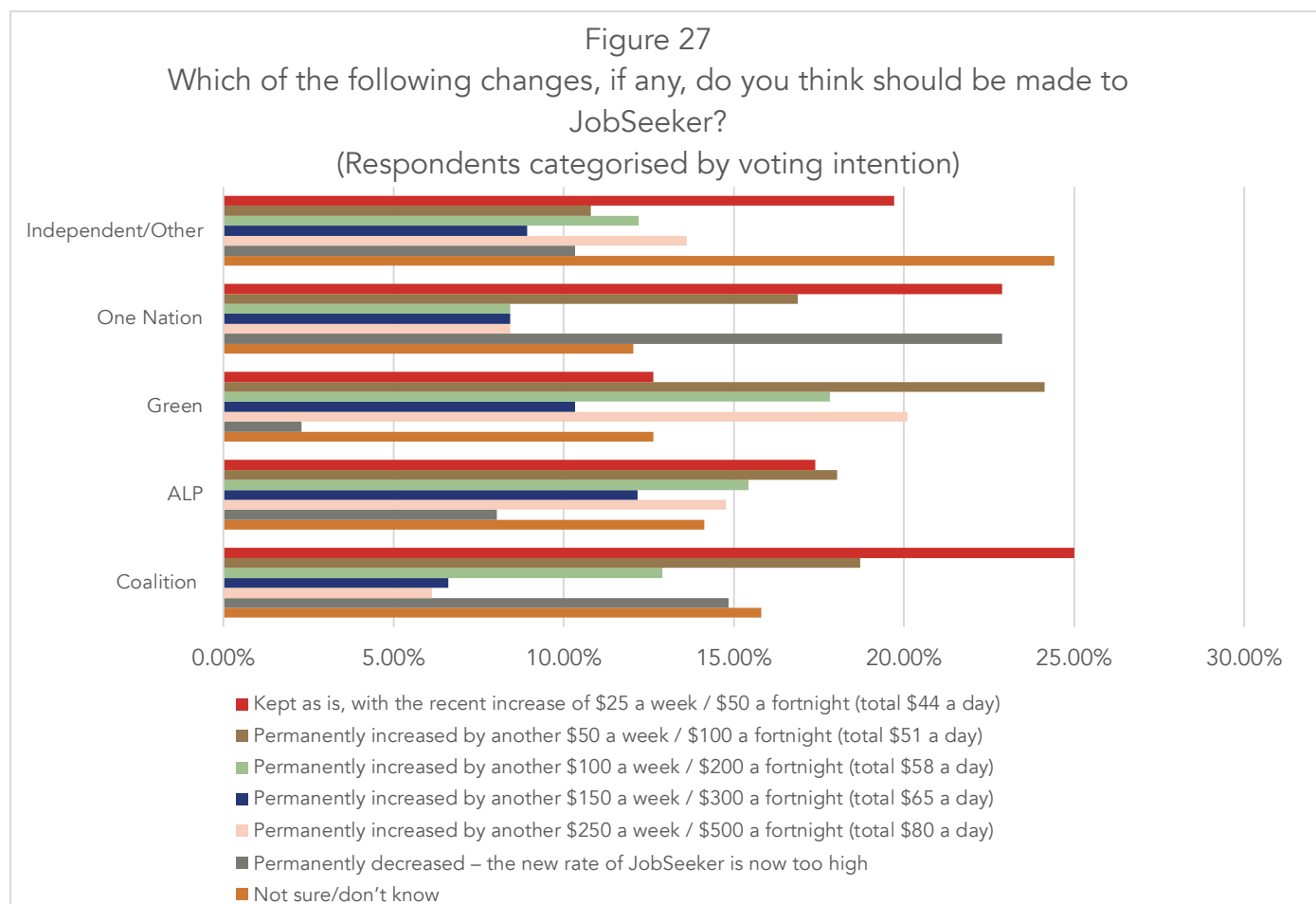
The Government's decision to increase the rate by just \$25 a week is the most popular individual choice, with 1 in 5, or 20.5%, of respondents indicating they are happy with this outcome, a slight majority (52.3%) of respondents want to see the rate of JobSeeker further increased beyond the Government's recent small raise of \$25 a week (\$3.57 a day).

17.9% would like to see the rate go up by another \$50 a week, which would bring it in line with the original ACOSS campaign for an increase of \$75 per week. 13.9% of respondents support a further increase of \$100 a week / \$200 a fortnight, which would bring the payment, at \$820 a fortnight, up to the widely-accepted poverty line of half of the median household income. ACOSS's revised goal of another \$150 a week / \$300 a fortnight received the lowest level of support, at just 9.1%,

The Greens / AUWU demand of the reinstatement of the full 'Coronavirus supplement' by lifting the rate by another \$250 a week / \$500 a fortnight received the support of 11.4% of respondents, which is statistically equivalent to the proportion of people, at 11.2%, who believe the rate of JobSeeker is now too high and should be reduced.

Despite years of public debate about the rate of unemployment benefit, 15.9% of people have not settled a view on this issue. When we break down the Survey results on this question by voting intention, we see

that almost a quarter (24.4%) of independent voters are unsure about the appropriate rate of JobSeeker (see Figure 27). Uncertainty among other voters ranges between 12 and 15%.



22.9% of One Nation voters believe the new rate of JobSeeker is too high and should be reduced; this view is shared by 14.8% of Coalition voters, 10.3% of those who intend to vote for Independent or 'Other' candidates, 8% of ALP voters and 2.3% of Greens voters.

The new rate of JobSeeker finds its strongest support among Coalition voters, with a quarter (25%) in favour of the recent \$50 a fortnight increase, along with 22.9% of One Nation voters and 19.7% of those who vote independent. 17.4% of ALP voters agree that the new rate is sufficient, while just 12.6% of Greens voters are happy with it.

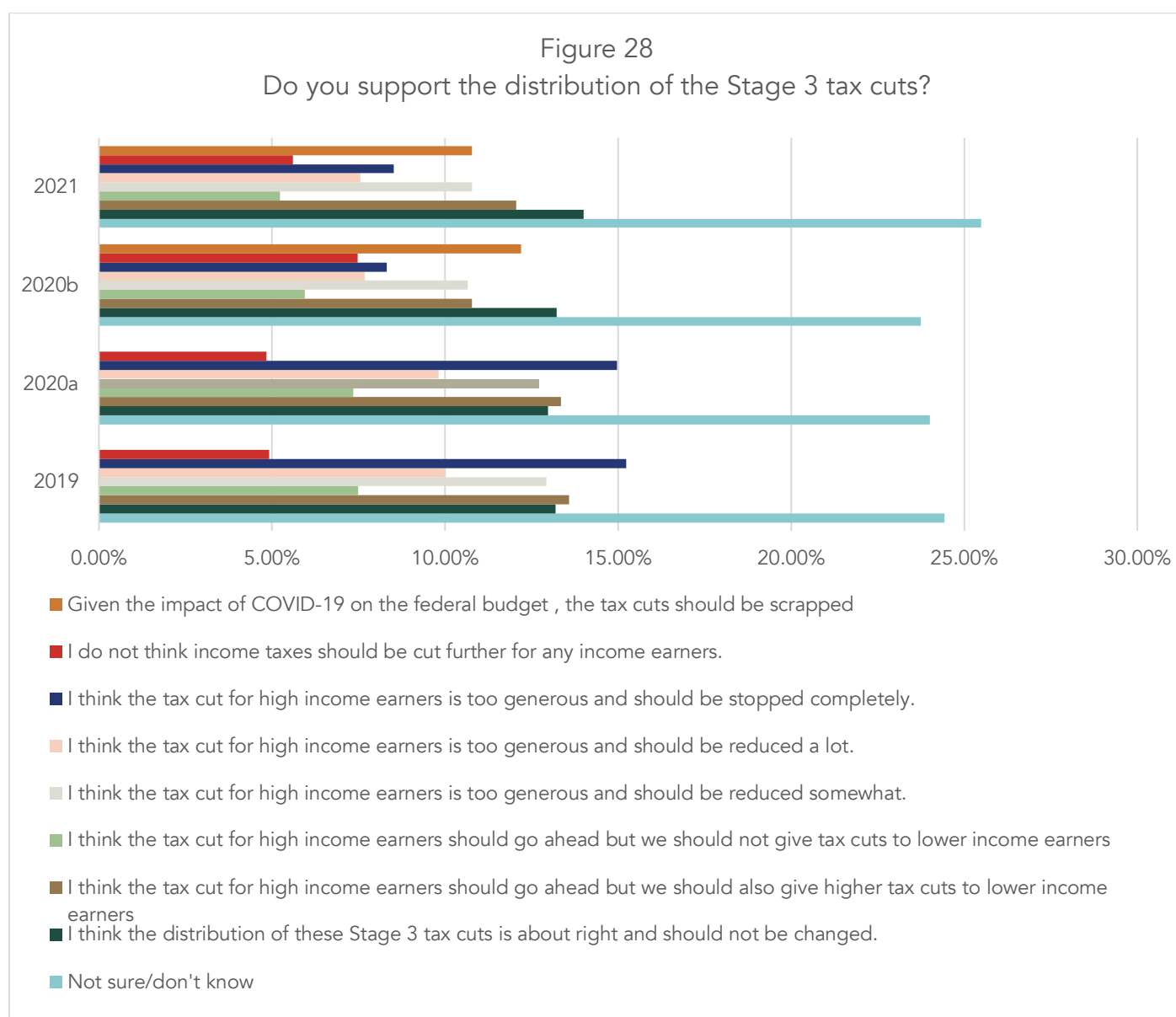
Only 1 in 5 Greens voters (20.1%) supports their party's position that the rate should go up by another \$500 a fortnight, to \$80 a day, as do 14.8% of Labor voters and 13.6% of people who vote for independent candidates. This is the least popular choice among Coalition voters, with just 6.1% support, and One Nation voters, at 8.4%.

The most popular choice among people who intend to vote for the Greens or Labor parties is to increase the rate by another \$50 a week, or \$100 a fortnight, in line with the original advocacy campaign for a \$75 a week increase to the old rate of Newstart. 24.1% of Greens voters and 18% of ALP voters remain in favour of this change as do 18.7% of Coalition voters, 16.9% of One Nation voters and 10.8% of those who intend to vote for independent or 'other' candidates.

Personal income tax cuts – Stage 3

The Government's income tax cuts were fully legislated in 2019 and Stages 1 and 2 were brought forward in last year's budget. Stage 3 of the cuts, however, do not come into effect until 2024 and, given the economic impact of the COVID-19 pandemic and the significant level of debt taken on by the Australian government, coupled with growing awareness that Stage 3 will primarily benefit high-income earners, there is an ongoing debate among policy thinkers as to whether the government should proceed with Stage 3 as legislated.

Noting that, as in previous years, around a quarter of respondents (25.5%) are unsure about their views on this issue, the Survey results for this question demonstrate relatively low levels of support for the Stage 3 tax cuts as they are currently legislated, with 10.8% of respondents saying they are unaffordable in the current economic climate and should be stopped completely (see Figure 28).



Combined with those who don't want to see tax cuts for anyone, regardless of income, and those who believe that the Stage 3 cuts are too generous to high income earners and should be reversed, a total of

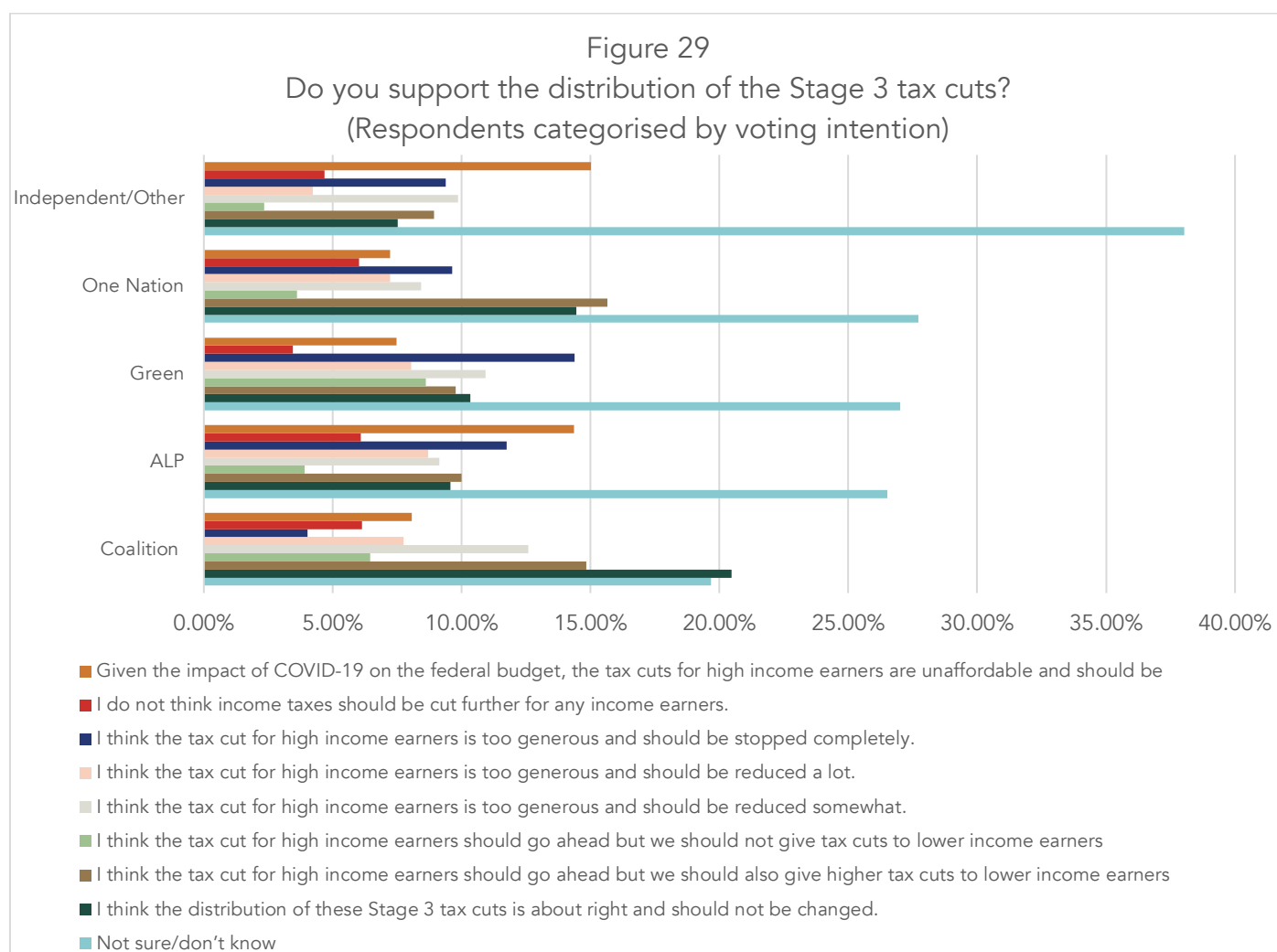
24.9%, or one quarter of respondents do not wish the Stage 3 cuts to proceed at all. This is down just 2.1 points since the August 2020 survey, but up 5.1 points on the survey taken before the onset of COVID.

The proportion of respondents who believe the Stage 3 cuts are too generous to high-income earners and should be reduced a lot is 7.6%, while the figure for those who believed they should be reduced somewhat is 10.8%, both of which are consistent with the results from August last year.

12.1% of respondents believe that the Stage 3 tax cuts should go ahead, but that the government should also provide bigger tax cuts to lower- and middle-income earners, up a statistically negligible 1.3 points since August. Just 5.2% of respondents support tax cuts for high-income earners only, consistent with the views expressed in August. Only 14% of respondents believe that the distribution of the Stage 3 tax cuts as legislated in 2019 is about right.

The total proportion of those respondents who are comfortable with the Stage 3 tax cuts for high-income earners is 29.3% while the proportion who believe they should be reduced or stopped is 43.3%.

Breaking these responses down by voting intention is informative (see Figure 29). While 1 in 5 Coalition voters responded that they felt the distribution of the Stage 3 tax cuts was about right, this drops to around 1 in 10 among voters for independent/other candidates, Labor, or the Greens, while support among those who vote for One Nation is at 14.5%.



Levels of uncertainty about this question are especially high among people who intend to vote for independent or 'other' candidates, at 38%, while 27.7% of One Nation voters, 27% of those who vote Green and 26.5% of Labor voters are also unsure. At 19.7%, uncertainty about the tax cuts is lowest among people who vote for the Coalition.

At 20.5%, significantly more Coalition voters than in any other group support the current distribution of the tax cuts and say they should not be changed. 14.8% think they should go ahead but that tax cuts for low- and middle-income earners should also be increased, while 5.9% believe tax cuts should be restricted to high-income earners only. Total support for Stage 3 of the tax cuts without reduction for high-income earners among Coalition voters, then, is at 41.2%

By contrast, just 9.6% of ALP voters are comfortable with current distribution of the tax cuts, with a further 10% supporting them only if taxes are also cut for low- and middle-income earners. Only 3.9% of Labor voters think tax cuts should go to high-income earners alone, so that support without a reduction for the highest income earners is at 23.5% among ALP voters, consistent with last year's survey results.

8.1% of Coalition voters think that in the wake of COVID-19, the Stage 3 tax cuts are unaffordable and should be stopped completely – this is down 3.3 points on August last year. Another 4% believe they should be reversed because they are too generous to high-income earners, and 6.1% do not support tax cuts for anyone at all. In total, this means that 18.2% of Coalition voters are opposed to Stage 3 of the tax cuts outright, a 5.5 point drop from the survey taken in August 2020. A further 20.3% believe they should be reduced, either somewhat (12.6%) or a lot (7.7%).

Labor voters are by far the unhappiest with the Stage 3 tax cuts of any group, with almost a third saying the Stage 3 tax cuts should be reversed completely: 11.7% of ALP voters think the tax cuts should be stopped because they are too generous to high-income earners, while a further 14.4% believe they are unaffordable due to the economic downturn caused by COVID-19. An additional 6.1% of those inclined to vote for the ALP don't think taxes should be cut further for anyone, meaning that 32.2% of Labor voters think Stage 3 of the tax cuts should be stopped.

A further 17.8% of Labor voters would like to see the tax cuts reduced, 9.1% by a lot and 8.7% 'somewhat'. In total, then, a full 50% of ALP voters are opposed to the Stage 3 tax cuts in their current form.

Among Greens voters, support for the current distribution of the Stage 3 tax cuts is at 10.3%, while a further 9.8% want them to go ahead only if tax cuts are increased for low- and middle-income earners. 8.6% of Greens voters think tax cuts should only be given to high-income earners. Total support without reducing the amount going to the highest income earners among this group, then, is at 28.7%, statistically unchanged from August 2020.

7.5% of Greens voters believe the tax cuts should be stopped due to the impact of COVID-19, a drop of 4.7 points since August 2020, while another 4.4% want them reversed because they are too generous to those on high incomes (up 4 points from August last year). 3.5% don't believe taxes should be cut further for anyone, putting outright opposition among Greens voters at 25.4%. A further 19% believe the proportion of the Stage 3 cuts going to high-income earners should be reduced, with 10.9% saying it should go down somewhat, and 8.1% saying it should drop by a lot.

Support for Stage 3 of the tax cuts without reducing the tax benefit for those on high incomes is 33.8% among One Nation voters – up 10 points on August 2020 - with 14.5% saying the current distribution is about right, 15.7% supporting the tax break for those on high incomes if taxes are also cut for people lower on the income scale, but just 3.6% supporting tax cuts for high-income earners alone.

9.6% of those who vote for One Nation oppose the tax cuts because they give too much to those at the top of the income scale, while 7.2% say they can no longer be afforded due to the economic downturn. 6% of One Nation voters oppose tax cuts for anyone at all, meaning that total opposition sits at 22.8%, a drop of 5.5 points since August 2020. 15.6% of voters who support One Nation would like to see the proportion of the tax cuts going to high-income earners reduced, 7.2% by a lot, and 8.4% somewhat.

15% of those who intend to vote for independent or other candidates believe the tax cuts are no longer affordable in the wake of COVID-19, which is up 4.1 points on August last year. 9.4% oppose them due to the disproportionate distribution to high-income earners, and 4.7% are opposed to tax cuts for anyone. Outright opposition to the cuts, then, is 29.3% among independent voters, which is statistically consistent with last year's findings. A further 14.1% want to see the benefit going to those on high incomes reduced, 4.2% by a lot and 9.9% somewhat.

Fewer than 1 in 5 (18.8%) of respondents who vote for independent or other candidates indicated support for Stage 3 of the tax cuts without reducing the benefit for those on the highest incomes, with 7.5% saying the distribution was about right, 8.9% saying it should go ahead if taxes were further cut for those on lower incomes, and 2.4% responding that tax cuts should be given only to those at the top of the income scale.

Funding for aged care

The new question in this section of the Survey in 2021 related to options for funding improvements to aged care (see Figure 30).

Following the report of the Royal Commission into Aged Care Quality and Safety, the government is under some pressure to address the significant funding shortfalls in the sector. The Commission found that around \$9.6 billion annually has been cut from Commonwealth aged care funding over the last 20 years but was unable to settle on a clear recommendation to restore funding to adequate levels.

We put several options to participants in the Survey, including the proposal by the Health Services Union to impose a flat rate 'aged care improvement levy' of 1% on all income earners, for increasing funding of aged care services.

By far the most popular choice was to stop Stage 3 of the legislated income tax cuts and redirect that money to fixing aged care, with more than a third (35%) of respondents choosing this option. The levy proposal received support from 22% of respondents, the same proportion who declared themselves unsure.

18% of respondents said that the government should cut spending in other areas to redirect funds to aged care, while just 4% said that the money to fix aged care should be paid by users through higher fees, with no contribution from government.

Figure 30

Which of the following options for providing the necessary funding to fix aged care do you support?

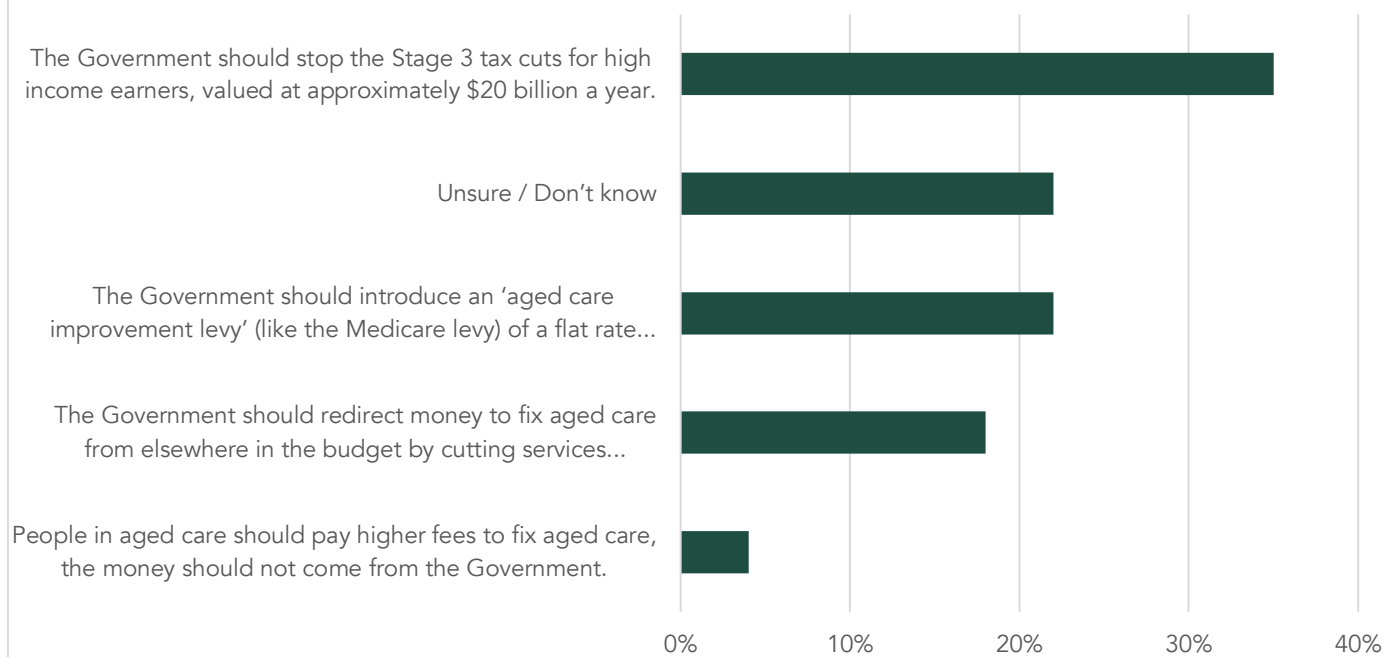
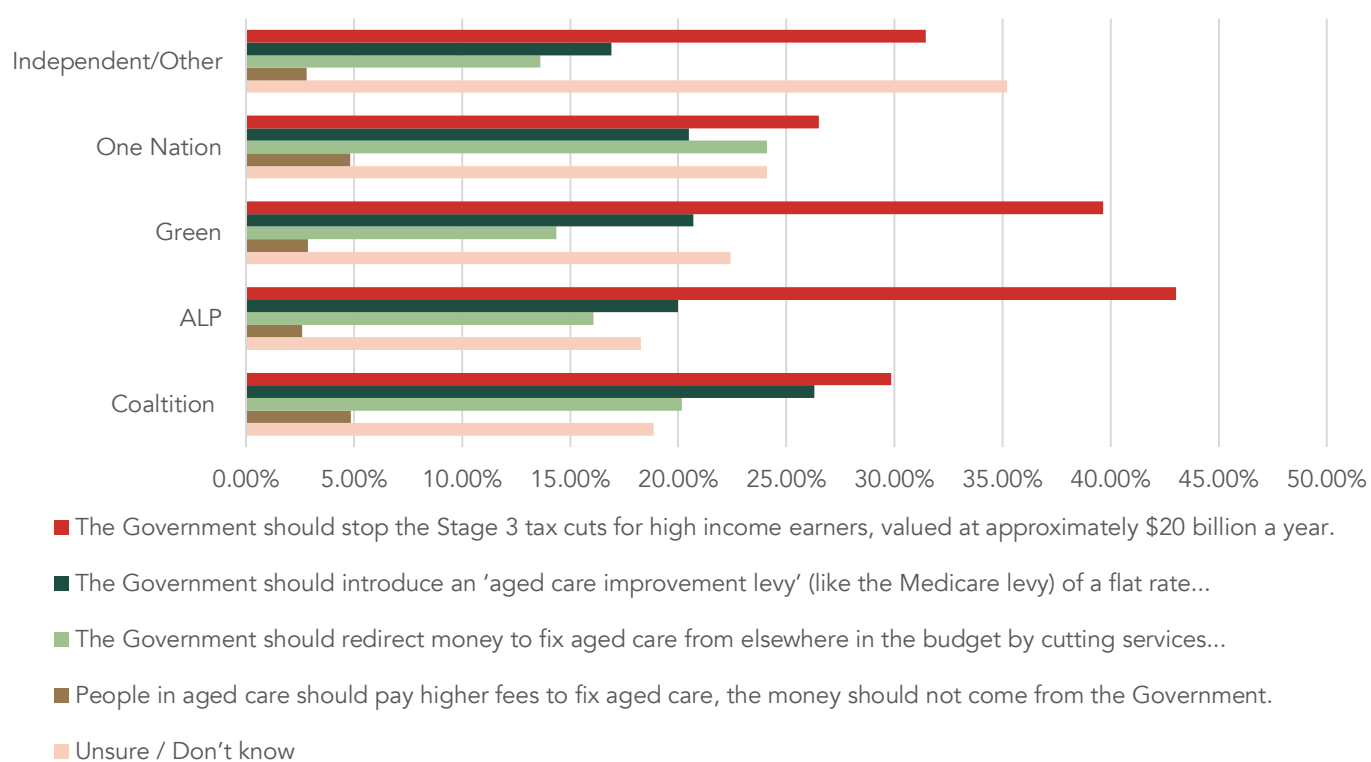


Figure 31

Which of the following options for providing the necessary funding to fix aged care do you support?



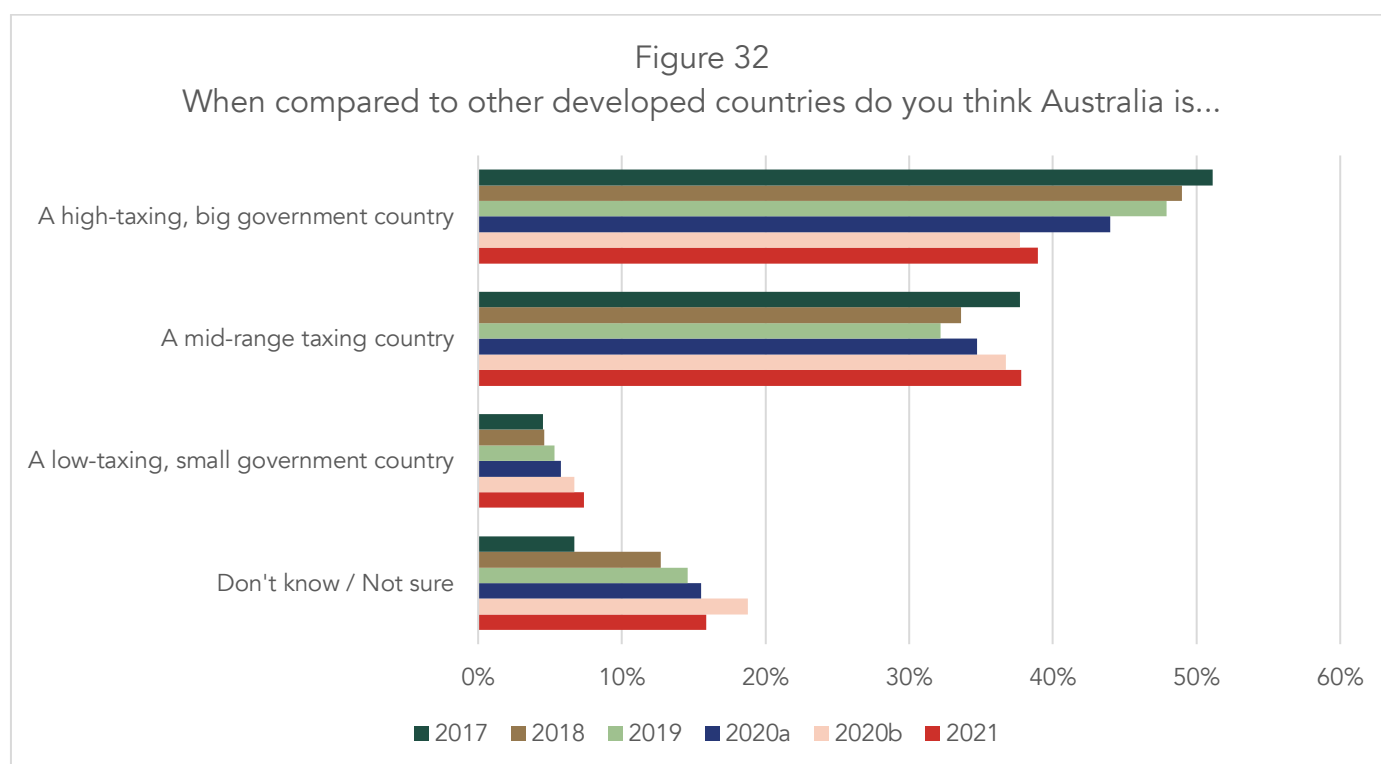
Section V: International tax comparisons

The last section of the Survey looks at public perceptions of tax and spending levels in Australia compared to those in comparable developed countries. Responses to this question throughout the first decade of the survey demonstrated a persistent and mistaken belief that Australia is a high-taxing, big government country. In 2020, though, there was a significant shift in perception of the comparable size of our tax take and government expenditure.

Between the 2019 survey and that taken in August 2020, the proportion of people who believed that Australia is a high-taxing, big government country declined by more than 10 points, to 37.7%, only one point higher than the proportion of those who regarded Australia as a mid-range taxing country (36.7% last year).

Encouragingly, most of this shift has been maintained into 2021, with 39% of respondents now saying they believe Australia to be a high-taxing, big government country, and 37.8% seeing Australia as a mid-range taxing country (see Figure 30).

Uncertainty about this question has also dropped, from 18.8% in August 2020 to 15.9% in 2021, but the figure for those who state that Australia is a low-taxing, small government country is up a statistically negligible 0.7 points to 7.4%.

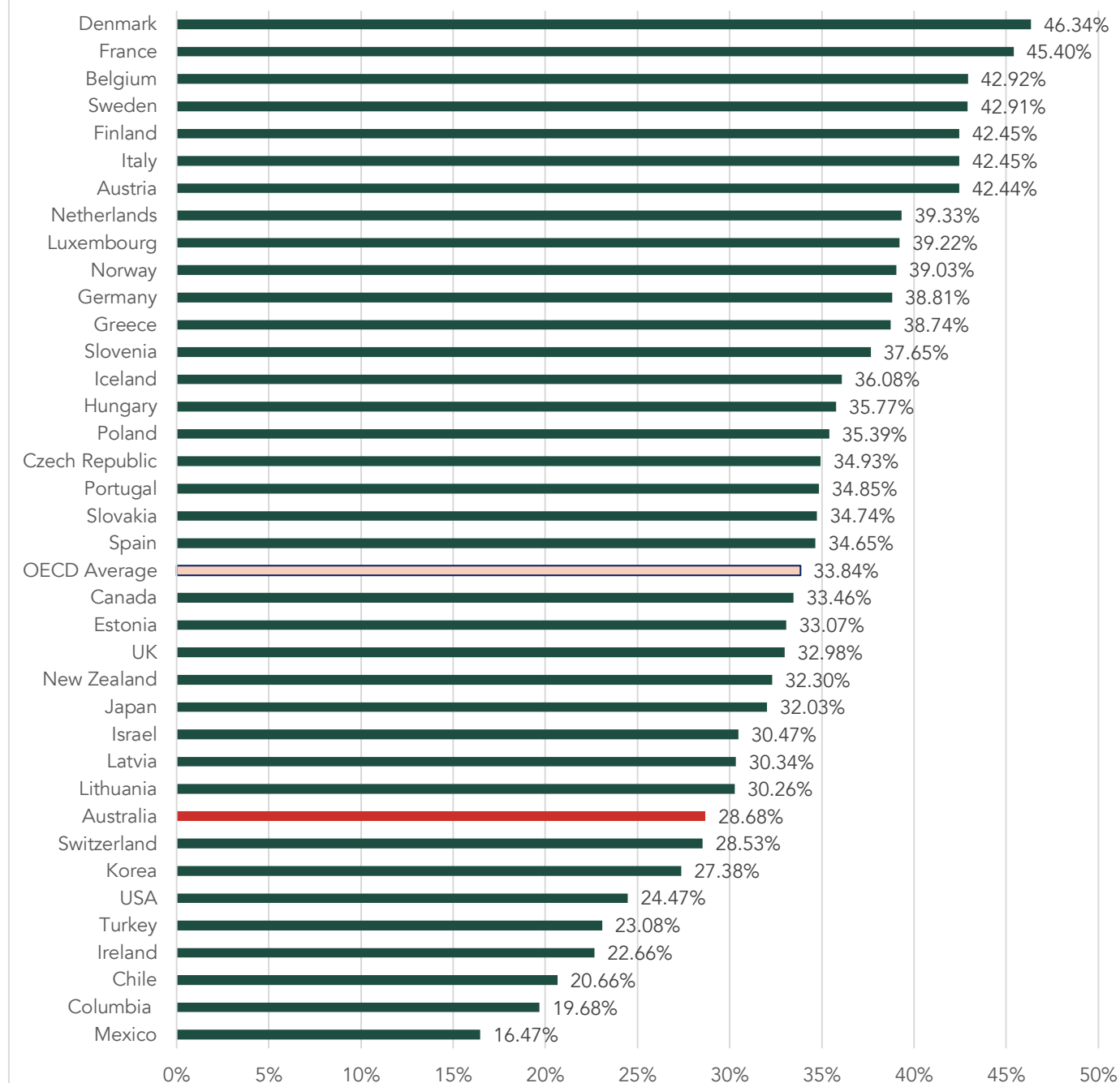


In fact, Australia is one of the lowest-taxing and spending nations in the OECD, ranking 30th out of 38 OECD countries, as measured as the tax share of GDP (see Figure 33). Our tax-to-GDP ratio is 28.7%, well below the OECD average of 33.8% and the maximum level (for Denmark) of 46.3%.

While more than a third of respondents continue to carry the misperception that Australia is a high-taxing, big government country, this is down from over half of respondents as recently as 2017.

The persistent gulf between the perception and reality of Australia's tax-to-GDP ratio and quantum of government spending has long distorted the national debate about our tax and transfer system. The downward trend in the proportion of Australians holding the mistaken view that we are a big government country is encouraging, and results give some cause for hope that this widespread public misunderstanding is slowly being corrected.

Figure 33
OECD Countries Total Tax Revenue as Share of GDP



Section VI: Concluding thoughts and considerations for policymakers

The Per Capita Tax Survey 2021 lands at a time of significant flux in our economic circumstances, and notable shifts in rhetoric about debt and spending in the wake of the massive social and economic disruption caused by COVID-19.

Ahead of the federal budget in the second week of May, Treasury officials have revised their expectations for inflation and wage growth, accepting that the rate of unemployment will need to fall significantly below pre-pandemic levels before wages begin to rise and consumer spending lifts sufficiently to support the recovery of small and medium enterprises across the country. The Treasurer has broken with decades of economic orthodoxy and conservative fiscal policy to eschew the pursuit of a budget surplus in favour of continued government investment to drive down the unemployment rate.

It is still too early to tell whether the shifts in attitude among policy makers will be permanent and signal a new, post-COVID era in which the mantra of small government and low taxes is replaced by a more active role for the state in driving sustainable growth and investment.

It is important to note that, despite changing rhetoric, most of the federal funding measures that supported household incomes and business viability during the height of the pandemic have been withdrawn, and the government remains adamant that Australia's recovery must be led by the private sector, rather than driven by medium-to-long-term public expenditure.

There is some evidence in the findings of the 2021 Tax Survey that public sentiment towards government debt, taxation and spending has shifted in recognition that more government intervention is needed to restore household incomes and living standards.

After years in which the Survey revealed a consistent disconnect between respondents' desire for more and better public services and their willingness to either contribute more in tax or support government borrowing to fund such investment, we may be witnessing a gradual alignment of public views towards taxation and transfer payments.

In the wake of COVID and the biggest economic shock in a century, responses to the August 2020 and the 2021 Tax Surveys suggest that public understanding of the choices made by government around revenue collection and public investment, and of the nature of public debt compared to private debt, is growing.

Yet Australians remain as concerned as ever about the fairness of our tax system, particularly in relation to the contribution made by big business and high-income earners. They remain firmly in support of progressive taxation measures to underpin essential services.

When it comes to issues that are currently at the forefront of our economic policy debate, support for the distribution of the government's Stage 3 tax cuts remains weak: only 14% of respondents believe the tax cuts should go ahead in 2024 unchanged, while 43.3% of respondents believe they should be reduced or stopped entirely. It is notable that reversing these tax cuts, which overwhelmingly favour high-income men, is by far the most popular choice of those offered to participants for fixing the funding shortfall in our aged care system.

Even after the recent increase of \$25 a week, a slight majority of respondents believe that the rate of JobSeeker should be lifted further, but there is little agreement on the question of by how much. An additional \$50 a week, which is in line with the original request from the 'Raise the Rate' campaign, would appear to be the most popular option, but views vary widely according to political persuasion, and almost a third of voters believe the rate is now sufficient or even too high. As many respondents are likely to say the rate should be reduced as are in support of the Greens/AUWU campaign for an increase of another \$500 a fortnight, to \$80 a day. With public views so divided, it seems unlikely that there will be much further action in this policy area ahead of the next election.

Despite the turbulent circumstances in which the 11th annual Tax Survey was conducted, the results demonstrate that the Australian public remains deeply committed to the ideal of economic equity, and to the role of our tax and transfer system in promoting fairness and opportunity.

The 2021 Per Capita Tax Survey could be a harbinger of an evolution in economic policy, away from the surplus fetish that has crippled economic policy for decades, and towards more public investment in the skills of the Australian people and the productive capacity of our economy; or it could simply reflect the uncertainty of the times we are living through.

It is to be hoped, though, that the shifts in political rhetoric and public sentiment towards public debt and investment that have emerged in the wake of COVID-19 will last through the recovery and ensure that the economy we restore works to improve the living standards of all Australians.

Appendix I: Breakdown of respondents

Table 1: Number of respondents from each state and capital city

Australian Capital Territory	44
Greater Adelaide	75
Greater Brisbane	144
Greater Darwin	7
Greater Hobart	17
Greater Melbourne	282
Greater Perth	107
Greater Sydney	323
Rest of NSW	183
Rest of NT	4
Rest of Queensland	169
Rest of SA	30
Rest of Tasmania	18
Rest of Victoria	106
Rest of WA	41

Table 2: Number of respondents by age and voting intent

Age	Liberal	National	ALP	Green	One Nation	Independent/Other
18-24	59	11	45	34	6	32
25-34	116	21	107	62	10	52
35-44	84	10	92	34	17	44
45-54	75	4	80	24	21	27
55-64	90	6	67	15	19	31
65-99	132	12	69	5	10	27

Appendix II: Survey questions

1. Thinking about Australia's public services generally (e.g. health, education, social security/welfare), on a scale of 0 – 10 how would you rate them on the following factors (where 0 = poor and 10 = excellent).
2. Which of the following statements best describes your views on Australian governments' spending on public services? Governments should spend
 - a) a lot more on public services
 - b) a little more on public services
 - c) about what they spend right now on public services
 - d) a little less on public services
 - e) 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?
 - 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.
 - 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 (carbon emissions)
 - h) A faster, more reliable 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 personal income tax rates on the top 5% of income earners only
 - c) Raise the rate of the GST
 - d) Broaden the GST base to include all goods and services
 - e) Broaden the GST base to add 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, and again during this pandemic, 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; don't know / not sure).
- a) Small business
 - b) Big business 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. In March this year, the Government passed legislation to permanently increase the base rate of JobSeeker by \$50 per fortnight, to \$620.80 per fortnight. This rate will apply from 1 April 2021, and is a drop of \$100 a fortnight from the last phase of the Coronavirus supplement. It remains significantly below the poverty line.

Which of the following changes, if any, do you think should be made to JobSeeker?

JobSeeker should be:

- a) Kept as is, with the recent increase of \$25 per week / \$50 per fortnight (total \$44 a day)
- b) Permanently increased by another \$100 per week / \$200 per fortnight (total \$58 a day)
- c) Permanently increased by another \$150 per week / \$300 per fortnight (total \$65 a day)
- d) Permanently increased by another \$250 per week / \$500 per fortnight (total \$80 a day)
- e) Permanently decreased – the new rate of JobSeeker is now too high
- f) Not sure/don't know

11. Negative gearing is a tax concession for those who own investment properties, making 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 restricted at all
- f) 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) Increasing the rate of the aged pension
- e) Don't know / not sure

13. Should there be a minimum rate of tax for very high income earners (IE: the top 1% of income earners) under which they cannot reduce their taxable income through tax deductions? (This is known as the "Buffett Rule").

- a) Yes
- b) No
- c) Not sure / don't know

14. Last year, legislation was passed to reduce personal income tax rates. Stage 3 of these tax cuts will come into effect in 2024-25. Stage 3 will increase the upper bound of the 32.5 per cent personal income tax bracket from \$120,000 to \$200,000, it will reduce that tax bracket to 30%, it will eliminate the 37 per cent personal income tax bracket, and it will increase the threshold at which the top tax bracket of 45 per cent begins (previously it started at \$180,001, now it will start at \$200,001). As a result, in 2024 someone earning \$180,000 a year will receive a tax cut of \$8,639 a year, whereas someone earning \$38,000 a year will receive a tax cut of \$379 a year. Treasury

estimates that the total cost of these Stage 3 tax cuts to the federal budget will be approximately \$140 billion by 2030, or \$20 billion a year.

Do you support the distribution of these Stage 3 tax cuts?

- a) I think the distribution of these Stage 3 tax cuts is about right and should not be changed.
- b) I think the tax cut for high income earners should go ahead but we should also give higher income tax cuts to low and middle-income earners.
- c) I think the tax cut for high income earners should go ahead but we should not give tax cuts to low and middle-income earners.
- d) I think the tax cut for high income earners is too generous and should be reduced somewhat.
- e) I think the tax cut for high income earners is too generous and should be reduced a lot.
- f) I think the tax cut for high income earners is too generous and should be stopped completely.
- g) Given the impact of COVID-19 on the federal budget, the tax cuts for high income earners are unaffordable and should be stopped completely.
- h) I do not think income taxes should be cut further for any income earners.
- i) Not sure/don't know

15. The Royal Commission into Aged Care Quality and Safety has found that more than \$9.8 billion dollars has been cut from annual government spending on aged care over the last two decades, and that a massive investment is now needed to provide Australians with adequate care and dignity in their old age.

Which of the following options for providing the necessary funding to fix aged care do you support?

- a) The Government should introduce an 'aged care improvement levy' (like the Medicare levy) of a flat rate of 1% of taxable personal income, commencing on 1 July 2023. This would raise around \$5.5 billion a year.
- b) The Government should stop the Stage 3 tax cuts for high income earners, valued at approximately \$20 billion a year.
- c) The Government should redirect money to fix aged care from elsewhere in the budget by cutting services to other Australians, without changing taxes.
- d) People in aged care should pay higher fees to fix aged care, the money should not come from the Government.
- e) Unsure / Don't know

16. When compared with other developed countries, do you think Australia is...?

- 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