TITLE: **Where has all the revenue gone?**

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Was it only last year when governments in Australia couldn't seem to think of enough ways to use all the tax revenue that kept rolling in? Yet now, a few months later, the revenue surge has come to a discouraging halt and the commentators are lamenting the massive government deficits.

Right up until the onset of the global financial and economic crisis ushered in the end of the resources boom, the government was flush with money resulting from the virtually continual 'surprises' as economic growth, and especially government revenue, came in way over budget forecasts in each of the last five years.

The Australia Institute has been able to calculate the cumulative impact of all the errors since 2003–04. By the time of the first Swan Budget in 2008, the total impact of the tax surprises in the preceding five budgets was running at $83.4 billion per annum, almost the same as the combined new spending and tax cuts of $84 billion per annum.

Australia may never experience a revenue surge like this again so it is important to understand just what became of the proceeds. Some or all of this revenue could have been used to upgrade Australian infrastructure, to address both the inequalities in Australia and the level and quality of Australia's research and development effort and to improve educational standards, the failings in the health system and the country's industrial structure. The list of good and sensible uses for public money is quite a long one; for instance, many people argued that putting some aside for the future might have been worthwhile. However, as The Australia Institute's research shows, over half of the revenue surge was returned to taxpayers as tax cuts and these overwhelmingly favoured the rich.

There were tax cuts for the rich in each year but especially in the year leading up to the 2007 election when the Howard Government announced two tax-cut packages worth $34 billion each. The second also featured a generous cut in the top tax rate applying to those who earned over $180,000. The new Rudd Government implemented the policy it had announced in opposition when it promised to keep Howard's tax cuts but it hesitated at the decrease in the top tax rate.

The results of an examination of the total tax cuts both delivered and proposed between 2003–04 and 2010–11 are stark.

A taxpayer on half average weekly earnings with an annual income of slightly over $30,000 will receive tax cuts of $26 a week or about 4.5 per cent of their income.

A taxpayer at the bottom of the CEO range, earning around five times average weekly earnings or a little over $300,000, will receive tax cuts of $367 per week or 6.2 per cent of their income. If Howard had won the election, this group would have done even better with tax cuts of $441 per week or 7.5 per cent of their income.

An individual on ten times average weekly earnings, something over $600,000, will enjoy tax cuts equal to 1.7 times the age pension, although this is not as auspicious as Howard's suggested break for this level, which was worth 2.6 times the age pension.

These are tax cuts designed to benefit CEOs rather than battlers.

There are proposed tax cuts still in the pipeline and it is probable that they will go ahead in July 2009 and July 2010. They will not help taxpayers whose incomes are below $34,000 per annum. The major benefits will continue to go to the very rich with cuts of $2.88 a week in 2009–10 and double that, $5.77 a week, in 2010–11. These cuts may not seem large but they will cost at least $3.5 billion dollars that could have been spent more profitably elsewhere.

Nor has the break for the top tax rate, planned by the Howard Government for incomes over $180,000, really gone away. The Rudd Government has only talked about deferring it but hasn't ruled it out altogether. It should.