

10 May 2009

Media release

Where has all the revenue gone? To tax cuts for the rich!

Billions of dollars in unexpected Government revenue have been used to fund tax cuts which overwhelmingly favour the rich, new research by The Australia Institute has found.

The underestimated revenue in the years from 2003-04 to 2008-09 is now running at \$83.4 billion. Around half of that has been returned as tax cuts which disproportionately help people earning double or more than average weekly earnings (AWE).

The research reveals that as a result of the past and proposed income tax cuts a low-income earner will be just \$26.67 per week better off, while someone earning twice average weekly earnings will be \$209.30 a week better off. At five times AWE, the amount is \$367.58 per week, and at 10 times AWE the tax cut is worth \$486.23 per week.

As a share of income those on twice average weekly earnings benefit the most. But in dollars per week, those on higher incomes benefit the most. Generally these have been tax cuts for the corporate executive rather than the battler.

“As the economy boomed, the Howard Government was awash with cash which it could have spent usefully in an almost infinite number of ways,” commented Senior Research Fellow David Richardson.

“But instead of investing in infrastructure, improving the health and education systems or boosting the value of the age pension, the former Government chose to squander much of the boom on tax cuts aimed primarily at high-income earners.

“It is a sad commentary that such a large amount of money was spent on expensive tax cuts for the wealthy while clear and obvious needs were ignored.

“Now that the money may be drying up, which Tuesday’s Budget will likely confirm, what a shame Australia doesn’t have more to show for all the years of revenue riches, and what a shame our Budget is not better positioned to provide assistance to those who will lose their jobs through no fault of their own,” concluded Mr Richardson.

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