

Rich men and tax concessions

How certain tax concessions are widening the gender and wealth divide.

Modelling from the Centre for Social Research and Methods on income, wealth and gender distribution of negative gearing, CGT discount, super tax concessions and excess franking credits shows that these tax concessions overwhelmingly benefit high-income, high-wealth men.

Discussion paper

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Summary

Gender inequality comes in many forms. One of these is economic. Women on average earn less than men, have smaller superannuation balances and own less assets. This puts women at a higher risk of poverty and reduces their power within society.

While the tax system, particularly the income tax system, acts to reduce inequality and lessen this power imbalance, tax concessions act as an important leakage from the tax system. Some of these tax concessions are very large, and as this paper shows, mainly go to those on high incomes, who are wealthy and who are men.

This paper looks at the distribution of four tax concessions. The four tax concessions are worth \$60 billion per year and include negative gearing, superannuation tax concessions, capital gain tax discount and excess franking credits. The size of these tax concessions is shown in Table 1.

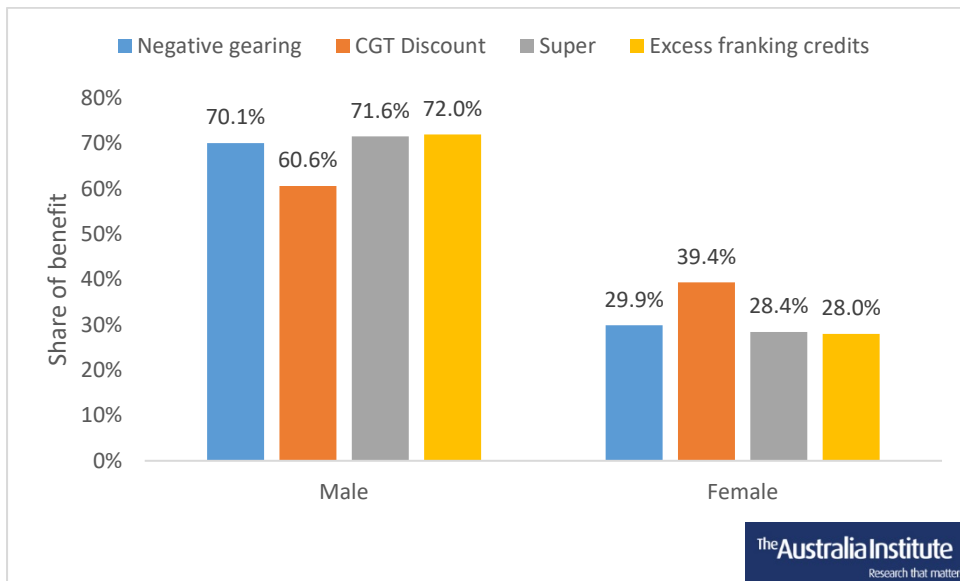
Table 1 – Size of tax concessions per year

Tax concession	Value of concession
Negative gearing	\$4.297 billion
Super tax concessions	\$41.202 billion
CGT discount	\$9.374 billion
Excess franking credits	\$5.230 billion
Total	\$60.103 billion

Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Men are the main beneficiaries of these tax concessions. For every dollar of negative gearing, superannuation tax concession and excess franking credits that goes to women, men get more than two dollars/ For every dollar of the capital gains tax discount going to women, men get more than a \$1.50. The distribution of the four tax concessions is shown in Figure 1.

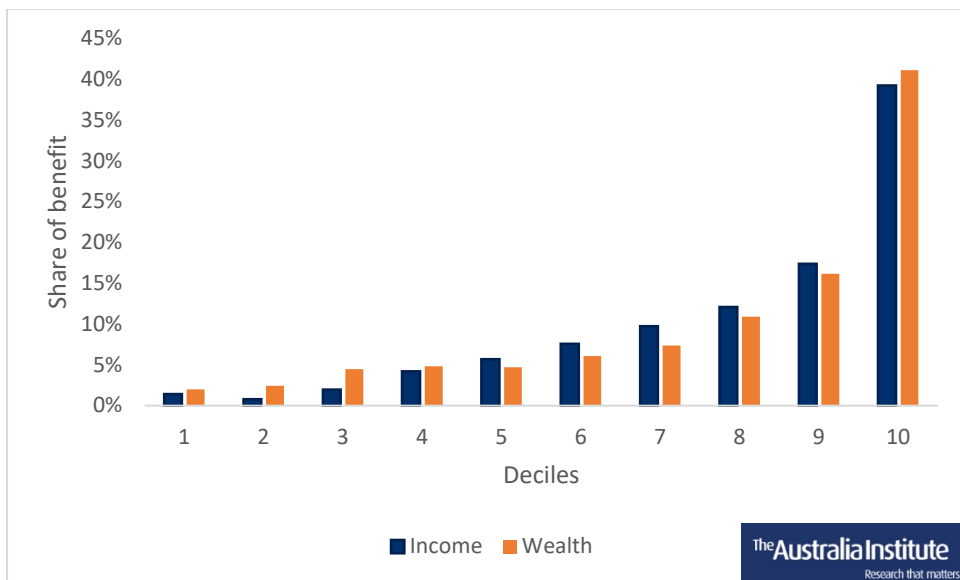
Figure 1 – Distribution of tax concessions by gender



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

This paper also looks at the distribution of these tax concessions by income and wealth. Looking at the distribution by decile for all four of the tax concessions we see that the main beneficiaries are high income and wealth households. The income and wealth distribution by decile for all four of the tax concessions is shown in Figure 2.

Figure 2 – Income and wealth distribution of negative gearing by decile



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

It shows that the top 10 per cent gets 39 per cent of the benefit by income and 41 per cent by wealth. With the bottom half of income earners getting just 18 per cent of the benefit while the bottom half of wealth holders also get just 18 per cent.

This paper also splits households into three groups: high income and wealth households, low income and wealth households and middle income and wealth households. High income households are households in the top 20 per cent. Low income households are households in the bottom 30 per cent. Middle income households are the remaining households between the 31st and 80th percentile.

High income households are the main beneficiaries of these four tax concessions. A summary of how much of the tax concessions go to high, middle and low income households is shown in Table 2.

Table 2 – Summary of the distribution of tax concessions by high, middle and low income households¹

Tax concession	Low	Middle	High
Negative gearing	5%	45%	50%
Super tax concessions	4%	46%	51%
CGT discount	3%	15%	82%
Excess franking credits	7%	28%	64%

Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

High wealth households are also the main beneficiaries of these four tax concessions. A summary of how much of the tax concessions go to high, middle and low wealth households is shown in Table 3.

Table 3 – Summary of the distribution of tax concessions by high, middle and low wealth households²

Tax concession	Low	Middle	High
Negative gearing	12%	39%	50%
Super tax concessions	11%	41%	48%
CGT discount	1%	12%	87%
Excess franking credits	1%	16%	83%

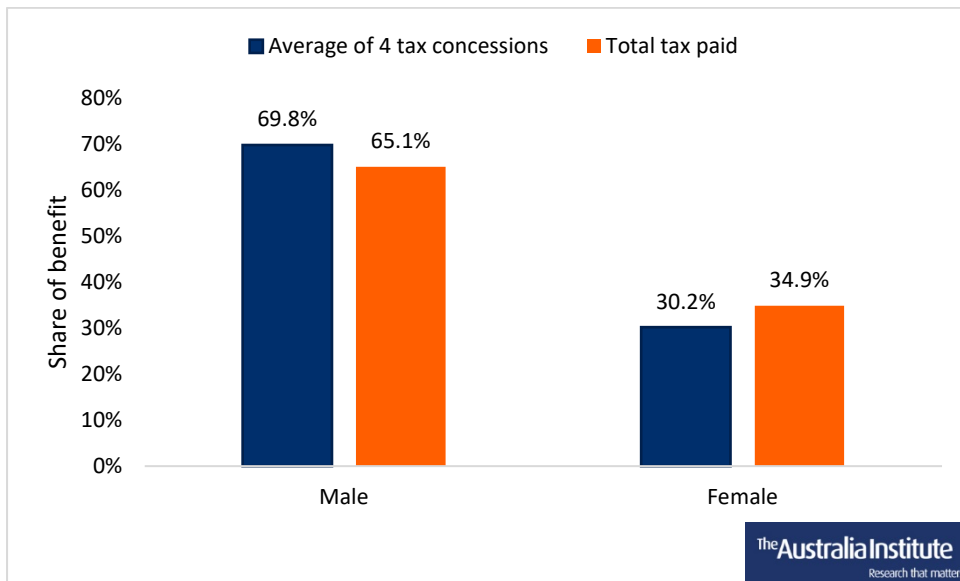
Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

These four tax concessions mainly benefit men. Is this because men are being favoured by these tax concessions or is this simply because men pay a larger proportion of income tax? Figure 3 shows the average proportion of the benefit of all four tax concessions as well as the proportion of total income tax paid by men.

¹ High income households are households in the top 20 per cent. Low income households are households in the bottom 30 per cent. Middle income households are the remaining households between the 31st and 80th percentile.

² High wealth households are households in the top 20 per cent. Low wealth households are households in the bottom 30 per cent. Middle wealth households are the remaining households between the 31st and 80th percentile.

Figure 3 – Average proportion of tax concessions and income tax paid by gender



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A. Australian Taxation Office (2020) *Taxation statistics 2017-18: Individuals*, available at <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2017-18/?anchor=Individuals#Individuals>

Figure 3 shows that men do pay more income tax than women. This is because men earn more income and have on average a higher income than women. But even accounting for this, men get an oversized benefit from these tax concessions. That is, they pay 65 per cent of the tax but get 70 per cent of the concessions. For women, it is the opposite: they pay 35 per cent of the tax but only receive 30 per cent of the concessions.

Introduction

Tax concessions see billions of dollars leak from taxation revenue every year. While some tax concessions, like exemptions for basic food items from goods and services tax (GST) are evenly distributed across the Australian population, others see billions of dollars flow to a select few. This paper will look at the income, wealth, and gender distribution of four large tax concessions.

The Australia Institute has commissioned the Centre for Social Research and Methods (CSRM) to conduct modelling of the distribution of four tax concessions: negative gearing,³ capital gains tax (CGT) discount, superannuation tax concessions and excess franking credits. The modelling looked at how these tax concessions were distributed by income, by wealth and by gender.

Together these tax concessions are worth \$60 billion dollars a year. To put this figure in context, tax concessions cost the Federal Government more than defence (\$29.5 billion) or education (\$39.9 billion) do, but less than health (\$87 billion) does.⁴ The size of each of the tax concession modelled is shown in Table 4.

Table 4 – Size of tax concessions

Tax concession	Value of concession
Negative gearing	\$4.297 billion
CGT discount	\$9.374 billion
Super tax concessions	\$41.202 billion
Excess franking credits	\$5.230 billion
Total	\$60.103 billion

Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Note that the size of the tax concession and the amount of additional revenue that might be raised are not necessarily the same. For example, the estimated revenue to be gained from ending the superannuation tax concession is three per cent smaller than the size of the tax concession.⁵

³ There is an argument that negative gearing is not a tax concession but rather a tax deduction. For the purposes of this paper I will call it and include it with the other tax concessions.

⁴ The Commonwealth of Australia (2020) *Budget paper No. 1*, Treasury, 6 October, available at <https://budget.gov.au/2020-21/content/bp1/download/bp1_w.pdf>

⁵ Commonwealth of Australia (2020) *Tax Benchmark and Variations Statement*, The Treasury, available at <https://treasury.gov.au/sites/default/files/2020-01/complete_tbvs_web.pdf>

DISTRIBUTION OF HOUSEHOLDS

This paper will look at the distribution of tax concessions based on gender⁶ and based on the income and wealth of households. To do this it splits Australian households into 10 equally sized groups called deciles. When looking at the distribution of households by income, the first decile will contain the 10 per cent of households with the lowest income. The second decile will have the next 10 per cent of households with the lowest income. This continues up the income distribution until the 10th decile (the highest decile) having the 10 per cent of households with the highest income.

The same distribution by decile is done for households by wealth. That is the poorest (least wealthy) 10 per cent of households are in the first decile, while the richest (most wealthy) 10 per cent of households are in the tenth decile.

Income and wealth are highly correlated. That is, if a household is in the top 10 per cent of households by income, they are more likely to be in the top 10 per cent of households by wealth. But, as this analysis will show, there are sometimes significant differences between high-income and high-wealth households.

The tax concessions that are being examined are often gained from owning assets, which adds to a household's wealth. For example, the capital gains tax discount is gained from selling an asset for more than you purchased it for. Excess franking credits come from returns from ownership of public companies. It would be expected then that households getting more of these tax concessions are likely to hold more wealth.

Some of the tax concessions being examined benefit high income earners more than low income earners. For example, negative gearing is a deduction from a person's gross income, which means the higher the marginal tax rate they pay, the bigger the benefit they will receive for a given deduction.

This paper will also split households into three groups. High income/wealth households, middle income/wealth households and low income/wealth households. High income/wealth households are defined as the top 20 per cent. Low income/wealth households are defined as the bottom 30 per cent. Middle income/wealth is defined as the remaining 50 per cent of households from the fourth to seventh decile.

Income deciles are based on taxable income, not gross income. Gross income is your total income. Taxable income is your gross income minus tax deductions, i.e. the income you pay tax on. The exception to this is the income distribution on excess franking credits, which is explained in the section on excess franking credits.

⁶ The ABS data used only has two gender options, male and female. This either forces those who don't identify as either to pick one or excludes them from the data.

Wealth deciles are based on net wealth, not gross wealth. Gross wealth is the total value of all the things you own. Net wealth is gross wealth minus any liabilities, like debt that you have.

Negative gearing

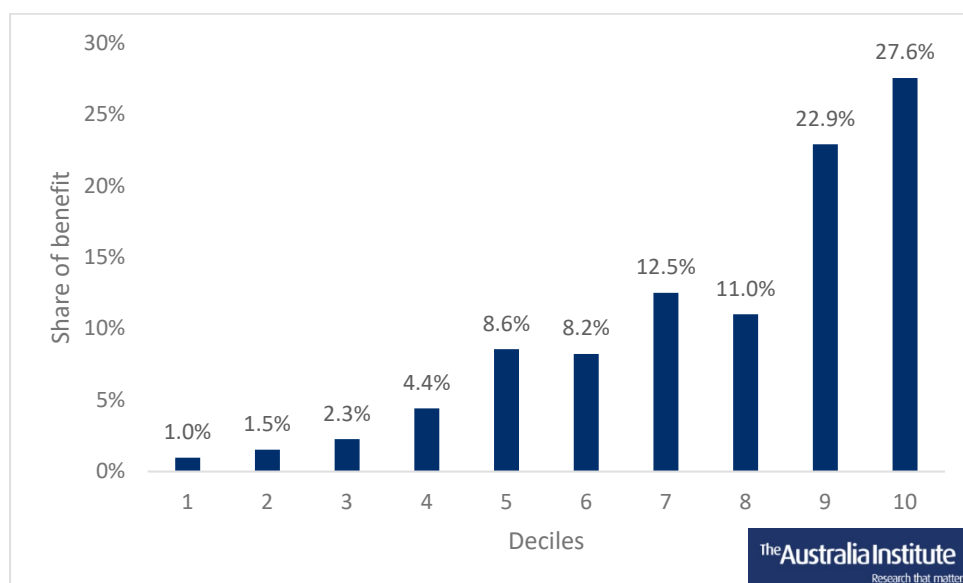
Negative gearing allows for losses made on investments to be deducted from taxable income derived from other sources. In Australia negative gearing most commonly applies to investments in real estate. An investor borrows money to buy an investment property and rents the property out. If the rent being paid is less than expenses relating to the property (including the interest on the mortgage), then this loss can be deducted from other taxable income such as wages the investor earns from their job.

The higher the investor's income from their job, the higher their marginal tax rate and hence the greater the loss they can claim back. For example, two investors make a \$10,000 loss on a residential property investment. The first investor has an income of \$60,000 and a marginal tax rate of 34.5 per cent (including the Medicare levy). When they claim their loss, they will get back \$3,450. The second investor has an income of \$200,000 and a marginal tax rate of 47 per cent (including the Medicare levy). When they claim their loss, they will get back \$4,700.

Negative gearing by income

Negative gearing costs the budget \$4.3 billion a year and is skewed to high income earners. Compared to the other tax concessions, it does also benefit a significant number of upper middle-income earners (the sixth and seventh decile). The top 10 per cent of income earning households collect over a quarter (28 per cent) of the benefit of negative gearing. The distribution of negative gearing by income decile is shown in Figure 4.

Figure 4 – Income distribution of negative gearing by decile



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

The majority of the benefit goes to high income households (50 per cent). Middle income households get 45 per cent of the benefit. But low-income households get little benefit from negative gearing. The bottom 30 per cent get just five per cent of the benefit.

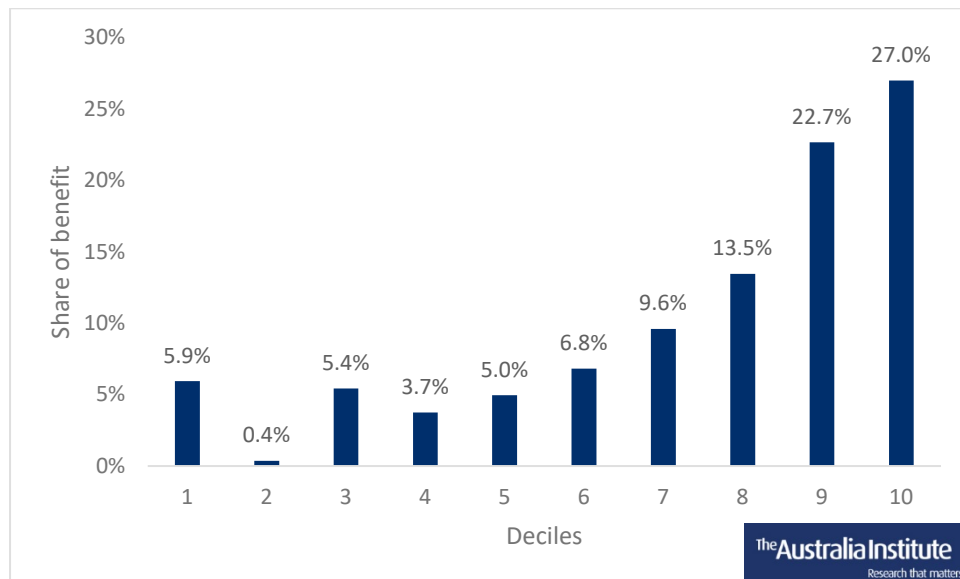
It is not surprising that low income households get little benefit from negative gearing. If your income is very low then your marginal tax rate is also likely to be very low, possibly even zero. This means you get relatively little benefit from a negative gearing deduction.

Middle income households get 45 per cent of the benefit. But high-income earners get a larger benefit than middle income earners even though high income earners only make up 20 per cent of households, while middle income earners make up 50 per cent of households.

Negative gearing by wealth

The distribution of benefits from negative gearing by wealth is very similar to the distribution by income. The distribution of negative gearing by wealth decile is shown in Figure 5.

Figure 5 – Wealth distribution of negative gearing by decile



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

The distribution by wealth was marginally more evenly distributed than by income. The top 10 per cent of households get 27 per cent of the benefit, which was an almost identical proportion of the benefit going to the top 10 per cent by income (28 per cent).

Larger differences appear further down the distribution. A larger proportion of those at the bottom of the wealth distribution got a benefit from negative gearing than those at the bottom of the income distribution. Low wealth households (the bottom 30 per cent) get just

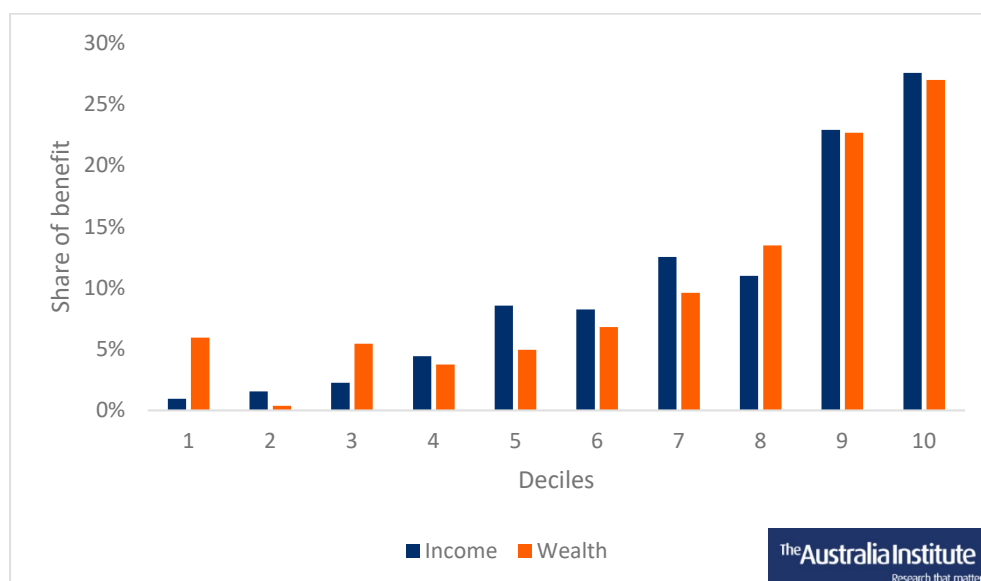
over a tenth (11.8 per cent) of the benefit, which is more than twice the benefit going to the bottom 30 per cent by income (4.8 per cent).

High wealth households (top 20 per cent) got half of the benefit, which was almost identical to high income households. Middle wealth households got 39 per cent of the benefit, which was less than middle income households (45 per cent of the benefit).

These differences could in part be explained by the fact that the wealth distribution uses net wealth, that is assets (like houses) minus liabilities (like mortgages). Those gaining the largest benefit from negative gearing usually have large mortgages on their investment properties because interest payments are an important deduction which creates a loss. This means the investment properties are less likely to be as valuable in net terms.

Income is an important part of gaining an advantage from negative gearing for two reasons. A higher income means a higher marginal tax rate and hence a larger benefit from a given deduction. Also gaining a negative gearing advantage means sustaining a loss. Those on higher incomes are more likely to be able to sustain that loss over time.

Figure 6 – Income and wealth distribution of negative gearing by decile

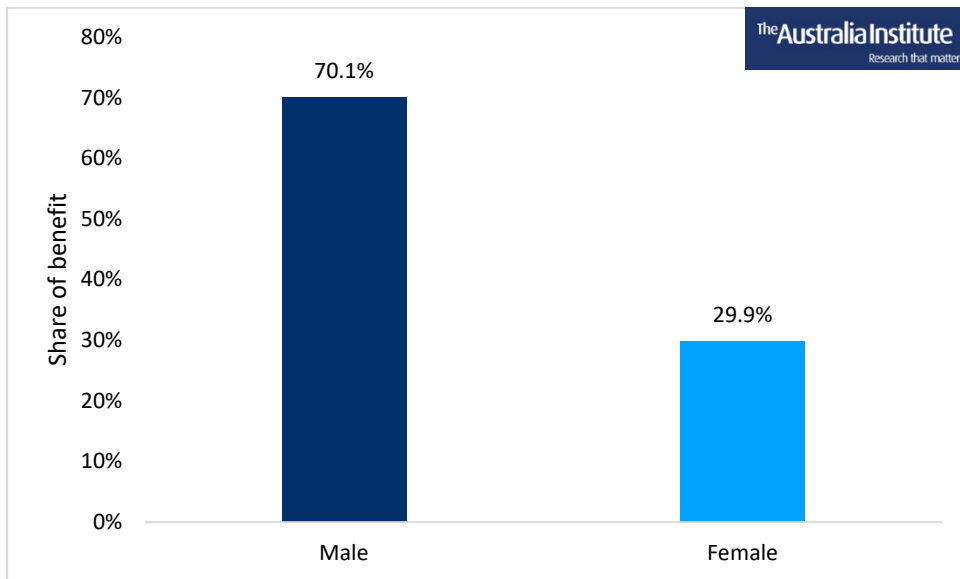


Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Negative gearing by gender

The distribution of negative gearing by gender shows that most of the benefit goes to men (70 per cent) with only 30 per cent going to women. Men get more than twice the benefit going to women. For every dollar of benefit going to women, men get \$2.35. This is shown in Figure 7.

Figure 7 – Distribution of negative gearing by gender



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Men are more likely to have higher incomes, which means they are more likely to get a greater benefit from negative gearing for a given deduction. Not only do men have greater wealth and income, which helps them have more investments to negatively gear, but because they have higher incomes, they will on average get a greater benefit than a woman even if they both incur the same loss.

Superannuation tax concession

Superannuation tax concessions are the largest tax concession of the four that are being modelled. These concessions represent the concessional tax rate that people pay on their contributions to their superannuation fund and the earnings on their superannuation fund. Most people pay 15 per cent tax on super earnings and contributions,⁷ typically less than they would pay if it were regular income.

The concession gets disproportionately larger the higher the persons income. The marginal tax rate for someone earning \$20,000 is 21 per cent including the Medicare levy. A concessional tax rate of 15 per cent represents a tax concession of six percentage points. The marginal tax rate for someone earning \$120,000 is 39 per cent including the Medicare levy. A concessional tax rate of 15 per cent represents a tax concession of 24 percentage points. Those on \$200,000 have a marginal tax rate of 47 per cent including the Medicare levy. This means they get a 32 percentage point concessional rate on superannuation contributions.

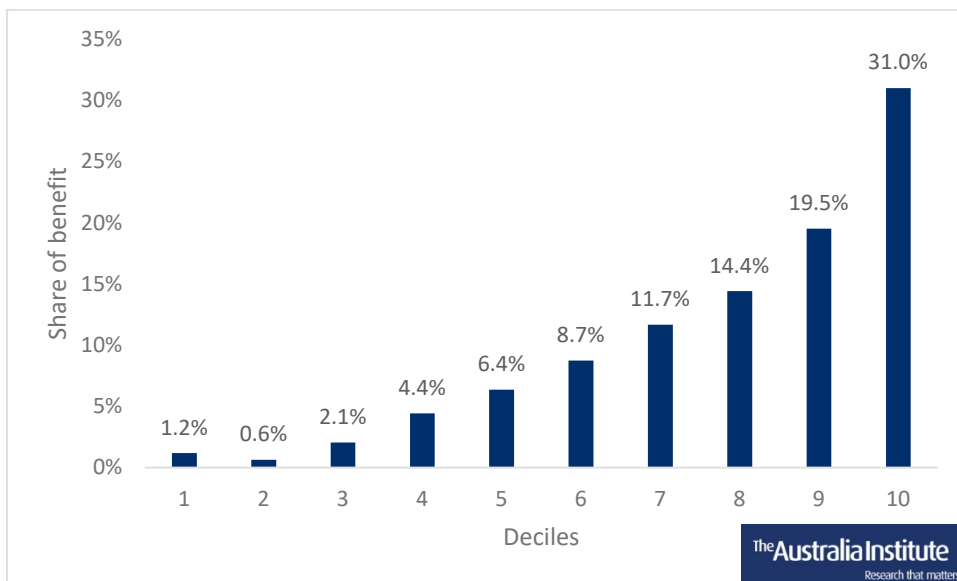
Superannuation tax concessions by income

Superannuation tax concessions mainly flow to those on higher incomes. The top 10 per cent of income earners get almost a third of tax concessions (31 per cent) while the top 20 per cent of income earners get about half (51 per cent) of super tax concessions. Low income households get relatively little in the way of superannuation tax concessions. The bottom 30 per cent of households get just four per cent of super tax concessions. Middle income households get 45 per cent of the benefit.

The distribution of superannuation tax concessions by decile is shown in Figure 8.

⁷ The concessional rate is 30 per cent for the small number of people whose income and super contributions combined are more than \$250,000.

Figure 8 – Income distribution of superannuation tax concessions by decile



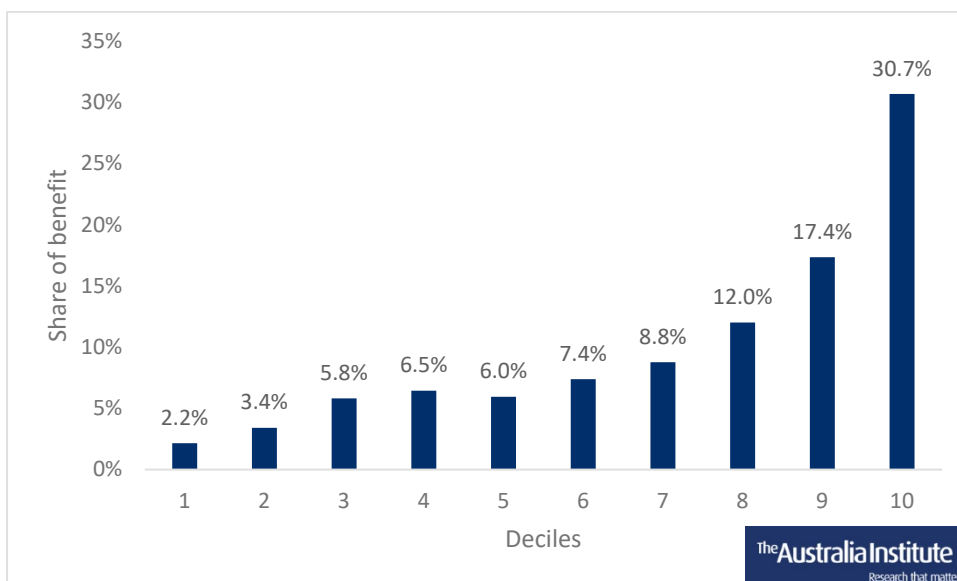
Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Superannuation tax concessions by wealth

The distribution of super tax concessions by wealth is fairly similar to the distribution by income. The top 10 per cent of households get almost a third (31 per cent) of super tax concessions. The top 20 per cent get almost a half (48 per cent). Poorer households get far less with the bottom 30 per cent getting about a tenth (11 per cent). Middle wealth households get 41 per cent of the benefit.

The income distribution of super tax concessions by wealth is shown in Figure 9.

Figure 9 – Wealth distribution of superannuation tax concessions by decile

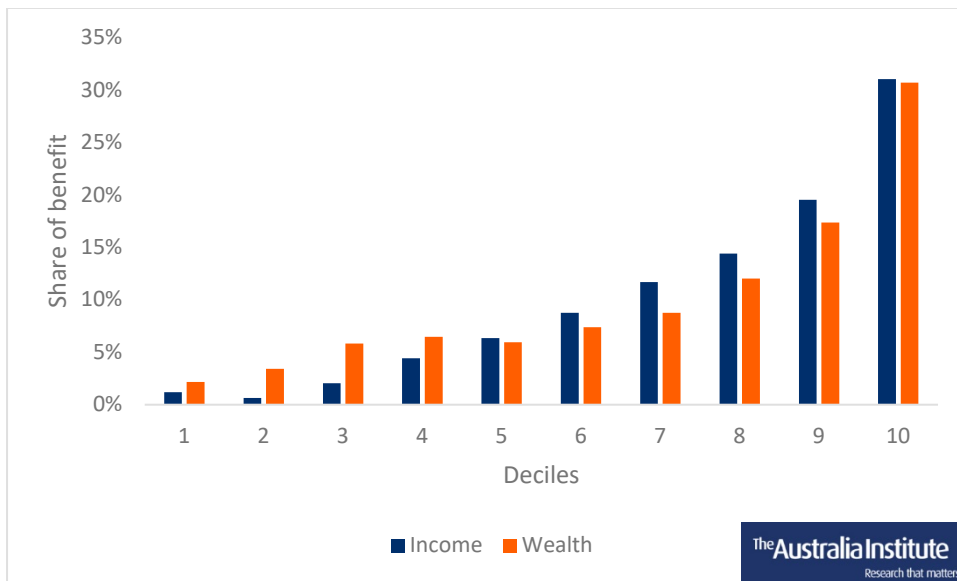


Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Low wealth households get a larger share of superannuation tax concessions than low income households. This is in part because of retirees. Retirees who get part or all their income from superannuation pay no tax on that income. It does not count as taxable income and because the modelling only includes taxable income, these retirees appear to have very low incomes.

Figure 10 compares the distribution of super tax concessions by income and wealth.

Figure 10 – Income and wealth distribution of superannuation tax concessions by decile

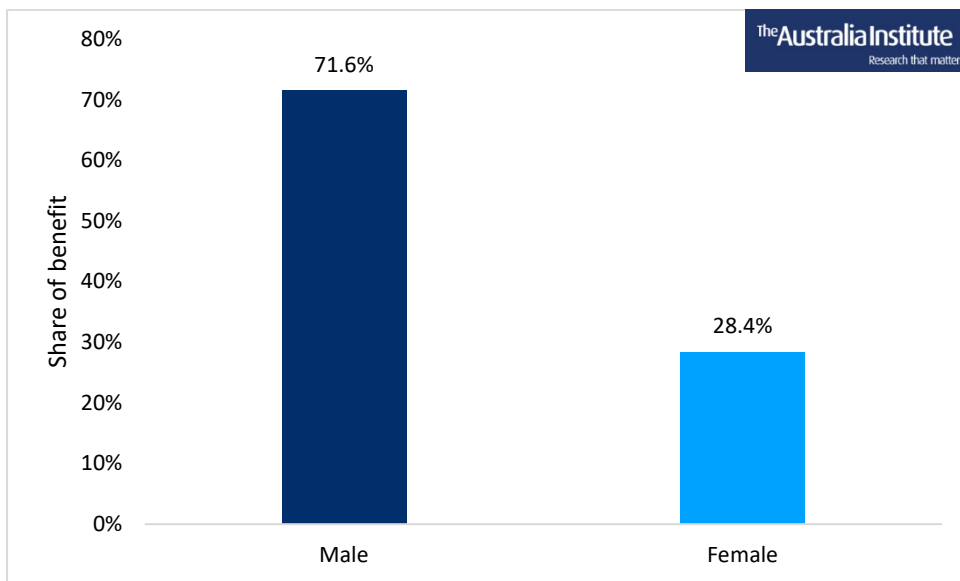


Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Superannuation tax concessions by gender

Most of the benefit of super tax concessions flows to men (72 per cent) with women getting just 28 per cent. For every dollar of super tax concession going to women, men get \$2.52. The distribution of super tax concessions by gender is shown in Figure 11.

Figure 11 – Distribution of superannuation tax concessions by gender



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

This is because super tax concessions become larger for higher income earners and men are more likely to earn higher incomes. This means that not only do men accumulate more super over their lifetimes because they earn more money, but they also get a larger tax concession for each dollar that they accumulate.

If super tax concessions are supposed to help people fund their own retirement, then giving more to men is counter initiative since women have on average less super at retirement. A well-thought-through retirement incomes policy would give larger concession to those who were less likely to be able to fund their own retirement.

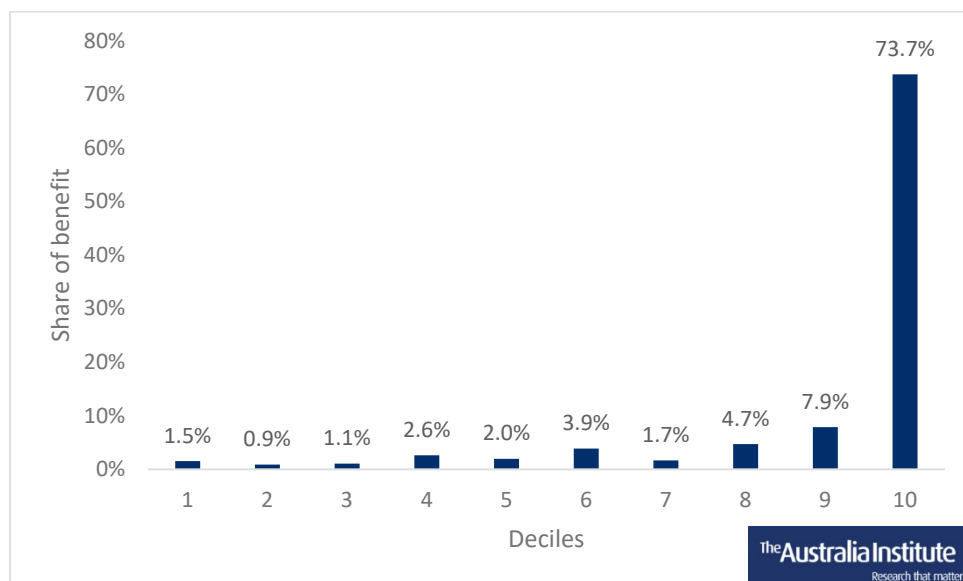
Capital gains tax discount

Capital gains are subject to capital gains tax (CGT). CGT is paid when an asset is sold for more than it was purchased for, minus some deductions. Since 1999, Australia has a 50 per cent discount on CGT if the asset was held for more than 12 months by individuals or trusts. The discount means that only half the capital gain on an investment property is subject to tax. For example, if a \$100,000 capital gain was recorded, only \$50,000 is taxed.

Capital gains tax discount by income

The CGT discount is very unevenly distributed by income. Almost three quarters (74 per cent) of the benefit goes to the top 10 per cent of households by income. High income households get 82 per cent. Low income households (the bottom 30 per cent) get just three per cent. Middle income households get 15 per cent. The distribution of the CGT discount by income deciles is shown in Figure 12.

Figure 12 – Income distribution of capital gains tax discount by decile

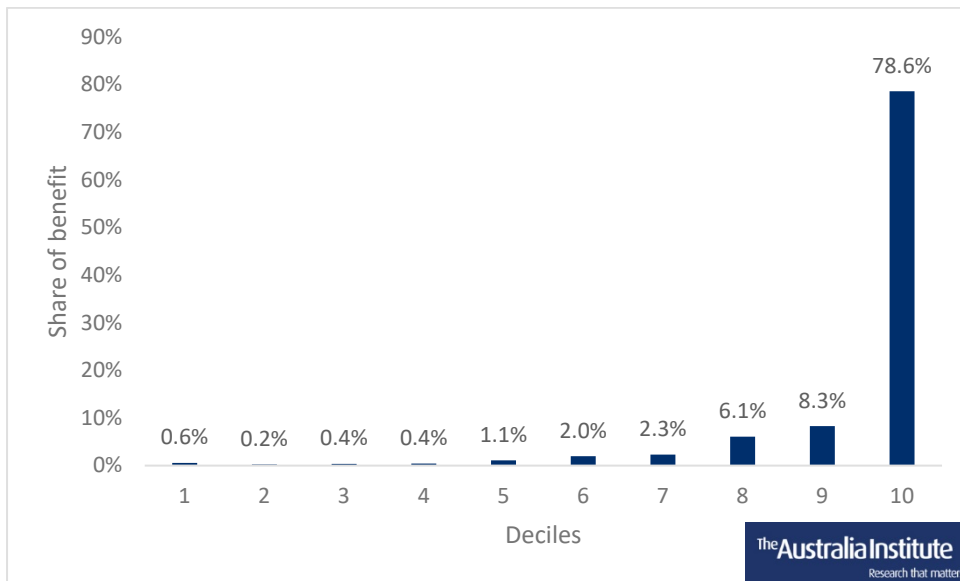


Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Capital gains tax discount by wealth

The distribution by wealth is even more extreme. Almost four fifths (79 per cent) of the benefit goes to the top 10 per cent. High wealth households get 87 per cent. Low wealth households get just one per cent and middle wealth households get 12 per cent. The distribution of the CGT discount by wealth deciles is shown in Figure 13.

Figure 13 – Wealth distribution of capital gains tax discount by decile

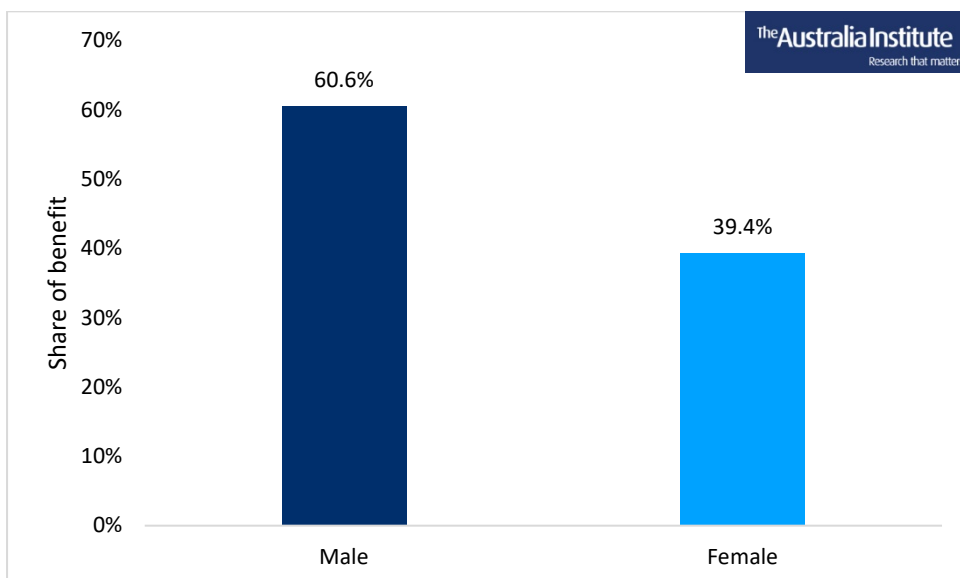


Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Capital gains tax discount by gender

Most of the benefit of the CGT discount flows to men (61 per cent) with women getting 39 per cent of the benefit. For every dollar going to women, men get \$1.54. The distribution of the CGT discount by gender is shown in Figure 14.

Figure 14 – Distribution of the capital gains tax discount by gender



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Of the four tax concessions looked at in this paper, the CGT discount is the least uneven. This might be in part because households who are couples with a man and women are more

likely to arrange their tax affairs so that the person with the lower taxable income is the one realising the capital gain. Doing it this way means the household pays less tax. Given that women are more likely to have lower incomes than men, this arrangement increases the benefit going to women. Even so, men still get significantly more benefit from the CGT discount than women.

Excess franking credits

Excess franking credits (also known as refundable franking credits) are cash refunds on company tax payments to dividend holders who do not pay tax. The main recipients are individuals and Self-Managed Super Funds (SMSF). The upshot of excess franking credits is that those receiving them are getting a tax refund even though they didn't pay any tax.

The way that Australia taxes retirement incomes, particularly income streams from superannuation, means that the biggest recipients of excess franking credits are retired people. Some retired people can have large gross incomes but very small taxable incomes, in part because the income from their superannuation is not classed as taxable income.

Some of the income stream can come from franked dividends. If the retiree has a marginal tax rate of zero, then all the franking credits from the dividends are refunded by the tax office even though the retiree paid no tax.

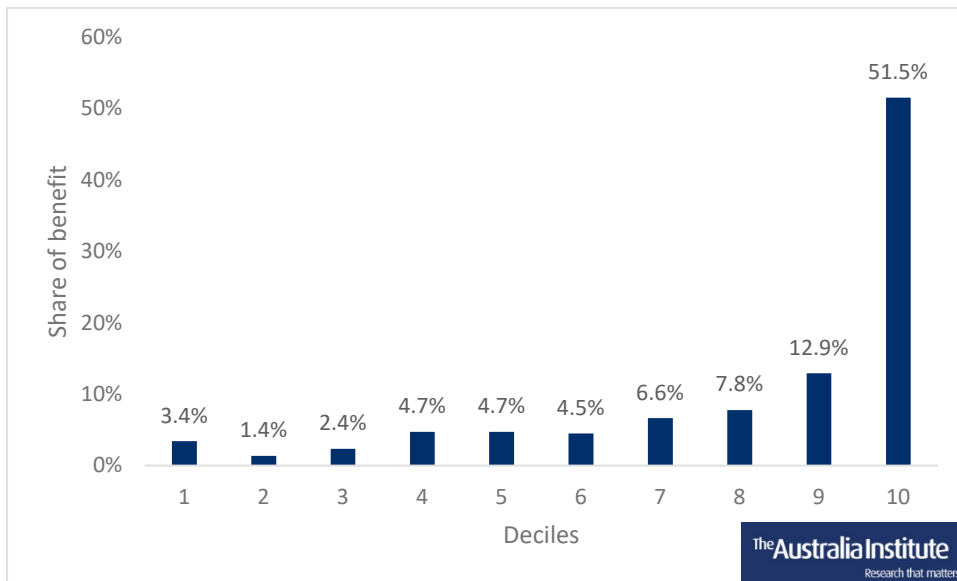
Excess franking credits by income

The distribution by income for excess franking credits is done differently to all the other tax concessions by income. Rather than doing it on a taxable income basis, it is done on gross income. This is to overcome the problem discussed above, where the biggest beneficiaries of excess franking credits have small taxable incomes but large gross incomes.

Excess franking credits are only available if someone's taxable income is below the tax-free threshold, currently \$18,200. If the income distribution was done on a taxable income basis then all the benefit would be received by the bottom 30 per cent of households.

The distribution by gross income for excess franking credits is very uneven. More than half (52 per cent) go to the top 10 per cent of households. High gross income households (the top 20 per cent) get just under two thirds (64 per cent). Low gross income households (the bottom 30 per cent) get seven per cent of the benefit. Middle gross income households get 17 per cent of the benefit. The distribution of excess franking credits by gross income is shown in Figure 15.

Figure 15 – Income distribution of excess franking credits by decile

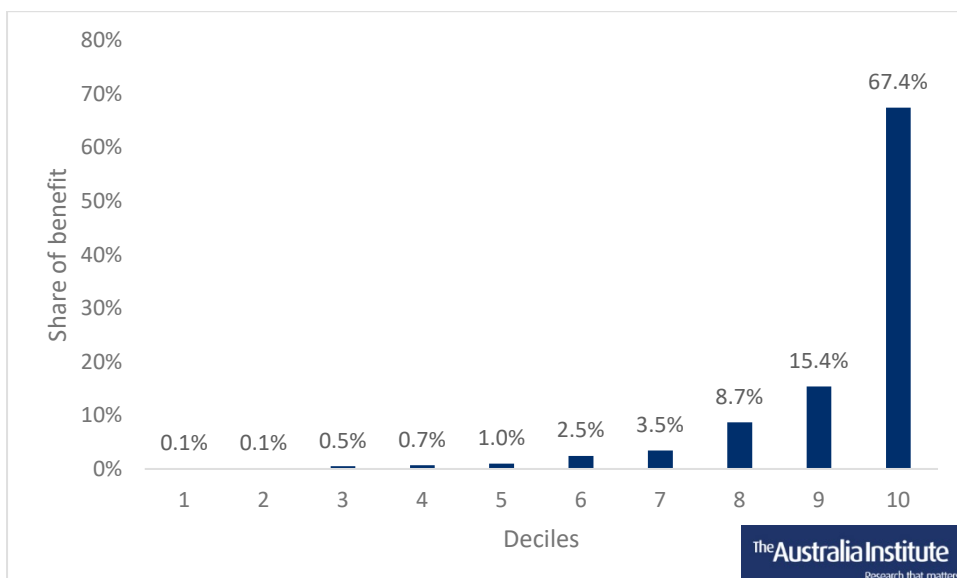


Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Excess franking credits by wealth

The distribution of excess franking credits by wealth is even more uneven than by gross income. The top 10 per cent get a third (67 per cent) of the benefit. High wealth households (the top 20 per cent) get 83 per cent of the benefit. Low wealth households get less than one per cent (0.8 per cent). While middle wealth households get 16 per cent. The distribution of excess franking credits by wealth is shown in Figure 16.

Figure 16 – Wealth distribution of excess franking credits by decile

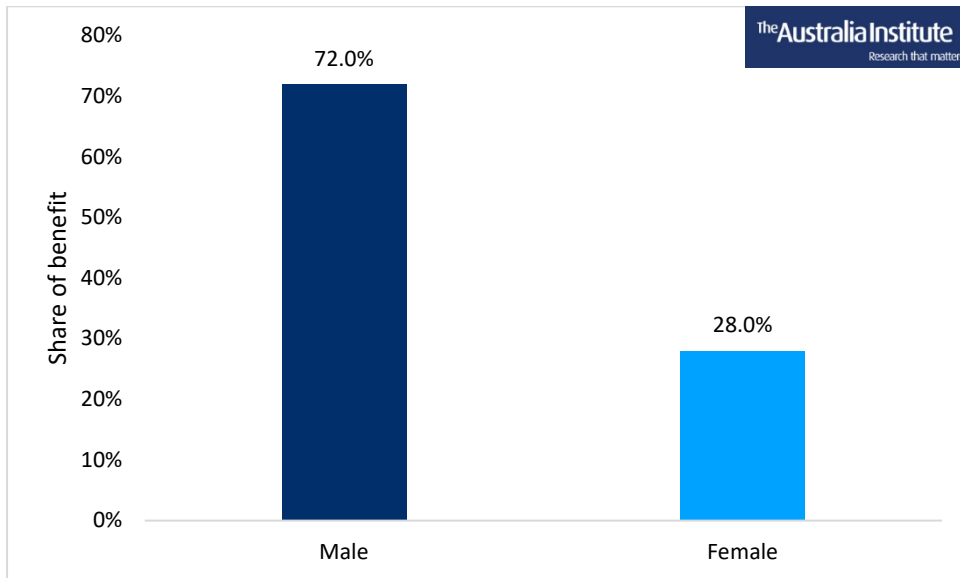


Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Excess franking credits by gender

Excess franking credits are the most unevenly distributed of all the four tax concessions modelled. Most of the benefit goes to men (72 per cent) with women receiving just 28 per cent. Men receive \$2.57 for every dollar that women receive. The distribution of excess franking credits by gender is shown in Figure 17.

Figure 17 – Distribution of excess franking credits by age groups



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

Main beneficiaries of tax concessions

High income households are the main beneficiaries of these four tax concessions. A summary of how much of the tax concessions go to high, middle and low income households is shown in Table 5.

Table 5 – Summary of the distribution of tax concessions by high, middle and low income households⁸

Tax concession	Low	Middle	High
Negative gearing	5%	45%	50%
Super tax concessions	4%	46%	51%
CGT discount	3%	15%	82%
Excess franking credits	7%	28%	64%

Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

High wealth households are also the main beneficiaries of these four tax concessions. A summary of how much of the tax concessions go to high, middle and low wealth households is shown in Table 6.

Table 6 – Summary of the distribution of tax concessions by high, middle and low wealth households⁹

Tax concession	Low	Middle	High
Negative gearing	12%	39%	50%
Super tax concessions	11%	41%	48%
CGT discount	1%	12%	87%
Excess franking credits	1%	16%	83%

Source: Centre for Social Research and Methods commissioned modelling. See Appendix A.

⁸ High income households are households in the top 20 per cent. Low income households are households in the bottom 30 per cent. Middle income households are the remaining households between the 31st and 80th percentile.

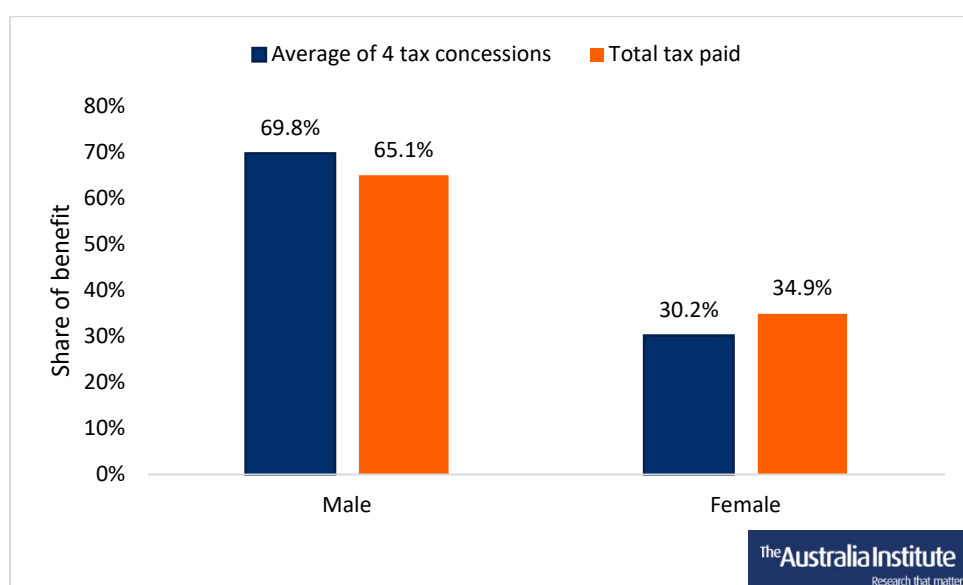
⁹ High wealth households are households in the top 20 per cent. Low wealth households are households in the bottom 30 per cent. Middle wealth households are the remaining households between the 31st and 80th percentile.

Implications of the four tax concessions

These four tax concessions mainly benefit men. Is this because men are being favoured by these tax concessions or is this simply because men pay a larger proportion of income tax?

Figure 18 shows the average proportion of the benefit of all four tax concessions as well as the proportion of total income tax paid by men.

Figure 18 – Average proportion of tax concessions and income tax paid by gender



Source: Centre for Social Research and Methods commissioned modelling. See Appendix A. Australian Taxation Office (2020) *Taxation statistics 2017-18: Individuals*, available at <https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Taxation-statistics/Taxation-statistics-2017-18/?anchor=Individuals#Individuals>

Figure 18 shows that men do pay more income tax than women. This is because men earn more income and have on average a higher income than women. But even accounting for this, men get an oversized benefit from these tax concessions. That is, they pay 65 per cent of the tax but get 70 per cent of the concessions. For women, it is the opposite: they pay 35 per cent of the tax but only receive 30 per cent of the concessions.

Conclusion

Inequality plays a key role in power imbalances. These four tax concessions add to both economic inequality and gender inequality. Scrapping or curtailing these tax concessions would not only reduce inequality but it would also raise billions of dollars that the government could use to further reduce inequality.

Inequality has many causes. A comprehensive plan to tackle all the causes is required. Reducing economic inequality is an important part of any plan and winding back these tax concessions not only reduces inequality it also raises revenue.

This revenue could make space in the economy for childcare, crisis accommodation, boosting retirement incomes for those in poverty, just to name a few. There are a multitude of policies and programs that could help reduce economic and gender inequality.

Appendix A

The estimates in the paper for the value of negative gearing, capital gains tax, superannuation tax concessions and franking credits were developed within the ANU PolicyMod model, a microsimulation model of the Australian tax and transfer system. PolicyMod is based on the Australian Bureau of Statistics Survey of Income and Housing (2015–16 for this modelling) and the various components of the tax and transfer system are simulated onto that data. Considerable effort is taken to calibrate the model to the latest available administration data for taxes and transfers and to ensure the model best represents the financial year related to the modelling.

Some additional work was required to develop the estimates in this paper since some elements of the modelling are not a standard feature of PolicyMod. To improve the estimates for each of the concessions, Australian Taxation Office (ATO) detailed unit record and summary level statistics have been combined with PolicyMod.

Negative gearing is modelled within PolicyMod. The detailed distributional data in the ATO “Taxation Statistics 2 per cent unit record file” was used to benchmark distributional results. Capital gains were imputed using a regression-based methodology which combines capital gains data from the same ATO 2 per cent file with the PolicyMod model. Super tax expenditures are modelled based on detailed superannuation balance and superannuation income data that is included PolicyMod. Franking credits utilised detailed ATO data on franking credits by taxable income and superannuation balance for both self-funded retirees and retail superannuation funds. This information was merged onto the PolicyMod model based on income, superannuation balance, age and couple status.

Where possible, overall estimates have been calibrated to tax expenditure statements, budget papers and previous modelling by the Parliamentary Budget Office (PBO) for the Australian Labor Party at the 2019 Election (in the case of franking credits).