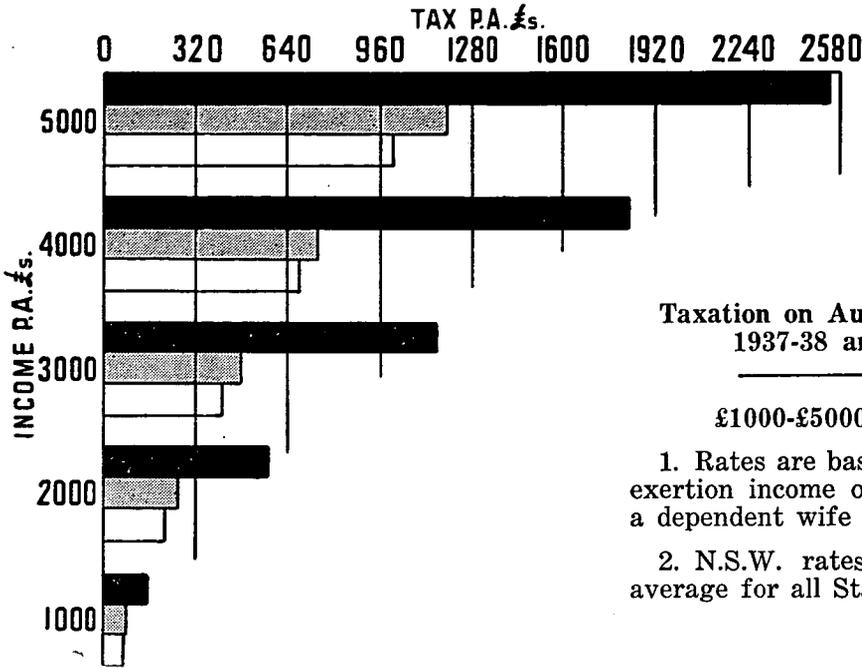


DISTRIBUTION OF THE NATIONAL INCOME 1937-38 and 1947-48

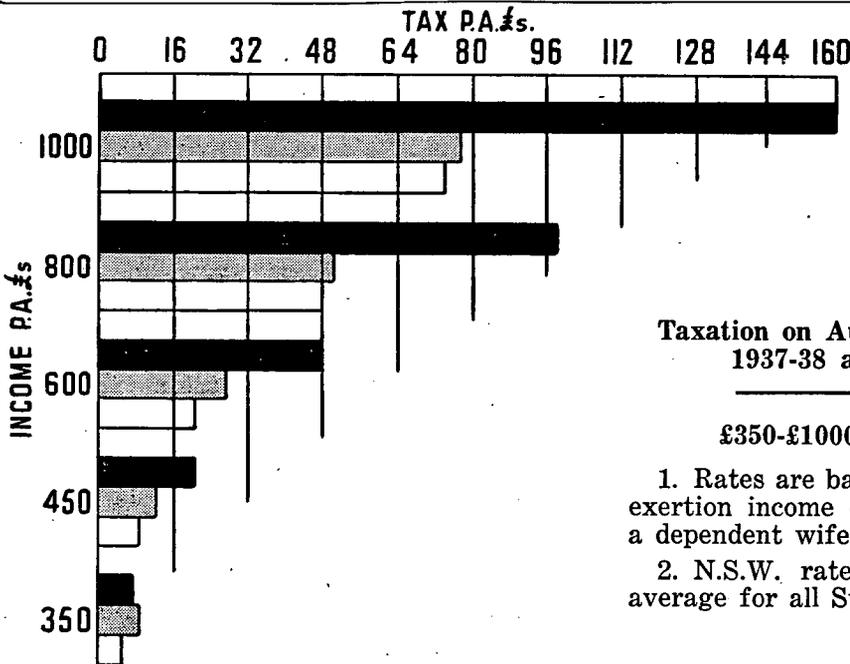


Taxation on Australian Incomes 1937-38 and 1947-48.

£1000-£5000 per annum.

1. Rates are based on the personal exertion income of a taxpayer with a dependent wife and two children.

2. N.S.W. rates approximate the average for all States.



Taxation on Australian Incomes 1937-38 and 1947-48.

£350-£1000 per annum.

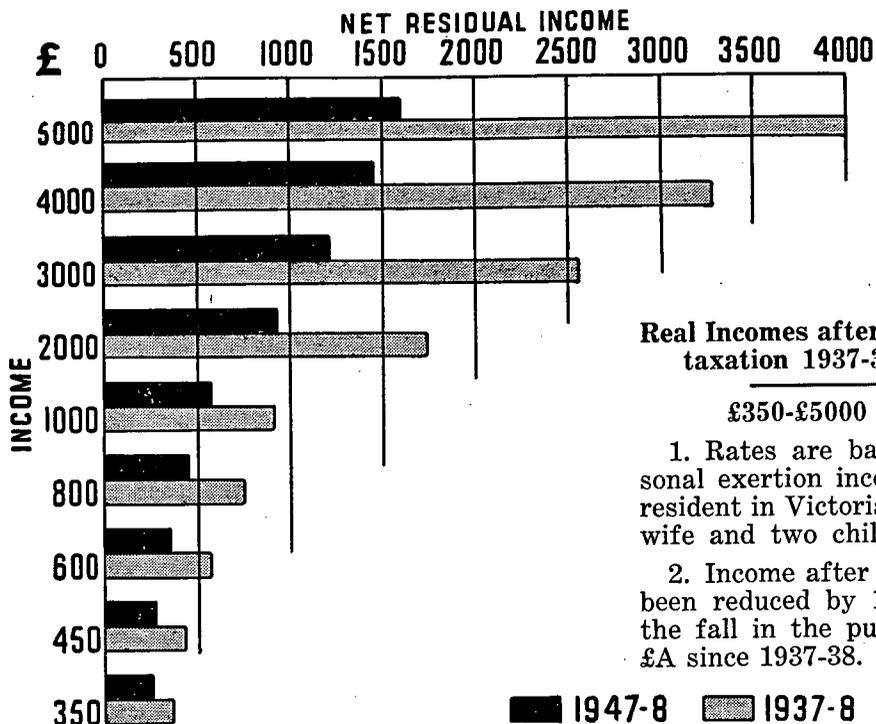
1. Rates are based on the personal exertion income of a taxpayer with a dependent wife and two children.

2. N.S.W. rates approximate the average for all States.

■ FEDERAL 1947-8 ▨ N.S.W. & FED. 1937-8 □ VIC. & FED. 1937-8

Source: Tables prepared by the staff of the Institute from figures published by the Commonwealth Commissioner of Taxation (1938) and from rates assessed under the Income Tax Act (1947).

DISTRIBUTION OF THE NATIONAL INCOME 1937-38 and 1947-48



Real Incomes after payment of direct taxation 1937-38 and 1947-48.

£350-£5000 per annum.

1. Rates are based upon the personal exertion income of a taxpayer resident in Victoria with a dependent wife and two children.

2. Income after tax in 1947-48 has been reduced by 1/3rd to allow for the fall in the purchasing power of £A since 1937-38.

TABLE I.

DISTRIBUTION OF INCOME IN AUSTRALIA—1942-43.

Income Group	Total Taxpayers %	Share of Total Tax %	Share of Total Income Before Tax %	Share of Total Income Remaining After Tax %
Under £601	91	48	73	79
601-1000	6	13	11	10
1001-2000	2	14	8	7
Over 2000	1	25	8	4
	100	100	100	100

NOTE.—Prepared by the staff of the Institute, this table is based on the latest figures of taxable income published by the Commonwealth Commissioner of Taxation. Since very low incomes and certain other categories of income are exempt from taxation actual income is slightly understated. Because the uniform tax system did not operate in 1938-39 a comparison with the prewar position cannot be shown. However, a study of Victorian data suggests that income after tax accruing to the group over £2000 per annum was about 8% of the total in 1938-39. This compares with 4% in 1942-43 as shown in the above table.

DISTRIBUTION OF THE NATIONAL INCOME 1937-38 and 1947-48

TABLE II.

AVERAGE INCOME OF AUSTRALIAN TAXPAYERS IN DIFFERENT INCOME GROUPS BEFORE AND AFTER PAYMENT OF TAXES 1942-43.

Income Group	Average Income Before Tax	Average Tax	Average Income After Tax	% Average Income Retained
£105— £200	£152	£10	£142	93.4
301— 400	347	46	301	86.7
501— 600	543	106	437	80.5
801— 1,000	889	241	648	72.9
1,501— 2,000	1,716	675	1,041	60.7
2,001— 5,000	2,857	1,502	1,355	47.4
5,001—10,000	6,604	4,683	1,921	29.9
10,001—15,000	12,032	9,513	2,519	20.9
20,001—30,000	23,335	19,582	3,753	16.1
30,001—50,000	34,955	30,067	4,888	14.0
50,001 and over	78,315	68,974	9,341	12.0

NOTE.—“Income” in the above table refers to “taxable income.”

Source: Table prepared by the staff of the Institute from figures published by the Commonwealth Commissioner of Taxation (1947).

Interpretation of Charts and Tables on Pages 20, 21 and 22

The charts on pages 20 and 21 throw into relief the crushing severity of current levels of direct taxation on the higher incomes as compared with 1937-38. By contrast current taxation on the average family wage-earner* is lighter than in 1937-38.

*The average family man is defined as a man with a wife and two children.

In 1937-38 the family man earning £1,000 per annum paid away 7½% of his income in direct taxation. He now pays away 16%. The position is far worse for incomes above this level. At £5,000 per annum the taxpayer pays away over 50% of his income in taxation. In 1937-38 taxation took only 20% of his total income.

Contrast this situation with that of the family wage-earner on £300-£350 per annum. (The Commonwealth Statistician shows the average wage-earner's income in 1946-47 to be approximately £344 per annum). In 1937-38 the family man in Victoria commenced to pay income tax at £105 per annum. Now he does not pay any tax until he earns over three times that amount. Although the family man in Victoria on £350 per annum pays about £1 a year more tax than in 1937-38, other Australian taxpayers on the same income actually pay less tax than in 1937-38, despite the enormous cost of the war and increased social service benefits. In addition to £19/10/- per annum child endowment for every child after the first, the wage-earning taxpayer receives other concessions such as medical and hospital benefits and sick pay. Indirect taxation is, however, more severe on the family wage-earner and on all other family income-earners than before the war.

The third chart illustrates the dramatic equalisation of "real" income—money income in terms of its purchasing power—which has occurred since the pre-war years. An income of £1,000 per annum has depreciated to 60% of its real value in 1937-38, whilst an income of £5,000 per annum has fallen to 40% of its 1937-38 value.

The graphical studies are fully supported by the tabular evidence on pages 21 and 22. In 1942-43 whilst 91% of all taxpayers (i.e., those under £601 p.a.) paid less than half the total tax, 1% of all taxpayers (i.e., over £2,000 p.a.) paid one quarter of the total tax levied by the Federal Government.

Steeply progressive taxation has resulted in a striking redistribution of the national income. The under £601 group earned 73% of total taxable income. After paying tax it was left with 79% of total income remaining to all groups after tax. The share of the over £2,000 group dropped from 8% before tax to 4% after tax.

The statistical evidence available also suggests that the relative share of total income after tax, accruing to the groups over £2,000 per annum, is only about half what it was in 1938-39. In 1938-39—8%; in 1942-43—4%. The effect of taxation reductions since 1942-43 has been to further improve the position of the lower incomes relative to the higher.

Table No. 2 is indicative. Whilst 90% of income earners retained from 80% to 90% of their incomes, taxpayers in high income levels (i.e., above £2,000 per annum) lost between 53% and 88% of their total incomes to the Treasury.

