

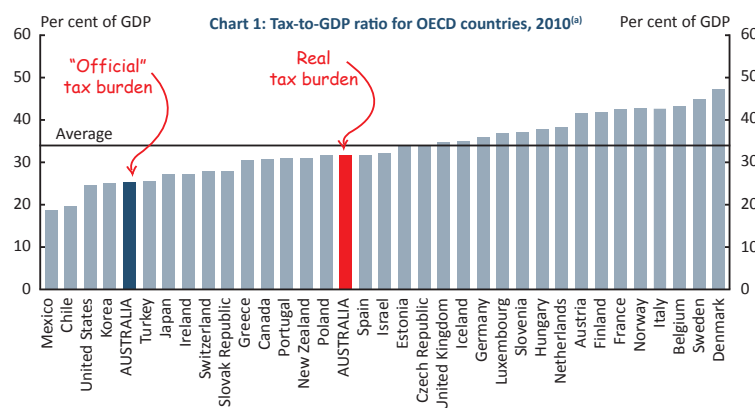
The myth of Australia as a 'low tax' country

In 2011 Australia's real tax-to-GDP ratio was **32.2 per cent** (if superannuation and private health payments are counted as taxes). The OECD tax-to-GDP average was **34.1 per cent**.

Australians are told we are a 'low tax' country. The Australian Treasury Department claims 'Australia's tax-to-GDP ratio is low by international standards'.

Tax burden

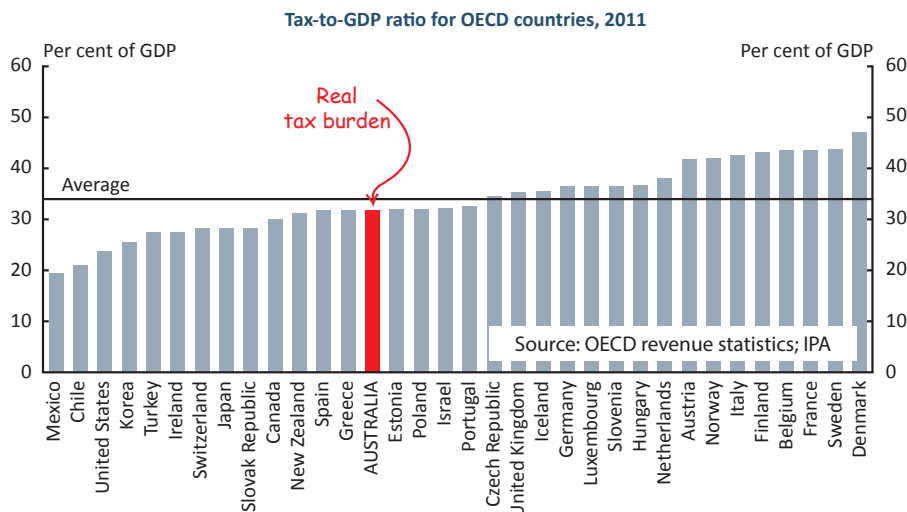
Australia's tax-to-GDP ratio is low by international standards. In 2010 (Australia's 2010-11 financial year), the latest year for which comparable international data is available, Australia had the fifth lowest tax burden of the OECD countries (Chart 1) and has typically ranked in the bottom third of countries since 1965 (when comparable data was first available). In 2010, Australia's tax-to-GDP ratio was 25.6 per cent — below the OECD average of 33.8 per cent.



(a) The OECD's measure of the tax burden is the total taxation revenue of national, state and local governments expressed as a percentage of gross domestic product. For Australia, the data is for the 2010-11 financial year, the latest year where comparable numbers are available.
Source: OECD Revenue Statistics 2012.

Source: OECD revenue statistics, *Pocket Guide to the Australian Tax System*, <http://www.treasury.gov.au/Policy-Topics/Taxation/Pocket-Guide-to-the-Australian-Tax-System/Pocket-Guide-to-the-Australian-Tax-System/Part-1>

Taxes in other OECD countries include taxes paid to finance social security and health spending. **But** when calculating Australia's taxes, Treasury and the OECD don't include as taxes either compulsory superannuation contributions or payments for private health insurance. (This difference has been noted by many economists. Payments for these are effectively taxes because there are legal penalties for non-payment.)



This reveals, contrary to the myth, that Australia is not a 'low tax' country. Since 2011 taxes in Australia have risen. It is quite possible that when more recent data becomes available Australians will discover they live in high tax country.

To read the full report *The Australia 'low taxing country' myth* visit www.ipa.org.au. For more information contact: **Mikayla Novak, Senior Research Fellow, mnovak@ipa.org.au**.