

## Marginal Tax Rates (*Retrograde Taxation*)\*

Real taxation reform is ransomed by the politics of envy. The idea of so-called progressive taxation sounds good in theory to those who are intellectually predisposed to socialist thought processes. The concept also has favour with lower income groups who falsely believe that higher rates, applied to high salary earners, bring about lower taxes for themselves. The Communist Manifesto called for "a heavy progressive or graduated income tax", yet Russia and many of the former Soviet States have abandoned the concept of progressive taxation.

Our total State and Commonwealth revenue approaches about \$420b per annum, and the \$11b that is obtained through the application of the 40% (recently 38% and now 37%) and 45% rates is only around 2.5% of total taxation revenue. However, *this is the cause of all manner of complications within the taxation system itself*, stifles initiative, as well as driving people into offshore taxation arrangements. I am of the opinion that the \$11b raised in these brackets causes a loss to revenue of between two to three times as much by way of evasion and avoidance (arbitrage).

*\* Taxes become retrograde when they are applied in such a way as to reduce activity/turnover to such a point where a lower rate can achieve more revenue by increasing activity/turnover.*



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**Personal income tax rates for residents, 2008-09 income year**

<b>Taxable Income</b>	<b>Tax Payable</b>
\$0-\$6,000	0% or \$0
\$6,001-\$34,000	Nil plus 15 cents for each \$1 over \$6,000
\$34,001-\$80,000	\$4,200 plus 30 cents for each \$1 over \$34,000
\$80,001-\$180,000	\$18,000 plus 40 cents for each \$1 over \$80,000
\$180,001 or more	\$58,000 plus 45 cents for each \$1 over \$180,000

**Resident individuals' net tax payable, by taxable income, 2008-09 income year**

<b>Taxable income</b>	<b>Taxpayers</b>		<b>Net tax payable</b>		
	<b>No.</b>	<b>%</b>	<b>\$m</b>	<b>%</b>	
\$0-\$6,000	6,044	0.1	6	<0.1	
\$6,001-\$34,000	2,859,699	31.3	4,864	4.2	
\$34,001-\$80,000	4,868,824	53.2	47,456	41.1	
\$80,001-\$180,000	1,227,804	13.4	36,699	31.8	*
\$180,001 or more	184,167	2.0	26,372	22.9	**
<b>Total</b>	<b>9,146,538</b>	<b>100.0</b>	<b>115,398</b>	<b>100.0</b>	
* 1,227,804 taxpayers had a top marginal of 40%					\$m
Tax paid					36,699
1,227,804 x \$18,000 (@ 30% and less)					22,100
Taxed paid at 40%					14,599
If taxed at only 30%					10,949
Cost to revenue					<b>\$3,650</b>
Percentage of total					3.16%
** 184,167 taxpayers had a top marginal of 45%					\$m      \$m
Tax paid					26,372
184,167 x \$18,000 (@ 30% and less)					3,315
					23,057
Current tax paid between \$80,001-\$180,000 at 40%					7,366
If paid at 30% in lieu of 40%					5,525
Cost to revenue					<b>1,842</b>
Total current tax paid to \$180,000					10,681
Taxed @ 45%					15,691
Taxed @ 30% in lieu of 45%					10,461
Cost to revenue					<b>5,230</b>
Total cost to revenue for taxpayers earning above \$180,001					<b>7,072</b>
Percentage of total					6.13%
<b>Total cost to revenue</b>					<b>10,722</b>
<b>Total percentage of revenue</b>					<b>9.29%</b>

Figures extracted from Taxation Statistics 2008-09

**Personal income tax rates for residents, 2007-08 income year**

<b>Taxable Income</b>	<b>Tax Payable</b>
\$0-\$6,000	0% or \$0
\$6,001-\$30,000	Nil plus 15 cents for each \$1 over \$6,000
\$30,001-\$75,000	\$3,600 plus 30 cents for each \$1 over \$30,000
\$75,001-\$150,000	\$17,100 plus 40 cents for each \$1 over \$75,000
\$150,001 or more	\$47,100 plus 45 cents for each \$1 over \$150,000

**Resident individuals' net tax payable, by taxable income, 2007-08 income year**

<b>Taxable income</b>	<b>Taxpayers</b>		<b>Net tax payable</b>	
	<b>No.</b>	<b>%</b>	<b>\$m</b>	<b>%</b>
\$6,000 or less	7,742	0.1	2	0.0
\$6,001-\$30,000	2,885,702	29.3	4,341	3.6
\$30,001-\$75,000	5,404,053	55.0	50,098	41.2
\$75,001-\$150,000	1,271,845	12.9	34,347	28.3
\$150,001 or more	264,824	2.7	32,728	26.9
<b>Total</b>	<b>9,834,166</b>	<b>100.0</b>	<b>121,516</b>	<b>100.0</b>
<b>*</b>				
1,271,845 taxpayers had a top marginal of 40%				\$m
Tax paid			\$34,347	
1,271,845 x \$17,100 (@ 30% and less)			\$21,748	
Taxed paid at 40%			\$12,599	
If taxed at only 30%			\$9,449	
Cost to revenue				<b>\$3,150</b>
Percentage of total				2.59%
<b>**</b>				
264,824 taxpayers had a top marginal of 45%			\$m	\$m
Tax paid			32,728	
264,824 x \$17,100 (@ 30% and less)			4,528	
			28,200	
Current tax paid between \$75,001-\$150,000 at 40%			7,944	
If paid at 30% in lieu of 40%			5958	
Cost to revenue				<b>1,986</b>
Total current tax paid to \$150,000			12,472	
Taxed @ 45%			20,256	
Taxed @ 30% in lieu of 45%			13,504	
Cost to revenue				<b>6,752</b>
Total cost to revenue for taxpayers earning above \$150,001				<b>8,738</b>
Percentage of total				7.19%
<b>Total cost to revenue</b>				<b>11,888</b>
<b>Total percentage of revenue</b>				<b>9.78%</b>

Figures extracted from Taxation Statistics 2007-08

**Personal income tax rates for residents, 2006-07 income year**

<b>Taxable Income</b>	<b>Tax Payable</b>
\$0-\$6,000	0% or \$0
\$6,001-\$25,000	Nil plus 15 cents for each \$1 over \$6,000
\$25,001-\$75,000	\$2,850 plus 30 cents for each \$1 over \$25,000
\$75,001-\$150,000	\$17,850 plus 40 cents for each \$1 over \$75,000
\$150,001 or more	\$47,850 plus 45 cents for each \$1 over \$150,000

**Resident individuals' net tax payable, by taxable income, 2006-07 income year**

<b>Taxable income</b>	<b>Taxpayers</b>		<b>Net tax payable</b>	
	<b>No.</b>	<b>%</b>	<b>\$m</b>	<b>%</b>
\$6,000 or less	7,835	0.1	2	0.0
\$6,001-\$25,000	2,053,837	22.2	2,435	2.1
\$25,001-\$75,000	5,902,167	63.7	52,531	46.2
\$75,001-\$150,000	1,065,080	11.5	29,258	25.8
\$150,001 or more	234,495	2.5	29,393	25.9
<b>Total</b>	<b>9,263,414</b>	<b>100.0</b>	<b>113,620</b>	<b>100.0</b>
<b>*</b>				
1,065,080 taxpayers had a top marginal of 40%				\$m
Tax paid			\$29,258	
1,065,080 x \$17,850 (@ 30% and less)			\$19,011	
Taxed paid at 40%			\$10,247	
If taxed at only 30%			\$7,685	
Cost to revenue				\$2,562
Percentage of total				2.25%
<b>**</b>				
234,495 taxpayers had a top marginal of 45%			\$m	\$m
Tax paid			29,393	
234,495 x \$17,850 (@ 30% and less)			4,185	
			25,208	
Current tax paid between \$75,001-\$150,000 at 40%			7,034	
If paid at 30% in lieu of 40%			5276	
Cost to revenue				1,759
Total current tax paid to \$150,000			11,219	
Taxed @ 45%			18,174	
Taxed @ 30% in lieu of 45%			12,116	
Cost to revenue				6,058
Total cost to revenue for taxpayers earning above \$150,001				7,817
Percentage of total				6.88%
<b>Total cost to revenue</b>				<b>10,378</b>
<b>Total percentage of revenue</b>				<b>9.13%</b>

Figures extracted from Taxation Statistics 2006-07