# Millionaires Who Pay No Tax Rob the Poor

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New figures published by the Australian Tax Office (ATO) last month dramatically show how the rich rob from the poor. They rob from the poor by paying no or minimal taxes which siphons funding from key services such as public education, health care, aged care and the NDIS. The ATO figures show that a tiny minority of very wealthy individuals feed their wealth at the expense of millions of low-income families who rely on these crucial public services.

The ATO figures (Table 10) reveal that 119 millionaires did not pay the top tax rate in 2019-20 despite an average income of $3 million each (Tables 1 & 2 below}. The revenue loss to the government at $155 million. The figures show that 60 millionaires paid no tax despite average incomes of over $3.5 million. The revenue loss amounted to about $93 million. Another 59 millionaires paid tax at lower than the top rate. The total revenue loss for these millionaires was another $62 million.

**Table 1: Aggregate Income and Taxes for Millionaires With Taxable Income of $180,000 or Less. 2019-20**

| Tax Bracket | No | Total Income | Taxable Income | Tax if Levied at Top Rate | Tax Payable on Taxable Income | Revenue Loss |
|---|---|---|---|---|---|---|
| Less than $18,200 | 60 | 211,070,240 | 0 | 93,375,588 | 0 | 93,375,588 |
| $18,201-$37,000 | 21 | 40,119,269 | 573,892 | 17,491,564 | 36,421 | 17,455,143 |
| $37,201-$87,000 | 16 | 51,665,098 | 1,030,527 | 22,821,022 | 212,766 | 22,608,256 |
| $87,001-$180,000 | 27 | 51,484,043 | 3,176,276 | 22,578,945 | 900,156 | 21,678,789 |
| **Totals** | **119** | **354,338,650** | **4,780,695** | **156,267,120** | **1,149,343** | **155,117,777** |

**Source:** Australian Taxation Office, Taxation Statistics 2019-20, Table 10.

**Table 2: Average Income and Taxes for Millionaires With Taxable Income of $180,000 or Less, 2019-20**

| Tax Bracket | No | Total Income | Taxable Income | Tax if Levied at Top Rate | Tax Payable on Taxable Income | Revenue Loss |
|---|---|---|---|---|---|---|
| Less than $18,200 | 60 | 3,517,837 | 0 | 1,556,260 | 0 | 1,556,260 |
| $18,201-$37,000 | 21 | 1,910,441 | 27,328 | 832,932 | 1,734 | 831,197 |
| $37,201-$87,000 | 16 | 3,229,069 | 64,408 | 1,426,314 | 13,298 | 1,413,016 |
| $87,001-$180,000 | 27 | 2,340,184 | 144,376 | 1,026,316 | 40,916 | 985,400 |
| **Totals** | **119** | 2,977,636 | 40,174 | 1,313,169 | 9,658 | 1,303,511 |

**Source:** Australian Taxation Office, Taxation Statistics 2019-20, Table 10.

Few of these millionaires earn a normal living. They live off interest and dividends. Only 14 of the 60 who paid no tax reported receiving income from salaries and it comprised less than 2% of their total income. Only 18 of the other 59 millionaires who paid tax at less than the top rate reported income from salaries and it comprised only 3% of their total income. They are rentiers, the modern version of Thorsten Veblen's leisure class.

In contrast, the ATO statistics (Table 15) show that many labourers, kitchen hands, waiters, cleaners, childcare and other services workers earn less than $30,000 a year. Yet, they pay more tax than the 60 millionaires and the same tax rate as another 21 millionaires whose taxable income falls in the $18,001-$37,000 tax bracket. This is a terrible injustice. Not only do millionaires pay less or similar tax low-income workers, but the latter are also dependent on public education, public health and other public services that are being robbed of funding by millionaires paying less than the top rate of tax.

These millionaires are able to arrange their financial affairs to massively reduce their tax. They claimed deductions in earning income from interest and dividends such as management fees and investment advice. They also claim deductions for the cost of managing their tax affairs. Sixteen millionaires who paid no tax in 2019-20 also claimed the cost of managing their tax affairs, including fees paid to tax advisers, that amounted to $80,000 each. Nine claimed interest costs charged by the ATO of $474,000 each. Three millionaires claimed litigation costs of $250,000 each for appeals against ATO rulings.

The total deductions claimed by the 60 millionaires who paid no tax amounted to $4.2 million each. These deductions enabled them to make an income loss of nearly $160,000 each and therefore pay no tax.

Donations were another major tax deduction by millionaires. Nineteen of the millionaires who paid no tax claimed donations of $6 million each. Fifty of the other 59 millionaires who paid less than the top tax rate claimed donations of $2.4 million each.

In all likelihood, some of these donations went to private schools. Private schools received $1.2 billion in privately sourced income other than from fees and charges in 2020. Much of this was from donations, although it also included income from fund raising and investments. Annual information statements lodged with the Charities Commission show that many elite private schools receive millions in donations. For example, Cranbrook School in Sydney received $9.4 million in 2020 while Sydney Church of England Grammar received $3.6 million and SCEGGS $2.9 million. In Victoria, Korowa Girls School received $8.4 million in donations, Melbourne Grammar $5.3.6 million and Scotch College received $4 million..

Marketing for donations is big business. Many private schools produce glossy brochures for their annual "giving appeals". For example, Cranbrook School calls for donations to seven separate funds. Many schools such as Wesley College in Melbourne have at least four donation funds.

Some wealthy families have donated huge amounts to private schools in the past. The billionaire owner of Canberra Airport, Terry Snow, donated a record-breaking $20 million to Canberra Grammar School in 2019, after donating $8 million to the school in 2013. In 2020, another millionaire family in Canberra donated $4 million to Radford College.

Apart from reducing tax revenue available for service such as public education, health, age care and the NDIS, such donations to private schools rob funding from these services indirectly because they are excluded from the assessment of the financial need of schools for government funding. As a result, the financial need of schools is over-estimated, and they receive more government funding than warranted. It is over-funding that could be used for public education and other public services. It is another way the rich rob from the poor.

These millionaires who minimise their tax also rob low-income earners in yet another way. Their children and grandchildren generally attend elite private schools. Despite charging fees of up to $40,000 a year, these schools receive millions in taxpayer funding. For example, the My School website shows that Sydney Grammar charges fees of over $40,000 per student, its Index of Community Socio-Educational Advantage (ICSEA) score is at the 99th percentile and 97% of its students are from the top socio-educationally advantaged (SEA) quartile. Yet it received $7.1 million in government funding in 2020 and its total income of nearly $50,000 per student is over three times that of the average public school in NSW.

Wesley College in Melbourne charges fees of nearly $30,000 per student, its ICSEA score is at the 97th percentile and 72% of its students are from the top SEA quartile. Yet, it received $32.3 million in government funding in 2020. Its total income of just on $39,000 per student was nearly three times that of the average public school in Victoria.

These schools do not need government funding. It is just another form of welfare for the rich that extends the advantages obtained from a wealthy background over a student from a disadvantaged background. There is no case to provide government funding to private schools whose resources exceed what society is prepared to provide for children enrolled in public schools. It is sheer waste of taxpayer funds that would be much better used to support public education and other much-needed public services.

The Stage 3 tax cuts for the rich will rob even more funding from services for low-income families. According to new estimates by the Parliamentary Budget Office the Stage 3 tax cuts will cost $243 billion over eight years from 2024-25 to 2032-33. The top 20% of income earners would receive a tax cut of $188 billion, nearly 80% of the total benefit of the tax cuts. Those with a taxable income of $180,000 or more would get $118 billion. The top one per cent of income earners, with taxable incomes of over $309,000 in 2021-22, will get a tax cut worth $11.8 billion. This massive windfall for the richest people in Australis will exacerbate inequality and deny much needed funding for key services such as public education, health care, aged care and the NDIS.

The tax minimisation strategies of the rich are legal but immoral. However, appealing to the morality of serial tax minimisers is no solution to the drain of taxpayer funding from public education and other public services. Governments must look at options to make the rich pay.

One option is to end tax concessions that predominantly benefit the rich. These include negative gearing, superannuation, capital gains discount and excess franking credits. These concessions siphon off about $34 billion a year to the top 20% of income earners. The Albanese Government has walked away from such reforms, but sooner or later they will have to be put back on the agenda because of widespread public demand for public services and the fiscal deficit.

There are also several options to consider such as a progressive wealth tax and resurrecting inheritance taxes. The economists Emmanuel Saez and Gabriel Zucman, among others, have proposed a wealth tax as the proper way to tax millionaires and billionaires. The Henry Tax Review in 2010 found that an inheritance (bequest) tax is an efficient way of raising revenue and recommended full community discussion and consultation on it, but it didn't occur. A recent OECD report suggested that inheritance, estate and gift taxes could play a stronger role in addressing inequality and improving public finances.

Making the rich pay tax is fundamental to reducing inequality and ensuring adequate public education, health and other public service. As the US billionaire, Warren Buffet, told the US Senate Finance Committee several years ago:

Dynastic wealth, the enemy of a meritocracy, is on the rise. Equality of opportunity has been on the decline. A progressive and meaningful estate tax is needed to curb the movement of a democracy toward plutocracy.