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**Submission to the Senate Economics References Committee  
The Structure and Distributive Effects of the Australian Taxation System**

**SUMMARY**

Taxes, particularly on the very high-income earners, are high in Australia. This is resulting in the highly talented leaving the country, with inevitable decline in competitiveness of Australia. In the global environment, only those countries that offer benefits of lower taxes to individuals and businesses will attract highly talented individuals and capital investment.

While taxes as a proportion of GDP may not be high in Australia, the tax burden falls disproportionately on the very high-income earners. Top marginal tax rate must be reduced to no more than 30%. Lower **direct** taxes will also increase incentives to work, reducing unemployment and increasing the rate of productivity growth, which is necessary for long-term prosperity of the country.

Attachment : Some relevant articles published in the Newspapers.



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# Why expats can't afford to come home

It is not surprising that Australia has one of the highest proportions of citizens living overseas relative to its population ("The expat explosion: one million hit the exits", *Herald*, May 31-June 1).

As an academic I get feedback from current and past students about their reasons for going overseas. A major reason given is that Australia taxes very high income earners more than most countries. The fact that they can escape the HECS debt is seen as a bonus.

This has prompted calls by the International Monetary Fund that unless Australia drastically reduces top marginal tax rates, we will lose out in the global competition for the



highly mobile talented people and become uncompetitive.

Dr Ed Boyapati,  
RMIT University,  
Melbourne, June 1.

## THE AGE 8/5/2003 Brain drain

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Dr Ed Boyapati, RMIT, Melbourne

## THE AGE 31/10/2002 Poor argument

Philip Shehan (28/10) argues that the rich should pay more tax because a study showed that beyond a minimal standard of living, happiness doesn't increase with income.

This is analogous to arguing that there should be no welfare because studies have shown that the poor spend more on take-away foods resulting in obesity which is harmful to their health.

Judy Bothal, Campbellfield

## THE AGE 12/7/2002 Income equality is stultifying

Pamela Bone (*Opinion*, 8/7) and Brent Howard (9/7) are wrong to imply that low income inequality does not hinder progress. When I was young and naive, I thought egalitarianism was great. But I now realise that obsession with it stifles progress and results in mediocrity of a society in the long term.

Most people accept that diversity (high standard deviation) is essential for any biological species to progress. Yet they find it difficult to comprehend and accept that high standard deviation of incomes (high income inequality) is essential for progress of an economy.

Economies and biological species are very similar in their behaviour. Many countries with low income inequality are rich in spite of low income inequality rather than because of it.

If developing countries had generous welfare, thus reducing their income inequality, their economies would be even worse.  
Judy Botha, Campbellfield

## THE AGE 27/07/01 Of course pensioners want higher taxes

*The Age* (23/7) reported a survey by Australian National University economists who found that 30 per cent of voters prefer higher taxes and higher spending.

About a quarter of the population pay no tax because they are on a pension or on the dole. Obviously they have nothing to lose by claiming to prefer higher taxes, and everything to gain by wanting greater spending.

It is analogous to asking employees of a company who get freebies (paid by the customers through higher prices) whether they would like more freebies and higher prices for goods or services provided by the company.

The economists should have asked the taxpayers, not all voters. Our tax system needs to be overhauled so that everyone, including the poor, pays tax, albeit at a lower rate.

The Age 24/5/2

Bleeding-heart lefties such as Race Mathews are fond of using the cliché that high taxes is the price we pay for civilisation (*Opinion*, 21/5).

What they fail to realise is that the growing range of regulations in Australia (safety, environmental, labour market and other regulations from the three levels of government) and high tax rates are driving companies offshore.

Similarly, high tax rates in Australia are encouraging high achievers to go overseas. Such people do not disclose their true reason for leaving for fear of being branded selfish (because they don't want to pay a large proportion of their income as taxes).

In the global economy we are part of, there is increasing competition among countries for highly talented individuals and companies because they contribute disproportionately to a country's competitiveness.

A low tax rate is the price we must pay for progress.

Judy Bothal, Preston