

Tax cuts by electorate

Who gets how much from the Government's tax cut plan?

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The government is planning to substantially flatten the income tax rates by removing the 37 cent tax bracket by 2024-25. Previous Australia Institute research shows that this will make income tax less progressive.¹ Australia Institute research also shows that the majority of the benefit (54 per cent) of this tax cut goes to high income earners (the top 20 per cent of taxpayers).

The distribution of the tax cuts by income is an important part of better understanding the impact they will have on the community. Another important way of understanding them is by looking at the geographic distribution of the tax cuts.

This paper takes modelling done by the National Centre for Social and Economic Modelling (NATSEM) of the Government's income tax plan by federal electorate. Decisions about taxation are made by the Parliament and half the Parliament is made up by representatives from electorates with the rest being made up by state representatives. This means that these geographic locations are important in understanding how political decisions are made.

An analysis on the tax cuts by electorate shows that the electorates that benefit most are in affluent areas of Sydney and Melbourne, with Brisbane the only electorate outside Sydney and Melbourne to appear in the top ten.

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Table 1: Top 10 electorates by value of tax cuts

Rank	Electorate	State	Value of tax cuts in 2024-25	Tax cut per capita
1	Sydney	NSW	\$259,449,901	\$1,007
2	North Sydney	NSW	\$214,428,361	\$1,074
3	Wentworth	NSW	\$208,394,691	\$1,140
4	Macnamara	VIC	\$198,282,163	\$930
5	Melbourne	VIC	\$184,954,745	\$744
6	Warringah	NSW	\$183,679,230	\$1,010
7	Grayndler	NSW	\$171,883,287	\$935
8	Bradfield	NSW	\$168,460,090	\$865
9	Brisbane	QLD	\$167,481,418	\$833
10	Higgins	VIC	\$163,728,286	\$827

Source: Analysis from NATSEM's STINMOD+ Tax/Transfer model and spatial microsimulation model

The Government's tax plan will mainly benefit high income earners, with 54 per cent of the tax cut going to the top 20 per cent of taxpayers.² It makes sense that more affluent electorates in inner Sydney and Melbourne as well as Sydney's north shore and Melbourne's eastern suburbs would get a significant and disproportionate share of the tax cut.

At the other end the 10 electorates that would get the least amount from the Government's tax plan are mainly rural electorates and electorates in Tasmania. These electorates have far fewer high income earners and get a significantly smaller tax cut.

Table 2: Bottom 10 electorates by value of tax cuts

Rank	Electorate	State	Value of tax cut in 2024-25	Tax cut per capita
1	Lyons	TAS	\$36,288,393	\$303
2	Braddon	TAS	\$37,441,573	\$310
3	Bass	TAS	\$41,346,423	\$343
4	Franklin	TAS	\$48,335,308	\$411
5	Hinkler	QLD	\$49,677,511	\$294
6	Lyne	NSW	\$51,152,016	\$297
7	Wide Bay	QLD	\$55,129,509	\$325
8	Mallee	VIC	\$56,315,285	\$314
9	Clark	TAS	\$57,120,864	\$468
10	Page	NSW	\$57,143,237	\$305

Source: Analysis from NATSEM's STINMOD+ Tax/Transfer model and spatial microsimulation model

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It is interesting to note that the entire state of Tasmania gets less from the tax cut than the single federal electorate of Sydney.

Another way of looking at the geographical implications of the tax cut is to look at them by regional areas. Table 3 compares how much of the tax cut goes to Sydney, Melbourne, Central and Northern Queensland, South Australia and Tasmania.

Table 3: Value of tax cuts by selected regions

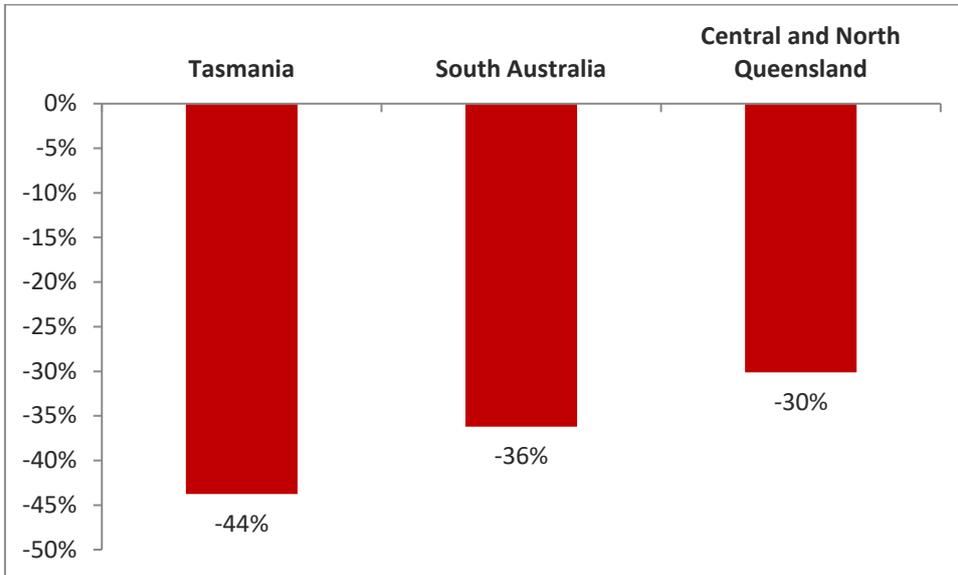
Area	Tax cut per capita 2024-25	Value of tax cuts in 2024-25
Sydney	\$652	\$3,282,500,573
Melbourne	\$564	\$2,476,582,442
Central and North Queensland	\$456	\$593,774,810
South Australia	\$416	\$825,459,039
Tasmania	\$367	\$220,532,560

Source: Analysis from NATSEM's STINMOD+ Tax/Transfer model and spatial microsimulation model

We can see that per capita, people in Sydney get about \$650 while those in Melbourne get about \$90 less. The regional and rural area of central and northern Queensland get about \$200 less than those in Sydney, while South Australians get just over \$400. Finally the per capita tax cut in Tasmania is almost \$300 less than what people get in Sydney.

Figure 1 compares the tax cut to the per capita tax cut in Sydney. We see that central and North Queensland gets 30 per cent less than Sydney, while South Australians get over a third (36 per cent less) less than Sydney. Tasmanians get almost half (44 per cent less) the tax cut in Sydney.

Figure 1: Value of tax cut in selected regions compared to the per capita tax cut in Sydney



Source: Analysis from NATSEM’s STINMOD+ Tax/Transfer model and spatial microsimulation model

Even within Sydney the tax cut is not evenly distributed. Those in western Sydney get significantly less than those in Eastern and Northern Sydney. Table 4 shows the per capita tax cut for Sydney and then splits Sydney into Western Sydney and Eastern and Northern Sydney.

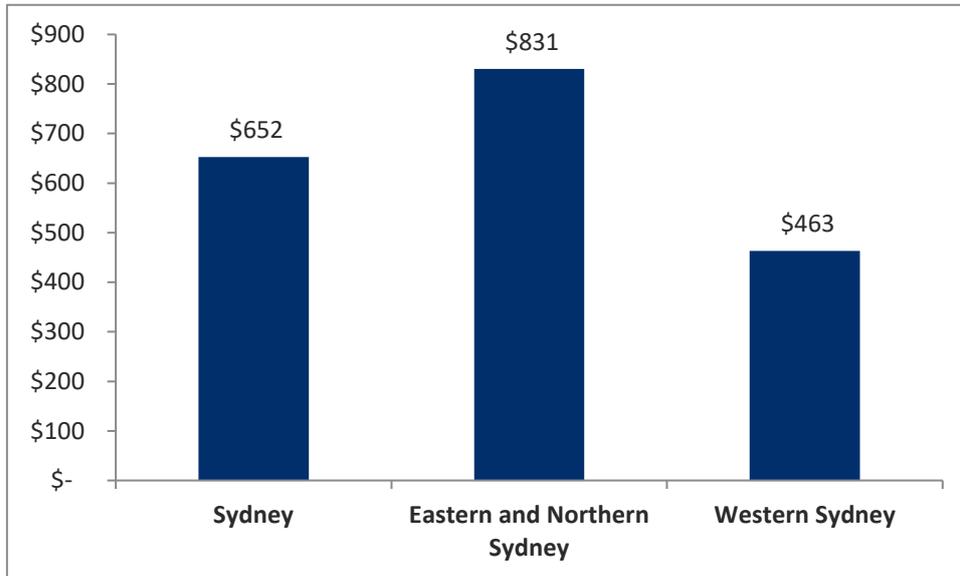
Table 4: Value of per capita tax cuts in Greater Sydney, Eastern & Northern Sydney and Western Sydney

Area	Tax cut per capita 2024-25	Value of tax cuts in 2024-25
Sydney	\$652	\$3,282,500,573
Eastern and Northern Sydney	\$831	\$2,153,147,040
Western Sydney	\$463	\$1,129,353,533

Source: Analysis from NATSEM’s STINMOD+ Tax/Transfer model and spatial microsimulation model

Figure 2 shows the per capita value of the tax cut for each Sydney region in 2024-25 when fully implemented.

Figure 2: Per capita value of tax cut in Greater Sydney, Western Sydney and Eastern/Northern Sydney



Source: Analysis from NATSEM's STINMOD+ Tax/Transfer model spatial microsimulation model

Methodology

The analysis looks at the average increase in per capita income for each of the 2019 federal electorates. The increase is for 2024-25 which is the first year the Government's income tax plan is fully implemented.

Population projections from the Australian Bureau of Statistics have been used to estimate the population for each electorate in 2024-25 and calculate the total value of the tax cut in each federal electorate. State totals were calculated by summing the total from all the federal electorates in the state.

The analysis was conducted by the National Centre for Social and Economic Modelling – NATSEM's STINMOD+ Tax/Transfer model and spatial microsimulation model. The models use Australian Bureau of Statistics data including data from the 2016 Census and the 2015-16 Survey of Income and Housing.

Two electorates are excluded because they failed validation tests: Lingiari in the Northern Territory and McPherson in Queensland. Failing validation means that households within the seat were sufficiently unusual that NATSEM judged the possible error in results to be too high to produce useful results.