

# Tax cut targets voted Labor into power

Comment

John Black



Taxpayers in the firing line of the stage three tax cut debate last week, led by our forgetful Treasurer Jim Chalmers, were the same taxpayers who elected Labor to majority government.

Our modelling of the election result showed several large and influential traditional Liberal-voting groups had been progressively alienated by decisions made by the Morrison Coalition government.

Western Australia had become a wasteland for the Coalition after the federal government's support of mining billionaire Clive Palmer's legal challenge to border closures imposed by the popular state Labor government of Mark McGowan, and due to miners who were generally sick of the climate wars.

Across the country, a fast-growing group of female professionals had wearied of Coalition delays on climate change and a national integrity watchdog, and were encouraged by the growth of teal independents.

And hard-working and high-achieving Chinese Australians were angry at the government's failure to separate them from its criticism of the Chinese Communist Party. They were joined by other aspirational migrants from the UK, Ireland, India, Malaysia, Singapore, South Africa and Zimbabwe.

At the same time, Australian family doctors, increasingly part-time and female,

had seen their practices ground down to the brink of extinction via real cuts to Medicare rebates under successive Coalition governments. Female general practitioners are a group of prodigious networkers who figure prominently among new teal MPs.

These groups combined across the country to deliver to Labor candidates the seats of Hasluck, Pearce, Swan and Tangney in Western Australia, Bennelong, Reid and Robertson in NSW, Chisholm and Higgins in Victoria, and Boothby in South Australia. Labor's 2022 election promise to retain the Coalition's stage three income tax cuts meant these disaffected groups of better educated, professional Australians on higher salaries could swing their votes behind Labor, or in some cases, teal candidates, without having to pay for their decision with higher taxes and lower disposable incomes.

Without these pro-Labor demographic swings, Labor would have lost the 2022 election, as the party's vote tanked among demographically declining groups of older and increasingly conservative Labor voters in the first- and second-income quartiles, who rely on welfare churn to top up family incomes from insecure, semi-skilled and unskilled blue-collar jobs.

Our latest profile of the 2022 election's pro-Labor swings, using the 2021 census data, shows these groups of Australian men and women have been creeping up into higher income tax brackets since the 2016 census.

The Australian census figures for total incomes differ from the taxable income figures supplied by the Australian Tax Office, but we've been modelling the political behaviour of both measures for about

\$100,000-plus per annum have grown by five percentage points over the 2016 figures.

Among better-qualified women with rising participation rates, the top 2021 quartile has grown by an exceptional eight percentage points in the five years following the 2016 census, and this figure is reflected in a similar growth among families in the top 2021 income quartile, driving recent productivity gains in the Australian economy.

This particularly applies to professional women working part-time who, our

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educational modelling tells us, only work between two and three days a week to avoid the 37c in the dollar tax range, which is set to be abolished under stage three of the tax cuts.

With a flat 30c in the dollar tax rate and readily available childcare, the days worked by part-time professional women would creep up from two or three days to four or five days a week to pay for school fees, private health insurance and a more rapid pay-down of the family mortgage, especially in a climate of rising interest rates.

About one-third of the total net income tax in 2019-20 was paid by the top range of taxpayers on more than \$3500 per week. This group didn't even exist in its own right in the 2016 census, but by the 2021 census was 4.6 points for men and 1.6 points for women.

Some of the \$3500-plus per week groups had moved up from those earning \$3000 to \$3500 per week in 2016, but there was significant upward mobility across all other income ranges from \$1000 per week and above for both men and women.

The Treasurer's kite flying last week, laying the groundwork to backtrack on a campaign promise of tax cuts, would have irretrievably alienated faster-growing demographics, aspirational migrants, working women, family doctors and

professionals drifting to the left via the teals and Labor – demographic groups which won government for the ALP.

That's the political cost, which would have been, in my view, irreversible. So, what was the political or economic gain envisaged as a trade-off?

The ALP clearly must have as a priority winning back support which has been leaking from Labor among second-income quartile working poor families, particularly those in previously safe Labor seats who speak languages other than English in the family home. They rely on the government to help them get a job and a house and feed the kids. They began to give up on the ALP a while back.

In 2022, they cast their primary votes in protest for the billionaires and political carpathographers offering them slogans instead of policies, swelling the votes of the minor and micro parties.

But, for the life of me, I can't see what Labor is going to do to win back the votes of these second-income quartile voters by taking money it has promised to top-income quartile voters who, let's face it, pay for a large chunk of the welfare benefits paid to the bottom two quartiles. And the third quartile in all the marginal seats all want to join the top quartile, so I can't see them being overly impressed.

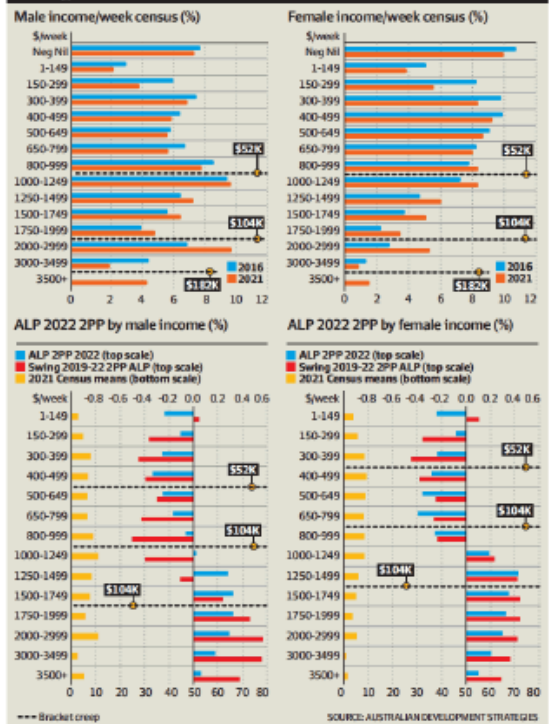
Until Jim Chalmers floated the idea of backtracking stage three of the tax cuts last week, Peter Dutton looked for all money like he had one good election loss in him at the next election if Labor could produce and sell a genuine package of national economic reforms to pay for rising costs in aged care, health, defence and the NDIS. Something all income groups in Australia could support.

And, surely, the bloke who wrote his doctoral thesis on the prime ministership of Paul Keating, can come up with something better than what we saw last week. We expected Keating Full-Strength from this bloke but, so far, all we've got is Swan Lite.

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## Taxing times



50 years, and we're comfortable with broad comparisons after we delete from the census those persons on negligible incomes (who tend to be older students living at home in well-to-do families) and the not-stated group,

which tends to be a little out of the mainstream taxed economy, to put it politely. When we break the census income bands down into their 2021 quartiles, we see the top male income quartile groups earning