

Treasury submission to the Senate Economics References Committee Inquiry into the Structure and Distributive Effects of the Australian Taxation System

The following article is the Treasury submission to the Senate Economics References Committee Inquiry into the Structure and Distributive Effects of the Australian Tax System. The Committee is currently undertaking a broad ranging inquiry into the taxation system (see terms of reference attached to the Submission) and is due to report by June 2004.

The submission addresses the broad terms of reference of the Inquiry. It covers the underlying principles, purpose and structure of the Australian taxation system, trends in the tax burden on individuals and companies, potential effects of taxation on economic behaviours, particularly workforce participation, and projected long term trends in Commonwealth taxation and spending based on analysis in the *Intergenerational Report 2002-03*.

Introduction

This submission outlines in broad terms the purpose of a taxation system and some general principles that should guide the development of taxation policy. The submission then addresses terms of reference (a) to (e) in turn. The terms of reference are at Attachment A.¹

Taxation is one of the most important powers of government. At Federation, the Australian Constitution explicitly vested the Commonwealth with the power to make laws with respect to 'taxation; but not so as to discriminate between States or parts of States' (s.51(ii.)) – see the discussion under terms of reference (e).

Governments generally have regard to a number of 'tax policy principles' when considering the merits of tax proposals. The principles provide a framework that can help governments improve the wellbeing of the Australian people through the provision of a well functioning taxation system. Determining the appropriate application of tax policy principles, and the trade-offs between them, are policy matters for governments.

Treasury has responsibility for advising the Commonwealth Government on taxation policy formulation and for instructing on the preparation of tax laws to give effect to the Commonwealth Government's tax policy decisions.

Purpose of a taxation system

Funding government

The fundamental purpose of taxation is to finance government spending.

Without taxes, governments could not fund expenditure in areas as diverse as defence, public order and security, education, health, social security (including family support), transport and communication, housing and community amenities, and on many other goods and services. The range of goods and services provided by governments in Australia broadly reflects the historical expectations of the Australian people. Our geography, institutions, politics, economic development and social values are among the factors that have moulded this pattern of government spending priorities over time. Some countries have lower tax rates than Australia but invariably provide a lower level of government goods, services and transfer payments.

¹ Treasury has recently published a paper that contains information that is also relevant to the terms of reference: Commonwealth Treasury (2003), 'Preliminary assessment of the impact of The New Tax System', *Economic Roundup, Autumn 2003*.

Australia is one of the few countries in the world at present that fully pays for government spending without recourse to borrowing. The advantages of having a sufficient level of taxation to avoid borrowing include reduced pressure on interest rates, enhanced attractiveness for investors, and reduced future need to raise taxes to pay for interest on the stock of debt. Borrowing can be a form of taxation on future generations.

Other objectives of taxation

The taxation system can be used for other purposes beyond revenue raising. Governments can use taxes to influence social and economic outcomes, resource allocation, consumption patterns, the level and direction of savings, and the relative welfare of different groups. The Australian taxation system has an impact on the distribution of net incomes: it redistributes income through a progressive income tax system, through integration with the social security/welfare system and through the pattern of tax expenditures. As explained in more detail below, tax expenditures are concessions designed to give a targeted benefit to a specific activity or taxpayer and are a possible alternative to a direct payment. The provision of incentives through a tax concession for capital expenditure on landcare is an example of a tax expenditure.

Tax policy principles

It is generally agreed that taxes should be efficient (cause minimum distortions), equitable (fair) and simple (easily understood). A more detailed explanation of the meanings of these three tax principles is found below.

Despite the widespread acceptance of these key tax principles, their full attainment may be hindered where the objectives conflict. For example, equity objectives might entail more complex legislation, which could conflict with simplicity and possibly also efficiency objectives. Careful consideration is required when balancing trade-offs between these objectives, and as noted above, decisions on these trade-offs are policy matters for governments.

There are also issues of a more practical nature. The methodology behind the measurement of efficiency, equity, and simplicity is problematic. Further, the data necessary to inform decisions is often not available on a timely basis or is costly to obtain.²

2 A more detailed discussion of the methodological issues surrounding distributional analysis is contained in the discussion under terms of reference (b).

Efficiency

The general principle is that taxes should transfer the required financial resources to government with as little disturbance as possible to the workings of the economy.

Promoting efficiency is aimed at creating a healthier and faster growing economy, with all the attendant benefits that has for employment, investment and the level of income of Australians.

In general terms, as the rate of tax increases, the adverse effects on efficiency become more severe. One way to avoid these effects while retaining the overall level of revenue is to broaden the tax base instead of raising the tax rate. It follows that a more broadly based tax system will tend to lead to less distortion in terms of the relative prices of goods and services, the relative rewards of different types of work, the relative attractions of work and leisure, and the relative returns from different types of investment and saving.

Equity

Equity, or fairness, generally is seen as having two dimensions:

- horizontal equity, which means that people in similar economic circumstances should be treated similarly; and
- vertical equity, which means that people with different means should be treated differently, with those who are better off bearing a greater share of the tax burden.

Horizontal equity

A tax that places significantly different burdens on taxpayers in similar economic circumstances is generally considered to be unfair. However, difficult questions arise in applying this principle. Should the total income of a family, which might include a number of income earners, be considered, or the income of each individual separately? What is the appropriate time period for assessing equity – should it be over a week, a year, or the life cycle of a person? There are no simple answers to these questions – they require the exercise of careful judgement.

Vertical equity

Tax systems across the world vary widely not only in their interpretation of the meaning of 'vertical equity' but also in the way they have been designed to achieve it. Vertical equity is the proposition that those who are better placed financially should bear a greater tax burden than those who have less financial resources.

A key question that needs to be addressed in the pursuit of vertical equity is the degree of progressivity that is necessary in the tax system.³ There is a wide variety of opinion on this issue.

Clearly, the balance of the overall tax system needs to be considered in determining progressivity. Progression in the tax system is usually introduced through direct taxes on income or assets. These taxes allow for adjustments to be made according to capacity to pay. Australia's personal income tax system is progressive. Commodity taxes are less easily adapted to capacity to pay, and attempts to do so through exemptions or different rates may compromise efficiency and/or simplicity. The level of vertical equity should also take into account tax-funded transfer payments from government. In Australia, many of these transfer payments, such as pensions, unemployment and sickness benefits, are carefully targeted towards those who have less financial resources.

Simplicity

A simple tax system should provide clarity, consistency and stability. While all taxes impose compliance costs on taxpayers, an effort should be made to minimise them. Greater complexity tends to impose higher compliance costs on the community and higher administrative costs on tax authorities, both in terms of monetary costs and the time and effort spent complying with the tax system.

Clarity means that taxation provisions should be sufficiently clear for taxpayers to understand the tax implications of their actions. Taxation policy should be internally consistent as well as being consistent with broader economic policy. Stability requires the direction of policy to be well articulated and understood, so that taxpayers have confidence that the broad direction of policy will be maintained.

Other considerations

Efficiency, equity, and simplicity are the traditional and fundamental criteria for tax systems. However, there are other issues that can be relevant when evaluating a tax or tax system. These include the extent to which the design of the system contributes to voluntary compliance, achieves an appropriate level of tax expenditures, aligns the tax and income support systems, and is consistent with the current fiscal strategy.

Another important element to consider is the distinction between the legal incidence of a tax (who has responsibility for remitting the tax) and the economic incidence (who

³ Progressive taxes are those where the proportion, and not just the amount, of taxes increases for higher tax brackets, that is, the average tax rate rises as income increases. Fiscal incidence and the progressivity of Australia's tax system is discussed in more detail under terms of reference (b).

effectively bears the financial cost of the tax). For instance, while a tax may be imposed at say, the business level, ultimately some or all of that tax may be paid by another class of taxpayer, such as consumers. In particular, this issue of incidence can make judgements on equity issues more difficult.

No particular priority ranking is attached to any of these general policy principles. Each criterion is relevant when assessing a tax system as a whole, or a new policy proposal, or any particular element of the tax system. However, it is the responsibility of governments to determine how to balance these principles in any particular case.

Overview of the structure of the Australian taxation system

The purpose of this section is to provide an overview of the Australian tax system – encompassing Commonwealth, State and local government taxes. This overview provides the context for the Committee’s specific terms of reference.

National accrual tax revenue breakdown by level of government

In 2001-02, the total taxation revenue accruing⁴ to Australian governments (Commonwealth, State and local) was \$216.9 billion⁵ (30.4 per cent of GDP) and of this \$149.8 billion was Commonwealth taxation revenue (21.0 per cent of GDP). An additional \$27.4 billion in goods and services tax (GST) revenue (3.8 per cent of GDP) was collected by the Commonwealth on behalf of the States and Territories (States).⁶

Commonwealth Government taxes

Table 1 shows that the major components of Commonwealth taxation revenue in 2001-02 were taxes on income (79.4 per cent of total taxation revenue), indirect taxes

4 For a commentary on the statistical conventions used, see Australian Bureau of Statistics (2000), Information Paper: *Accruals-based Government Finance Statistics, 13 March 2000*, Catalogue Number 5517.0.

5 Australian Bureau of Statistics (2003), *Taxation Revenue, Australia, 2001-02*, Catalogue Number 5506.0. This amount excludes taxes paid between governments, while the amounts in Tables 1 and 2 include taxes paid between governments.

6 The Commonwealth revenue measures included in this submission differ from the Australian Bureau of Statistics’ Government Finance Statistics measures by treating GST collections by the Australian Taxation Office as State tax revenue rather than Commonwealth tax revenue paid to the States as grants. This approach reflects the clear policy intent of the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations, which is that the GST is a State tax collected by the Commonwealth in an agency capacity. The Commonwealth has no discretion over the expenditure of GST collections, as all tax receipts are passed to the States. However, because the GST is levied by the Commonwealth for constitutional reasons, the Australian Bureau of Statistics regards it as Commonwealth revenue.

(17.1 per cent of total taxation revenue), fringe benefits tax (FBT) and other taxes (3.5 per cent of total taxation revenue). Income tax from individuals and companies was the major source of income tax revenue, and excises made up most of the Commonwealth indirect tax revenue.

Table 1: Commonwealth Government tax revenue (accrual basis), 2001-02

	2001-02 \$m	Per cent of tax revenue %
Income tax		
Individuals and other w ithholding(a)		
Gross income tax w ithholding (b)	79,822	53.3
Gross other individuals	17,237	11.5
<i>less: Refunds</i>	10,637	7.1
Total individuals and other w ithholding	86,422	57.7
Companies	27,133	18.1
Superannuation funds		
Contributions and earnings	3,341	2.2
Superannuation surcharge	830	0.6
Total superannuation funds	4,171	2.8
Petroleum resource rent tax	1,306	0.9
Total income tax	119,032	79.4
Indirect tax		
Excise duty		
Petroleum products and other fuel products	12,793	8.5
Other excise	6,837	4.6
Total excise duty	19,630	13.1
Customs duty	5,214	3.5
Other indirect taxes(c)	791	0.5
Total indirect tax	25,634	17.1
Fringe benefits tax(d)	3,675	2.5
Other taxes	1,506	1.0
Total tax revenue	149,848	100.0

(a) Includes Medicare levy revenue of \$4,970 million.

(b) Includes Pay As You Go (Withholding) and other withholding. Other withholding includes amounts withheld for failure to quote a Tax File Number or an Australian Business Number, interest, dividends and royalty payments to non-residents, and payments to aboriginal groups for the use of land for mineral exploration and mining.

(c) Includes the wine equalisation tax, luxury car tax, and the final wholesale sales tax liability.

(d) Consistent with Government Finance Statistics (GFS) reporting standards, excludes fringe benefits tax collected from Commonwealth government agencies (\$360 million in 2001-02).

Source: Commonwealth of Australia (2002), *Final Budget Outcome 2001-02*.

State and local government taxes

Table 2 shows the key components of State and local government taxes (on an accruals basis) in 2001-02.

Total State and local government tax revenue was \$67.4 billion in 2001-02. The largest source of State and local government tax revenue was the GST, totalling \$27.4 billion in 2001-02, or 40.6 per cent of total State and local government tax revenue. The next most significant revenue source was property taxes, which accounted for \$19.2 billion or around 28.5 per cent of total taxes, followed by payroll taxes at \$9.7 billion or around 14.3 per cent of total tax revenue.

Table 2: State and local government tax revenue (accrual basis), 2001-02

	2001-02 \$m	Per cent of tax revenue %
Employers payroll tax	9,665	14.3
Property tax		
Taxes on immovable property		
Land taxes	2,172	3.2
Municipal rates	6,804	10.1
Other	534	0.8
Taxes on financial and capital transactions		
Financial institutions transactions taxes	972	1.4
Government borrow ing guarantee levies	185	0.3
Stamp duties on conveyances	7,302	10.8
Other stamp duties	1,213	1.8
Total property tax	19,182	28.5
Taxes on the provision of goods and services (non-GST)		
Excises and levies		
Agricultural production taxes	3	0.0
Levies on statutory corporations	2	0.0
Taxes on gambling		
Taxes on government lotteries	556	0.8
Taxes on private lotteries	314	0.5
Taxes on gambling machines	2,229	3.3
Casino taxes	283	0.4
Race betting taxes	311	0.5
Taxes on gambling n.e.c.	14	0.0
Taxes on insurance	2,836	4.2
Total tax on the provision of goods and services (non-GST)	6,548	9.7
Goods and services tax(a)	27,389	40.6
Tax on use of goods and performance of activities		
Motor vehicle taxes	4,291	6.4
Franchise taxes	13	0.0
Other	303	0.4
Total tax on use of goods and performance of activities	4,607	6.8
Total tax revenue	67,391	100.0

(a) See footnote 6.

Source: Australian Bureau of Statistics (2003), *Taxation Revenue, Australia, 2001-02*, Catalogue Number 5506.0.

Responses to the terms of reference

(a) The level, extent and distribution of the current tax burden on individuals and businesses

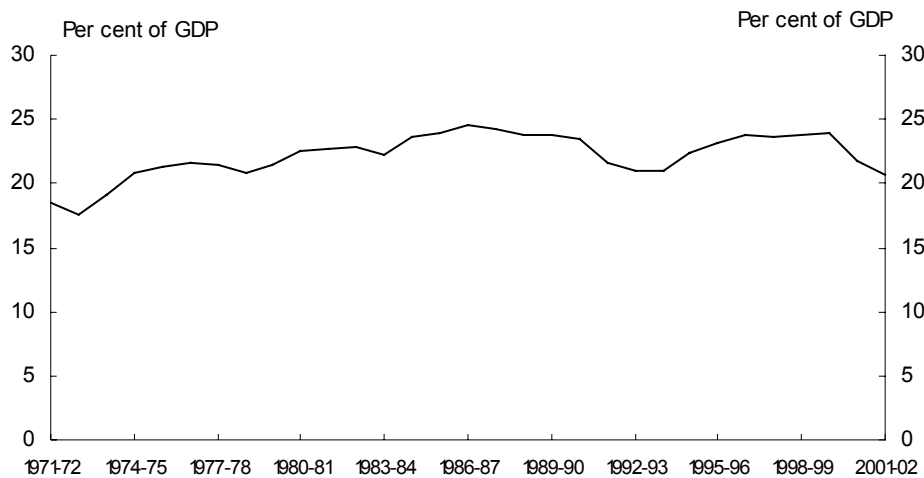
The purpose of this section is to describe the components of the tax burden on individuals and companies as well as provide information on the level and extent of these taxes over time. Comparisons over time require the use of cash rather than accrual revenue estimates because the Commonwealth only introduced accrual accounting from the 1999-2000 Budget. The analysis below covers taxes from all levels of Government: Commonwealth, State and local.

Further detail is accessible in Australian Bureau of Statistics (ABS) statistical collections on taxation⁷, Commonwealth Budget Papers, and taxation statistics published by the Australian Taxation Office (ATO).

Commonwealth Government taxes (cash)

Commonwealth taxation receipts have averaged 22.3 per cent of GDP over the last 30 years and were 20.7 per cent of GDP in 2001-02⁸.

Chart 1: Commonwealth tax revenue (cash)



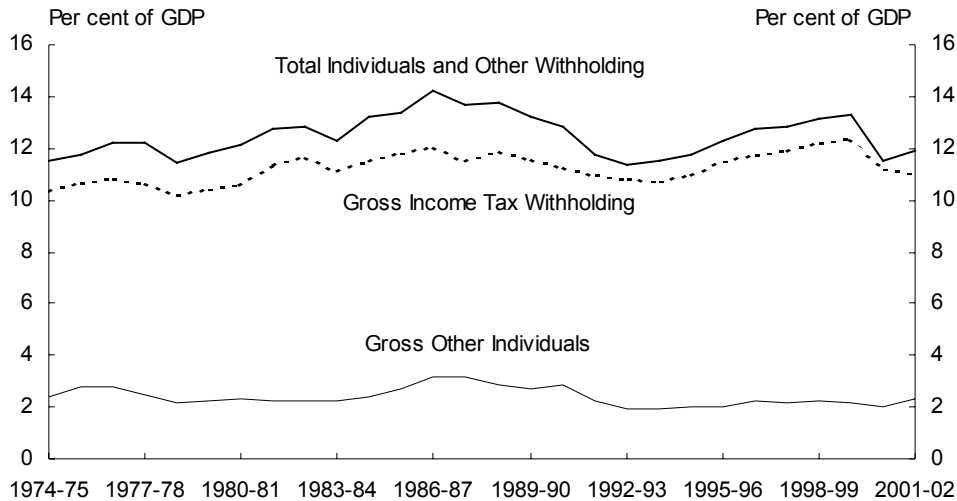
Source: Commonwealth of Australia Budget papers, various years; Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product*, Catalogue Number 5206.0, various years.

⁷ Australian Bureau of Statistics (2003), *Taxation Revenue, Australia, 2001-02*, Catalogue Number 5506.0.

⁸ This figure is on a cash basis, while the figure in the Overview section is on an accruals basis.

Income tax levied on individuals has declined from an average of 12.4 per cent of GDP during the 1990s to 11.9 per cent in 2001-02 reflecting significant personal income tax cuts. Personal income tax revenue from unincorporated small businesses in the 'other individuals' category remained relatively stable during the period (see Chart 2).

Chart 2: Income taxation of individuals (cash)^(a)

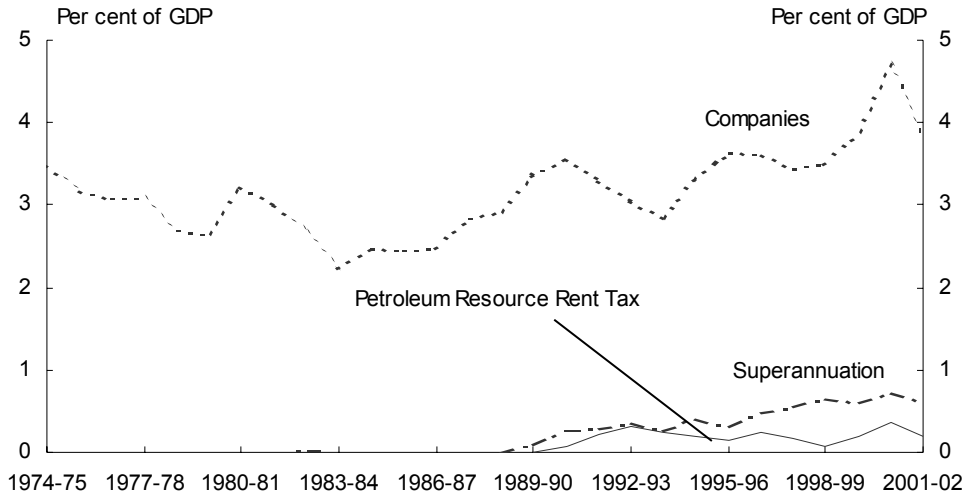


(a) The Gross Income Tax Withholding category includes all taxes withheld from payments under the Pay As You Go (PAYG) system and other withholding. The bulk of this revenue arises from tax withheld from wages and salaries. Other withholding includes amounts withheld for failure to quote a Tax File Number or an Australian Business Number, interest, dividends and royalty payments to non-residents and payments to aboriginal groups for the use of land for mineral exploration and mining. The level of Total Individuals and other withholding is reduced by the payments of individual income tax refunds. The Gross Other Individuals category includes personal income tax levied on the unincorporated sector (small business, primary producers and investors), salaries and wages (when PAYG withholding credits are insufficient to meet the tax liability assessment) and capital gains.

Source: Commonwealth of Australia Budget papers, various years.

Company income tax revenue has increased as a share of GDP from 2.4 per cent in the mid-1980s to 3.8 per cent in 2001-02 (see Chart 3). This increase during the period reflects strong profit growth and significant broadening of the company tax base, offset to some extent by reductions in the company tax rate. Company tax revenue rose as a share of GDP in 1999-00 and in 2000-01 due to the introduction of the Pay As You Go instalment system which resulted in a bring forward of company tax payments in those years. This effect reflected transitional arrangements and has now been largely unwound.

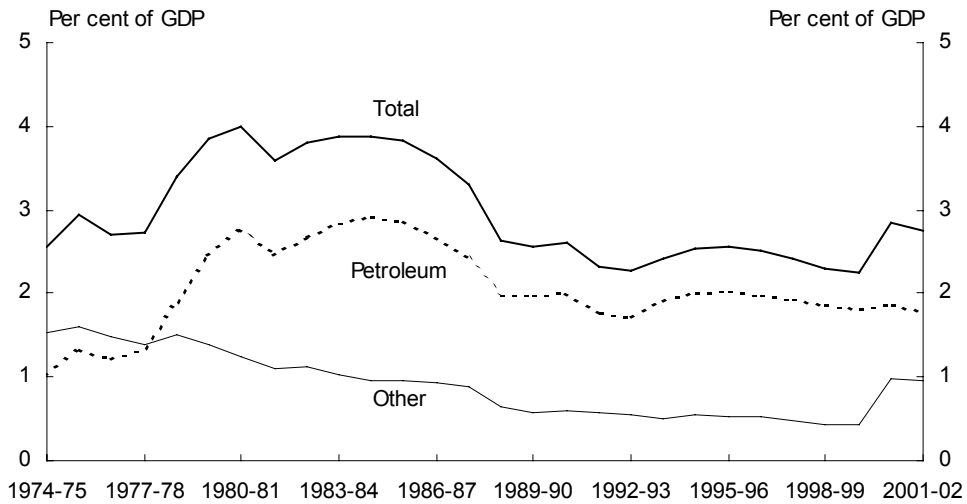
Chart 3: Income taxation of corporations (cash)



Source: Commonwealth of Australia Budget papers, various years.

There has been a reduction in excise revenue as a percentage of GDP since the mid-1980s (see Chart 4). Total excise revenue has declined from 3.8 per cent of GDP in the mid-1980s to 2.8 per cent of GDP in 2001-02.

Chart 4: Excise duties (cash)

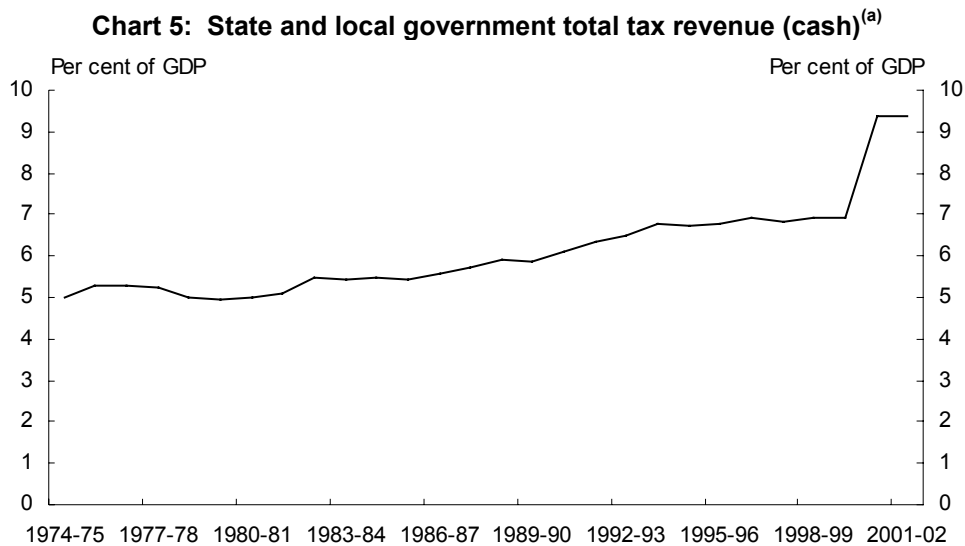


Source: Commonwealth of Australia Budget papers, various years.

State and local government taxes (cash)

Historical trends in State and local government taxes as a proportion of GDP are shown in Chart 5. The major change in State and local government taxes in the last thirty years has been the introduction of the GST from 2000-01, which is collected by the Commonwealth and paid in full to the States. Total State and local government tax revenue increased from 5.0 per cent of GDP in 1974-75 to around 9.4 per cent of GDP in 2001-02.⁹ Apart from the GST, this increase in State and local taxation is largely attributable to revenue growth in taxes on property, namely from taxes on capital and financial transactions, and from growth in taxes on franchises.¹⁰ The growth in revenue from capital and financial transactions reflects, in part, the Commonwealth's decision to transfer the debits tax base to the States from 1 January 1991.

Commonwealth and State financial relations are addressed in discussion of terms of reference (e).



(a) See footnote 6.

Source: Australian Bureau of Statistics.

9 As noted in the discussion under terms of reference (e), from 2000-01, Commonwealth-State financial relations have been governed by the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations, which among other things, provides GST revenue to the States in exchange for the abolition of certain State taxes and Financial Assistance Grants. The Commonwealth provides the States with additional financial assistance to ensure that the States are no worse off under this new system.

10 As discussed in the section responding to terms of reference (e), State taxes on franchises were replaced by Commonwealth revenue replacement payments, and were treated as State taxes in the ABS accounting framework. These revenue replacement payments were abolished in 2000-01 as part of the reforms to Commonwealth-State financial relations.

(b) The impact of (a) on taxpayers' families**Methodological issues in distributional tax analysis**

It is difficult to assess fully the impact on individuals and families of the level, extent and distribution of the current tax burden.

It is clear that the personal income tax system is progressive. Table 3 shows that in the 2000-01 income year, taxpayers in the top quintile, based on taxable income, paid 58.0 per cent of the total personal income tax paid while they received 43.6 per cent of the total taxable income received by taxpayers. Conversely, taxpayers in the bottom quintile, who received 6.3 per cent of taxpayers' total taxable income, paid only 2.0 per cent of total personal income tax paid.

Table 3: Share of personal income tax paid by taxpayers, by quintile, by taxable income, 2000-01

Quintile of taxpayer, by taxable income	Share of total taxable income of taxpayers (per cent)	Share of total tax paid (per cent)	Average tax rate (per cent)
1	6.3	2.0	7.7
2	11.6	6.5	13.6
3	16.3	12.9	19.1
4	22.2	20.6	22.4
5	43.6	58.0	32.2
All quintiles	100.0	100.0	24.2

Source: Preliminary ATO estimates.

With the introduction of *The New Tax System*, the average rate of personal income tax paid by taxpayers on their taxable income has decreased from 25.0 per cent for the 1999-2000 income year to 24.2 per cent for 2000-01. At the same time, the Government increased the first tax threshold from \$5,400 to \$6,000 and extended the tax rebate for senior Australians, reducing the number of taxpayers by around 300,000.

The distributional impact of indirect taxes, company tax and State and local government taxes on individuals and families is much more difficult to quantify.

There is also a high degree of interaction between Australia's tax and income support systems, which means that an analysis of the distributional effects of the tax system would need to take into account the effects of both the tax and benefit systems. Many social security payments are subject to special tax treatment, some being tax exempt while others are associated with tax offsets or rebates. Some payments such as Family Tax Benefit are delivered as either a fortnightly payment from Centrelink or an annual payment via the tax system. Many Australians also receive non-cash benefits through a range of concession cards and government provided services, including health and education services.

Data limitations also make it difficult to measure accurately the full impact of the tax and benefit system, or fiscal incidence on families and individuals.

Household expenditure survey and ABS fiscal incidence estimates

The ABS publishes a study of fiscal incidence following each *Household Expenditure Survey* (HES), the most recent being for 1998-99.¹¹ The *Fiscal Incidence Study* looks at the effect that regular government cash payments ('direct benefits') and subsidies for health, education, housing and welfare ('indirect benefits') have on household income distribution. The study also examines the effect that personal income tax ('direct taxes') and 'selected indirect taxes' on the production, sale, purchase or use of goods and services have on household income distribution.

The study traces the effect of benefits and taxes on income distribution by developing different measures of household income and examining the change in quintile shares of household income as more benefits and taxes are added. The different types of household income are:

- private income which is income from work and investments;
- total gross income which is private income plus direct benefits;
- disposable income which is total gross income less direct tax; and
- final income which is disposable income after indirect taxes and benefits.

Table 4 summarises the ABS findings for 1998-99. The distribution of household income taxes and benefits are shown across quintiles of household gross income, which is the most generally used measure of income by the ABS.

11 Australian Bureau of Statistics (2001), *Government Benefits, Taxes and Household Income, Australia, 1998-99*, Catalogue Number 6537.0. The ABS has advised that data from the next Household Expenditure Survey, to be conducted in 2003-04, should be available in the latter half of 2005.

Table 4: Distribution of household income taxes and benefits by gross income quintile and effect on household income, 1998-99

Share of:	Quintile 1 (per cent)	Quintile 2 (per cent)	Quintile 3 (per cent)	Quintile 4 (per cent)	Quintile 5 (per cent)
Private income	0.4	5.4	15.9	27.5	50.8
Total gross income	3.6	9.4	16.2	25.4	45.4
Total gross income plus indirect benefits	5.7	11.7	17.1	24.6	41.0
Direct tax (personal income tax)	0.2	2.3	11.9	25.4	60.1
Selected indirect taxes	9.7	14.0	18.7	25.0	32.7
Total taxes	3.1	5.9	14.0	25.3	51.6
Disposable income	4.4	11.2	17.3	25.4	41.6
Final income (after indirect taxes and benefits)	6.5	13.6	18.0	24.3	37.6

Source: Australian Bureau of Statistics (2001), *Government Benefits, Taxes and Household Income, Australia, 1998-99*, Catalogue Number 6537.0.

The ABS fiscal incidence estimates indicate that Australia's tax system is progressive, with households in the lowest gross income quintile paying 3.1 per cent of total taxes in 1998-99, while households in the highest quintile paid 51.6 per cent of total taxes. The distributions across gross income quintiles of disposable income and final income are much more evenly distributed than private income indicating that the combined impacts of Australia's tax, cash payments and subsidy systems are progressive.

However, final income per household may still understate the progressivity of the system. Low income households typically have fewer adults and persons. Table 5 shows that the distribution of final income per person is more evenly distributed than the distribution of final income per household.

In assessing these findings it is also useful to note the ABS advice that the income of the lowest income quintiles has been underestimated. The ABS has estimated that proposed corrections to welfare and business income attributed to the lowest income quintiles in the 1998-99 HES would result in 'the mean income of the lowest income quintile being revised upwards by about 11 per cent, and that of the second lowest quintile being revised upwards by about 2 per cent'.¹² Furthermore, the ABS *Fiscal Incidence Study* does not allocate some taxes, such as capital gains tax which is likely to mainly impact on higher income earners. The implication is that a more complete study, incorporating corrections proposed by the ABS and a wider range of taxes, would find greater redistribution.

12 Australian Bureau of Statistics (2002), *Australian Economic Indicators, April 2002*, Catalogue Number 1350.0.

Table 5: Distribution of household residents by gross income quintile and per capita final income, 1998-99

Share of:	Quintile 1 (per cent)	Quintile 2 (per cent)	Quintile 3 (per cent)	Quintile 4 (per cent)	Quintile 5 (per cent)
Persons in households	11.4	17.4	20.5	23.5	27.3
Dependent children in households	5.7	17.1	25.7	25.7	25.7
Final income per person	12.3	16.8	19.0	22.3	29.7

Source: Australian Bureau of Statistics (2001), *Government Benefits, Taxes and Household Income, Australia, 1998-99*, Catalogue Number 6537.0.

The extent of redistribution accomplished through the interaction of the tax and benefit system is also partly demonstrated by the change in the type of household in each quintile over time. While the lowest quintile now comprises largely single or younger people this was not the case 15 years earlier. In 1984-85 the proportion of aged people and sole parents in the lowest quintiles was much higher. Changes to the tax and benefit system that have targeted these groups have coincided with a growing proportion of aged people and sole parents in the second quintile.

Other researchers rely on data from the HES as a basis for their own analysis of fiscal incidence. The HES and the resultant ABS analysis have a number of limitations arising from the survey and its coverage of taxes. The most recent study allocates 53 per cent of total government revenue and 50 per cent of total government expenditure to the household sector.

Other distributional tax analysis results

A study of fiscal incidence in 1996-97 by Professor Ann Harding and Dr Neil Warren concluded that the overall impact of the tax system was progressive. The study also found that the total tax burden is relatively stable across the lifecycle until retirement.¹³

When *The New Tax System* was introduced on 1 July 2000, the tax-free threshold was increased to \$6,000 per annum, and the first marginal tax rate was reduced to 17 cents in the dollar, benefiting many low income earners. A recent study by the National Centre for Social and Economic Modelling (NATSEM) and Professor Neil Warren found that,

the net impact of the taxes and outlays examined is to dramatically reduce national income inequality, with the Gini coefficient¹⁴ more than halving as the definition of income is expanded from equivalent private income to equivalent final income.¹⁵

Treasury recently published its own preliminary assessment of the impact of *The New Tax System* including a population distributional analysis of tax reform, comparing real disposable incomes before tax reform and about one year after tax reforms were introduced. Treasury analysis showed that families with children and working families in lower income brackets saw the greatest proportional increases in their real disposable incomes following tax reform (Table 6).¹⁶

Table 6: Proportional increase in real average weekly disposable income^(a) by family type and quintile, 1999-00 and 2000-01

Quintile	Couple without children	Retired pensioner couple	Couple with children	Self-funded retiree	Retired pensioner single	Single person in the labour force	Sole parent
	%	%	%	%	%	%	%
1	4	7	8	5	7	5	13
2	2	7	8	6	7	0	12
3	1	6	4	5	6	1	11
4	1	6	4	3	6	2	8
5	2	10	2	2	7	3	4

(a) Records with the bottom 10 per cent of disposable income were excluded following ABS practice as the ABS has 'concerns with the fact that the extremely low incomes (close to nil or negative) recorded for some households in this group do not accurately reflect family living standards' (ABS, 2002).

Source: STINMOD and Treasury calculations.

International comparison

Comparison of the tax burden and redistributive effects of tax and benefits systems across countries is problematic. In most OECD countries employees and employers contribute significantly to the financing of the social security system. Social security contributions are generally distinguished from income tax, but are used to fund income support payments similar in nature to those that are provided out of general revenue in Australia. Therefore, it is generally more appropriate to compare the Australian personal income tax burden with the combined burden of income tax and employees' social security contributions in other countries.

13 Harding, A., and Warren, N. (1999), *Who pays the tax burden in Australia? Estimates for 1996-97*, Discussion Paper No. 39, National Centre for Social and Economic Modelling (NATSEM), University of Canberra.

14 The Gini co-efficient is a measure of inequality. The lower the Gini co-efficient, the lower the level of inequality.

15 Harding, A., Warren, N., Beer, G., Phillips, B. and Osei, K. (2002), *The Distributional Impact of Selected Commonwealth Outlays and Taxes*, 14 March 2002, Draft Paper prepared for the Review of Commonwealth-State Funding, National Centre for Social and Economic Modelling, University of Canberra, p 2.

16 Commonwealth Treasury (2003), 'Preliminary assessment of the impact of The New Tax System', *Economic Roundup*, Autumn 2003.

An OECD study on income distribution and poverty in 1998 found that 'direct taxes paid by individuals and public transfers substantially reduced income inequality and poverty in all the countries examined' and that poverty appeared to have fallen in Australia and a number of other OECD countries over the period from the mid-1980s to mid-1990s.¹⁷

In 2002-03, the OECD estimates that a single Australian taxpayer on the average production wage faces a tax burden (net of cash transfers) of 23.6 per cent. This is comparable with the OECD estimates of the tax burden (net of cash transfers) faced by a similar taxpayer in the USA (24.3 per cent) and UK (23.3 per cent), and lower than that faced in Canada (25.7 per cent) and France (26.5 per cent).¹⁸

(c) The use and efficacy of various tax and expenditure incentives to influence social and economic conduct, for instance participation in the workforce

Behavioural responses to tax and expenditure incentives

Changes in taxation, including tax expenditures, can be expected to result in changes in taxpayer behaviour. Broadly, imposing a tax on a good or service will raise its price, and generally be expected to reduce its demand or supply. Conversely, a tax expenditure through concessionary tax arrangements can be expected to increase demand or supply. The extent of these impacts depends on issues such as how responsive behaviour is to changes in price, the extent of income effects from those who own the good or service, and also who carries the final incidence of the taxation measure.

As discussed in the introduction, efficient taxes aim to distort economic choices as little as possible. On occasions, however, the market price of goods and services may not adequately reflect both private and social costs. Taxation is one of a suite of tools that can be used to 'correct' the price of market goods to include social external costs. External costs may include pollution, potential community safety risks, or behaviour that imposes burdens on the health system.¹⁹

Care must be exercised in using tax instruments as sometimes the costs of imposing the measure can exceed the costs of initial problem. These compliance costs to society

17 Burniaux, J., Dang, T., Fore, D., Forster, M., d'Ercole, M. and Oxley, H. (1998), *Income distribution and poverty in selected OECD countries*, Economics Department Working Papers No. 189, Organisation for Economic Co-operation and Development (OECD).

18 OECD (2003), *Taxing Wages 2001-2002*.

19 For example, Pigovian taxation allows external costs (for example, pollution) to be 'internalised' (or paid for) by the imposition of a tax on the polluters at a rate that just compensates the community for the pollution in monetary terms.

are not necessarily confined to transaction costs; they can also include potential efficiency losses.

In the same way as taxes can provide a disincentive for certain behaviour, tax expenditures can be used in certain circumstances to motivate desired changes in taxpayer behaviour or to promote social policy objectives. Treasury's *Tax Expenditures Statement* documents the nature and extent of tax expenditures in Australia.²⁰

Efficacy of tax and expenditure measures to influence social and economic conduct

Assessing the efficacy of tax and expenditure measures in achieving behavioural change is a complex task. It involves identifying the original aim of the tax or concessions concerned and then evaluating whether that aim has been achieved, usually on a case-by-case basis. There are difficult issues in determining what would have happened in the absence of the particular policy measure, and establishing the degree of causation between the policy measure and an actual change. Often there is a lack of data to inform the analysis.

Assessments of tax measures may range from a simple determination of whether particular goals set have been met, to an econometric analysis of whether a concession has had a measurable impact on taxpayer behaviour and whether that difference is in the desired direction. The analysis could examine any unexpected side effects of a measure, alternative methods by which the objectives could have been achieved (such as education or improved information flows), and possibly even whether doing nothing would have been the preferred option.

In evaluating the effectiveness of a tax expenditure, consideration should be given to whether alternative policy measures could more effectively meet the objectives. In addition, an evaluation should be made of whether a tax expenditure is the simplest and most efficient method, or whether it would be better to deliver assistance via a direct Budget outlay by a programme delivery agency.

Workforce participation

Labour force participation can be understood as one of the three key drivers of economic growth in Australia (the others being population and productivity).

By international standards, the participation rate in Australia among women generally and the mature aged is low. The structure of the tax and retirement income systems (as well as the income support system and other policies) should take account of their impacts on labour force participation.

²⁰ The 2002 *Tax Expenditures Statement* is available at:
<<http://www.treasury.gov.au/documents/505/PDF/TES2002.pdf>>

Economic theory suggests that there are two primary effects that a tax change can have on the decision to participate in the workforce. The first of these is a 'substitution effect'. If there were no changes other than a fall in tax rates, hourly take home pay levels would increase. This change in take home pay rates²¹ would be expected to provide incentives for an increase in participation. At least partially offsetting this impact is an 'income effect'. The fall in tax rates would mean that a worker would not have to work as many hours to earn the same level of income.

One measure of the impact of taxation on income is the concept of the 'effective marginal tax rate' (EMTR). EMTRs measure the percentage of a one dollar increase in income that is lost to income tax and income tests on government payments and services. While high EMTRs are thought to provide a disincentive to earn additional income, it is not generally possible to isolate fully the actual influence of EMTRs on workforce participation.²²

With the introduction of *The New Tax System*, the Government reduced effective marginal tax rates (EMTRs) for low income families. The lowest marginal tax rate was reduced to 17 per cent, and taxpayers that had previously experienced 34 per cent and 43 per cent marginal tax rates had their top tax rate reduced to 30 per cent. Changes in tax thresholds also meant that the vast majority of Australian taxpayers were in the very broad tax bracket from \$20,001 through to \$50,000. At the same time, the income test taper rate on family payments for low income families (Family Tax Benefit (Part A)) was reduced from 50 per cent to 30 per cent, and the income test taper rate on pensions was reduced from 50 per cent to 40 per cent.

Although high EMTRs can still occur as a result of interactions between the tax and social security system, studies have shown that only a small proportion of the population experience them. A recent NATSEM study found that in 2002, since the introduction of *The New Tax System*, only 8 per cent of people faced EMTRs in excess of 60 per cent, and only 1 per cent faced EMTRs in excess of 80 per cent. NATSEM estimated that in 1997, under the previous tax system 3 per cent of people faced

21 Technically, the tax cut would change the relative price between labour income and alternative uses of time.

22 Recent literature suggests that generally labour supply decisions involve a dynamic assessment, in which individuals take account of both current and future wages in making employment choices, rather than focussing on immediate EMTRs or replacement rates see Chapman, B., Jordan, J., Oliver, K., and Quiggan, J. (2001), *Unemployment traps and age-earnings profiles: estimates for Australia 2000*, Australian Journal of Labour Economics 4(3), pp 174-91.

EMTRs in excess of 80 per cent, including 1 per cent who had EMTRs in excess of 100 per cent.²³

Another key consideration in assessing the tax system and workforce participation is the impact of an increasingly internationally mobile workforce. For some people, there is significant flexibility in determining the country in which they will work. This provides scope for individuals to choose their preferred balance between the level of taxation and the provision of government goods and services. The design of the structure of the Australian tax system needs to take account of the impacts of this globalisation on parts of the workforce.

Other social and economic behaviours

The Government has identified nine high priority whole of government policy issues to be examined in depth in the current year and beyond.²⁴ Several of these affect the social and economic conduct of Australians, namely: balancing work and family life; the demography of Australia; and education.

With regard to work and family life, the Government has established an inter-departmental Taskforce to review the options that might better facilitate choice for families in balancing work and family lives. The Demographics Taskforce will follow up the work undertaken in the *Intergenerational Report*²⁵ in recognising and preparing for population ageing issues. In developing education reforms out of the Review of Higher Education, the Government will be guided by the principles of diversity, quality, equity and sustainability.

It is possible that the Government may choose to use the taxation/social welfare system to deliver possible changes that might emerge from these policy refinement and review processes.

23 Beer, G. (2002), *Work incentives under a New Tax System: the distribution of effective marginal tax rates in 2002*, NATSEM conference paper 12/2002, paper presented to the 2002 Conference of Economists, 30 September – 3 October 2002.

24 For details of the nine areas of government policy focus, see the Hon John Howard MP, Prime Minister, Address to the Committee for Economic Development of Australia 'Strategic Leadership for Australia Policy Directions in a Complex World', 20 November 2002, available at <<http://www.pm.gov.au>>.

25 For a discussion of the findings of the *Intergenerational Report*, see the discussion under terms of reference (d).

(d) The long term social and economic impact of the current distribution of taxation, government spending and employment including the intergenerational consequences of the tax structure

The Government reported to the Parliament on the long-term fiscal outlook for Australia in its *Intergenerational Report*, released as Budget Paper No. 5 for 2002-03. The projections in this section of the submission are taken from the *Intergenerational Report*.²⁶

The *Intergenerational Report* pointed to demographic changes that will put pressure on government spending in the future, notably the ageing of the 'baby boom' generation and declining fertility rates. By 2042, around 24.5 per cent of Australia's population is expected to be aged over 65, reflecting the ageing of Australia's 'baby boomers', with lower mortality rates than previous generations.

At the same time, the total fertility rate of Australian females has declined. Since the mid-1970s, the total fertility rate has been well below the rate needed for population replacement. The trend towards having fewer children, later in life, is a key influence on Australia's changing population structure. The number of children born to women aged 30 to 39 is increasing, but this does not fully compensate for the decline in the number of children born to women aged 20 to 29. Based on recent trends, the total fertility rate is projected to fall to 1.6 (births per woman) by 2042.

Growth and productivity

GDP projections depend critically on productivity assumptions. The *Intergenerational Report* provided high, base case and low productivity growth scenarios starting in 2006-07.

Table 7 shows projected GDP growth over the next four decades. This table reflects the interaction of changes in productivity assumptions, while maintaining the same population and participation projections. The high productivity scenario uses a productivity growth rate similar to the 1990s (that is, 2.0 per cent per year), the base case scenario assumes the average rate of productivity growth over the last 30 years of 1.75 per cent per year, while the low growth scenario uses a productivity growth rate similar to that experienced in the 1980s (that is, 1.2 per cent per year).

26 Commonwealth of Australia (2002), *Intergenerational Report*, Budget Paper No. 5, 2002-03 available at <<http://www.budget.gov.au/2002-03/html/index.html>>.

Table 7: Average real annual GDP growth rates (per cent) under different productivity growth scenarios

Decades	High Productivity growth in scenario	Base case	Low productivity growth in scenario
2000s	3.2	3.1	2.9
2010s	2.6	2.3	1.8
2020s	2.2	2.0	1.4
2030s	2.1	1.9	1.3

Source: Commonwealth of Australia (2002), *Intergenerational Report*, Budget Paper No. 5, 2002-03.

Real GDP per person, an indicator of the growth in living standards, is projected to be 2.1 per cent this decade and slow to 1.4 per cent by the 2020s, under the base case scenario.

Employment projections

The rate of growth in the labour force is expected to decline, perhaps significantly, in response to population ageing, although the outcome will be influenced by future trends in labour force participation that are difficult to forecast. Unemployment is projected to decline to 5 per cent by 2006-07 and then to remain stable. With the slowdown in labour force growth it will become increasingly important to examine whether there are any distortions in the labour market, and their interaction with government policies, including taxation arrangements, that might affect participation rates.

Government spending projections

Over half of Commonwealth government spending is directed to health and aged care, social safety net payments to individuals and education. This spending is sensitive to demographic changes. The projections in the *Intergenerational Report* show that spending in health and aged care and social safety net payments to individuals are likely to grow relative to GDP. However, education spending as a proportion of GDP is likely to fall as a consequence of the ageing population. Areas of Commonwealth spending that are less demographically sensitive, such as defence and the environment, are assumed to remain constant as a proportion of GDP.

Taxation revenue — intergenerational consequences

Over the last three decades, Commonwealth taxation revenue has remained relatively steady as a proportion of GDP. For the *Intergenerational Report*, Commonwealth taxation revenue was projected to remain constant at 20.8 per cent of GDP from 2005-06 to 2041-42.

Tax revenue is less likely to change as a percentage of GDP due to demographic change than government spending. Personal income tax revenue does not fall as a percentage of GDP as the population ages, because labour force and wages growth

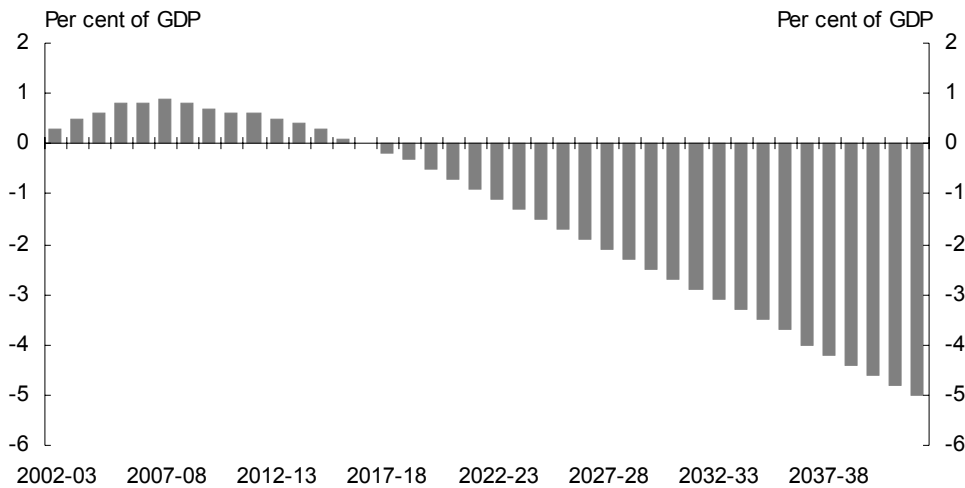
trends affect income tax and GDP growth more or less equally. GST revenue is less at risk from demographic change than other forms of indirect tax due to a broad base that includes many services.

Growing gap between spending and revenue

Chart 6 shows the net fiscal impact of tax revenues remaining relatively constant for the next forty years while government expenditures on health, aged care and income support are predicted to rise significantly as a proportion of GDP.

By 2041-42, the gap between spending and revenue was projected to grow to 5.0 per cent of GDP. Using the *Intergenerational Report* assumptions, to prevent the budget moving into deficit, an extra \$87 billion more would need to be collected from taxpayers by 2042, or governments would need to reduce the projected growth in spending.

Chart 6: Projection of the fiscal pressures in Australia^(a)



(a) Measured as the difference between projected spending and revenue as a percentage of GDP, without adjustment of public debt interest beyond the 2002-03 forward estimate period.
Source: Commonwealth of Australia (2002), *Intergenerational Report*, Budget Paper No. 5, 2002-03.

(e) The respective roles of the Commonwealth and the States in relation to the collection and distribution of tax revenue

Constitutional aspects

The Constitution explicitly vests the Commonwealth with power to raise taxation on the proviso that this power not be used to discriminate against States or parts of States (s.51(ii.)). The Constitution also vests the Commonwealth with exclusive responsibility for customs and excise (s.90) but again this power cannot be used to give preference to one State or part of a State over another (s.99).

The States retain the power to impose taxes, other than customs and excise, on persons, events or things connected with the State.

Collection and distribution of income tax revenue

Since the enactment of uniform tax legislation in 1942 only the Commonwealth has levied income tax. Income taxes – on companies and individuals – account for around 80 per cent of total Commonwealth tax revenue.

Uniform national income taxes provide a fair and reliable tax base and achieve administrative efficiencies in tax collection while simplifying taxpayer compliance.

The Commonwealth made grants totalling \$26.3 billion to State and local governments in 2001-02, mainly in the form of specific purpose payments.²⁷

Collection and distribution of additional taxes on alcohol, tobacco and petroleum

Until 1997, the States levied business franchise fees (taxes) on the sale of certain alcohol, tobacco and petroleum products. On 5 August 1997, a High Court ruling cast into doubt the constitutional validity of all State business franchise fees.²⁸ On 6 August 1997, at the unanimous request of the States, the Commonwealth announced 'safety net' arrangements to protect States' finances. These arrangements provided for the Commonwealth to increase the rates of existing Commonwealth taxes and provide the additional revenue collected under these arrangements to the States (less administrative costs) as revenue replacement payments (RRPs). These RRP's have always been treated as State taxes under Commonwealth accounting.

Commonwealth-State financial relations under *The New Tax System*

Since *The New Tax System* came into effect on 1 July 2000, Commonwealth-State financial relations have operated under the framework of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the Intergovernmental Agreement) which was endorsed by Heads of Government in June 1999.

A key element of *The New Tax System* is that all revenue from the GST is received by the States to be spent according to their own priorities. GST revenue is distributed between the States according to the principles of horizontal fiscal equalisation. This principle is that 'the States should receive funding from the Commonwealth such that, if each made the same effort to raise revenue from its own sources and operated at the

27 Details of Commonwealth payments to the States are published in Commonwealth of Australia (2002), *Final Budget Outcome 2001-02*.

28 *Ha v New South Wales* (1997) 189 CLR 465.

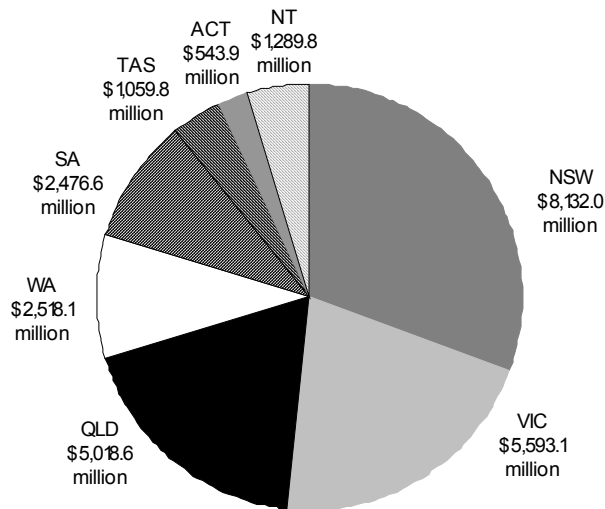
same level of efficiency, each would have the capacity to provide services at the same standard²⁹.

The Intergovernmental Agreement provides for the abolition of a number of less efficient State taxes. Most notably, financial institutions duty and stamp duty on quoted marketable securities were abolished from 1 July 2001, whilst debits tax is to be abolished by 1 July 2005, subject to review by the Ministerial Council which oversees the implementation of the Intergovernmental Agreement (NSW abolished debits tax on 1 January 2002). Under the Intergovernmental Agreement, the States no longer receive financial assistance grants and RRP from the Commonwealth.

The Commonwealth made a commitment to provide assistance to the States in the transitional years to ensure that each individual State would be no worse off than it would have been had *The New Tax System* reforms not been implemented.

The States received \$26.6 billion in GST (cash) revenue in 2001-02.³⁰ Chart 7 illustrates the GST revenue provision to each State in that year.

Chart 7: GST revenue by State, 2001-02 (cash)



Source: Commonwealth of Australia (2002), *Final Budget Outcome 2001-02*.

29 Commonwealth Grants Commission, *Report on General Revenue Grant Relativities 1999*, Volume 1, Main Report, p 4.

30 As determined by the Commissioner of Taxation. As noted in the Overview, the accruals measure of GST revenue was \$27.4 billion in 2001-02.

Administration of the GST

The GST is collected by the ATO for the States. Since many Australian businesses operate on a national basis, it is more effective for the GST to be administered by a single national agency rather than by requiring businesses to remit multiple returns to offices of state revenue. The administration of GST by the ATO capitalises on the ATO's extensive national infrastructure.

The States compensate the Commonwealth for the costs of collecting and administering the GST. The Commissioner of Taxation has a Performance Agreement with the States that came into operation on 1 July 2002, the purpose of which is to provide accountability of the ATO to the States, on behalf of whom the GST is collected. Administrative policy for the GST is determined through the Ministerial Council for Commonwealth-State Financial Relations, comprising the Commonwealth Treasurer and each State and Territory Treasurer.

Attachment A: Terms of reference

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

The Senate has referred the following matter to the above Committee for inquiry and report by June 2004:

The structure and distributive effects of the Australian taxation system with reference to:

- (a) the level, extent and distribution of the current tax burden on individuals and businesses;
- (b) the impact of (a) on taxpayers' families;
- (c) the use and efficacy of various tax and expenditure incentives to influence social and economic conduct, for instance participation in the workforce;
- (d) the long term social and economic impact of the current distribution of taxation, government spending and employment including the intergenerational consequences of the tax structure;
- (e) the respective roles of the Commonwealth and the States in relation to the collection and distribution of taxation revenue; and
- (f) any other relevant issues which may arise in the course of the inquiry.

References

- Australian Bureau of Statistics (2000), *Information Paper: Accruals-based Government Finance Statistics*, 13 March 2000, Catalogue Number 5517.0, Canberra.
- (2001), *Government Benefits, Taxes and Household Income, Australia, 1998-99*, Catalogue Number 6537.0, Canberra.
- (2002), *April 2002 Australian Economic Indicators*, Catalogue Number 1350.0, Canberra.
- (2003), *Taxation Revenue, Australia, 2000-01*, Catalogue Number 5506.0, Canberra.
- (2003), *Government Financial Estimates, All Australia, Electronic Delivery, 2002-03* Catalogue Number 5501.0.55.001, Canberra.
- (various years), *Australian National Accounts: National Income, Expenditure and Product*, Catalogue Number 5206.0, Canberra.
- Beer, G. (2002), *Work incentives under a New Tax System: the distribution of effective marginal tax rates in 2002*, NATSEM conference paper 12/2002, paper presented to the 2002 Conference of Economists, 30 September — 3 October 2002.
- Burniaux, J., Dang, T., Fore, D., Forster, M., d'Ercole, M. and Oxley, H. (1998), *Income distribution and poverty in selected OECD countries*, Economics Department Working Papers No. 189, OECD, Paris.
- Chapman, B., Jordan, J., Oliver, K., and Quiggan, J. (2001), *Unemployment traps and age-earnings profiles estimates for Australia 2000*, Australian Journal of Labour Economics 4(3), 174-91.
- Commonwealth Grants Commission (1999). *Report on General Revenue Grant Relativities 1999*, Volume 1, Main Report.
- Commonwealth of Australia Budget papers, various years, available at: <<http://www.budget.gov.au>>.
- (2002), *Final Budget Outcome 2001-02*, available at: <<http://www.budget.gov.au>>.
- (2002), *Intergenerational Report*, Budget Paper No. 5, 2002-03 available at <<http://www.budget.gov.au/2002-03/html/index.html>>.

Treasury submission to the Senate Tax Enquiry

— (2002), Hon. John Howard, MP, Prime Minister *Address to the Committee for Economic Development of Australia 'Strategic Leadership for Australia Policy Directions in a Complex World'*.

Commonwealth Treasury (2003), 'Preliminary assessment of the impact of The New Tax System', *Economic Roundup, Autumn 2003*, Canberra.

— *Tax Expenditures Statement* (2002), available at:
<<http://www.treasury.gov.au/documents/505/PDF/TES2002.pdf>>.

Ha v New South Wales (1997) 189 CLR 465.

Harding, A., and Warren, N. (1999), *Who pays the tax burden in Australia? Estimates for 1996-97*, Discussion Paper No. 39, National Centre for Social and Economic Modelling (NATSEM), University of Canberra.

Harding, A., Warren, N., Beer, G., Phillips, B. and Osei, K. (2002), *The Distributional Impact of Selected Commonwealth Outlays and Taxes*, 14 March 2002, Draft Paper prepared for the Review of Commonwealth-State Funding, National Centre for Social and Economic Modelling (NATSEM), University of Canberra.

Intergovernmental Agreement on the Reform of Commonwealth-State Financial Arrangements (agreement signed at Premiers' Conference on 9 April 1999). Available at:
<http://www.pm.gov.au/news/media_releases/1999/intergovernmental_agreement.htm>.

Organisation for Economic Co-operation and Development (2001), *Taxing Wages 2000-2001*, Paris.

— (2003), *Taxes take a smaller bite in many OECD Countries*, Press Release, available at
<<http://www.oecd.org/EN/document/0,EN-document-590-17-no-12-39064-590,00.html>>.