



DOUBLE OR NOTHING?

THE GREAT SYDNEY TAX DIVIDE



CENTRE FOR
WESTERN SYDNEY



ACKNOWLEDGEMENT OF COUNTRY

With respect for Aboriginal cultural protocol and out of recognition that its campuses occupy their traditional lands, Western Sydney University acknowledges the Darug, Eora, Dharawal (also referred to as Tharawal) and Wiradjuri peoples and thanks them for their support of its work in their lands (Western Sydney and beyond).

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A CENTRE FOR WESTERN SYDNEY
ISSUES PAPER



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WESTERN SYDNEY

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INTRODUCTION

The Federal Budget reflects more than simple economic policies and calculations. It reflects the nation's collective sense of fairness and equity and how we incentivise and prioritise work in the economy. The tax cuts are a prime example because they redistribute income in the economy.

The government chose to keep the degree of redistribution roughly constant, a conscious decision that suggests things are fair. They are not.

“Where you live matters. Not because it has to, but because the socio-economic status of regions is defined by income levels, the availability of services, and the availability of well-paying jobs.”

As this Issues Paper outlines, the Centre for Western Sydney recognises the systemic inequalities in our society and economy. The tax cuts give more 'cost-of-living' relief to wealthy local government areas (LGAs) who need it least. The tax cuts are not really about the cost of living; more is needed for cost-of-living relief in the areas that need it most.

But the government is right to prioritise a Future Made in Australia policy, which should benefit Western Sydney. This policy again reflects society's values and the value of sovereign production for critical goods and services. The Future Made in Australia policy does distort the economy – institutions of economic and political power have already distorted it. The policy levels the playing field and provides an opportunity for Western Sydney to lead the future of industry in Australia.

The Centre for Western Sydney will continue to advance Federal and State Budget analyses. For the people of Western Sydney, this contextualises the budgets and breaks through the budget rhetoric so that residents can understand the implications for their region.

A portrait of Professor Neil Perry, a man with dark hair and glasses, wearing a dark suit, white shirt, and yellow tie. He is smiling and looking towards the camera.

Professor Neil Perry

Chief Economist



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KEY POINTS

1

Bias towards high-income earners: Residents in Western Sydney receive \$1,524 per earner, and residents in the rest of Sydney receive \$2,037 per earner. The original Stage 3 tax cuts proposed by the former Coalition Government in Australia were even more beneficial to high-income earners, exacerbating economic inequality. While the Labor Government's revised cuts address this bias, residents in Western Sydney still receive significantly less benefit from the tax cuts than residents in other parts of Sydney.

2

Gender discrepancy in benefits: There is a noticeable gender disparity in the benefits from the revised tax cuts, with men receiving more than women. Women in Western Sydney receive \$1,287 per earner, and men receive \$1,736 per earner. In the rest of Sydney, women receive \$1,766 per earner compared to their male counterparts who receive \$2,297.

3

Bracket creep correction, not cost-of-living relief: The tax cuts are primarily aimed at correcting historical bracket creep rather than providing direct cost-of-living relief. Bracket creep, where people pay higher average tax rates due to nominal income increases, has been significant since the last major tax changes in 2000 and affects lower-income earners more than higher-income earners.

4

The cause of the tax cut divide: The fundamental reason Western Sydney receives less in tax cuts in absolute terms is that Western Sydney has lower incomes than the rest of Sydney. The lower incomes also mean that residents in Western Sydney have been hit harder by interest rate rises and inflation. The Future Made in Australia policy will help here by shifting resources and incomes to Western Sydney.

5

Policy priorities: There is a need for enhanced support measures on issues like rent assistance, energy affordability and childcare costs. This should be supplemented by boosting infrastructure investment on roads and public transport in Western Sydney to improve connectivity. Stimulating local economies and improving wage prospects will reduce the disparity in tax cut impacts.



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WHOSE RELIEF? THE INEQUALITY OF TAX CUTS

The revised Stage 3 tax cuts have been socialised as a cost-of-living measure, which sought to provide “meaningful cost-of-living relief to middle Australia and all Australian taxpayers”.¹

However, in absolute terms, people earning high incomes are receiving more relief than those who earn low incomes.

“As usual, where you live matters, and our place-based analysis reveals that high-income regions benefit most from the Stage 3 tax cuts.”

The original Stage 3 tax cuts proposed by the former Coalition Government would have permanently worsened inequality in Australia by making the tax system more regressive.²

Original Stage 3 Tax Cuts per earner:

Western Sydney: \$1,069

Rest of Sydney: \$2,033

The original Stage 3 tax cuts would have provided just \$1,069 per earner in Western Sydney and \$2,033 per earner in the rest of Sydney. This would have resulted in Western Sydney residents receiving an average of \$964 less per earner than those in the rest of Sydney.

The Labor Government’s revised Stage 3 tax cuts correct this bias towards high-income earners. However, they continue to favour the rich and rich areas of Sydney in absolute terms.



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MAPPING THE DISPARITIES IN TAX CUT BENEFITS

As demonstrated in Map 1, under the revised Stage 3 tax cuts, residents in the rest of Sydney receive greater tax cuts per earner than those in Western Sydney.

Western Sydney: \$1,523

Rest of Sydney: \$2,037

Tax cut gap: \$514

Residents in Western Sydney receive \$1,523 per earner, whereas residents in the rest of Sydney receive \$2,037 per earner. This results in Western Sydney residents receiving an average of \$514 less per earner than those residing in the rest of Sydney.

Fairfield: \$1,197

Mosman: \$2,612

Tax cut gap: \$1,415

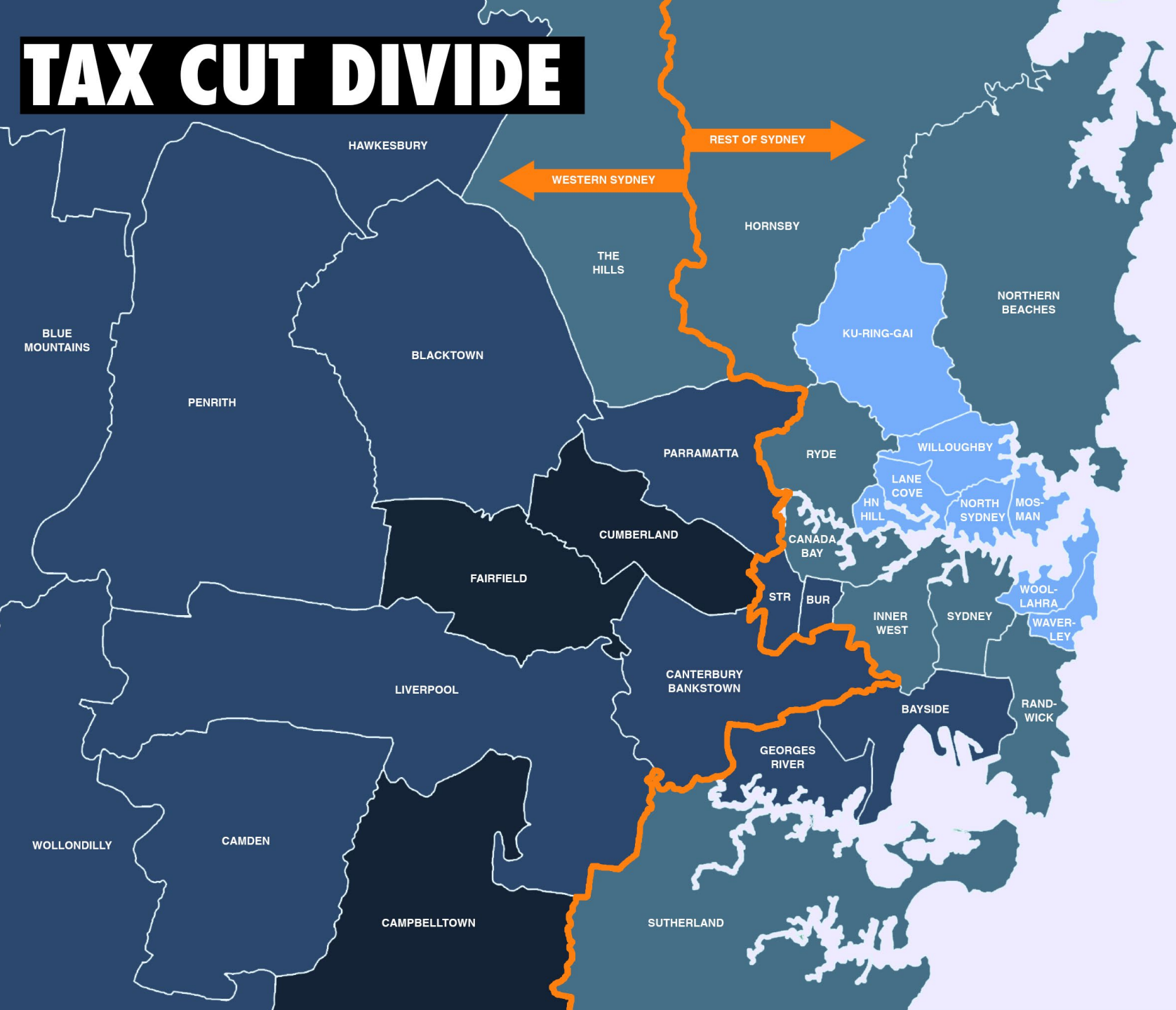
This difference is more pronounced when comparing specific LGAs. For example, residents in the Fairfield LGA receive \$1,197 per earner compared to Mosman, where earners receive \$2,612 on average. This results in a tax cut gap of \$1,415 between these two LGAs.

TAX CUT DIVIDE

Mapping and analysis by the Centre for Western Sydney
www.westernsydney.edu.au/cws

Map 1: Stage 3 Tax Cuts

Relative differences in benefits of Stage 3 tax cuts per earner³



\$1,198	Fairfield	\$1,854	Ryde
\$1,363	Campbelltown	\$1,934	Hornsby
\$1,373	Cumberland	\$1,958	The Hills
\$1,405	Canterbury-Bankstown	\$2,049	Northern Beaches
\$1,419	Liverpool	\$2,073	Canada Bay
\$1,471	Penrith	\$2,082	Randwick
\$1,480	Hawkesbury	\$2,148	Sydney
\$1,527	Burwood	\$2,152	Inner West
\$1,530	Wollondilly	\$2,294	Willoughby
\$1,534	Blacktown	\$2,302	Ku-ring-ai
\$1,589	Georges River	\$2,398	Lane Cove
\$1,597	Camden	\$2,407	Waverley
\$1,627	Bayside	\$2,452	Hunters Hill
\$1,650	Strathfield	\$2,526	North Sydney
\$1,656	Blue Mountains	\$2,612	Mosman
\$1,724	Parramatta	\$2,633	Woollahra
\$1,847	Sutherland		





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BENEFITS BY GENDER

There are large differences in the benefits of the tax cuts between women and men, both across gender and the city.

Western Sydney:

Women: \$1,287

Men: \$1,736

Tax cut gap: \$449

The Rest of Sydney:

Women: \$1,766

Men: \$2,297

Tax cut gap: \$531

Women in Western Sydney receive \$449 less than men in Western Sydney. In the rest of Sydney, the gender tax cut gap is more pronounced, whereby women receive \$1,766 per earner compared to their male counterparts, who receive \$2,297 (\$531 less than men in the rest of Sydney).

When comparing across the city, where residents live also shapes the gendered impacts of tax cut benefits. Women in Western Sydney receive \$479 less than their counterparts in the rest of Sydney, while men in Western Sydney receive \$561 less than men in the rest of Sydney and \$30 less than women in the rest of Sydney.

These differences are driven by women's lower level of income when compared to men in Western Sydney and men and women in the rest of Sydney. This is fundamentally about the inequality of opportunity for women in Western Sydney.



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FIXING CREEP, NOT PROVIDING RELIEF

Ultimately, the tax cuts are not about the cost of living. They simply correct the impact of bracket creep that has occurred since the last major tax changes in 2000. The tax cuts are also required to maintain total tax receipts below the acceptable level of 23.9 per cent of GDP.⁴

Workers earning \$190,000 pay an average income tax rate of 29.6%

Workers earning \$45,000 pay an average income tax rate of 11.3%

Our tax system is progressive, meaning those on higher incomes pay higher average tax rates. For example, in 2022–23, someone earning \$190,000 pays an average income tax rate of 29.6 per cent, while someone on \$45,000 pays an average income tax rate of 11.3 per cent.⁵

Because incomes grow in nominal terms through time (even if real wages do not), everyone pays higher average tax rates through time, and the total tax revenue from income taxes grows. The federal government needs to keep the total income tax amount below 23.9 per cent, which has been creeping up due to higher nominal incomes.

Therefore, tax brackets must be either tied to nominal income growth, or periodic tax cuts must be offered to keep the percentage of revenue derived from income taxes below the desired level.

Another implication of bracket creep and marginal tax brackets is that lower-income earners, including women, suffer more from bracket creep over time. This occurs because the increase in the marginal tax rate at the \$45,000 tax bracket is larger than the increase at the higher tax brackets.⁶

Bracket creep will continue to erode the impact of the Stage 1, 2, and 3 tax cuts in the future, with higher nominal incomes leading to higher average tax rates.⁷



THE DISPARITY IN COST-OF-LIVING RELIEF

Higher income levels in the rest of Sydney compared to Western Sydney drive disparities in tax cuts. This reflects the existing inequality illustrated in Map 2, which records the annual average income levels in different LGAs.

Differences in average annual incomes in Western Sydney versus the Rest of Sydney:

Western Sydney: \$71,930

Rest of Sydney: \$91,886

Income gap: \$19,956

It also reflects the lesser degree to which Western Sydney residents work in high-paying finance and professional services industries compared to the Rest of Sydney (see Map 3).⁸

The disparity also occurs because the tax cuts do not change the tax system's progressivity. As per the Coalition Government's attempt to make the tax system more regressive with their stage 3 tax cuts, the current Labour Government could have shifted the tax system to one more progressive. Instead, the tax change is broadly flat, leaving the tax system's progressivity the same.⁹

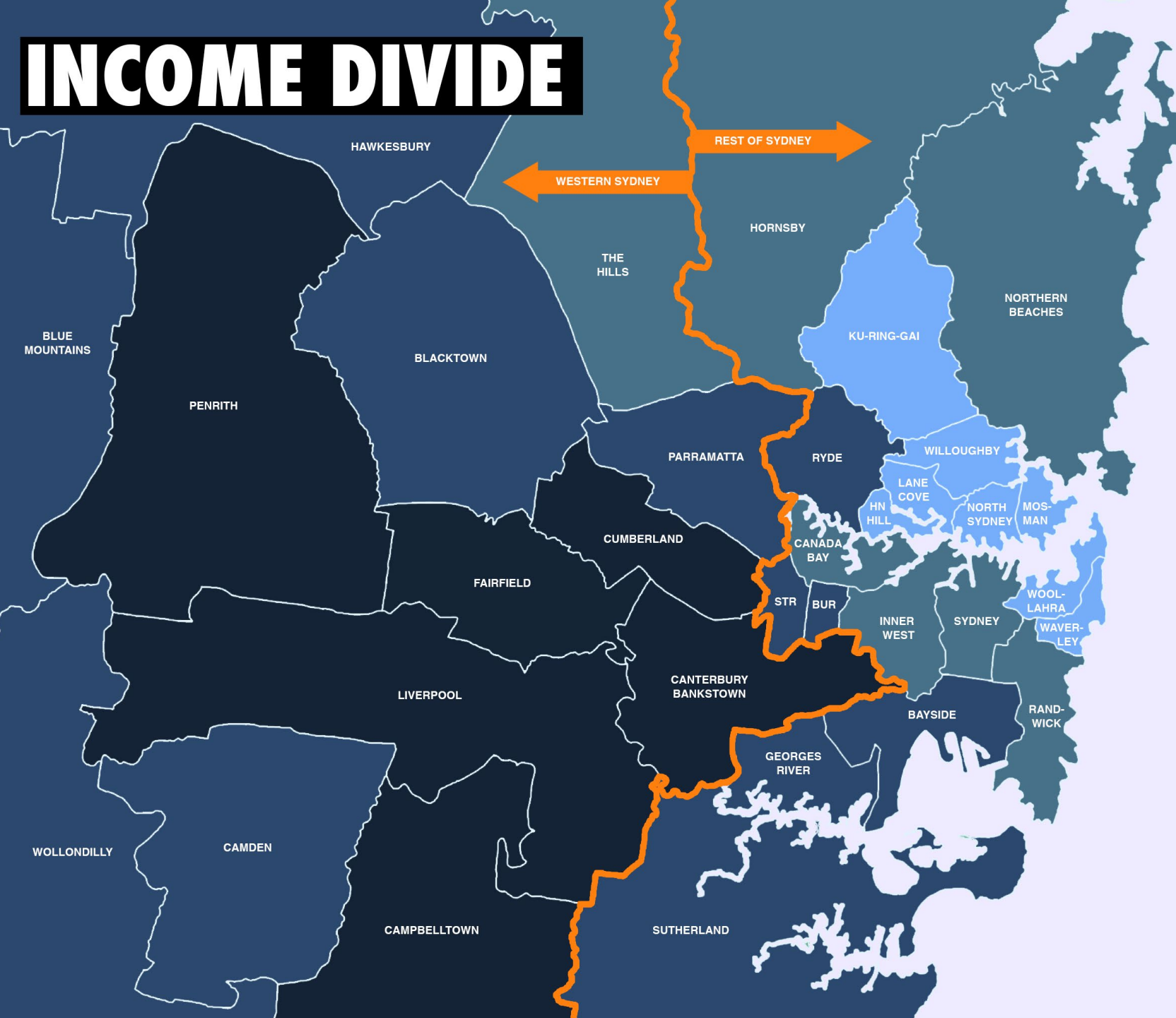
These trends point to the importance of the Future Made in Australia policy, which is expected to benefit Western Sydney and lead to higher incomes. Some economists have rallied against the policy, arguing it shifts resources (land, labour and capital) away from higher-valued uses. However, as the economy is already distorted by institutions, market power, environmental pollution, a lack of information, and political and economic power relations, many resources are not currently used to their highest value. This budget tactically reallocates resources to where they will be most needed to take advantage of future industries.

INCOME DIVIDE

Mapping and analysis by the Centre for Western Sydney
www.westernsydney.edu.au/cws

Map 2: Average Incomes

Average annual incomes by LGA¹⁰



\$59.9k	Fairfield	\$84.5k	Ryde
\$66.0k	Campbelltown	\$87.5k	Hornsby
\$66.3k	Cumberland	\$88.4k	The Hills
\$67.6k	Canterbury-Bankstown	\$92.6k	Northern Beaches
\$68.0k	Liverpool	\$93.2k	Canada Bay
\$69.8k	Penrith	\$93.5k	Randwick
\$70.2k	Hawkesbury	\$96.0k	Sydney
\$72.0k	Wollondilly	\$96.2k	Inner West
\$72.2k	Blacktown	\$102.2k	Willoughby
\$72.4k	Burwood	\$102.6k	Kuringai
\$74.5k	Camden	\$106.0k	Lane Cove
\$74.7k	Georges River	\$106.4k	Waverley
\$75.9k	Bayside	\$109.0k	Hunters Hill
\$76.6k	Blue Mountains	\$110.7k	North Sydney
\$77.0k	Strathfield	\$115.0k	Mosman
\$79.3k	Parramatta	\$115.7k	Woollahra
\$84.2k	Sutherland		

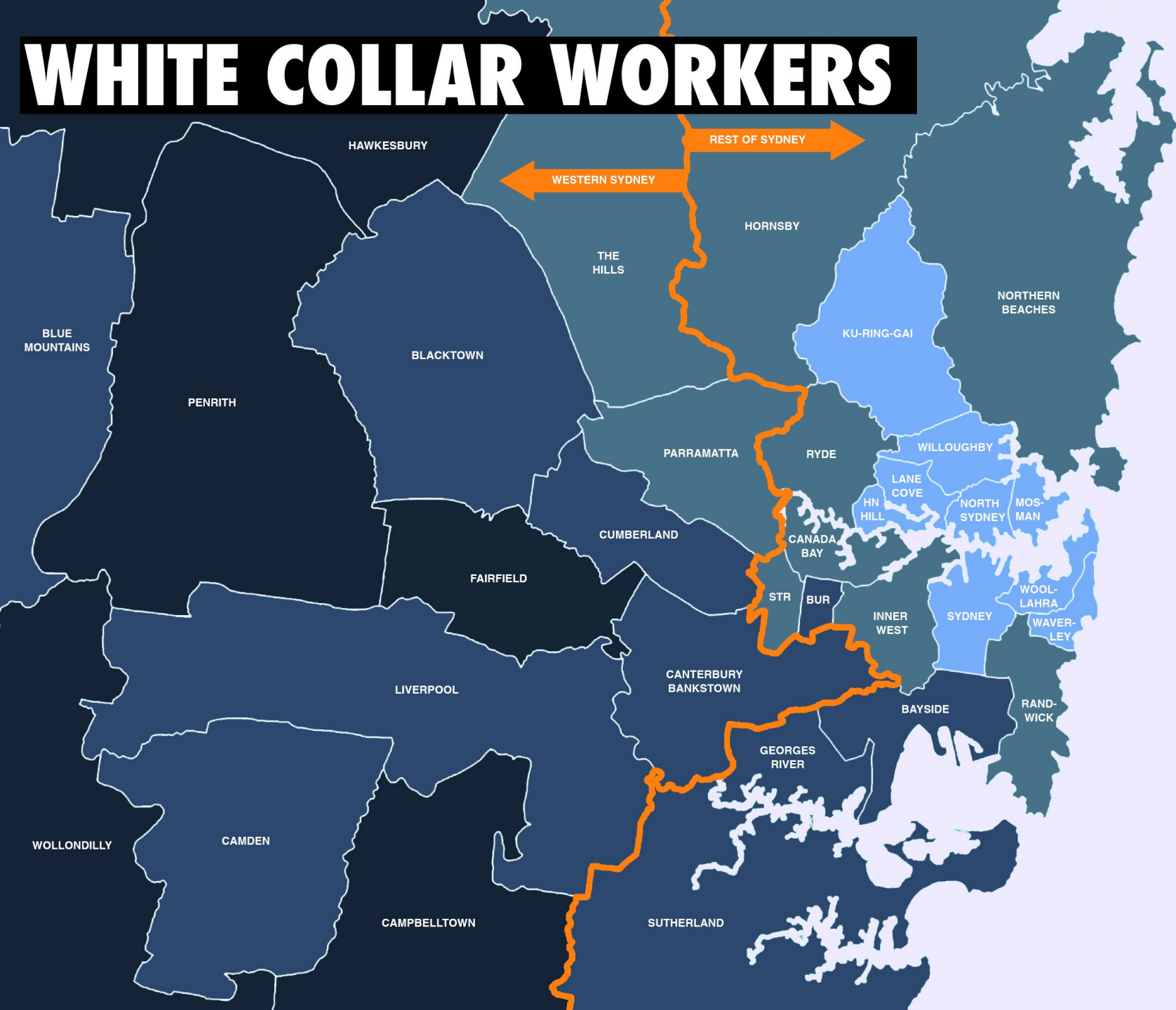


WHITE COLLAR WORKERS

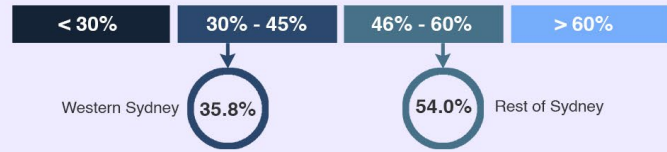
Mapping and analysis by the Centre for Western Sydney
www.westernsydney.edu.au/cws

Map 3: Managers and Professionals

The proportion of earners who are managers and professionals by LGA



25.4%	Fairfield	48.6%	Parramatta
28.3%	Penrith	51.4%	Northern Beachers
28.4%	Campbelltown	51.4%	The Hills
29.0%	Wollondilly	52.9%	Ryde
29.6%	Hawkesbury	53.2%	Hornsby
31.7%	Liverpool	54.7%	Canada Bay
33.6%	Cumberland	59.7%	Inner West
33.7%	Camden	60.3%	Sydney
34.7%	Blacktown	62.1%	Willoughby
34.8%	Canterbury Bankstown	62.9%	Hunters Hill
40.0%	Bayside	63.9%	Waverley
41.1%	Georges River	63.9%	Ku-ring-gai
42.5%	Burwood	64.7%	Lane Cove
43.4%	Sutherland	66.3%	Mosman
44.4%	Blue Mountains	68.1%	North Sydney
46.0%	Strathfield	69.1%	Woollahra
46.1%	Randwick		





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TARGETED RELIEF NEEDED

As described in Map 2, Western Sydney earners record lower incomes compared to the rest of Sydney.

“The people of Western Sydney have suffered the biggest impact of the interest rate and inflation rises over the last two years.”¹¹

Lower-income households pay a larger proportion of their budget on housing and food and suffer more when housing and food costs rise.

Western Sydney also records a lower labour force participation rate and lower women’s labour force participation, resulting in many members of the community not receiving any tax cut relief.¹²

There are also more people in Western Sydney receiving Commonwealth Rent Assistance for their housing, meaning that a higher proportion of the population in Western Sydney is at risk of financial stress associated with rising housing rents.

For these reasons, Western Sydney households need more cost-of-living relief, not the lower level of relief provided by the tax cuts.



ADDRESSING WESTERN SYDNEY'S NEEDS

Ultimately, the tax cuts are not about the cost of living. On average, residents in Western Sydney receive far less tax relief than residents in the rest of Sydney.

“More holistic and considered measures for the cost of living are needed to take the pressure off the families doing it tough”.

Budget cost-of-living relief measures need to be improved, particularly those for rent assistance, energy affordability, the cost of childcare, and additional support for the high cost of food and services.

There is a need to improve infrastructure spending in Western Sydney to improve connectivity with support for roads and additional public transport. The government also needs to support local businesses in taking advantage of the Future Made in Australia funding by providing incentives to scale up and enter global supply chains. This way, the government can help attract investment, Western Sydney into a core rather than a peripheral economy and increase local, well-paying jobs.¹³



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APPENDIX A: METHOD FOR CALCULATING THE IMPACT OF THE STAGE 3 TAX CUTS

The estimates for the Stage 3 tax savings per earner by LGA or the Western Sydney and rest of Sydney regions are based on available data. To calculate the Stage 3 tax cuts, we did the following analysis:

- Data was sourced on resident earnings per week by region from the 2021 Census.¹⁴ The data appears in income scales and indicates the number of resident earners in the following income ranges (per week):
 - \$1–\$149, \$150–\$299, \$300–\$399, \$400–\$499, \$500–\$649, \$650–\$799, \$800–\$999, \$1,000–\$1,249, \$1,250–\$1,499, \$1,500–\$1,749, \$1,750–\$1,999, \$2,000–\$2,999, \$3,000–\$3,499, \$3,500 or more
- The average of each range was used, assuming that the top income level per week was \$3,999 and taking a conservative approach. Thus, the average income in the top range was \$3,750 per week. This is a yearly income of \$194,974, far below many people's yearly income, particularly those residing in some of the eastern LGAs.
- Using the average, the existing tax paid¹⁵ and the old and new tax cuts were calculated.¹⁶ These figures included Medicare levy payments and the low-income tax offset.
- Deductions were not calculated; therefore, gross income reported in the Census was assumed to be equal to taxable income.
- The tax cuts per income range were multiplied by the number of people in that range in the region and summed across all income ranges to obtain an aggregate tax cut amount for the region.
- The aggregate tax cut for the region was divided by the total number of earners to obtain the average tax cut per earner for the region.
- Taking a conservative approach, the average income by region was calculated using a similar method. The averages of the income ranges above were multiplied by 52 for yearly income and by the number of people in those brackets in specific regions. This total income was summed and divided by the total number of people in the region to obtain the average income level in each region.



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³ Refer to Appendix A for calculation methodology.

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¹⁰ Refer to Appendix A for calculation methodology.



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**CENTRE FOR
WESTERN SYDNEY**

About the Centre for Western Sydney

WESTERN SYDNEY UNIVERSITY is the only university in NSW with a legislated commitment to conduct research that meets the needs of Western Sydney communities. Fulfilling this unique mandate for research, the University established the Centre for Western Sydney in 2014.

Combining world-class research expertise with frank and fearless advocacy on issues of importance to Western Sydney, the work of the Centre for Western Sydney is guided by its ambition for a thriving Western Sydney that is understood and respected for its strengths and contributions regionally, nationally and internationally. Delivered through a strong politics of listening, the Centre aims to drive informed dialogue and action in the region.



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