

NO OPTION

Public Opinion and the Prospects
of Tax Reform in South Australia



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Australia**

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Summary

This is the third report from a survey of 1,000 South Australians conducted by Mint Research on a range of issues around state taxes. The first report, *Unfinished Business* (SACOSS, 2017a) focused on the responses to particular tax reform proposals being canvassed by SACOSS (from our submission to the State Tax Review (SACOSS 2015)), while the second report, *Reality Check* (SACOSS, 2017b) focused on attitudes to government expenditure. This report analyses the underlying attitudes and understandings of state taxes among survey participants and considers the possibilities for and barriers to further reform of state taxes.

This summary highlights the headline data and implications from the survey, but the body of the report contains analysis of data disaggregated by demographic group and voting intention.

Attitudes and Understanding of Taxation

Given SACOSS' concern for an adequate and sustainable tax base to pay for vital services, it was pleasing to see the overwhelming recognition that taxes are necessary to pay for goods and services – with only 5% actually disagreeing. Further, there was little entrenched support for the libertarian proposition that taxation is by definition a curtailment of freedom, and only 1 in 3 respondents viewed taxes as a burden on economic growth. By contrast, far from being concerned about “nanny state” taxes, there was a strong level of support (68-77%) for using the tax system to encourage behavioural change.

That said, when moving below the broad understanding of the role of taxes, the knowledge of the functioning of taxation and of individual state taxes was more limited. When asked about their knowledge of particular taxes, a majority of respondents said they knew more than a little about only two taxes: vehicle registration/drivers' licences, and the Emergency Services Levy (ESL).

The relative knowledge of different taxes was probably also a factor in responses which saw real estate stamp duties and the ESL identified as the most unpopular state taxes (highest priority to cut).

This lack of detailed knowledge of state taxes may be a constraint on tax reform, but a bigger (though related) issue is probably what could be called the default position, that taxes are too high. 64% of respondents said that state taxes were too high and only 4% thought that they were too low. When prompted to consider the various services provided by the government about half still thought that state taxes were too high.

Yet there is a contradiction here: 68% of respondents also believed that the total amount of government spending on public infrastructure and services needed to be higher, but with the exception of health (and to a lesser extent education and health) there was little willingness to increase taxes to pay for those services.

A majority (54%) of respondents also thought that the level of state taxes was comparatively higher than elsewhere. There was a strong correlation between this view and the belief that SA taxes were too high overall: 87% of those who thought SA taxes were “way too high” also thought that they were comparatively high; and 84% of those who thought South Australian

taxes were higher than elsewhere thought that the overall level of SA taxes was too high. However, by most measures SA taxes are not comparatively high, which means that there is an educational challenge to increase understanding of SA taxes, but also a possibility that if people did not think that SA taxes were comparatively high they may not think they were generally too high. In turn, they may be more open to paying more to provide the services they identify as wanting.

Accordingly, SACOSS is calling for better public communication around taxes, including the need for budget papers and other communications to highlight not just new measures, but also key aspects of government expenditure and revenue – such as:

- Government expenditure as a share of the economy (17.2%);
- State taxes as a share of government revenue (24.3%) and of the economy (4.4%)
- The key sources of state taxes;
- The key areas of state expenditure – see graph and discussion in *Reality Check* (SACOSS, 2017b, p5); and
- Comparisons with other states and territories.

While these figures are available, they are not widely known and this lack of knowledge limits public debate and the extent to which public opinion can be a good guide to public policy.

Budget Strategies

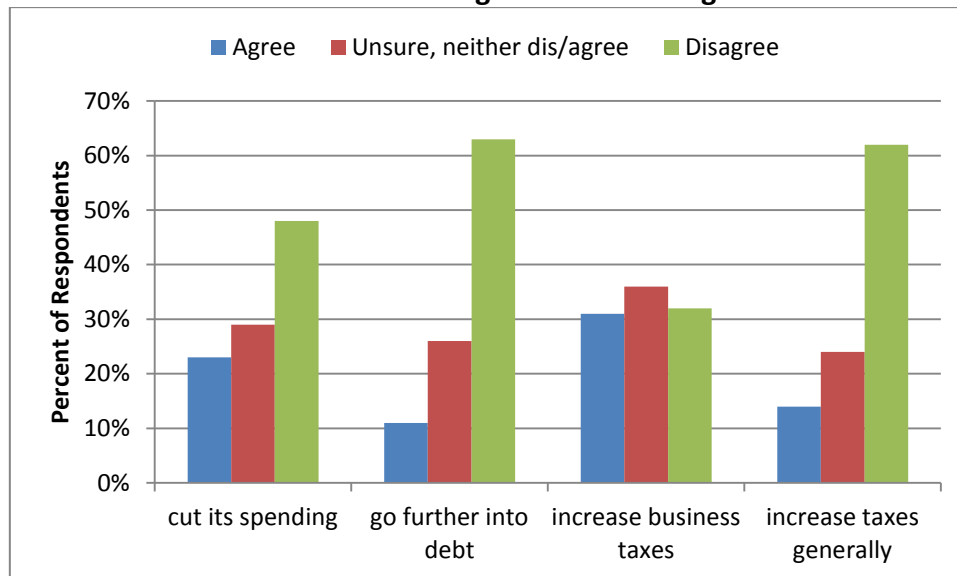
The importance of greater public understanding of government revenue and expenditure was clear when the survey considered different strategies to meet budget pressures.

While costs and demand for services is not decreasing, nearly two-thirds (62%) of respondents disagreed with increasing general taxes to address state budget pressures, although the level of disagreement dropped markedly when the proposition was increasing taxes only on business. Health was the *only* area of expenditure where a majority of respondents said they would be prepared to pay more taxes to support spending, but there was also some willingness to pay more tax for education and community services.

The problem for any government though is broader than taxes in that none of the obvious strategies for dealing with budget pressures have popular support. The survey tested a number of approaches to managing budget pressures: cutting spending, going further into debt, increasing taxes generally, or increasing only business taxes.

As evident in the following graph, the most popular of these was raising business taxes, but it was still only supported by around 1 in 3 respondents – and more people actually explicitly disagreed with that approach than supported it.

Attitudes to Different Strategies to Meet Budget Pressures



There are of course other potential strategies to address budget pressures. Recent budgets have relied to some extent on privatising government assets or services or increased revenue from South Australia's share of the GST (SACOSS, 2016a), but such strategies are not long term or ones that the government can control. Other strategies like increased fees for services were tested in the survey in relation to health, where cost pressures are particularly acute, but these were not widely supported or capable of addressing overall budget pressures.

So notwithstanding temporary fixes and the unpopularity of most budget repair measures, there remains real long term budget pressures. The State Budget papers show decreasing revenue and expenditure over the forward estimates (Govt of SA, 2016a), while there are a range of external pressures from economic, demographic and social changes which will result in both rising costs and increasing demand for services. In this context, the popular desire for lower taxes and more services is particularly unhelpful and suggests that the public has not yet come to grips with a fundamental challenge facing the government and community.

Instead, the survey (and other SACOSS research) has identified a number of strategies which, while not unreasonable in themselves, avoid rather than address these complex and difficult challenges. For instance:

- The demand to eliminate perceived government waste to free-up money for services is based on problematic assumptions (which may result in cuts to services and amenity) and in any case the magnitude of the waste identified was not on a scale to address macroeconomic budget pressures.
- Hoping economic growth will provide the necessary funds to pay for services is easier to say than achieve and there are several factors militating against this being the panacea often thought (e.g. the scale of growth required, Baumol's "cost disease", and further government expenditure being required to achieve growth).

- Assuming that “others” (e.g. business, or richer people) should pay more tax is often based on a misunderstanding of the incidence of many state taxes and the scale of revenue capture possible.

While all these strategies may make a contribution to revenue and to relieving budget pressures, they are unlikely to make budget pressures disappear. Accordingly, we still need to have a real revenue debate stripped of unrealistic “fixes”. That debate will require both a greater level of public knowledge of state finances, and leadership from politicians, commentators and interest groups to rise above populist notions of government waste, high taxes and economic growth panaceas. We need a debate that starts from a recognition that South Australia is not highly taxed comparatively, spends more as a proportion of its total budget on health, education and community services than any other state or territory, and that we need taxes to fund vital services. If we had a political consensus around those facts, then we could have a proper debate about policy differences and the appropriate level of taxes and government spending.

Introduction

To further what SACOSS believes is a necessary and important discussion of state taxes – and particularly how we raise the revenue to pay for vital public infrastructure and services, we commissioned Mint Research to do a survey of 1,000 South Australians on a range of issues around state taxes. The results are presented in three reports. The first report, *Unfinished Business* (SACOSS, 2017a), was published in March 2017 and focused on the responses to particular tax reform proposals being canvassed by SACOSS (from our submission to the State Tax Review (SACOSS, 2015)). The second report, *Reality Check* (SACOSS, 2017b), was published in May 2017 and focused on attitudes to government expenditure.

This is the third and final report. It analyses the underlying attitudes and understandings of state taxes among survey participants and considers the possibilities for and barriers to further reform of state taxes. The demographic base of the survey and the survey questions referred to in this report are included in the Appendices. The title *No Option* refers both to the lack of public support for any real option for addressing the issues around a sustainable tax base to pay for vital services, but also to the fact that future state governments (of any colour) will have no option but to address these revenue questions.

The “revenue problem” for the state was set out in *Unfinished Business* with SACOSS’ concern around historically low levels of state government revenue (hidden more recently by the selling off of the business of the Motor Accident Commission, but with both revenue and expenditure both projected in the last state budget to fall in coming years). This will inevitably call into question the government’s ability to fund public infrastructure and services, and SACOSS is concerned that cuts in services impact particularly harshly on vulnerable and disadvantaged people who rely more on those services and do not have the resources to secure them privately.

As noted in *Unfinished Business*, the survey is important because there are few such surveys focussed on state taxes, and fewer still focussed on South Australia. The survey is also particularly important because it comes in the context of the run into a South Australian state election in March 2018. While SACOSS is not party-political and hopes all political parties will take up the policy proposals it puts forward, tax reform is an inherently political process. How taxes are understood and how reform proposals will play out in the electorate are therefore vital parts of the tax policy process.

Accordingly, SACOSS segmented the survey based on the voting intention of respondents. The survey listed only South Australian parliamentary parties¹, plus a generic Independent category, undecided (“unsure”) voters, and a miscellaneous “Other” category. This “Other” category would include all non-parliamentary parties (such as One Nation) – although with less than forty people in the survey in each of the Independent, Other, and Family First categories, numbers were fairly small and the results should be treated with caution. However, where there were significant differences in response to survey questions based on voting intention, these will be discussed alongside other demographic differences.

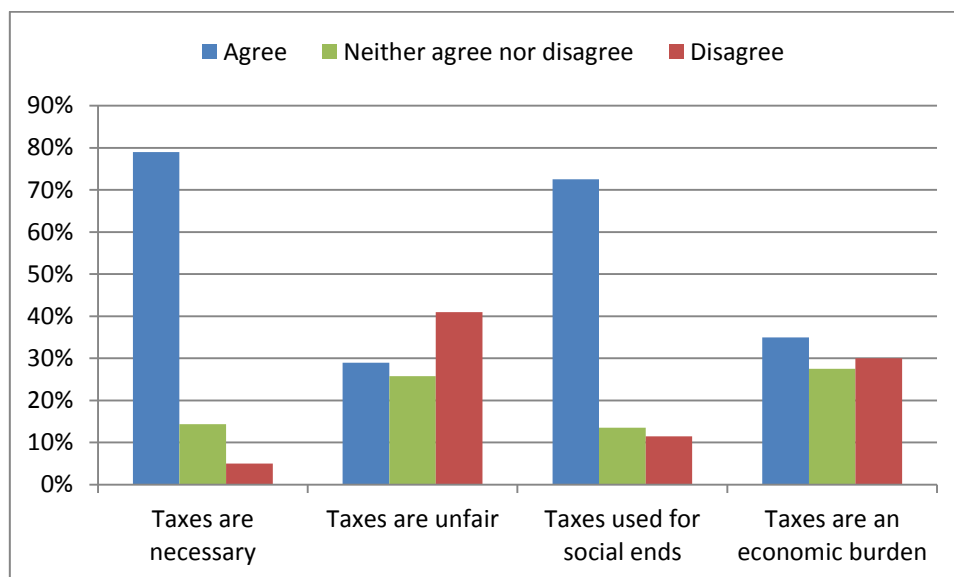
¹ The survey pre-dated Family First’s merger with the Australian Conservatives, and the name Family First is used in this document because that was the name used in survey questions.

Attitudes to Taxation

It is difficult to talk about attitudes to taxation in isolation as inevitably people's opinions are conditioned by values and economic ideologies (whether explicitly understood or not), by their particular circumstances, their experiences of both paying tax and receiving government services, and by their view of the expenditures made by government. As noted above, views on government services and expenditure were dealt with in the second report in this series, and throughout the survey the different personal circumstances were captured to some extent by the demographic data.

In relation to overarching values and economic ideologies, the survey tested some basic value-propositions about taxes. These were designed to reflect propositions of different broad economic theories: at one end, support for taxes inherent in a welfare state; at the other, the libertarian notion of taxes as (by definition) depriving individuals of their free choice about what to do with their resources. Similarly, we tested the neo-liberal proposition that taxes are a burden on economic growth, as well as non-economic propositions about using taxes as a deliberate form of socio-economic intervention. The responses are presented in Figure 1 below.

Figure 1: Summary of Attitudes to Taxation



Given SACOSS' concern for an adequate and sustainable tax base to pay for vital services, it was pleasing to see the overwhelming recognition that taxes are necessary to pay for goods and services – with 79% agreeing and only 5% actually disagreeing. Further, there was little entrenched support for the libertarian proposition that taxation is by definition a curtailment of freedom, or for the neo-liberal proposition that taxes by definition are a burden on economic growth. Only 8% *strongly* agreed with either proposition, although there was some support with 21% and 27% respectively agreeing (but not strongly) with the proposals.

In the case of the proposition about taxes being a burden on economic growth, more people agreed taxes were an economic burden than thought that this was not the case, but there

was also strong support for using taxes to influence social behaviour (“taxes for social ends”) – which would be an anathema to neo-liberal and libertarian economic traditions.

There were few significant differences in these responses between different demographic groups. The most significant was that those in higher income brackets (over \$84,000 per year) were more likely than those on lower incomes to see taxes as necessary to provide goods and services, and also more likely to disagree that taxes limited personal choice. This is somewhat perverse given that those on higher incomes are more able to pay for services not provided by government. Two-thirds of those in the lowest income bracket agreed that taxes were necessary to provide goods and services, but the fact that this was significantly lower than the 88% among those in the highest bracket suggests some level of alienation from government from those on low incomes – a feeling that the government is not working for them.

The other significant differences were in relation to voting intentions. While support for the proposition that taxes are necessary to pay for services averaged 79% across the survey, among those who would vote “Other” parties it was only 52%. “Other” voters also showed stronger support for the libertarian proposition that taxes were inherently unfair or a burden on liberty; at 55% support it was the only voter group to have majority support for the libertarian proposal. Again, the numbers were small here (constituting just 3% of voters in the sample), so the results should be treated with some caution, but the data may reflect a pocket of right-populist views in the community associated with One Nation.

The libertarian proposition also had higher than average support among Family First, Liberal and Xenophon Team voters, but for those groups it was still only around 1 in 3 voters and (unlike the “Others”) all those parties’ voters had high levels of support for the proposition that taxes were necessary to pay for services.

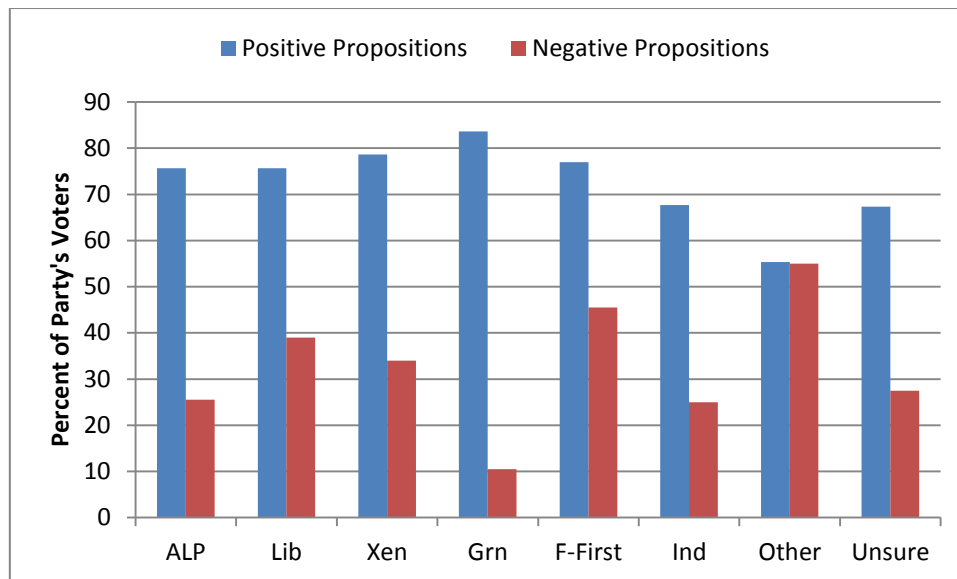
Figure 2 below summarises the attitudes to taxation by voting intention by clustering the attitude statements into those that are supportive of a positive role for taxation (provision of services, behaviour change), and those that are negative (infringe on liberty, economic burden). That is, it shows the average of the response rates of each voter group to the three positive questions and to the two negative questions. This is admittedly a fairly crude methodology, but it does show some key differences in general attitudes.

In this schema, Greens voters were most likely to be open to a positive role for taxation, with Xenophon and conservative voters taking on more of the libertarian and neo-liberal positions – but still seeing much more of a positive role. Again, the Other voters are most likely to see downsides in taxation and least likely to see the benefits, although for all the minor parties the numbers were low and should be treated with some caution.

Perhaps most interestingly, those who would vote Independent or were unsure how they would vote were more likely to support the positive propositions about tax than the negative ones. Their answers were not statistically very different from Liberal and Labor voters’ attitudes (although with more “unsure”), suggesting that if the major parties were trying to win those voters over they would be better served by middle-of-the-road tax

approaches rather than policies and/or rhetoric underpinned by the libertarian or neo-liberal tax policies.

Figure 2: Attitudes to Taxation by Voting Intention



It should be noted that while the questions discussed above were designed to reflect broad theoretical approaches, neither the questions nor the results reflect on the validity of any of those theoretical propositions. The purpose of the survey was simply to test the penetration of such ideas in the community. In this context, if there was any conclusion to be drawn from the data, it would appear that the people understand taxes not simply through a narrow economic framework, but also with a mind to social questions – including the things provided for by taxation.

Behaviour Change Taxes

This social approach to taxes is particularly evident in relation to taxes levied for social ends, that is, taxes designed to encourage behaviour change. Such taxes are usually viewed with suspicion by economists who refer to the need for taxes to be “efficient”. Indeed efficiency was one of the goals of the State Tax Review (2015a, p6). However, this efficiency is not simply a calculation of the costs of collecting a tax against the amount of revenue raised (although that is important). Rather, in tax terms “efficiency” usually refers to whether, or the extent to which, a tax changes the market decisions. The goal is for minimal impact because of the economic assumption that markets are the expression of each individual’s optimum choice – and therefore anything which changes that choice by definition will lead to sub-optimum outcomes. For instance, if the tax on the sale of houses discourages people buying or selling a house that they would otherwise buy or sell, then that tax is seen as inefficient because it discourages people from making the decision best suited to them (as judged by them through their original pre-tax decision to buy or sell).

There are of course a number of critiques of the assumptions underpinning this approach, but even within mainstream economics there is an exception to this optimisation where there are “external” costs which are not factored into the market price mechanisms. For

instance, the costs to employers or the community of increased crime arising from gambling or drug addiction is not taken into account in the market decisions of consumers or of suppliers of betting services, drugs and alcohol.

In economic terms, these externalities can be factored into economic decision-making by Pigovian taxes (named after the economist Arthur Pigou). These taxes essentially try to calculate the value of the external costs and impose a tax which will collect the same amount of money, meaning that in theory the market price (including the tax) will reflect the normal supply costs plus the externalised costs represented by the tax. The market decisions will then still reflect optimising outcomes, but taking account of all costs.

SACOSS argued in *Losing the Jackpot* (SACOSS 2016b) that there may be practical and ethical limitations of Pigovian taxes in some instances, but it should also be recognised that markets reflect *effective* demand (i.e. the demand of those with the money to meet their demand), rather than the actual demands of those with the least resources to bring to the market. Accordingly, while markets have a key role in efficient allocation of resources, it should not always be assumed that markets reflect the collective needs and demands of the community or that economics is the only or most legitimate way to determine community needs. The expression of community wants through the political system is not perfect, but it is nonetheless a legitimate and important expression of community wishes and there may well be times where the choices of the community made through government are better than those expressed through the market (McAuley & Lyons, 2015).

In this context, there is a role for taxation in some areas to go beyond economic efficiency and deliberately seek to change behaviour – for instance by being a tool in driving down smoking rates. However, since the narrow economic paradigm is so entrenched in tax debates – and given attacks by think-tanks like the Institute of Public Affairs on “nanny state” taxes (Novak, 2012), SACOSS tried to test support for the general proposition that taxes should be used to change behaviours.

The survey asked how strongly respondents agreed/disagreed with two statements, the first suggesting using taxes to discourage negative social behaviours (e.g. taxing socially harmful products like smoking) and the second suggesting giving tax breaks for certain products (e.g. fresh food) or behaviours (e.g. recycling, sustainability) to encourage positive social behaviours.

While the use of specific examples was necessary to provide clarity to what the proposition meant, there could have been some biasing of general responses depending on attitudes to the particular examples mentioned. Nonetheless the results in Table 1 suggest that, far from being concerned about “nanny state” taxes, there is a strong level of support for using the tax system for behavioural change.

Table 1: Social Taxes

	Taxes to discourage negative behaviours % of respondents	Tax concessions to encourage positive things % of respondents
Agree	68	77
Neither Agree nor Disagree	14	12
Disagree	15	7
Unsure/Don't know	3	3

Women were significantly more likely to support taxes being used to promote positive things (82% support among women, 72% among men), but this did not translate to taxes discouraging negative behaviours where support rates were basically the same (68-69%).

Support for behaviour changing taxes was highest among high income earners, while those in the lowest income quintiles were least likely to support such taxes with only 57% support for negative taxes and 70% for positive change taxes. These income differentials could be either due to the relatively lesser financial impact of social taxes at the higher income levels, and/or because of the mention of smoking in the question – which disproportionately impacts on those with low incomes due to higher smoking rates and higher costs relative to income. Again though, there was strong support for using taxes for behaviour across all income quintiles.

Support for behaviour change taxes was highest among Green voters (82% for negative behaviour taxes, and 87% for positive change taxes), but there was broad support for taxes to promote positive change (68% or more) from all parties' voters. The lowest support figures (although less reliable because of low base numbers) were among independent and "Other" party voters.

The strong support for the principle of using taxes to encourage behaviour change flowed through in the survey to support for the specific gambling reform proposals discussed in *Unfinished Business*: 63% of respondents supported and only 16% opposed the proposal to have higher rates of taxes on high intensity poker machines (SACOSS, 2017a). As that report noted, this was the most popular tax reform proposal tested in the survey and should in fact be the easiest reform proposal to achieve – particularly if the differential tax rates proposed replaced the existing tax discount for clubs and gave venues the choice of lower taxes on lower intensity machines, or higher taxes if venues choose to run high intensity machines.

Knowledge of State Taxes

While there is a broad understanding of the role of taxes, the knowledge of the functioning of taxation and individual state taxes is more limited. Given earlier SACOSS research had identified some public confusion or failure to distinguish state and federal taxes, and in order to be sure that respondents knew the state taxes being considered, for this survey we asked about individual state taxes and gave a short (1 sentence) explanation of them – usually simply in terms of what was taxed and/or who paid the tax (in the immediate sense). The explanations were bland and limited so as not to bias responses (see the questions in Appendix 2), but we then asked respondents how they rated their knowledge of each of the main state taxes.

Table 2: Knowledge of State Taxes

	I know a reasonable amount or a lot %	I know a little %	I don't know much %	I have never heard of it %
Land Tax	30	33	33	4
Payroll Tax	34	35	27	4
Stamp Duty on Insurance	25	32	36	7
Stamp Duty on Vehicle Transfers	43	35	20	2
Stamp Duty on Real Estate	42	30	24	4
Vehicle Registration & Drivers' Licences	64	26	10	1
Emergency Services Levy	53	31	14	2
Gambling Taxes	18	30	42	11

These results were also obviously subjective given that it was a self-assessment. Apart from one instance discussed below in relation to the level of taxation, the survey did not test whether respondents' understandings were correct or a reasonable assessment of their level of knowledge. However, the results show a fairly low level of knowledge of state taxes overall with just two taxes having a majority of respondents saying they knew more than a little.

Understandably, the taxes where there was the most knowledge were vehicle registration and drivers licence, and the ESL – all of which are regular taxes levied explicitly and directly on most people. By comparison, knowledge of gambling taxes was quite low as these are levied on gambling providers, not gamblers, and would not be seen as relevant to those who don't gamble (despite being the 5th largest state tax).

While this low level of understanding of specific taxes may be understandable, it does create a problem for tax reform. It is hard to debate, for instance, replacing stamp duty on real estate sales with land tax, when 2 in 3 people know "little" or "not much" about land taxes. Similarly, it is hard for a government to get credit for good tax reform, such as (as SACOSS sees it) the introduction of a point-of-consumption wagering tax, when half the population knows little or nothing about gambling taxes. In this environment, tax debates are likely to be the domain of self-interest where the voices of those impacted are

magnified while most people are silenced by not knowing much about it – even though those taxes are crucial to paying for the services they may rely on. Further, the low level of detailed tax knowledge means that reform debates are more vulnerable to public scares and misinformation because many people don't have a solid information base.

Given this, it would appear that a significant part of the challenge of tax reform is the educational challenge to lift the base level understanding of state taxes. The State Tax Review Discussion Paper was a good start in outlining key issues, but inevitably it is a longer term process. As a next step SACOSS would like to see the State Budget documentation and the debate around it include not just information on the various budget measures announced, but also on existing revenues and expenditures. For instance, for understanding the context of particular budget measures or even the macroeconomic indicators like debt and deficit, it would be worth having upfront figures like:

- Government expenditure as a share of the economy (17.2%);
- State taxes as a share of government revenue (24.3%) and of the economy (4.4%);
- The key sources of state taxes;
- The key areas of state expenditure – see graph and discussion in *Reality Check* (SACOSS, 2017b, p5); and
- Comparisons with other states and territories.

These figures are available in the budget papers (Govt of SA, 2016a), but they are buried. It should not be left to SACOSS or other commentators with limited resources and reach to highlight these figures when it is clear from the survey that there is little public understanding of how the budget is raised and spent.

Further, while government advertising is often fraught – and even counterproductive – it might be worth investigating how to present this data in a non-partisan way to better inform public debate.

Most Unpopular State Tax

The level of knowledge of state taxes also impacts on the support for particular taxes. Survey respondents were asked which tax should be reduced if, hypothetically, they could reduce one state tax without impacting on service provision. This formulation took the issue away from service provision and overall approaches of taxation, and in a sense identified the most unpopular state tax. As Table 3 shows, one in four respondents said that real estate conveyance duties should be reduced – making it the most unpopular state tax.

Table 3: Highest Priority for Reducing Tax

	% of respondents
Land tax	10
Payroll tax	13
Stamp duties on insurance	6
Stamp duty on transfer or purchase of motor vehicles	5
Stamp duty on transfer of real estate	25
Vehicle registration and driver's licences	19
Emergency services levy	20
Gambling taxes	4

There were several differences between demographic groups in response to this question. Those in the highest income brackets (above \$84,000) and those over 60 years old were least likely to favour reducing vehicle registration and drivers' licences. This probably reflects the small proportion of household expenditure on those taxes for those on high incomes and the existing pensioner concessions for driver's licences and registration fees. By contrast, respondents living in regional areas were more likely than those in Adelaide to identify driver's licences and vehicle registration as the priority for reducing taxes (23%:17%). Those in the highest income bracket were also more likely than others to identify payroll tax and real estate stamp duty reduction as the priority. Meanwhile, the ESL was the second most identified priority for reducing taxes, but there were no significant demographic differences by age, gender, income or location.

More important than these demographic differences was with the relationship to knowledge of state taxes. The relatively low numbers identifying land tax, stamp duties on insurance and purchase of motor vehicles was consistent with lower levels of knowledge of these taxes and the limited direct personal impact of these taxes. Similarly, the low numbers prioritising cutting gambling tax figure could be a product both of the low knowledge of gambling taxes and the high level of support for social taxes.

At the other end of the spectrum, the relatively larger preference for reducing conveyance duties, vehicle registration and the ESL could be attributed to both higher knowledge of the tax and the direct personal impact of those taxes. However, it is not a straight correlation as the Emergency Services Levy was the best-known tax in the survey with more than half of the respondents saying they knew a reasonable amount about it (or more), yet only one in five saw it as the first priority for a tax reduction.

In this sense, the fact that real estate conveyance duties rated as the tax that the highest number of respondents would want to see reduced is possibly less about its efficiency or appropriateness as a tax (which will be discussed further below), and more about it being a tax with a relatively large impact on a wide number of people (including those who do not pay it but for whom it adds a barrier to home ownership).

It is also interesting to note that the relative unpopularity of stamp duties on real estate did not translate (at least not overwhelmingly) into support for the proposal to replace such conveyance duties with an annual land tax (discussed in *Unfinished Business* (SACOSS, 2017a)). Only 28% of those who nominated stamp duties as the tax they would most like to see reduced liked the idea of replacing them with an annual land tax. While this was higher than the support for the proposal among all respondents (23%), nearly half (45%) of those who wanted conveyance duties reduced were unsure about the proposal to replace them with a land tax.

Again, the inconsistency in public opinion and low levels of knowledge reflected in these responses points to an educational challenge but it also means that public sentiment may not be a good guide for public policy – and in the long term that is problematic because it disempowers the community and limits the possibilities for reform.

Levels of Taxation

People’s knowledge of taxation is also reflected in discussion of the level of taxation. When asked what they thought about the level of South Australian state taxes, 64% of respondents said that they were too high and only 4% thought that they were too low. However, when prompted to consider the various services provided the government (education, health, police, roads, public transport, community services and SA industry support), only about half thought that state taxes were too high. The largest move as a result of the prompting was that almost one in three who thought state taxes were “way too high” revised their opinion. At the other end, when asked to think about services, the number of those who thought state taxes were too low more than doubled to 10% (noting the small original base).

Table 4: Level of Taxation

	Before prompting about services %	After prompting about services %
Way too high	32	22
A little too high	32	30
About right	23	28
A little too low	4	9
Way too low	0	2
Unsure / Don't know	8	9

Clearly context matters in thinking about tax, yet such context is rarely straightforward. While over half of respondents thought that taxes were too high (even after prompting about services), 68% of respondents also believe that the total amount of government spending on public infrastructure and services needed to be higher.² This apparent contradiction is partly because thinking at the macro level of state budgets is inherently difficult, and it is not a two-factor equation. As some respondents noted, some particular taxes/expenditures were too high and others too low. There was, as noted in SACOSS’ second report on taxation reform, *Reality Check* (SACOSS, 2017b) also a sense that pervaded many of the answers that the government wastes money, with the implication being that taxes should not be raised if money was being wasted.

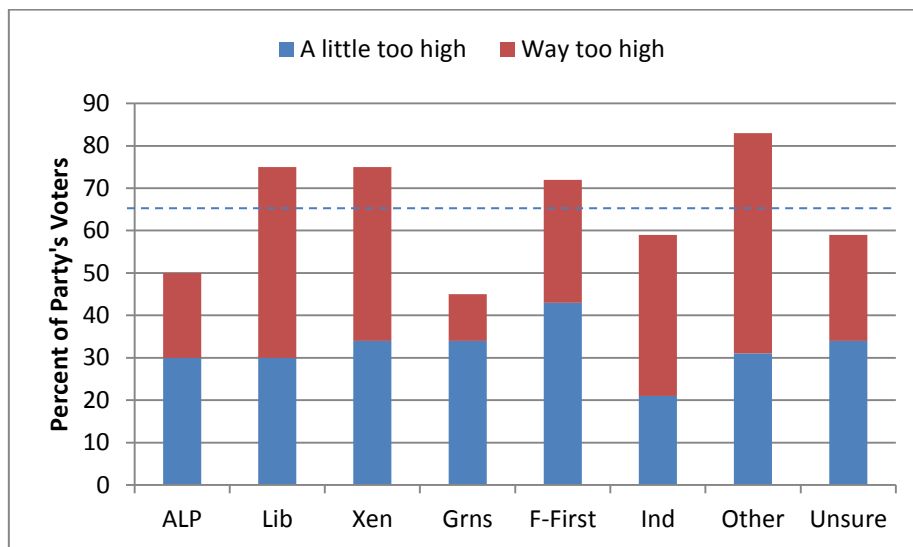
The demographic analysis showed that there were no significant differences in responses between men and women, metropolitan or regional respondents, or even by income groups. However, older respondents (over 60 years) were more likely to believe that taxes were “way too high” (44% of Over 60s by comparison to 32% average across all age groups), but these age differences were not as significant among those who thought that taxes were “a little too high”. At the other end of the spectrum, 18-24 year olds were most likely to be unsure about the level of taxation.

² This response rate was in line with national figures. Per Capita’s national survey also found that about two thirds of respondents believed that the government should spend more on public services (Hetherington 2016, p 8).

There were also significant differences between respondents by voting intention. As Figure 3 shows, Liberal, Xenophon and “Other” voters were the most likely to believe that tax levels were too high, while Greens were most least likely to believe this. The overwhelming support among “Other” voters for the proposition that taxes are too high reflects their greater level of scepticism about the positive roles/purposes of taxation (evident in Figure 3).

Those who were unsure how they would vote were less likely than average to believe that taxes were too high, which again should militate against an election campaign based on cutting taxes.

Figure 3: Level of Taxation by Voting Intention



The dotted line is the survey average for both categories combined.

Comparative Tax Levels

A crucial part of the question of whether taxes are too high is some sense of comparison with elsewhere – in this case, South Australian state taxes by comparison with other Australian states and territories. As Table 5 shows, over half of survey respondents believed that on the whole, South Australian taxes were higher than other states, and very few people thought they were lower.

Table 5: SA Taxes By Comparison With Rest Of Australia

	% of respondents
Higher	54
About the same	21
Lower	4
Unsure / Don't know	21

There was a clear correlation between thinking that state taxes are too high generally and thinking that South Australia’s taxes are higher than elsewhere: 87% of those who thought SA taxes were “way too high” also thought that they were comparatively high; and 84% of those who thought South Australian taxes were higher than elsewhere thought that the overall level of SA taxes was too high. The direction of causality here is not clear however.

This could be people thinking tax levels were too high and therefore assuming they must be higher than elsewhere, or believing as a matter of fact that South Australian taxes were higher than elsewhere and therefore thinking that they were too high overall.

At the other end of the spectrum the results are hard to read as there were so few people who thought taxes were too low. Interestingly though, 29% of those who thought the tax level was about right also thought SA taxes were higher than elsewhere (but presumably thought this was OK). However, this is 29% of the 23% of the survey who thought tax levels were about right. This only amounts to about 7% all respondents, so it is unlikely we will see an outbreak of Scandinavian social democracy in the near future.

In the demographic analysis there were some important differences. Those in regional areas were more likely to think South Australian taxes were comparatively higher than other states (60% to 52% in Adelaide), while older respondents were also more likely to think this: 69% of over 60s believing SA taxes were higher than elsewhere, by comparison with only 27% among 18-24 year olds (who were more likely to be unsure).

The other telling difference among respondents was around voting intentions. 70% of those who said they would vote Liberal believed that South Australian taxes were higher than other states, while only 41% of Labor voters thought so. It could be that this simply reflects a willingness to believe the “party lines” put out over a considerable period, but Xenophon voters were also more likely to think SA taxes were higher than elsewhere (67% believing this).

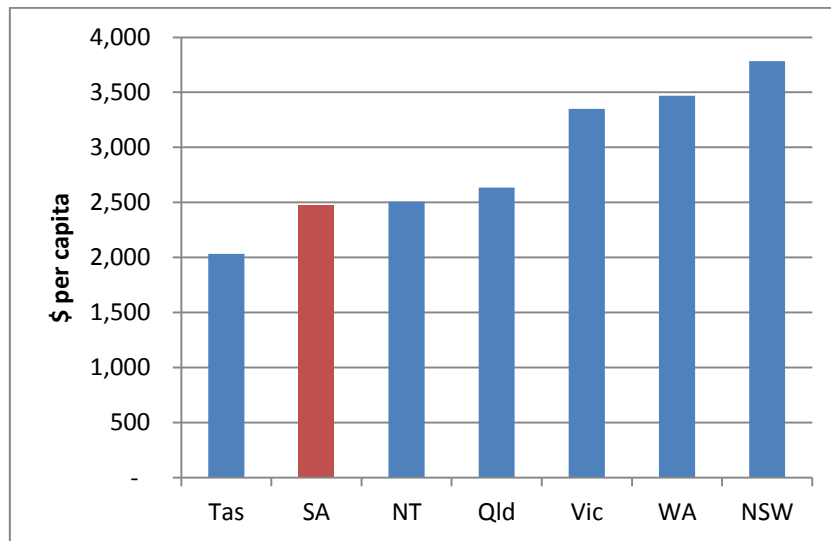
Generally though, the responses from voters for all parties closely reflected their general attitudes to the level of taxation in Figure 4 (reduced in magnitude for a greater number who were unsure of the state comparisons). Again, we are back to correlation, without being clear about the direction of causality.

However, unlike the respondents’ view of overall level of taxation, we can do some empirical check on the comparative level of state taxes.

While more than half of all respondents believed South Australian state taxes were higher than other states/territories, including 70-80% of those who said they knew a lot about the particular taxes, by most measures this is simply not the case. This can be seen by the two classic macroeconomic tax comparators: taxes per capita and tax as a percentage of the economy.

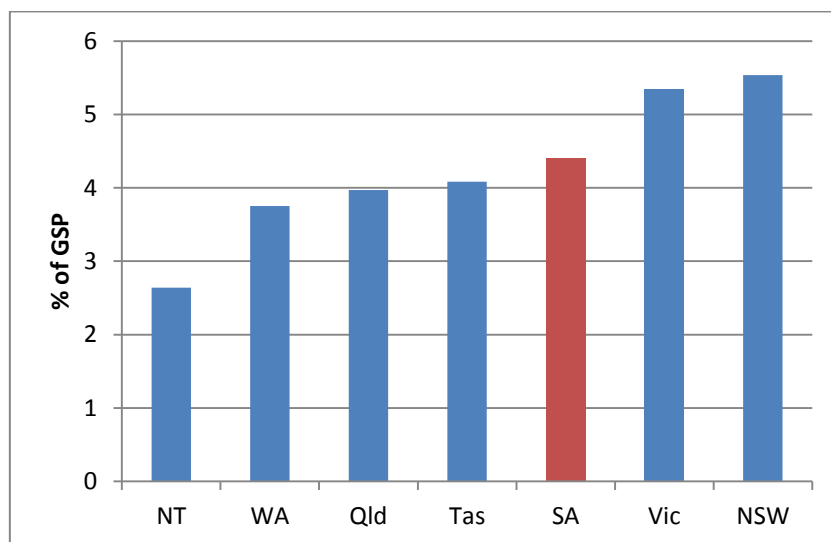
Figure 4 shows that per head of population, South Australian collects less tax than all other states and territories except Tasmania. Figure 5 shows that as a percentage of the economy, South Australia rates third highest, but at 4.5% of Gross State Product it is closer to the cluster of middle-taxing jurisdictions and is in fact still below the national average of 4.6% of the economy.

Figure 4: State Taxes per capita, 2015-16



Source: Data from Government of South Australia, 2016a, p. 44.

Figure 5: State Taxes as a Percent of Gross State Product, 2015-16



Source: SACOSS calculations based on data from the ABS (2016, 2017).

Note: ACT is not included as it includes local government-type tax and expenditure, while other jurisdictions are state government only.

A reasonable characterisation of the two macroeconomic indicators above would be that South Australian state taxes are about average by comparison with other states and territories or “about the same”.

Of course macro-measures like the per capita tax-take or taxation’s share of the economy are difficult to grasp, and it may well be that particular South Australian taxes are higher than the equivalent taxes interstate. How these differences balance out will vary for people (and businesses) in different circumstances – meaning that individual comparisons are difficult, but not impossible.

There are in fact a couple of well-known comparisons of state business taxes. These take an archetype reference business with fixed characteristics and calculate how much state tax would be paid in each jurisdiction. In 2012, the Institute of Public Affairs rated South Australia as the second most expensive jurisdiction in Australia, but the state government argues that with the changes made in the 2015-16 State Budget South Australia would move to being the second lowest taxing (Government of South Australia, 2015b).

The analysis by investment firm, Pitcher Partners (2015) suggests that South Australia was the “least competitive” (mainland) state³ for a start-up company choosing to rent premises, but was the best for those purchasing premises. However, this analysis included Workcover premiums (which, although a compulsory payment and a significant business expense is not usually considered as a tax). If Workcover is taken out of the analysis, SACOSS estimates that South Australia would become the second lowest-taxing for large businesses renting, and in the middle for small businesses renting premises.

Further, the Pitcher Partners’ analysis pre-dated the 2015-16 State Budget tax reforms which, according to the South Australian Government (2015b) would lead to significant tax savings for the hypothetical businesses in the analysis.

Of course other states may also have made tax changes since 2015, and at this point SACOSS fears that the whole discourse descends into a “race to the bottom” which will strip state governments of the revenue they need to fund services. However, in the context of this report, the conclusion must be that these analyses of business taxes do not support the idea that South Australian taxes are higher than other Australian jurisdictions.

About the only measure by which SA taxes are seen to be higher than elsewhere is a measure of “taxation effort” conducted by the Commonwealth Grants Commission. Tax effort here is an indication of how a state’s effective level of tax differs to the average level of all states and territories. In 2014, South Australia’s tax effort rates 105.3 – obviously above the 100 average, and in fact SA was the highest state or territory. However, when adjusted for land tax by the South Australian Housing Trust (effectively the government paying tax to itself), South Australia was mid-ranking at 101.4 (2016a, p. 44).

Either way though, it is unlikely that this complex technical measure is sufficiently well-known or understood to be the basis of popular understandings of the relative level of South Australian state taxes.

Overall, whether measured on a per capita basis, as a percentage of the economy or by direct case-studies like the Pitcher Partners’ comparisons, it is hard to sustain an argument that South Australian state taxes are higher than those in other states and territories.

This has important implications for tax reform, particularly because (as noted earlier) the vast majority (84%) of survey respondents who believed that South Australia had comparatively higher taxes also believed that state taxes were too high overall. To the extent that opinions are based on facts rather than values, self-interest or personal

³ The Pitcher Partners analysis did not include Tasmania, or the territories.

experience (and that is a big debate in itself), it may be that if better informed about the relative lower levels of South Australian taxes, those people may be less inclined to think that taxes were too high overall. In turn, they may be more open to tax reform or even higher levels of taxes to pay for services.

Again, we are back to the education challenge as a necessary part of the tax reform debate.

Willingness to Pay More

Given that one of the key policy challenges in tax is to ensure sufficient revenue, the above data on general attitudes to tax and the level of taxation is important because it flows through to people's willingness to pay more tax (for more/better services). The survey asked respondents how willing they would be to pay more state tax if they could guarantee the tax would go to more government spending on particular areas.

Table 6: Willingness to Pay More Tax for Particular Expenditures

	Willing to pay more %	Reluctant, but open to pay more %	Not willing pay more %	Unsure %
Police and the justice	32	35	26	7
Roads	29	35	30	6
Public transport	23	33	37	8
Education	43	28	24	6
Health	53	25	17	6
Community Services	42	29	22	7
Support for industry and business	20	33	38	9

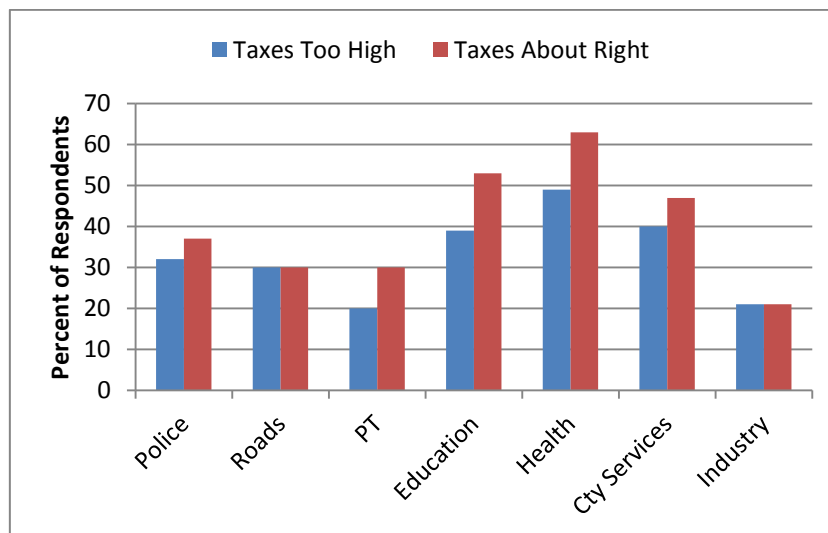
A few notes of caution should be sounded in interpreting these results. There are a range of practical difficulties (and cynicism about) directing a tax to particular purpose, and in fact SACOSS is not generally in favour of such hypothecation (SACOSS, 2015). Moreover, questions about willingness to pay are also notoriously difficult because there is always a temptation to answer affirmatively if the expenditure sounds worthy, while in practice opposing any tax increase.

However, even with these caveats it is noticeable that health is the *only* area of expenditure where a majority of respondents said they would be prepared to pay more taxes to support spending. There was some considerable willingness to pay more tax for education and community services (given that those who were reluctant were not absolutely opposed to paying more), while fewer people were prepared to pay more for industry support measures or public transport (which may explain some of the opposition to the State Government's ill-fated Transport Development Levy). That said, given the relatively large numbers who were reluctant to pay more but who may be open to it, there was no category of expenditure where a majority was absolutely opposed to paying more tax to secure those services.

These results reflect national trends evident in Per Capita's latest tax survey where 64% of respondents said they would be prepared to pay high taxes for better health and aged care services, and 47% for better education (Hetherington, 2016, p. 9). The main difference between Per Capita's national figures and our South Australian survey was in transport where nationally 42% of Per Capita's respondents said they would be prepared to pay more for better transportation services which is significantly higher than the South Australian figures above for roads or public transport.

Unsurprisingly though, respondents’ opinion on the overall level of taxation impacts on their willingness to pay more for particular services. As Figure 6 shows, those who thought that taxes are too high were less likely to be willing to pay more tax even if it went to particular services. This was not uniform across all areas – possibly because of other demographic differences in relation to roads, and the general low level of support for industry support expenditure. But the more important thing to note is that there was not a bigger difference in willingness to pay more tax between those who thought taxes were too high and those who thought they were about right. There was in fact a surprising number of respondents who thought that tax levels were too high but who nonetheless said they would be prepared to pay more tax for certain services – almost half in relation to health, and 40% in relation to community services.

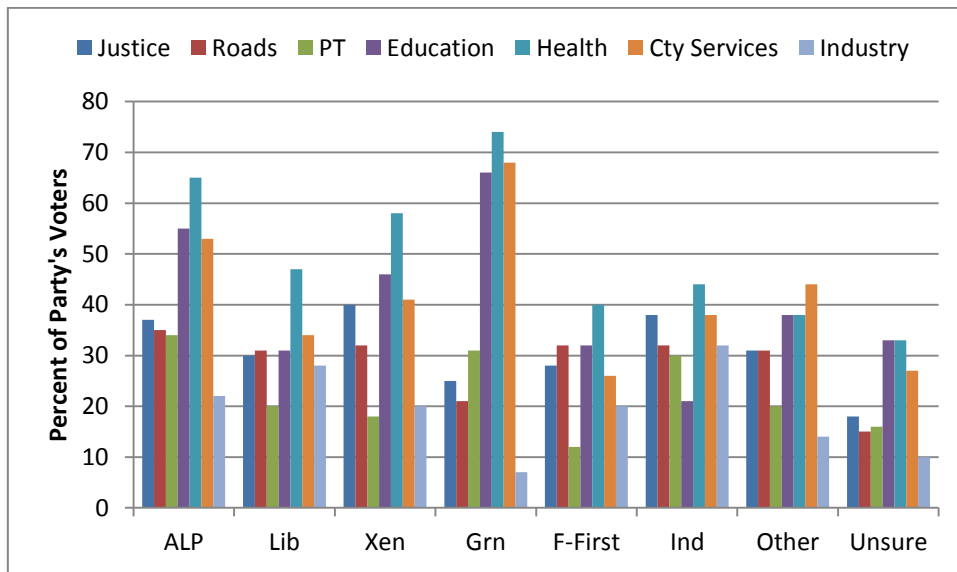
Figure 6: Willingness to Pay More Tax by Opinion of Tax Levels



When looking at the demographic breakdown of the survey results, there are some key differences and some self-interest at play. There were few significant differences by income level, but men were more likely than women to be willing to pay more for roads, public transport and industry support, while older people (over 60s) were more likely to be prepared to pay more for police and for roads than those in other age groups. The over 60s were also more likely to be unwilling to pay more for education. Unsurprisingly, those in regional areas were more likely than their metropolitan counterparts to be prepared to pay more for roads (38% to 26%), but there was little difference for most other expenditure areas.

As Figure 7 shows, the breakdown by voting intention was fairly predictable with Labor and Greens voters being significantly more likely to be willing to pay more for health, education and community services. The level of *opposition* to paying more for those services was highest among Liberal voters, with health being the only area where there were significantly more Liberal voters who would support paying more tax than the number opposed to paying more.

Figure 7: Willingness to Pay More Tax by Voting Intention



There were also some curious anomalies in the figures, such as:

- The Liberal, Xenophon and Family First voters' relative lack of willingness to pay more for public transport by comparison with other services (again raising the history of the Transport Development Levy – or perhaps influenced by that);
- The independent voters' relative lack of willingness to pay more for education by comparison to everyone else; and
- The greater number of "Other" voters being prepared to pay more for community services than for health or education.

Overall though, for each party, paying for health, education and community services were the areas where voters were most likely to support an increase in taxes to pay for, and again this pattern was reflected fairly strongly among Xenophon voters – which may impact on policy and preference positioning in the next election.

More generally, while the data was not uniform, a few important conclusions can be drawn in relation to providing an adequate tax base to pay for services. Firstly, as Table 6 shows, while there was not strong support for paying more taxes, there was (at least in relation to police, education, health and community services) not an overwhelming entrenched opposition. In each of these categories more people said they would be prepared to pay more tax than were absolutely opposed (by a factor of three in relation to health). This, plus the fact that a significant number of people who believe that tax levels are too high were nonetheless willing to pay more for particular services, suggests a residual level of support for providing the funds needed to pay for these services. This provides some base from which to have a debate about the appropriate level of tax to sustain services. Moreover, the higher levels of willingness to pay more among those who do not think state taxes are too high again suggests that if a government were to win an argument about overall levels of taxation, there would be greater willingness to pay more tax for key services.

Budget Strategies

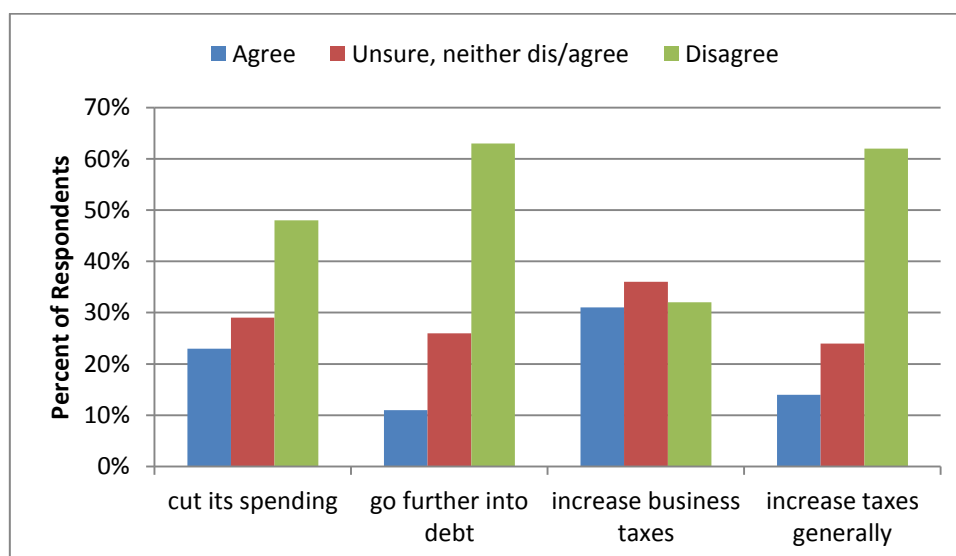
While there were clearly some openings and some instances where there might be a willingness to pay more for taxes for more/better public infrastructure and services, this did not translate into support for a coherent budget strategy.

When asked whether they thought that increased budget pressures should be met by increasing taxes on everyone, nearly two-thirds (62%) of respondents disagreed. The level of disagreement dropped markedly (to 32%) when the proposition was increasing taxes only on business (see Figure 8), but more people still opposed than supported the proposal.

The problem for government here is not simply people wanting more services with lower taxes, but that there are external forces adding to budget pressures. Modest levels of economic growth impact on revenue collected across a range of taxes (Govt of SA, 2015a), all states face increasing health and education costs over the long term (Daley & Wood, 2015), and economic changes and loss manufacturing industry – as well as an ageing population – can increase demand for services. Yet in the face of such rising costs and demands for services, none of the obvious strategies for dealing with these budget pressures enjoys popular support.

The survey tested support for a number of headline strategies for addressing budget pressures: cutting spending on services, going further into debt, and two options for increasing tax. These options were chosen because they are the main options available within the budget itself for increasing funding over the long term to pay for services. There are of course other options. Recent budgets have relied to some extent on privatising government assets or services or increased revenue from South Australia's share of the GST (SACOSS, 2016a), but such strategies are not long term or ones that the government can control. Other strategies like increased fees for services were tested in relation to health, where cost pressures are particularly acute. These results will be discussed below, but the headline results for the few broad strategies are in Figure 8.

Figure 8: Attitudes to Different Strategies to Meet Budget Pressures

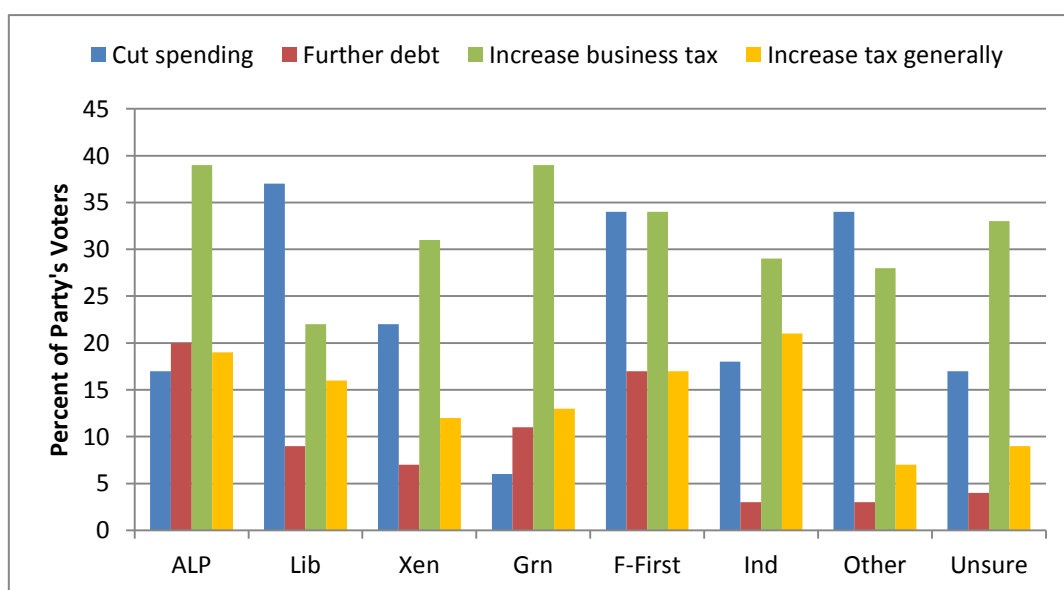


These results reflect national trends. In Per Capita’s survey the most popular option to secure (federal) revenue to pay for services was to reduce corporate tax avoidance (70% support), while there was similarly little support for borrowing more (3.3% support) or for broad-based income tax increases (4.9% support) (Hetherington, 2016, p. 10). Obviously the federal context is different, as were the questions asked by Per Capita, but there is no doubt that at both state and national levels there is a significant feeling that businesses can and should pay more tax.

This result does not auger well for the South Australian government given that the last two state budgets have focussed on decreasing business taxes. Further, as noted above, the forward estimates suggest that both government expenditure and revenue will fall in the long term. This will presumably necessitate cuts to services which is also clearly not a well-supported budget response.

As Figure 9 shows, there were significant differences between those voting for different parties. The budget strategy with most support among Liberals and Other voters was to cut services, while among Labor, Green, Xenophon and Independent voters it was to increase taxes on business. This was unusual in that in most other questions around tax, the Xenophon voters were more closely aligned to Liberal voters whereas in this instance the Xenophon voters were closer to Labor. The other crucial thing to note is that among those who were unsure how they would vote (and among Independent voters), cutting services had significantly less support than increasing business taxes – and apart from a greater aversion to further debt, the responses of unsure and independent voters more closely aligned to those of Labor voters. Accordingly, while tax cut messages may appeal to the base of conservative voters, if the link is made to service cuts they would appear to have less resonance among the undecided, Independent, Xenophon and Green voters whose votes or preferences may well decide the next election. The “other” voters may be more open to tax/service cuts, but were a much smaller block – only 3% in our survey.

Figure 9: Attitudes to Strategies to Meet Budget Pressures by Voting Intention



Again though, it should be noted that health is an exception to the general reluctance to increase taxes to pay for services. When asked specifically how to deal with increasing externally-driven health costs (with the examples in question named as mental health costs, obesity, and an ageing population) nearly half (46%) supported raising taxes to fund those cost – triple the rate of support above for increasing taxes generally.

As Table 7 shows, there was little support for cutting health services or for increasing fees for services, although the strong support for investment in preventative strategies was notable. SACOSS has long advocated for preventive health approaches as both good health policy as well as a cost-effective strategy.

Table 7: Support for different approaches to dealing with increasing health costs

	Percent agreeing with approach %
Cut funding from other areas and redirect to health	36
Cut some health services to reduce costs	8
Invest more in sickness prevention	58
Increase fees and charges to patients	18
Look to tax reform to find necessary funding	46
Something else	11
Unsure	12

The other strategy with some level of support was cutting funding from other government services. This is consistent with the survey data on the priority given to health, but both the data and the approach are problematic. The other expenditures areas that were to be cut were not specified in the question, so it is an easier strategy to support in the abstract than as a concrete proposal to cut particular other services. More importantly, it is not a strategy which would address the funding problems outside of health – indeed it may exacerbate the problems of funding other services.

Overall in relation to the budget strategies tested in the survey, while health may be a partial exception, we are still left with the problem that none of the strategies for dealing with budget pressures enjoy anything like popular support. And as we shall see in the next section, a range of other strategies which are sometimes put forward will not solve the budget pressures either.

Myths and Conclusions

At first glance, the survey data in this report, and in particular the understandings of the level of state taxation and the willingness to pay more for particular services, does not paint a rosy picture about the prospects of tax reform – at least in relation to ensuring that there is enough revenue to fund public infrastructure and services into the future. While there are not widespread ideological barriers to taxation, there is a broad perception that state taxes are too high (both comparatively and absolutely), a very limited willingness to pay more tax, and a relatively low level of understanding of state taxes among a significant portion of the population.

However, the problems should not be exaggerated. The perception of higher taxes is at least in part based on a factually incorrect understanding of the comparative level of state taxes, and so to some extent may be shifted by greater public understanding. There is also some evidence that there are shifts in attitudes when the context changes (e.g. the prompting around the services provided by tax) and when there is a clear need to pay for services (e.g. health).

Clearly there is an educational challenge here (hence the proposals earlier for government information provision on revenue and spending). But if we accept that budget pressures are real and won't go away (and in a sense, things like increased demand for services due to ageing population, increased health costs from new technology, and the contradiction of people wanting lower taxes but more services are all just particular instances of the foundational economic question of unlimited wants but limited means), then the question of how to raise the revenue to pay for services and what level of tax and services is appropriate and must be faced.

This revenue question can't be fobbed off with ideas that reducing waste will free up money to significantly increase government services because, as SACOSS argued in *Reality Check* (SACOSS, 2017b), people's ideas of government waste rely on problematic assumptions which understate and undermine the collective benefit of public infrastructure and services. In any case the scale of supposed waste is not necessarily significant enough at the macroeconomic level to have implications for the level of taxation.

Nor can budget pressures and revenue problems be fobbed off with a simple belief (hope) that economic growth will generate the revenue to pay for services. This belief was evident in a number of qualitative comments in the survey. It is also a regular feature of political commentary and formed the basis of responses SACOSS received from a range of candidates in the 2014 state election when we raised our concerns about declining state revenues.

While it is true that economic growth will in some circumstances generate more tax income, the dollars available or the level of economic growth required to generate any specified level of taxation are rarely made clear. The State Budget forward estimates show decreasing tax revenue in real terms – despite projected economic growth of 2.25% p.a. (Govt of SA, 2016c). So, if we wanted to maintain the current level of expenditure on government services and infrastructure – what level of economic of economic growth would be required to generate the funds for that? And is that level of growth likely or achievable?

Moreover, as William Baumol (2012) famously pointed out, governments often face a “cost disease” – that is, they tend to run intrinsically labour-intensive services like health and education, which mean that they often cannot enjoy the productivity gains of the more capital-intensive private sector. But with competition for the resources in the same market (including labour) government’s costs increase without commensurate productivity increases. In that scenario, economic growth across the economy led by capital intensive industries results in greater cost pressures for the labour-intensive services provided by government (and the not-for-profit sector). As Baumol put it, it is why computers get cheaper but health care doesn’t. In the long run, unless public sector productivity gains can match the capital intensive sectors, costlier public services are a necessary side-effect of economic growth.

Finally, unlike taxation rates and service levels which are the subject of budget strategies, the level of economic growth is not controlled directly by government. And to the extent that state government action contributes to economic growth, it is usually through government expenditure or revenue forgone. Depending on the relative magnitudes involved, this may limit the impact of such growth in addressing budget pressures.

The final revenue-problem-avoidance issue evident in the survey is the idea that someone else (usually business or others believed to be richer than the respondent) should pay more tax. This was evident in the survey in a range of places. 78% of respondents agreed that budget pressures should be addressed by reviewing distribution of taxes between business and individuals, while 56% of respondents thought that the government had not effectively ensured that the tax system was fair.

The belief that “someone else” should pay more tax was also evident in the surprising level of support for inheritance taxes on large estates. As reported in *Unfinished Business* (SACOSS, 2017a), 42% of respondents supported inheritance taxes on estates over \$2m – significantly more than the number who opposed the proposal. However, while SACOSS supports a carefully designed inheritance tax for reasons of fairness and promoting equality (SACOSS, 2015), if limited to large estates it would not apply to most people and would not raise much revenue in a macroeconomic sense. The Australia Institute estimated a potential return of \$5billion per annum nationally, but even if this were achievable, this would only amount to 1.4% of total tax revenue (Richardson, 2016). As such, it avoids rather than provides an answer to addressing budget pressures.

Similarly, the “tax someone else” thinking was evident in the doubling of support for addressing budget pressures through increasing taxes when those increases were limited to business taxes. Yet this does not provide a simply answer to funding government services. As noted above, only about respondents supported addressing budget pressures via increased business taxation, and the economic effects of such a change are not necessarily considered in this reaction. Further, the actual incidence of business taxes is complicated where businesses may be able to pass taxes on to consumers. For instance, payroll tax, which is the South Australian Government’s biggest and most direct source of business tax, could be increased (or the tax-free thresholds lowered), but even if there were no adverse economic outcomes from this, most economic literature suggests that the long term cost of payroll tax is borne by consumers through higher prices or workers through lower wages

(see for instance, Henry, 2010) . Understood in this way, it is tax on everyone not just on business – which would make it neither popular nor a way out of having to address the tax level across the board.

Paradoxically though, if these avoidance strategies are stripped away, the lack of popularity of any real strategies to address budget pressures may enhance the prospects of tax reform – precisely because of the lack of alternatives. While reducing waste and economic growth may make some contribution, and things like selling off government assets or business, or relying on windfalls from the Commonwealth or GST sharing may avoid problems in the short term, in the long term the budget pressures will remain for any government – and so therefore will tax reform questions.

This is not to downplay the difficulty of tax reform – particularly tax reform aimed at securing an adequate and sustainable revenue base, and therefore potentially increasing taxes. However, the South Australian Government’s legislation of a new online wagering tax and the Victorian Government’s recent announcement of a new vacant property tax shows that such reform is possible. And as noted in *Unfinished Business* (SACOSS, 2017a), of the seven tax reform ideas SACOSS put forward:

- Three had majority support (replacing some state taxes like ESL with an inheritance tax on large estates, making clubs pay the same gambling taxes as clubs, and having higher gambling taxes on high intensity machines); and
- Two proposals (for an inheritance tax and a disused property tax) had less than majority support, but still had more people in favour than against the proposal (with the remainder being unsure).

Even the proposal to replace real estate stamp duties with an annual tax, which had the lowest level of support in the survey, had such a high proportion of people who were unsure that further debate was probably needed.

The year leading up to a state election may not be the best time to put new tax proposals on the political table, and the low level of knowledge of state taxes and the contradictions evident in the SACOSS survey of people wanting more services and lower taxes shows the public has not yet come to grips with the tax and budget challenges facing government. But it is for this reason that we need politicians, commentators and interest groups to rise to the educational challenge noted in this report. We need a political debate that rises above populist notions of government waste, high taxes and economic growth panaceas; and instead recognises that South Australia is not highly taxed comparatively, spends more as a proportion of its total budget on health, education and community services than any other state or territory, and that we need taxes to fund vital services.

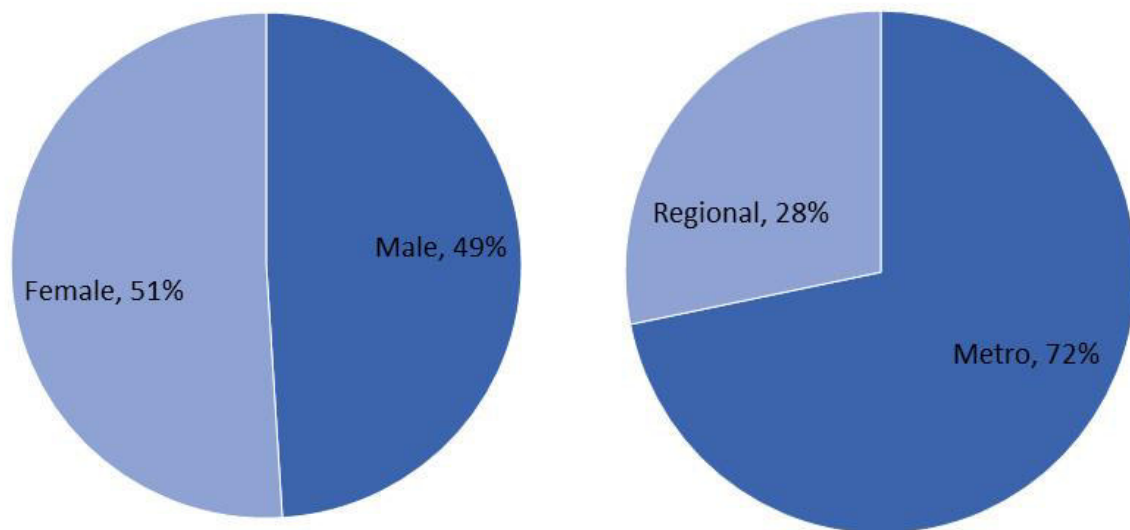
If we had a political consensus around those facts, then we could have a proper debate about policy differences and the appropriate level of taxes and government spending. It is and must be possible, because it would be a disaster if the coming election campaign avoids or mis-characterises tax and revenue issues and simply plays to populist perceptions of waste or promises of tax cuts without an understanding of what that will mean for service delivery, and for the communities and people that rely on those services.

Appendix 1: Survey Demographics

A total of 1,062 South Australian residents over the age of 18 were surveyed, with the results then filtered to maximise representativeness resulting in a working sample of 1,000 respondents: 678 people online, with the remaining 322 interviewed by phone.

The requirement of the survey sample was that it be broadly representative of the South Australian adult population across a range of demographic variables. The end result was a sample set that was sufficiently representative that no differential weighting was required in analysing the results. Accordingly, the numbers and percentages for each question are the actual numbers/percentages.

Figure 10: Respondents' Gender and Location



7% of respondents said that a language other than English was spoken in their home.

Table 8: Respondents' Housing Arrangements

Housing Tenure	%	Household Structure	%
Live in a house I own / am paying off	64.2	Family household	83
Renting accommodation	23.4	One person, living alone	13
Living rent free, e.g. with parents / friends	7.3	A non-family household (e.g. share house)	5
Other / unknown	5.1		

Table 9: Age of Respondents

	%
18-24 years	12
25-39 years	25
40-59 years	35
60+ years	28

Table 10: Respondents' Occupation

	%
Work full time	31
Work part time / casual	23
Home duties	9
Unemployed, looking for work	6
Retired	19
Full-time student or apprentice	4
Part time student	1
Not working because of injury / disability	5
Other	2

Appendix 2: Survey Questions

Note: This is a subset of the entire survey which also asked about attitudes to specific tax reform proposals and about expenditure priorities (which were dealt with in separate SACOSS reports), and about basic demographics and voting intentions.

TEXT IN BOLD, CAPS AND BLUE IS PROGRAMMING INSTRUCTIONS

NOTE:

- **“SR” REFERS TO SINGLE RESPONSE (ONLY ONE RESPONSE IN A LIST IS ENABLED);**
- **“MR” REFERS TO MULTIPLE RESPONSE (MORE THAN ONE RESPONSE IN A LIST IS ENABLED)**

SECTION 2: KNOWLEDGE & UNDERSTANDING OF STATE TAXES

Q5. UNDERSTANDING OF STATE TAX

Q5. I’m going to read a list and brief description of South Australian **state taxes and fees**, for each, please tell me how much you feel you know about how it works or how it’s collected.

Note that GST and income tax are Federal taxes that we won’t be talking about today.

SR PER ROW RANDOMISE

	1. I know a lot	2. I know a reasonable amount	3. I know a little	4. I don’t know much	5. I have never heard of it
A. Land tax – which is paid by investment property owners and businesses with commercial real estate					
B. Payroll tax – which is paid by employers (businesses) of a certain size					
C. Stamp duties on insurance – which are paid by insurance companies but passed to individuals					
D. Stamp duty on transfer or purchase of motor vehicles – which is paid by vehicle buyers					
E. Stamp duty on transfer of real estate – which is paid by home buyers					
F. Vehicle registration and drivers’ licence fees – which is paid by motorists					
G. Emergency Services Levy – which is paid by home owners					
H. Gambling taxes – which is paid by gambling providers					

SECTION 3: TRADE OFFS AND PRIORITIES

Q6. TAX LEVELS UNPROMPTED

Q6. Disregarding GST and income tax (as these are Federal taxes), in your opinion, are state taxes...

1. Way too high
2. A little too high
3. About right
4. A little too low
5. Way too low
6. Other / something else, please specify
7. Unsure / Don't know

Q7. TAX LEVELS OVERALL

Q7. Acknowledging that state taxes pay for the government services and infrastructure we talked about at the start, **overall** do you think that **state taxes** which are used fund these services are...**SR**

1. Way too high
2. A little too high
3. About right
4. A little too low
5. Way too low
6. Other / something else, please specify
7. Unsure / Don't know

Q8. TAX CUT PRIORITIES

Q8. If **one** state tax could be reduced, without impacting public services and infrastructure, which **one** should it be? **SR**

A. Land tax – paid by investment property owners and businesses with commercial real estate
B. Payroll tax – paid by employers (businesses) of a certain size
C. Stamp duties on insurance – paid by insurance companies but passed to individuals
D. Stamp duty on transfer or purchase of motor vehicles – paid by vehicle buyers

E. Stamp duty on transfer of real estate – paid by home buyers
F. Vehicle registration and drivers’ licences – paid by motorists
G. Emergency services levy – paid by home owners
H. Gambling taxes – paid by gambling providers

Q9. SA VS OTHER STATES

Q9. In your opinion, do you think South Australian state taxes are on the whole higher, about the same or lower compared to other states? **SR**

1. Higher
2. About the same
3. Lower
4. Unsure/don’t know

Q10. WILLINGNESS TO PAY MORE 2

Q10. We know there are difficulties in isolating a tax for a particular service. However, hypothetically, how willing would you be to pay more state tax if you could guarantee that it would go to more state government spending on ...**SR RANDOMISE**

	i. I would be willing to pay a lot more	ii. I would be willing to pay a little more	iii. I’d be reluctant to pay more, but would be open to considering it	iv. I would not be willing or open to considering paying any more	v. Unsure – I’d need to know more before making a decision
a) South Australian Police and the justice system (e.g. courts, correctional services)					
b) South Australian Roads					
c) South Australian Public Transport					
d) The South Australian Education system					
e) The South Australian Health system					
f) South Australian Community Services for vulnerable and disadvantaged people					
g) Support for industry and business in South Australia					

SECTION 5: ADDRESSING STATE BUDGET PRESSURES

Q29. STRATEGIES TO ADDRESS BUDGET PRESSURES

Q29. Given future budget pressures facing the South Australian State government, do you agree or disagree with each of the following strategies? **SR RANDOMISE**

To address budget pressures...

- A. The state government should cut its spending on public services
- B. The state government should go further into debt
- C. The state government should review the distribution of taxes across businesses, organisations and individuals
- D. The state government should increase taxes for **businesses and organisations** only
- E. The state government should increase taxes for **everybody**

- 1. Strongly agree
- 2. Agree
- 3. Neither agree nor disagree
- 4. Disagree
- 5. Strongly disagree
- 6. Unsure / Don't know
- 7. Don't care

Q30. HEALTH FUNDING

Q30. The South Australian public health care system is facing increasing external pressures and costs (e.g. increasing issues relating to mental health, obesity, our ageing population). How do you think increasing pressures such as these should be managed over the longer term? I'll read through each, and if you can say yes or no as we go... (Select as many as you see fit) **MR RANDOMISE**

- 1. Cut government funding from other areas and reallocate to public health care
- 2. Cut some health services to reduce costs
- 3. Invest more in sickness prevention strategies
- 4. Increase fees and charges to individuals in the public health system
- 5. Look to tax reform, to find the necessary funding
- 6. Something else (please specify)
- 7. Unsure

SECTION 6: GENERAL ATTITUDES TOWARDS TAXES

Q31. TAX ATTITUDES

Q31. How strongly do you agree or disagree with each of the following statements...

SR PER ROW RANDOMISE

- a. Taxes are necessary because they pay for public goods and services
- b. Taxes are unfair because they limit personal choices about what people can do with their money
- c. Taxes should be used to discourage negative social behaviours, e.g. by taxing some socially harmful products or behaviours like smoking
- d. Certain products (e.g. fresh food) should be taxed less or there should be tax breaks on certain behaviours (e.g. recycling, sustainability) to encourage positive social behaviours
- e. Taxes are a burden on economic growth
- f. As the cost of living increases, state government taxes also need to increase to pay for the cost of public services and infrastructure

[Options: Strongly agree/Agree/Neither agree nor disagree/Disagree/Strongly disagree/Unsure / Don't know/Don't care]

SECTION 7: WASTE / INEFFICIENCY

Q32. GOVERNMENT MANAGEMENT

Q32. How effective do you believe the state government is in relation to... **SR RANDOMISE**

a. Ensuring the tax system is fair and equitable
b. Making state tax dollars work hard to provide value for money in public services
c. Informing the general public about state government spending and projects
d. Undertaking appropriate budget planning to protect the state from increasing debt

[OPTIONS: Very effective/Somewhat effective/Not very effective/Not at all effective/Don't know]

Q33. PERCEPTIONS OF WASTE REDUCTION & TAX

Q33. For the following statements, please tell me how likely or unlikely you think each outcome would be... **SR PER ROW RANDOMISE**

- a. Reducing state government waste and inefficiency would save enough money to reduce state government debt
- b. Reducing state government waste and inefficiency would save enough money to pay for a lot more state public services
- c. If state government waste and inefficiency was reduced, this would mean that state taxes would not need to increase

[OPTIONS: Very likely/Somewhat likely/Not very likely/Not at all likely/Unsure / Don't know]

Q34. UNPROMPTED EXAMPLES OF WASTE

Q34. Can you think of any recent examples of state government wasteful spending or inefficiency in South Australia? **SR**

1. Yes – please specify
2. No
3. Unsure

SECTION 8: DEMOGRAPHICS

You're almost finished – we just have a few more follow-up **confidential** questions about you...

D1. VOTING INTENTIONS

D1. If there was a state election tomorrow, which party would you vote for? **SR**

1. Australian Labour Party (ALP)
2. Liberal Party of Australia (LIB)
3. National Party of Australia
4. Nick Xenophon Team
5. Independent
6. The Greens
7. Family First
8. Other
9. Unsure / Don't know
10. Rather not say

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