

The Taxman Cometh

how much tax do you really pay?

Cards on the table, here: do you have any idea how much tax you really pay? I'm looking at this one from an average Australian's point of view; but, from what I've heard and read, most of our cousins living in Western-style countries are in the same boat. Most, that is, except for those highly-paid individuals and corporations who can afford expensive accountants and lawyers to search out loop-holes in the System. Forget about them for the moment: the rest of us have to pay our fair share.

Well, fair in somebody's book maybe; but truly...? You work for a living, right? A percentage of your wages gets taken from you before you've even handled it in the form of income tax. The proportion probably depends on how much you earn. For the average Australian it might be around 23 cents in the dollar. That leaves over three-quarters for living costs. This princely sum would seem to be quite adequate, a just reward for hours spent doing what has to be done in order to acquire the money to survive comfortably. So, after the up-front slug is taken care of, you still have a "fair" bit of money in your pocket.

You need a residence to live in. If you own it – well, maybe the bank does, but let's not quibble – there will be on-going costs for repairs and maintenance. Whether you employ a trades-person or do the work yourself, materials normally have to be bought; and there's bound to be some kind of sales tax on every item. In Australia we have GST, the UK has VAT, and other countries cop a similar tax. So, whatever you buy, the actual value of the product is less than you have paid – another lump chewed out of your wages. And if you rent, don't believe you are immune: your landlords have to pay for anything that goes wrong and, at the end of the day, they are going to pass on the cost.

There may be some items exempt from tax, like prescribed medical supplies and certain food such as fresh vegetables and fruit. Woo-pee, no tax, you might think. No direct tax, at least; but many people are involved in the manufacture, growing, transport and sale of these products – people the same as you whose living wages have been reduced by the taxes they have to pay on other stuff. To stay ahead of inflation, they need a pay rise which is passed on. So, the price of that pack of pills you bought from the pharmacist, which was magnanimously claimed to be tax-free, in reality incorporates extras to compensate for the increased cost of getting it onto the shelf.

These extras would include road tax on vehicles and licence fees, both of which in Australia also cop GST for certain items on top of the fee. Insurance of any kind would probably be the same. Fuel, of course, is a major money-spinner for governments; but ours, both State and Federal, claim it isn't tax: it's excise duty. Oh, really? Well, presumably we are expected to agree that's alright, then.

Okay, we get fresh food with no tax-loading, sort-of; but most processed products are subject to tax – the can of baked beans, the bag of flour and the jar of pickle. Those who smoke, or drink alcohol are really behind the eight-ball; in many instances paying more in

tax than the initial value on which it is calculated. That bottle of Scotch, had it been duty-free would likely have been less than half of what you paid.

I could go on, but seeing as you're already crying in your duty-paid beer, I'll just leave you with a final sobering thought. Should you by chance and careful budgeting have a cash surplus and manage to invest it wisely, any interest you earn will be – you've guessed it - taxed as unearned income; this, despite the fact that it is the residual of what was left after the initial income tax.

Tax, tax, tax: it sounds like a two-bob watch; but actually even that would cost more these days - probably 22 cents, including GST! Some joke.

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