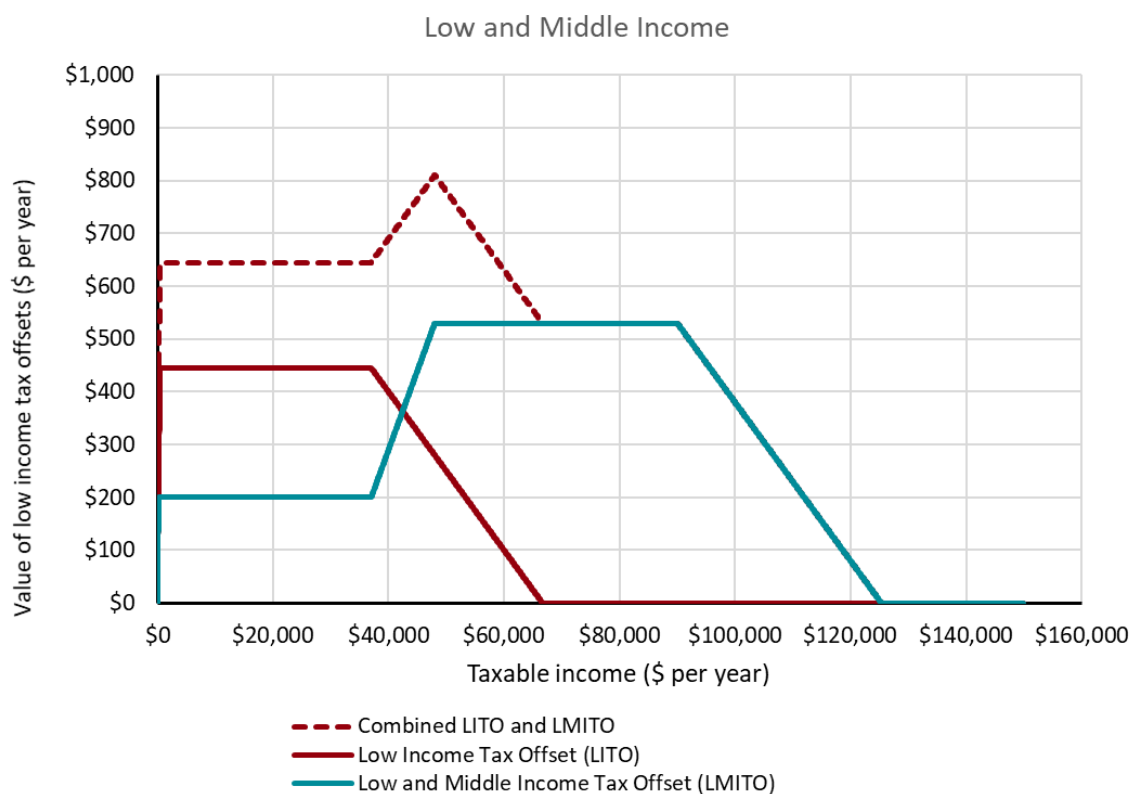


FEDERAL BUDGET – TAX SYSTEM CHANGES

For the discussion of other select measures in the Federal Budget, refer to the relevant factsheet.

Part One

- Introduction of Low and Middle Income Tax Offset, a non-refundable tax offset of up to \$530 per annum - The offset will be available for the 2018-19, 2019-20, 2020-21 and 2021-22 income years and will be received as a lump sum on assessment after the lodging of tax returns
- Provides up to \$200 for taxpayers with a taxable income of \$37,000 or less
- Between \$37,000 and \$48,000, the offset increases at a rate of three cents per dollar to a maximum of \$530
- Those earning \$48,000 to \$90,000 will be eligible for the maximum benefit of \$530
- From \$90,001 to \$125,333, the offset will phase out at a rate of 1.5 cents per dollar
- Lowest 40% of income earners will receive up to \$4 per week, the maximum benefits go to people earning \$48,000 to \$90,000
- This first stage of tax cuts alone will cost the budget \$13 billion



Source: Alan Duncan, Bankwest Curtin Economics Centre

Part Two

- Raising of the 32.5% tax bracket from \$87,000 to \$90,000 from 1 July 2018
- From 2022-23, the \$37,000 bracket to lift to \$41,000 and the \$90,000 threshold will be raised to \$120,000



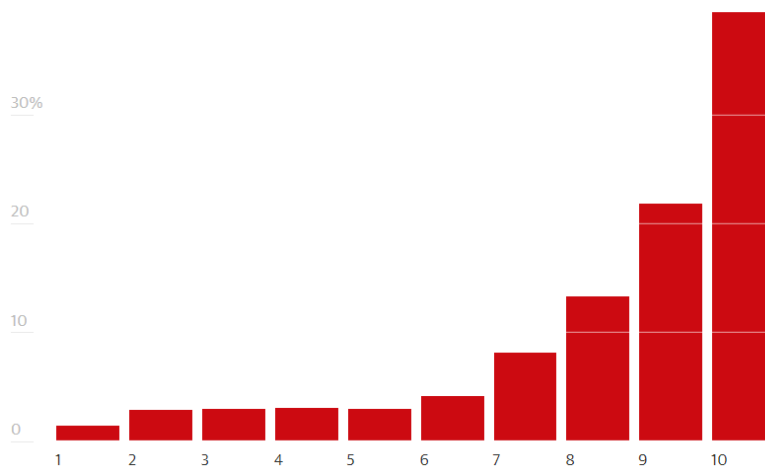
2018/19 BUDGET BRIEFING

Part Three

- Abolishment of the 37% tax bracket its entirety from July 2024, meaning all Australians earning from \$41,000 up to \$200,000 will pay a flat tax rate of 32.5%
- This would put 94% of workers in the same tax bracket, with the high-income earners on more than \$200,000 paying the top marginal tax rate of 45%

Benefit of proposed tax cuts by income decile

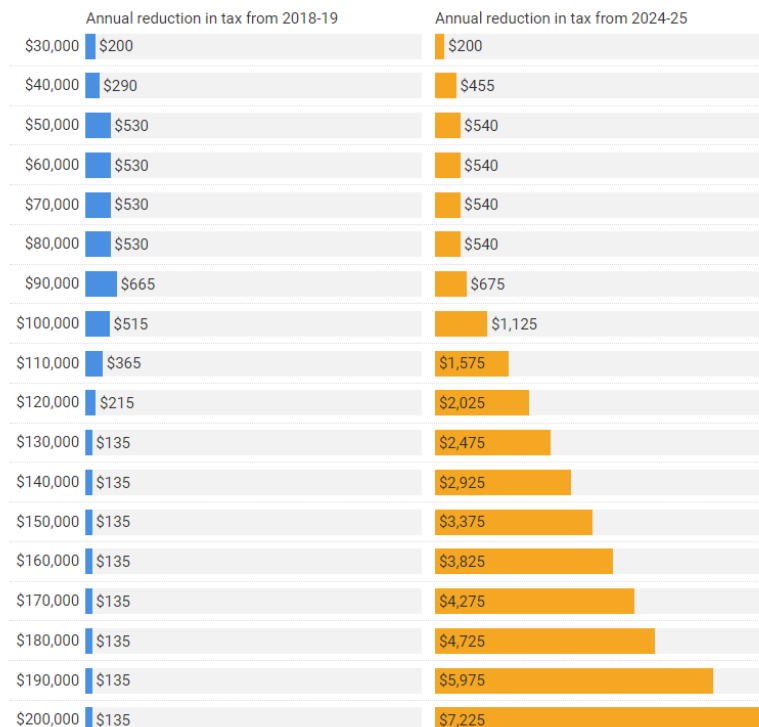
Showing the proportion of proposed tax cuts that goes to each income decile (Australian income earners grouped into 10 equal-sized groups in) from lowest income (1) to highest income (10)



Source: Guardian graphic | The Australia Institute

Impact of tax cuts for working Australians

Annual reduction in taxes for people in different income groups (annual income).



Source: The Conversation | NATSEM