

Personal Income Tax Plan – further information

The introduction of the Personal Income Tax Plan has a cost to revenue of \$13.4 billion over the period of 2018-19 to 2021-22 (the forward estimates period), of which \$11.65 billion is associated with the introduction of the low and middle income tax offset, while \$1.75 billion is due to extending the 32.5 per cent tax bracket from \$87,000 to \$90,000. This is outlined in the table below.

Table 1: Budget impact of the Personal Income Tax Plan over the forward estimates

Revenue/receipts (\$m)	Costing				Total to 2021-22
	2018-19	2019-20	2020-21	2021-22	
Total - Personal Income Tax Plan	-360	-4,120	-4,420	-4,500	-13,400
Introduce the low and middle income tax offset*	-	-3,700	-3,950	-4,000	-11,650
Increase the top threshold of the 32.5% tax bracket from \$87,000 to \$90,000	-360	-420	-470	-500	-1,750

*This 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.

Projected revenue impact of the Personal Income Tax Plan

The table below shows the projected impact on tax receipts of the Personal Income Tax Plan over the period of 2018-19 to 2028-29 (the medium term). Estimates over this period incorporate a range of medium term assumptions that carry a greater amount of uncertainty. These projections include assumptions regarding income levels and distributions, demographics and economic conditions.

Estimates made further into the future become increasingly sensitive to the underlying projections and are subject to heightened uncertainty. As such, rather than providing year by year estimates we have provided results aggregated over the medium term as a guide to the estimated cost of the plan.

These estimates are prepared before considering the tax-GDP cap. As shown in Chart 2 in Box 2 in Budget Statement 3 of Budget Paper No. 1, under the Personal Income Tax Plan tax receipts are projected to be below 23.9 per cent of GDP until 2026-27, while without the Personal Income Tax Plan receipts would exceed 23.9 per cent of GDP from 2021-22.

Table 2: Projected revenue impact of the Personal Income Tax Plan by measure – 2018-19 to 2028-29

Revenue/receipts	Total - 2018-19 to 2028-29 (\$ billion)
Step 1: Commencing 1 July 2018, introduce low and middle income tax offset	-16
Step 2: Commencing 1 July 2018, increase the top threshold of the 32.5% tax bracket from 87,000 to 90,000	-6
Commencing 1 July 2022, increase the low income tax offset	-3
Commencing 1 July 2022, increase the top threshold of the 19% tax bracket from \$37,000 to \$41,000	-41
Commencing 1 July 2022, increase the top threshold of the 32.5% tax bracket from \$90,000 to \$120,000	-36
Total Steps 1 and 2	-102
Step 3: Commencing 1 July 2024, increase the top threshold of the 32.5% tax bracket from \$120,000 to \$200,000	-33
Commencing 1 July 2024, increase the threshold at which the 45% tax bracket applies from \$180,000 to \$200,000	-9
Steps 1, 2 and 3	-144

Annual financial impact on taxpayers by taxable income

Tables 3 to 5 outline the financial impact on taxpayers broken down into taxable incomes from \$20,000 to over \$200,000, in \$10,000 intervals for all stages and measures included in the Government's Personal Income Tax Plan.

Table 3: Annual financial impact - 2018-19 to 2021-22*

Taxable income (\$)	2017-18 tax liability (\$)	Tax liability under Personal Income Tax Plan (\$)	Annual reduction in tax paid (\$)	Of which	
				Low and middle income tax offset (\$)^	Step 1 Increasing the \$87,000 threshold to \$90,000 Step 2
20,000	0	0	0	0	0
30,000	2,397	2,197	200	200	0
40,000	4,947	4,657	290	290	0
50,000	8,547	8,017	530	530	0
60,000	12,147	11,617	530	530	0
70,000	15,697	15,167	530	530	0
80,000	19,147	18,617	530	530	0
90,000	22,732	22,067	665	530	135
100,000	26,632	26,117	515	380	135
110,000	30,532	30,167	365	230	135
120,000	34,432	34,217	215	80	135
130,000	38,332	38,197	135	0	135
140,000	42,232	42,097	135	0	135
150,000	46,132	45,997	135	0	135
160,000	50,032	49,897	135	0	135
170,000	53,932	53,797	135	0	135
180,000	57,832	57,697	135	0	135
190,000	62,532	62,397	135	0	135
200,000	67,232	67,097	135	0	135

* Figures in the table are calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset, and the Medicare levy (at 2 per cent with the change to the Medicare levy low income thresholds). Actual outcomes for many individuals and households would differ.

^ Analysis is on an income year basis. For example, someone who has taxable income of \$50,000 in 2018-19 would be eligible for \$530 of low and middle income tax offset for 2018-19. They would receive this benefit when they lodge their tax return.

Table 4: Annual financial impact - 2022-23 to 2023-24*

Taxable income (\$)	2017-18 tax liability (\$)	Tax liability under Personal Income Tax Plan (\$)	Annual reduction in tax paid (\$)	Of which			
				Increasing the \$87,000 threshold to \$90,000	Increasing the low income tax offset	Increasing the \$37,000 threshold to \$41,000	Increasing the \$90,000 threshold to \$120,000
20,000	0	0	0	0	0	0	0
30,000	2,397	2,197	200	0	200	0	0
40,000	4,947	4,492	455	0	50	405	0
50,000	8,547	8,007	540	0	0	540	0
60,000	12,147	11,607	540	0	0	540	0
70,000	15,697	15,157	540	0	0	540	0
80,000	19,147	18,607	540	0	0	540	0
90,000	22,732	22,057	675	135	0	540	0
100,000	26,632	25,507	1,125	135	0	540	450
110,000	30,532	28,957	1,575	135	0	540	900
120,000	34,432	32,407	2,025	135	0	540	1,350
130,000	38,332	36,307	2,025	135	0	540	1,350
140,000	42,232	40,207	2,025	135	0	540	1,350
150,000	46,132	44,107	2,025	135	0	540	1,350
160,000	50,032	48,007	2,025	135	0	540	1,350
170,000	53,932	51,907	2,025	135	0	540	1,350
180,000	57,832	55,807	2,025	135	0	540	1,350
190,000	62,532	60,507	2,025	135	0	540	1,350
200,000	67,232	65,207	2,025	135	0	540	1,350

* Figures in the table are calculated only taking into account the basic tax scales, low income tax offset and the Medicare levy (at 2 per cent with the change to the Medicare levy low income thresholds). Actual outcomes for many individuals and households would differ.

Table 5: Annual financial impact - from 2024-25*

Taxable income (\$)	2017-18 tax liability (\$)	Tax liability under Personal Income Tax Plan (\$)	Annual reduction in tax paid (\$)	Of which				
				Step 2		Step 3		
				Increasing the \$87,000 threshold to \$90,000	Increasing the low income tax offset	Increasing the \$37,000 threshold to \$41,000	Increasing the \$90,000 threshold to \$120,000	Abolishing the 37% bracket**
20,000	0	0	0	0	0	0	0	0
30,000	2,397	2,197	200	0	200	0	0	0
40,000	4,947	4,492	455	0	50	405	0	0
50,000	8,547	8,007	540	0	0	540	0	0
60,000	12,147	11,607	540	0	0	540	0	0
70,000	15,697	15,157	540	0	0	540	0	0
80,000	19,147	18,607	540	0	0	540	0	0
90,000	22,732	22,057	675	135	0	540	0	0
100,000	26,632	25,507	1,125	135	0	540	450	0
110,000	30,532	28,957	1,575	135	0	540	900	0
120,000	34,432	32,407	2,025	135	0	540	1,350	0
130,000	38,332	35,857	2,475	135	0	540	1,350	450
140,000	42,232	39,307	2,925	135	0	540	1,350	900
150,000	46,132	42,757	3,375	135	0	540	1,350	1,350
160,000	50,032	46,207	3,825	135	0	540	1,350	1,800
170,000	53,932	49,657	4,275	135	0	540	1,350	2,250
180,000	57,832	53,107	4,725	135	0	540	1,350	2,700
190,000	62,532	56,557	5,975	135	0	540	1,350	3,950
200,000	67,232	60,007	7,225	135	0	540	1,350	5,200

* Figures in the table are calculated only taking into account the basic tax scales, low income tax offset and the Medicare levy (at 2 per cent with the change to the Medicare levy low income thresholds). Actual outcomes for many individuals and households would differ.

** This column shows the effect of increasing the top threshold of the 32.5% bracket from \$120,000 to \$200,000, beyond which the top marginal rate of 45% would apply.

Note: The tables below are based on projections of populations and incomes. Estimates for the forward estimates are more robust than figures beyond this period, which incorporate a range of medium term assumptions and are subject to heightened uncertainty.

Totals may not sum due to rounding.

Projected number of taxpayers impacted by the measures commencing 1 July 2018

Table 6 outlines projected number of taxpayers impacted by with measures commencing 1 July 2018, including increasing the \$87,000 threshold to \$90,000 and the introduction of the low and middle income tax offset.

Table 6: Projected number of taxpayers – 2018-19

Taxable Income	Number of Taxpayers ('000)	
	Total	
\$37,000 and below	2,480	
\$37,001 to \$48,000	1,770	
\$48,001 to \$87,000	4,220	
\$87,001 to \$90,000	210	
\$90,001 to \$125,333	1,470	
Greater than \$125,333	1,340	
Total	11,500	

Projected number of taxpayers impacted by the measures commencing 1 July 2022

Table 7 outlines the projected number of taxpayers impacted by measures commencing 1 July 2022, including increasing the low income tax offset, increasing the \$37,000 threshold to \$41,000 and increasing the \$90,000 threshold to \$120,000.

Table 7: Projected number of taxpayers – 2022-23

Taxable Income	Number of Taxpayers ('000)
\$37,000 and below	2,300
\$37,001 to \$41,000	560
\$41,001 to \$90,000	5,760
\$90,001 to \$120,000	1,770
Over \$120,000	2,160
Total	12,550

Projected number of taxpayers impacted by the measures commencing 1 July 2024

Table 8 outlines the projected number of taxpayers impacted by measures commencing 1 July 2024, including increasing the \$120,000 threshold to \$200,000 and increasing the \$180,000 threshold to \$200,000.

Table 8: Projected number of taxpayers – 2024-25

Taxable Income	Number of Taxpayers ('000)
\$120,000 and below	10,440
\$120,001 to \$180,000	1,560
\$180,001 to \$200,000	230
Above \$200,000	820
Total	13,050

Note: The distributional analysis outlined in tables 9 to 12 contains projections of tax payers to the 2028-29 financial year. The figures in these tables are based on projections of populations and incomes. Estimates made further into the future become increasingly sensitive to underlying projections and are subject to heightened uncertainty.

* This includes taxpayers with taxable incomes below the tax free threshold of \$18,200. Totals may not sum due to rounding.

Table 9: Number of taxpayers and proportion of tax paid by tax bracket, 2015-16

Current system			
Tax threshold and rate	Taxpayers by income range [^]		Personal tax paid (%)
	('000s)	(%)	
\$37,000 and below (19 per cent and below*)	2,330	23	2
\$37,001 to \$87,000 (32.5 per cent)	5,450	54	33
\$87,001 to \$180,000 (37 per cent)	1,950	19	35
\$180,001 and above (45 per cent)	420	4	30
Total	10,150	100	100

Source: ATO Taxation Statistics Table 10. [^] refers to tax returns lodged by 31 October 2017.

Table 10: Number of taxpayers and proportion of tax paid by tax bracket, 2018-19

Current system				New system			
Tax threshold and rate	Taxpayers by income range		Personal tax paid (%)	Tax Threshold and Rate	Taxpayers by income range		Personal tax paid (%)
	('000s)	(%)			('000s)	(%)	
\$37,000 and below (19 per cent and below*)	2,480	22	2	\$37,000 and below (19 per cent and below*)	2,480	22	2
\$37,001 to \$87,000 (32.5 per cent)	6,000	52	30	\$37,001 - \$90,000 (32.5 per cent)	6,200	54	31
\$87,001 to \$180,000 (37 per cent)	2,440	21	35	\$90,001 - \$180,000 (37 per cent)	2,230	19	33
\$180,001 and above (45 per cent)	580	5	33	\$180,001 and above (45 per cent)	580	5	34
Total	11,500	100	100		11,500	100	100

Table 11: Number of taxpayers and proportion of tax paid by tax bracket, 2022-23

Current system				New system			
Tax threshold and rate	Taxpayers by income range		Personal tax paid (%)	Tax threshold and rate	Taxpayers by income range		Personal tax paid (%)
	('000s)	(%)			('000s)	(%)	
\$37,000 and below (19 per cent and below*)	2,300	18	1	\$41,000 and below (19 per cent and below*)	2,860	23	2
\$37,001 to \$87,000 (32.5 per cent)	6,090	49	24	\$41,001 - \$120,000 (32.5 per cent)	7,530	60	41
\$87,001 to \$180,000 (37 per cent)	3,300	26	37	\$120,001 - \$180,000 (37 per cent)	1,300	10	19
\$180,001 and above (45 per cent)	860	7	37	\$180,001 and above (45 per cent)	860	7	38
Total	12,550	100	100		12,550	100	100

Table 12: Number of taxpayers and proportion of tax paid by tax bracket, 2024-25

Current system				New system			
Tax threshold and Rate	Taxpayers by income range		Personal tax paid (%)	Tax threshold and rate	Taxpayers by income range		Personal tax paid (%)
	('000s)	(%)			('000s)	(%)	
\$37,000 and below (19 per cent and below*)	2,190	16	1	\$41,000 and below (19 per cent and below*)	2,730	21	2
\$37,001 to \$87,000 (32.5 per cent)	6,070	47	21	\$41,001 - \$200,000 (32.5 per cent)	9,510	73	62
\$87,001 to \$180,000 (37 per cent)	3,740	29	37	37 per cent (Abolished)	-	-	-
\$180,001 and above (45 per cent)	1,050	8	40	\$200,001 and above (45 per cent)	820	6	36
Total	13,050	100	100		13,050	100	100