

Personal Income Tax - Stage 3

FOI 3455 Document 1

KEY MESSAGE

- The legislated Stage 3 income tax cuts aren't due to commence until 1 July 2024.
 - The Government has not changed its position on the Stage 3 tax cuts.
- The Government's immediate priority is to focus on dealing with the economic challenges facing us now, particularly cost of living.
 - On tax, our focus is on ensuring multinationals pay their fair share of tax, our modest but meaningful changes to super balances above \$3 million and the Petroleum Resource Rent Tax.
- We've said in principle that returning bracket creep is a worthy objective of governments of both political persuasions.
- We've always said providing tax relief, particularly to low and middle income earners, is a worthy objective of governments when it's affordable. These tax cuts kick in at \$45,000.
- The Government is improving the budget position in a measured way by strengthening the fairness and sustainability of the tax system.
- [SPIEL ON WASTED DECADE]

KEY FACTS AND FIGURES

- Stage 3 of the former government's PIT Plan is scheduled to come into effect from 1 July 2024 and will grant a tax reduction to taxpayers earning greater than \$45,000.
 - The 37 per cent tax bracket will be removed;
 - the 32.5 per cent marginal tax rate will be reduced to 30 per cent; and
 - the threshold for the 45 per cent tax rate will be increased from \$180,000 to \$200,000.
 - In 2024-25 around 95 per cent of taxpayers will face a marginal tax rate of 30 per cent or less.

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- The 2023-24 Budget projections incorporate the impacts of all current policies, including the 'Stage 3' tax cuts as legislated.
 - It has been publically disclosed that these tax cuts are estimated to cost around \$69 billion over the forward estimates period (to 2026-27). This estimate is higher than previously provided and reflects an additional year in the forecast period, along with updates to economic parameters.
- The PBO published updated costs on 16 May 2023, conducted for the Greens, which estimates the tax cuts to cost around \$69 billion over the forward estimates period (to 2026-27), and around \$313 billion over the medium-term projection period (to 2033-34).

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BACKGROUND

Table 1: Personal rates and thresholds from now and 2024-25

Rate (%)	Current tax thresholds From 1 July 2020 Income range (\$)	Rate (%) From 1 July 2024	New tax thresholds From 1 July 2024 Income range (\$)
Tax free	0 - 18,200	Tax free	0 - 18,200
19	18,201 - 45,000	19	18,201 - 45,000
32.5	45,001 - 120,000	30	45,001 - 200,000
37	120,001 - 180,000		
45	>180,000	45	>200,000
LMITO*	Up to 1,080**	LMITO*	-
LITO	Up to 700	LITO	Up to 700

*Note: the LMITO was only available until the end of the 2021-22 income year and has now expired.

**Note: Due to the one-off cost of living tax offset, the LMITO provided up to \$1,500 in tax relief in the 2021-22 income year.

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Table 2: Stage 3 tax cut for each taxable income

Taxable income (\$)	Stage 3 tax cut amount compared to 2023-24 (\$)
40,000	0
50,000	125
60,000	375
70,000	625
80,000	875
90,000	1,125
100,000	1,375
120,000	1,875
140,000	3,275
160,000	4,675
180,000	6,075
200,000+	9,075

Quotes

- Treasurer, RN Breakfast, ABC, 20 October 2022, “I think it's been pretty clear to everyone, including all sides of this conversation over the last few weeks, that these tax cuts make an impact on the Budget. But the point that we've been making, is that they come in in a couple of years' time. We've got more pressing priorities, the Budget is not going to be about those tax cuts.”
- Treasurer, Insiders, 14 May 2023, “We've said in principle that returning bracket creep is a worthy objective of governments of both political persuasions, frankly. We've always said when we can afford to give tax relief, particularly to low and middle income earners, then that's a worthy objective as well, and governments of both persuasions have done that over time. These tax starts kick in \$45,000 – that's a fact, which is sometimes lost in the conversation.”
- Treasurer, Post-Budget National Press Club address “I understand the interest in them, but our position on them hasn't changed,” he said. “They were legislated some time ago, they don't get a specific reference in the budget because they're a decision already legislated.”

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