



Ministerial Submission
MS22-001079

FOR INFORMATION - Indicative Taxation Costings

TO: Treasurer - The Hon Jim Chalmers MP

KEY POINTS

Indicative costings

- Your Office requested indicative costings for a number of taxation measures. The costings provided in Attachment A. They are preliminary and indicative in nature.
 - Further detail is provided in Attachment B.

Breakdown of Stage 3 tax cuts

- Your Office also requested a breakdown of Stage 3 tax cuts. We have estimated the revenue gains, relative to the full Stage 3 as legislated from 2024-25, of not proceeding with each of the following Stage 3 elements:
 - Option 1 – Do not proceed with reduction of 32.5 per cent rate;
 - Option 2 – Do not proceed with abolition of 37 per cent bracket; and
 - Option 3 – Do not proceed with increase of top threshold.
- Table 1 and 2 provide a summary of the tax rates and thresholds for each option and the cost breakdown of each option.

Table 1: Tax rates and thresholds from 2024-25 by option

Legislated Stage 3		Option 1		Option 2		Option 3	
Rate (%)	Thresholds	Rate (%)	Thresholds	Rate (%)	Thresholds	Rate (%)	Thresholds
0	Up to \$18,200	0	Up to \$18,200	0	Up to \$18,200	0	Up to \$18,200
19	\$18,201 - \$45,000	19	\$18,201 - \$45,000	19	\$18,201 - \$45,000	19	\$18,201 - \$45,000
30	\$45,001 - \$200,000	32.5	\$45,001 - \$200,000	30	\$45,001 - \$120,000	30	\$45,001 - \$180,000
37	N/A	37	N/A	37	\$120,001 - \$200,000	37	N/A
45	>\$200,000	45	>\$200,000	45	>\$200,000	45	>\$180,000

Note: shaded regions indicate changes from the currently legislated Stage 3 rates and thresholds.

Table 2: Breakdown of Stage 3 tax cuts by option

	Change relative to 2023-24	Change relative to legislated Stage 3 in 2024-25	UCB impact (\$m)	
<p>Option 1: Do not proceed with reduction of 32.5 per cent rate</p> <p><i>This option would apply a 32.5 per cent rate to incomes from \$45,001 to \$200,000</i></p>	<ul style="list-style-type: none"> • Retain 32.5 per cent rate for incomes from \$45,001 to \$120,000. • Reduce 37 per cent rate to 32.5 per cent for incomes from \$120,001 to \$180,000. • Reduce 45 per cent rate to 32.5 per cent for incomes from \$180,001 to \$200,000. 	<ul style="list-style-type: none"> • Increase 30 per cent rate to 32.5 per cent for incomes from \$45,001 to \$200,000. 	2022-23	
			2023-24	
			2024-25	12,600
			2025-26	14,500
			Total FE	27,100
<p>Option 2: Do not proceed with abolition of 37 per cent bracket</p> <p><i>This option would apply a 30 per cent rate to incomes from \$45,001 to \$120,000 and a 37 per cent rate to incomes from \$120,001 to \$200,000</i></p>	<ul style="list-style-type: none"> • Reduce 32.5 percent rate to 30 per cent for incomes from \$45,001 to \$120,000. • Retain 37 per cent rate for incomes from \$120,001 to \$180,000. • Reduce 45 per cent rate to 37 per cent for incomes from \$180,001 to \$200,000. 	<ul style="list-style-type: none"> • Retain 30 per cent rate for incomes from \$45,001 to \$120,000. • Increase 30 per cent rate to 37 per cent for incomes from \$120,001 to \$200,000. 	2022-23	
			2023-24	
			2024-25	7,700
			2025-26	9,100
			Total FE	16,800
<p>Option 3: Do not proceed with increase in top threshold</p> <p><i>This option would apply a 30 per cent rate to incomes from \$45,001 to \$180,000, and a 45 per cent rate for incomes above \$180,000</i></p>	<ul style="list-style-type: none"> • Reduce 32.5 per cent rate to 30 per cent for incomes from \$45,001 to \$120,000. • Reduce 37 per cent rate to 30 per cent for incomes from \$120,001 to \$180,000. • Retain 45 per cent rate for incomes above \$180,000. 	<ul style="list-style-type: none"> • Retain 30 per cent rate for incomes from \$45,001 to \$180,000. • Increase 30 per cent rate to 45 per cent for incomes from \$180,001 to \$200,000. 	2022-23	
			2023-24	
			2024-25	2,500
			2025-26	2,900
			Total FE	5,400

- These indicative costings are not additive due to interactions between options.