



Australian Government
The Treasury



Ministerial Submission
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TO: Treasurer - The Hon Jim Chalmers MP

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Pages which are fully exempt and/or irrelevant have been removed from this document



ATTACHMENTS

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C: Breakdown of Stage 3 costs and rule of thumb analysis

ATTACHMENT C – BREAKDOWN OF STAGE 3 COSTS AND RULE OF THUMB ANALYSIS

The following tools are useful when considering the overall cost of the Stage 3 tax cuts, the cost of certain components of Stage 3 or the indicative cost of making changes to the current settings.

Breakdown of Stage 3 costs

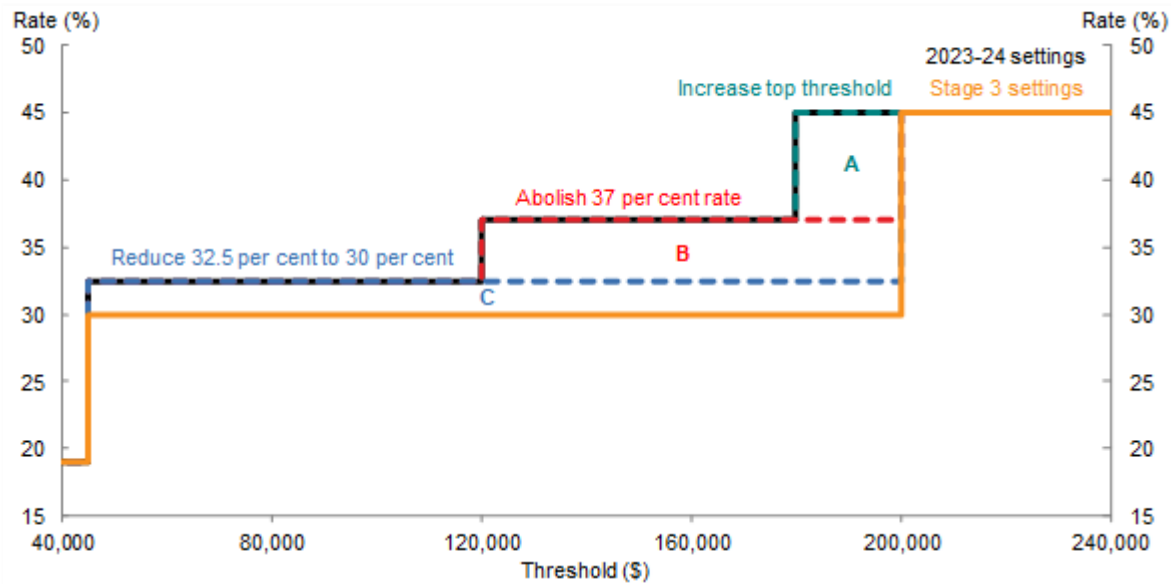
Table 4 and Chart 5 can be used together and provide an indicative breakdown of the cost of each component of the Stage 3 tax cuts. Table 4 provides the cost profile for each component over the medium term, while Chart 5 shows how the components sit together.

Table 4: Breakdown of Stage 3 costs by component*

(UCB, \$b)	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	Total FE (to 2026-27)	Total MT (to 2033-34)
Cost of increasing the top threshold from \$180,000 to \$200,000 (A)	-	-2.1	-1.8	-2.1	-2.4	-2.6	-2.9	-3.2	-3.6	-3.9	-4.3	-6.0	-28.9
Additional cost of abolishing the 37 per cent bracket (B)	-	-7.2	-6.7	-7.6	-8.5	-9.3	-10.3	-11.3	-12.3	-13.4	-14.6	-21.6	-101.2
Additional cost of reducing the 32.5 per cent rate to 30 per cent (C)	-	-14.8	-15.8	-17.3	-18.5	-19.7	-21.0	-22.4	-23.7	-25.2	-26.6	-47.9	-205.1
Total (A + B + C)	-	-24.1	-24.3	-27.0	-29.4	-31.6	-34.2	-36.9	-39.6	-42.5	-45.5	-75.5	-335.2

* Please note, the allocation of costs to individual components is dependent on ordering. For the purposes of this table, the order is as follows: the top threshold is increased to \$200,000 (A), the 37 per cent rate is then reduced from 37 per cent to 32.5 per cent from \$120,000 to \$200,000 (B), and then the 32.5 per cent rate is reduced to 30 per cent from \$45,000 to \$200,000 (C).

Chart 5: Marginal tax rates under each Stage 3 component



Note: This chart is indicative of the Stage 3 changes and does not include the Medicare Levy or other rates such as the Low Income Tax Offset taper rates or Seniors and Pensioners Tax Offset.