

Personal Income Tax Plan

Revenue (\$m)	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	-360.0	-4,120.0	-4,420.0	-4,500.0

The Government will introduce a seven-year Personal Income Tax Plan. The first step will provide permanent tax relief to low and middle income earners to help with cost of living pressures. The second step will provide relief from bracket creep by increasing the threshold of the 32.5 per cent personal income tax bracket and the third step will simplify and flatten the system by removing the 37 per cent tax personal income tax bracket.

Step 1: Targeted tax relief to low and middle income earners

The Government will introduce the Low and Middle Income Tax Offset, a non-refundable tax offset of up to \$530 per annum to Australian resident low and middle income taxpayers. 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 an individual lodges their tax return.

The Low and Middle Income Tax Offset will provide a benefit of up to \$200 for taxpayers with taxable income of \$37,000 or less. Between \$37,000 and \$48,000, the value of the offset will increase at a rate of three cents per dollar to the maximum benefit of \$530. Taxpayers with taxable incomes from \$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. The benefit of the Low and Middle Income Tax Offset is in addition to the existing Low Income Tax Offset.

This first step of the Government's Personal Income Tax Plan will increase disposable incomes to help relieve household budget pressures.

Step 2: Protecting middle income Australians from bracket creep

From 1 July 2018, the Government will increase the top threshold of the 32.5 per cent personal income tax bracket from \$87,000 to \$90,000.

From 1 July 2022, the Government will increase the Low Income Tax Offset from \$445 to \$645 and extend the 19 per cent personal income tax bracket from \$37,000 to \$41,000 to lock in the benefits of Step 1. The increased Low Income Tax Offset will be withdrawn at a rate of 6.5 cents per dollar between incomes of \$37,000 and \$41,000, and at a rate of 1.5 cents per dollar between incomes of \$41,000 and \$66,667.

From 1 July 2022, the Government will further increase the top threshold of the 32.5 per cent personal income tax bracket from \$90,000 to \$120,000.

Together, these tax cuts represent the second step in the Government’s Personal Income Tax Plan. The changes will improve the rewards from work and prevent more Australians from moving into higher tax brackets.

Step 3: Ensuring Australians pay less tax by making the system simpler

In the third step of the Personal Income Tax Plan the Government will simplify and flatten the personal tax system by removing the 37 per cent tax bracket entirely.

From 1 July 2024, the Government will extend the top threshold of the 32.5 per cent personal income tax bracket from \$120,000 to \$200,000, to recognise inflation and wage growth impacts. Taxpayers will pay the top marginal tax rate of 45 per cent from taxable incomes exceeding \$200,000 and the 32.5 per cent tax bracket will apply to taxable incomes of \$41,001 to \$200,000.

This measure has a cost to revenue of \$13.4 billion over the forward estimates period.

This measure builds on the 2016-17 Budget measure *Ten Year Enterprise Tax Plan – targeted personal income tax relief*, which extended the 32.5 per cent personal income tax bracket from \$80,000 to \$87,000 from 1 July 2016.

Philanthropy — updates to the list of specifically listed deductible gift recipients

Revenue (\$m)	2017-18	2018-19	2019-20	2020-21	2021-22
Australian Taxation Office	-	..	-0.2	-0.2	-0.2

Since the 2017-18 MYEFO, the following organisations have been approved as specifically-listed deductible gift recipients (DGRs) for the following dates:

- Paul Ramsay Foundation Limited from 1 July 2018 to 30 June 2020;
- Australian Women Donors Network from 9 March 2018 to 8 March 2023;
- Victorian Pride Centre Limited from 9 March 2018 to 8 March 2023;
- Smile Like Drake Foundation Limited from 9 March 2018 to 8 March 2023;
- Australian Sports Foundation Charitable Fund from 1 July 2018 to 30 June 2023;
and
- Q Foundation Trust from 1 January 2018 to 31 December 2022.

Taxpayers may claim an income tax deduction for gifts of money or property to these organisations of \$2 or more.

The measure is estimated to have a cost to revenue of \$0.6 million over the forward estimates period.