

JobMaker Plan — bringing forward the Personal Income Tax Plan and retaining the low and middle income tax offset

Receipts (\$m)	2020-21	2021-22	2022-23	2023-24
Australian Taxation Office	-6,940.0	-16,870.0	5,730.0	250.0

The Government will bring forward the second stage of its Personal Income Tax Plan by two years to 1 July 2020 while retaining the low and middle income tax offset (LMITO) for 2020-21. The changes will provide immediate tax relief to individuals and support the economic recovery and jobs by boosting consumption.

Bringing forward the second stage of the Personal Income Tax Plan

The Government will provide additional support to Australian taxpayers by bringing forward the tax cuts in Stage 2 of the Personal Income Tax Plan from 1 July 2022 to 1 July 2020:

- The top threshold of the 19 per cent personal income tax bracket will increase from \$37,000 to \$45,000.
- The low income tax offset (LITO) will increase from \$445 to \$700. The increased LITO will be withdrawn at a rate of 5 cents per dollar between taxable incomes of \$37,500 and \$45,000. The LITO will then be withdrawn at a rate of 1.5 cents per dollar between taxable incomes of \$45,000 and \$66,667.
- The top threshold of the 32.5 per cent personal income tax bracket will increase from \$90,000 to \$120,000.

Retaining the LMITO for the 2020-21 income year

The Government will retain the LMITO for the 2020-21 income year, providing further targeted tax relief for low- and middle-income earners.

The LMITO provides a reduction in tax of up to \$1,080. It provides a reduction in tax of up to \$255 for taxpayers with a taxable income of \$37,000 or less. Between taxable incomes of \$37,000 and \$48,000, the value of the offset increases at a rate of 7.5 cents per dollar to the maximum offset of \$1,080. Taxpayers with taxable incomes between \$48,000 and \$90,000 are eligible for the maximum offset of \$1,080. For taxable incomes of \$90,000 to \$126,000, the offset phases out at a rate of 3 cents per dollar. Consistent with current arrangements, the LMITO will be received on assessment after individuals lodge their tax returns for the 2020-21 income year.

Retaining the LMITO for 2020-21, together with bringing forward the tax cuts in Stage 2, provides low- and middle-income earning recipients of the LMITO with an additional benefit, supporting them through the economic recovery.

This measure is estimated to reduce receipts by \$17.8 billion over the forward estimates period. Bringing forward legislated changes means this measure has no ongoing budget impact outside the forward estimates period.

Stage 3 of the Personal Income Tax Plan remains unchanged and commences in 2024-25 as legislated.

This measure builds on the 2019-20 Budget measure *Lower taxes for hard-working Australians: Building on the Personal Income Tax Plan* and the 2018-19 Budget measure *Personal Income Tax Plan*.

JobMaker Plan — Research and Development Tax Incentive — supporting Australia's economic recovery

Receipts (\$m)	2020-21	2021-22	2022-23	2023-24
Australian Taxation Office	-160.0	-210.0	-280.0	-330.0
<i>Related payments (\$m)</i>				
Australian Taxation Office	150.0	240.0	310.0	320.0

The Government will make further enhancements to the 2019-20 MYEFO measure *Better targeting the research and development tax incentive – refinements* to support business Research and Development (R&D) investment in Australia and help businesses manage the economic impacts of the COVID-19 pandemic.

For small companies, those with aggregated annual turnover of less than \$20 million, the refundable R&D tax offset is being set at 18.5 percentage points above the claimant's company tax rate, and the \$4 million cap on annual cash refunds will not proceed.

For larger companies, those with aggregated annual turnover of \$20 million or more, the Government will reduce the number of intensity tiers from three to two. This will provide greater certainty for R&D investment while still rewarding those companies that commit a greater proportion of their business expenditure to R&D.

The R&D premium ties the rates of the non-refundable R&D tax offset to a company's incremental R&D intensity, which is R&D expenditure as a proportion of total expenses for the year. The marginal R&D premium will be the claimant's company tax rate plus:

- 8.5 percentage points above the claimant's company tax rate for R&D expenditure between 0 per cent and 2 per cent R&D intensity for larger companies
- 16.5 percentage points above the claimant's company tax rate for R&D expenditure above 2 per cent R&D intensity for larger companies.