

Lower taxes for hard-working Australians: Building on the Personal Income Tax Plan

Revenue (\$m)	2018-19	2019-20	2020-21	2021-22	2022-23
Australian Taxation Office	-	-750.0	-700.0	250.0	-4,540.0

The Government will lower taxes for individuals by building on its legislated Personal Income Tax Plan (the plan). The changes to the plan will provide immediate relief to low- and middle-income earners, support consumption growth and ease cost of living pressures. It will also introduce structural changes to provide more reward for effort and to maintain our international competitiveness.

This measure will reduce revenue by \$19.5 billion over the forward estimates period, comprising: \$3.5 billion in 2019-20; \$3.7 billion in 2020-21; \$3.8 billion in 2021-22; and \$8.6 billion in 2022-23.

It will reduce revenue by \$158 billion over the period from 2019-20 to 2029-30.

A provision for the impact of this measure was included in the *2018-19 Mid-Year Economic and Fiscal Outlook*, including \$13.8 billion over the forward estimates: \$2.7 billion in 2019-20; \$3.0 billion in 2020-21; \$4.0 billion in 2021-22; and \$4.1 billion in 2022-23.

Consequently, the net reduction to revenue over the forward estimates is \$5.7 billion, most of which occurs in the 2022-23 financial year.

Immediate relief to low- and middle-income earners

The Government will provide a further reduction in tax provided through the non-refundable low and middle income tax offset (LMITO). Under the changes, the reduction in tax provided by LMITO will increase from a maximum amount of \$530 to \$1,080 per annum and the base amount will increase from \$200 to \$255 per annum for the 2018-19, 2019-20, 2020-21 and 2021-22 income years.

The LMITO will now provide 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 will increase 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 will be eligible for the maximum offset of \$1,080. From taxable incomes of \$90,000 to \$126,000 the offset will phase out at a rate of 3 cents per dollar.

The LMITO will be received on assessment after individuals lodge their tax returns for the 2018-19, 2019-20, 2020-21 and 2021-22 income years. This will ensure that taxpayers receive a benefit when they lodge returns from 1 July 2019.

Locking in the benefits of lower taxes

From 1 July 2022, the Government will increase the top threshold of the 19 per cent personal income tax bracket from \$41,000, as legislated under the plan, to \$45,000.

From 1 July 2022, the Government will increase the low income tax offset (LITO) from \$645, as legislated under the plan, 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, instead of at 6.5 cents per dollar between taxable incomes of \$37,000 and \$41,000 as previously legislated under the plan. LITO will then be withdrawn at a rate of 1.5 cents per dollar between taxable incomes of \$45,000 and \$66,667.

Together, the increase to the top threshold of the 19 per cent personal income tax bracket and the changes to LITO will lock-in the reduction in tax provided by LMITO when LMITO is removed.

Further structural changes to the tax system to deliver lower taxes

From 1 July 2024-25, the Government will reduce the 32.5 per cent marginal tax rate to 30 per cent. This will more closely align the middle tax bracket of the personal income tax system with corporate tax rates, improving incentives for working Australians. In 2024-25 an entire tax bracket, the 37 per cent tax bracket will be abolished under the Government's already legislated plan. With these changes, by 2024-25 around 94 per cent of Australian taxpayers are projected to face a marginal tax rate of 30 per cent or less. The tax system will be simpler, reward effort and maintain progressivity.

This measure builds on the 2018-19 Budget measure *Personal Income Tax Plan*.

Luxury Car Tax — increased refunds for eligible primary producers and tourism operators

Revenue (\$m)	2018-19	2019-20	2020-21	2021-22	2022-23
Australian Taxation Office	-	-2.0	-3.0	-3.0	-3.0

The Government will provide further relief to farmers and tourism operators by amending the luxury car tax refund arrangements. For vehicles acquired on or after 1 July 2019, eligible primary producers and tourism operators will be able to apply for a refund of any luxury car tax paid, up to a maximum of \$10,000. This measure is estimated to reduce revenue by \$11.0 million over the forward estimates period.

Currently, primary producers and tourism operators may be eligible for a partial refund of the luxury car tax paid on eligible four-wheel or all-wheel drive cars, up to a maximum refund of \$3,000. The eligibility criteria and types of vehicles eligible for the current partial refund will remain unchanged under the new refund arrangements.