Mr Mark Fitt

Committee Secretary

Senate Economics Legislation & References Committees

Parliament House

CANBERRA ACT 2600

Dear Mr Fitt

Please find attached a final response to the request for budget analysis, *Personal Income Tax Plan* (letter of 1 June 2018, PBO reference PR18/00280) from Senator Ketter. This response addresses the number of individuals affected by each stage of the *Personal Income Tax Plan,* disaggregated by taxable income and gender.

This response should be read in conjunction with my response of 5 June 2018.

As requested, this response has not been prepared on a confidential basis and will therefore be posted on the PBO website ([www.pbo.gov.au](http://www.pbo.gov.au)).

If you have any queries about this response, please do not hesitate to contact David Tellis, Assistant Parliamentary Budget Officer on or Cameron Chisholm, Director on .

Yours sincerely

Jenny Wilkinson

13 June 2018

Request for budget analysis

|  |  |  |
| --- | --- | --- |
| Personal Income Tax Plan | | |
| Person/party requesting the analysis: | Senator Chris Ketter, Australian Labor Party | |
| Date analysis completed: | 13 June 2018 | |
| Expiry date of the analysis: | Release of the next economic and fiscal outlook report. | |
| Status at time of request: | Confidential | Not confidential |
| Summary of request:  The request sought the number of individuals affected by each stage and component of the 2018‑19 Budget measure *Personal Income Tax Plan*. The request also sought a breakdown of the number of individuals affected by component and by gender. The components of the tax plan are as follows:  Component 1 introduces the Low and Middle Income Tax Offset of up to $530 for individuals with taxable income up to $125,333 for the 2018-19, 2019-20, 2020-21 and 2021-22 financial years.  Component 2 increases the upper threshold for the 32.5 per cent marginal tax rate from $87,000 to $90,000 from 1 July 2018.  Component 3 increases the upper threshold for the 32.5 per cent marginal tax rate from $90,000 to $120,000 from 1 July 2022.  Component 4 increases the upper threshold for the 19 per cent marginal tax rate from $37,000 to $41,000 from 1 July 2022.  Component 5 increases the Low Income Tax Offset to up to $645 for taxable incomes up to $66,667 from 1 July 2022.  Component 6 increases the lower threshold for the 45 per cent marginal tax rate from $180,001 to $200,001 from 1 July 2024.  Component 7 removes the 37 per cent marginal tax rate, so that all income from $41,001 to $200,000 is taxed at a marginal rate of 32.5 per cent from 1 July 2024. | | |

# Overview

The Parliamentary Budget Office’s (PBO) estimates of the number of individuals affected by each stage of the 2018‑19 Budget measure *Personal Income Tax Plan* is provided at Attachment A.

The estimates are subject to uncertainties surrounding income and population growth rates, as well as the distribution of such growth between genders and levels of taxable income. There are also uncertainties around the behavioural responses of affected individuals to the measure.[[1]](#footnote-1)

# Key assumptions

The analysis of the number of individuals affected is based upon PBO analysis of the financial implications of the 2018-19 Budget Measure *Personal Income Tax Plan*. The analysis uses a microsimulation model which allows for the estimation of the number of individuals affected by income and by gender. The underlying analysis has made the following assumptions:

* The number of individuals affected by each component is reported in the order presented. Some individuals are affected by multiple components, meaning that the total number affected by the package is less than the sum of the number affected across components.
* Growth in taxable incomes is not assumed to be different by gender.
* The estimates do not consider the implications of the Government’s announced policy to constrain the tax to Gross Domestic Product (GDP) ratio at or below 23.9 per cent. As shown in Chart 2 in Box 2 in Statement 3 of 2018‑19 Budget Paper No. 1, tax receipts are projected to be below 23.9 per cent of GDP until 2026-27 after taking into account the 2018‑19 Budget measure *Personal Income Tax Plan*, while without the *Personal Income Tax Plan* measure receipts would exceed 23.9 per cent of GDP from 2021-22.

# Methodology

* The number of individuals affected by each stage of the 2018‑19 Budget measure *Personal Income Tax Plan* was estimated using a 16 per cent sample of de-identified personal income tax and superannuation returns for 2014-15 provided by the Australian Taxation Office (ATO).
* The Low and Middle Income Tax Offset of up to $530 for individuals with taxable income of up to $125,333 does not continue beyond the 2021-22 year of assessment. As a result, the number of individuals affected in 2022-23 is against a baseline that does not include the Low and Middle Income Tax Offset.
* The number of individuals is based on year of assessment and has not been adjusted for the timing of tax collections.
* Estimates of the number of individuals affected have been rounded to the nearest 1,000.

# Data sources

* 16 per cent samples of de-identified personal income tax and superannuation returns for the 2014‑15 financial year from the ATO.
* Treasury provided the model for the 2018‑19 Budget measure *Personal Income Tax Plan* and economic and policy parameters as of the 2018‑19 Budget.
* Morrison, S 2018, *House of Representatives Hansard – Wednesday, 23 May 2018*, page 81, Commonwealth of Australia.
* Fraser, J 2018, Secretary to the Treasury, *Opening Statement – May 2018 Senate Estimates* (including the tabled document *Personal Income Tax Plan – further information*), 29 May 2018.

1. – Personal Income Tax Plan – numbers affected by gender and taxable income

Table A1: Personal Income Tax Plan – Number of individuals affected in 2018‑19 by taxable income and by gender(a)(b)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Low and Middle Income Tax Offset of up to $530 for individuals with taxable income up to $125,333(c) | | | Increase the upper threshold for the 32.5 per cent marginal tax rate from $87,000 to $90,000(d) | | | All components commencing from 1 July 2018(c) | | |
| Taxable income ($) | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Below 10,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** |
| 10,000-20,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** |
| 20,000-30,000 | *540,000* | *722,000* | ***1,262,000*** | *-* | *-* | ***-*** | *540,000* | *722,000* | ***1,262,000*** |
| 30,000-40,000 | *618,000* | *867,000* | ***1,485,000*** | *-* | *-* | ***-*** | *618,000* | *867,000* | ***1,485,000*** |
| 40,000-50,000 | *698,000* | *870,000* | ***1,568,000*** | *-* | *-* | ***-*** | *698,000* | *870,000* | ***1,568,000*** |
| 50,000-60,000 | *697,000* | *685,000* | ***1,382,000*** | *-* | *-* | ***-*** | *697,000* | *685,000* | ***1,382,000*** |
| 60,000-70,000 | *615,000* | *497,000* | ***1,112,000*** | *-* | *-* | ***-*** | *615,000* | *497,000* | ***1,112,000*** |
| 70,000-80,000 | *528,000* | *384,000* | ***912,000*** | *-* | *-* | ***-*** | *528,000* | *384,000* | ***912,000*** |
| 80,000-90,000 | *459,000* | *313,000* | ***772,000*** | *128,000* | *84,000* | ***212,000*** | *459,000* | *313,000* | ***772,000*** |
| 90,000-100,000 | *366,000* | *223,000* | ***590,000*** | *366,000* | *223,000* | ***590,000*** | *366,000* | *223,000* | ***590,000*** |
| 100,000-110,000 | *294,000* | *157,000* | ***451,000*** | *294,000* | *157,000* | ***451,000*** | *294,000* | *157,000* | ***451,000*** |
| 110,000-120,000 | *230,000* | *103,000* | ***333,000*** | *230,000* | *103,000* | ***333,000*** | *230,000* | *103,000* | ***333,000*** |
| 120,000-130,000 | *101,000* | *41,000* | ***142,000*** | *180,000* | *72,000* | ***252,000*** | *180,000* | *72,000* | ***252,000*** |
| 130,000-140,000 | *-* | *-* | ***-*** | *145,000* | *53,000* | ***198,000*** | *145,000* | *53,000* | ***198,000*** |
| 140,000-150,000 | *-* | *-* | ***-*** | *120,000* | *41,000* | ***161,000*** | *120,000* | *41,000* | ***161,000*** |
| 150,000-160,000 | *-* | *-* | ***-*** | *98,000* | *32,000* | ***130,000*** | *98,000* | *32,000* | ***130,000*** |
| 160,000-170,000 | *-* | *-* | ***-*** | *81,000* | *25,000* | ***107,000*** | *81,000* | *25,000* | ***107,000*** |
| 170,000-180,000 | *-* | *-* | ***-*** | *69,000* | *23,000* | ***91,000*** | *69,000* | *23,000* | ***91,000*** |
| 180,000-190,000 | *-* | *-* | ***-*** | *62,000* | *25,000* | ***88,000*** | *62,000* | *25,000* | ***88,000*** |
| 190,000-200,000 | *-* | *-* | ***-*** | *52,000* | *17,000* | ***69,000*** | *52,000* | *17,000* | ***69,000*** |
| 200,000 and over | *-* | *-* | ***-*** | *342,000* | *104,000* | ***446,000*** | *342,000* | *104,000* | ***446,000*** |
| Total | **5,146,000** | **4,863,000** | **10,009,000** | **2,168,000** | **960,000** | **3,128,000** | **6,195,000** | **5,214,000** | **11,409,000** |

(a) Some figures do not sum to totals because some individuals are affected by both components commencing from 1 July 2018, and due to rounding.

(b) PBO estimates.

(c) Relative to no Personal Income Tax Plan.

(d) Relative to the preceding 1 July 2018 component to introduce the Low and Middle Income Tax Offset.

* Indicates nil.

Table A2: Personal Income Tax Plan – Number of individuals affected in 2022‑23 by taxable income and by gender(a)(b)

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Taxable income ($) | Increase the upper threshold for the 32.5 per cent marginal tax rate from $90,000 to $120,000(c) | | | Increase the upper threshold for the 19 per cent marginal tax rate from $37,000 to $41,000(d) | | | Increase the Low Income Tax Offset to up to $645 for taxable incomes up to $66,667(e) | | | All components commencing from 1 July 2022(c) | | |
| Male | Female | Total | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Below 10,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** |
| 10,000-20,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** |
| 20,000-30,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *494,000* | *653,000* | ***1,147,000*** | *494,000* | *653,000* | ***1,147,000*** |
| 30,000-40,000 | *-* | *-* | ***-*** | *168,000* | *244,000* | ***412,000*** | *567,000* | *806,000* | ***1,373,000*** | *567,000* | *804,000* | ***1,371,000*** |
| 40,000-50,000 | *-* | *-* | ***-*** | *613,000* | *840,000* | ***1,453,000*** | *60,000* | *86,000* | ***146,000*** | *613,000* | *840,000* | ***1,453,000*** |
| 50,000-60,000 | *-* | *-* | ***-*** | *646,000* | *760,000* | ***1,407,000*** | *-* | *-* | ***-*** | *646,000* | *760,000* | ***1,407,000*** |
| 60,000-70,000 | *-* | *-* | ***-*** | *637,000* | *595,000* | ***1,232,000*** | *-* | *-* | ***-*** | *637,000* | *595,000* | ***1,232,000*** |
| 70,000-80,000 | *-* | *-* | ***-*** | *560,000* | *451,000* | ***1,011,000*** | *-* | *-* | ***-*** | *560,000* | *451,000* | ***1,011,000*** |
| 80,000-90,000 | *-* | *-* | ***-*** | *489,000* | *359,000* | ***848,000*** | *-* | *-* | ***-*** | *489,000* | *359,000* | ***848,000*** |
| 90,000-100,000 | *434,000* | *298,000* | ***732,000*** | *434,000* | *298,000* | ***733,000*** | *-* | *-* | ***-*** | *434,000* | *298,000* | ***733,000*** |
| 100,000-110,000 | *367,000* | *235,000* | ***602,000*** | *367,000* | *235,000* | ***602,000*** | *-* | *-* | ***-*** | *367,000* | *235,000* | ***602,000*** |
| 110,000-120,000 | *302,000* | *175,000* | ***477,000*** | *302,000* | *175,000* | ***477,000*** | *-* | *-* | ***-*** | *302,000* | *175,000* | ***477,000*** |
| 120,000-130,000 | *244,000* | *121,000* | ***365,000*** | *244,000* | *121,000* | ***365,000*** | *-* | *-* | ***-*** | *244,000* | *121,000* | ***365,000*** |
| 130,000-140,000 | *198,000* | *86,000* | ***285,000*** | *198,000* | *86,000* | ***285,000*** | *-* | *-* | ***-*** | *198,000* | *86,000* | ***285,000*** |
| 140,000-150,000 | *160,000* | *62,000* | ***223,000*** | *160,000* | *62,000* | ***223,000*** | *-* | *-* | ***-*** | *160,000* | *62,000* | ***223,000*** |
| 150,000-160,000 | *133,000* | *49,000* | ***182,000*** | *133,000* | *49,000* | ***182,000*** | *-* | *-* | ***-*** | *133,000* | *49,000* | ***182,000*** |
| 160,000-170,000 | *113,000* | *40,000* | ***152,000*** | *113,000* | *40,000* | ***152,000*** | *-* | *-* | ***-*** | *113,000* | *40,000* | ***152,000*** |
| 170,000-180,000 | *95,000* | *32,000* | ***127,000*** | *95,000* | *32,000* | ***127,000*** | *-* | *-* | ***-*** | *95,000* | *32,000* | ***127,000*** |
| 180,000-190,000 | *80,000* | *26,000* | ***106,000*** | *80,000* | *26,000* | ***106,000*** | *-* | *-* | ***-*** | *80,000* | *26,000* | ***106,000*** |
| 190,000-200,000 | *68,000* | *21,000* | ***89,000*** | *68,000* | *21,000* | ***89,000*** | *-* | *-* | ***-*** | *68,000* | *21,000* | ***89,000*** |
| 200,000 and over | *525,000* | *174,000* | ***700,000*** | *525,000* | *174,000* | ***699,000*** | *-* | *-* | ***-*** | *525,000* | *174,000* | ***700,000*** |
| **Total** | **2,719,000** | **1,320,000** | **4,039,000** | **5,833,000** | **4,570,000** | **10,403,000** | **1,121,000** | **1,544,000** | **2,666,000** | **6,725,000** | **5,784,000** | **12,509,000** |

(a) Some figures do not sum to totals because some individuals are affected by both components commencing from 1 July 2022, and due to rounding.

(b) PBO estimates.

(c) Relative to all the 1 July 2018 components in Table A1.

(d) Relative to the increase the upper threshold for the 32.5 per cent marginal tax rate from $90,000 to $120,000.

(e) Relative to the increases in the upper threshold for the 32.5 per cent marginal tax rate from $90,000 to $120,000 and the upper threshold for the 19 per cent marginal tax rate from $37,000 to $41,000. Note that while the maximum Low Income Tax Offset increases, there is no change in the offset for individuals with a taxable income greater than $41,000.

* Indicates nil.

Table A3: Personal Income Tax Plan – Number of individuals affected in 2024‑25 by taxable income and by gender(a)(b)

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Taxable income ($) | Increase the lower threshold for the 45 per cent marginal tax rate from $180,001 to $200,001(c) | | | Remove the 37 per cent marginal tax rate, so that all income from $41,001 to $200,000 is taxed at a marginal rate of 32.5 per cent from 1 July 2024(d) | | | All components commencing from 1 July 2024(c) | | | Total Personal Income Tax Plan – 2024-25(f) | | |
| Male | Female | Total | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Below 10,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** |
| 10,000-20,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** |
| 20,000-30,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *443,000* | *599,000* | ***1,043,000*** |
| 30,000-40,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *573,000* | *793,000* | ***1,366,000*** |
| 40,000-50,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *559,000* | *794,000* | ***1,353,000*** |
| 50,000-60,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *625,000* | *781,000* | ***1,406,000*** |
| 60,000-70,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *620,000* | *637,000* | ***1,257,000*** |
| 70,000-80,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *577,000* | *492,000* | ***1,068,000*** |
| 80,000-90,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *507,000* | *389,000* | ***896,000*** |
| 90,000-100,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *441,000* | *314,000* | ***755,000*** |
| 100,000-110,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *401,000* | *269,000* | ***670,000*** |
| 110,000-120,000 | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *-* | *-* | ***-*** | *335,000* | *210,000* | ***544,000*** |
| 120,000-130,000 | *-* | *-* | ***-*** | *279,000* | *159,000* | ***438,000*** | *279,000* | *159,000* | ***438,000*** | *279,000* | *159,000* | ***438,000*** |
| 130,000-140,000 | *-* | *-* | ***-*** | *228,000* | *110,000* | ***337,000*** | *228,000* | *110,000* | ***337,000*** | *228,000* | *110,000* | ***337,000*** |
| 140,000-150,000 | *-* | *-* | ***-*** | *188,000* | *82,000* | ***269,000*** | *188,000* | *82,000* | ***269,000*** | *188,000* | *82,000* | ***269,000*** |
| 150,000-160,000 | *-* | *-* | ***-*** | *153,000* | *60,000* | ***212,000*** | *153,000* | *60,000* | ***212,000*** | *153,000* | *60,000* | ***212,000*** |
| 160,000-170,000 | *-* | *-* | ***-*** | *129,000* | *48,000* | ***177,000*** | *129,000* | *48,000* | ***177,000*** | *129,000* | *48,000* | ***177,000*** |
| 170,000-180,000 | *-* | *-* | ***-*** | *110,000* | *39,000* | ***149,000*** | *110,000* | *39,000* | ***149,000*** | *110,000* | *39,000* | ***149,000*** |
| 180,000-190,000 | *94,000* | *32,000* | ***126,000*** | *94,000* | *32,000* | ***126,000*** | *94,000* | *32,000* | ***126,000*** | *94,000* | *32,000* | ***126,000*** |
| 190,000-200,000 | *80,000* | *26,000* | ***106,000*** | *80,000* | *26,000* | ***106,000*** | *80,000* | *26,000* | ***106,000*** | *80,000* | *26,000* | ***106,000*** |
| 200,000 and over | *634,000* | *212,000* | ***846,000*** | *634,000* | *212,000* | ***846,000*** | *634,000* | *212,000* | ***846,000*** | *634,000* | *212,000* | ***846,000*** |
| **Total** | **808,000** | **270,000** | **1,078,000** | **1,894,000** | **767,000** | **2,660,000** | **1,894,000** | **767,000** | **2,661,000** | **6,976,000** | **6,044,000** | **13,019,000** |

1. Some figures do not sum to totals because some individuals are affected by both components commencing from 1 July 2024, and due to rounding.
2. PBO estimates.
3. Relative to all the 1 July 2022 components in Table A2.
4. Relative to the increase the lower threshold for the 45 per cent marginal tax rate from $180,001 to $200,001.
5. Relative to no Personal Income Tax Plan.

* Indicates nil.

1. There are inherent uncertainties in all policy costings, regardless of who produces them. For a more detailed discussion of the nature and sources of these uncertainties, see PBO information paper no. 01/2017, *Factors influencing the reliability of policy proposal costings*. [↑](#footnote-ref-1)