Opening Statement — May 2018 Senate Estimates

Overview

In my address to this Committee a year ago, I remarked that there were positive signs in the global economy as we entered 2017.

Building on those comments, in February this year, I spoke of a global economy gathering momentum and a domestic economy that was strengthening, with broader-based growth.

Recent data have been consistent with this assessment and we are forecasting that the economic momentum evident in the global and Australian economies will be sustained.

Global growth

Global growth lifted in 2017. The global economy is estimated to have grown by 3.8 per cent, its fastest pace of growth since 2011. This is a significant pick-up from the 3.2 per cent growth recorded in 2016.

Strong global economic momentum has been observed across most advanced economies and, as a result, the global economic cycle is better synchronised than we have seen for some time. This cannot be guaranteed and there may be twists and turns — but the direction is very encouraging.

There has been an upswing in global trade volumes, especially in the Asian region. Business investment and industrial production have also improved across a number of countries and labour market conditions are tightening. Unemployment rates in Japan, Germany and the United States have fallen to around their lowest levels in several decades.

It is estimated that the number of unemployed people in the Group of 7 economies has fallen by more than 40 per cent since the global financial crisis.

Despite this, wage growth and inflation have remained modest, although there are some signs that wage growth has begun to pick up in the United States.

We have also seen some central banks — most importantly the US Federal Reserve — beginning to withdraw the supportive monetary policy settings put in place after the global financial crisis.

Consistent with the International Monetary Fund, the World Bank and other forecasters, we expect global economic momentum to continue in the near term.

The passage of tax reform in the United States is a significant development for the US and the rest of the world. This policy change has lifted the outlook for the US economy, particularly in the near term.

For Australia, one thing is clear. We will have one of the highest corporate tax rates amongst advanced economies. Of the 35 OECD members, only Portugal and France have a higher corporate tax rate than Australia — and the French have already legislated to cut their rates below Australia's over the next few years. Belgium cut their corporate rates below Australia's earlier this year, while rates in the UK are scheduled to fall further. In a competitive world for corporate capital flows, the global trend to reduce corporate tax rates represents a challenge.

Outside of the US, the economic outlook for other advanced economies also remains favourable. For example, last year the euro area experienced its strongest expansion in a decade. In Japan, notwithstanding some recent soft GDP outcomes, wage growth has picked up and growth is likely to continue so long as the global economic environment remains favourable.

Many of Australia's major trading partners, particularly in Asia, are forecast to grow at a stronger pace than the wider global economy.

And this is expected to occur notwithstanding a forecast slowing in growth in the Chinese economy.

China has maintained strong economic momentum into early 2018, with GDP growth of 6.8 per cent through the year to the March quarter, underpinned by robust consumption. China's growth is expected to ease slightly in 2018, in line with authorities' growth target of 'around 6.5 per cent'. Further moderation is expected in coming years in line with the focus of authorities on a sustainable path for economic growth.

We often neglect India, which is a very large economy. I recently visited India for the first time since 2008 and I was very impressed. My discussions with the Reserve Bank of India and others have lifted my confidence about India's outlook and, with that, the economic possibilities for Australia.

India's economy is forecast to reclaim its title as the world's fastest growing major economy, supported by a range of positive indicators and improving prospects for banking, lending and private investment.

In addition to this positive outlook for China and India, a number of ASEAN economies are expected to perform well, with the more trade-exposed economies of Vietnam, Malaysia and Thailand benefiting from the pick-up in global trade.

Risks to the global outlook

But, of course, there are risks.

In China, there have been questions around the sustainability of the financial system for some time.

High credit growth has built up risks in China's financial sector, with total debt in China having risen to over 255 per cent of GDP. The rapid credit expansion has raised concerns over the quality of lending in some pockets of the economy over recent years. In addition, a large share of financial market activity occurs in unregulated sectors. Other challenges in China stem from factors including a gradual slowing in growth, structural shifts in the economy and a declining working age population.

The risks in the Chinese financial system heighten the possibility of financial market volatility and a sharper slowdown in economic growth as Chinese authorities focus on containing risks. China's economic relationship with Australia is extensive and has been deepening over time. The adverse consequences of a shock in China would be felt in Australia, along with the wider world.

All that said, we maintain the view that the somewhat unique features of the Chinese financial system and the powerful role of the financial authorities in China provide comfort that they can successfully navigate these issues.

It is also the case that geopolitical uncertainty is at heightened levels across the globe. Current geopolitical dynamics in the Middle East are complex and unpredictable, as are the developments on the Korean peninsula. None of these are new risks — I have flagged these risks to the Committee on past occasions.

Further, there are always risks in emerging markets. We have recently seen the economic situation deteriorate in Argentina — this year's G20 President — to the point that they are now seeking support from the International Monetary Fund. This would be the 21st program that Argentina has received from the IMF.

In the 1990s, Argentina was the rare success story of Latin America but, by the early-2000s, the Argentinian economy suffered a severe economic crisis, with the Argentinian government ultimately defaulting on its debt.

I was working in the financial sector as that crisis played out and it escalated very rapidly and had wide-ranging impacts.

Among the risks in advanced economies, the United States will have to navigate carefully the current expansionary settings for fiscal policy, while the European banking sector continues to face a range of persistent issues following the global financial crisis and the European sovereign debt crisis. Uncertainty also remains around negotiations over the United Kingdom's exit from the European Union, while ongoing political negotiations in Italy may put the country on a fiscal policy path at odds with that of the rest of the EU — we have already seen financial markets react adversely to this.

Trade policy developments are also something we are watching carefully, given that moves towards a more protectionist trade environment may have detrimental effects on the global economy and our major trading partners.

Over recent decades, the global economy has become far more interconnected. Supply chains have become more integrated across national borders, leading to higher productivity and economic growth. Trade as a share of world GDP has increased from around 17 per cent in 1976 to around 28 per cent in 2016. Greater economic integration between countries means that significant changes to trade policies in one country are more likely to affect many other economies around the world.

It would be naive to think Australia could be immune from the consequences of an escalation in trade tensions, notwithstanding that demand for our exports and our strong trade relationships might help shield us to some extent. The uncertainty around trade tensions may also result in financial market volatility.

Australia's financial markets are closely linked with international markets and disruptions in international financial markets can affect markets here. We observed this recently when higher short-term interest rates in the US seemed to result in higher wholesale borrowing costs for banks in Australia. There is also the risk that there is an unanticipated tightening in financial conditions through reactions to the Royal Commission into the financial services industry — but it is early days yet to make an informed judgment on that.

But global risks have always been an enduring part of Australia's economic backdrop – and the global economy has shown remarkable resilience in recent years.

Australia's economic outlook

Turning to the outlook for the Australian economy, our strong economic performance is being supported by this resilient global economy as well as population growth, technological developments and recent gains in national income following renewed strength in the terms of trade.

We have seen a pick-up in momentum in the Australian economy, with solid contributions to growth from household consumption and non-mining business investment in the second half of 2017.

This is likely to continue as the mining investment boom finally stops dragging on growth and the miners begin to reinvest to maintain the now much larger capital stock.

The Budget forecasts for real GDP are not out of kilter with other forecasters. Indeed, we have a solid forecasting record. Since the mid-2000s, our forecasts have on average been more accurate than many other forecasters. In recent years, we have done especially well.

Nominal GDP is always harder to forecast. Forecast errors are almost always going to be greater for this aggregate because Australia's nominal GDP is heavily influenced by commodity prices, which are highly volatile.

This is why we make a prudent judgment to assume that prices for some key commodities will not be sustained at recently elevated levels. This is backed by comprehensive market and industry consultation.

The transition towards more broad-based sources of growth has been occurring as expected, supported by favourable conditions including an improving global outlook, a flexible labour market, a lower exchange rate and historically low interest rates. Low financing costs will continue to support both the household and business sectors.

The components of domestic growth

Underpinning that high-level outlook, the Budget papers provide substantial detail on individual sectors of the economy.

Non-mining business investment continues to show strength. Combined with continued improvements in business conditions and capital expenditure intentions, this has led to a substantial upwards revision to the forecast for non-mining business investment.

Indeed, business conditions, as measured by the National Australia Bank's latest monthly business survey, are at a record high. Pleasingly, this is reflected across a broad range of industries, with business conditions above their long-run averages in almost all sectors.

And while the negative spillovers from the unwinding of the mining investment boom have weighed especially on non-mining business investment in Queensland and Western Australia, this negative effect is diminishing.

Our consultations with industry point to signs of strength in investment in tourism and education as well as positive spillovers from strong public infrastructure investment.

The strength in non-mining business investment growth should more than make up for relatively flat housing construction activity expected in coming years. Still, housing construction is expected to remain at an elevated level. The latest construction data show continued strength in residential building activity, most notably in New South Wales and Victoria, and activity will be supported by the recent pick-up in approvals and a solid pipeline of work yet to be done.

But a key risk to dwelling investment could play out if there is greater weakness than expected in house prices.

Capital city dwelling prices have continued to soften since October 2017 to be 0.3 per cent lower in April than they were a year ago. National price movements have been led by both price declines in Sydney since mid-2017 and moderating price growth in Melbourne in recent months. Dwelling prices in other capital cities have remained relatively stable, including encouragingly in Perth and Adelaide, while Hobart has experienced strong growth since late 2016.

Elevated household debt and house prices are something to monitor closely but a number of factors — including generally increasingly robust lending standards and strong household balance sheets — give us a reasonable degree of comfort that a sharp correction is unlikely.

Progress against APRA's macroprudential measures has been positive, allowing APRA to announce in April that it will remove the 10 per cent investor loan growth benchmark for Authorised Deposit-taking Institutions who can provide assurance on the strength of their lending standards.

Recent labour market outcomes have been positive news for households. The strength in employment growth during 2017 and to date were pleasing. Even more pleasing, this growth was broad-based across the States and Territories, with around three-quarters of this growth coming from full-time jobs.

Employment growth has continued into 2018, with employment growing by 2.7 per cent through the year to April.

These strong employment outcomes have been accompanied by a rise in the participation rate, which is currently close to its highest rate on record. In particular, female participation has risen strongly.

The pick-up in participation combined with strong employment growth has meant that the unemployment rate has been stable at 5½ per cent in trend terms for the past nine months.

We expect this labour market strength to lead to a pick-up in wage growth. The Wage Price Index rose by 2.1 per cent through the year to the March quarter 2018 and is expected to strengthen as economic growth picks up and excess capacity in the labour market is absorbed.

Indeed, companies are now reporting that the biggest problem constraining the growth in their business is difficulty finding suitable labour.

Our industry consultations highlight labour market tightness in some parts of Australia in construction, information technology, data analytics, artificial intelligence, marketing and human resources.

And while consumer price inflation remains modest, this is not unexpected given subdued wage growth, ongoing competition among retailers, subdued rental price growth and price falls for telecommunications equipment and services.

Going forward, strengthening economic momentum and a lift in wage growth are likely to feed through to higher inflation.

Putting the wage growth and inflation forecasts together, by the end of the forecast period in the June quarter 2020, real wage growth, as measured by real growth in the Wage Price Index, is forecast to pick up to be around its average since the early 2000s.

Wage growth, on a nominal and real basis, is then projected — rather than forecast — to pick up in the subsequent two years.

It is important to note the distinction between economic forecasts and projections in the forward estimates of the Budget. The projections are based on a medium-term methodology. They are not the same as forecasts, and are constructed in a different way.

The projection methodology, which has been used since the 2014-15 Budget, was set out at length in a working paper in 2014. In short, the methodology assumes that any spare capacity in the economy is absorbed as the economy converges to its estimated potential level.

Constructing our medium-term estimates of economic variables using a medium-term methodology is prudent, given that uncertainties generally tend to increase as the forecast horizon lengthens and therefore there are large error bands around estimates three or more years ahead.

Budget update and fiscal outlook

Now, turning to the fiscal outlook.

The 2018-19 Budget brings further improvement in the fiscal position, reflecting improved receipts from stronger economic growth as well as falling payments as a share of the economy.

In this year's Budget, estimates of the underlying cash balance improved across every year of the forward estimates, with the estimates for 2017-18 and 2018-19 expected to be the strongest since the global financial crisis.

The underlying cash balance is now forecast to return to balance in 2019-20 before increasing to projected surpluses of $11.0 billion in 2020-21 and $16.6 billion in 2021-22.

Beyond the forward estimates, the underlying cash balance is projected to remain in surplus, reaching a projected surplus exceeding 1 per cent of GDP by 2026-27.

As a result of the improved fiscal outlook, net debt is now expected to peak at 18.6 per cent of GDP in 2017-18 before declining in each year of the forward estimates and the medium term, falling to 3.8 per cent of GDP by 2028-29.

Tax receipts are higher owing to an improved labour market outlook and increased corporate profitability, partly offset by policy decisions. Payments are relatively lower with the improved labour market outlook reducing income support payments while integrity measures continue to ensure that certain payments, such as income support for people with disability, are targeted to those in genuine need.

Continued fiscal discipline is key to delivering on these projected outcomes. A strong fiscal position and our triple-A credit rating from all three major rating agencies remains the best defence against the inevitable economic and financial head winds.

As I have been saying for some time, the Australian economy is travelling along nicely. Recent outcomes give us confidence that the above-potential growth we have been forecasting for some time will materialise over the next few years.

Before closing, I note that, in advance of this hearing, we were sent a number of questions relating to the Government's personal income tax plan. I am now tabling a range of information to address these questions.

I would suggest that the officers attending with Revenue Group tomorrow morning will be best placed to assist with any questions on the detail or methodology relating to these measures.

Personal Income Tax Plan – further information

The introduction of the Personal Income Tax Plan has a cost to revenue of $13.4 billion over the period of 2018-19 to 2021-22 (the forward estimates period), of which $11.65 billion is associated with the introduction of the low and middle income tax offset, while $1.75 billion is due to extending the 32.5 per cent tax bracket from $87,000 to $90,000. This is outlined in the table below.

Table 1: Budget impact of the Personal Income Tax Plan over the forward estimates

	Costing				
Revenue/receipts ($m)	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**Total to 2021-22**
Total - Personal Income Tax Plan	**-360**	**-4,120**	**-4,420**	**-4,500**	**-13,400**
Introduce the low and middle income tax offset*	-	-3,700	-3,950	-4,000	-11,650
Increase the top threshold of the 32.5% tax bracket from $87,000 to $90,000	-360	-420	-470	-500	-1,750

*This 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.

Projected revenue impact of the Personal Income Tax Plan

The table below shows the projected impact on tax receipts of the Personal Income Tax Plan over the period of 2018-19 to 2028-29 (the medium term). Estimates over this period incorporate a range of medium term assumptions that carry a greater amount of uncertainty. These projections include assumptions regarding income levels and distributions, demographics and economic conditions.

Estimates made further into the future become increasingly sensitive to the underlying projections and are subject to heightened uncertainty. As such, rather than providing year by year estimates we have provided results aggregated over the medium term as a guide to the estimated cost of the plan.

These estimates are prepared before considering the tax-GDP cap. As shown in Chart 2 in Box 2 in Budget Statement 3 of Budget Paper No. 1, under the Personal Income Tax Plan tax receipts are projected to be below 23.9 per cent of GDP until 2026-27, while without the Personal Income Tax Plan receipts would exceed 23.9 per cent of GDP from 2021-22.

Table 2: Projected revenue impact of the Personal Income Tax Plan by measure – 2018-19 to 2028-29

Revenue/receipts	Total - 2018-19 to 2028-29 ($ billion)
Step 1:	
Commencing 1 July 2018, introduce low and middle income tax offset	-16
Step 2:	
Commencing 1 July 2018, increase the top threshold of the 32.5% tax bracket from 87,000 to 90,000	-6
Commencing 1 July 2022, increase the low income tax offset	-3
Commencing 1 July 2022, increase the top threshold of the 19% tax bracket from $37,000 to $41,000	-41
Commencing 1 July 2022, increase the top threshold of the 32.5% tax bracket from $90,000 to $120,000	-36
Total Steps 1 and 2	**-102**
Step 3:	
Commencing 1 July 2024, increase the top threshold of the 32.5% tax bracket from $120,000 to $200,000	-33
Commencing 1 July 2024, increase the threshold at which the 45% tax bracket applies from $180,000 to $200,000	-9
Steps 1, 2 and 3	**-144**

Annual financial impact on taxpayers by taxable income

Tables 3 to 5 outline the financial impact on taxpayers broken down into taxable incomes from $20,000 to over $200,000, in $10,000 intervals for all stages and measures included in the Government's Personal Income Tax Plan.

Table 3: Annual financial impact - 2018-19 to 2021-22*

				Of which	
Taxable income ($)	2017-18 tax liability ($)	Tax liability under Personal Income Tax Plan ($)	Annual reduction in tax paid ($)	**Step 1** Low and middle income tax offset ($)^	**Step 2** Increasing the $87,000 threshold to $90,000
20,000	0	0	0	0	0
30,000	2,397	2,197	200	200	0
40,000	4,947	4,657	290	290	0
50,000	8,547	8,017	530	530	0
60,000	12,147	11,617	530	530	0
70,000	15,697	15,167	530	530	0
80,000	19,147	18,617	530	530	0
90,000	22,732	22,067	665	530	135
100,000	26,632	26,117	515	380	135
110,000	30,532	30,167	365	230	135
120,000	34,432	34,217	215	80	135
130,000	38,332	38,197	135	0	135
140,000	42,232	42,097	135	0	135
150,000	46,132	45,997	135	0	135
160,000	50,032	49,897	135	0	135
170,000	53,932	53,797	135	0	135
180,000	57,832	57,697	135	0	135
190,000	62,532	62,397	135	0	135
200,000	67,232	67,097	135	0	135

* Figures in the table are calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset, and the Medicare levy (at 2 per cent with the change to the Medicare levy low income thresholds). Actual outcomes for many individuals and households would differ.

^ Analysis is on an income year basis. For example, someone who has taxable income of $50,000 in 2018-19 would be eligible for $530 of low and middle income tax offset for 2018-19. They would receive this benefit when they lodge their tax return.

Table 4: Annual financial impact - 2022-23 to 2023-24*

Taxable income ($)	2017-18 tax liability ($)	Tax liability under Personal Income Tax Plan ($)	Annual reduction in tax paid ($)	*Of which* Step 2: Increasing the $87,000 threshold to $90,000	Increasing the low income tax offset	Increasing the $37,000 threshold to $41,000	Increasing the $90,000 threshold to $120,000
20,000	0	0	0	0	0	0	0
30,000	2,397	2,197	200	0	200	0	0
40,000	4,947	4,492	455	0	50	405	0
50,000	8,547	8,007	540	0	0	540	0
60,000	12,147	11,607	540	0	0	540	0
70,000	15,697	15,157	540	0	0	540	0
80,000	19,147	18,607	540	0	0	540	0
90,000	22,732	22,057	675	135	0	540	0
100,000	26,632	25,507	1,125	135	0	540	450
110,000	30,532	28,957	1,575	135	0	540	900
120,000	34,432	32,407	2,025	135	0	540	1,350
130,000	38,332	36,307	2,025	135	0	540	1,350
140,000	42,232	40,207	2,025	135	0	540	1,350
150,000	46,132	44,107	2,025	135	0	540	1,350
160,000	50,032	48,007	2,025	135	0	540	1,350
170,000	53,932	51,907	2,025	135	0	540	1,350
180,000	57,832	55,807	2,025	135	0	540	1,350
190,000	62,532	60,507	2,025	135	0	540	1,350
200,000	67,232	65,207	2,025	135	0	540	1,350

* Figures in the table are calculated only taking into account the basic tax scales, low income tax offset and the Medicare levy (at 2 per cent with the change to the Medicare levy low income thresholds). Actual outcomes for many individuals and households would differ.

Table 5: Annual financial impact - from 2024-25*

				Of which				
				Step 2				Step 3
Taxable income ($)	2017-18 tax liability ($)	Tax liability under Personal Income Tax Plan ($)	Annual reduction in tax paid ($)	Increasing the $87,000 threshold to $90,000	Increasing the low income tax offset	Increasing the $37,000 threshold to $41,000	Increasing the $90,000 threshold to $120,000	Abolishing the 37% bracket**
20,000	0	0	0	0	0	0	0	0
30,000	2,397	2,197	200	0	200	0	0	0
40,000	4,947	4,492	455	0	50	405	0	0
50,000	8,547	8,007	540	0	0	540	0	0
60,000	12,147	11,607	540	0	0	540	0	0
70,000	15,697	15,157	540	0	0	540	0	0
80,000	19,147	18,607	540	0	0	540	0	0
90,000	22,732	22,057	675	135	0	540	0	0
100,000	26,632	25,507	1,125	135	0	540	450	0
110,000	30,532	28,957	1,575	135	0	540	900	0
120,000	34,432	32,407	2,025	135	0	540	1,350	0
130,000	38,332	35,857	2,475	135	0	540	1,350	450
140,000	42,232	39,307	2,925	135	0	540	1,350	900
150,000	46,132	42,757	3,375	135	0	540	1,350	1,350
160,000	50,032	46,207	3,825	135	0	540	1,350	1,800
170,000	53,932	49,657	4,275	135	0	540	1,350	2,250
180,000	57,832	53,107	4,725	135	0	540	1,350	2,700
190,000	62,532	56,557	5,975	135	0	540	1,350	3,950
200,000	67,232	60,007	7,225	135	0	540	1,350	5,200

* Figures in the table are calculated only taking into account the basic tax scales, low income tax offset and the Medicare levy (at 2 per cent with the change to the Medicare levy low income thresholds). Actual outcomes for many individuals and households would differ.

** This column shows the effect of increasing the top threshold of the 32.5% bracket from $120,000 to $200,000, beyond which the top marginal rate of 45% would apply.

Note: The tables below are based on projections of populations and incomes. Estimates for the forward estimates are more robust than figures beyond this period, which incorporate a range of medium term assumptions and are subject to heightened uncertainty.

Totals may not sum due to rounding.

Projected number of taxpayers impacted by the measures commencing 1 July 2018

Table 6 outlines projected number of taxpayers impacted by with measures commencing 1 July 2018, including increasing the $87,000 threshold to $90,000 and the introduction of the low and middle income tax offset.

Table 6: Projected number of taxpayers – 2018-19

Taxable Income	Number of Taxpayers ('000)
	Total
$37,000 and below	2,480
$37,001 to $48,000	1,770
$48,001 to $87,000	4,220
$87,001 to $90,000	210
$90,001 to $125,333	1,470
Greater than $125,333	1,340
Total	**11,500**

Projected number of taxpayers impacted by the measures commencing 1 July 2022

Table 7 outlines the projected number of taxpayers impacted by measures commencing 1 July 2022, including increasing the low income tax offset, increasing the $37,000 threshold to $41,000 and increasing the $90,000 threshold to $120,000.

Table 7: Projected number of taxpayers – 2022-23

Taxable Income	Number of Taxpayers ('000)
$37,000 and below	2,300
$37,001 to $41,000	560
$41,001 to $90,000	5,760
$90,001 to $120,000	1,770
Over $120,000	2,160
Total	**12,550**

Projected number of taxpayers impacted by the measures commencing 1 July 2024

Table 8 outlines the projected number of taxpayers impacted by measures commencing 1 July 2024, including increasing the $120,000 threshold to $200,000 and increasing the $180,000 threshold to $200,000.

Table 8: Projected number of taxpayers – 2024-25

Taxable Income	Number of Taxpayers ('000)
$120,000 and below	10,440
$120,001 to $180,000	1,560
$180,001 to $200,000	230
Above $200,000	820
Total	**13,050**

Note: The distributional analysis outlined in tables 9 to 12 contains projections of tax payers to the 2028-29 financial year. The figures in these tables are based on projections of populations and incomes. Estimates made further into the future become increasingly sensitive to underlying projections and are subject to heightened uncertainty.

* This includes taxpayers with taxable incomes below the tax free threshold of $18,200. Totals may not sum due to rounding.

Table 9: Number of taxpayers and proportion of tax paid by tax bracket, 2015-16

Current system			
Tax threshold and rate	Taxpayers by income range^ ('000s)	(%)	Personal tax paid (%)
$37,000 and below (19 per cent and below*)	2,330	23	2
$37,001 to $87,000 (32.5 per cent)	5,450	54	33
$87,001 to $180,000 (37 per cent)	1,950	19	35
$180,001 and above (45 per cent)	420	4	30
Total	**10,150**	**100**	**100**

Source: ATO Taxation Statistics Table 10. ^ refers to tax returns lodged by 31 October 2017.

Table 10: Number of taxpayers and proportion of tax paid by tax bracket, 2018-19

Current system				New system			
Tax threshold and rate	Taxpayers by income range ('000s)	(%)	Personal tax paid (%)	Tax Threshold and Rate	Taxpayers by income range ('000s)	(%)	Personal tax paid (%)
$37,000 and below (19 per cent and below*)	2,480	22	2	$37,000 and below (19 per cent and below*)	2,480	22	2
$37,001 to $87,000 (32.5 per cent)	6,000	52	30	$37,001 - $90,000 (32.5 per cent)	6,200	54	31
$87,001 to $180,000 (37 per cent)	2,440	21	35	$90,001 - $180,000 (37 per cent)	2,230	19	33
$180,001 and above (45 per cent)	580	5	33	$180,001 and above (45 per cent)	580	5	34
Total	**11,500**	**100**	**100**		**11,500**	**100**	**100**

Table 11: Number of taxpayers and proportion of tax paid by tax bracket, 2022-23

Current system				New system			
Tax threshold and rate	**Taxpayers by income range ('000s)**	**(%)**	**Personal tax paid (%)**	**Tax threshold and rate**	**Taxpayers by income range ('000s)**	**(%)**	**Personal tax paid (%)**
$37,000 and below (19 per cent and below*)	2,300	18	1	$41,000 and below (19 per cent and below*)	2,860	23	2
$37,001 to $87,000 (32.5 per cent)	6,090	49	24	$41,001 - $120,000 (32.5 per cent)	7,530	60	41
$87,001 to $180,000 (37 per cent)	3,300	26	37	$120,001 - $180,000 (37 per cent)	1,300	10	19
$180,001 and above (45 per cent)	860	7	37	$180,001 and above (45 per cent)	860	7	38
Total	**12,550**	**100**	**100**		**12,550**	**100**	**100**

Table 12: Number of taxpayers and proportion of tax paid by tax bracket, 2024-25

Current system				New system			
Tax threshold and Rate	**Taxpayers by income range ('000s)**	**(%)**	**Personal tax paid (%)**	**Tax threshold and rate**	**Taxpayers by income range ('000s)**	**(%)**	**Personal tax paid (%)**
$37,000 and below (19 per cent and below*)	2,190	16	1	$41,000 and below (19 per cent and below*)	2,730	21	2
$37,001 to $87,000 (32.5 per cent)	6,070	47	21	$41,001 - $200,000 (32.5 per cent)	9,510	73	62
$87,001 to $180,000 (37 per cent)	3,740	29	37	37 per cent (Abolished)	-	-	-
$180,001 and above (45 per cent)	1,050	8	40	$200,001 and above (45 per cent)	820	6	36
Total	**13,050**	**100**	**100**		**13,050**	**100**	**100**