



Parliament of Australia
Parliamentary Budget Office

Jenny Wilkinson
Parliamentary Budget Officer

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).

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

Yours sincerely

[REDACTED]
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 <i>Personal Income Tax Plan</i>. 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

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.

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*.

- 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.

Attachment A – 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)}

Taxable income (\$)	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)		
	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

(a) Some figures do not sum to totals because some individuals are affected by both components commencing from 1 July 2024, and due to rounding.

(b) PBO estimates.

(c) Relative to all the 1 July 2022 components in Table A2.

(d) Relative to the increase the lower threshold for the 45 per cent marginal tax rate from \$180,001 to \$200,001.

(e) Relative to no Personal Income Tax Plan.

- Indicates nil.