

Chapter 1

Introduction

1.1 On 1 September 2016, the Treasury Laws Amendment (Income Tax Relief) Bill 2016 was introduced by the Government into the House of Representatives. On 15 September 2016, the Senate referred the provisions of the bill to the Economics Legislation Committee for inquiry and report by 10 October 2016.¹

Conduct of the inquiry

1.2 The committee advertised the inquiry on its website and on Twitter. It also wrote to relevant stakeholders and interested parties inviting submissions by 23 September 2016. The committee received seven submissions, which are listed at Appendix 1.

1.3 The committee thanks all of the organisations that contributed to this inquiry.

Overview of the bill

1.4 The bill amends the *Income Tax Rates Act 1986* (ITRA 1986) to increase the third personal income tax threshold applying to personal income taxpayers. Taxpayers earning above \$80 000 will now face a lower rate of tax from \$80 001 to \$87 000.²

1.5 The bill also amends the non-resident tax schedule to increase the first income tax bracket to \$87 000.³

1.6 As outlined by the Treasurer:

Under existing law a marginal tax rate of 32.5 per cent applies to taxable incomes between \$37,001 and \$80,000. Incomes above \$80,001 then have a marginal rate of 37 cents, not including the two per cent Medicare Levy.⁴

1.7 The bill will extend the marginal tax rate of 32.5 per cent from \$80 000 to \$87 000 from 1 July 2016.⁵

1.8 This measure is part of a suite of measures announced by the Government in the 2016-17 budget that aim to boost the economy and make 'a start on personal income tax relief'.⁶

1 *Journals of the Senate*, 2015-16, no. 7 (15 September 2016), p. 211.

2 Explanatory Memorandum, p. 3.

3 Explanatory Memorandum, p. 3.

4 The Hon Scott Morrison MP, Treasurer, *House of Representatives Hansard*, 1 September 2016, p. 14.

5 The Hon Scott Morrison MP, Treasurer, *House of Representatives Hansard*, 1 September 2016, p. 14.

6 The Hon Scott Morrison MP, Treasurer, *House of Representatives Hansard*, 1 September 2016, p. 14.

1.9 It is estimated that the amendments will benefit approximately 3.1 million taxpayers in 2016-17 and will provide a maximum tax cut of \$315 per annum for incomes of \$87 000 and above.⁷

1.10 The Treasurer explained how the bill will reward hardworking Australians:

As a down payment towards further tax relief for working Australians this bill will particularly assist those earning average full-time ordinary wages in Australia by preventing them from going into the second highest tax bracket of 37 cents in the dollar in 2016-17.

These mum and dad workers, these middle-income Australians, are bearing a growing burden under our tax system. This bill will provide modest but genuine relief, demonstrating the government's commitment to action on reducing that burden.⁸

1.11 The amendments made by the bill will reduce the tax burden of taxpayers and contribute to achieving a better tax system that supports Australians to work, save and invest.⁹

7 Explanatory Memorandum, p. 6.

8 The Hon Scott Morrison MP, Treasurer, *House of Representatives Hansard*, 1 September 2016, p. 14.

9 Explanatory Memorandum, p. 3.