



# Lower taxes

Tax relief to encourage and reward hard-working Australians

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# Lower taxes for hard-working Australians and small business

The Government is building a tax system that rewards effort and underpins a strong economy

The Australian Government is lowering taxes for working Australians and backing small and medium-sized business, while ensuring all taxpayers, including big business and multinationals, pay their fair share.

Lower taxes form part of our plan that is delivering a stronger economy and record job creation. The Government's strong fiscal management means that it can deliver surpluses while also rewarding hard-working Australians and supporting small businesses. Lower taxes will support consumption growth and strengthen our economy.

In this Budget the Government is further delivering on its promise to build a simpler and more competitive tax system.

Hard-working Australians should pay lower taxes. The Government supports a progressive tax system that eases cost of living pressures, provides reward for effort and sustains economic growth. These long-term changes to the tax system will ensure that Australians keep more of the money they have worked hard to earn.

The Government will continue to back small business. Small and medium-sized businesses are the engine room of the economy and employ more than 7 million workers. We will continue to lighten their load so they can do what they do best.

The Government also believes everyone should pay their fair share of tax, particularly multinationals and big businesses.



# Building a better tax system



## 1

### Lower taxes for hard-working Australians

- **Immediate tax relief** for low- and middle-income earners of up to \$1,080 for singles or up to \$2,160 for dual income families to ease the cost of living.
- **Lowering the 32.5 per cent rate to 30 per cent in 2024-25**, increasing the reward for effort by ensuring a projected 94 per cent of taxpayers will face a marginal tax rate of no more than 30 per cent.
- A further \$158 billion of tax relief, building on our already legislated Personal Income Tax Plan.



## 2

### Backing small business

- **Increasing the instant asset write-off** threshold to \$30,000 and expanding access to medium-sized businesses with an annual turnover of less than \$50 million to help them reinvest in their business, employ more workers and grow. Around 3.4 million businesses will be eligible to benefit.
- **Fast-tracking the company tax rate cut** to 25 per cent for small and medium-sized companies with an annual turnover of less than \$50 million and increases to the unincorporated small business tax discount rate.



## 3

### Making multinationals and big business pay their fair share

- \$12.9 billion in tax liabilities raised from tax compliance activities since July 2016.
- New funding for the ATO to target tax avoidance by multinationals, big business and high-wealth individuals.

# Delivering lower taxes to hard-working Australians

## Building on the Government's Personal Income Tax Plan

Our tax system must be fair for all Australians, one that provides reward for effort.

The Government is delivering a better tax system through its legislated Personal Income Tax Plan. The plan delivers lower taxes for low- and middle-income earners. It puts more money back into the pockets of hard-working Australians.

Disciplined fiscal management has allowed the Government to enhance the plan, providing further tax relief to most Australian taxpayers.

**From 2018-19, the Government will further reduce taxes for low- and middle-income earners** to ease cost of living pressures and support consumption growth. Low- and middle-income earners will have their tax reduced by up to **\$1,080 for single earners** or up to **\$2,160 for dual income families**, after lodging their tax returns as early as 1 July 2019.

**In 2022-23**, the Government will preserve the tax relief provided by the larger low and middle income tax offset by increasing the top threshold of the 19 per cent tax bracket from \$41,000 to \$45,000 and increasing the low income tax offset from \$645 to \$700.

**In 2024-25, the Government will reduce the 32.5 per cent tax rate to 30 per cent**, more closely aligning the middle tax bracket with corporate tax rates, improving incentives for working Australians and increasing the reward for effort.

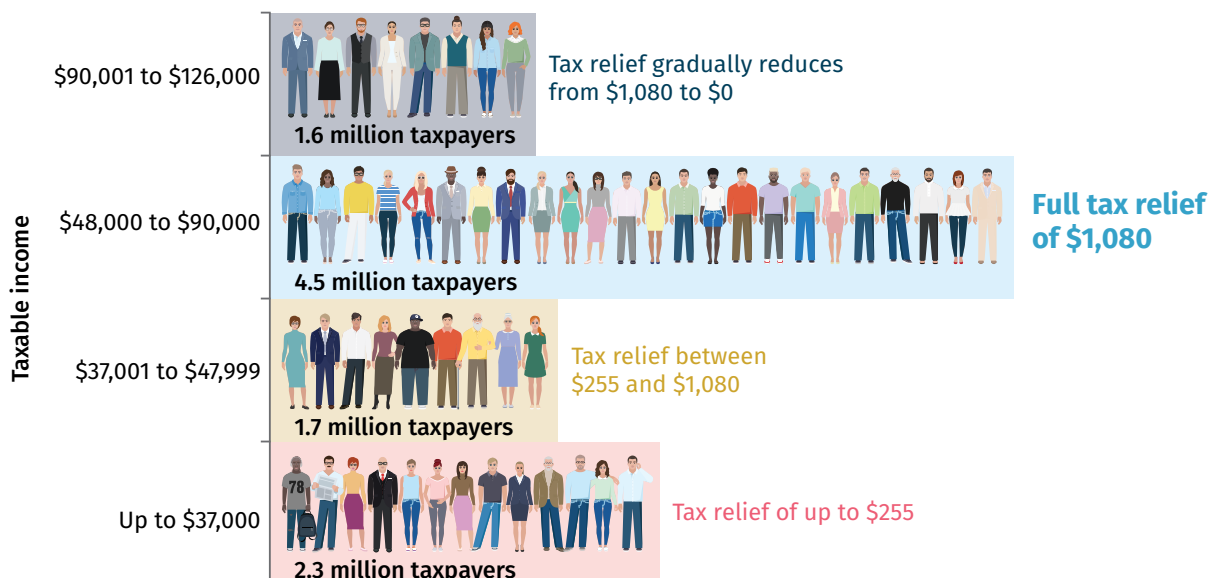
In total, around 13.3 million taxpayers will pay permanently lower taxes in 2024-25 as a result of the Government's enhanced plan.

This is in addition to steps the Government has already taken to simplify the tax system by reducing the number of tax rates to three. In 2024-25, 94 per cent of taxpayers are projected to face a marginal rate of 30 per cent or less.

The Government's enhanced plan maintains a progressive income tax system that also rewards effort and contributes to a strong economy.

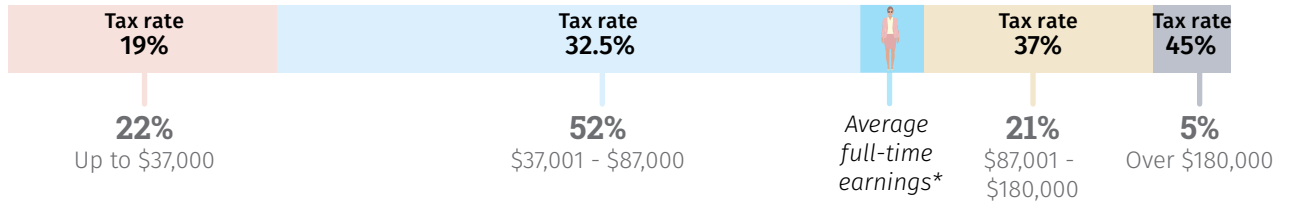
**As a result of the Government's enhanced plan, around 94 per cent of Australian taxpayers are projected to face a marginal tax rate of 30 per cent or less in 2024-25.**

### The new targeted offset will benefit over 10 million low- and middle-income earners



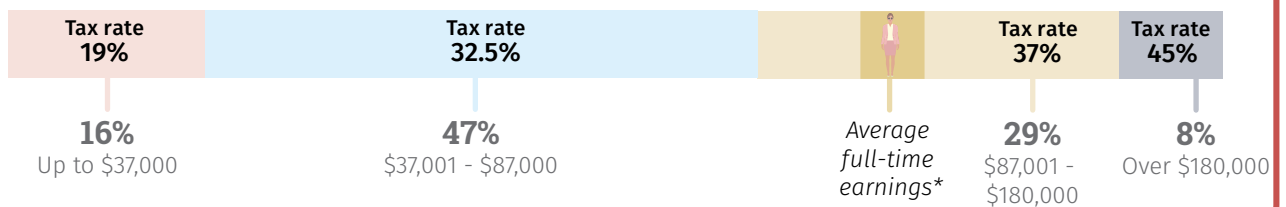
# The Government's Personal Income Tax Plan means more Australians will face lower rates of tax

2017-18: Proportion of taxpayers in each tax bracket



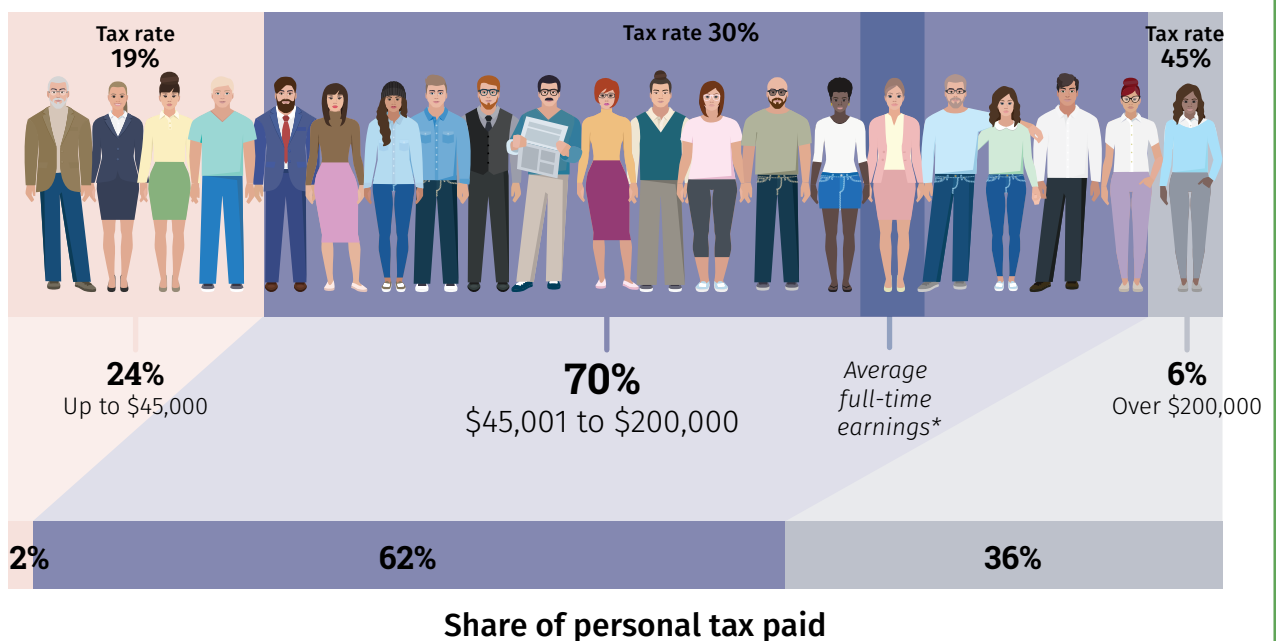
## ✗ 2024-25 without the Government's plan:

Proportion of taxpayers in each tax bracket



## ✓ 2024-25 with the Government's plan:

Proportion of taxpayers in each tax bracket



\* Average full-time earnings includes both males and females, and excludes earnings from overtime work

# Immediate tax relief for hard-working Australians

## Easing the cost of living

### Immediate relief to low- and middle-income earners

The Government will increase the low and middle income tax offset, providing tax relief of up to **\$1,080 for singles or up to \$2,160 for dual income families**. The offset will be available for the 2018-19, 2019-20, 2020-21 and 2021-22 income years.

Individuals with taxable incomes up to \$37,000 will have their tax reduced by up to \$255. This will increase incrementally for those earning between \$37,000 and \$48,000. The maximum offset of \$1,080 will be available to taxpayers with taxable incomes between \$48,000 and \$90,000. The offset then gradually reduces to zero at a taxable income of \$126,000. The offset

will be received as a lump sum on assessment after individuals lodge their tax returns.

**This will assist more than 10 million Australians, with around 4.5 million individuals receiving the full offset for the 2018-19 income year.**

**The maximum offset of \$1,080 is more than double the offset of \$530 announced in the 2018-19 Budget.** The base amount has also increased from \$200 to \$255 for those earning up to \$37,000.

This additional tax relief will reward hard-working Australians, support consumption growth and ease cost of living pressures for low- and middle-income earners by putting more of their money back in their pockets to spend, save or invest.







## From 2022-23: Locking in the benefits of lower taxes

From 1 July 2022, the Government will preserve the tax relief from the larger low and middle income tax offset by **increasing the top threshold of the 19 per cent tax bracket from \$41,000 to \$45,000 and increasing the low income tax offset from \$645 to \$700.**

This builds on the changes in last year's Budget, which increased the \$37,000 threshold to \$41,000 and the low income tax offset from \$445 to \$645 from 1 July 2022. It also builds on the increase to the top threshold of the 32.5 per cent tax bracket from \$90,000 to \$120,000 from 1 July 2022, which the Government has already made into law.





# Reward for effort

Ensuring a projected 94 per cent of Australian taxpayers will face a marginal tax rate of 30 per cent or less in 2024-25

## From 2024-25: Further structural changes to the tax system to deliver lower taxes

In 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 rate of the personal income tax system with corporate tax rates and improve incentives for working Australians.

The rate reduction builds on the changes the Government has already made into law, increasing the top threshold of the middle tax bracket from \$120,000 to \$200,000 and abolishing the 37 per cent tax bracket.

The result will be a simpler system comprising three tax rates: 19 per cent, 30 per cent and 45 per cent.

From 1 July 2024, Australians earning between \$45,000 and \$200,000 will face a marginal tax rate of 30 per cent. As a result of the Government's reforms, individuals can earn more knowing that their extra income will not be taxed at a higher marginal rate.

Under the plan, in 2024-25, around 94 per cent of Australian taxpayers are projected to face a marginal tax rate of 30 per cent or less. This is compared with a projected 16 per cent who would have faced a marginal tax rate of 30 per cent or less if the plan was not in place, and 63 per cent who would have faced a marginal tax rate of 32.5 per cent or less.

The Government's enhanced plan will increase the rewards for effort and ensure that hard-working Australians will keep more of what they earn if they get a promotion or choose to work additional hours.

Rates in 2017-18	Thresholds in 2017-18	New Rates in 2024-25	New Thresholds in 2024-25
Nil	Up to \$18,200	Nil	Up to \$18,200
19 per cent	\$18,201 – \$37,000	19 per cent	\$18,201 – \$45,000
32.5 per cent	\$37,001 – \$87,000	30 per cent	\$45,001 – \$200,000
37 per cent	\$87,001 – \$180,000	-	-
45 per cent	Above \$180,000	45 per cent	Above \$200,000
Low income tax offset in 2017-18	Up to \$445	Low income tax offset in 2024-25	Up to \$700

# A progressive tax system

Delivering a system that remains progressive and internationally competitive

## Maintaining a progressive tax system

Australia has a progressive tax system which ensures that those with the greatest ability to pay contribute a larger share of personal income tax revenue, while also providing reward for effort and incentives to get ahead.

The Government will maintain a progressive tax system. It is projected that in 2024-25 around 60 per cent of all personal income tax will be paid by the highest earning 20 per cent of taxpayers, broadly similar to that cohort's share if 2017-18 rates and thresholds were left unchanged. The share of personal income tax paid also remains similar for the top 1, 5 and 10 per cent of taxpayers.

Under our enhanced plan, an individual with taxable income of \$200,000 earns 4.4 times more income than an individual with taxable income of \$45,000, but in 2024-25 will pay around 10 times more tax.

The enhanced plan will result in a better tax system, with greater reward for effort while ensuring top earners pay their share.

### Share of personal income tax paid by the top 1%, top 5%, top 10% and top 20% of taxpayers

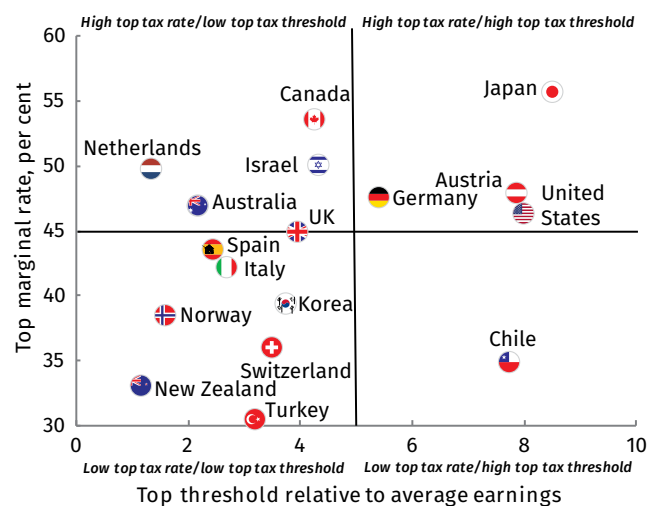
	Share of tax paid in 2017-18	Share of tax paid in 2024-25 without the Government's plan	Share of tax paid in 2024-25 with the Government's plan
Top 1% of taxpayers	16.7%	15.6%	17.0%
Top 5% of taxpayers	32.7%	31.6%	32.9%
Top 10% of taxpayers	44.6%	43.4%	44.0%
Top 20% of taxpayers	60.6%	59.5%	59.5%

## Remaining internationally competitive

Australia currently has relatively high rates of tax, cutting in at relatively low levels of income compared with other countries.

Australia's top marginal tax rate cuts in at around 2.2 times average full-time earnings, compared with 4 times in Canada and the UK, and 8 times in the US. Without the changes announced in last year's Budget, Australia's ratio was projected to drop to around 1.7, reducing our international competitiveness and ability to attract and retain talent. Increasing the bottom threshold of the top tax bracket from \$180,000 to \$200,000 as legislated means that this ratio is now expected to fall more modestly to around 1.9.

### Current top marginal tax rates comparison, selected OECD countries



Source: Treasury calculations, 2017 OECD Revenue Statistics and Tax Database.

# Tax relief for hard-working Australians

Australian taxpayers will pay less tax, with immediate relief for low- and middle-income earners

Noah works as an electrician for a construction company and Sophia is a laboratory technician. They have one child. In the 2018-19 income year, Noah earns \$66,000 and Sophia earns \$54,000.

With the personal income tax relief provided in last year's Budget and this Budget (together the 'enhanced plan'), Noah and Sophia each pay \$1,080 less tax and **together Noah and Sophia are \$2,160 better off for 2018-19** than under 2017-18 rates and thresholds. They receive their combined tax relief of \$2,160 after they lodge their 2018-19 tax returns, which they may lodge as early as 1 July 2019. They will continue to benefit from tax relief in future years.

- Under 2017-18 rates and thresholds, Noah would pay tax of \$14,307 and Sophia \$9,987 for 2018-19.
- Under the changes in last year's Budget, Noah and Sophia would each pay \$530 less tax for the 2018-19 income year. The changes announced in this Budget build on this and increase the tax relief they each receive by \$550 to a total of \$1,080.

**2018-19: Tax relief under the 2018-19 and 2019-20 Budgets**

Taxable income (\$)	2017-18 tax liability* (\$)	Annual reduction in tax paid under the changes in the 2018-19 Budget (\$)	Additional annual reduction in tax paid under the changes in the 2019-20 Budget (\$)	Total annual reduction in tax paid (compared with 2017-18) (\$)
20,000	0	0	0	0
21,000	87	87	0	87
22,000	279	200	55	255
23,000	569	200	55	255
24,000	859	200	55	255
25,000	1,149	200	55	255
30,000	2,397	200	55	255
40,000	4,947	290	190	480
50,000	8,547	530	550	1,080
60,000	12,147	530	550	1,080
70,000	15,697	530	550	1,080
80,000	19,147	530	550	1,080
90,000	22,732	665	550	1,215
100,000	26,632	515	400	915
120,000	34,432	215	100	315
140,000	42,232	135	0	135
160,000	50,032	135	0	135
180,000	57,832	135	0	135
200,000	67,232	135	0	135

\* The table provides stylised cameos based on the tax payable for an individual, excluding any transfer payments. The tax liability and reduction in tax is calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset and the Medicare levy (with 2017-18 low-income thresholds). Actual outcomes for many individuals and households would differ.

**Average wage:** Estimated average full-time ordinary earnings for men and women in 2018-19 are between \$80,000 and \$90,000



Tom is a high school teacher and earns \$67,000 in the 2018-19 income year. Tom is single.

Under the enhanced plan, **Tom pays \$1,080 less tax for 2018-19 and will continue to benefit in future years.**

- Under 2017-18 rates and thresholds, Tom would pay tax of \$14,662 for 2018-19.
- Under the changes in last year's Budget, Tom would pay \$530 less tax for the 2018-19 income year. The changes announced in this Budget build on this to increase the amount of tax relief by \$550 to a total of \$1,080.



Guy is a newly graduated community pharmacist and Alex is an engineer. In the 2018-19 income year, Guy earns \$60,000 and Alex earns \$90,000.

Under the enhanced plan, Guy pays \$1,080 less tax and Alex \$1,215 less tax compared with 2017-18 rates and thresholds.

**Together, Guy and Alex pay \$2,295 less tax for 2018-19.**

They receive most of their combined tax relief of \$2,295 after they lodge their 2018-19 tax returns, which they may lodge as early as 1 July 2019.

- Under 2017-18 rates and thresholds, Guy would pay tax of \$12,147 and Alex \$22,732 for 2018-19.
- Under the changes in last year's Budget, Guy would pay \$530 less tax, and Alex \$665 less tax for the 2018-19 income year. The changes announced in this Budget build on this to provide additional tax relief to Guy and Alex of \$550 each. This brings total tax relief under the enhanced plan for Guy and Alex to \$1,080 and \$1,215 respectively.



Sam is 20 and is an apprentice chef. In 2018-19, she earns \$28,000.

Under the enhanced plan, **Sam pays \$255 less tax for 2018-19** compared with 2017-18 rates and thresholds.

- Under 2017-18 rates and thresholds, Sam would pay tax of \$1,977 for 2018-19.
- Under the changes in last year's Budget, Sam would pay \$200 less tax compared with 2017-18 rates and thresholds. The changes in this Budget build on this to increase the amount of tax relief by \$55, providing total tax relief of \$255 for 2018-19.

# Building a better tax system

## Delivering lower taxes

Jenny is a dentist, and Victor is a librarian. In the 2018-19 income year, Jenny earns \$120,000 and Victor earns \$61,000.

Under the enhanced plan, Jenny pays \$315 less tax compared with 2017-18 rates and thresholds, paying \$34,117 in tax for 2018-19. Victor receives tax relief of \$1,080, paying \$11,427 in tax. **Together, Jenny and Victor are \$1,395 better off for 2018-19** compared with 2017-18 rates and thresholds. They receive most of their combined tax relief of \$1,395 after they lodge their 2018-19 tax returns, which they may lodge as early as 1 July 2019.

In 2022-23, Jenny earns \$130,000 and Victor \$65,000. Under the enhanced plan, Jenny pays \$2,565 less tax compared to 2017-18 rates and thresholds, with a tax liability of \$35,767 and Victor pays \$1,080 less tax, with a tax liability of \$12,867 for 2022-23. **Together, Jenny and Victor are \$3,645 better off for 2022-23**, compared with 2017-18 rates and thresholds.



### 2022-23: Tax relief under the 2018-19 and 2019-20 Budgets

Taxable income (\$)	2017-18 tax liability* (\$)	Annual reduction in tax paid under the changes in the 2018-19 Budget (\$)	Additional annual reduction in tax paid under the changes in the 2019-20 Budget (\$)	Total annual reduction in tax paid (compared with 2017-18) (\$)
20,000	0	0	0	0
21,000	87	87	0	87
22,000	279	200	55	255
23,000	569	200	55	255
24,000	859	200	55	255
25,000	1,149	200	55	255
30,000	2,397	200	55	255
40,000	4,947	455	125	580
50,000	8,547	540	540	1,080
60,000	12,147	540	540	1,080
70,000	15,697	540	540	1,080
80,000	19,147	540	540	1,080
90,000	22,732	675	540	1,215
100,000	26,632	1,125	540	1,665
120,000	34,432	2,025	540	2,565
140,000	42,232	2,025	540	2,565
160,000	50,032	2,025	540	2,565
180,000	57,832	2,025	540	2,565
200,000	67,232	2,025	540	2,565

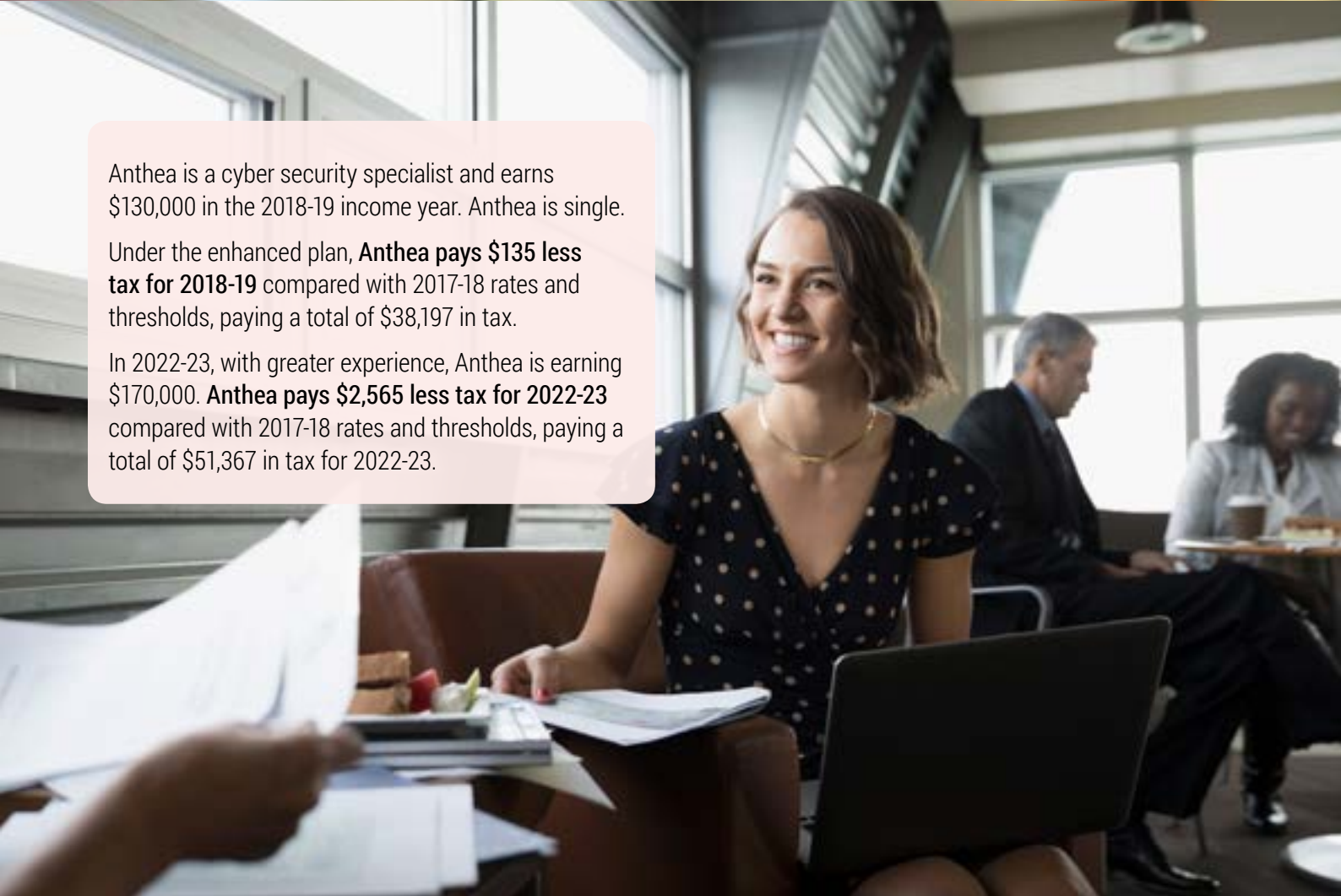
\* The table provides stylised cameos based on the tax payable for an individual, excluding any transfer payments. The tax liability and reduction in tax is calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset and the Medicare levy (with 2017-18 low-income thresholds). Actual outcomes for many individuals and households would differ.



Philippa is an accountant and earns \$90,000 in the 2018-19 income year. She is a single mother caring for two children.

Under the enhanced plan, **for 2018-19 Philippa pays \$1,215 less tax** compared with 2017-18 rates and thresholds, paying \$21,517 in tax.

By 2022-23, Philippa is earning \$100,000. **For 2022-23 Philippa pays \$1,665 less tax** under the enhanced plan compared with 2017-18 rates and thresholds.



Anthea is a cyber security specialist and earns \$130,000 in the 2018-19 income year. Anthea is single.

Under the enhanced plan, **Anthea pays \$135 less tax for 2018-19** compared with 2017-18 rates and thresholds, paying a total of \$38,197 in tax.

In 2022-23, with greater experience, Anthea is earning \$170,000. **Anthea pays \$2,565 less tax for 2022-23** compared with 2017-18 rates and thresholds, paying a total of \$51,367 in tax for 2022-23.

Lin is an architect, married to Rohan who is at home caring for their young child. Lin earns \$90,000 in the 2018-19 income year.

Under the enhanced plan, **Lin pays \$1,215 less tax for 2018-19** compared with 2017-18 rates and thresholds, paying \$21,517 in tax.

In 2022-23, Lin earns \$98,000. **Lin pays \$1,575 less tax for 2022-23** compared with 2017-18 rates and thresholds, paying \$24,277 in tax for 2022-23.







Ed, a labourer, is married to Abigail, a retail assistant. Ed and Abigail have one child. In the 2018-19 income year, Ed earns \$44,000 and Abigail earns \$40,000.

Under the enhanced plan, Ed pays \$780 less tax compared with 2017-18 rates and thresholds, paying a total of \$5,607 in tax for 2018-19. Abigail pays \$480 less tax, paying \$4,467 in tax. **Together Ed and Abigail are \$1,260 better off for 2018-19** compared with 2017-18 rates and thresholds. They receive their combined tax relief of \$1,260 after they lodge their 2018-19 tax returns, which they may lodge as early as 1 July 2019.

In 2022-23, Ed is earning \$49,000 and Abigail \$45,000. Under the enhanced plan, Ed and Abigail each pay \$1,080 less tax compared with 2017-18 rates and thresholds, paying tax of \$7,107 and \$5,667 respectively for 2022-23. **Together, Ed and Abigail pay \$2,160 less tax for 2022-23.**

# More tax relief

## Maintaining reward for effort

Clancy is a radiologist at a regional hospital and Bella works part time as an office administrator at the primary school of their two children. In the 2018-19 income year, Clancy earns \$110,000 and Bella earns \$34,000.

For 2018-19, Clancy pays \$615 less tax under the enhanced plan compared with 2017-18 rates and thresholds, paying a total of \$29,917 in tax, and Bella pays \$255 less tax, paying a total of \$2,982 in tax.

**Together, they pay \$870 less tax for 2018-19.** Clancy and Bella receive most of their combined tax relief of \$870 after they lodge their 2018-19 tax returns, which they may lodge as early as 1 July 2019.

In 2022-23, with extensive practical experience, Clancy earns \$140,000. Bella earns \$38,000. For 2022-23, Clancy pays \$2,565 less tax under the enhanced plan than under 2017-18 rates and thresholds, paying \$39,667 in tax. Bella pays \$380 less tax, paying \$3,847 in tax. **Together, they pay \$2,945 less tax for 2022-23** compared with 2017-18 rates and thresholds.

In 2024-25, Clancy is earning \$155,000 and Bella \$40,000. Clancy pays \$6,890 less tax under the enhanced plan compared with 2017-18 rates and thresholds, paying tax of \$41,192 for 2024-25. Bella pays \$580 less tax, paying \$4,367 in tax. **Together, Clancy and Bella are \$7,470 better off for 2024-25** compared with 2017-18 rates and thresholds.

### 2024-25: Tax relief under the 2018-19 and 2019-20 Budgets

Taxable income (\$)	2017-18 tax liability* (\$)	Annual reduction in tax paid under the changes in the 2018-19 Budget (\$)	Additional annual reduction in tax paid under the changes in the 2019-20 Budget (\$)	Total annual reduction in tax paid (compared with 2017-18) (\$)
20,000	0	0	0	0
21,000	87	87	0	87
22,000	279	200	55	255
23,000	569	200	55	255
24,000	859	200	55	255
25,000	1,149	200	55	255
30,000	2,397	200	55	255
40,000	4,947	455	125	580
50,000	8,547	540	665	1,205
60,000	12,147	540	915	1,455
70,000	15,697	540	1,165	1,705
80,000	19,147	540	1,415	1,955
90,000	22,732	675	1,665	2,340
100,000	26,632	1,125	1,915	3,040
120,000	34,432	2,025	2,415	4,440
140,000	42,232	2,925	2,915	5,840
160,000	50,032	3,825	3,415	7,240
180,000	57,832	4,725	3,915	8,640
200,000	67,232	7,225	4,415	11,640

\* The table provides stylised cameos based on the tax payable for an individual, excluding any transfer payments. The tax liability and reduction in tax is calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset and the Medicare levy (with 2017-18 low-income thresholds). Actual outcomes for many individuals and households would differ.



Amira, a lawyer, is married to Ali, a veterinarian. They have children. In each year from 2018-19 to 2024-25 they earn \$100,000 and \$90,000 respectively.

**For 2018-19 together they pay \$2,130 less tax** under the enhanced plan compared with 2017-18 rates and thresholds, and together pay \$47,234 in tax. They receive most of their combined tax relief of \$2,130 after they lodge their 2018-19 tax returns, which they may lodge as early as 1 July 2019.

- Under the changes in last year's Budget, Ali and Amira would together pay \$1,180 less tax for the 2018-19 income year. The changes announced in this Budget build on this and increase their combined tax relief by \$950 to a total of \$2,130.

Extending this out to 2024-25, with the 2022-23 and 2024-25 changes of the enhanced plan coming into effect, compared with 2017-18 rates and thresholds, **their family receives cumulative tax relief of \$19,660 over the period from 2018-19 to 2024-25.**

- Under the changes in last year's Budget, Ali and Amira would together receive cumulative tax relief of \$10,120 over the seven-year period. The changes announced in this Budget build on this and increase their family's cumulative tax relief by \$9,540 to a total of \$19,660.



Margaret is a surgeon and is married to Antony. In each year from 2018-19 to 2024-25 Margaret earns \$250,000.

**For 2018-19, Margaret pays \$135 less tax** under the enhanced plan compared with 2017-18 rates and thresholds, and pays \$90,597 in tax.

Extending this out to 2024-25, with the 2022-23 and 2024-25 changes of the enhanced plan coming into effect, compared with 2017-18 rates and thresholds, **Margaret receives cumulative tax relief of \$17,310 over the period from 2018-19 to 2024-25.**

Tim is a part-time podiatrist and Jessica is a software engineer. In each year from 2018-19 to 2024-25 they earn \$50,000 and \$130,000 respectively.

**For 2018-19 they pay \$1,215 less tax** under the enhanced plan compared with 2017-18 rates and thresholds, and together pay \$45,664 in tax. They receive most of their combined tax relief of \$1,215 after they lodge their 2018-19 tax returns, which they may lodge as early as 1 July 2019.

Extending this out to 2024-25, with the 2022-23 and 2024-25 changes of the enhanced plan coming into effect, compared with 2017-18 rates and thresholds, **they receive cumulative tax relief of \$18,495 over the period from 2018-19 to 2024-25.**



# Backing small business

We have lowered the small business tax rate and in this Budget will increase and expand access to the instant asset write-off

## Lowering the small business tax rate

The Government has provided lower taxes for around 3.4 million businesses employing around 7.1 million workers.

The Government has legislated lower tax rates for small and medium-sized companies with turnovers below \$50 million. Small and medium-sized companies currently facing a 27.5 per cent rate will have a 25 per cent rate by 2021-22, which is five years earlier than previously planned. This compares to the standard company tax rate of 30 per cent.

Fast-tracking these tax cuts will benefit around 970,000 small and medium-sized companies that employ around 5.2 million workers.

The Government has also legislated to bring forward the increases to the unincorporated small business tax discount rate, rising from 8 per cent currently to 13 per cent in 2020-21 and to 16 per cent from 2021-22 (up to the existing cap of \$1,000). This will benefit around 2.4 million businesses, employing around 1.9 million workers.



An incorporated food van business with four part-time employees makes \$150,000 per year. As a result of the Government's tax relief, the small business will have an extra \$3,750 this year and \$7,500 in 2021-22.

The tax relief also helps medium-sized employers. A company that operates regional tours with 28 employees and \$8 million in turnover that makes an annual profit of \$800,000 will retain an extra \$20,000 this year and \$40,000 in 2021-22 to invest, grow and employ more workers.

# Greater incentives to invest and grow

Empowering Australian businesses to grow, invest and support a stronger economy

The Government is helping businesses invest and grow through the instant asset write-off.

In this Budget, the Government is increasing the instant asset write-off threshold to \$30,000 until 30 June 2020. The threshold applies on a per asset basis, so eligible businesses can instantly write off multiple assets. This builds on the Government's earlier announcement that the instant asset write-off threshold would be increased from \$20,000 to \$25,000 and extended to 30 June 2020. More than 350,000 businesses have already taken advantage of the instant asset write-off.

The Government is also expanding access to the instant asset write-off to include medium-sized businesses by increasing the annual turnover threshold from \$10 million to \$50 million. Around 22,000 additional businesses employing around 1.7 million workers will now be eligible to access the instant asset write-off.

These changes will benefit small and medium-sized businesses and improve their cash flow as they will be able to immediately deduct purchases of eligible assets each costing less than \$30,000.

Around 3.4 million businesses, employing around 7.7 million workers will be eligible.

The increased threshold and expanded eligibility will apply from 7.30pm (AEDT) on 2 April 2019 to 30 June 2020.

The Government's changes ensure that more businesses continue to benefit from the instant asset write-off as they grow, supporting them to invest in assets, build their business and employ more workers.

## An enhanced instant asset write-off

**Individual assets costing less than \$30,000  
(up from \$25,000)**



**Turnover less than \$50 million per year  
(up from \$10 million)**

**22,000 additional businesses  
employing 1.7 million workers**





Haylee and Martin own a company, HM Nurseries Pty Ltd, through which they operate several nurseries in Newcastle. HM Nurseries Pty Ltd has an aggregated turnover of \$5.2 million and a taxable income of \$150,000 for the 2019-20 income year. They employ 15 workers.

To continue to expand the business, and offer delivery services to clients, HM Nurseries Pty Ltd purchases two new vans halfway through the financial year. The vans cost \$29,000 each, exclusive of GST.

Under previously announced arrangements, the vans each cost more than the \$25,000 threshold for the instant asset write-off in the 2019-20 income year. This means they would be added to HM Nurseries Pty Ltd's small business depreciation asset pool and

depreciated by 15 per cent. HM Nurseries Pty Ltd would claim a tax deduction of \$8,700 for the depreciation of the vans.

Under the new \$30,000 instant asset write-off, HM Nurseries Pty Ltd would instead claim an immediate deduction of \$58,000 for the purchase of the two vans in the 2019-20 income year, \$49,300 more than under previously announced arrangements. This will help the business to invest, grow and employ more workers.

**The Government's changes mean that HM Nurseries Pty Ltd pays less tax, increasing its cash flow by over \$13,500.**

Mark owns a company, Lat Val Pty Ltd, through which he operates a food manufacturing business in the Latrobe Valley employing 60 staff. Lat Val Pty Ltd has an aggregated turnover of \$25 million and a taxable income of \$900,000 for the 2019-20 income year. Ordinarily Lat Val Pty Ltd would be too large to access the instant asset write-off, but the changes in the 2019-20 Budget mean it can now benefit.

Lat Val Pty Ltd purchases 10 new commercial ovens halfway through the income year, at a cost of \$12,000 each, exclusive of GST, to allow Lat Val Pty Ltd to expand its business and improve efficiency.

Under existing tax arrangements, Lat Val Pty Ltd would depreciate the new ovens using an effective life of 15 years. Choosing to use the diminishing

value method, Lat Val Pty Ltd would claim a tax deduction of \$800 per oven, a total deduction of \$8,000 for the 2019-20 income year.

Under the new \$30,000 instant asset write-off, Lat Val Pty Ltd would instead claim an immediate deduction of \$120,000 for the purchase of the 10 ovens in the 2019-20 income year, \$112,000 more than under existing arrangements. This will help the business to invest, grow and employ more workers.

**The Government's changes mean that Lat Val Pty Ltd pays less tax, increasing its cash flow by \$30,800.**



# Delivering for small business

The Government is reducing the cost of doing business, allowing over 3 million small businesses in Australia to grow and create more jobs



## Making it easier, cheaper and quicker for small businesses to resolve tax disputes

- Created a dedicated Small Business Taxation Division within the Administrative Appeals Tribunal with dedicated case managers, a lower application fee and fast-tracked decisions.
- Requiring the ATO to pay reasonable legal costs for the small business in certain circumstances when they challenge ATO decisions.
- Establishing a small business concierge service within the Australian Small Business and Family Enterprise Ombudsman's office to provide advice and support.



## Improving access to advice

- Establishing 10 tax clinics across metropolitan and regional Australia, as a 12 month pilot, which provide access to free advice to assist unrepresented small businesses and individuals on tax issues.



## Improving access to finance

- Establishing the \$2 billion Australian Business Securitisation Fund, which will enhance small businesses' access to finance.



## Making invoicing easier

- Establishing an e-Invoicing system for Australia which could save businesses an estimated \$28 billion in transaction costs over 10 years and increase opportunities to trade globally.



## Cutting red tape

- Streamlining GST reporting for around 2.7 million small businesses by reducing the number of BAS GST questions.
- Reducing financial reporting and audit costs for businesses currently subject to reporting obligations by more than \$300 million over four years.
- Simplifying and expanding the current regulatory regime for employee share schemes, reducing the time and cost burden for small businesses.



## Improving digital capability

- Creating a non-government organisation dedicated to improving small businesses' digital capability.



# Maintaining the integrity of the tax system

Making multinationals and big business pay their fair share

The Government is committed to maintaining the integrity and sustainability of Australia's tax system where everyone pays their fair share of tax. This includes ensuring that multinationals pay the correct amount of tax on their Australian profits.

Tax avoidance creates an uneven playing field for the majority of Australian businesses doing the right thing. The Government is restoring fairness in the tax system.

## What we have achieved

The Government has implemented more than a dozen measures to strengthen the integrity of Australia's international tax framework. These measures include implementing the Multinational Anti-Avoidance Law, the Diverted Profits Tax, the G20/OECD Base Erosion and Profit Shifting (BEPS) recommendations, increased tax penalties for large entities, and establishing a Tax Avoidance Taskforce within the ATO.

As a result, since 1 July 2016, the ATO has raised \$12.9 billion in tax liabilities against large public groups and multinationals, as well as wealthy individuals and associated groups.

Through the Government's actions, Australia has some of the toughest laws in the world to combat corporate tax avoidance.

## What more are we doing?

The Government is estimated to raise \$400 million over four years by closing down tax loopholes that were only available to foreigners investing into Australia through stapled structures. If left as is, the forgone revenue could grow to billions of dollars.

Additionally, the Government is reforming the Petroleum Resource Rent Tax to ensure Australians receive a fair return for our petroleum resources while not discouraging investment.

The Government is now extending funding for the ATO Tax Avoidance Taskforce until 30 June 2023, with a focus on multinationals. This is estimated to raise a further \$4.6 billion in tax liabilities over the next four years.

The Government will also provide \$42.1 million over four years to the ATO to increase activities to recover unpaid tax and superannuation liabilities, including from large corporate entities and high wealth individuals.

## Taking action on tax integrity



### Completed

- ✓ Introduced the Multinational Anti-Avoidance Law
- ✓ Introduced the Diverted Profits Tax
- ✓ Introduced protections for tax whistleblowers
- ✓ Extended GST to imported digital products and services and on low value imported goods



### Being implemented

- Closing loopholes for stapled structures
- Extending GST to offshore sellers of hotel bookings in Australia
- Reforming the Petroleum Resource Rent Tax



### New measures

- Extending the ATO Tax Avoidance Taskforce to 2023, with a focus on multinationals, big business and high wealth individuals
- Increasing engagement and on time payment of tax and superannuation liabilities by large corporate entities and high wealth individuals



# Maintaining the integrity of the tax system

## Cracking down on organised crime and the black economy

Engaging in the black economy harms businesses doing the right thing and makes it harder for the Government to provide the essential services that Australians rely on. That is why the Government is continuing to combat the harm that the black economy is doing to honest individuals, businesses and the Australian community.

The Government has already taken action to reduce the impact of the black economy. Our measures are estimated to return over \$5 billion to the budget to fund essential services. Since 1 July 2018:

- Businesses cannot manufacture, distribute, possess or use software to let them hide their sales to reduce the taxes they owe.
- The Australian Taxation Office has raised over \$500 million in liabilities through nearly 106,000 interactions with businesses including over 5,500 mobile strike team visits, to tackle black economy behaviour.
- The Illicit Tobacco Taskforce has seized in excess of 71 tonnes of smuggled tobacco and approximately 103 million cigarettes, equivalent to more than \$161 million in evaded tobacco duty.

From 1 July 2019, the Government will progress additional measures, including:

- Ensuring people in certain high-risk industries cannot hide or under-report their income.
- Making it harder for businesses to pay cash wages to staff while also evading their obligations to report the income.
- Requiring businesses to have a good tax record when tendering for large Government contracts.

In this Budget, the Government will strengthen the Australian Business Number (ABN) system to disrupt black economy behaviour and target ABN misuse, generating an additional \$22.2 million gain to the budget over the forward estimates. This measure will better align an ABN holder's obligations with community expectations of compliant and honest business behaviour.

# Lower taxes for hard-working Australians

## Summary of changes to rates and thresholds

### Rates and thresholds under the Government's enhanced Personal Income Tax Plan

Rates from 2017-18 to 2023-24	Thresholds in 2017-18	New thresholds from 2018-19 to 2021-22	New thresholds from 2022-23 to 2023-24
Nil	Up to \$18,200	Up to \$18,200	Up to \$18,200
19 per cent	\$18,201 – \$37,000	\$18,201 – \$37,000	\$18,201 – \$45,000
32.5 per cent	\$37,001 – \$87,000	\$37,001 – \$90,000	\$45,001 – \$120,000
37 per cent	\$87,001 – \$180,000	\$90,001 – \$180,000	\$120,001 – \$180,000
45 per cent	Above \$180,000	Above \$180,000	Above \$180,000
Low and middle income tax offset	-	Up to \$1,080	-
Low income tax offset	Up to \$445	Up to \$445	Up to \$700

Rates from 2024-25	New thresholds from 2024-25
Nil	Up to \$18,200
19 per cent	\$18,201 – \$45,000
30 per cent	\$45,001 – \$200,000
45 per cent	Above \$200,000
Low income tax offset	Up to \$700

## Cumulative tax relief

2018-19 to 2024-25

The table below sums the annual benefit at different income levels under the enhanced Personal Income Tax Plan. The benefits are summed from 2018-19 through to the final year of the changes in 2024-25.

### Cumulative tax relief and tax paid from 2018-19 to 2024-25\*

Taxable income:	\$30,000		\$50,000		\$80,000		\$90,000	
	Tax paid (\$)	Tax relief (\$)	Tax paid (\$)	Tax relief (\$)	Tax paid (\$)	Tax relief (\$)	Tax paid (\$)	Tax relief (\$)
2018-19	2,142	255	7,467	1,080	18,067	1,080	21,517	1,215
2019-20	4,284	510	14,934	2,160	36,134	2,160	43,034	2,430
2020-21	6,426	765	22,401	3,240	54,201	3,240	64,551	3,645
2021-22	8,568	1,020	29,868	4,320	72,268	4,320	86,068	4,860
2022-23	10,710	1,275	37,335	5,400	90,335	5,400	107,585	6,075
2023-24	12,852	1,530	44,802	6,480	108,402	6,480	129,102	7,290
2024-25	14,994	1,785	52,144	7,685	125,594	8,435	149,494	9,630

Taxable income:	\$120,000		\$140,000		\$160,000		\$200,000	
	Tax paid (\$)	Tax relief (\$)	Tax paid (\$)	Tax relief (\$)	Tax paid (\$)	Tax relief (\$)	Tax paid (\$)	Tax relief (\$)
2018-19	34,117	315	42,097	135	49,897	135	67,097	135
2019-20	68,234	630	84,194	270	99,794	270	134,194	270
2020-21	102,351	945	126,291	405	149,691	405	201,291	405
2021-22	136,468	1,260	168,388	540	199,588	540	268,388	540
2022-23	168,335	3,825	208,055	3,105	247,055	3,105	333,055	3,105
2023-24	200,202	6,390	247,722	5,670	294,522	5,670	397,722	5,670
2024-25	230,194	10,830	284,114	11,510	337,314	12,910	453,314	17,310

\* The cumulative tax relief is the sum of an individual's tax relief provided by the enhanced Personal Income Tax Plan over the years from 2018-19, compared to 2017-18 settings. Tax paid is presented after incorporating the tax relief and includes the Medicare levy (with 2017-18 Medicare levy single low-income thresholds).

## Dual income couple – equal income split

### Change in household tax paid

Taxable Income – Spouse 1 (\$)	Taxable Income – Spouse 2 (\$)	Household Taxable Income (\$)	Tax liability in 2017-18 (\$)	2018-19		2022-23		2024-25	
				Tax liability (\$)	Tax relief (\$)	Tax liability (\$)	Tax relief (\$)	Tax liability (\$)	Tax relief (\$)
30,000	30,000	60,000	4,794	4,284	510	4,284	510	4,284	510
35,000	35,000	70,000	6,894	6,384	510	6,384	510	6,384	510
40,000	40,000	80,000	9,894	8,934	960	8,734	1,160	8,734	1,160
45,000	45,000	90,000	13,494	11,784	1,710	11,334	2,160	11,334	2,160
50,000	50,000	100,000	17,094	14,934	2,160	14,934	2,160	14,684	2,410
55,000	55,000	110,000	20,694	18,534	2,160	18,534	2,160	18,034	2,660
60,000	60,000	120,000	24,294	22,134	2,160	22,134	2,160	21,384	2,910
65,000	65,000	130,000	27,894	25,734	2,160	25,734	2,160	24,734	3,160
70,000	70,000	140,000	31,394	29,234	2,160	29,234	2,160	27,984	3,410
75,000	75,000	150,000	34,844	32,684	2,160	32,684	2,160	31,184	3,660
80,000	80,000	160,000	38,294	36,134	2,160	36,134	2,160	34,384	3,910
85,000	85,000	170,000	41,744	39,584	2,160	39,584	2,160	37,584	4,160
90,000	90,000	180,000	45,464	43,034	2,430	43,034	2,430	40,784	4,680
100,000	100,000	200,000	53,264	51,434	1,830	49,934	3,330	47,184	6,080
110,000	110,000	220,000	61,064	59,834	1,230	56,834	4,230	53,584	7,480
120,000	120,000	240,000	68,864	68,234	630	63,734	5,130	59,984	8,880
130,000	130,000	260,000	76,664	76,394	270	71,534	5,130	66,384	10,280
140,000	140,000	280,000	84,464	84,194	270	79,334	5,130	72,784	11,680
160,000	160,000	320,000	100,064	99,794	270	94,934	5,130	85,584	14,480
180,000	180,000	360,000	115,664	115,394	270	110,534	5,130	98,384	17,280
200,000	200,000	400,000	134,464	134,194	270	129,334	5,130	111,184	23,280

\*The table provides stylised cameos based on the tax payable for these households, excluding any transfer payments. The tax liability and tax relief are calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset and the Medicare levy (with 2017-18 Medicare levy family and single low-income thresholds where relevant). Actual outcomes for many individuals and households would differ.

## Dual income couple – two-thirds and one-third split

### Change in household tax paid

Taxable Income – Primary Earner (\$)	Taxable Income – Spouse (\$)	Household Taxable Income (\$)	Tax liability in 2017-18 (\$)	2018-19		2022-23		2024-25	
				Tax liability (\$)	Tax relief (\$)	Tax liability (\$)	Tax relief (\$)	Tax liability (\$)	Tax relief (\$)
40,200	19,800	60,000	5,019	4,524	495	4,419	600	4,419	600
46,900	23,100	70,000	8,029	6,777	1,253	6,694	1,335	6,647	1,383
53,600	26,400	80,000	11,398	10,063	1,335	10,063	1,335	9,848	1,550
60,300	29,700	90,000	14,589	13,254	1,335	13,254	1,335	12,872	1,718
67,000	33,000	100,000	17,689	16,354	1,335	16,354	1,335	15,804	1,885
73,700	36,300	110,000	20,694	19,359	1,335	19,359	1,335	18,641	2,053
80,400	39,600	120,000	24,088	22,558	1,530	22,468	1,620	21,583	2,505
87,100	42,900	130,000	27,592	25,810	1,782	25,638	1,955	24,585	3,007
93,800	46,200	140,000	31,393	29,347	2,046	28,927	2,466	27,677	3,716
100,500	49,500	150,000	35,194	33,214	1,980	32,427	2,768	30,927	4,268
107,200	52,800	160,000	38,995	37,216	1,779	35,926	3,069	34,176	4,819
113,900	56,100	170,000	42,796	41,218	1,578	39,426	3,371	37,426	5,371
120,600	59,400	180,000	46,597	45,220	1,377	42,952	3,645	40,675	5,922
134,000	66,000	200,000	54,199	52,984	1,215	50,554	3,645	47,174	7,025
147,400	72,600	220,000	61,712	60,497	1,215	58,067	3,645	53,584	8,128
160,800	79,200	240,000	69,215	68,000	1,215	65,570	3,645	59,984	9,231
174,200	85,800	260,000	76,718	75,503	1,215	73,073	3,645	66,384	10,334
187,600	92,400	280,000	85,072	83,794	1,278	81,184	3,888	72,784	12,288
200,000	100,000	300,000	93,864	92,814	1,050	89,634	4,230	79,184	14,680

\* The table provides stylised cameos based on the tax payable for these households, excluding any transfer payments. The tax liability and tax relief are calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset and the Medicare levy (with 2017-18 Medicare levy family and single low-income thresholds where relevant). Actual outcomes for many individuals and households would differ.

# Single person household

## Change in household tax paid

Taxable Income (\$)	Tax liability in 2017-18 (\$)	2018-19		2022-23		2024-25	
		Tax liability (\$)	Tax relief (\$)	Tax liability (\$)	Tax relief (\$)	Tax liability (\$)	Tax relief (\$)
30,000	2,397	2,142	255	2,142	255	2,142	255
35,000	3,447	3,192	255	3,192	255	3,192	255
40,000	4,947	4,467	480	4,367	580	4,367	580
45,000	6,747	5,892	855	5,667	1,080	5,667	1,080
50,000	8,547	7,467	1,080	7,467	1,080	7,342	1,205
55,000	10,347	9,267	1,080	9,267	1,080	9,017	1,330
60,000	12,147	11,067	1,080	11,067	1,080	10,692	1,455
65,000	13,947	12,867	1,080	12,867	1,080	12,367	1,580
70,000	15,697	14,617	1,080	14,617	1,080	13,992	1,705
75,000	17,422	16,342	1,080	16,342	1,080	15,592	1,830
80,000	19,147	18,067	1,080	18,067	1,080	17,192	1,955
85,000	20,872	19,792	1,080	19,792	1,080	18,792	2,080
90,000	22,732	21,517	1,215	21,517	1,215	20,392	2,340
100,000	26,632	25,717	915	24,967	1,665	23,592	3,040
110,000	30,532	29,917	615	28,417	2,115	26,792	3,740
120,000	34,432	34,117	315	31,867	2,565	29,992	4,440
130,000	38,332	38,197	135	35,767	2,565	33,192	5,140
140,000	42,232	42,097	135	39,667	2,565	36,392	5,840
160,000	50,032	49,897	135	47,467	2,565	42,792	7,240
180,000	57,832	57,697	135	55,267	2,565	49,192	8,640
200,000	67,232	67,097	135	64,667	2,565	55,592	11,640

\* The table provides stylised cameos based on the tax payable for these households, excluding any transfer payments. The tax liability and tax relief are calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset and the Medicare levy (with 2017-18 Medicare levy single low-income thresholds). Actual outcomes for many individuals and households would differ.

## Household with single income earner

### Change in household tax paid

Taxable Income – Primary Earner (\$)	Taxable Income – Spouse (\$)	Household Taxable Income (\$)	Tax liability in 2017-18 (\$)	2018-19		2022-23		2024-25	
				Tax liability (\$)	Tax relief (\$)	Tax liability (\$)	Tax relief (\$)	Tax liability (\$)	Tax relief (\$)
30,000	0	30,000	1,797	1,542	255	1,542	255	1,542	255
35,000	0	35,000	2,747	2,492	255	2,492	255	2,492	255
40,000	0	40,000	4,438	3,958	480	3,858	580	3,858	580
45,000	0	45,000	6,638	5,783	855	5,558	1,080	5,558	1,080
50,000	0	50,000	8,547	7,467	1,080	7,467	1,080	7,342	1,205
55,000	0	55,000	10,347	9,267	1,080	9,267	1,080	9,017	1,330
60,000	0	60,000	12,147	11,067	1,080	11,067	1,080	10,692	1,455
65,000	0	65,000	13,947	12,867	1,080	12,867	1,080	12,367	1,580
70,000	0	70,000	15,697	14,617	1,080	14,617	1,080	13,992	1,705
75,000	0	75,000	17,422	16,342	1,080	16,342	1,080	15,592	1,830
80,000	0	80,000	19,147	18,067	1,080	18,067	1,080	17,192	1,955
85,000	0	85,000	20,872	19,792	1,080	19,792	1,080	18,792	2,080
90,000	0	90,000	22,732	21,517	1,215	21,517	1,215	20,392	2,340
100,000	0	100,000	26,632	25,717	915	24,967	1,665	23,592	3,040
110,000	0	110,000	30,532	29,917	615	28,417	2,115	26,792	3,740
120,000	0	120,000	34,432	34,117	315	31,867	2,565	29,992	4,440
130,000	0	130,000	38,332	38,197	135	35,767	2,565	33,192	5,140
140,000	0	140,000	42,232	42,097	135	39,667	2,565	36,392	5,840
160,000	0	160,000	50,032	49,897	135	47,467	2,565	42,792	7,240
180,000	0	180,000	57,832	57,697	135	55,267	2,565	49,192	8,640
200,000	0	200,000	67,232	67,097	135	64,667	2,565	55,592	11,640

\* The table provides stylised cameos based on the tax payable for these households, excluding any transfer payments. The tax liability and tax relief are calculated only taking into account the basic tax scales, low income tax offset, low and middle income tax offset and the Medicare levy (with 2017-18 Medicare levy family and single low-income thresholds where relevant). Actual outcomes for many individuals and households would differ.