



PERSONAL INCOME TAX CHANGES

Changes to personal income tax rates

The Government has announced that it will bring forward changes to the personal income tax rates that were due to apply from 1 July 2022, so that these changes now apply **from 1 July 2020** (i.e., **from the 2021 income year**). These changes involve:

- increasing the upper threshold of the **19%** personal income tax bracket from \$37,000 to **\$45,000**; and
- increasing the upper threshold of the **32.5%** personal income tax bracket from \$90,000 to **\$120,000**.

These changes are illustrated in the following table (which excludes the Medicare Levy).

| Rate | Current (2019 to 2022) | Proposed (2021 – 2024) ^① |
|-------|------------------------|-------------------------------------|
| 0% | 0 – \$18,200 | 0 – \$18,200 |
| 19% | \$18,201 – \$37,000 | \$18,201 – \$45,000 |
| 32.5% | \$37,001 – \$90,000 | \$45,001 – \$120,000 |
| 37% | \$90,001 – \$180,000 | \$120,001 – \$180,000 |
| 45% | \$180,001+ | \$180,001+ |

^① The Government advised that the personal income tax rate changes that have already been legislated, effective **from 1 July 2024** (i.e., from the 2025 income year), remain unchanged. These involve abolishing the 37% personal income tax bracket, reducing the 32.5% personal income tax bracket to 30%, and increasing the upper threshold of the reduced 30% tax bracket from \$120,000 to \$200,000.

Changes to the Low Income Tax Offset ('LITO')

The Government announced that it will also bring forward the changes that were proposed to the LITO from 1 July 2022, so that they will now apply from **1 July 2020** (i.e., **from the 2021 income year**), as follows:

- The maximum LITO will be increased from \$445 to **\$700**.
- The increased (maximum) LITO will be **reduced** at a rate of **5 cents per dollar**, for taxable incomes between \$37,500 and \$45,000.
- The LITO will be **reduced** at a rate of **1.5 cents per dollar**, for taxable incomes between \$45,000 and \$66,667.

| Current LITO (2021 to 2022) | | Proposed LITO (2021 to 2022) | |
|-----------------------------|--------------------------------------|------------------------------|---|
| \$0 – \$37,000 | Up to \$445 | \$0 – \$37,500 | Up to \$700 |
| \$37,001 – \$66,666 | \$445 – 1.5% of excess over \$37,000 | \$37,501 – \$45,000 | \$700 – 5% of excess over \$37,500 |
| \$66,667 + | Nil | \$45,001 to \$66,666 | \$325 – 1.5% of excess over \$45,000 |
| | | \$66,667 + | Nil |

Note that, the Government also announced that the current **Low and Middle Income Tax Offset ('LAMITO')** would continue to apply for the 2021 income year (which is available in addition to the LITO for eligible taxpayers). For example, the maximum LAMITO of \$1,080 will be available to taxpayers with taxable incomes of between \$48,000 and \$90,000 in the 2021 income year.