



cutting through complexity

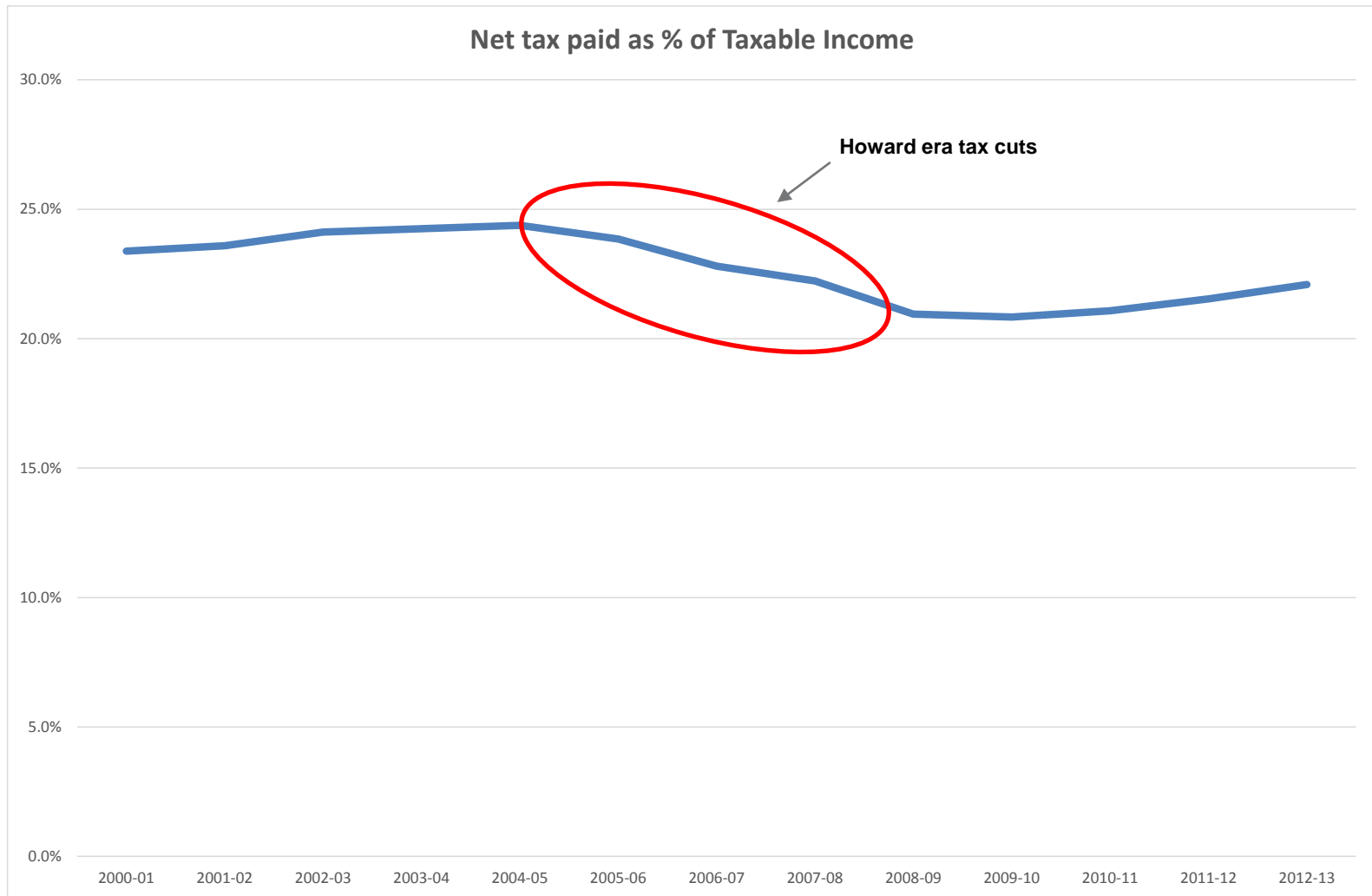
AFR Tax Summit Analysis

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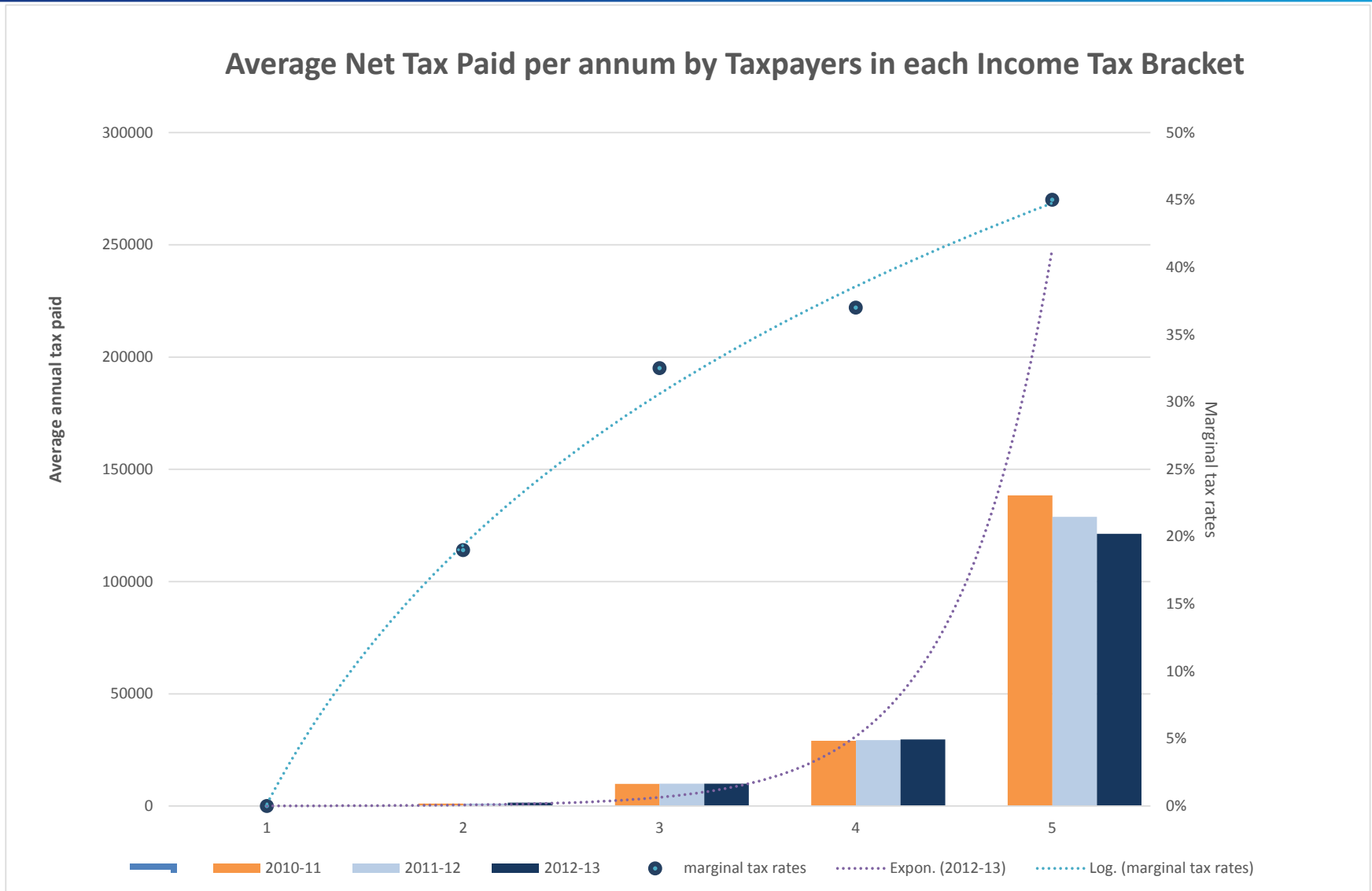
23 September 2015

Australia's ETR for personal income tax has started to rise again...



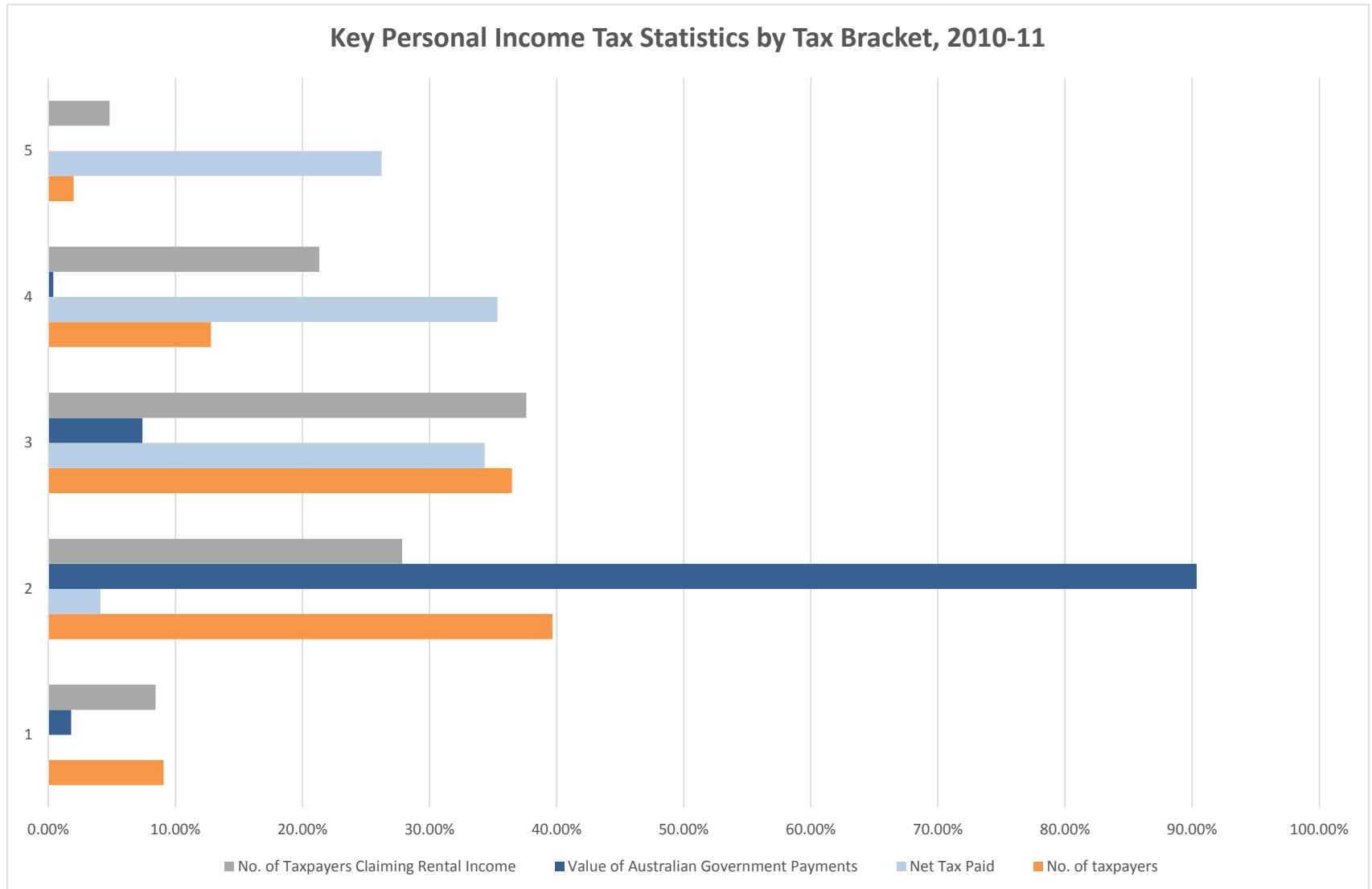
Source: ATO, KPMG Economics

...but our progressive tax system is really an exponential progressive tax system ...



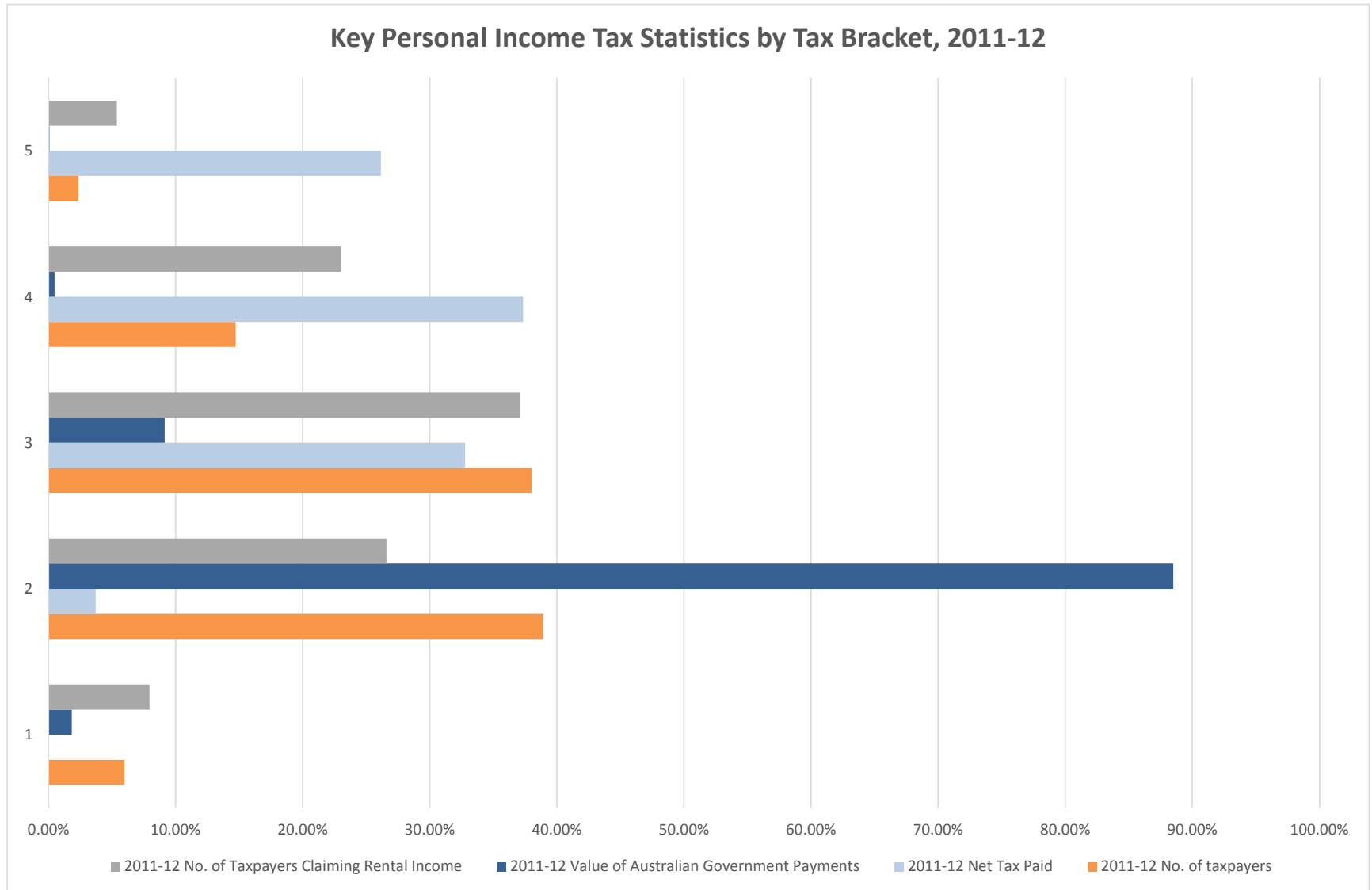
Source: ATO, KPMG Economics

...where the top marginal tax brackets contain 20% of taxpayers...



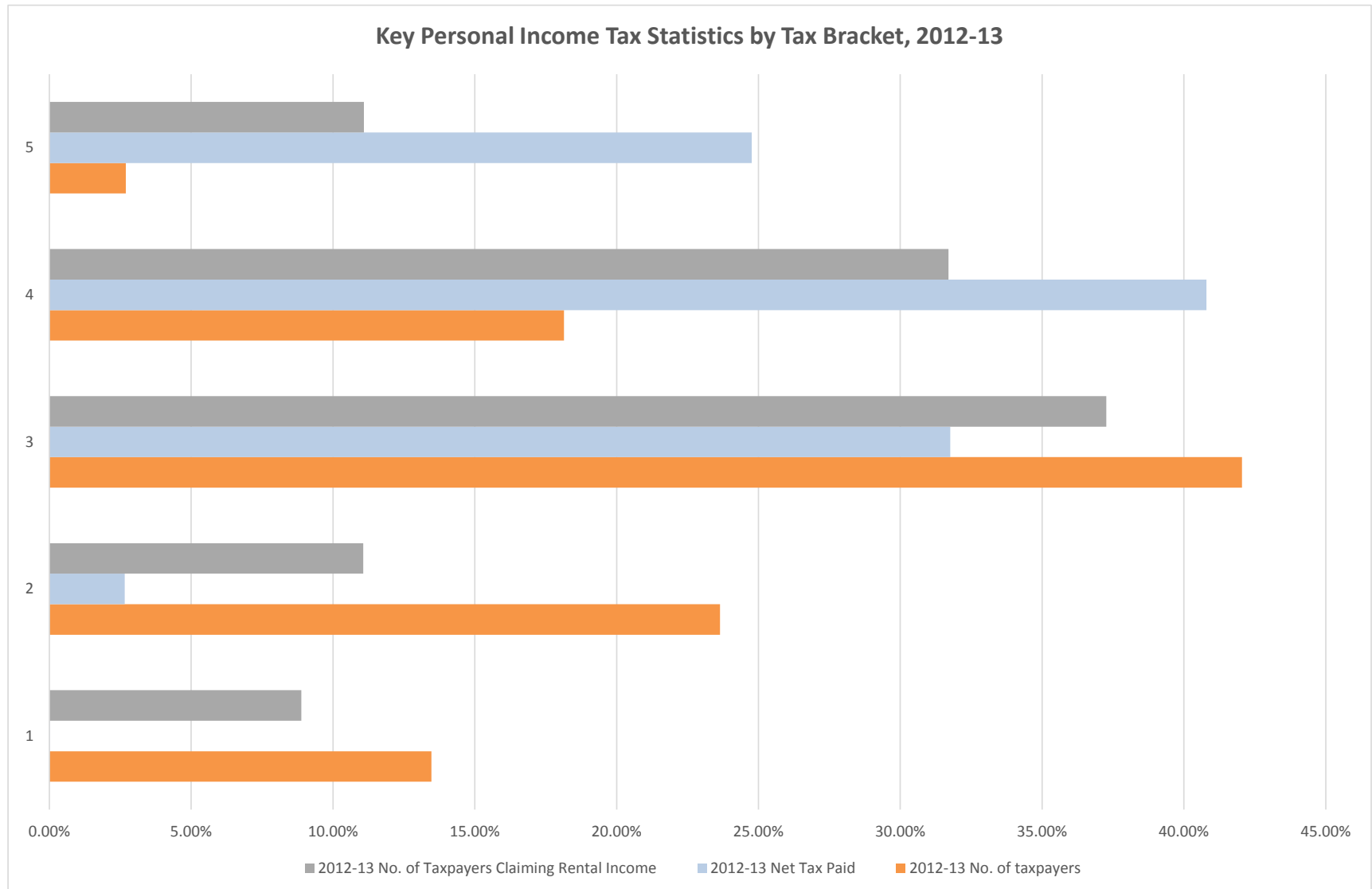
Source: ATO, KPMG Economics

...who pay two-thirds of the personal income tax revenue...



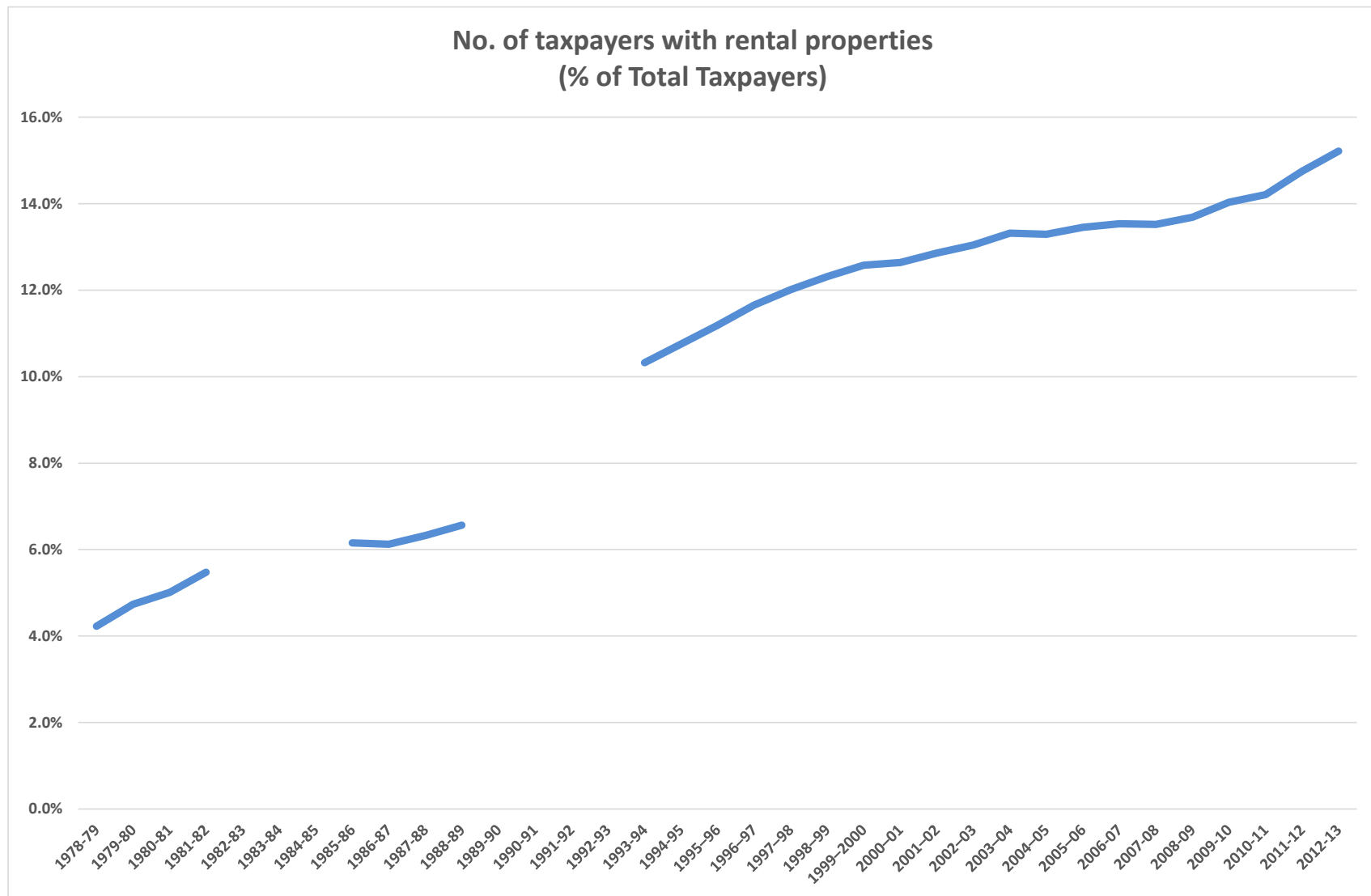
Source: ATO, KPMG Economics

...while the remaining taxpayers receive most of the welfare payments...



Source: ATO, KPMG Economics

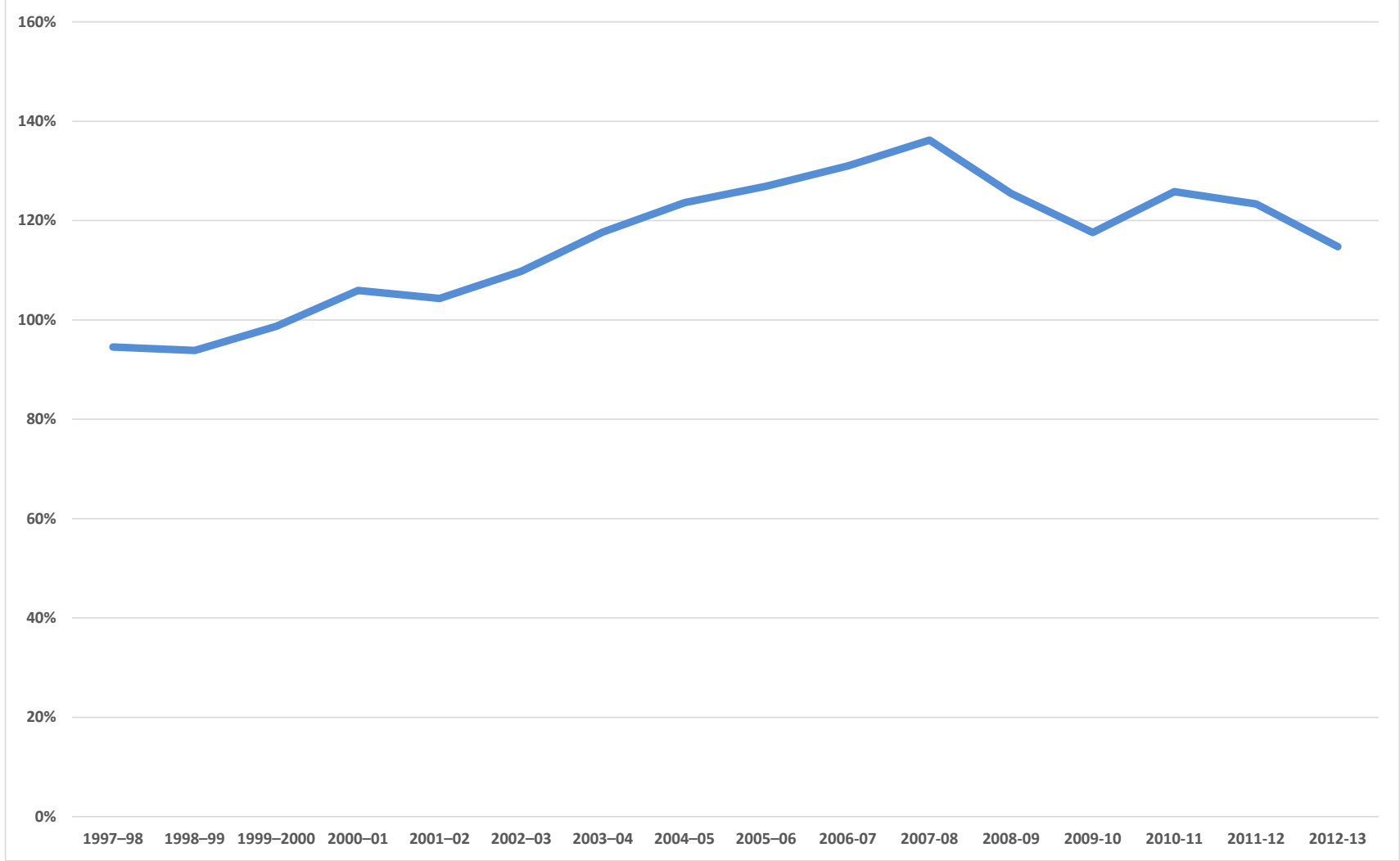
...and an increasing number of tax payers are negative gearing property ..



Source: ATO, KPMG Economics

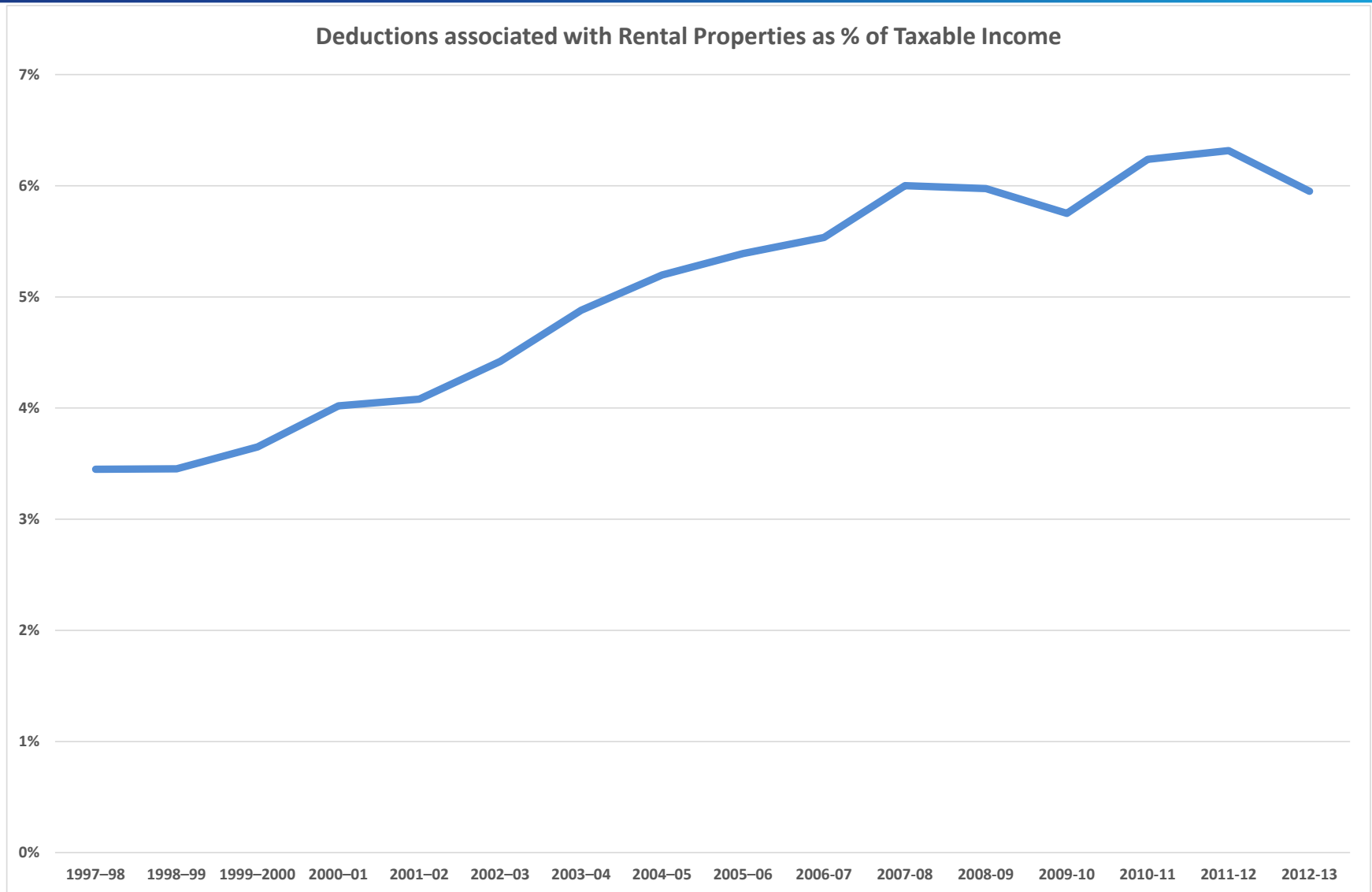
... to reduce their taxable income out of the 'hockey stick' tax brackets...

Deductions associated with Rental Properties as % of their Gross Rent



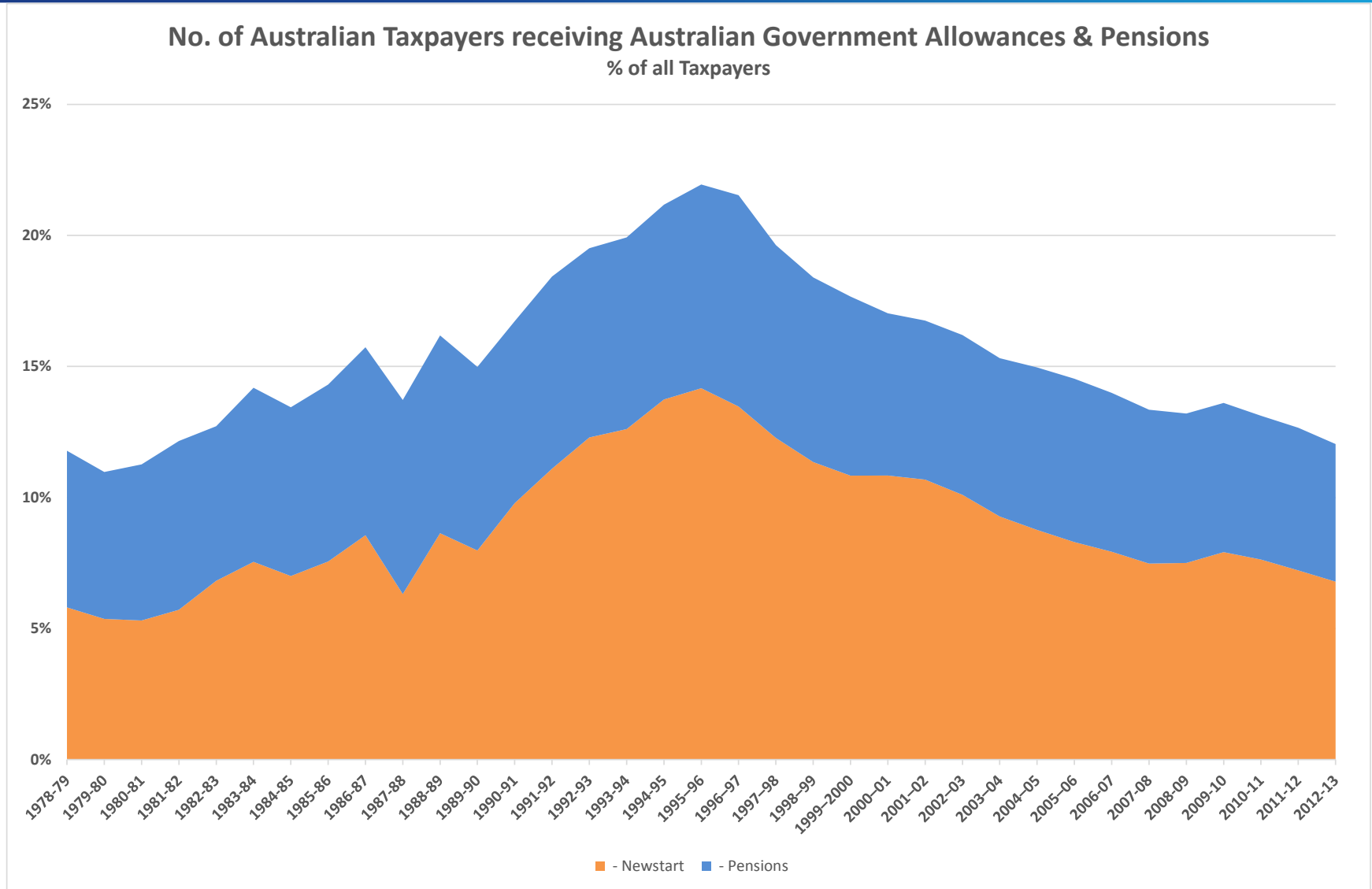
Source: ATO, KPMG Economics

...resulting in aggregate net rental deductions nearly doubling in 15yrs...



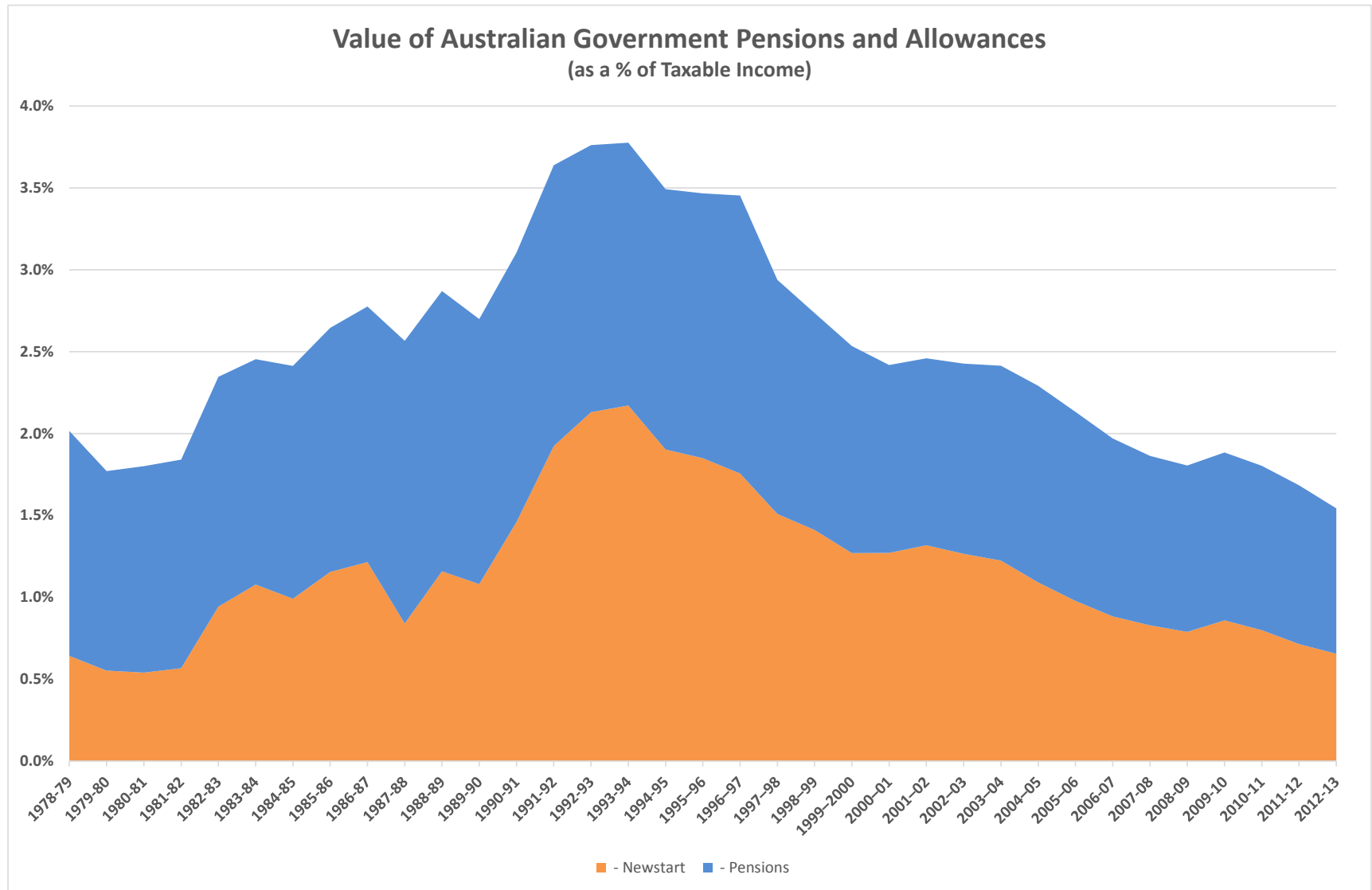
Source: ATO, KPMG Economics

...and, regardless of what the former Treasurer said...



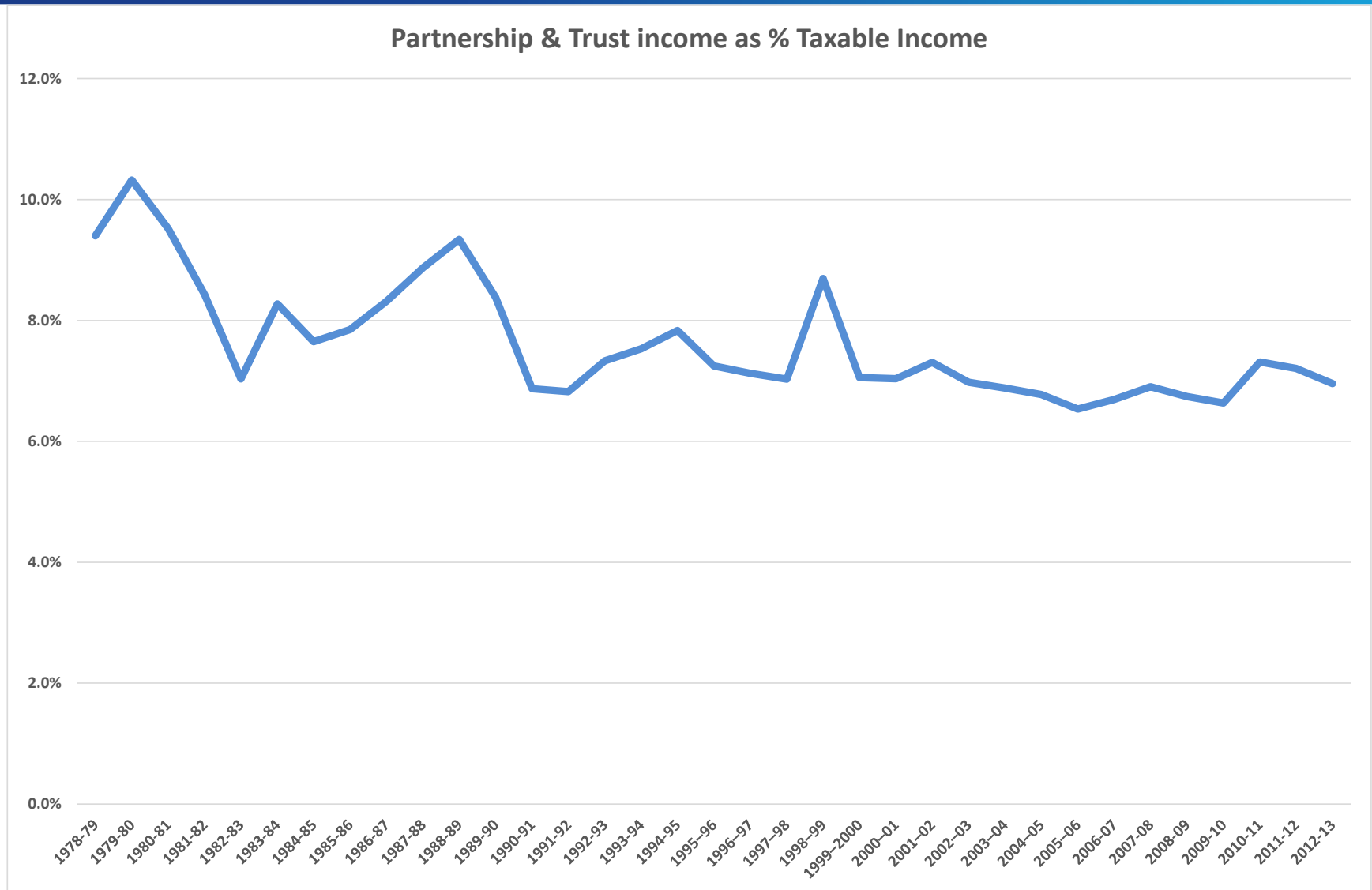
Source: ATO, KPMG Economics

... the 'Age of Entitlement' from a Government Allowance and Pension perspective well and truly passed in the mid-1990's...



Source: ATO, KPMG Economics

...oh, and finally, you can't blame those trusts either.

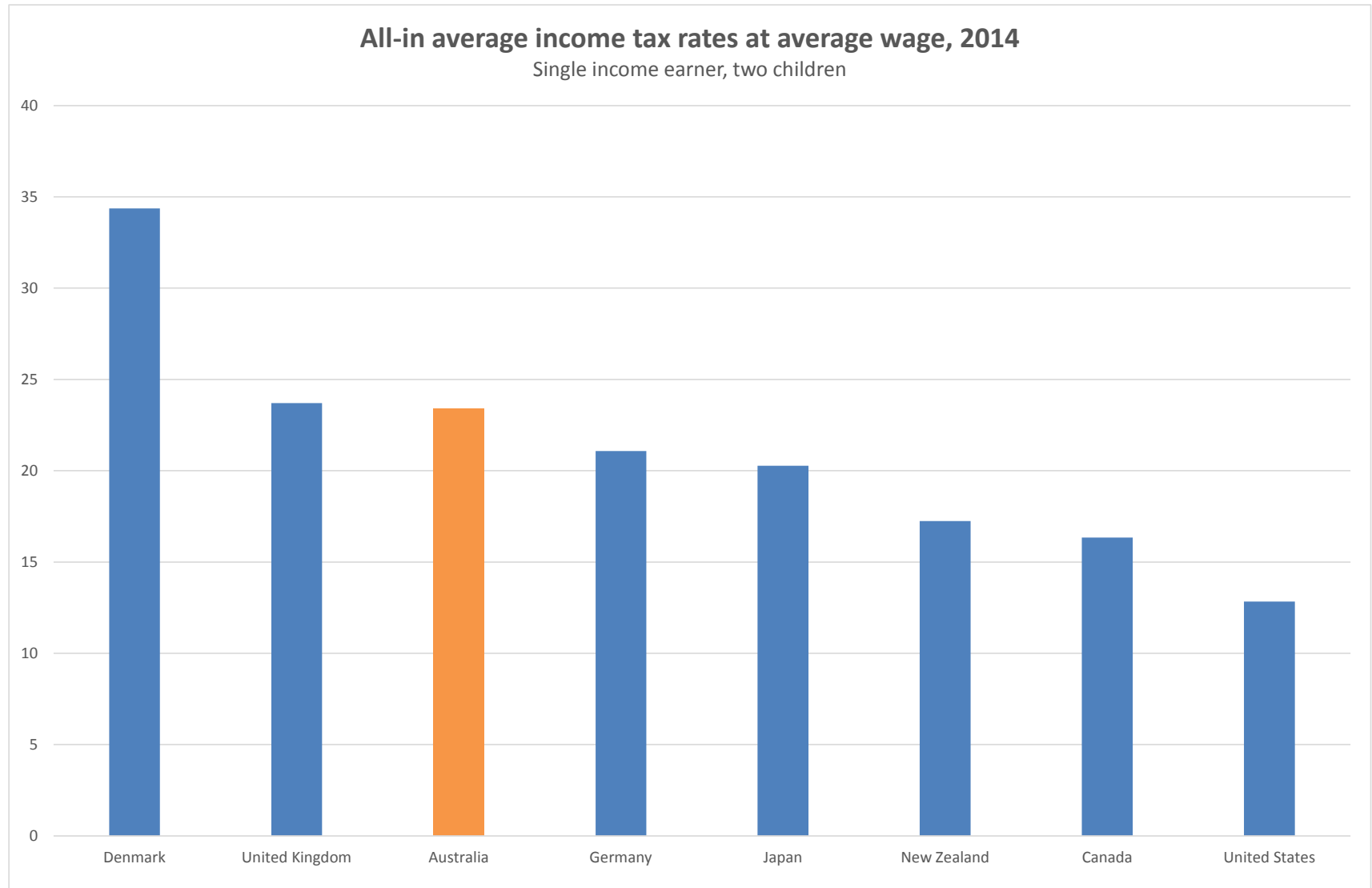


Source: ATO, KPMG Economics

KPMG's recommendations to *Re:think* tax discussion paper

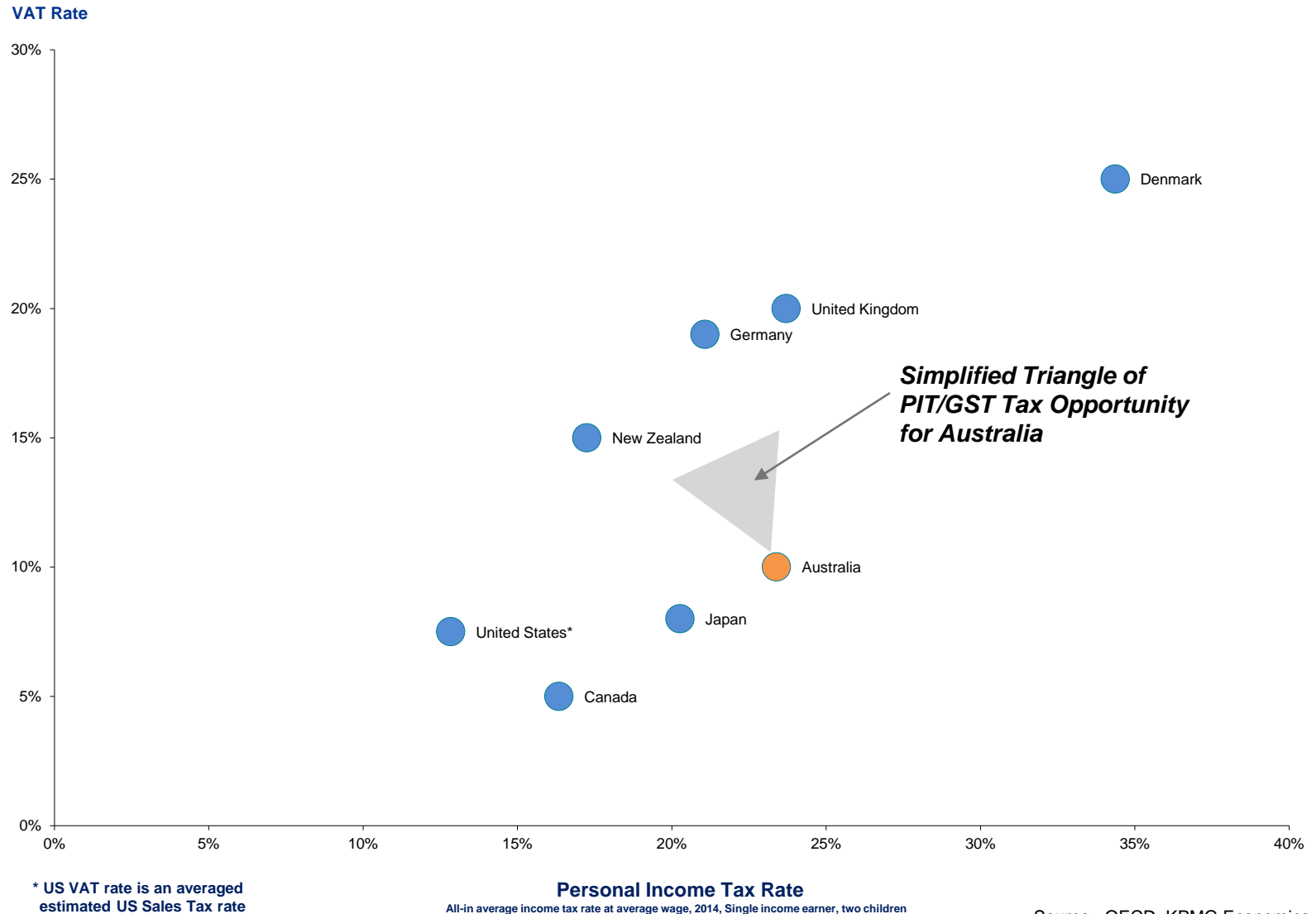
- **Link personal income tax thresholds to average full time earnings, thereby eliminating bracket creep.**
- **Introduce for income bands :**
 - 15% 0 – 0.33 AFTE ratio (\$0-\$27,000)
 - 25% 0.33 – 1.0 (\$27,001 - \$80,000)
 - 35% 1.0 – 2.0 (\$80,001 - \$160,000)
 - 45% 2.0 – (\$160,001+)
- **Tax free threshold is dropped, but protection for low income earners comes from:**
 - Exempting all transfer payments from income tax;
 - Low income tax offset to ensure small, additional income (like interest) for pensioners is untaxed;
 - Work incentive tax offset is implemented to encourage greater participation in the workforce, particularly targeting second incomes in a family (increasing female participation)

International tax benchmarking is challenging...



Source: OECD, KPMG Economics

...as it's the total tax payments and the tax mix that's important





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