



*cutting through complexity*

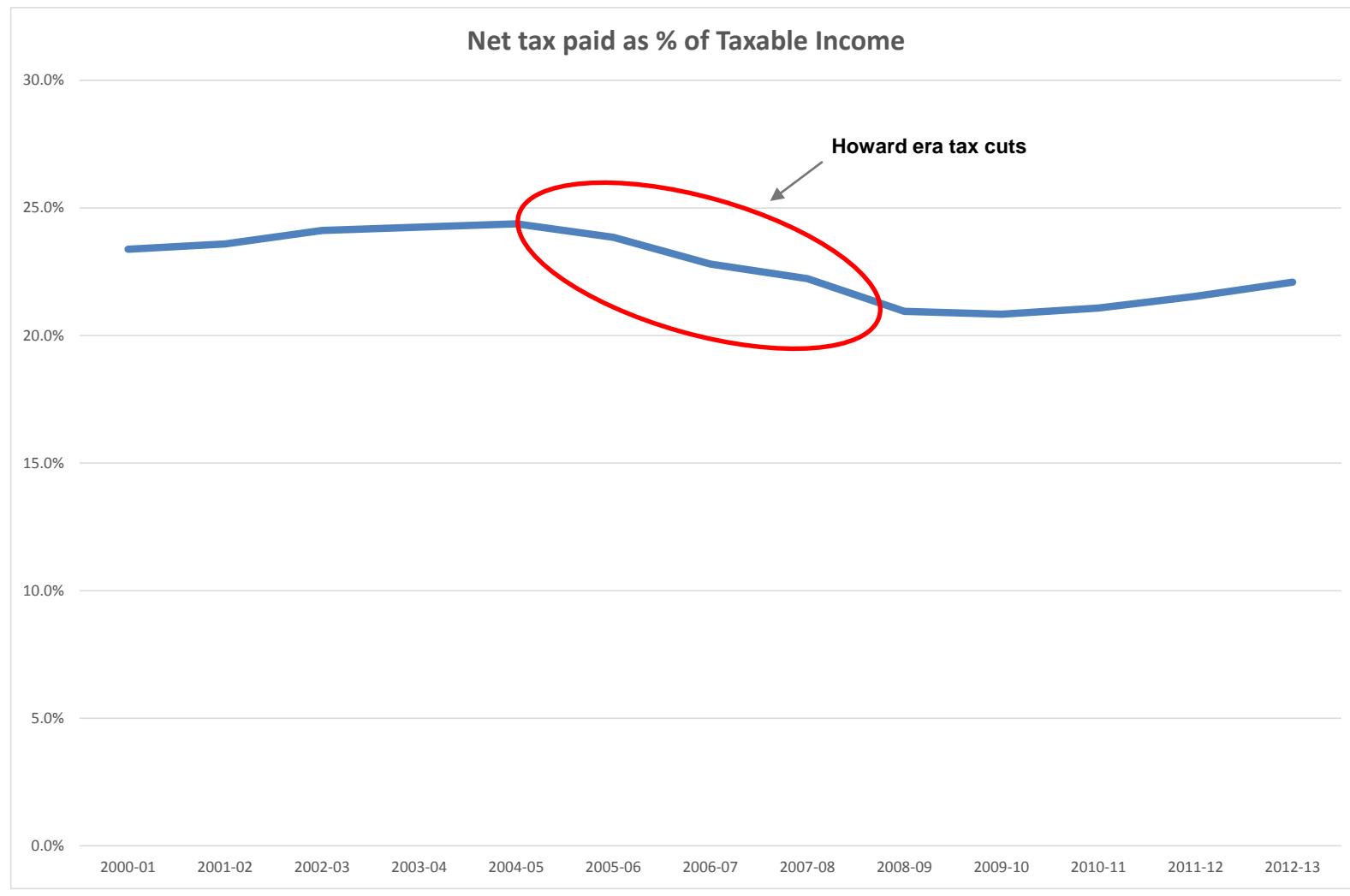
# AFR Tax Summit Analysis

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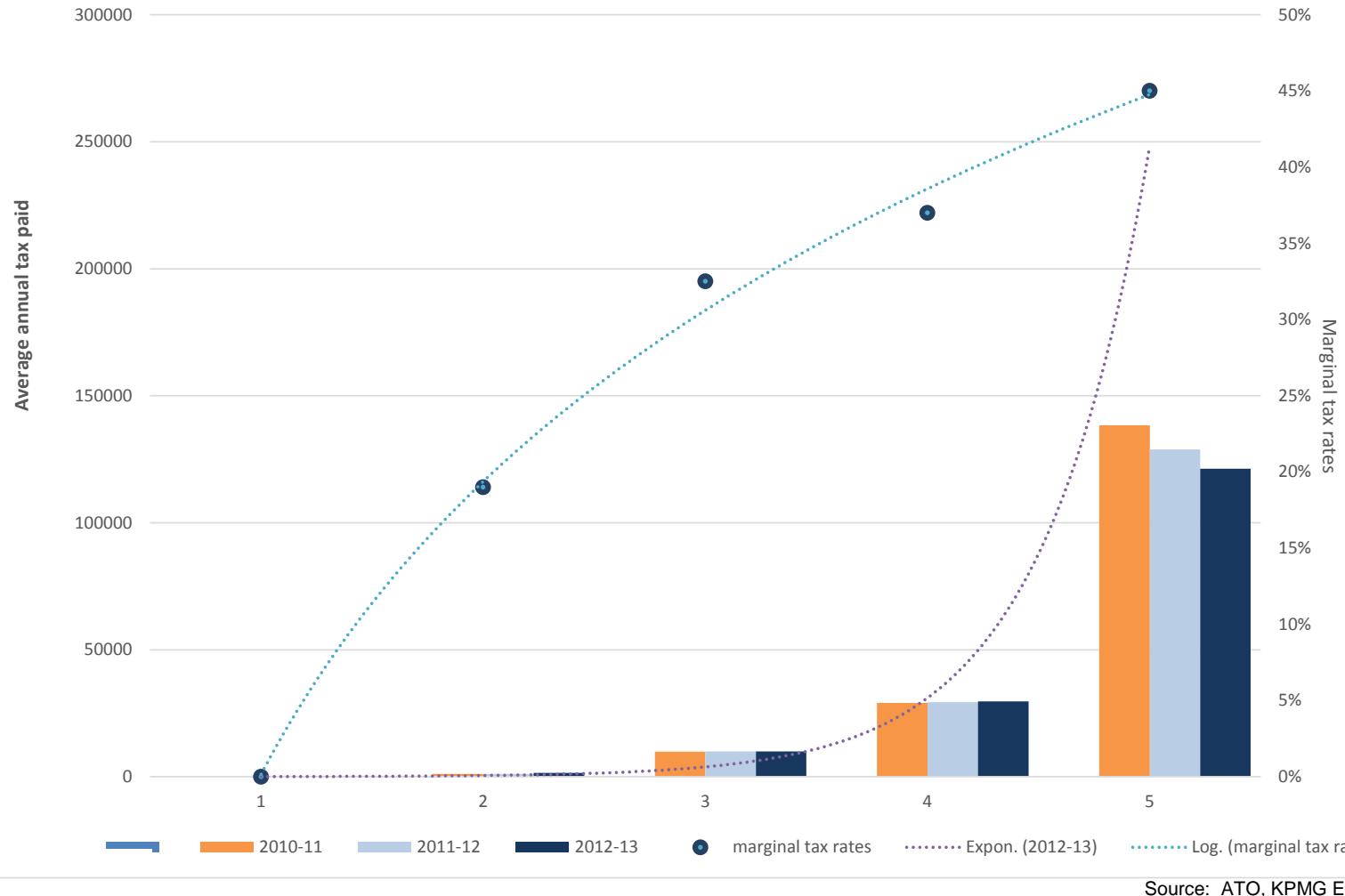
23 September 2015

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

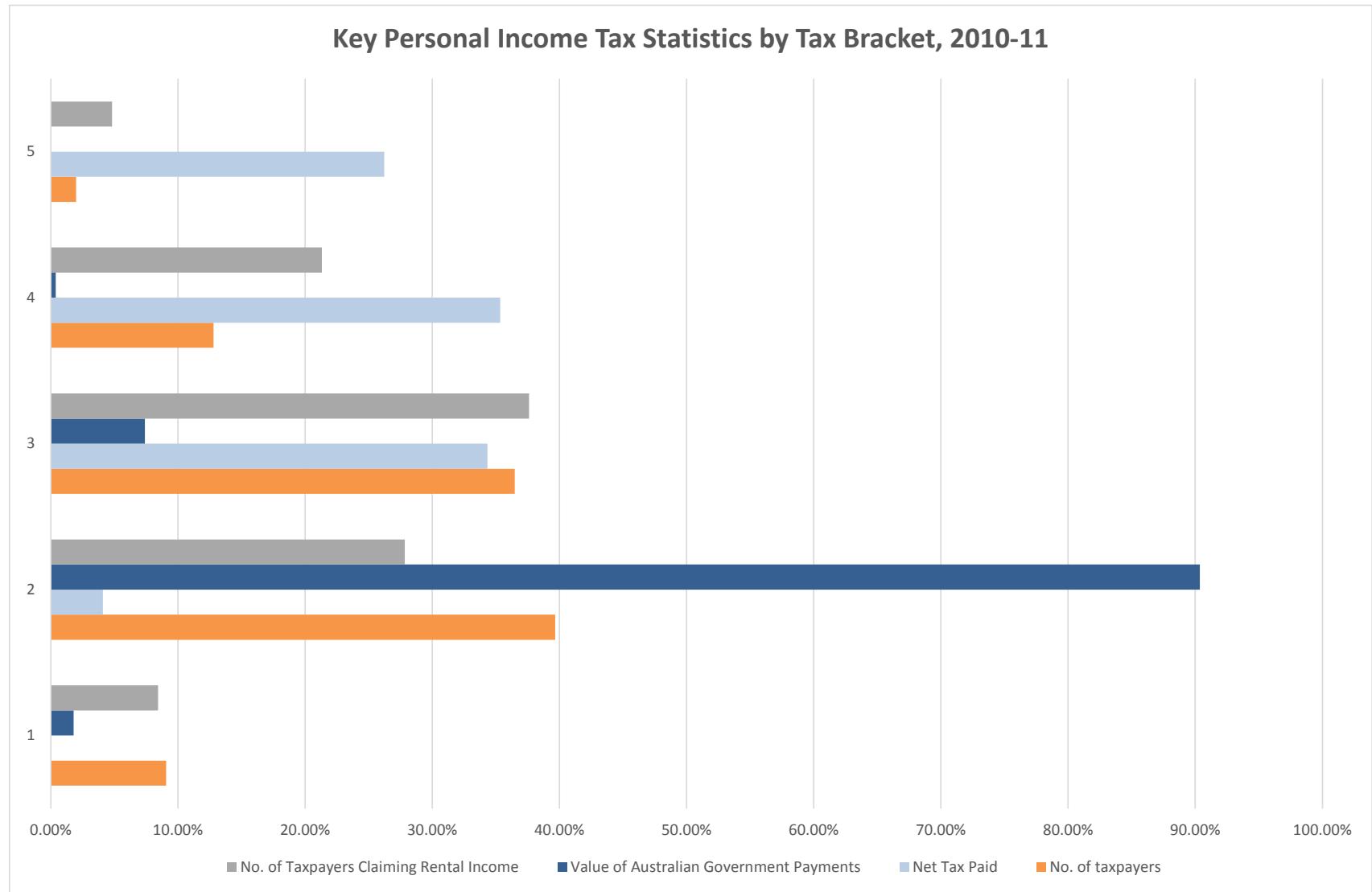


# ...but our progressive tax system is really an exponential progressive tax system ...

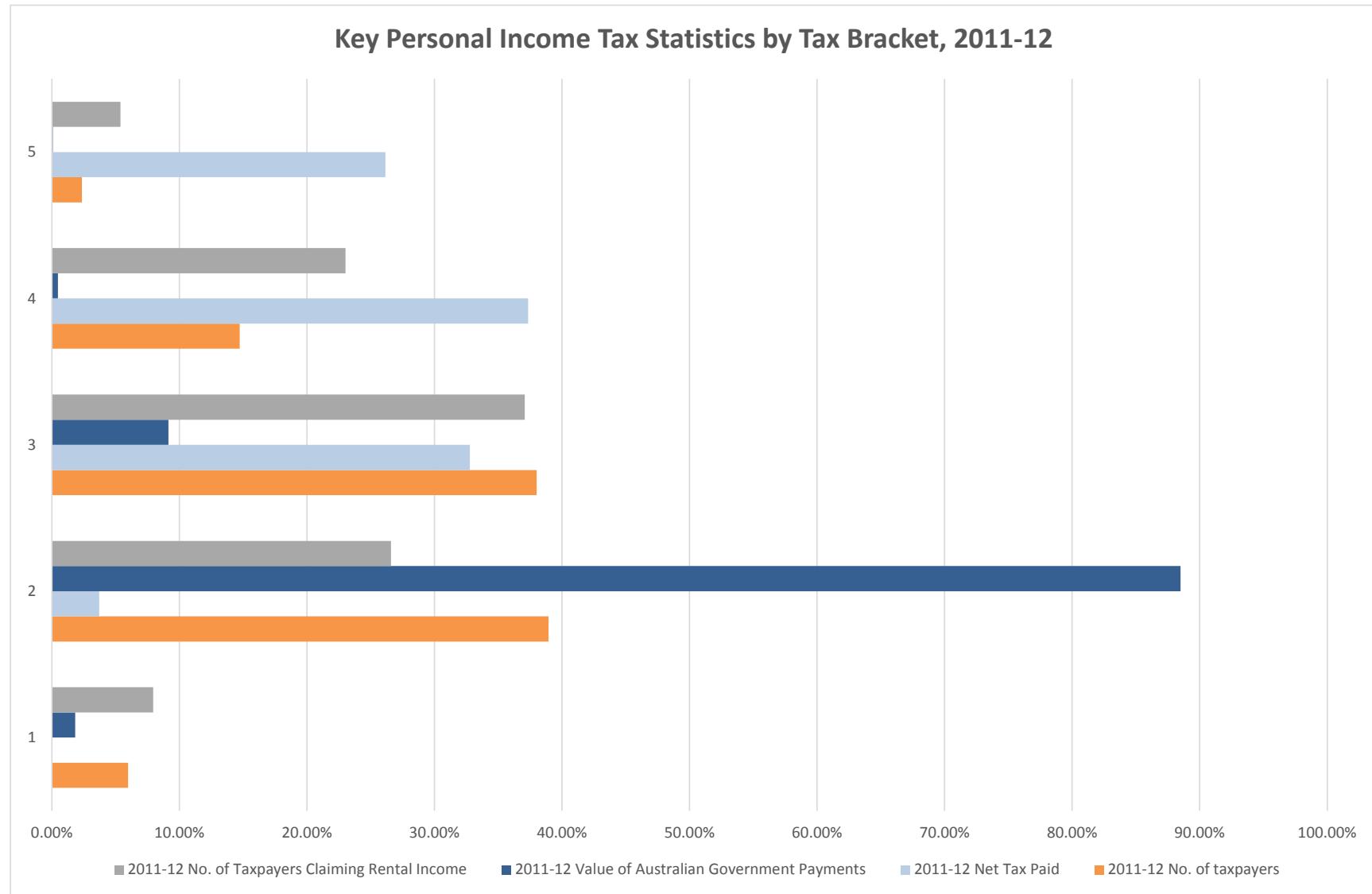
Average Net Tax Paid per annum by Taxpayers in each Income Tax Bracket



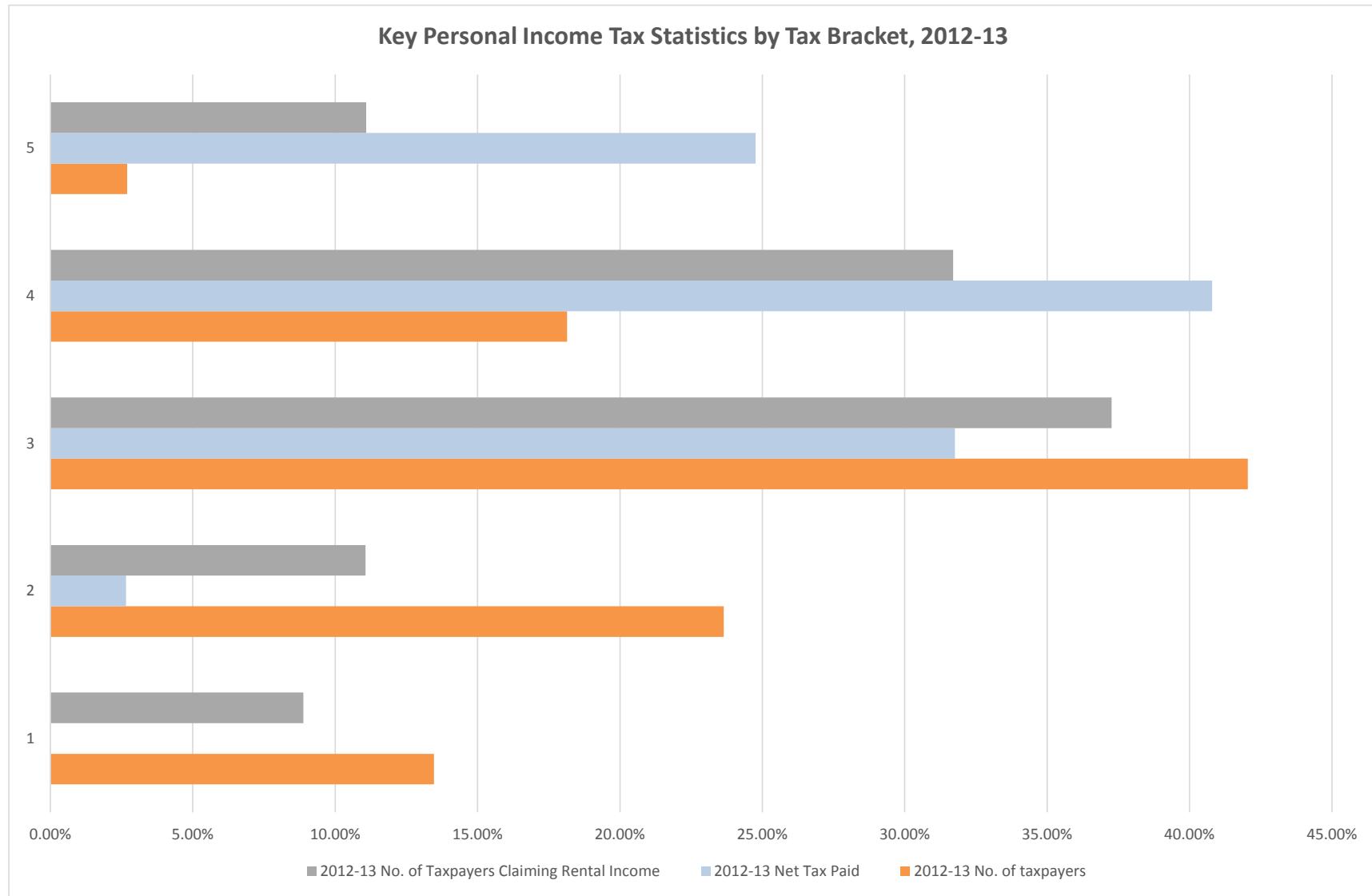
# ...where the top marginal tax brackets contain 20% of taxpayers...



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

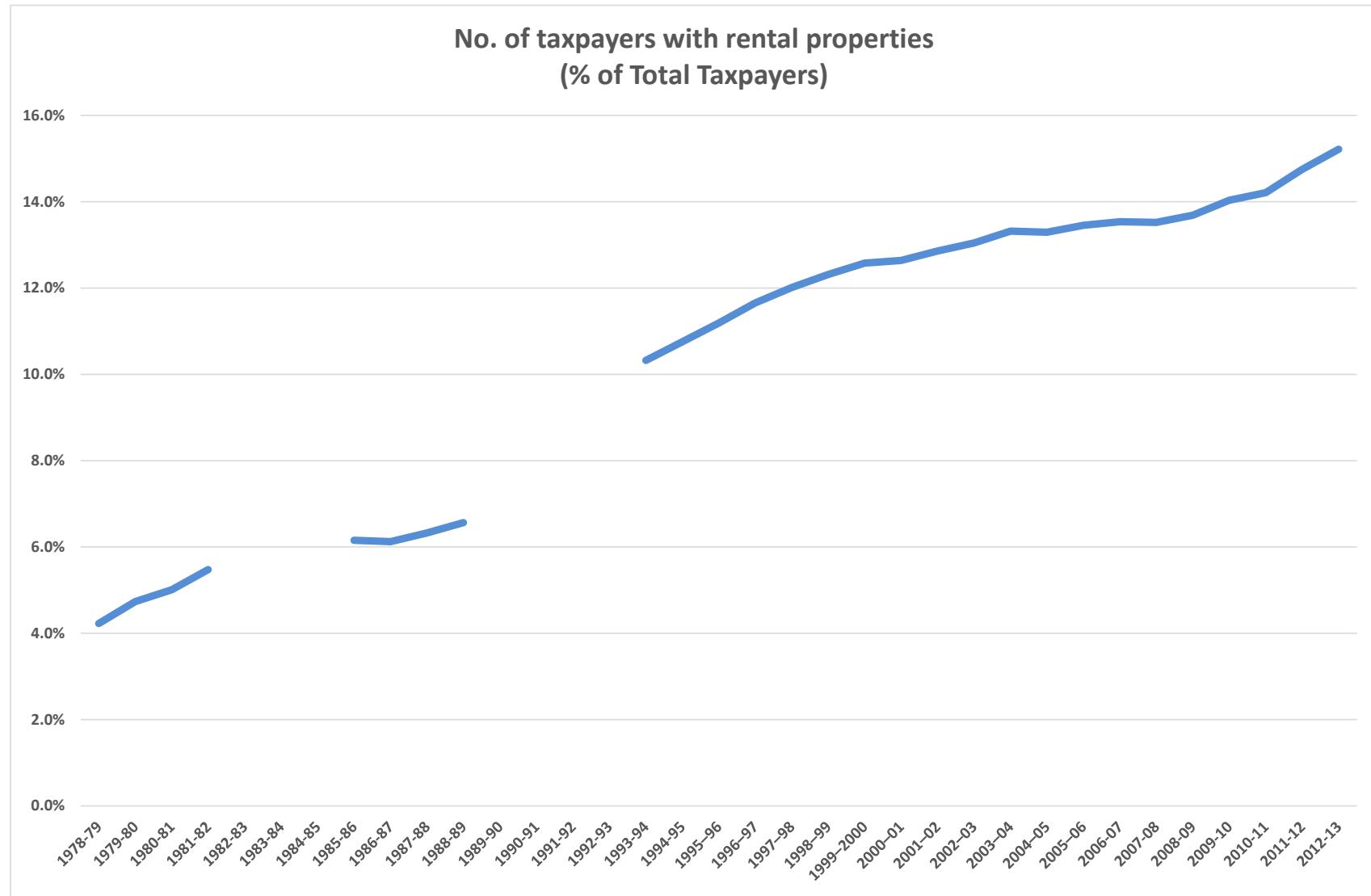


# ...while the remaining taxpayers receive most of the welfare payments...



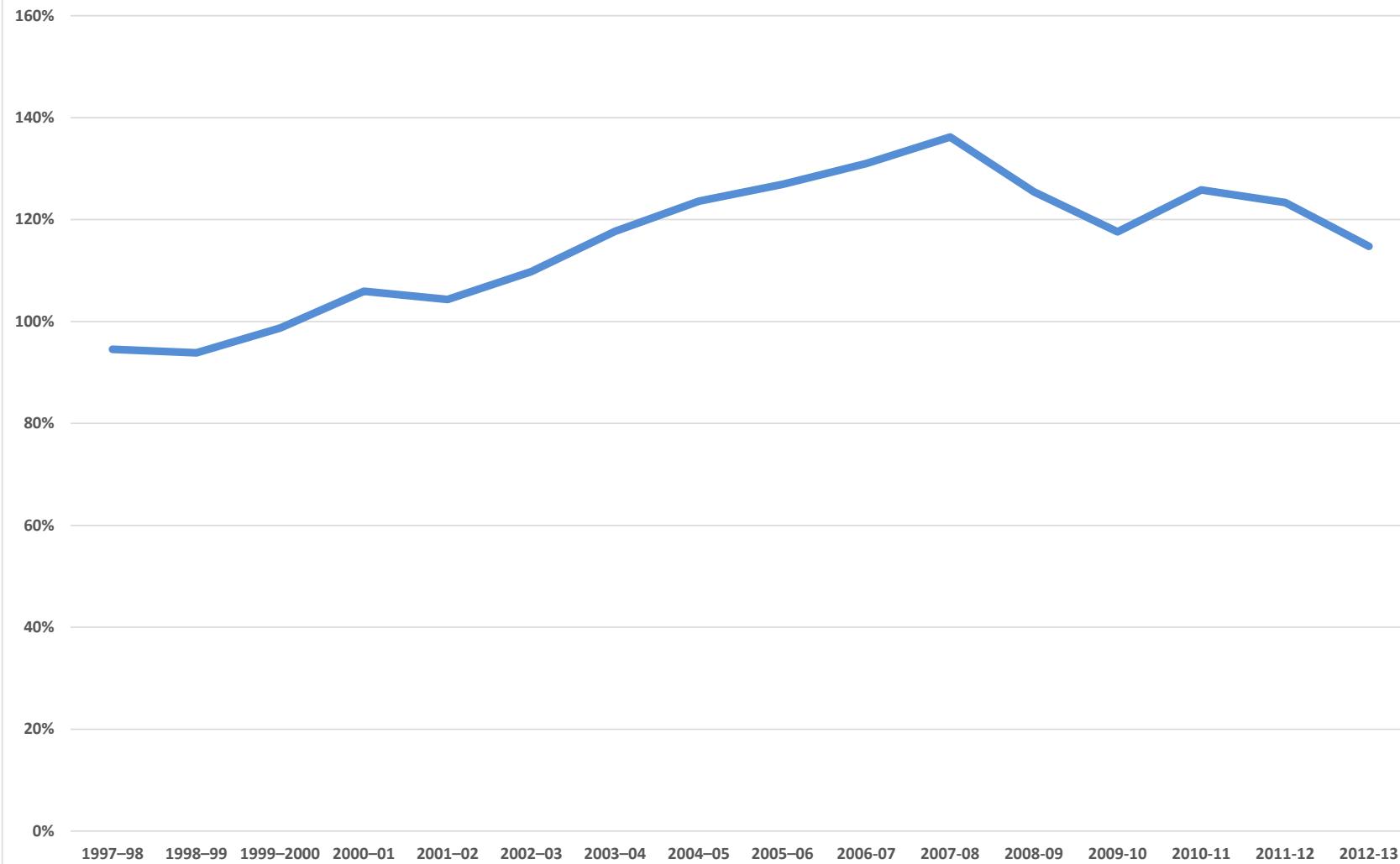
Source: ATO, KPMG Economics

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



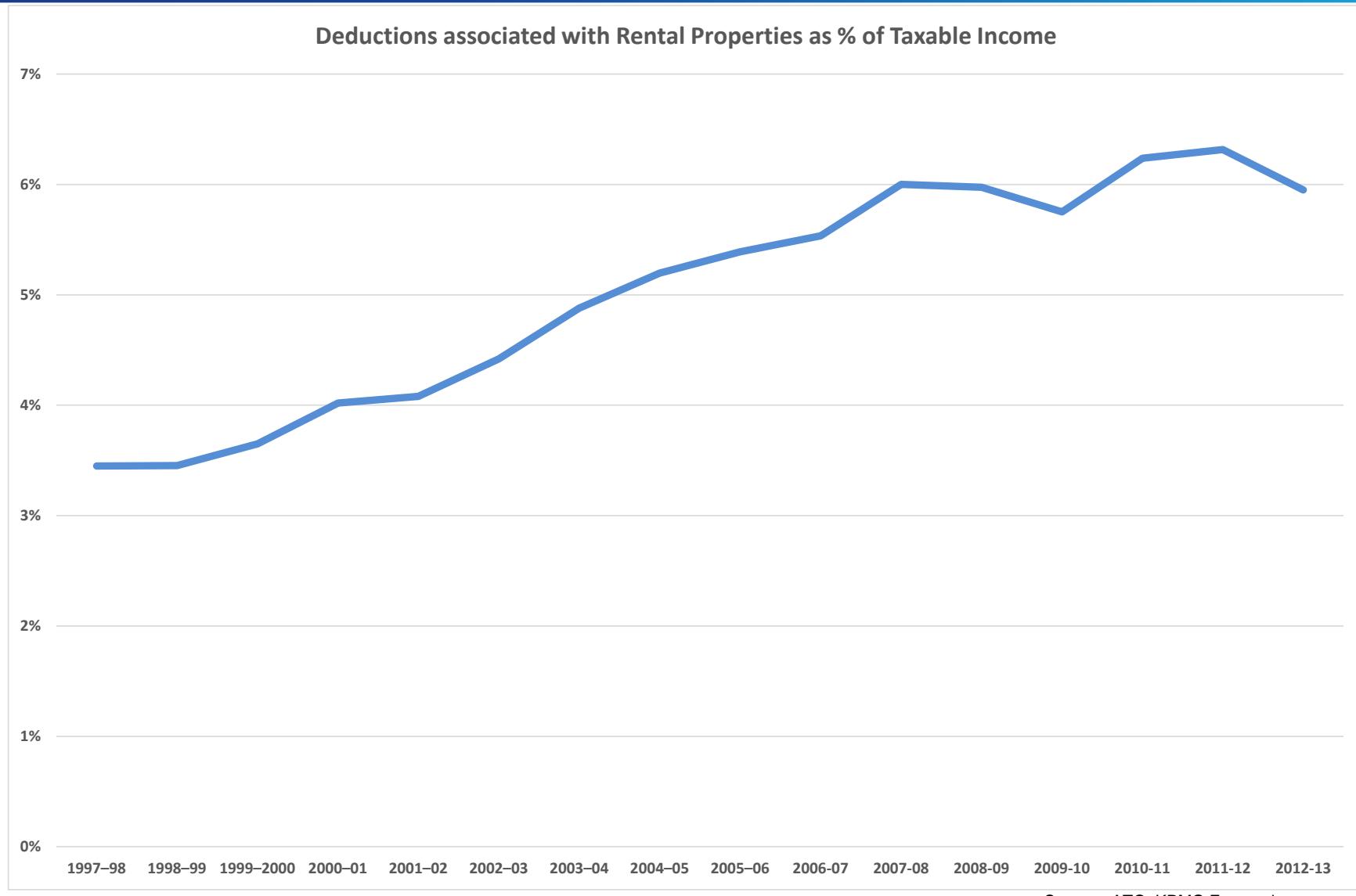
... to reduce their taxable income out of the 'hockey stick' tax brackets...

Deductions associated with Rental Properties as % of their Gross Rent



Source: ATO, KPMG Economics

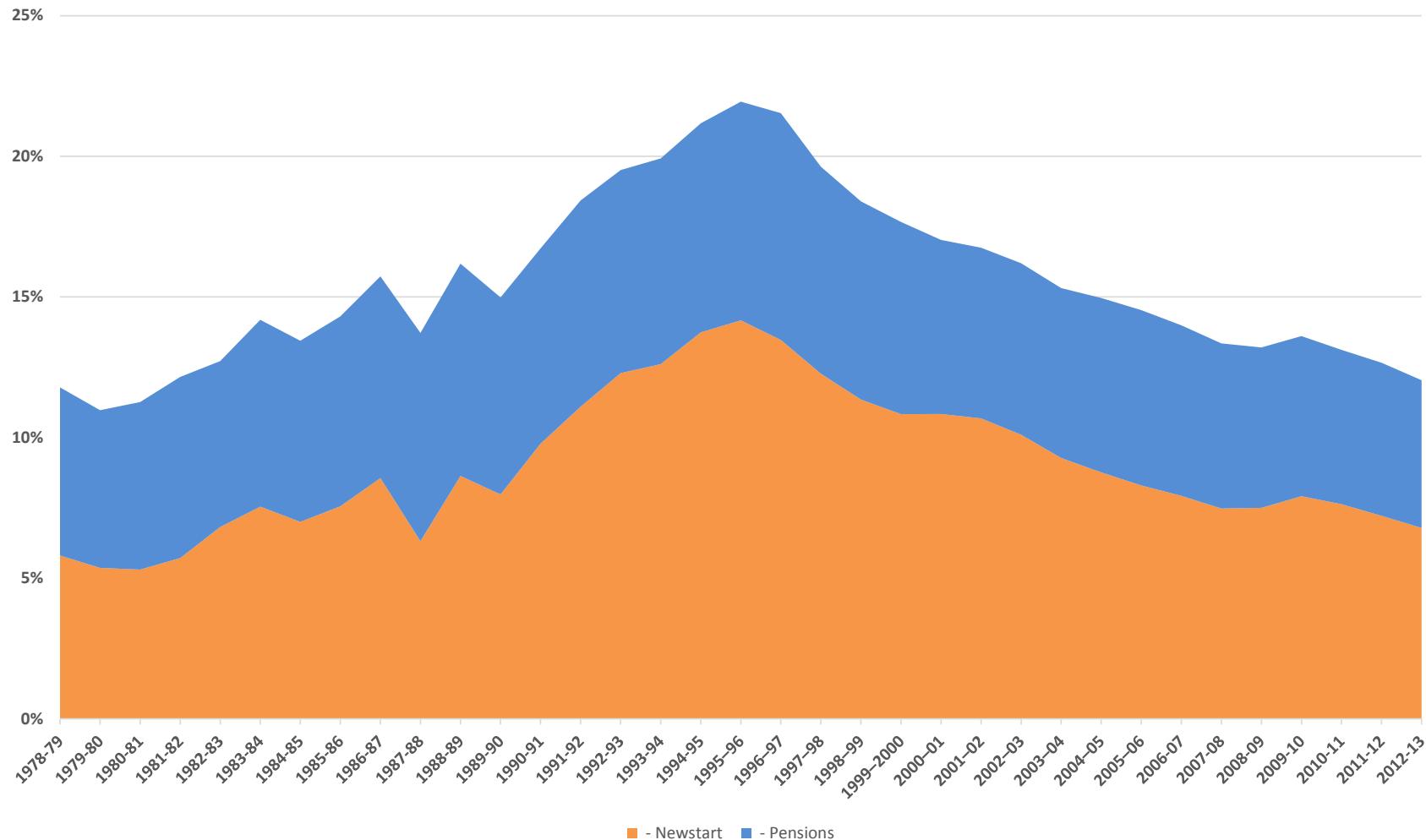
...resulting in aggregate net rental deductions nearly doubling in 15yrs...



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

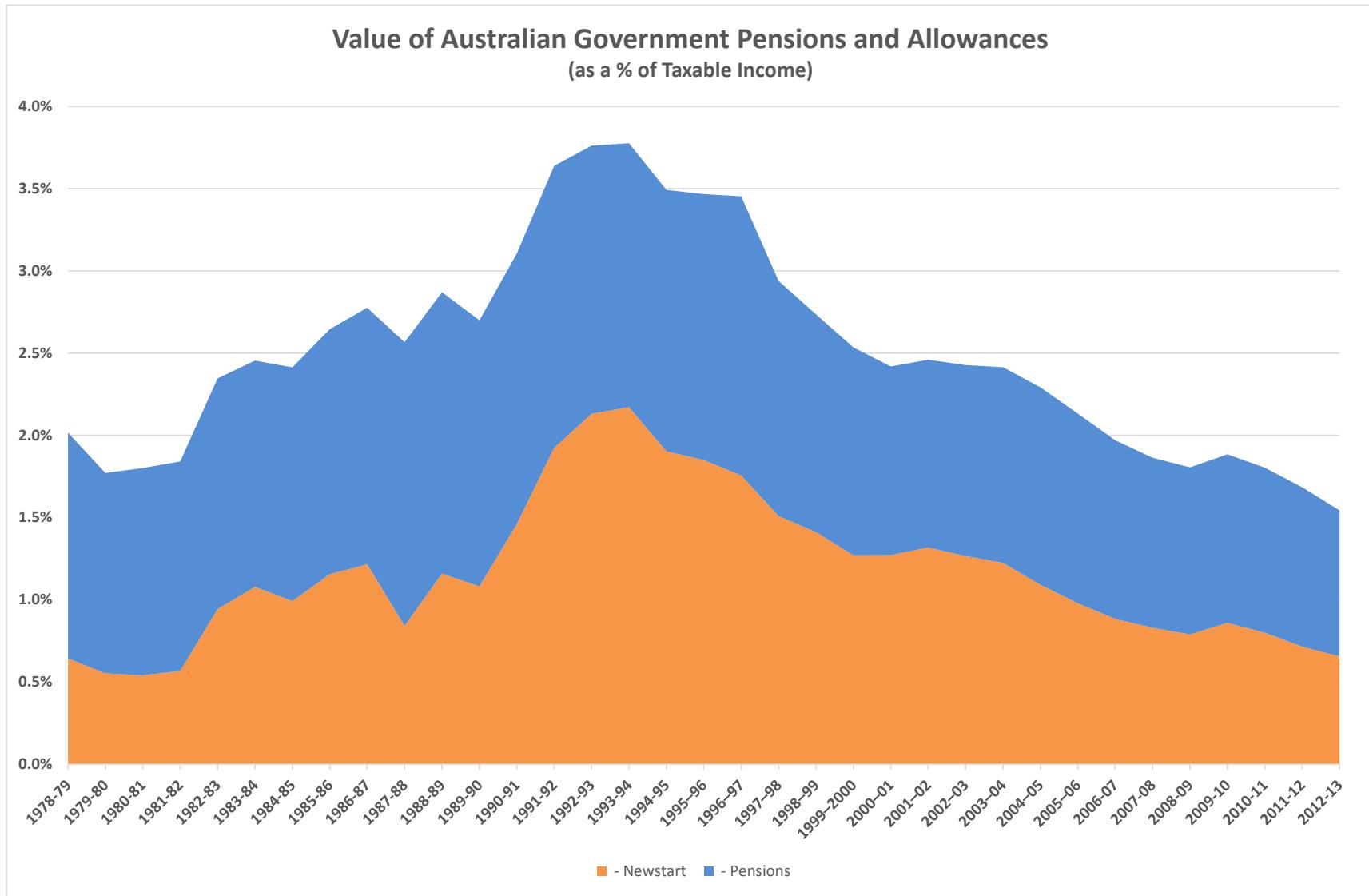
### No. of Australian Taxpayers receiving Australian Government Allowances & Pensions

% of all Taxpayers



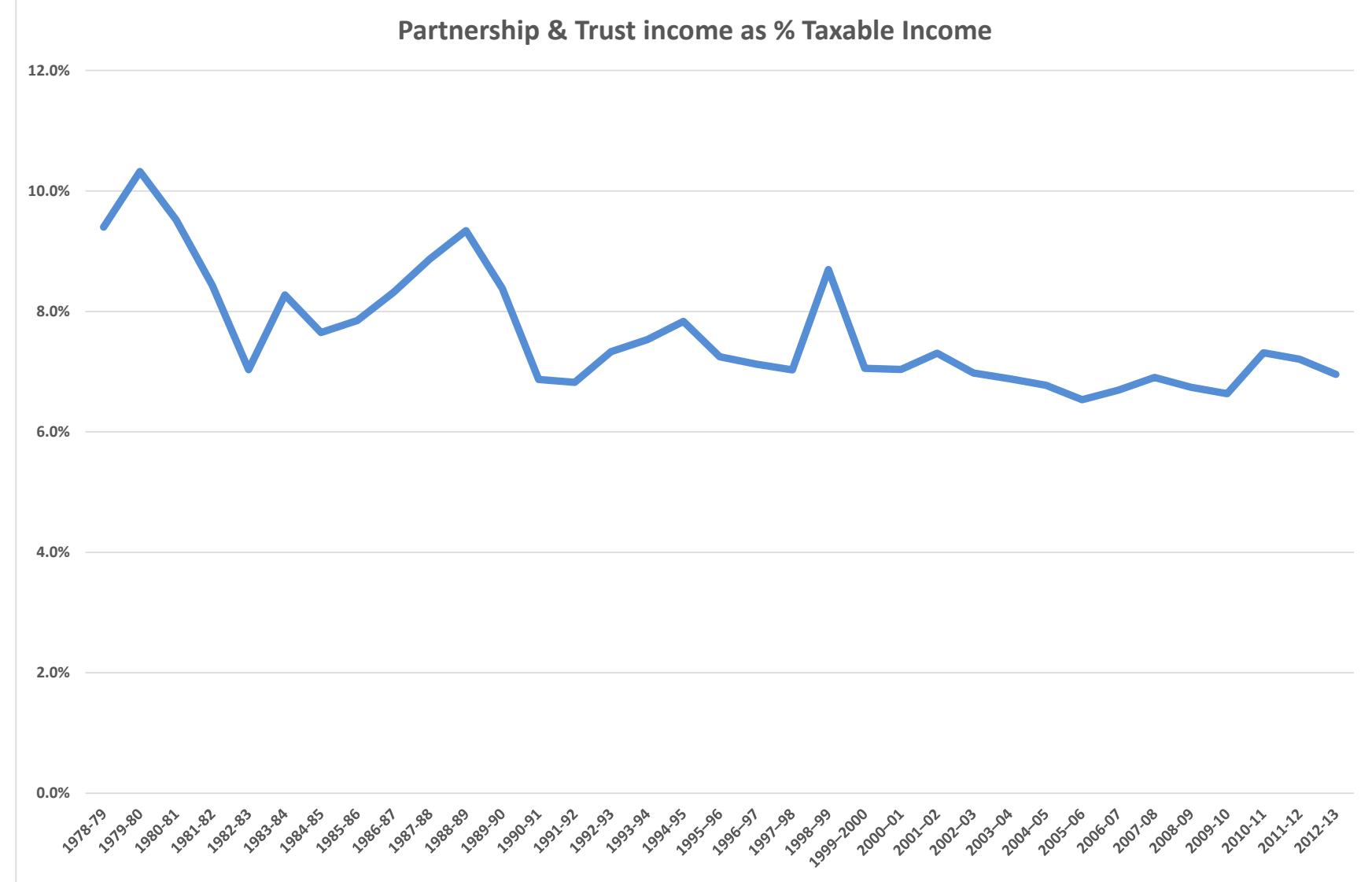
Source: ATO, KPMG Economics

... 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.

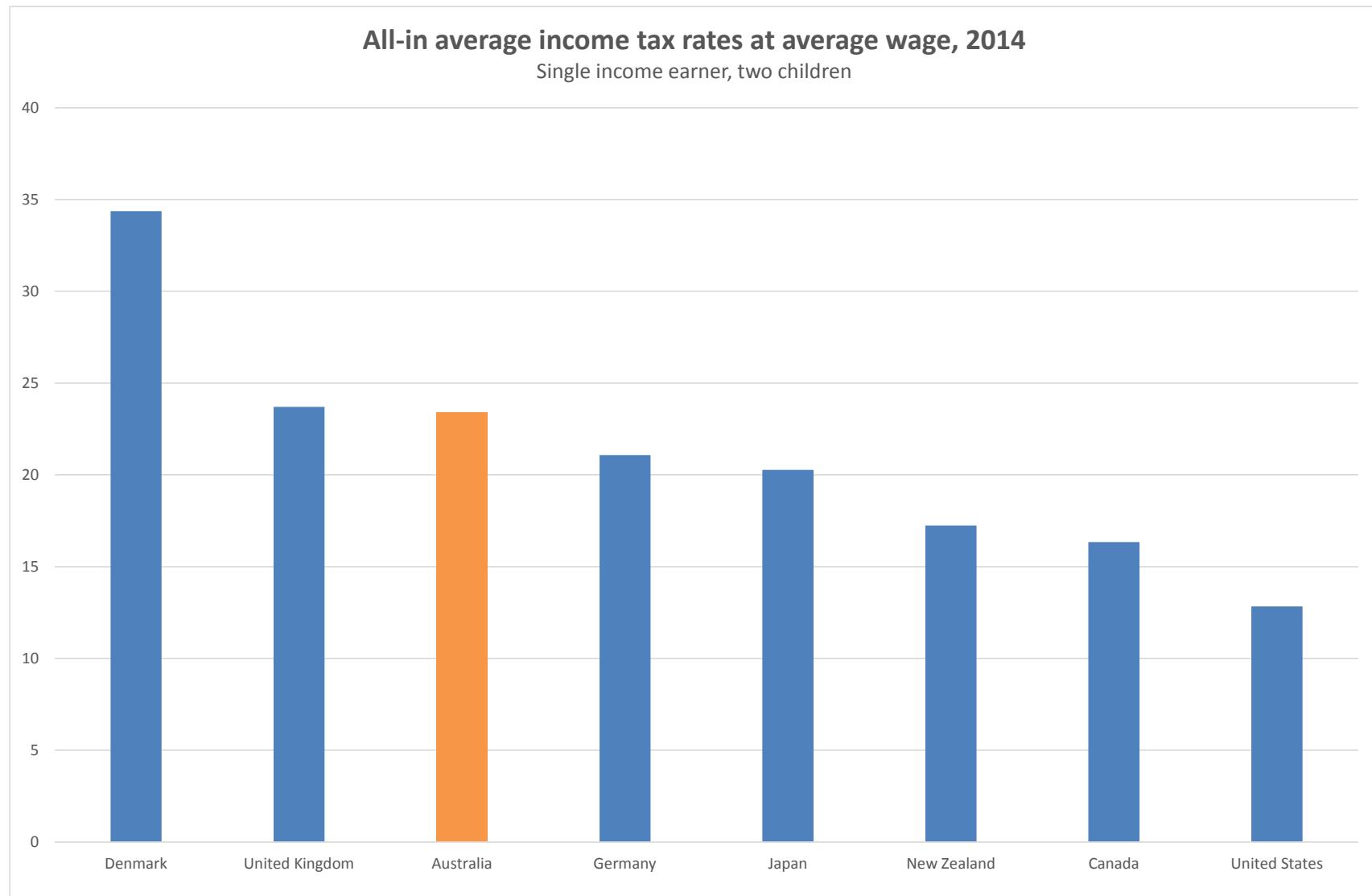


Source: ATO, KPMG Economics

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

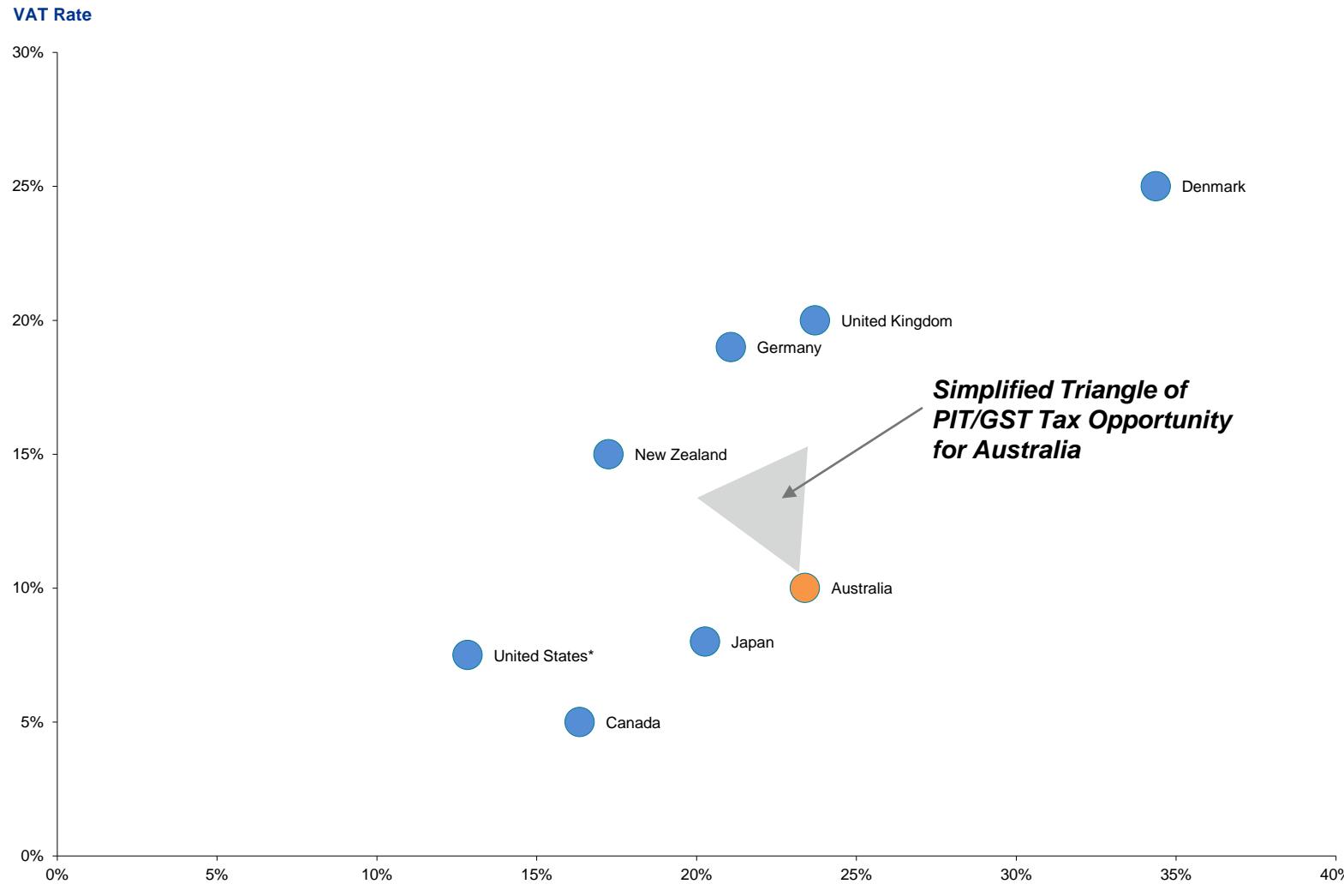
- **Link personal income tax thresholds to average full time earnings, thereby eliminating bracket creep.**
- **Introduce four income bands :**
  - 15% 0 – 0.33 AFTE ratio (\$0-\$27,000)
  - 25% 0.33 – 1.0 (\$27,001 - \$80,000)
  - 35% 1.0 – 2.0 (\$80,001 - \$160,000)
  - 45% 2.0 – (\$160,001+)
- **Tax 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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