



# Income Tax



Isabelle, Jarie, Shaz, Ailinh

# Income Tax in Australia

- Most significant stream of revenue in the tax system
- **Progressive tax system** - the higher your income, the more tax you pay.
- Lowest rate is 19% and the highest rate is 45%, which is only charged on income over \$180,001.  
Most Australia's sit in the middle bracket.
- Tax deductions reduce taxable income and are often the reason why people get a tax refund.

# Individual Income Tax

## Resident tax rates 2022–23

Taxable income	Tax on this income
0 – \$18,200	Nil
\$18,201 – \$45,000	19 cents for each \$1 over \$18,200
\$45,001 – \$120,000	\$5,092 plus 32.5 cents for each \$1 over \$45,000
\$120,001 – \$180,000	\$29,467 plus 37 cents for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45 cents for each \$1 over \$180,000

The above rates **do not** include the [Medicare levy](#) of 2%.

# Foreign Residents

## Foreign resident tax rates 2022–23

Taxable income	Tax on this income
0 – \$120,000	32.5 cents for each \$1
\$120,001 – \$180,000	\$39,000 plus 37 cents for each \$1 over \$120,000
\$180,001 and over	\$61,200 plus 45 cents for each \$1 over \$180,000

# Working Holiday Makers

You are a working holiday maker if you have a visa subclass: 417 (Working Holiday) 462 (Work and Holiday).

## Working holiday maker tax rates 2022–23

Taxable income	Tax on this income
0 – \$45,000	15%
\$45,001 – \$120,000	\$6,750 plus 32.5 cents for each \$1 over \$45,000
\$120,001 – \$180,000	\$31,125 plus 37 cents for each \$1 over \$120,000
\$180,001 and over	\$53,325 plus 45 cents for each \$1 over \$180,000

# Income Tax Operation

## Tax File Number Declaration

- Complete tax declaration form upon starting employment
- Form allows for identification of Commonwealth loans, tax-free threshold

## Pay As You Go (PAYG)

- System whereby employers help employees pay their income tax

# Medicare Levy


## Medicare Levy

- 2% of taxable income is taxed to fund the public health care system - Medicare

## Medicare Levy Surcharge (MLS)

- Introduced in 1997
- For high income earners who don't hold appropriate private hospital cover
- Applies to individuals who are single earning more than \$90,000 and families earning \$180,000

# Comparison

	<b>Australia</b>	<b>DeakinLand (US)</b> 
Population	25,921,089 (2021)	336,997,624 (2021)
GDP	1,542,659.90 million	22,996,100.00 million
HDI	0.951 (2021) 5 out of 191 countries Very High	0.921 (2021) 21 out of 191 countries Very High
Gini Index	34.3 (2018)	41.5 (2019)



<b>Your taxable income:</b>	<b>\$60,000</b>
Income tax payable:	\$9,967
Medicare levy payable:	\$1,200
<hr/>	
<b>Your income after tax &amp; Medicare levy:</b>	<b>\$48,833</b>
<hr/>	
<b>Your marginal tax rate:</b>	<b>32.5%</b>

**This means for an annual income of \$60,000 you pay:**

No tax on income between \$1 - \$18,200	\$0
19c for every dollar between \$18,201 - \$45,000	\$5,092
32.5c for every dollar between \$45,001 - \$120,000	\$4,875
<hr/>	
<b>Income tax payable</b>	<b>\$9,967</b>

# DeakinLand Income Tax Policy

- Adoption of Bernie Sanders' Tax Plan (Jan 2016)
  - Higher individual income tax rates
    - Bottom 50% decreases by at east 4.87%
    - Top 50% decreases 17.91%
    - Top 1% of taxpayers would fall by 17.9%
- Top marginal income tax rate = 53%

**Table 1.**

Individual Income Tax Brackets under Senator Bernie Sanders's Tax Plan

Ordinary Income	Capital Gains and Dividends	Single Filers	Married Filers	Heads of Household
12.2%	2.2%	\$0 to \$9,275	\$0 to \$18,550	\$0 to \$13,250
17.2%	2.2%	\$9,275 to \$37,650	\$18,550 to \$75,300	\$13,250 to \$50,400
27.2%	17.2%	\$37,650 to \$91,150	\$75,300 to \$151,900	\$50,400 to \$130,150
30.2%	17.2%	\$91,150 to \$190,150	\$151,900 to \$231,450	\$130,150 to \$210,800
35.2%	17.2%	\$190,150 to \$250,000	\$231,450 to \$250,000	\$210,800 to \$250,000
39.2%	39.2%	\$250,000 to \$500,000	\$250,000 to \$500,000	\$250,000 to \$500,000
45.2%	45.2%	\$500,000 to \$2,000,000	\$500,000 to \$2,000,000	\$500,000 to \$2,000,000
50.2%	50.2%	\$2,000,000 to \$10,000,000	\$2,000,000 to \$10,000,000	\$2,000,000 to \$10,000,000
54.2%	54.2%	\$10,000,000 and up	\$10,000,000 and up	\$10,000,000 and up

Note: The bracket thresholds above are based on 2016 parameters.

Taxable Income	Tax on this income
0 - 10,000	No Tax
10,001 - 40,000	20% for each \$1 over \$10,000
40,001 - 90,000	30% for each \$1 over \$40,000
90,001- 200,000	32.5% for each \$1 over \$90,000
200,001 - 250,000	35% for each \$1 over \$200,000
250,001 - 500,000	40% for each \$1 over \$250,000
500,001 - 2,000,000	45% for each \$1 over \$500,000
2,000,001 - 10,000,000	50% for each \$1 over \$2,000,000
10,000,000 +	53% for each \$1 over \$10,000,000

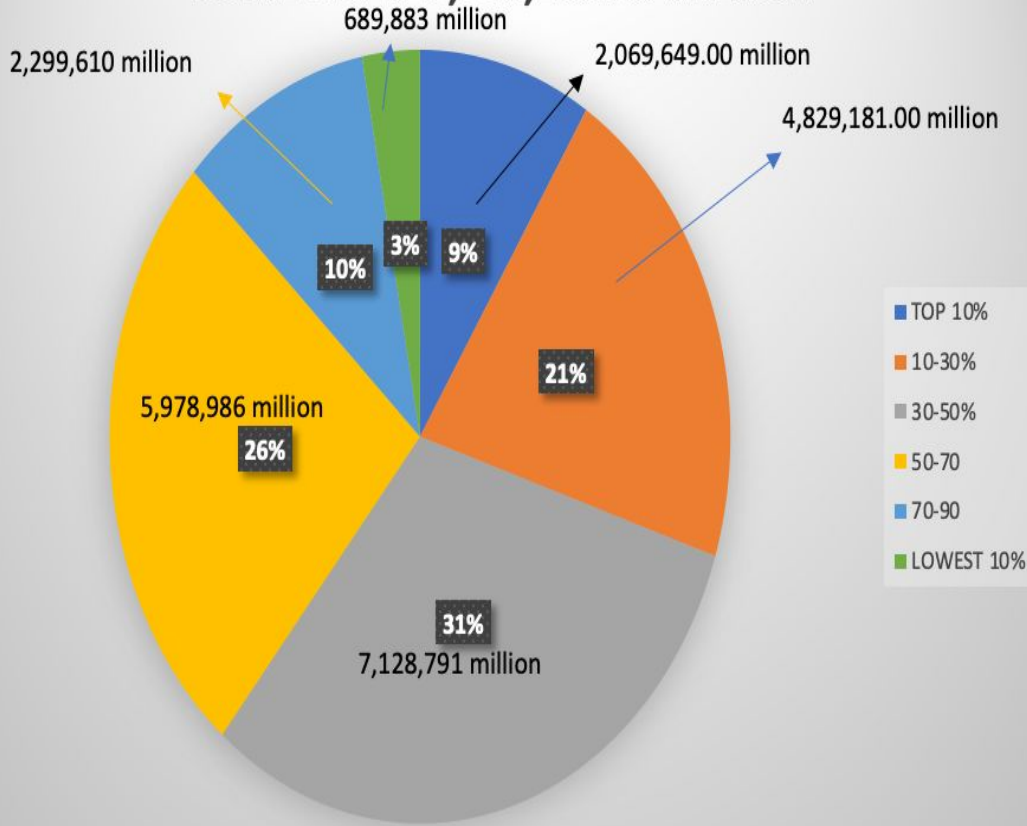
## Example

- Earn \$10,000,000
  - Pay \$ 4,849,250 tax
- Earn \$230,000
  - Pay \$67,250 tax
- Earn \$70,000
  - Pay \$15,000 tax

# WHY?

- To redistribute the wealth by practicing strict policies and observing them efficiently so that tax can be collected from the top elite higher income bracket holders and transfer to the one who falls in the no income tax payer in the shape of public goods.
- To reallocate the majority GDP amongst our top 30-70% income earner population because that's where the majority of Deakinland population is.

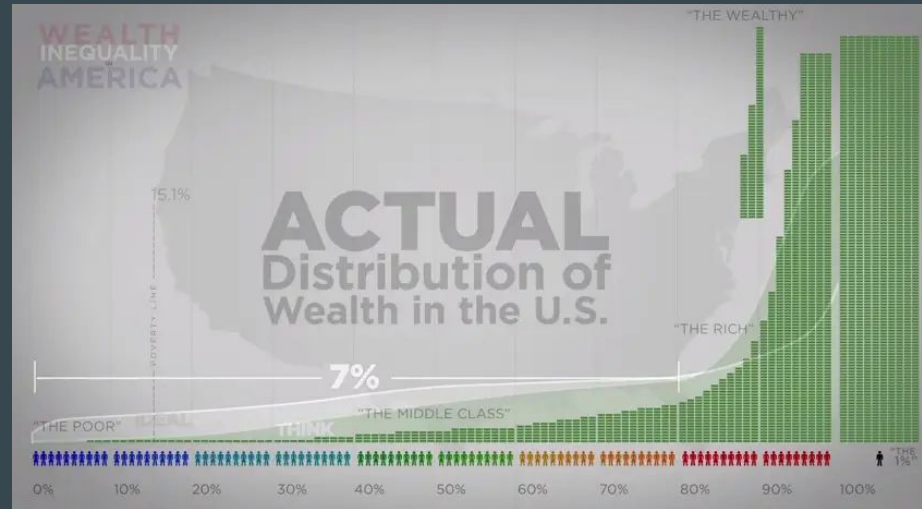
# TOTAL GDP: 22,996,100.00 MILLION



This is how our taxation strategies anticipates to divide our GDP amongst our people. With a population of 336,997,624, our policies will promote to keep the majority of the economy within the top 30-70%.

# Objective of proposed policy

- To redistribute the wealth, as currently the GINI coefficient is 41.5.
- Finance public goods and services that improve the quality of life



# Economic consequences

- **Advantages**

- Increase federal tax revenues in the long-run (\$13.6 trillion)
- Increase marginal propensity to consume and overall spending

- **Disadvantages**

- Negative relationship between income tax rates and GDP (-9.5%)
- Can cause avoidance behavior and reduce the incentive to work, invest, and innovate
- Lower wage rates and fewer full-time equivalent jobs -6.0 million)

# Social and Political Consequences

## Social consequences

- Increased income equality and equitable growth
- Increased tax revenue to finance social projects

## Political consequences

- May get voted out of Parliament as those with money comes power
- Politicians are generally high income earners so they may not be for high tax rates on the wealthy.



# Webliography

H&R Block Tax Accountants/Understanding the Australian Income Tax System/<https://www.hrblock.com.au/tax-academy/australian-income-tax-system#:~:text=The%20lowest%20rate%20is%2019,paying%20money%20into%20your%20fund>.

ATO. Individual income tax rates. <https://www.ato.gov.au/Rates/Individual-income-tax-rates/>

ATO Medicare Levy <https://www.ato.gov.au/Individuals/Medicare-and-private-health-insurance/Medicare-levy/> (July 2022)

Parliament of Australia (APH). Medicare: a quick guide.

[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp1617/Quick\\_Guides/Medicare](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1617/Quick_Guides/Medicare)

Australian Taxation Office (ATO). Individual income tax rates. <https://www.ato.gov.au/rates/individual-income-tax-rates/>

Australian Taxation Office (ATO). Tax file number declaration. <https://www.ato.gov.au/Forms/TFN-declaration/>

The Tax Foundation. Details and Analysis of Senator Bernie Sanders's Tax Plan

<https://files.taxfoundation.org/legacy/docs/TaxFoundation-FF498.pdf>

Parliament of Australia (APH). Medicare: a quick guide.

[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/rp/rp1617/Quick\\_Guides/Medicare](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1617/Quick_Guides/Medicare)