



Income Tax Deakinland

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Lets talk about...



The basics of Australian Income Tax



- Australian income tax is based upon the incremental tax system and is paid to the Federal Government.
- A margin or incremental tax system is the rate of tax that income earners are required to pay on each dollar of income.
- As the tax rate increases, the individual is required to pay more for every dollar earned over the classified amount.
- Foreign residents are subjected to different tax classifications.

Australian Income Tax Margins

Australian Residents

The following rates for 2016–17 apply from 1 July 2016.

| Taxable income | Tax on this income |
|----------------------|---|
| 0 – \$18,200 | Nil |
| \$18,201 – \$37,000 | 19c for each \$1 over \$18,200 |
| \$37,001 – \$87,000 | \$3,572 plus 32.5c for each \$1 over \$37,000 |
| \$87,001 – \$180,000 | \$19,822 plus 37c for each \$1 over \$87,000 |
| \$180,001 and over | \$54,232 plus 45c for each \$1 over \$180,000 |

Foreign Residents

The following rates for 2016–17 apply from 1 July 2016.

| Taxable income | Tax on this income |
|----------------------|---|
| 0 – \$87,000 | 32.5c for each \$1 |
| \$87,001 – \$180,000 | \$28,275 plus 37c for each \$1 over \$87,000 |
| \$180,001 and over | \$62,685 plus 45c for each \$1 over \$180,000 |

Australian Income Tax example

How much income tax would an individual that earns \$90,000 per annum?

Australian resident Example:

$$\$90,000 - \$87,000 = \$3,000$$

$$\$3,000 \times 0.37 = \$1,110$$

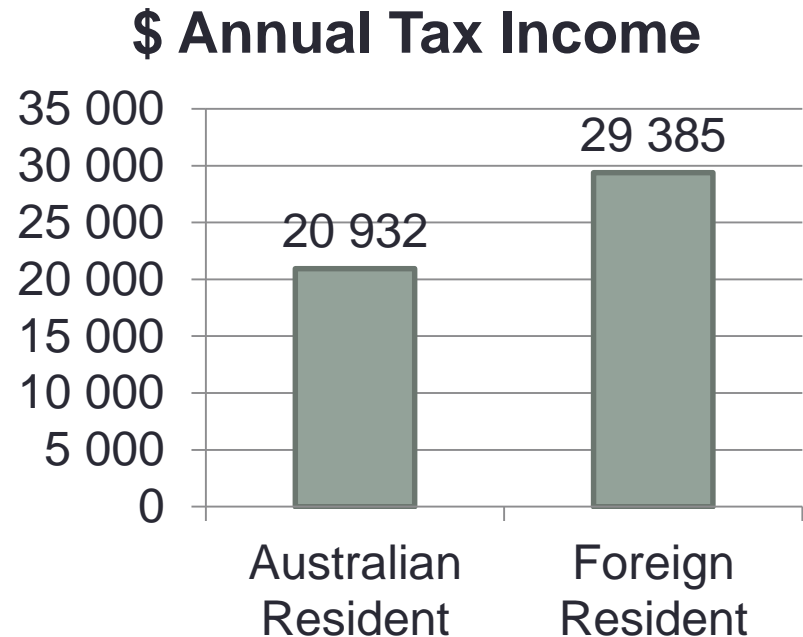
$$\$19,822 + \$1,110 = \$20,932$$

Foreign resident Example:

$$\$90,000 - \$87,000 = \$3,000$$

$$\$3,000 \times 0.37 = \$1,110$$

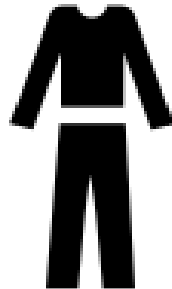
$$\$28,275 + \$1,110 = \$29,385$$



Australian deduction system

Australian Income Tax Deduction criteria:

1. You must have carried out the transaction without being previously reimbursed
2. It must be directly related to earning your income
3. You must have a record to prove it



The basics of Belgium Income Tax



- Belgium operates under a flat band tax system with an adjusting marginal tax.
- Belgium has the highest income tax in the developed world.
- Employers deduct income tax from earnings on a monthly basis. This is paid to the State Government.
- Between 0-9% of income tax due is redirected to the Local Government for communal tax purposes.
- Resident tax rates also apply to non residents. Non residents are still liable for any income earned relating to work in Belgium.

Belgium Income Tax Margins

Income tax table for 2017

| Taxable income bracket | | Total tax on income below bracket | Tax rate on income in bracket |
|------------------------|--------|-----------------------------------|-------------------------------|
| From EUR | To EUR | EUR | Percent |
| 0 | 11,070 | 0 | 25 |
| 11,070 | 12,720 | 2,767.50 | 30 |
| 12,720 | 21,190 | 3,262.50 | 40 |
| 21,190 | 38,830 | 6,650.50 | 45 |
| 38,830 | Over | 14,588.50 | 50 |

Note: the Belgium income tax system does not have differing tax brackets for foreign residents.

Belgium Income Tax Example

Example One:

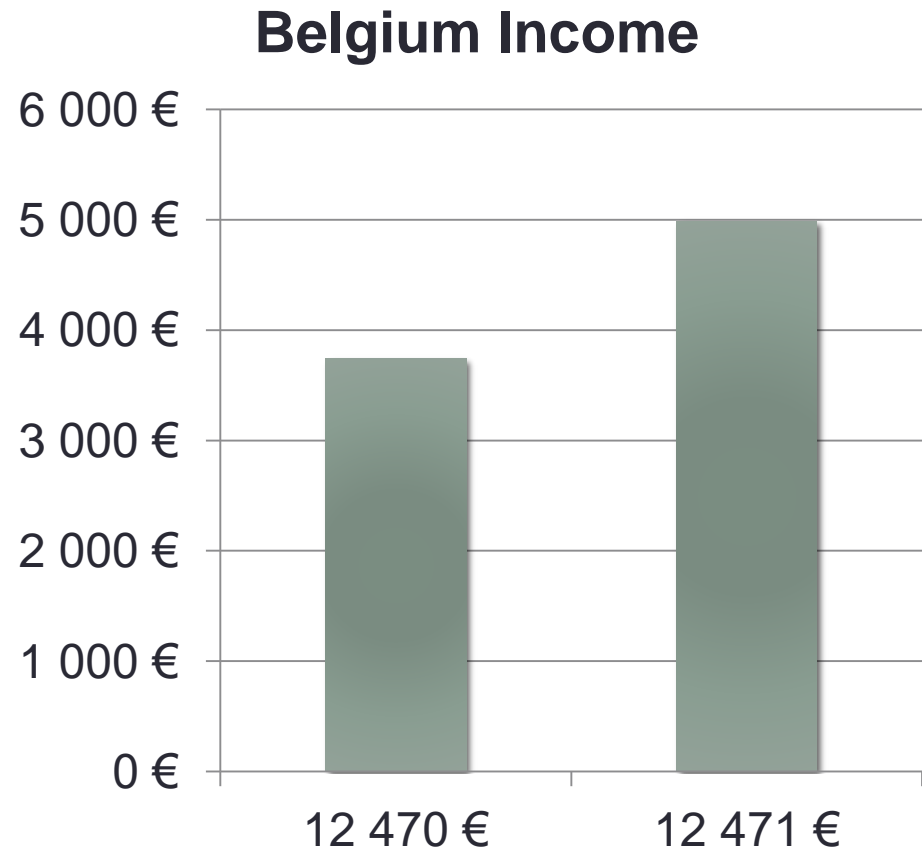
How much income tax would an individual that earns 12470€?

$$12470\text{€} \times 0.30 = 3741\text{€}$$

Example Two:

How much income tax would an individual that earns 12471€?

$$12471\text{€} \times 0.40 = 4988\text{€}$$



Belgium deduction system

The Belgium tax deduction criteria:

1. The expenses should relate to a professional activity
2. They should have incurred or were born during the taxable period in which they are being claimed
3. They were made in order to obtain or retain taxable professional income
4. The reality of the cost and the amount are justified



| Personal allowances | EUR |
|--|--------|
| Basic personal allowance | 7,270 |
| Personal allowance 1 child | 1,550 |
| Personal allowance 2 children | 3,980 |
| Personal allowance 3 children | 8,920 |
| Personal allowance 4 children | 14,420 |
| For every extra child | 5,510 |
| Extra allowance per child less than 3 years old (if no deductions for actual child care expenses incurred are claimed) | 580 |

Australia vs Belgium Key Differences

- The most important difference is the contrast between incremental and flat band tax systems.
- Belgium does not offer different tax rates for foreign residents.
- Australian tax is paid to the federal Government as opposed to State or Local Governments which can reduce the prevalence of economic disparity.
- Australian tax system includes a 0% tax bracket which decreases pressure on low income earners.
- Personal allowances are included in the Belgium tax system to compensate for such high tax rates.

Deakinland Proposal

- Incremental tax system (including a zero percent tax bracket to provide relief for low income earners).

Tax collection methodology

- Taxes to be collected at a national level
- A federal agency will be made responsible (e.g. Deakinland Tax Office) for the annual collection of personal income tax.
- Taxes to be automatically deducted from individuals wages/salaries

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Income Comparisons

25 COUNTRIES WITH THE HIGHEST INDIVIDUAL INCOME TAX RATES IN THE WORLD, 2015

CEOWORLD
MAGAZINE

MAGAZINE FOR CEO'S,
HIGH-LEVEL EXECUTIVES,
AND DECISION-MAKERS

| | | | |
|----------------|--------|----------------------|--------|
| 1. Sweden | 57% | 13. Portugal | 48% |
| 2. Denmark | 55.41% | 14. Norway | 47.2% |
| 3. Finland | 55.41% | 15. Spain | 47% |
| 4. Netherlands | 52% | 16. Iceland | 46.24% |
| 5. Zimbabwe | 51.5% | 17. Australia | 45% |
| 6. Japan | 50.84% | 18. China | 45% |
| 7. Austria | 50% | 19. Germany | 45% |
| 8. Belgium | 50% | 20. Taiwan | 45% |
| 9. Israel | 50% | 21. United Kingdom | 45% |
| 10. Slovenia | 50% | 22. Luxembourg | 43.6% |
| 11. Curacao | 48.25% | 23. Italy | 43% |
| 12. Ireland | 48% | 24. Greece | 42% |
| | | 25. Papua New Guinea | 42% |

Source: PwC

References

Australian Tax Office- Income Deductions

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