

Better tax

Lower, simpler, fairer.



Australian Government

Our tax system

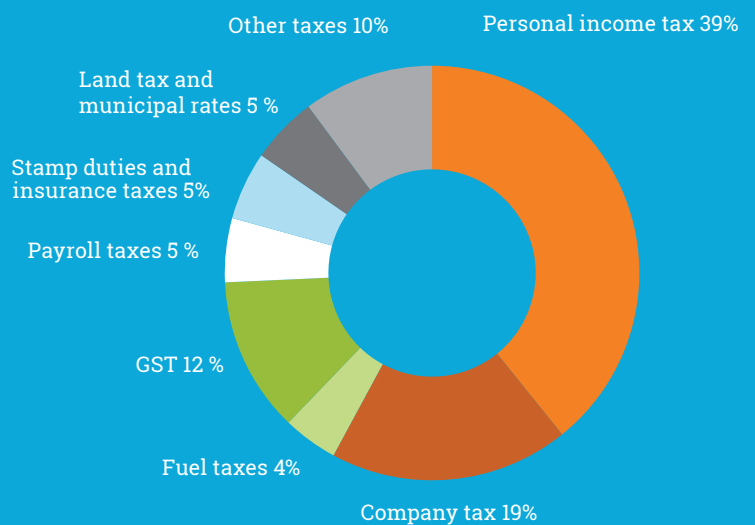
Australia's tax system raises revenue to fund important public services like health, education, infrastructure, defence and social welfare payments.

How the Government raises revenue affects economic growth, by impacting on the returns on work, investment and innovation.

Australia has a relatively high reliance on income taxes, higher than nearly all other developed countries, as well as most of Australia's Asian competitors. Thirty-nine per cent of tax raised in Australia comes from personal income tax, while company taxes make up 19 per cent of taxes.

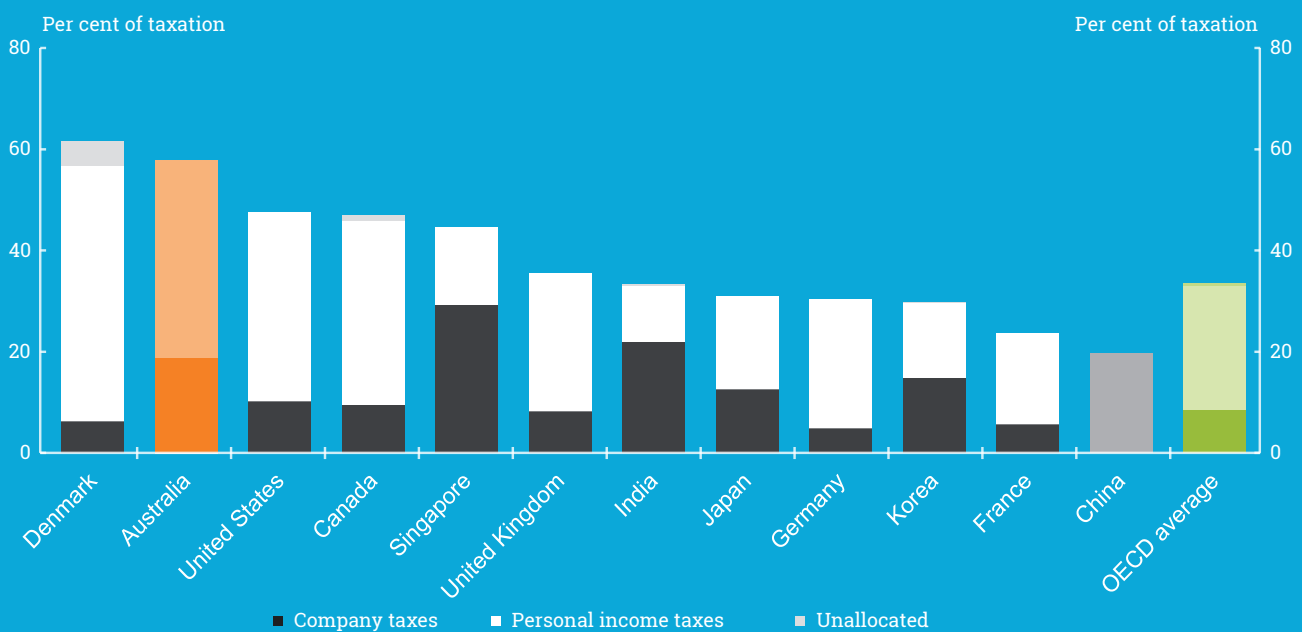
A dozen companies pay around one third of Australia's company tax.

Composition of Australian taxes



Note: Percentages may not sum to 100 per cent due to rounding.
Source: ABS, Taxation Revenue, 2012-13.

Income taxes as a percentage of total taxation, selected economies, 2012



Note: Income taxes do not include payroll tax or social security contributions. Statistics for non-OECD and OECD countries may not be directly comparable.
Source: OECD, Revenue Statistics; Treasury estimates using IMF, Government Finance Statistics, and Centre for Monitoring the Indian Economy database.

Why tax reform?

The 2015 Intergenerational Report shows how Australia may change over the next 40 years. While it projects income growth will slow, it also shows that Australia can continue to prosper by making the best of our circumstances and opportunities, including by reforming the tax system to promote jobs, growth and opportunity.

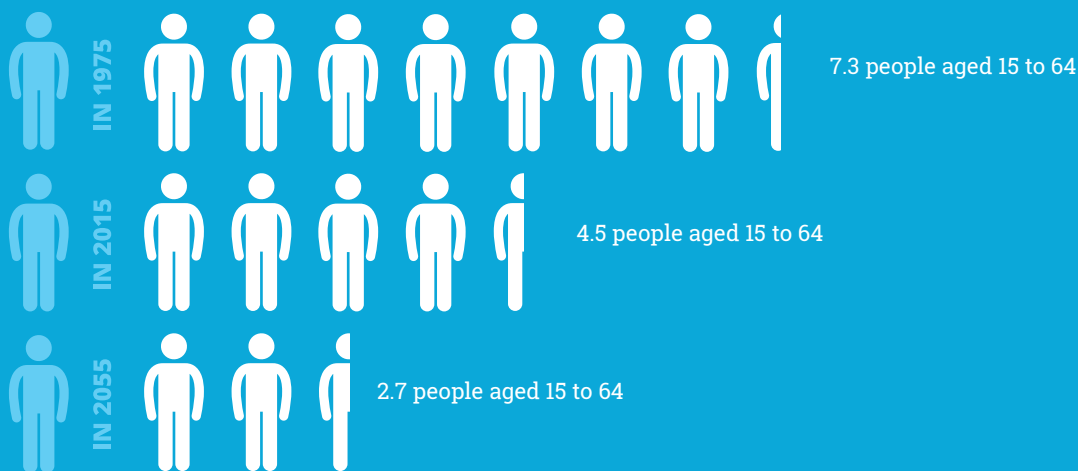
Technology is changing the way Australians work and play. The rise of the digital economy and globalisation presents significant challenges for the effectiveness of the tax system. Capital is more mobile and highlights the need for a competitive corporate tax regime to encourage investment. Multinational corporations operate across many jurisdictions and the location where tax should be paid can be difficult to determine.

Australia can't risk falling behind. Many of Australia's international competitors are changing their tax systems to make them more competitive.

Comprehensive tax reform may have the potential to lift Australia's gross domestic product more than any other government reform.

Looking ahead, the number of Australians of traditional working age (15 to 64) to every person 65 and older is expected to decline dramatically. The current ratio is four and a half traditional working age Australians to each older Australian. By 2055 this ratio will be less than three to one. This relative decrease in the number of those who pay most personal income taxes will put pressure on the current tax system to fund services.

The number of people (aged 15 to 64) per person aged 65+ is decreasing



A better tax system

The Government's objective is to achieve a better tax system that delivers taxes that are lower, simpler, fairer.

A better tax system is one that supports higher economic growth and living standards, improves international competitiveness and is well placed to adjust to a changing economy and new opportunities. This is achieved by raising the revenue needed without imposing unnecessary costs on the economy.

Lower: The Government is committed to keeping taxes lower.

Simpler: A tax system that is easier to understand and comply with.

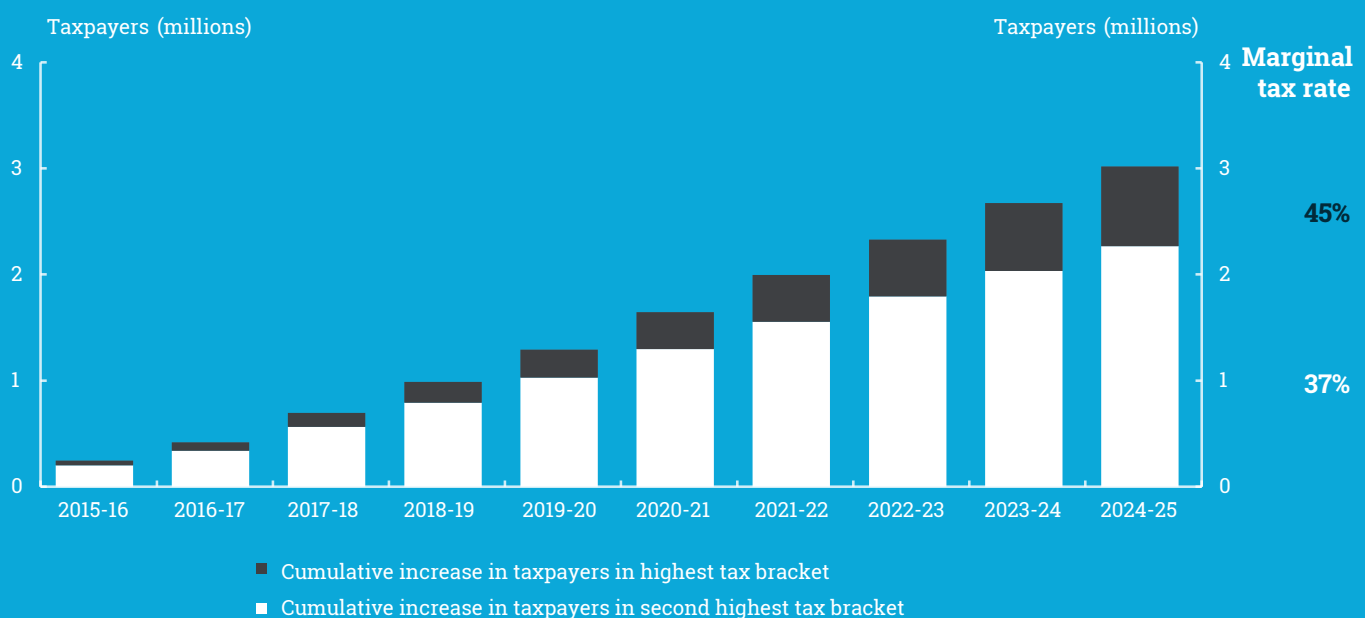
Fairer: Australians want everyone to pay their fair share of tax. Ideally the tax system strikes a balance between raising enough revenue to fund public services while maintaining reward for effort and providing incentives to work and innovate.

Bracket creep occurs when rising incomes push people onto higher tax rates and they end up paying more tax. This reduces incentives to work, innovate and upskill. Between 2014-15 and 2024-25, the percentage of taxpayers in the top two tax brackets (with taxable income above \$80,000) is expected to increase from around 27 per cent to 43 per cent.

Taxpayers earning over \$80,000 (the second highest tax bracket), pay 37 cents in tax for every additional dollar earned, rather than 32.5 cents (excluding the Medicare levy).

Taxpayers earning over \$180,000 (the highest tax bracket), pay 45 cents in tax for every additional dollar earned, rather than 37 cents (excluding the Medicare levy and Temporary Budget Repair Levy).

Estimated cumulative increase in taxpayers in second highest and highest tax brackets, relative to 2014-15



The process



Re:think

We want you to discuss the tax system with us using the discussion paper to start the conversation.

The Government seeks submissions and suggestions on the issues outlined in the discussion paper via www.bettertax.gov.au by 1 June 2015.

Re:consider

We want to reshape our tax system and together put forward options for the future. The Government will release an options paper for further community consultation on possible reforms to improve the tax system.

The Government will seek community feedback on the proposals outlined in the options paper via www.bettertax.gov.au.

Re:form

The Government will work with the Australian people to develop a tax system that delivers taxes which are lower, simpler, fairer.

The Government will put forward final policies for consideration by the Australian people.

Have your say

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