

POLICY BULLETIN

PERSONAL INCOME TAX CHANGES

10 July 2019

IN BRIEF

- Changes to income tax offsets and rates have received Royal Assent
- The low and middle income tax offset (LMITO) changes apply to the 2018-19 year
- The LMITO applies in a phased manner and is non-refundable
- Changes to personal income tax rates apply from the 2022-23 year

SUMMARY OF CHANGES

The [Treasury Laws Amendment \(Tax Relief So Working Australians Keep More of Their Money\) Act 2019](#) received Royal Assent on 5 July 2019.

The Act:

- increases the base and maximum amounts of the low and middle income tax offset (LMITO) to \$255 and \$1080, respectively, for the 2018-19, 2019-20, 2020-21 and 2021-22 financial years
- increases the maximum amount of the low income tax offset from \$645 to \$700 from the 2022-23 financial year
- reduces the tax payable by individuals from the 2022-23 financial year by increasing the top threshold of the 19 per cent income tax bracket from \$41,000 to \$45,000
- reduces the 32.5 per cent income tax rate to 30 per cent from the 2024-25 financial year.

LOW AND MIDDLE INCOME TAX OFFSET

From the 2018-19 income year to the 2021-22 financial year, the LMITO for Australian resident taxpayers increases from a maximum amount of \$530 to \$1080 per annum and the base amount increases from \$200 to \$255 per annum.

The LMITO will directly reduce the amount of tax payable but does not reduce the Medicare levy. As a non-refundable offset, any unused low and middle income tax offset cannot be refunded.

The ATO will automatically calculate and apply the non-refundable offset. The ATO [advises](#) that the amount of the offset and the amount of any refund will differ depending on individual circumstances such as income level and how much tax has been paid throughout the year.

Taxable income range (\$)	Low and middle income tax offset amount
0 – 37,000	Up to \$255
37,001 – 48,000	\$255 plus 7.5 cents per dollar of income above \$37,000
48,001 – 90,000	\$1080
90,001 – 126,000	\$1080 less 3 cents per dollar of income above \$90,000
126,000 and above	\$0

LOW INCOME TAX OFFSET

The LMITO will cease at the end of the 2021-22 financial year and be replaced by the low income tax offset (LITO).

The maximum LITO amount will increase to \$700 for those earning less than \$37,500 and then reduce until taxable income reaches \$66,667. As a non-refundable offset, any unused low income tax offset cannot be refunded.

Taxable income range (\$)	Low income tax offset amount
0 – 37,500	Up to \$700
37,501 – 45,000	\$700 less 5 cents per dollar of income above \$37,500
45,001 – 66,667	\$325 less 1.5 cents per dollar of income above \$45,001
66,668 and above	\$0

PERSONAL INCOME TAX RATES

Individual income tax rates for Australian residents will change over the next seven years. From 1 July 2024, there will be only four income tax brackets when the 32.5 per cent and 37 per cent marginal tax rates are abolished and replaced by a 30 per cent marginal tax rate for those earning between \$45,001 and \$200,000.

Marginal income tax rate (%)	Taxable income range (\$)		
	2018-19 to 2021-22	2022-23 to 2023-24	2024-25 onwards
0	0 – 18,200	0 – 18,200	0 – 18,200
19	18,201 – 37,000	18,201 – 45,000	18,201 – 45,000
30			45,001 – 200,000
32.5	37,001 – 90,000	45,001 – 120,000	
37	90,001 – 180,000	120,001 – 180,000	
45	> 180,000	> 180,000	> 200,000

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