



Tax changes

Personal tax cuts

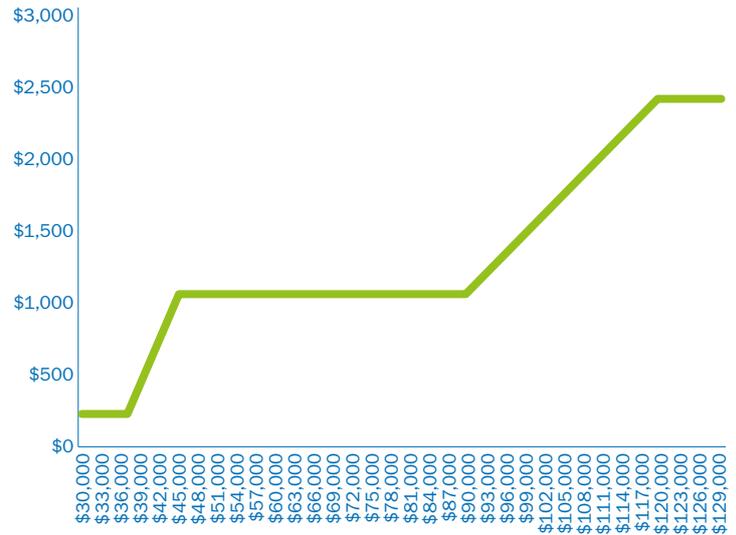
The Government has announced that it will bring forward stage two of the previously legislated tax cuts that were due to take effect from 1 July 2022 by two years. As a result, from 1 July 2020:

- the Low Income Tax Offset (LITO) will increase from \$445 to \$700. The increased LITO will be reduced at a rate of 5 cents per dollar between taxable incomes of \$37,500 and \$45,000. The LITO will then be reduced at a rate of 1.5 cents per dollar between taxable incomes of \$45,000 and \$66,667.
- the top threshold of the 19% tax rate will increase from \$37,000 to \$45,000, and
- the top threshold of the 32.5% tax rate will increase from \$90,000 to \$120,000.

What this could mean for you

The following chart shows the tax cuts you might receive this financial year based on your income levels and the amount of tax you're currently paying.

Tax saving this year



However, if you're earning between \$48,000 and \$90,000, these tax cuts will cease to apply from 1 July 2021 due to the Low and Middle Income Tax Offset (LMITO) being phased out from that date. We've provided more information about this in the next section.

It should be noted that the Government made no announcements about bringing forward the effective date of the stage three tax cuts that were due to take effect from 1 July 2024. Under these tax cuts, the 37% tax rate will be abolished and the 32.5% tax rate will reduce to 30% and will apply from \$45,000 to \$200,000.

Low and Middle Income Tax Offset

The Low and Middle Income Tax Offset (LMITO) was introduced in the 2018 Budget, to complement the existing Low Income Tax Offset (LITO).

In 2019, the base rate for the LMITO increased from \$200 to \$255 and the maximum payment increased from \$530 to \$1,080.

The Government had planned to discontinue the LMITO when the stage two cuts were to be introduced in mid-2022. However, even though the stage two cuts have been moved forward to the current financial year, the LMITO will also remain in place for the 2020–21 financial year.

What this could mean for you

If you qualify for LMITO you will receive payment after you submit your next tax return. Depending on your income, the maximum LMITO you can receive is \$1,080.

However, the LMITO is scheduled to cease next year. This means you could end up paying more tax in the 2021–22 financial year than in 2020–21.

Dual income couples can both be eligible for the LMITO, up to a combined total of \$2,160.