

KPMG submission to the
Senate Economics Reference Committee
Treasury Laws Amendment
(Income Tax Relief) Bill 2016

23 September 2016

Comments

- 1.1 Thank you for the opportunity to make a submission to the Senate Economics Reference Committee in relation to *Treasury Laws Amendment (Income Tax Relief) Bill 2016*. The Bill increases the threshold for application of the 32.5 percent marginal rate from \$80,000 to \$87,000, from the 2016-17 income year. It results in a tax cut of up to \$315 per annum for those with a taxable income above \$80,000.
- 1.2 KPMG would like to see substantial and holistic reform to the whole tax system as outlined in our Submission on Tax Reform (link [here](#)) in response to the Government's *Re:Think* document.
- 1.3 In this context, we would like to see bracket creep addressed more broadly. The regressive impacts of bracket creep are well documented.
- 1.4 Further, as noted in our submission the interaction between the taxation system and the transfer system on childcare and family benefits presents very high effective marginal tax rates for many part-time women. This is problematic for many reasons, including the diminished productivity it generates.
- 1.5 This Bill is motivated by the undesirability of a person on average weekly ordinary time earnings falling into the second highest tax bracket through bracket creep. We agree with this sentiment, but would like to see the Government embrace tax reform in a holistic manner.