

# Tax Rates (2007-2008 to 2010-2011)

Australia has what is known as a progressive taxation system. This means that as income increases, the tax rate and the amount of tax also increases. In order to implement this system, income brackets are taxed at a set percentage. Rate of tax within these brackets are called the *marginal rate of tax*.

In Australia, a *tax-free threshold* applies to income falling within the \$0 to \$6,000 bracket. This means that if a person earns below \$6,000, they have a zero marginal rate of tax and therefore no tax has to be paid on such earnings.

## Residents and Non-Residents

Before discussing the actual tax rates, it is appropriate to set out two categories under which different tax rates apply.

### Resident category

These tax rates apply to residents of Australia. A person is considered to be resident of Australia for taxation purposes if they have:

- Always lived in Australia;
- Come to Australia to live permanently; or
- Been in Australia for more than half of a financial year.

One will not be considered a resident for tax purposes if they leave Australia permanently or are holidaying in Australia or visiting for less than six months.

Residency for tax purposes is determined separately and independently each financial year. Therefore, even if you are a resident one year, this does not necessarily mean that you will be deemed a resident in the next financial year.

### Non-Resident category

If you are a non-resident of Australia (for tax purposes), tax is only payable on income that is earned in Australia. The main effects of being a non-resident are as follows:

- There is no tax free threshold; i.e. *all* salary and wage income earned in Australia is taxable.
- No requirement to pay the Medicare levy (non-residents do not receive the benefits of Medicare).
- There is a requirement to show Australian rental income in your tax return.
- Tax is withheld from unfranked dividends.

## Tax Offsets

Tax offsets reduce the amount of tax payable. Tax offsets apply to three main categories:

- Senior Australians;
- Individuals on low incomes; and
- Individuals who receive certain Australian government allowances and payments.

## Income Tax Rates

Below are four tables being *Resident* tax rates for 2007-2008 to 2010-2011.

### a) Residents

#### Tax Rates: 2007-2008

Tax thresholds income range \$	Tax Rate %
0 - 6,000	0
6,001 – 30,000	15
30,001 – 75,000	30
75,001 – 150,000	40
150,001 +	45

Tax Rates: 2008-2009

Tax thresholds income range \$	Tax Rate %
0 – 6,000	0
6,001 – 34,000	15
34,001 – 80,000	30
80,001 – 180,000	40
180,001 +	45

Tax Rates: 2008-2009

Tax thresholds income range \$	Tax Rate %
0 – 34,000	29
34,001 – 80,000	30
80,001 – 180,000	40
180,001 +	45

Tax Rates: 2009-2010

Tax thresholds income range \$	Tax Rate %
0 – 6,000	0
6,001 – 35,000	15
35,001 – 80,000	30
80,001 – 180,000	38
180,001 +	45

Tax Rates: 2009-2010

Tax thresholds income range \$	Tax Rate %
0 – 35,000	29
35,001 – 80,000	30
80,001 – 180,000	38
180,001 +	45

Tax Rates: 2010-2011

Tax thresholds income range \$	Tax Rate %
0 – 6,000	0
6,001 – 37,000	15
37,001 – 80,000	30
80,001 – 180,000	37
180,001 +	45

Tax Rates: 2010-2011

Tax thresholds income range \$	Tax Rate %
0 – 37,000	29
37,001 – 80,000	30
80,001 – 180,000	37
180,001 +	45

**b) Non-residents**

If you are a non-resident for the full year, the following rates apply:

Tax Rates: 2007-2008

Tax thresholds income range \$	Tax Rate %
0 - 30,000	29
30,001 – 75,000	30
75,001 – 150,000	40
150,001 +	45

**c) Company Tax**

As of 1 July 2003, the Australian company tax rate is **30%**.

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Revised July 2008.

**Important:** This is not advice. Clients should not act solely on the basis of the material contained in this paper. Our formal advice should be sought before acting on any aspect of the above information.

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