

SALARIES TAX

Revision of marginal tax bands and rates

<i>Present</i>		<i>Proposed</i>	
Marginal Tax Band	Marginal Tax Rate (%)	Marginal Tax Band	Marginal Tax Rate (%)
First \$30,000 chargeable income	2.0	First \$35,000 chargeable income	2.0
Next \$30,000	7.0	Next \$35,000	7.0
Next \$30,000	13.0	Next \$35,000	12.0
Remainder	19.0	Remainder	17.0
	Standard Rate (%)		Standard Rate (%)
	16.0		16.0

Revision of allowances and deductions

	<i>Present</i> (\$)	<i>Proposed</i> (\$)
Personal Allowances:		
Basic	100,000	100,000
Married	200,000	200,000
Single Parent	100,000	100,000
Additional Allowances:		
Child:		
1st to 9th child		
Year of birth	40,000	100,000
Other years	40,000	50,000
Dependent Parent/Grandparent:		
Aged 60 or above		
Basic	30,000	30,000
Additional allowance (for dependant living with taxpayer)	30,000	30,000
Aged 55 to 59		
Basic	15,000	15,000
Additional allowance (for dependant living with taxpayer)	15,000	15,000
Dependent Brother/Sister	30,000	30,000
Disabled Dependant	60,000	60,000
Deductions:		
Self-Education Expenses	40,000	60,000
Home Loan Interest	100,000	100,000
Elderly Residential Care Expenses	60,000	60,000
Contributions to Recognised Retirement Schemes	12,000	12,000

Estimated tax savings of taxpayers by income group after implementation of the proposed salaries tax measures (i.e. widening of marginal bands, reduction of marginal rates, increase in child allowance and the maximum amount of deduction for self-education expenses)

Annual income	No. of taxpayers with reduced liabilities	Average tax savings per taxpayer benefiting from the proposal	Tax savings as a percentage of tax payable
\$100,001 to \$200,000	239 000	\$470	18.7%
\$200,001 to \$300,000	306 000	\$1,670	20.8%
\$300,001 to \$400,000	207 000	\$3,250	19.7%
\$400,001 to \$600,000	183 000	\$6,190	16.8%
\$600,001 to \$900,000	86 000	\$11,290	13.9%
\$900,001 and above	79 000	\$18,970	8.8%
Total	1 100 000	—	—

Effect of the proposed salaries tax measures (i.e. widening of marginal bands, reduction of marginal rates, increase in child allowance and the maximum amount of deduction for self-education expenses) on different households

	Tax payable		Tax savings
	Present	After implementation of proposed measures	
A. Annual income \$207,000¹			
1. Single person	\$9,830	\$7,690	\$2,140 (21.8%)
B. Annual income \$300,000			
2. Single person	\$27,500	\$23,500	\$4,000 (14.6%)
3. Single person with self-education expenses of \$60,000 a year	\$19,900	\$13,300	\$6,600 (33.2%)
4. Single person with 1 dependent parent aged 60 or above living with the taxpayer	\$16,100	\$13,300	\$2,800 (17.4%)
5. Married couple with 1 newborn child	\$2,700	—	\$2,700 (100.0%)
6. Married couple with 2 children	\$400	—	\$400 (100.0%)
C. Annual income \$360,000			
7. Single person	\$38,900	\$33,700	\$5,200 (13.4%)
8. Married couple with 1 newborn child	\$12,300	\$2,450	\$9,850 (80.1%)
9. Married couple with 1 child and 1 dependent parent aged 60 or above not living with the taxpayer	\$6,600	\$4,350	\$2,250 (34.1%)
10. Married couple with 1 child and 2 dependent parents aged 60 or above not living with the taxpayer	\$2,700	\$1,750	\$950 (35.2%)
11. Married couple with 2 children	\$5,300	\$2,450	\$2,850 (53.8%)

¹ Families at median household income.

	Tax payable		Tax savings
	Present	After implementation of proposed measures	
<u>D. Annual income \$480,000</u>			
12. Single person	\$61,700	\$54,100	\$7,600 (12.3%)
13. Married couple with 1 newborn child	\$35,100	\$20,100	\$15,000 (42.7%)
14. Married couple with 1 child and 1 dependent parent aged 60 or above not living with the taxpayer	\$29,400	\$23,500	\$5,900 (20.1%)
15. Married couple with 2 children	\$27,500	\$20,100	\$7,400 (26.9%)
16. Married couple with 2 children and 2 dependent parents aged 60 or above not living with the taxpayer	\$16,100	\$9,900	\$6,200 (38.5%)
<u>E. Annual income \$720,000</u>			
17. Single person	\$107,300	\$94,900	\$12,400 (11.6%)
18. Married couple with 1 newborn child	\$80,700	\$60,900	\$19,800 (24.5%)
19. Married couple with 1 child and 1 dependent parent aged 60 or above not living with the taxpayer	\$75,000	\$64,300	\$10,700 (14.3%)
20. Married couple with 2 children	\$73,100	\$60,900	\$12,200 (16.7%)
21. Married couple with 2 children and 2 dependent parents aged 60 or above not living with the taxpayer	\$61,700	\$50,700	\$11,000 (17.8%)

	Tax payable		Tax savings
	Present	After implementation of proposed measures	
F. Annual income \$1,200,000			
22. Single person	\$192,000	\$176,500	\$15,500 (8.1%)
23. Married couple with 1 newborn child	\$171,900	\$142,500	\$29,400 (17.1%)
24. Married couple with 1 child and 1 dependent parent aged 60 or above not living with the taxpayer	\$166,200	\$145,900	\$20,300 (12.2%)
25. Married couple with 2 children	\$164,300	\$142,500	\$21,800 (13.3%)
26. Married couple with 2 children and 2 dependent parents aged 60 or above not living with the taxpayer	\$152,900	\$132,300	\$20,600 (13.5%)
G. Annual income \$1,800,000			
27. Single person	\$288,000	\$278,500	\$9,500 (3.3%)
28. Married couple with 1 newborn child	\$285,900	\$244,500	\$41,400 (14.5%)
29. Married couple with 1 child and 1 dependent parent aged 60 or above not living with the taxpayer	\$280,200	\$247,900	\$32,300 (11.5%)
30. Married couple with 2 children	\$278,300	\$244,500	\$33,800 (12.1%)
31. Married couple with 2 children and 2 dependent parents aged 60 or above not living with the taxpayer	\$266,900	\$234,300	\$32,600 (12.2%)

Amount of tax deduction enjoyed by taxpayers by income group after implementation of the proposed one-off deduction of salaries tax and personal assessment tax

Income in 2006–07	No. of taxpayers	Average amount of tax deduction (\$)
\$100,001 to \$200,000	447 000	770
\$200,001 to \$300,000	338 000	3,680
\$300,001 to \$400,000	211 000	7,710
\$400,001 to \$600,000	183 000	12,570
\$600,001 to \$900,000	86 000	14,900
\$900,001 and above	85 000	15,000
Total	1 350 000	—