

## TAX CUTS AND YOUNG AUSTRALIAN WOMEN DRIVING THE ECONOMIC RECOVERY

*\*Highlighted denotes new information*

The Morrison Government's Personal Income Tax Plan has already delivered more than \$14.4 billion in tax cuts to more than 5.2 million women since the Plan started in the 2018-19 income year to the end of 2021.

On average each Australian woman is \$3,130 better off as a result of our tax cuts.

Unpublished ATO data shows that young Australian women have benefited the most from the Morrison Government's tax cuts, experiencing the largest percentage decline in the amount of tax paid compared to every other cohort.

- Around 1.8 million young Australian women under 35 have benefited by more than \$5.0 billion.
- Young Australian women under 24 have seen the amount of tax paid decline by more than 20%, the largest percentage decline in the amount of tax paid compared to every other cohort.
- Young Australian women aged between 25 and 34 have seen the amount of tax paid decline by 15%.

The Government's economic plan to boost female participation including lowering taxes and record investments in childcare, is encouraging more young women to work by significantly increasing how much income young women are able to take home.

Unpublished Treasury analysis shows that support is still to flow, estimating that the disposable income of young Australian women is expected to be significantly higher on the back of recent policy changes, including to changes to childcare announced in the last budget.

- A single mother on \$60,000 with two children in childcare will have an increase in disposable income of \$3,680 in 2022-23 (or more than \$70 a week) due to tax cuts and increases to the Child Care Subsidy announced in the 2021-22 Budget.
  - **Combined with the tax cuts that have already flowed, this single mother is expected to be at least \$7,540 better off by the end of 2022-23 compared to 2017-18.**
- A single mother on \$90,000 with two children in childcare will have an increase in disposable income of \$5,640 in 2022-23 (or almost \$110 a week) due to tax cuts and increases to the Child Care Subsidy announced in the 2021-22 Budget.
  - **Combined with the tax cuts that have already flowed, this single mother is expected to be at least \$9,500 better off by the end of 2022-23 compared to 2017-18 .**
- A dual income household, each earning average income of around \$90,000 with two children in childcare, will have an increase in disposable income of \$10,230 in 2022-23 (or almost \$200 a week) due to tax cuts and increases to the Child Care Subsidy announced in the 2021-22 Budget.
  - **Combined with the tax cuts that have already flowed, this dual income household is expected to be at least \$17,940 better off by the end of 2022-23 compared to 2017-18.**

The Government's economic plan is working and is delivering a record number of jobs for young Australian women.

The Government's economic plan to increase participation has seen more women in work and in better paying jobs:

- There is now more than 1.7 million more Australians in work since the Coalition came to Government in September 2013 with female employment increasing by over a million, or around 57 per cent of total employment growth.
  - Over that time, the female participation rate has increased by nearly three percentage points (2.9ppts) whereas it fell by 0.2 percentage points under Labor's term in office.
  - Under Labor the female unemployment rate was 1.5 percentage points higher

- Under Labor the female participation rate was 2.9 percentage points lower
- Of those million more women in work, just under 700,000 of them are in highly skilled jobs – managerial or professional roles that sit at the top two of the five skill levels in the ABS’s classification.
- The number of employed women with a postgraduate degree has increased by a remarkable 74 per cent since 2015, compared with a 51 per cent increase for men, and women now make up just over half of the workers in this group.
- With a greater share of women moving into high skilled work, this has seen the gender pay gap narrow significantly reaching record lows under the Coalition.
- The gender pay gap has fallen from 17.4 per cent when Labor were last in Government to a record low under the Morrison Government at 13.9 per cent just prior to the pandemic and has remained low at 14.2 per cent in the latest data available.
- Average full time earnings has increased by more than 25 per cent since mid-2013 compared to just over 20 per cent for males.

**Quotes attributable to the Treasurer:**

“The Coalition’s economic plan has seen over 1 million more women in work, compared to when Labor was in office.”

“The Coalition’s top economic priority has always been job creation and we have sought to boost female participation by making it easier for them to work and ensuring they keep more of what they earn”

“Lower taxes, record investments in child care and skills and training has seen female participation reach record levels with more women now in work than ever before despite the largest economic shock since the Great Depression”

“New ATO data shows that those women have benefited the most from the Government's tax cuts, especially younger women early in their careers.”

“A young female teacher working part time aged under 25 is on average more than \$2,350 better off due to the Government's tax cuts. This amounts to a decline of more than 20 per cent in the amount of tax they paid, the largest across all cohorts.”

“A young female professional straight out of university aged between 25 and 34 is more than \$3,300 better off due to the Government's tax cuts, amounting to a decline in the tax they paid of around 15 per cent.”

“Our economic plan will continue to deliver for young Australian women. Treasury estimates that a dual income household earning the average Australian income with two children in childcare, will be \$10,230 better off in 2022-23 as a result of our tax cuts and increased child care subsidy.”

“Combined with the tax cuts that have already flowed, this dual income household is expected to be at least \$17,940 better off by the end of 2022-23.”

“This is in stark contrast to the Labor approach of higher taxes leading to a weaker economy, fewer jobs and a weaker budget, necessitating the need for further tax increases”.

“Australians can’t afford to give Labor the chance to increase taxes, drive the economy backwards and increase unemployment.”

## Background

### *Increased child care support*

In the 2021-22 Budget the Government announced a \$2 billion investment in childcare to help young Australian women with cost of living pressures and encourage more and more young women to engage with the labour force by allowing them to keep more of what they earn.

Two major changes were made, including:

- families with two or more children aged five years and under in care will have their Child Care Subsidy rate increased by 30 percentage points for their second child and any younger children, up to a maximum rate of 95 per cent. More than half of eligible families will receive the maximum 95 per cent subsidy.
- the annual Child Care Subsidy cap was removed on 10 December 2021 and applied retrospectively for the whole 2021-22 financial year.

Further details available at [Increased child care...~https://ministers.dese.gov.au/tudge/increased-child-care-support-brought-forward](https://ministers.dese.gov.au/tudge/increased-child-care-support-brought-forward)

### *Government's legislated Personal Income Tax Plan*

The Government's legislated Personal Income Tax Plan (PIT Plan) will deliver more than \$320 billion in tax cuts and ensure that the tax system fosters aspiration, rewards effort and remains progressive.

**Stage 1** of the PIT Plan delivered targeted tax relief to low- and middle-income through the Low and Middle Income Tax Offset (LMITO).

The LMITO, which applies from the 2019-19 to the 2021-22 income years, provides a:

- maximum benefit of \$1,080 for individuals with income between \$48K and \$90K
- up to \$255 for those with income below \$37K.
- reduced rate for those earning between \$37K and \$48K and between \$90K and \$126K.

Stage 1 also included increasing the top threshold of the 32.5% bracket from \$87,000 to \$90,000

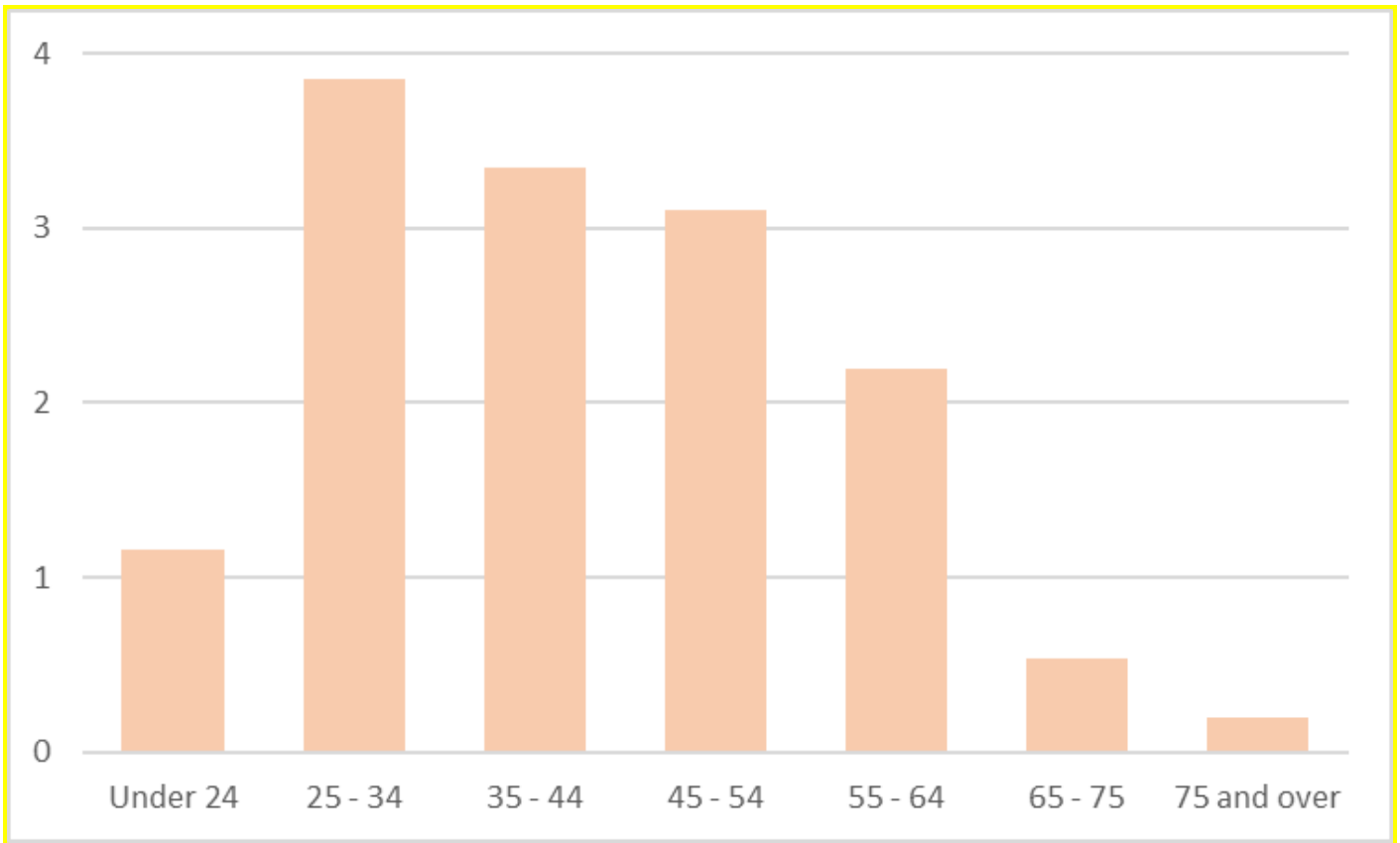
**Stage 2** of the PIT Plan which took effect from 1 July 2020 makes the tax cut from LMITO permanent, preserving the tax relief low and middle income Australians received. This is achieved by increasing the:

- low income tax offset (LITO) from \$445 to \$700 for individuals earning \$37,500 or less. Individuals earning between \$37,500 & \$66,667 receive a lower offset.
- top threshold of the 19% bracket from \$37,000 to \$45,000.
- top threshold of the 32.5% bracket from \$90,000 to \$120,000.
- **top threshold of the 37% bracket remains at \$180,000**

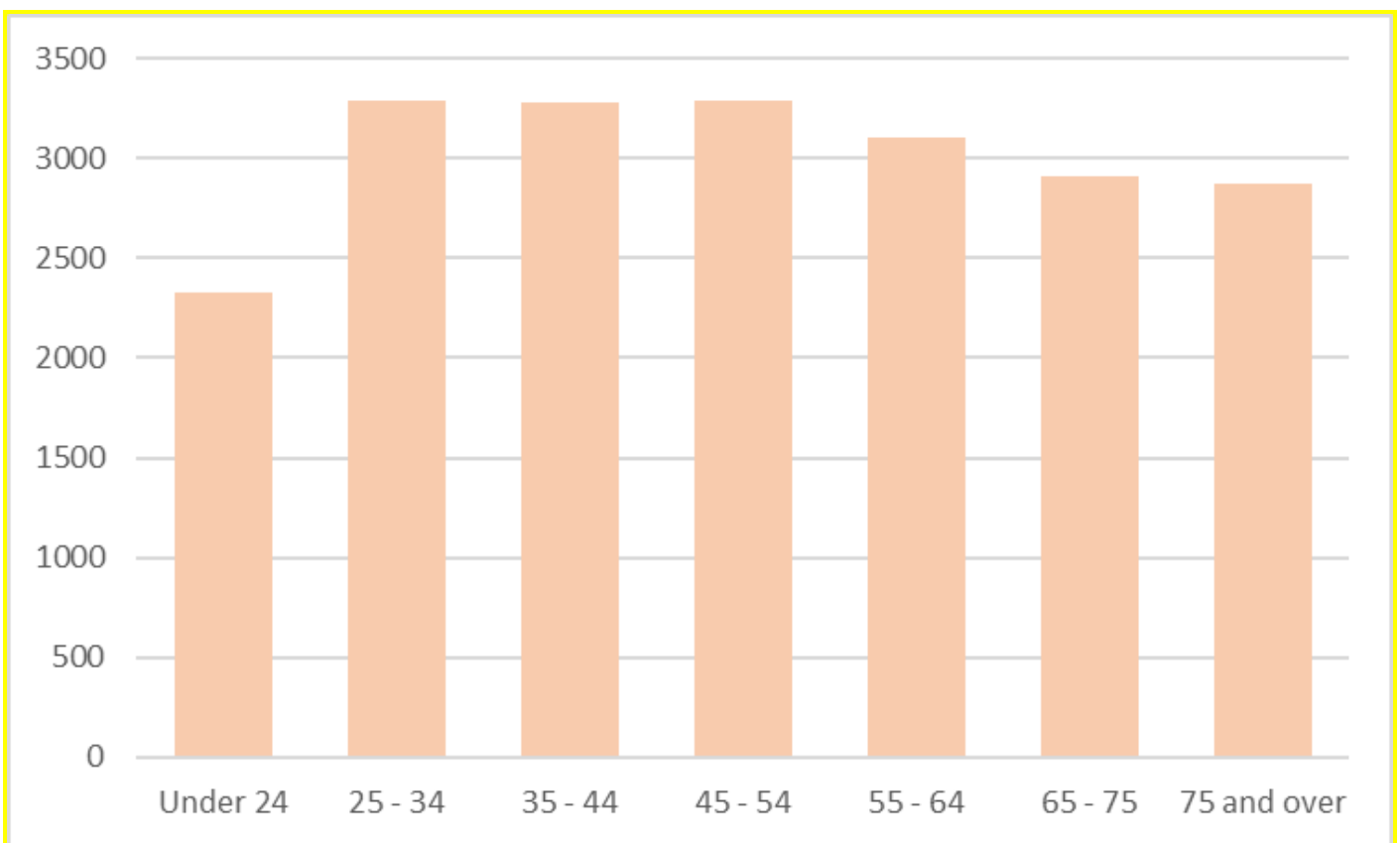
**Stage 3** deliver structural reform from 1 July 2024 by:

- abolishing the 37% marginal tax bracket – creating a bracket from \$45,000 to \$200,000.
- reducing the 32.5% marginal tax rate to 30%.

**Chart 1 Females: Total benefit from tax cuts by age (\$billion)**



**Chart 2 Female: Average benefit from tax cuts by age (\$)**



**Chart 3: Decline in the amount of tax paid by age (%)**

