

Government announces details of the proposed carbon tax

On 10 July 2011, Prime Minister Julia Gillard, Deputy Prime Minister and Treasurer Wayne Swan and Minister for Climate Change and Energy Efficiency Greg Combet announced the Australian Government's carbon price: see joint media release [No 2011/084](#), 10 July 2011.

The carbon price will be \$23 for each tonne of pollution beginning on 1 July 2012. The price will rise by 2.5% a year in real terms during a three-year fixed price period until 1 July 2015. The carbon price mechanism will then transition to an emissions trading scheme where the price will be determined by the market.

Around 500 businesses will be required to pay for their pollution under the carbon pricing mechanism, with more than half of this revenue used to assist households with tax cuts, increased family payments and higher pensions, benefits and allowances.

The tax cuts will be delivered through major structural reform that increases the tax free threshold from \$6,000 to \$18,200 in 2012-13, with a consequent increase in some marginal tax rates. The low income tax offset (LITO) will be reduced from \$1,500 to \$445, with the benefit being reflected in the new tax free threshold. The Government says that this will mean that up to one million people will no longer need to fill in a tax return. When combined with the LITO, people will not pay net tax until their income exceeds \$20,542.

In 2015-16, the Government will increase the tax free threshold again to \$19,400, with a further increase in one marginal tax rate. The LITO will be reduced to \$300. The effective tax free threshold applying to individuals will rise to \$20,979.

The current and proposed tax scales are as follows:

	Current		2012-13		2015-16	
	Threshold (\$)	Marginal Rate	Threshold (\$)	Marginal Rate	Threshold (\$)	Marginal Rate
1st Rate	6,001	15%	18,201	19%	19,401	19%
2nd Rate	37,001	30%	37,001	32.5%	37,001	33%
3rd Rate	80,001	37%	80,001	37%	80,001	37%
4th Rate	180,001	45%	180,001	45%	180,001	45%
LITO	Up to \$1,500	4% withdrawal rate on income over \$30,000	Up to \$445	1.5% withdrawal rate on income over \$37,000	Up to \$300	1% withdrawal rate on income over \$37,000
Effective tax free threshold*	16,000		20,542		20,979	

* Includes the effect of the tax free threshold and the LITO.

For more information about the tax cuts, see the Prime Minister's and the Treasurer's joint media release [No 2011/081](#), 10 July 2011 and also go [here](#) and [here](#)

In joint media release [No 2011/077](#), 10 July 2011, the Treasurer, Wayne Swan, Minister for Climate Change and Energy Efficiency, Greg Combet, and the Minister for Small Business, Senator Nick Sherry, announced that the small business instant asset write-off threshold will be increased from \$5,000 to \$6,500 for depreciable assets from the 2012-13 income year. They said that this will boost cash flow and help small businesses to grow and invest in assets, which may be more energy efficient. For more information, go [here](#)

For the taxation treatment of permits under the proposed scheme, go [here](#) and [here](#)

Further information about the Government's announcement of a carbon price and mechanism is available on the clean energy future website [here](#)