

Financial Planning Weekly

Stage 3 Tax Cuts

Around the same time last year, we wrote a piece on the stage three tax cuts and what would this look like. Fast forward a year and the Government of the day has re-negotiated the terms citing “When economic circumstances change, the right thing to do is change your economic policy. That’s what we are doing.” These are set to apply from the 1st July 2024.

How much you'll save from the 1st of July 2024

The changes will reduce benefits from higher-income earners in order to fund returns for lower-income earners.



**Does not include Medicare levy*

*Source: ABC News <https://www.abc.net.au/news/2024-02-01/stage-three-bracket-creep-better-for-most-worse-overall/103411436>

From the adjustments, many more households will be better off than under the original plan. However, critics of the changes point to ‘bracket creep’ – where just keeping up with inflation can see a worker pushed into a tax bracket that was never intended for them. Over the next decade ‘bracket creep’ will mean an additional \$28 Billion more in tax receipts.

What’s next?

The next Federal election will be held on or before 27 September 2025. On 2nd March the Dunkley by-election result may determine if that federal election date is brought forward to capitalise on the mood of the electorate. The current state of the Budget – due to be revealed in early May – should be healthy given strong commodity prices (especially Iron ore). The government may be able to woo voters with cost of living relief or promises of higher spending.

This of course will need to be targeted and somehow avoid awakening the inflation beast (again).

Please contact us on 03 9268 1118 or ahenderson@shawandpartners.com.au to discuss our services further.

Alex, Anu and the team.

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