

Podcast 165 – Australia's Personal Taxation System

Learn English while learning about daily life in Australia, with Rob McCormack

Podcast Number 165 – Australia's Personal Taxation System

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Hi,

Australia's federal government provides a range of services for all Australians, just like governments do all over the world. The government pays for these services by taxing the income of the people who live here and the companies doing business in Australia. There are also other types of taxes in Australia, but in this podcast I would like to talk about Australia's personal income taxation system – those taxes which ordinary people pay on their income.

I should start out by saying that I am no expert on our tax system. The system is complicated and I will be giving only a brief summary of the major points for Australia's personal income tax. If you require full information, you should visit the website for the Australian Taxation Office (<https://www.ato.gov.au/>).

Normally, this topic is not something people think much about, except at the time of year when you must complete your taxation return. It can also be a topic of discussion during federal elections, as this is one area where political parties may have different policies. Personally, I find it complicated. That's why I always get a taxation expert (called a Tax Accountant) to help me prepare my taxation return each year, as do many Australians.



Image by [Steve Buiissinne](#) from [Pixabay](#)

Once a year you must complete your individual Income Tax Return and send it to the Australian Taxation Office, or AT0. The AT0 is the government department which organizes and controls the personal income taxation system. In Australia, most tax returns are completed in July, August or September. This is because our tax year is from 1 July to 30 June. This is called the financial year.

In your tax return, you must tell the government how much money you earned during the tax year. This could come from your salary in a job, from the interest earned from savings you might have in a bank, or it could come from investing in shares on the Stock market. If you are self-employed, for example as a tradesman (such as a plumber or carpenter), or perhaps you offer your services as a baby sitter, then you will need to tell the AT0 how much you earned during the tax year.

The AT0 calculates how much tax you should pay, using a

special table of rates or percentages. This table of rates in Australia is said to be progressive, because the more you earn, the higher the taxation rate becomes. The idea behind a progressive personal taxation system is that those who earn a high income have a greater ability to pay, therefore it seems right and fair that they should pay a bigger percentage of their income as tax. By contrast, some countries have a flat personal tax rate, where all taxpayers pay the same rate, no matter how much they earn. In Australia, our progressive tax rates for 2025 and 2026 are as follows. Note that these rates can and do change according to government policy:

- For that part of your income between \$0 and \$18,200, you pay no tax.
- For that part of your income between \$18,201 and \$45,000, you pay 16% as tax.
- For that part of your income between \$45,001 and \$135,000, you pay 30% as tax.
- For that part of your income between \$135,001 and \$190,000, you pay 37% as tax.
- For that part of your income over \$190,000, you pay 45% as tax.

Taxable income (\$)	Tax payable (\$)
\$0 – \$18,200	Nil
\$18,201 – \$45,000	Nil + 16% of the amount over \$18,200
\$45,001 – \$135,000	\$4,288 + 30% of the amount over \$45,000
\$135,001 – \$190,000	\$31,288 + 37% of the amount over \$135,000
\$190,001 +	\$51,638 + 45% of the amount over \$190,000

So you can see that, the more you earn, the higher rate of personal tax you must pay. However, it is important to note that everyone pays no tax at all on the first \$18,200 that

they earn. They pay 16% tax on the next \$26,800 of their income, then they pay 30% tax on the next \$90,000, then they pay 37% tax on the next \$55,000, and finally, they pay 45% tax on any part of their income greater than \$190,000.

So, if someone earned \$1,000,000 in taxable income, they would be paying increasing rates of tax for each part of their income, finally paying 45% tax on the last \$810,000 of their income. That's how a progressive tax rate system works. The more you earn, the more you pay.

By contrast, if someone only earned \$18,000 in taxable income in a year, you can see they would pay no tax at all.

To actually pay your taxes, you would need to put aside a large amount of money each year from your income, in order to pay your personal taxes after the ATO has calculated how much you owe in July or August. To avoid this, companies employing workers in Australia use what is called the Pay As You Go tax system, or PAYG. Each time they pay their workers (usually every 2 weeks), they use the personal income tax rates table to calculate how much personal tax the worker is expected to pay, based on their full year salary amount. A 2-week portion of this is taken out of their fortnightly salary payment and will be sent to the ATO on behalf of each worker. So, following the end of the tax year on 30th June, the ATO will have already received a full year's tax payment for each worker. In this case, the worker does not have to put money aside from each salary payment, to pay his/her tax. It's already been done and the money sent to the ATO.

Filling in your tax return in Australia is relatively simple and can be done online. One aspect I would like to mention is the ability of each worker to claim work-related deductions. These are things you have to buy, in order that you can do your job successfully. For example, it could be special types of work clothing, special tools, computers, special education or training courses, special travel costs and so on. As long

as you can show that these things are necessary for your work, that you have paid for them out of your own money and that you have the receipts, then you can list them as work-related deductions. You are allowed to take (or deduct) this amount off your total income on your tax return, so in effect your income is reduced. What's left of your income becomes your taxable income. Therefore, when the ATO calculates your tax, and compares it against what your employer has sent in during the year, it is likely that the ATO will have received too much tax on your behalf. You will then get a refund from the ATO equal to that extra amount. It's always nice when you get a tax refund from the ATO at tax time each year.

If you have a question or comment to make, please leave it in the comments box at the bottom of this page. Or, you can send me an email at rob@slowenglish.info. I would love to hear from you. Tell me where you live, a little bit about yourself and what you think of my Slow English podcast. I will write back to you, in English of course. If you would like to take a short quiz to see if you have understood this podcast, you will also find it on my website. Goodbye until next time.

Rob

Podcast 165 Quiz - Did you understand the podcast?

You can take the quiz as many times as you like.

Start quiz

Vocabulary

Play ability = when you are able to do something well or

easily

- Play according to = when someone else or an organisation gives information or instruction
- Play accountant = someone who knows about the rules of handling money
- Play amount = (here) a number which tells you how much there is
- Play aside = to save
- Play aspect = a part of something, a viewpoint about something
- Play avoid = not to do something
- Play between = the space between two things
- Play by contrast = when you compare two things which are different
- Play calculates = to add, multiply, subtract and divide. To work out a mathematical problem
- Play claim = to ask for something
- Play compares = when you decide if something is better or worse or different than something else
- Play complicated = difficult to understand
- Play deductions = something taken away (in maths, by subtracting)
- Play earned = (here) when you are paid for doing something
- Play employing = when you work for a company, the company is employing you
- Play expected = what will likely happen

- Play expert = someone who knows a lot about a subject, idea or activity
- Play extra = in addition to
- Play federal government = the highest level of government in Australia
- Play filling in = (here) putting information into a form
- Play financial = to do with money
- Play in effect = (here) it seems like, is the same as
- Play income = the money you earn for doing a job or providing a service
- Play individual = about one person
- Play interest = the payment the bank gives you when you save money in an account
- Play mention = to talk about
- Play on your behalf = when you do something for someone else
- Play ordinary = normal, like everyone else
- Play owe = when you must give something (usually money) to somebody or an organisation
- Play percentage = a term in mathematics which means 'out of 100' (where 100% is all)
- Play personal = to do with a person
- Play policies = ways of doing something, e.g. Governments have policies about taxes
- Play portion = a part of
- Play prepare = to make something ready

- Play range = a large number of things of different types
- Play receipts = a record saying that you bought something from a person or company
- Play received = to have something given to you
- Play return = (here) a form that you fill in and send to the government
- Play salary = the money you receive from your employer
- Play self-employed = when you work for yourself and not for a company
- Play Stock market = a place where shares in companies are bought and sold
- Play successfully = when you can do, or have done something really well
- Play summary = the main points about a topic
- Play taxing = the money that is paid to the government by the people, so the government can do its job
- Play work-related = about work