



What is Income Tax?

Income tax is tax generated from personal or business earnings. This applies to individuals, companies, trusts, or any entity generating income from a profitable activity.

When income tax is charged

Personal income is earned mainly through salary and wages. Other income can be derived from dividends on shares, interest earned, beneficiary distributions and overseas income. All income, including superannuation payments, is taxable. There is no minimum threshold, as in other countries. Personal income tax uses a progressive scale, so you are taxed on the lowest band at the lowest rate, the medium bands at the respective rates, and only taxed at the 'marginal rate' after the highest band. Currently the marginal rate threshold is \$78,100 and the marginal rate on earnings above that is 33 cents in the dollar.

Personal Income Tax Rates

Income Band	Tax Rate	Tax on Band
\$0 to \$15,600	10.5%	\$1,638
Over \$15,601 up to \$53,500	17.5%	\$6,632
Over \$53,501 up to \$78,100	30%	\$7,380
Over \$78,101 up to \$180,000	33%	\$33,627
\$180,001 upwards	39%	

Company tax is a flat rate of 28 cents in the dollar on the income generated by the company. Trusts are taxed at 33 cents in the dollar on any income generated. In most cases trusts will distribute their income to their beneficiaries along with a credit for any tax paid.

Does income tax apply to me?

If you are paid a wage or salary, or receive income from share dividends, interest payments, or are the beneficiary of a trust, you must pay income tax. If your business makes a profit, you must pay income tax.

An example of income tax in use

As an employee your wages or salary already have tax deducted – Pay As You Earn – PAYE. You are already paying income tax.

Ways people get income tax wrong

It is common for small businesses to reduce company tax liability by paying shareholder salaries to the owners of the business. This must then be included in their personal tax returns.

Larger companies and corporations can distribute income by way of dividends which are paid to the shareholders. Such payments must include imputation credits, so that tax is not paid twice on dividends received.

Recent changes to income tax

Changed 31 July 2024.