THE INCOME TAX PROFESSIONALS

How much should I get back in taxes 2019?

Many taxpayers in Australia expect some sort of tax return, but for many how a refund is calculated is a mystery.

The idea is simple. Calculate your taxable income, deduct the percentage according to your tax bracket and determine how much you should pay for the year. If you had paid too much tax, you'll expect a refund. If you've paid too little, you'll expect to pay more. However when you scratch the surface, it's not that simple. There are many calculations and deductions that are included to form your personal income tax.

Personal income tax in Australia is imposed by the federal government. Individual pay tax at progressive rates which range from 0 to 45% plus a Medicare levy of 2%, and is collected on behalf of the federal government by the Australian Taxation Office (ATO). The Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 are the two statutes under which tax is calculated.

What is taxable income?

Individual taxable income is the difference between assessable income and allowable deductions, of which there are three main types of assessable income for individual taxpayers: personal earnings (such as salary and wages), business income and capital gains.

Income tax is withheld from wages and salaries across Australia during the year. Employers use an individual's Tax File Number (TFN) to withhold tax which is paid directly to the ATO in Pay-As-You-Go (PAYG) payments. If you don't provide your TFN to your employers, they will be required to withhold 47% of your wage plus the Medicare rate to pay your tax instalments.

The current tax-free threshold for resident people is $18,200 and the highest rate for individuals is 45%. In addition, most Australians are liable to pay the Medicare levy, of which the standard is 2% of taxable income.

Individual income tax rates (residents) for the 2018/19 financial year

Taxable income	Tax on this portion of income	Effective overall tax rate
$1 – $18,200	Nil	0%
$18,201 – $37,000	19c for each $1 over $18,200	0 – 9.65%
$37,001 – $90,000	$3,572 plus 32.5c for each $1 over $37,000	9.65 – 23.11%
$90,001 – $180,000	$20,797 plus 37c for each $1 over $90,000	23.11 – 30.05%
$180,001 and over	$54,097 plus 45c for each $1 over $180,000	30.05 – less than 45%

The above rates do not include:
- The Medicare levy of 2%
- The low income offset, which effectively increases the tax free threshold to $20,543.

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Individual income tax rates (non-residents) for the 2018/19 financial year

Taxable income	Tax on this income	Effective tax rate
$1 – $90,000	32.5c for each $1	32.5%
$90,001 – $180,000	$29,250 plus 37c for each $1 over $90,000	32.5 – 34.8%
$180,001 and over	$62,550 plus 45c for each $1 over $180,000	34.8 – less than 45%

The Medicare levy does not apply to non-residents, and a non-resident is not entitled to the low income tax offset.

Medicare Levy

The Medicare levy helps fund some of the costs of Australia's public health system known as Medicare. The Medicare levy is 2% of your taxable income, in addition to the tax you pay on your taxable income and funds a range of benefits, including free care in public hospitals, and lower costs to buy prescription medicines. A Medicare levy and Medicare surcharge is added to your taxable income.

Higher Education Loan Program (HELP) / Student Start-up Loan (SSL) / Trade Support Loan (TSL) repayments

If you have a student loan, you will be required to make compulsory repayments through your income tax if your repayment income is above the HELP repayment threshold of $51,957 for 2019. Please note that the threshold is not based on your taxable income but on your repayment income. Repayment income is calculated as your taxable income plus any total net investment loss (which includes net rental losses), total reportable fringe benefits amounts, reportable super contributions and exempt foreign employment income. The amount you will need to repay depends on the amount you earn under this definition.

Your compulsory repayment rate increases as your repayment income increases. The more you earn, the higher your repayment. Your compulsory repayment is based on your repayment income alone – not the income of your parents or spouse.

The ATO takes into account expenses that individuals incur when they earn an income. It's important to maximise your tax deductions as this will lower your taxable income and you will pay less tax.

The ATO has three golden rules when claiming tax deductions:

1. You must have already incurred the expense
2. The expense must be directly related to your income
3. You must be able to prove your expense.

The ATO will take your deductions into account when working out your annual tax refund or debt, which includes:
total gross income payments you received

- total amount of tax that was withheld
- total amount of deductions to claim
- your residency status for taxation purposes
- details of your tax credits and any tax offsets you are entitled to claim.

You may need additional information, depending on your circumstances and what you choose to calculate. You may be eligible for a low to middle income tax offset if:

- you are an Australian resident for income tax purposes, and
- your taxable income is in the appropriate income range.

The offset does not reduce your Medicare levy, but it reduces the income tax you pay, even down to zero.

There are many more calculations that can affect your the amount of tax you will need to pay, and that you are eligible to claim.

The rules and regulations surrounding tax are a never-ending myriad of changes. It's best to speak with your tax agent when claiming your tax refund as you'll know you're claiming everything you'll be eligible to make.