

PART IV

Country Details 2004

This part of the publication provides the individual country details for 2004 that lie behind the comparative analysis. For each country, a table of detailed country results is followed by a description of the tax/benefit system.

All thirty country tables in this part of the Report have a similar format. The left hand page of each table specifies the tax-benefit position of single persons in four cases, which differ by wage level and the presence of children (0/2). The right hand page of the table specifies the tax-benefit position of married couples, again discerning between four cases, which now differ by wage level, the presence of children (0/2) and one-/two-earner situations.

All tables start with gross wage earnings (line 1) and derive taxable income for the personal income tax levied by central government (line 4), taking into account a number of standard tax allowances (line 2) and taxable cash transfers (line 3). Taxable income allows one to determine central government income tax paid (line 7); including reductions in the form of tax credits (line 6). Total payments to general government (line 10) also include state and local income taxes (line 8) and employees' compulsory social security contributions (line 9). Take-home pay (line 12) is calculated as gross wage earnings less all payments to general government, plus universal cash transfers received from general government (line 11).

Line 13 reports employers' compulsory social security contributions (including payroll taxes).

Average tax rates (line 14) are then calculated as:

- the share of income tax in gross wage earnings;
- the share of employees' social security contributions in gross wage earnings;
- the share of income tax and employees' social security contributions minus benefits in gross wage earnings; and
- the share of income tax and all social security contributions minus benefits in gross labour costs.

Marginal tax rates (line 15) are calculated similarly as:

- the increase in income tax and employees' contributions minus benefits as a share of the related increase in gross wage earnings (both for the principal earner and the spouse); and
- the increase in tax and all social security contributions minus benefits as a share of the related increase in gross labour costs (both for the principal earner and the spouse).

Australia

2004-2005 Income Tax Year

Australia		2004			
The tax/benefit position of single persons					
	Wage level (per cent of APW)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		35481	53222	88703	35481
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		35481	53222	88703	35481
5. Central government income tax liability (exclusive of tax credits)					
Income tax		6816	12139	27403	6816
Medicare Levy		532	798	1331	532
	Total	7349	12937	28733	7349
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family		0	0	0	0
Children					
Other					
	Total	0	0	0	0
7. Central government income tax finally paid (5-6)		7349	12937	28733	7349
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions		0	0	0	0
10. Total payments to general government (7 + 8 + 9)		7349	12937	28733	7349
11. Cash transfers from general government					
For head of family		0	0	0	0
For two children		0	0	0	9675
	Total	0	0	0	9675
12. Take-home pay (1-10+11)		28133	40285	59970	37808
13. Employers' payroll tax		2129	3193	5322	2129
14. Average rates					
Income tax		20.7%	24.3%	32.4%	20.7%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		20.7%	24.3%	32.4%	-6.6%
Total tax wedge including employer payroll taxes		25.2%	28.6%	36.2%	-0.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		31.5%	31.5%	48.5%	51.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		35.4%	35.4%	51.4%	54.2%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Australia		2004			
The tax/benefit position of married couples					
	Wage level (per cent of APW)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
1. Gross wage earnings		53222	70963	88703	70963
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		53222	70963	88703	70963
5. Central government income tax liability (exclusive of tax credits)					
Income tax		12139	14135	18955	14135
Medicare Levy		798	1064	1331	1064
	Total	12937	15199	20286	15199
6. Tax credits					
Basic credit		0	235	0	235
Married or head of family		0	0	0	0
Children					
Other					
	Total	0	235	0	235
7. Central government income tax finally paid (5-6)		12937	14964	20286	14964
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions		0	0	0	0
10. Total payments to general government (7 + 8 + 9)		12937	14964	20286	14964
11. Cash transfers from general government					
For head of family		0	0	0	0
For two children		6127	3468	3071	0
	Total	6127	3468	3071	0
12. Take-home pay (1-10+11)		46412	59466	71489	55999
13. Employers' payroll tax		3193	4258	5322	4258
14. Average rates					
Income tax		24.3%	21.1%	22.9%	21.1%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		12.8%	16.2%	19.4%	21.1%
Total tax wedge including employer payroll taxes		17.7%	20.9%	24.0%	25.6%
15. Marginal rates					
Total payments less cash transfers: Principal earner		51.5%	31.5%	61.5%	31.5%
Total payments less cash transfers: Spouse		26.4%	18.5%	61.5%	18.5%
Total tax wedge: Principal earner		54.2%	35.4%	63.7%	35.4%
Total tax wedge: Spouse		30.6%	23.1%	63.7%	23.1%

The national currency is the Australian dollar (AUD). For the 2004-05 income tax year AUD 1.3644 was equal to USD 1 (average of previous eleven months daily exchange rates). In that period the average production worker earned AUD 53 222 (Secretariat estimate).

1. Personal income tax system

1.1. Federal government income tax

1.11. Tax unit

Members of the family are taxed separately.

1.12. Tax allowances and credits

1.121. Standard tax reliefs

- *Basic reliefs:* Income earned up to AUD 6 000 by resident taxpayers is subject to tax at a zero rate.
- *Standard marital status reliefs:* A taxpayer may claim a tax credit where he or she contributes to the maintenance of a dependent spouse (legal or *de facto*). During 2004-05, the credit is AUD 1 572 for a dependent spouse without dependent children. The credit is reduced by AUD 1 for every AUD 4 by which the spouse's separate net income exceeds AUD 282. The rebate for a dependent spouse with a dependent child has been replaced by the Family Tax Benefit system (see below).
- *Relief(s) for children:* From 1 July 2000, Family Tax Benefit (FTB) has replaced several forms of tax relief and cash transfers, such as Family Tax Assistance, the dependent spouse with child rebate and the sole parent rebate. FTB can be claimed either through the taxation system or as a cash transfer. A refundable tax offset, called the Baby Bonus, is also available for families with a child born between 1 July 2001 and 30 June 2004. Families with a child born on or after 1 July 2004 are eligible for a Maternity Payment which replaces the Baby Bonus tax offset. See Section 4.2 for more detail.
- *Relief for social security contributions and other taxes:* no such contributions are levied.
- *Relief for low income earners:* An AUD 235 tax credit is available for taxpayers whose taxable income was less than AUD 21 600. This credit is reduced by AUD 0.04 for every AUD 1 by which the taxpayer's taxable income exceeds AUD 21 600, and no tax credit is available once the taxpayer's taxable income equals AUD 27 475.¹
- *Other:* No other standard relief available.

1.122. Main non-standard tax reliefs applicable to an average production worker include:

- *Reliefs for superannuation:* From 1 July 1992, all employers are required to provide a minimum level of superannuation support for each of their full-time, part-time and casual employees. Apart from a limited number of exemptions, if no superannuation support is provided the employer is liable for a superannuation guarantee charge.

- From 1 July 2004, there is an increase in the Government Superannuation Co-contribution for Low Income Earners and a reduction in the income test taper rate applying to the co-contribution. In 2004-05 a co-contribution of up to AUD 1 500 is provided for superannuation contributions made by low income earners (those earning below AUD 58 000). The maximum co-contribution of AUD 1 500 is payable for those on incomes of AUD 28 000 or less and reduces by AUD 0.05 for each AUD 1 of income over AUD 28 000. The co-contribution replaces the taxation rebate for personal superannuation contributions made by low income earners available prior to 2003-04.
- A taxpayer may receive an 18 per cent income tax rebate for contributions up to AUD 3 000 per annum to a complying superannuation fund on behalf of a spouse with an income equal to or below AUD 13 800 per annum (a maximum rebate of AUD 540). The maximum rebatable limit is reduced at the rate of one dollar for each dollar of spouse assessable income exceeding AUD 10 800.
- Investment income from superannuation savings is taxed at the concessional rate of 15 per cent.
- *Relief for private health insurance:* On 1 January 1999, the Government introduced a 30 per cent rebate for individuals who have private health insurance. To be eligible for the tax rebate, an individual must pay a premium in respect of an “appropriate private health insurance policy” – a policy that provides hospital cover, ancillary cover or combined cover and the person being covered by the policy is eligible to claim benefits under Medicare. The amount of the rebate is not means tested and is 30 per cent of the amount paid for cover in respect of the year of income.
- *Relief for medical expenses:* A medical expense credit applies at a rate of 20 per cent to the excess of net medical expenses over AUD 1 500 for the 2004-05 year of income. To qualify for the rebate, the medical expenses must have been paid by a resident taxpayer in respect of himself or herself or a resident dependant. However, it is not necessary that the payments be made to a resident or that they be paid in Australia. “Medical expenses” for the purposes of the medical expenses rebate includes payments to doctors, nurses, chemists, dentists, opticians and optometrists. Payments for therapeutic treatment and for medical or surgical appliances, remuneration paid to an attendant of an incapacitated person and payments for the maintenance of a guide dog may also qualify.
- Other non-standard reliefs provided as deductions are:
 - ❖ subscriptions paid in respect of membership of a trade, business or professional association or union;
 - ❖ charitable contributions of AUD 2 or more to specified funds, authorities and institutions, including public benevolent institutions, approved research institutes for scientific research, building funds for schools conducted by non-profit organisations etc.; and
 - ❖ work-related expenses including cost of replacement of tools of trade cost of provision and of cleaning protective clothing and footwear, travelling between jobs or travelling in the course of employment.

1.13. Tax schedule

General rates of tax – resident individuals.

Taxable income (AUD)		Tax at general rates on total taxable income
Not less than	Not more than	
0	6 000	NIL
6 000	21 600	NIL + 17 c for each AUD in excess of AUD 6 000
21 600	58 000	AUD 2 652 + 30 c for each AUD in excess of AUD 21 600
58 000	70 000	AUD 13 572 + 42 c for each AUD in excess of AUD 58 000
70 000 and over		AUD 18 612 + 47 c for each AUD in excess of AUD 70 000

To contribute towards the cost of basic medical and hospital care a Medicare Levy is imposed on the taxable incomes of resident taxpayers. In 2004-05 the levy applies at the rate of 1.5 per cent of the taxable income of an individual.

Certain thresholds are applied before the levy is imposed. For example, in 2003-04, an individual taxpayer did not pay the levy where their taxable income did not exceed AUD 15 529. Where a taxpayer was in a couple or sole parent family no levy was payable if the taxable family income did not exceed AUD 26 205. The threshold increased by AUD 2 406 for each dependent child. Where an individual's taxable income exceeded AUD 15 529 but did not exceed AUD 16 788 shading-in provisions applied under which the levy payable was 20 per cent of the excess of taxable income over AUD 15 529. These thresholds are not yet finalised for 2004-05.

In 2003-04, individual pensioners under Age Pension age did not pay the levy where their taxable income did not exceed AUD 18 141. Where taxable income exceeded AUD 18 141 but did not exceed AUD 19 611 shading in provisions applied under which the levy payable was 20 per cent of the excess of taxable income over AUD 18 141. Again, these thresholds are not yet finalised for 2004-05.

A Medicare Levy Surcharge equal to 1 per cent of the taxpayer's taxable income and reportable fringe benefits may also be paid by high income taxpayers without adequate private patient hospital insurance. In 2004-05, a single taxpayer with combined taxable income and reportable fringe benefits exceeding AUD 50 000 may be liable to surcharge. A couple or sole parent family may be liable to surcharge where combined taxable income and reportable fringe benefits exceed AUD 100 000. This family surcharge threshold is increased by AUD 1 500 for each dependant after the first.

The effects of the Medicare Levy Surcharge are not shown in this publication. Most taxpayers who would otherwise be liable to surcharge have private patient hospital insurance as the cost of this insurance tends to be lower than the surcharge and therefore the surcharge is not typically imposed.

1.2. State and local income taxes

In Australia no states or territories levy a tax based on a resident's income.

2. Social security contributions

2.1. Employees' contributions

None. There is, however, a Medicare Levy which is based upon taxable income. See Section 1.13.

2.2. Employers' contributions

No contributions are collected from employers or employees specifically for pensions, sickness, unemployment or work injury benefits, family allowances or other benefits.

Part of Australia's retirement income system is the provision of compulsory employer contributions (the Superannuation Guarantee system) equal to at least 9 per cent of ordinary time earnings or of the relevant industrial award. These contributions are not reflected in the "Taxing Wages" calculations because they are not a form of taxation (they are not an unrequited transfer to general government). While the Superannuation Guarantee scheme is mandated by the Australian Government, superannuation is provided through private superannuation funds subject to Government regulation. Employers' contributions are generally made to individual accounts and form part of employees' personal superannuation assets. Some defined benefit schemes for government employees and private defined benefit schemes also exist. The employee may take superannuation benefits as either a lump sum payment or pension on retirement.

3. Other taxes

3.1. Pay-roll tax

Australian State Governments levy pay-roll taxes on wages, cash or in kind, provided by larger employers to their employees. The rates of pay-roll tax, thresholds and deductions differ across States. In New South Wales, the State with the largest population, the pay-roll tax rate is 6.00 per cent for employers with total Australian wages in excess of AUD 600 000 in 2004-05. The employer is entitled to an exemption from tax, or a pro-rated pay-roll tax threshold, on wages paid in New South Wales up to a maximum of AUD 600 000. The exempt amount is reduced based on the proportion of the employer's New South Wales pay-roll to total Australian pay-roll.

Pay-roll tax revenue is not used to fund social security. It forms part of the consolidated revenue of State Governments, which do not deliver social security.

4. Universal cash transfers²

4.1. Transfers related to marital status

There are no cash transfers made on a universal basis to married couples.

4.2. Transfers related to dependent children

- In 2004-05, the base rate of Family Tax Benefit [FTB(A)] is payable where the combined "adjusted" taxable income of parents does not exceed AUD 84 023 plus AUD 3 358 for each child after the first. The payment shades out at the rate of AUD 0.30 per AUD 1 of income over the ceiling. The base rate of payment is AUD 1 733.75 for a dependent child aged under 18, and AUD 2 120.65 for a dependent child aged under 21 or a dependent full-time student aged 21 to 24. A higher benefit is available for lower income earners, and the value of this benefit is dependent on the age and number of children. Families may receive a maximum payment of AUD 4 095.30 for each child aged under 13 years and AUD 5 029.70 for each child aged 13 to 15 years in 2004-05. From 2004-05, this additional benefit tapers out at the rate of AUD 0.20 for each dollar of income over AUD 32 485 until the base payment is reached. The taper rate on the maximum payment was AUD 0.30 per dollar of income in previous years. The attached calculations assume each dependant is less than 13 years of age.

- Family Tax Benefit Part B [FTB(B)] is targeted at single income couple and sole parent families. Eligibility for FTB(B) is contingent upon the spouse meeting a separate income test and the existence of at least one dependent child under the age of 16 or a qualifying dependent full-time student up to the age of 18. There is no income ceiling for sole parents or the main income earner in a couple family, however there is a spouse income threshold. From 1 July 2004, this threshold has been raised to AUD 4 000, above which the entitlement is reduced by AUD 0.20 for each dollar of income (a lower taper rate than that applying in previous years). In 2004-05, the maximum payment is AUD 2 084.15 per year if the youngest dependent child is aged between 5 and 18 years, and AUD 2 989.35 per year if there is a child under 5 years. The attached calculations assume each dependant is between 5 and 16 years of age.
- From 1 July 2004, a one-off lump sum Maternity Payment of AUD 3 042 is paid to families for each baby born. This payment replaces the Baby Bonus tax offset for new births, while the Baby Bonus remains payable with respect to children aged under 5, born between 1 July 2001 and 30 June 2004.
- Parenting Payment is a taxable payment payable to partnered and sole parents in low income families with a qualifying child under 16. The maximum annual rate of Parenting Payment (Partnered) [PP(P)] is estimated to be AUD 9 264 in 2004-05, while the maximum annual rate of Parenting Payment (Single) [PP(S)] is estimated to be AUD 12 248. These payments are subject to income and assets tests. Under the PP(P) income test, a spouse with little or no income (less than AUD 62 per fortnight) would not receive any Parenting Payment where the higher earning partner's income exceeded AUD 1 103 per fortnight (AUD 28 677 per year) in 2004-05. PP(S) reduces by AUD 0.40 for each AUD 1 of income above a fortnightly threshold of AUD 122 (or AUD 3 172 yearly) plus AUD 24.60 (AUD 639.60 yearly) for each child. A sole parent with two qualifying dependants may be entitled to some basic PP(S) in 2004-05 where private income does not exceed an average of AUD 1 348 per fortnight (or AUD 35 072 yearly).
- A non-taxable supplementary payment called Pharmaceutical Allowance (PA) is payable with PP(S). This payment is added to the maximum basic rate of PPS before a person's entitlement is calculated. Anyone with a PP(S) entitlement, after PA has been added, receives the full amount of PA. In 2004-05, the payment is projected to be AUD 5.80 per fortnight (AUD 150.80 yearly).

5. Main changes in the tax/benefit system since 1999

5.1. General rates of tax – resident individuals

- As part of tax reform, the personal income tax rates and thresholds have changed from those which applied from the 1995-96 to 1999-2000 income years. These thresholds have also changed for the 2004-05 income year. See Section 1.13.
- In the attached calculations, the Medicare Levy has been shifted from the Employee's Compulsory Social Security Contributions category to the Central Government Income Tax category.

5.2. Cash transfers related to dependent children

- From 1 July 2000, the Family Tax Benefit (FTB) has replaced several forms of tax relief and cash transfers. See Sections 1.12 and 4.2.

6. Memorandum items

6.1. Identification of an average production worker

The source of the information used in replying to the questionnaire was the Australian Bureau of Statistics publication *Average Weekly Earnings – Australia*, catalogue number 6 302.0. The survey is conducted on a quarterly basis and is based on a representative sample of employers in each industry.

All wage and salary earners who received pay for the reference period are represented in the Survey of Average Weekly Earnings (AWE), except:

- members of the Australian permanent defence forces;
- employees of enterprises primarily engaged in agriculture, forestry and fishing;
- employees in private households employing staff;
- employees of overseas embassies, consulates, etc.;
- employees based outside Australia; and
- employees on workers' compensation who are not paid through the payroll.

Also excluded are the following persons who are not regarded as employees for the purposes of this survey:

- casual employees who did not receive pay during the reference period;
- employees on leave without pay who did not receive pay during the reference period;
- employees on strike, or stood down, who did not receive pay during the reference period;
- directors who are not paid a salary;
- proprietors/partners of unincorporated businesses;
- self-employed persons such as subcontractors, owner/drivers, consultants; and
- persons paid solely by commission without a retainer.

The sample for the AWE survey, like most ABS business surveys, is selected from the ABS Business Register which is primarily based on registrations to the Australian Taxation Office's (ATO) Pay As You Go Withholding (PAYGW) scheme (and prior to 1 June 2000 the Group Employer (GE) scheme). The population is updated quarterly to take account of:

- new businesses;
- businesses which have ceased employing;
- changes in employment levels;
- changes in industry; and
- other general business changes.

The survey data used in identifying the average production worker relates to that applying to full-time employees in the manufacturing sector being adult males and females without regard to marital status.

Earnings comprise weekly ordinary time earnings and weekly overtime earnings.

Weekly ordinary time earnings refers to one week's earnings of employees for the reference period attributable to award, standard or agreed hours of work. It is calculated before taxation and any other deductions (e.g. superannuation, board and lodging) have been made. Included in ordinary time earnings are award, workplace and enterprise bargaining payments, and other agreed base rates of pay, over award and over agreed

payments, penalty payments, shift and other allowances; commissions and retainers; bonuses and similar payments related to the reference period; payments under incentive or piecework; payments under profit sharing schemes normally paid each pay period; payment for leave taken during the reference period; all workers' compensation payments made through the payroll; and salary payments made to directors. Excluded are overtime payments, retrospective pay, pay in advance, leave loadings, severance, termination and redundancy payments, and other payments not related to the reference period.

Weekly overtime earnings refers to payment for hours in excess of award, standard or agreed hours of work.

The annual gross earnings for 2004-05 estimated by Australia are based on the APW figure given for 2003-04 and growth of 4.06 per cent.

6.2. Employers' contribution to private health and pension scheme

In Australia very few employers make any contributions towards health schemes for their employees, especially where the employee is at a wage level comparable to that of an average production worker.

From a survey of employment benefits conducted by the Australian Bureau of Statistics for November 1995, the findings of which are published in *Superannuation – Australia* (ABS Catalogue No. 6319.0), it was estimated that 95.6 per cent of all persons aged 15 to 74 and employed full-time in the manufacturing industry were covered by a superannuation scheme.

Notes

1. The tax calculations reflect other reliefs available to low-income families that are not pertinent at the income levels taken into consideration for this Report and are not described here. These reliefs are the pensioner tax offset and the beneficiary tax offset.
2. The tax calculations reflect the New Start Allowance which is a transfer amount that is available to low-income families although it is not pertinent to the family types considered within this Report and its description is not included herein.

2004 Parameter values

Average earnings/yr	Ave_earn	53 222	Secretariat estimate
Spouse	spouse_cr	1 572	
income limit	sp_lim	282	
withdrawal rate	sp_redn	0.25	
Low income credit	low_inc_cr	235	
	low_inc_lim	21 600	
	low_inc_redn	0.04	
Tax schedule	tax_sch	0	6 000
		0.17	21 600
		0.30	58 000
		0.42	70 000
		0.47	
Medicare levy	medic_rate	0.015	
exemption limits	sing_lim	15 529	} Levels still to be determined for 2004-2005
married/sole parent	m_lim	26 205	
+ per child	ch_lim	2 406	
shading-in rate	shade_rate	0.2	
Part A FTB max	FTB_A_max	4 095.3	
Part A FTB basic	FTB_A_base	1 733.75	
part A income limit 1	FTB_A_lim1	32 485	
part A income limit 2	FTB_A_lim2	84 023	
reduction rate 1	FTB_A_taper1	0.2	
reduction rate 2	FTB_A_taper2	0.3	
additional limit2 per extra child	FTB_A_child	3 358	
Part B FTB	FTB_B	2 084.15	
part B partner income limit	FTB_B_lim	4 000	
reduction rate	FTB_B_taper	0.2	
Parenting payment single	PPS	12 248.34	Treasury projection
reduction rate	PPS_taper	0.4	
income limit	PPS_lim	3 172	
additional limit per child	PPS_ch_lim	639.6	
Pharmaceutical allowance	PA	150.8	
State pay-roll tax rate (NSW)	Pay_roll_rate	0.06	
Additional parameters			
Parenting payment partnered	PPP	9 263.8	
reduction rate 1	PPP_taper1	0.5	
reduction rate 2	PPP_taper2	0.7	
income limit 1	PPP_lim1	1 612	
income limit 2	PPP_lim2	6 370	
partner income threshold	PPP_ptnr_lim	15 444	
partner income taper	PPP_ptnr_taper	0.7	
Newstart allowance single	NSAS	10 268.7	
Newstart allowance partnered	NSAP	9 263.8	
reduction rate 1	NSA_taper1	0.5	
reduction rate 2	NSA_taper2	0.7	
income limit 1	NSA_lim1	1 612	
income limit 2	NSA_lim2	3 692	
Pensioner tax offset single	PTOS	2 016	
Pensioner tax offset threshold single	PTOS_thresh	17 859	
Pensioner tax offset supplement single	PTOS_supp	415	
Pensioner tax offset taper rate	PTOS_taper	0.125	

2004 Tax equations

The equations for the Australian system in 2004 are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and the calculation of employee social security contributions (medicare levy) uses shading-in rules which depend on the levels of earnings of the spouses. The basis of calculation is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Where the calculation for one earner takes into account variables for the other earner, the affix “_oth” is used. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances	tax_al	B	0
3. Credits in taxable income:			
Credits in taxable income of principal	taxbl_cr_princ	P	IF(AND(Children>0, Married=0), Taper(PPS, earn_princ, PPS_lim+PPS_ch_lim*Children, PPS_taper), IF(AND(Children=0, Married=0), taper2(NSAS, earn_princ, NSA_lim1, NSA_lim2, NSA_taper1, NSA_taper2), IF(AND(Children=0, Married>0), taper3(NSAP, earn_princ, earn_spouse, NSA_lim1, NSA_lim2, NSA_taper1, NSA_taper2), IF(AND(Children>0, Married>0), taper3(NSAP, earn_princ, earn_spouse, NSA_lim1, NSA_lim2, NSA_taper1, NSA_taper2), 0))))
Credits in taxable income of spouse	taxbl_cr_spouse	S	IF(AND(Children>0, Married=0), 0, IF(AND(Children=0, Married=0), 0, IF(AND(Children=0, Married>0), taper3(NSAP, earn_spouse, earn_princ, NSA_lim1, NSA_lim2, NSA_taper1, NSA_taper2), IF(AND(Children>0, Married>0), taper4(PPP, earn_spouse, earn_princ, PPP_lim1, PPP_lim2, PPP_taper1, PPP_taper2, PPP_ptrn_lim), 0))))
4. CG taxable income	tax_inc	B	earn+taxbl_cr
5. CG tax before credits			
Medicare Levy	med_levy	B	MEDICARE(tax_inc, sing_lim, m_lim, ch_lim, shade_rate, medic_rate, married, tax_inc_oth, Children)
Tax liability			
	liab	P	Tax(tax_inc, tax_sch)
	CG_tax_excl	B	liab + med_levy
6. Tax credits:			
Spouse credit	spouse_cr	P	Taper(IF(Children>0, 0, spouse_cr), earn_spouse, sp_lim, sp_redn)
Low income credit	low_cr	B	Taper(low_inc_cr, tax_inc, low_inc_lim, low_inc_redn)
Pensioner tax offset	pen_cr	P	IF(AND(taxbl_cr_princ>0, AND(Children>0, Married=0)), MIN(PTOS-(earn_princ-PTOS_thresh)*PTOS_taper, PTOS), 0)
Beneficiary tax offset	ben_cr	B	IF(AND(taxbl_cr>0, NOT(AND(Children>0, Married=0))), Tax(taxbl_cr, tax_sch), 0)
Total	tax_cr	B	spouse_cr+low_cr+pen_cr+ben_cr
7. CG tax	CG_tax	B	Positive(liab-tax_cr) + med_levy
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	0

Line in country table and intermediate steps	Variable name	Range	Equation
11. Cash transfers:			
Family Tax Benefit (Part A)	ftbA	P	IF(PA>0, FTB_A_max*Children, IF(earn_total+taxbl_cr>FTB_A_lim2+FTB_A_child*(Children-1), Taper(FTB_A_base*Children, earn_total+ taxbl_cr, FTB_A_lim2+FTB_A_child*(Children-1), FTB_A_taper2), ftbtaper (FTB_A_max*Children, earn_total+taxbl_cr, FTB_A_lim1, FTB_A_taper1, FTB_A_base*Children)))
Family Tax Benefit (Part B)	ftbB	J	IF (children>0, Taper(FTB_B, earn_spouse+taxbl_cr_spouse, FTB_B_lim, FTB_B_taper), 0)
Pharmaceutical Allowance	PA	J	AND(Children>0, Married=0)*IF(Taper(PPS+PA, earn_princ, PPS_lim+PPS_ch_lim*Children, PPS_taper)>0, PA, 0)
	cash_trans	J	ftbA+ftbB+taxbl_cr+PA
13. Employer's State pay-roll tax	tax_empr	B	earn*Pay_roll_rate

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

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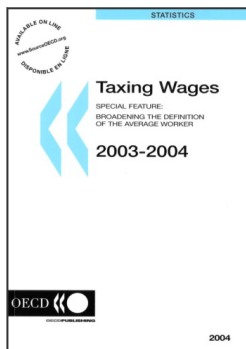
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