***Company Tax***

The company tax rate is a flat 30% in Australia. This means that the marginal tax rate is the same as the average tax rate.

In some countries including the US, company tax rates are progressive, so the marginal rate steps up as more income is earned. In a progressive tax system, the marginal tax rate differs from the average tax rate.

***Personal Income Tax***

The personal income tax rate in Australia is progressive rather than flat.

A person earning less than $18,200 pays no tax. Their marginal and effective tax rates are zero.

A person earning $30,000 pays 19% on each dollar over $18,200, so total tax paid would be $2,242$(=(30,000 -18,200)×0.19)$.

Their marginal tax rate is 19%, and the average tax rate is $\frac{2,242}{30,000}=7.473\%$.

***Calculation Example: Personal Income Tax***

**Question**: A sharp student graduates from university and is employed on an impressive salary of $50,000 per year.

Given the following tax rates, find the personal income tax she will have to pay per year, as well as her marginal and effective tax rate.



**Answer**: The quick method using the table:

Personal tax payable $=3,572+\left(50,000-37,000\right)×0.325=7,797$

Here is the long method, which is how the numbers in the table are calculated by the Australian Tax Office (ATO). Tax paid per income bracket:

* $18,200× 0.00= 0$
* $\left(37,000-18,200\right)× 0.19 = 3,572$
* $\left(50,000 - 37,000\right)× 0.325 = 4,225$

Personal tax payable $=0+3,572+4,225=7,797$

The marginal tax rate is 32.5%.

The average tax rate is $\frac{7,797}{50,000}=0.15594=15.594\%$

So the newly employed student pays 15.594% tax overall, and 32.5% tax for every extra dollar that she earns.