MEDIA RELEASE
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Australian Low and Middle Income Earners should be more worried about the taxman's silent and insidious tax collector, "Bracket Creep", than about the extra Medicare levy they may soon face.

Analysis by Sydney Author and Chartered Accountant Wayne Wanders shows that the bracket creep hurts low and middle income earners more than the proposed increase in Medicare levy included in the recent Budget.

Mr Wanders said that bracket creep has meant that Australian taxpayers have paid billions of dollars in more tax than they realise.

For example, using data recently released by the Australian Taxation Office, Mr Wanders estimates that because of bracket creep, in 2014 – 2015 Australian taxpayers paid:

- An extra $16.2 billion dollars in tax than they paid in the 2008 – 2009 year.
- An extra $8.9 billion dollars in tax than they paid in the 2012 – 2013 year.

Table 1: Estimated Impact of Bracket Creep

	2008 – 2009 $ billion	2012 – 2013 $ billion	2014 – 2015 $ billion
Individuals Taxable Income	554,222	742,422	766,918
Tax paid by all Individuals (excluding the Budget Repair levy)	115,699	162,115	176,294
Effective Tax Rate	20.88%	21.83%	22.99%
Tax that would have been paid had 2008 - 2009 effective tax rate still applied in later years		155,018	160,132
Extra Tax paid by Individuals compared to 2008 - 2009		7,097	16,162
Tax that would have been paid had 2012 - 2013 effective tax rate still applied in 2014 - 2015			167,418
Extra Tax paid by Individuals compared to 2012 - 2013			8,876

Source ATO Taxation Statistics and Authors own analysis

"This is substantially more than the $8.0 billion dollars in extra tax revenue that the increase in the Medicare levy is budgeted to raise in its first **two** full years" said Mr Wanders.

"And what's worse is that whist the largest share in dollar terms of the extra $8.0 billion in revenue from the Medicare levy increase will come from high income earners, the bulk of the extra revenue from bracket creep in dollar terms comes from low and middle income earners."

What is Bracket Creep?

To understand what bracket creep is, Mr Wanders provided the following example of Fred who is on a base salary of $75,000.

In the 2014-15 year Fred got an annual bonus above his base salary of $5,000. On that $5,000 Fred paid tax and Medicare levy of $1,725. So he pocketed $3,275 of the bonus or 65.5% of his gross bonus.

In the 2015-2016 year Fred's salary did not change, but his bonus was $10,000. On this bonus, Fred now pays $3,675 in tax and Medicare levy.   So out of the $10,000 bonus, Fred pockets $6,325, which is now only 63.25% of his gross bonus.

Now tax rates did not change between 2014-2015 and 2015-2016 but the effective rate of tax on Fred's bonus went from 34.5% to 36.75%.

And that is what bracket creep is, said Mr Wanders. "It is where a person pays a higher rate of tax as their income increases but the tax thresholds where tax rates change do not move".

"And until tax thresholds are indexed with wage increases, bracket creep is the taxman's silent and insidious tax collector."

About Wayne Wanders
Wayne Wanders, author of the book "Avoid the Poverty Trap", and The Wealth Navigator believes the system is rigged in favour of the government, big businesses (especially the banks) and the unions. And if you stay in the system this is the reality today …….

"Go to school, get on the treadmill to work hard all your life at a job you hate, for a boss you don't like, get your termination notice and try and survive on the dole or what's left of the pension".

Heading straight for what Wayne Wanders calls the Poverty Trap. This is not what could be called living. And not really something to look forward to is it?

So Wayne made it his mission to use his personal experience and knowledge to help hard working Australians to beat the system, avoid the Poverty Trap and improve the health of their wealth.

Ends

High res images and interviews available on request

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