SVKM'S NARSEE MONJEE COLLEGE OF COMMERCE AND ECONOMICS (AUTONOMOUS)

BACHELOR OF MANAGEMENT STUDIES

SEMESTER IV

SUBJECT: DIRECT TAX

TITLE OF ASSIGNMENT:

A COMPARATIVE ANALYSIS ON THE TAX SYSTEM FOR INDIVIDUAL TAX PAYERS IN INIDA AND AUSTRALIA

SUBMITTED BY –

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CLASS: SYBMS B; ROLL NO.: B001

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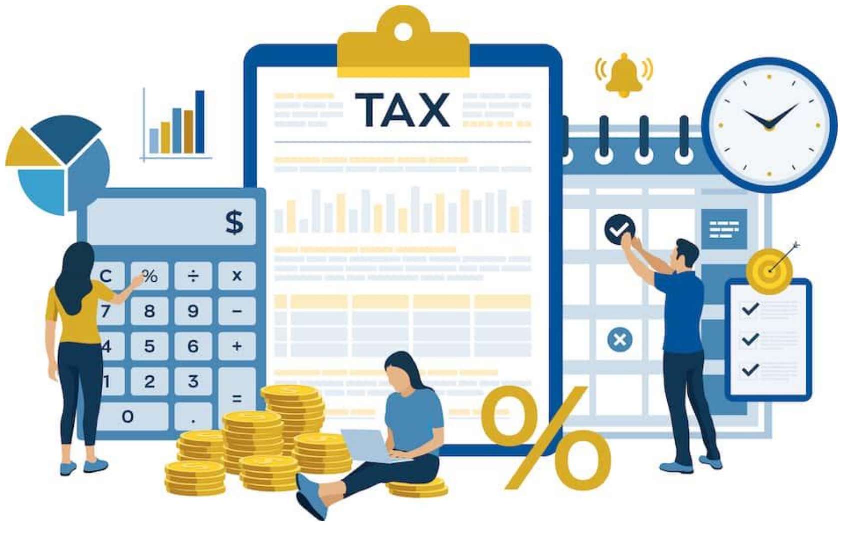

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1. Introduction

1.1: Meaning and Definition of Taxes

Taxes are a mandatory financial charge which is levied by the government on individuals, businesses, cooperatives, and other entities. They are a major source of generating revenue for the government. This revenue gained through taxes is utilized by the government to fund its operations and services. (Russel, 2024)

The government utilizes the revenue obtained from taxes to fund a variety of programs and services, including roads and bridges, schools, national defense, and social security programs. In case the government does not collect taxes, it would not have adequate cash to fund social schemes for the betterment of the population. (Russel, 2024)

There are various types of taxes including income tax, sales tax, excise tax, etc. Income tax forms a major source of revenue from taxes for the government and each country has a system in place for systematic collection of taxes from these different entities.

This report will delve into the tax system for individuals in India and Australia, drawing a comparison between the two while also helping in understanding its impact on the country and its economy.

1.2: Tax System in India

Taxes in India are levied by the central government and the state government as per the guidelines of the constitution of India. This follows Article 265 of the Constitution which states that "No tax shall be levied or collected except by the authority of law". Apart from this, some minor taxes are also levied by the local authorities such as the Municipality. In India, taxes are administered by the Central Board of Direct Taxes (CBDT). (Wikipedia, 2024)

The tax which is levied on individuals or entities on their earnings is called as income tax. For individuals, the income tax payable is at slab rates. The income is divided into five categories: Income from Salary, Income from Other Sources, Income from House Property, Income from Capital Gains, and Income from Business and Profession. (Wikipedia, 2024) Moreover, the government of India introduced a new tax regime in Budget 2020, which now allows tax payers to choose the regime which they find to be the most fit according to their earnings. In order to determine the tax liability in India, the residential status of the tax payer is examined. (pwc)

1.3: Tax system in Australia

Australia follows a progressive tax system meaning individuals with a higher income pay higher taxes as per the tax slabs. The collection and handling of taxes in Australia is done by The Australian Taxation Office (ATO). It includes the income tax, capital gains tax and other charges such as the Medicare Levy. (Wikipedia , 2025)

In Australia, till the year 1942, taxes were levied by both the central government and the states. However, after the World War 2 in 1942, the federal government took full charge of the collection taxes, preventing individual states from levying any taxes. The country also introduced the Goods and Service Tax in the year 2000. There are three main types of assessable income for individual taxpayers: personal earnings (such as salary and wages), business income and capital gains. The Australian tax system also offers certain deductions and tax offsets to its tax payers. (Wikipedia , 2025)

2. Core Content

2.1: Tax System for Individuals in India

In India, there are two tax regimes which are followed out of which an individual can opt for any one of the two as per their benefit. While the old tax regime offers many deductions, it has lesser amount as exemption in the slabs as compared to the new tax regime. However, the new tax regime has discontinued a lot of deductions and exemptions which were allowed in the old tax regime.

The following tables provide an overview of the two.

Tax Slabs according to the old tax regime -

Tax Slab	Tax Rate
0 – 2.5 lakh	0%
2.5 lakh – 5 lakhs	5%
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A basic exemption limit of Rs. 3,00,000 is provided to senior citizen over the age of 60 years but below the age of 80 years.

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By default, the new tax regime is applicable while paying the taxes. However, individuals may opt for the old tax regime if they prefer the same.

Exemptions and Deductions Allowed –

The exemptions and deductions enable a tax payer to reduce their tax burden. Deductions are allowed under Section 80 of the Income Tax Act (Section 80C to 80U). (Surana, 2024) However, some exemptions are forgone in the new tax regime.

The deductions under the old regime can be explained as follows:

Section	Deduction Type	Maximum Limit
80C	Investment in PPF, EPF, LIC, ELSS, NSC, Sukanya Samriddhi, 5-year FD, etc.	₹1,50,000
80D	Health insurance premiums	₹25,000 (₹50,000 for senior citizens)
80E	Interest on education loan	No limit
80TTA/80TTB	Interest on savings accounts	₹10,000 (₹50,000 for senior citizens)
80G	Donations to charities	50% or 100% deduction, depending on the charity
24(b)	Interest on home loan (self-occupied)	₹2,00,000
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However, only the deduction on let-out property under Section 24B and the deduction on the employer's contribution to NPS are allowed under the new tax regime. (Surana, 2024)

A standard deduction of Rs. 50,000 is applicable under the old tax regime and a deduction of Rs. 75,000 under the new tax regime. (India Briefings , n.d.)

Rebate under Section 87A

Section 87A deals with rebate to tax payers in India to provide them some relief from the total tax payable. (Surana, 2024)

Rebate to resident individual paying tax under new tax regime

If an individual's total income does not exceed ₹7,00,000, they are eligible for a rebate equal to either the income tax payable for the assessment year or ₹25,000, whichever is lower. (Surana, 2024)

Rebate to a resident individual paying tax under old tax regime

If the total income does not exceed ₹5,00,000, the rebate amount will be the income tax payable or ₹12,500, whichever is lower. (Surana, 2024)

Surcharge and Cess

As per the new tax regime, the following rates of surcharge are applicable:

- 25 percent when the income goes beyond 20 million Rs.
- 15 percent where total income goes beyond 10 million Rs but does not cross 20 million Rs.
- 10 percent where total income exceeds INR 5 million but does not exceed INR 10 million (India Briefings , n.d.)

As per the old tax regime, the following rates of surcharge are applicable:

- 37% for income exceeding ₹5 crore
- 25% for income between ₹2 crore and ₹5 crore
- 15% for income between ₹1 crore and ₹2 crore
- 10% for income between ₹50 lakh and ₹1 crore

A health and education cess at 4% is also applicable on total tax liability.

Capital Gains Tax (CGT)

- Short-Term Capital Gains (STCG) -

  15% on listed shares if sold within one year.

  Taxed as per slab rate for other assets. (Surana, 2024)

- Long-Term Capital Gains (LTCG)

  10% on gains above ₹1 lakh (for listed shares).

  20% with indexation for real estate and other assets. (Surana, 2024)

Advance Tax

Advance tax must be paid during the financial year if the total tax liability amounts to ₹10,000 or more. However, resident senior citizens (aged 60 years or above) who do not have income from a business or profession are exempt from paying advance tax. Salaried individuals are also subject to advance tax but typically do not need to pay it separately, as their employers deduct Tax Deducted at Source (TDS) from their salaries. Nevertheless, they may still be required to pay advance tax on additional income sources such as dividends, interest, rental income, or any TDS shortfall. (India Briefings , n.d.)

Tax Filing and Compliance

- ITR Filing Deadline:
  - July 31 for individuals.
  - October 31 for audited businesses.
- Penalty for Late Filing: ₹1,000 to ₹5,000

2.2: Tax System for Individuals in Australia

Australia has a progressive tax system and it also charges other levies on its tax payers. The tax brackets for the tax rates had changed in the year 2012 – 2013 and have remained constant since. The following table shows the tax slabs with the tax rates in Australia.

Taxable income	Tax on this portion of income	Effective overall tax rate
$1 – $18,200	Nil	0%
$18,201 – $45,000	19c for each $1 over $18,200	0 – 11.32%
$45,001 – $120,000	$5,092 plus 32.5c for each $1 over $45,000	11.32 – 24.56%
$120,001 – $180,000	$29,467 plus 37c for each $1 over $120,000	24.56 – 28.70%
$180,001 and over	$51,667 plus 45c for each $1 over $180,000	28.70 – less than 45%

(Wikipedia , 2025)

Australia harshly charges its non-residents on the tax rates. They do not get a tax-free threshold and the rates become applicable to them right from the first dollar. The following table explains the tax rates for non-residents in Australia.

Taxable Income	Tax Rate
$0 - $120,000	32.5 %
$120,001 - $180,000	37 %
Over $180,000	45 %

Medicare Levy

When Medicare was introduced by the Hawke Labor government in February 1984, it was accompanied by a Medicare levy to help fund it. The levy was set at 1% of personal taxable income and applied to all but the lowest income-earning tax-payers.

Progressively, it went on increasing and currently, tax payers are required to pay 2% Medicare levy on their total taxable income.

Individuals earning less than $24,276 (or $38,365 for families) may be exempt or pay a reduced rate.

The Medicare Levy Surcharge (MLS) applies to high-income earners without private health insurance. Singles earning over $93,000 and families earning over $186,000 pay an additional 1% to 1.5%.

Deductions and Offsets

Deductions –

Australian taxpayers can claim deductions for expenses related to earning income. Some common deductions include:

- Work-related expenses (e.g., uniforms, travel, tools)
- Self-education expenses (if related to your current job)
- Home office expenses (for remote work)
- Donations to registered charities
- Investment-related deductions (e.g., interest on loans for investment properties)
- Superannuation contributions (for voluntary contributions)

(H&R Block, 2024)

Tax Offsets -

A tax offset is a reduction in the amount of tax an eligible taxpayer owes in a given income year. The Australian Taxation Office (ATO) offers various tax offsets to provide targeted assistance to different groups of taxpayers, encouraging certain behaviours or helping those in specific situations. (Wikipedia , 2025)

Tax Offsets can be obtained for the following –

- Low Income Tax Offset (LITO) (up to $700)
- Private Health Insurance Rebate
- Senior and Pensioner Tax Offset (SAPTO)
- Superannuation related tax offset
- Offset for maintaining an invalid carer
- Lump sum payment in arrears tax offsets (Australian Taxation Office, n.d.)

Capital Gains Tax (CGT)

Applies to profits from selling assets (e.g., real estate, shares).

Individuals receive a 50% discount on capital gains if the asset was held for more than 12 months.

The gain is added to taxable income and taxed at the individual's marginal tax rate. (Ranjitkar, 2024)

Superannuation

Employers must contribute 11% (as of 2023-24) of an employee's salary into superannuation (retirement savings).

Contributions up to $27,500 per year (before-tax contributions) are taxed at 15%. Withdrawals after age 60 from a taxed super fund are generally tax-free.

Filing Tax Return

Due Date: October 31 each year (unless using a tax agent).

Methods: Online via MyTax (ATO), using a registered tax agent, or paper lodgment.

Tax Refunds: Most Australians receive a tax refund within two weeks if lodging online.

Penalty: Starting from $313 (and increasing with time)

2.3 Case Study helping in understanding of the topic

- The following short case will help one in understanding the tax system for individual tax payers in India along with the deductions and total taxable income.

Rajiv Sharma, a 32-year-old software engineer from Bengaluru, earns an annual salary of ₹12,00,000. Rajiv makes use of the following deductions:

Section 80C: ₹1,50,000 (EPF, PPF, LIC premium)

Section 80D: ₹25,000 (Health insurance premium for self)

Section 24(b): ₹2,00,000 (Home loan interest)

Standard Deduction: ₹50,000

Hence his taxable income will be calculated as - 12,00,000−(1,50,000+25,000+2,00,000+50,000) = ₹8,75,000

Calculation of Total Tax Payable (as per Old Regime slabs):

₹2,50,000 – ₹5,00,000 → 5% = ₹12,500

₹5,00,000 – ₹8,75,000 → 20% = ₹75,000

Total Tax Before Cess = ₹87,500

Health & Education Cess (4%) = ₹3,500

Final Tax Payable = ₹91,000

- The following example will help in understanding the tax system for individuals in Australia.

Emily Roberts, a 30-year-old marketing manager from Sydney, earns an annual salary of AUD 90,000. Emily claims the following deductions:

Work-related expenses (home office, internet, laptop purchase) → AUD 2,000

Charitable donations → AUD 500

Self-education expenses (course fees) → AUD 1,500

Calculation of total tax payable:

Total taxable income: 90,000−4,000=86,000

Tax Calculation as per slabs:

$0 – $18,200 → $0

$18,201 – $45,000 → $5,092

$45,001 – $86,000 → 32.5% of $41,000 = $13,325

Total Tax Before Medicare Levy = $18,417

Calculation of Medicare Levy: 86,000×2%=1,720

Total Tax Payable: $18,417 + $1,720 = $20,13

3. Interpretation

India and Australia both have a progressive tax system wherein individual with a higher income pay higher taxes. However, both these countries differ in their tax system for individuals based on factors such as the deductions, tax slabs, tax offsets, etc. The following points will aid in understanding how the tax systems for individuals of both the countries differ.

1. **Tax Slabs**
   - India offers two tax regimes – old and new – for its citizens to choose from. While the old regime has more deductions, the new regime allows for more relaxed tax rates.
   - In contrast to this, Australia follows a single tax system.
   - Australia has a higher tax-free limit than India ($18,200 = Rs. 10 lakhs) as compared to India's 2.5 lakhs and 3 lakhs limits.

2. **Tax Free Threshold**

Country	Tax-Free Income (for Residents)
India	₹2.5 lakh (Old Regime) / ₹3 lakh (New Regime)
Australia	AUD 18,200 (~₹10 lakh)

Through the above table we can conclude that Australia offers a higher tax-free limit as compared to India.

3. **Deductions and Exemptions**

India offers deductions under Section 80C and 24B under the old tax regime. This includes deductions such as Investments in PPF, EPF, LIC, ELSS, NSC under 80C, Medical Insurance under 80D, Education loan interest under 80E, Home loan interest till Rs. 2 lakhs as per 24B. However, India does not offer work related expenses as deductions which Australia does.

Australia does not offer any structured deductions like 80C, however, it offers deductions for work related expenses, work from home expenses, office clothing expenses, self – education expenses and investment property deductions.

India provides a more structured approach to deductions as compared to Australia. On the other hand, Australia allows work related deductions which are not covered in India.

4. **Levies for Medicare**

Country	Health-Related Tax	Rate
India	Health & Education Cess	4% on total tax
Australia	Medicare Levy	2% on taxable income

Apart from the above table, Australia also charges (1 to 1.5%) extra to high income earners without a private medical insurance cover. Australia's Medicare levy is separately charges while India includes it as a cess.

5. **Capital Gains Tax**

Country	Short-Term CGT	Long-Term CGT
India	15% (Stocks, <1 year); as per slab (Property, Gold)	10% (Stocks, >₹1 lakh); 20% (Other assets, with indexation)
Australia	As per income slab	50% discount if held >1 year

In Australia, Capital gains are charges as per the income slab. Additionally, a 50% discount is given in case of assets held over a year. For e.g. if you're in the 32.5% tax bracket, you'd pay 16.25% on the discounted gain.

On the other hand, India charges a fixed capital tax rate on short term as well as long term gains and does not offer any discounts like Australia.

6. Retirement and Superannuation Tax

Country	Retirement Fund Taxation
India	EPF, PPF, NPS (Tax-free withdrawals after maturity)
Australia	Superannuation (15% tax on contributions, tax-free after 60 years)

In India, the contributions to EPF and PPF are completely tax free, however in Australia, the contributions attract taxes.

7. Surcharge on High-Income Earners

Country	Income Threshold	Surcharge
India	₹50 lakh - ₹1 crore	10%
India	₹1 crore - ₹2 crore	15%
India	₹2 crore - ₹5 crore	25%
India	₹5 crore+	37% (capped at 25%)
Australia	No surcharge, but 45% tax on >AUD 180,000	-

India charges an extra tax to high income earners while Australia does not.

8. Advance Tax

Unlike India, where individuals need to pay some amount of tax beforehand if their tax liability exceeds Rs. 10,000, Australia follows a PAYG (Pay as you go) system of paying taxes. This functions similar to TDS, where the employer deducts a portion of the employee's tax and remits it to the Australian Taxation Office (ATO). However, the only difference is that this system is also followed for businesses and self-employed individuals.

9. **Tax for Non-Residents**

Country	**Tax-Free Limit for Non-Residents**	**Tax Rate**
India	₹2.5 lakh	Same as residents
Australia	No tax-free limit	32.5% from first dollar

From this we can state that India provides a basic tax-free limit to its non - resident tax payers while Australia charges tax from non – residents from the first dollar itself.

10. **Tax filing and compliance**

Country	**Tax Filing Due Date**	**Penalty for Late Filing**
India	July 31 (Individuals)	₹1,000 - ₹5,000
Australia	October 31	$313+ (increases over time)

From this table, we can conclude that India charges lower penalties than Australia for non-payment of taxes on time.

Conclusion

India and Australia, are both countries who value their tax payer's pockets and have thus opted for progressive tax systems. The detailed study and comparison of the tax systems for individual tax payers in both the countries bring to surface a lot of differences in tax structures, exemptions, and compliance mechanisms. While India provides flexibility to its citizens to choose between the tax systems, Australia prefers to keep their system simple and easy to follow. India offers much more tax saving avenues (old tax regime) as compared to Australia who values offering a higher tax-free threshold and work-related deductions. Similarly, differences are also observed in the way the countries collect taxes for healthcare, capital gains and advance tax.

Looking forward, both the countries are considering reforms to make their tax systems simpler and improve the compliance. India is considering further rationalization of GST rates and modifications to shift tax payers to the new tax system. Additionally, the Indian government has been discussing the introduction of a lower and more uniform capital gains tax structure to simplify taxation on different asset classes. India has thus introduced the Income Tax Bill 2025 to carry out some changes to the existing bill.

Speaking of Australia, the tax brackets are being reviewed to adjust to the level of inflation. They are also in the talks of lowering the income tax rates for middle income earners as majority of the tax payers fall in this category. The superannuation tax system is also under scrutiny, with proposals to increase taxes on high-value retirement accounts.

The ongoing reforms in both the countries aim to simplify the tax collection and compliance for tax payers in both the countries. These tax reforms are sure to increase the effectiveness of the current tax systems.

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Title:Basics of Income Tax for Beginners - ClearTax

Jun 14, 2024 · Deductions are allowed under Section 80 of the Income Tax Act (Section 80C to 80U). However, in 2020, the government introduced two tax regimes in India: The old tax regime and the new tax regime. The percentage of income tax that you pay on your total income differs under the old and the new tax regime.

https://cleartax.in/s/income-tax-basics-for-beginners

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8% Plagiarism	
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Words	980
Characters	5868
Sentences	59
Paragraphs	76
Read Time	5 minute(s)
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Rebate under Section 87A

Section 87A deals with rebate to tax payers in India to provide them some relief from the total tax payable. (Surana, 2024)

Rebate to resident individual paying tax under new tax regime

If an individual's total income does not exceed ₹7,00,000, they are eligible for a rebate equal to either the income tax payable for the assessment year or ₹25,000, whichever is lower. (Surana, 2024)

Rebate to a resident individual paying tax under old tax regime

If the total income does not exceed ₹5,00,000, the rebate amount will be the income tax payable or ₹12,500, whichever is lower. (Surana, 2024)

Surcharge and Cess

As per the new tax regime, the following rates of surcharge are applicable:

- 25 percent when the income goes beyond 20 million Rs.
- 15 percent where total income goes beyond 10 million Rs but does not cross 20 million Rs.
- 10 percent where total income exceeds INR 5 million but does not exceed INR 10 million (India Briefings , n.d.)

As per the old tax regime, the following rates of surcharge are applicable:

- 37% for income exceeding ₹5 crore
- 25% for income between ₹2 crore and ₹5 crore
- 15% for income between ₹1 crore and ₹2 crore
- 10% for income between ₹50 lakh and ₹1 crore

A health and education cess at 4% is also applicable on total tax liability.

Capital Gains Tax (CGT)

- Short-Term Capital Gains (STCG) -
  - 15% on listed shares if sold within one year.
  - Taxed as per slab rate for other assets. (Surana, 2024)
- Long-Term Capital Gains (LTCG)
  - 10% on gains above ₹1 lakh (for listed shares).
  - 20% with indexation for real estate and other assets. (Surana, 2024)

Advance Tax

Advance tax must be paid during the financial year if the total tax liability amounts to ₹10,000 or more. However, resident senior citizens (aged 60 years or above) who do not have income from a business or profession are exempt from paying advance tax. Salaried individuals are also subject to advance tax but typically do not need to pay it separately, as their employers deduct Tax Deducted at Source (TDS) from their salaries. Nevertheless, they may still be required to pay advance tax on additional income sources such as

dividends, interest, rental income, or any TDS shortfall. (India Briefings , n.d.)
Tax Filing and Compliance
• ITR Filing Deadline:

- July 31 for individuals.
- October 31 for audited businesses.

• Penalty for Late Filing: ₹1,000 to ₹5,000

2.2: Tax System for Individuals in Australia

Australia has a progressive tax system and it also charges other levies on its tax payers. The tax brackets for the tax rates had changed in the year 2012 – 2013 and have remained constant since. The following table shows the tax slabs with the tax rates in Australia.

Taxable income	Tax on this portion of income	Effective overall tax rate
$1 – $18,200	Nil	0%
$18,201 – $45,000	19c for each $1 over $18,200	0 – 11.32%
$45,001 – $120,000	$5,092 plus 32.5c for each $1 over $45,000	11.32 – 24.56%
$120,001 – $180,000	$29,467 plus 37c for each $1 over $120,000	24.56 – 28.70%
$180,001 and over	$51,667 plus 45c for each $1 over $180,000	28.70 – less than 45%

(Wikipedia , 2025)
Australia harshly charges its non-residents on the tax rates. They do not get a tax-free threshold and the rates become applicable to them right from the first dollar. The following table explains the tax rates for non-residents in Australia.

Taxable Income	Tax Rate
$0 - $120,000	32.5 %
$120,001 - $180,000	37 %
Over $180,000	45 %

Medicare Levy
When Medicare was introduced by the Hawke Labor government in February 1984, it was accompanied by a Medicare levy to help fund it. The levy was set at 1% of personal taxable income and applied to all but the lowest income-earning tax-payers.
Progressively, it went on increasing and currently, tax payers are required to pay 2% Medicare levy on their total taxable income.
Individuals earning less than $24,276 (or $38,365 for families) may be exempt or pay a reduced rate.
The Medicare Levy Surcharge (MLS) applies to high-income earners without private health insurance. Singles earning over $93,000 and families earning over $186,000 pay an additional 1% to 1.5%.
Deductions and Offsets
Deductions –
Australian taxpayers can claim deductions for expenses related to earning income. Some common deductions include:

- Work-related expenses (e.g., uniforms, travel, tools)
- Self-education expenses (if related to your current job)
- Home office expenses (for remote work)
- Donations to registered charities
- Investment-related deductions (e.g., interest on loans for investment properties)
- Superannuation contributions (for voluntary contributions)

(H&R Block, 2024)
Tax Offsets -
A tax offset is a reduction in the amount of tax an eligible taxpayer owes in a given income year. The Australian Taxation Office (ATO) offers various tax offsets to provide targeted assistance to different groups of taxpayers, encouraging certain behaviours or helping those in specific situations. (Wikipedia , 2025)
Tax Offsets can be obtained for the following –

- Low Income Tax Offset (LITO) (up to $700)
- Private Health Insurance Rebate
- Senior and Pensioner Tax Offset (SAPTO)

- Superannuation related tax offset
- Offset for maintaining an invalid carer
- Lump sum payment in arrears tax offsets (Australian Taxation Office, n.d.)

Capital Gains Tax (CGT)

Applies to profits from selling assets (e.g., real estate, shares).

Individuals receive a 50% discount on capital gains if the asset was held for more than 12 months.

The gain is added to taxable income and taxed at the individual's marginal tax rate. (Ranjitkar, 2024)

Superannuation

Employers must contribute 11% (as of 2023-24) of an employee's salary into superannuation (retirement savings).

Contributions up to $27,500 per year (before-tax contributions) are taxed at 15%. Withdrawals after age 60 from a taxed super fund are generally tax-free.

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Similarity 67%

Title:cleartax.in · s · income-tax-basics-for-beginnersBasics of Income Tax for Beginners - ClearTax

Jun 14, 2024 · Rebate to resident individual paying tax under New tax regime If total income of such individual does not exceed Rs.7,00,000, the rebate shall be equal to the amount of income-tax payable on his total income for any assessment year or an amount of Rs.25,000, whichever is less.

https://cleartax.in/s/income-tax-basics-for-beginners

Similarity 12%

Title:www.livemint.com · money · personal-financeAssess new surcharge tax from equity gains - Mint

Oct 8, 2019 · After enhancing the surcharge rates further in the last budget, there are now four surcharge rates based on income slabs—10% for those with total taxable income between ₹ 50 lakh and ₹...

https://www.livemint.com/money/personal-finance/assess-new-surcharge-tax-from-equity-gains-11570528694081.html

Similarity 5%

Title:What is a Tax Offset? [Explained With Example] - Taxly.ai

Aug 8, 2023 · The Australian Taxation Office (ATO) offers various tax offsets to provide targeted assistance to different groups of taxpayers, encouraging certain behaviours or helping those in specific situations. Example of Tax Offset: Sarah, a freelance graphic designer earns a total income of $45,000/year.

https://taxly.ai/tax-advice/what-is-a-tax-offset

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100% Unique	

Words	745
Characters	4503
Sentences	49
Paragraphs	50
Read Time	4 minute(s)
Speak Time	5 minute(s)

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India and Australia both have a progressive tax system wherein individual with a higher income pay higher taxes. However, both these countries differ in their tax system for individuals based on factors such as the deductions, tax slabs, tax offsets, etc. The following points will aid in understanding how the tax systems for individuals of both the countries differ.

1. Tax Slabs

• India offers two tax regimes – old and new – for its citizens to choose from. While the old regime has more deductions, the new regime allows for more relaxed tax rates.

• In contrast to this, Australia follows a single tax system.

• Australia has a higher tax-free limit than India ($18,200 = Rs. 10 lakhs) as compared to India's 2.5 lakhs and 3 lakhs limits.

2. Tax Free Threshold

Country Tax-Free Income (for Residents)

India ₹2.5 lakh (Old Regime) / ₹3 lakh (New Regime)

Australia AUD 18,200 (~₹10 lakh)

Through the above table we can conclude that Australia offers a higher tax-free limit as compared to India.

3. Deductions and Exemptions

India offers deductions under Section 80C and 24B under the old tax regime. This includes deductions such as Investments in PPF, EPF, LIC, ELSS, NSC under 80C, Medical Insurance under 80D, Education loan interest under 80E, Home loan interest till Rs. 2 lakhs as per 24B. However, India does not offer work related expenses as deductions which Australia does.

Australia does not offer any structured deductions like 80C, however, it offers deductions for work related expenses, work from home expenses, office clothing expenses, self – education expenses and investment property deductions.

India provides a more structured approach to deductions as compared to Australia. On the other hand, Australia allows work related deductions which are not covered in India.

4. Levies for Medicare

Country Health-Related Tax Rate

India Health & Education Cess 4% on total tax

Australia Medicare Levy 2% on taxable income

Apart from the above table, Australia also charges (1 to 1.5%) extra to high income earners without a private medical insurance cover. Australia's Medicare levy is separately charges while India includes it as a cess.

5. Capital Gains Tax

Country	Short-Term CGT	Long-Term CGT
India	15% (Stocks, <1 year); as per slab (Property, Gold)	10% (Stocks, >₹1 lakh); 20% (Other assets, with indexation)
Australia	As per income slab	50% discount if held >1 year

In Australia, Capital gains are charges as per the income slab. Additionally, a 50% discount is given in case of assets held over a year. For e.g. if you're in the 32.5% tax bracket, you'd pay 16.25% on the discounted gain. On the other hand, India charges a fixed capital tax rate on short term as well as long term gains and does not offer any discounts like Australia.

6. Retirement and Superannuation Tax

Country	Retirement Fund Taxation
India	EPF, PPF, NPS (Tax-free withdrawals after maturity)
Australia	Superannuation (15% tax on contributions, tax-free after 60 years)

In India, the contributions to EPF and PPF are completely tax free, however in Australia, the contributions attract taxes.

7. Surcharge on High-Income Earners

Country	Income Threshold	Surcharge
India	₹50 lakh - ₹1 crore	10%
India	₹1 crore - ₹2 crore	15%
India	₹2 crore - ₹5 crore	25%
India	₹5 crore+	37% (capped at 25%)
Australia	No surcharge, but 45% tax on >AUD 180,000	-

India charges an extra tax to high income earners while Australia does not.

8. Advance Tax

Unlike India, where individuals need to pay some amount of tax beforehand if their tax liability exceeds Rs. 10,000, Australia follows a PAYG (Pay as you go) system of paying taxes. This functions similar to TDS, where the employer deducts a portion of the employee's tax and remits it to the Australian Taxation Office (ATO). However, the only difference is that this system is also followed for businesses and self-employed individuals.

9. Tax for Non-Residents

Country	Tax-Free Limit for Non-Residents	Tax Rate
India	₹2.5 lakh	Same as residents
Australia	No tax-free limit	32.5% from first dollar

From this we can state that India provides a basic tax-free limit to its non - resident tax payers while Australia charges tax from non – residents from the first dollar itself.

10. Tax filing and compliance

Country	Tax Filing Due Date	Penalty for Late Filing
India	July 31 (Individuals)	₹1,000 - ₹5,000
Australia	October 31	$313+ (increases over time)

From this table, we can conclude that India charges lower penalties than Australia for non-payment of taxes on time.

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100% Unique	

Words	294
Characters	1849
Sentences	14
Paragraphs	4
Read Time	2 minute(s)
Speak Time	2 minute(s)

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India and Australia, are both countries who value their tax payer's pockets and have thus opted for progressive tax systems. The detailed study and comparison of the tax systems for individual tax payers in both the countries bring to surface a lot of differences in tax structures, exemptions, and compliance mechanisms. While India provides flexibility to its citizens to choose between the tax systems, Australia prefers to keep their system simple and easy to follow. India offers much more tax saving avenues (old tax regime) as compared to Australia who values offering a higher tax-free threshold and work-related deductions. Similarly, differences are also observed in the way the countries collect taxes for healthcare, capital gains and advance tax.

Looking forward, both the countries are considering reforms to make their tax systems simpler and improve the compliance. India is considering further rationalization of GST rates and modifications to shift tax payers to the new tax system. Additionally, the Indian government has been discussing the introduction of a lower and more uniform capital gains tax structure to simplify taxation on different asset classes. India has thus introduced the Income Tax Bill 2025 to carry out some changes to the existing bill.

Speaking of Australia, the tax brackets are being reviewed to adjust to the level of inflation. They are also in the talks of lowering the income tax rates for middle income earners as majority of the tax payers fall in this category. The superannuation tax system is also under scrutiny, with proposals to increase taxes on high-value retirement accounts.

The ongoing reforms in both the countries aim to simplify the tax collection and compliance for tax payers in both the countries. These tax reforms are sure to increase the effectiveness of the current tax systems.

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