

Income Tax

Resident Income Tax Rates

2007/08

Taxable Income	Tax rate %*
\$0 - \$6,000	0%
\$6,001 - \$30,000	15% of excess over \$6,000
\$30,001 - \$75,000	\$3,600 + 30% of excess over \$30,000
\$75,001 - \$150,000	\$17,100 + 40% of excess over \$75,000
\$150,001 +	\$47,100 + 45% of excess over \$150,000

2008/09

Taxable Income	Tax rate %*
\$0 - \$6,000	0%
\$6,001 - \$34,000	15% of excess over \$6,000
\$34,001 - \$80,000	\$4,200 + 30% of excess over \$34,000
\$80,001 - \$180,000	\$18,000 + 40% of excess over \$80,000
\$180,001 +	\$58,000 + 45% of excess over \$180,000

*Excludes Medicare

Termination Payments

Unused annual leave - resignation or retirement

Period of Accrual	Assessable Portion	Tax rate (ex Medicare)
Pre 18 August 1993	100%	Maximum of 30%
Post 18 August 1993	100%	Marginal tax rate

Unused annual leave - genuine redundancy

Period of Accrual	Assessable Portion	Tax rate (ex Medicare)
Full period	100%	Maximum of 30%

Unused long service leave - resignation or retirement

Period of Accrual	Assessable Portion	Tax rate (ex Medicare)
Pre 16 August 1978	5%	Marginal rates
16 August 1978 to 17 August 1993 *	100%	Maximum of 30%
Post 17 August 1993	100%	Marginal rates

* for genuine redundancy this rate applies to entire post 16 Aug 1978 period

Tax free portion of genuine redundancy payments

\$7,350 plus \$3,676 for each completed year of service is tax free.

Non Resident Income Tax Rate

2008/09

Taxable Income	Tax rate *
\$0 - \$34,000	29%
\$34,001 - \$80,000	\$9,860 + 30% of excess over \$34,000
\$80,001 - \$180,000	\$23,660 + 40% of excess over \$80,000
\$180,001 +	\$63,660 + 45% of excess over \$180,000

*Excludes Medicare

Medicare Levy Thresholds (2008/09)

Taxpayer	Lower threshold
Individual	\$17,309
Family	\$29,207*
Pensioner who qualifies for pension offset	\$22,922
Pensioner who qualifies for SATO	\$28,867

Medicare Surcharge

Single Income	Family Income **	Surcharge Rate
\$100,000	\$150,000	1.0%

If taxable income is below these thresholds no Medicare levy / surcharge is payable

* add \$2,682 per dependant child

** Family threshold used where a spouse(s) has income above individual level but family income below family threshold.

Tax Offsets

Senior Australians Tax Offset (SATO)

2008/09

Payable to persons of age pension age

Family situation	Maximum SATO	Lower threshold	Cut off point
Single	\$2,230	\$28,867	\$46,707
Couple (each)*	\$1,602	\$24,680	\$37,496*

* No SATO is available where the combined taxable income of a couple exceeds \$74,992

Low Income Tax Offset

Maximum offset is \$1,200, and is available for income up to \$30,000.

No offset where income is \$60,000 or over.

Offset is calculated as:

$$\text{Taxable income} - \$30,000 = A$$

$$A \times 0.04 = B$$

$$\text{Offset} = \$750 - B$$

Mature Age Tax Offset (MAWTO)

Payable to persons aged 55 or more

Net working income	Available MATO
Less than \$10,000	5 cents per dollar up to \$10,000
\$10,001 - \$53,000	\$500
\$53,001 - \$63,000	\$500 reduced by 5 cents for every dollar over \$53,000
Over \$63,001	\$0

Superannuation

Taxation of Lump Sum Payments

Age	Component	Taxation *
Under preservation age	Tax free	Nil
	Taxable	20%
Over preservation age but below 60	Tax free	Nil
	Taxable	0 - \$145,000 Nil \$145,0001 + 15%
Over 60	All	Nil

* Assumes payment is made from a taxed fund. Untaxed funds (e.g. public sector super funds) have higher tax rates.

Taxation of Income Stream Payments

For super income streams commenced prior to 1 July 2007, the previously calculated deductible (tax-free) amount will continue.

For super income streams commenced from 1 July 2007, the annual deductible (tax-free) amount is calculated as follows:

$\frac{\text{Original tax free component of income stream}}{\text{Original purchase price of income stream payment}} \times \text{annual pension}$

The taxable component of a super income stream is taxed at the member's marginal rate, subject to the following tax offset arrangements:

Age	When paid from a taxed fund
Under 55	No tax offset available
55 - 60	15% tax offset on taxable portion
60 or above	Taxable portion becomes tax free

Tax on Death Benefit Payments

Type of beneficiary	Tax free component	Taxable component
Dependant	Nil	Nil
Non-dependant	Nil	15%

Contribution Limits

Concessional contributions (tax-deductible) *

Age	Annual concessional contributions cap
Less than 50	\$50,000
50 or over	\$100,000

Non-concessional contributions (undeducted, after tax)

\$150,000 per person per year
If under age 65, a member can contribute up to \$450,000 which averages the annual cap over a 3 year period.

* The following amounts will count towards a member's concessional contributions cap:

- super guarantee (SG) contributions
- employer contributions
- salary sacrifice contributions
- personal deducted contributions
- the amount of directed termination payments in excess of \$1,000,000
- excessive allocations from reserve accounts in a super fund

Superannuation Guarantee (SG)

Current SG rate	9%
Maximum contribution base	\$38,180 per quarter (\$152,720 pa)

Preservation Age

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 1 July 1964	60

Reasonable Benefit Limits (RBLs)

RBLs do not apply to lump sum/pension payments taken after 1 July 2007

Conditions of Release

Condition	Benefits available
Retirement after age 55	All
Death	All
Permanent incapacity	All
Temporary incapacity	All in the form of a non-commutable income stream
Temporary resident departure	All as a single lump sum
Preserved benefits < \$200	All
Severe financial hardship	Single lump sum up to \$10,000
Attaining age 55 & still working	All in the form of a non-commutable income stream
Attaining age 65	All

Government co-contribution

Total income	Maximum co-contribution
Less than \$30,342	\$1,500
\$30,342 - \$60,341	\$1,500 - [(\$60,341 - total income) x 0.05]
\$60,341 or more	Nil

To be eligible for a co-contribution a member must:

- make a personal after-tax contribution to super
- lodge an income tax return for the year
- be under age 71 at the end of the financial year
- be a permanent resident
- receive at least 10% of total income (assessable income plus reportable fringe benefits) from employment or self-employment

Contributing to Super

Eligibility to contribute

Under 65	no restrictions
65 - 69	personal contributions allowed when member is gainfully employed at least 40 hours in 30 days in the financial year the contribution is made OR contributions under an award or SG contributions
70 - 74	personal contributions allowed when member gainfully employed (at least 40 hours in 30 days) in the financial year the contribution is made OR contributions made under an award
75 +	contributions made under an award

Retirement Income Streams

Life Expectancy Factors (2000/2002)

Age	Male	Female	Age	Male	Female
55	25.92	29.91	68	15.48	18.67
56	25.05	29.00	69	14.78	17.87
57	24.19	28.10	70	14.08	17.08
58	23.34	27.21	71	13.41	16.29
59	22.49	26.32	72	12.75	15.53
60	21.66	25.44	73	12.11	14.78
61	20.84	24.57	74	11.50	14.05
62	20.04	23.71	75	10.90	13.33
63	19.24	22.85	76	10.32	12.63
64	18.46	22.00	77	9.77	11.94
65	17.70	21.15	78	9.24	11.27
66	16.95	20.32	79	8.73	10.61
67	16.21	19.49	80	8.24	9.98

Account Based Pension * Payment Rates

Age at 1 July	Minimum percentage payment
Under 65	4%
65 - 74	5%
75 - 79	6%
80 - 84	7%
85 - 89	9%
90 - 94	11%
95 +	14%

*previously called Allocated Pensions

The minimum annual payment is re-calculated each year as follows
Minimum percentage payment x account balance.

Maximum payments will only apply for transition to retirement income streams, where the maximum payment is 10% of the account balance.

Taxation of Superannuation Pensions

For super income streams commenced prior to 1 July 2007, the previously calculated deductible amount will continue.

For super income streams commenced from 1 July 2007, the annual deductible (tax free) amount is calculated as follows:

$$\frac{\text{Tax free component}}{\text{Total Balance}} \times \text{annual payment}$$

The taxable component of a super income stream is taxed at the member's marginal rate, subject to the following tax offset:

Age of member	Offset when paid from a taxed fund
Below preservation age	No tax offset available
At or above preservation age but below age 60	15% offset on taxable portion
Age 60 or above	Taxable portion becomes tax free

Taxation of earnings

Earnings on pension accounts are tax free within the super fund.

Term Allocated Pensions

Payment factors *

Term	Factor	Term	Factor	Term	Factor
30	18.39	20	14.21	10	8.32
29	18.04	19	13.71	9	7.61
28	17.67	18	13.19	8	6.87
27	17.29	17	12.65	7	6.11
26	16.89	16	12.09	6	5.33
25	16.48	15	11.52	5	4.52
24	16.06	14	10.92	4	3.67
23	15.62	13	10.30	3	2.80
22	15.17	12	9.66	2	1.90
21	14.70	11	9.00	1	1.00

* The annual payment for a TAP is calculated by dividing the account balance at 1 July (or commencement) by the payment factor for the term remaining. This annual payment can then be varied by +/- 10%.

Selecting the term

The term of a Term Allocated Pension (TAP) can be selected from a specified range. The eligible term must be between

- the number of years until the pensioner reaches age 100
- the life expectancy of the pensioner

The pensioner can select any term within this range – only whole years can be selected.

Where the TAP has been established as reversionary to a spouse and the spouse has a longer life expectancy, the spouse's age is used in calculating the term of the TAP.

The term is also used as the Relevant Number (RN).

Term reduction

Every 1 July the term is reduced by one year, the exception being when a TAP was commenced after 30 December. In this case, the term will not reduce on the first 1 July however it will reduce on every subsequent 1 July.

Social Security Concessions

Income stream	Income test	Assets test
Account based pensions	$P/A - \frac{PP-CA-RCV}{RN}$	Account balance
Complying pensions *	$P/A - \frac{PP-CA-RCV}{RN}$	Until 19 September 2007 - $50\% \times [PP - \frac{PP \times ET}{RN}]$ From 20 September 2007 - Entire account balance

- Complying as defined by superannuation legislation
- 100% assets test exempt if purchased before 20 Sep 2004
- 50% of account balance for Term Allocated Pensions commenced prior to 19 Sep 2007
- No asset test exemption if purchased after 19 Sep 2007

Legend

P/A – Pension or Annuity Payment	RCV - Residual Capital Value
PP – Purchase Price	ET – Elapsed Term
CA – Commuted Amounts	RN – Relevant Number at commencement

Age Pension Rates

Maximum age pension rates (inc Pharmaceutical Allowance)

Family situation	Per fortnight	Per year
Single	\$552.60	\$14,368
Couple (each)	\$459.70	\$11,952

Rates are indexed in March and September
Additional allowances such as telephone, utilities and seniors concession payments are in addition to the above rates

Assets Test (from 1 July 2008)

Homeowner

	Lower threshold – for full pension	Upper threshold – for part pension
Single	\$171,750	\$540,250
Couple (combined)	\$243,500	\$856,500

Non homeowner

	Lower threshold – for full pension	Upper threshold – for part pension
Single	\$296,250	\$664,750
Couple (combined)	\$368,000	\$981,000

- Couples have combined thresholds
- The age pension reduces by \$1.50 for every \$1,000 of assessable assets above the lower threshold. No pension is paid when assets exceed the upper threshold.
- These thresholds will be updated on 20 September 2008

Gifting and deprivation

Deprivation occurs when a person gifts or disposes of an asset without adequate financial consideration. Centrelink will allow a single person or married couple (combined) to gift up to \$10,000 per financial year and capped at \$30,000 over a rolling 5 year period without it being recorded as a deprived asset. Amounts gifted in excess of the limits will be assessed under the assets test and included as a financial investment under deeming for the income test for five years.

Age Pension for Men

Centrelink	65
DVA	60

Age Pension for Women

Date of birth	Eligible Age
Before 1 July 1944	Now
1 July 1944 to 31 December 1945	63 ^{1/2}
1 January 1946 to 30 June 1947	64
1 July 1947 to 31 December 1948	64 ^{1/2}
After 1 January 1949	65

Department of Veterans Affairs (DVA) pension age for women is age pension age less 5 years

Income Tests

Pensions

Family situation	For maximum age pension (pa)	For part age pension (pa)
Single	\$3,588	\$39,507
Couple (combined)	\$6,240	\$66,001

- Couples have combined thresholds
- For each \$1 above the lower threshold the reduction is
- 20 cents (couples), 40 cents (single)
- Thresholds are indexed in July each year

Deeming rates

Family situation	4.0% pa on first
Single	\$41,000
Pension couple (combined)	\$68,200
Non-pensioner couple (each)	\$34,100

- A deeming rate of 6.0% applies to financial investments above these thresholds

Summary of Social Security – Taxation and Tests

Payment name	Income test	Assets test	Taxable
Centrelink			
Age Pension	Yes	Yes	Yes
Carer Allowance (Adult)	No	No	No
Carer Allowance (Child)	No	No	No
Carer Payment	Yes	Yes	No ^o
Disability Support Pension	Yes	Yes	No ^o
Family Tax Benefit Part A	Yes	No	No
Family Tax Benefit Part B	Yes/No	No	No
Newstart Allowance	Yes	Yes	Yes
Parenting Payment	Yes	Yes	Yes
Partner Allowance*	Yes	Yes	Yes
Widow Allowance**	Yes	Yes	Yes
Dept. Veterans Affairs			
Disability Service Pension	No	No	No ^o
Income Support Supplement	Yes	Yes	Yes/No
Partner Service Pension	Yes	Yes	Yes ^{o#}
Service Pension	Yes	Yes	Yes
War Widow/er's Pension	No	No	No

^o unless applicable social security pension age or above

[#] taxable when paid to a former partner at any age

* no new grants or claims available

** no new claims after 1 July 2005 unless born prior to 1 July 1955

Disclaimer: This information is believed to be accurate at the date of completion, 22 July 2008. However, no warranty of accuracy is made. You should not act on this information without first seeking appropriate professional advice.