



Taxation, social security and family assistance for 2000-01

Introduction

This FaCS Sheet provides a guide to the taxation treatment of social security and family assistance payments. It describes which social security payments are to be included in an individual's taxable income (see Table 1), the various types of tax offsets and other forms of tax relief available to individuals to offset their tax liability, and the circumstances in which the Medicare Levy must be paid. Income tax rates are listed in Table 2.

Table 1: Taxable and non-taxable social security payments

These payments are taxable:	These payments are not taxable:
<ul style="list-style-type: none"> • Age Pension • Austudy • Bereavement Allowance • Carer Payment (<i>only if either the carer or the person being cared for is of Age Pension age.</i>) • Disability Support Pension (<i>only if the recipient is of Age Pension age</i>) • Education Entry Payment • Exceptional Circumstances Relief Payment, Restart Income Support or Farm Household Support - by way of grant of financial assistance (<i>formerly drought relief payments</i>) • Mature Age Allowance • Mature Age Partner Allowance (<i>if granted before 1 July 1996</i>) • Newstart Allowance • Parenting Payment • Partner Allowance • Sickness Allowance • Special Benefit • Widow Allowance • Widow Pension (class B) • Wife Pension (<i>if either the taxpayer or partner is of Age Pension age</i>) • Youth Allowance 	<ul style="list-style-type: none"> • Carer Payment (<i>if both carer and the person being cared for are under Age Pension age</i>) • Carer Allowance • Disability Support Pension (<i>for those recipients below Age Pension age</i>) • Disaster Relief Payments • Double Orphan Pension • Employment Entry Payment • Family Tax Benefit • Family Tax Benefit Advance • Incentive Allowance • Large Family Supplement • Maternity Allowance • Maternity Immunisation Allowance • Mobility Allowance • Multiple Birth Allowance • Pension Bonus Scheme • Pensioner Education Supplement • Pharmaceutical Allowance • Remote Area Allowance (<i>however, any income tax zone tax offset will be reduced by the amount of the allowance paid</i>) • Rent Assistance • Telephone Allowance • Wife Pension (<i>if both the pensioner and partner are below Age Pension age</i>)

Table 2: Income tax rates for 2000–01 (excluding Medicare Levy)

Taxable income	Tax on taxable income
\$0–6 000	Nil
\$6 001–20 000	Nil plus 17c for each \$1 over \$6 000
\$20 001–50 000	\$2 380 plus 30c for each \$1 over \$20 000
\$50 001–60 000	\$11 380 plus 42c for each \$1 over \$50 000
\$60 001 and over	\$15 580 plus 47c for each \$1 over \$60 000

Note:

Taxable income is assessable income less allowable deductions. Assessable income includes private income plus all other assessable items such as taxable social security payments. Private income is all income other than social security payments, such as superannuation, business income, income from employment, interest and dividends.

Family Tax Benefit (FTB)

FTB was introduced in July 2000 as part of A New Tax System. FTB is made up of FTB Part A and FTB Part B.

FTB Part A helps families with the costs of raising children. FTB Part A replaces Family Allowance and Family Tax Initiative Part A. FTB Part B provides extra help for families with one main income, including lone parents. FTB Part B replaces Family Tax Initiative Part B, Basic Parenting Payment, Guardian Allowance, Sole Parent Rebate and Dependent Spouse Rebate (with children).

Families have two choices in the way they claim their Family Tax Benefit:

1. through the Family Assistance Office, as either:
 - a fortnightly payment directly into their banking account; or
 - a lump sum after the end of the financial year.¹
2. through the tax system as a lump sum when they lodge a tax return.
 - In addition, a family can anticipate the end-of-year tax claim through reduced Pay As You Go (PAYG) taxation withholdings from their wages, by providing their employer with a withholding declaration. (They would also need to lodge an FTB tax claim with their tax return.)

For a full description of rates and income limits see *A Guide to Commonwealth Government Payments* for 20 March to 30 June 2001, and the Family Assistance Office booklet *Your Family's Guide to our Services*.

Tax offsets (formerly called tax rebates)

Beneficiary tax offset

The beneficiary tax offset is generally available to recipients of taxable social security payments that are not pensions. The benefits included are Widow Allowance, Newstart Allowance, Mature Age Allowance (granted after 1 July 1996), Sickness Allowance, Special Benefit, Partner Allowance, Youth Allowance, Austudy and the taxable component of Parenting Payment (partnered). The tax offset is calculated using the following formula:

(i) if the person's benefit amount is not more than \$20 000:

$$\text{Beneficiary tax offset} = 0.17x (\text{amount of benefit or allowance received} - \text{tax free threshold})$$

(ii) if the person's benefit amount is more than \$20 000:

$$\text{Beneficiary tax offset} = (\text{The same formula as above}) \text{ PLUS } 0.13x (\text{amount of benefit or allowance received} - \$20\,000)$$

If the amount of benefit/allowance received in the financial year is less than the tax free threshold then no beneficiary tax offset is available.

Senior Australians tax offset

The Senior Australians tax offset is available for residentially qualified persons of Age Pension age (65 for male and 61.5 for female in 2000–01) who are not in prison for the whole of the year and who meet an income threshold condition. The income threshold condition for a single person is a taxable income of less than \$37 840; for a member of a couple it is combined taxable income of that person and their spouse of less than \$58 244, or less than \$70 404 if separated due to illness.

	Maximum tax offset amount	Shade-out threshold (a)	Taxable income above which tax becomes payable	Cut-out threshold (b)
Single	2 230	20 000	20 000	37 840
Couple (c)				
General	1 602	16 306	16 306	29 122
living apart due to illness or infirmity	2 040	18 882	18 882	35 202

¹ *Your Family's Guide to Our Services* has information on how to claim a lump sum through the Family Assistance Office.

Notes:

(a) The shade-out threshold is the maximum taxable income at which a person entitled to the Senior Australians tax offset receives the maximum tax offset amount. The tax offset reduces by 12.5 cents for each dollar of taxable income in excess of the shade-out threshold. The Senior Australian tax offset shade-out threshold also allows for the low-income tax offset.

(b) The cut-out threshold is the level of taxable income where the Senior Australians tax offset is reduced to nil.

(c) Any unused portion of the Senior Australians tax offset of a partnered person can be transferred to his or her partner if they are eligible for Senior Australians or pensioner tax offset.

Pensioner tax offset

The pensioner tax offset is available to people who receive Commonwealth Government pensions or allowances and who are not eligible to receive the Senior Australians tax offset. Generally, it is those persons who have not reached pension age within the meaning of the “Social Security Act 1991”. The tax offset does not apply to pensions that are not taxable.

Table 5: Pensioner tax offset (generally for pensioners under Age Pension age) (\$ per annum)

	Maximum tax offset amount	Shade-out threshold (a)	Taxable income above which tax becomes payable (b)	Cut-out threshold (c)
Single	1 608	15 459	15 970	28 323
Couple (d)				
General	1 155	12 795	13 305	22 035
Living apart due to illness or infirmity(e)	1 471	14 653	15 164	26 421

Notes:

(a) The shade-out threshold is the maximum taxable income at which pensioners eligible for the pensioner tax offset will receive the maximum tax offset amount. The tax offset reduces by 12.5 cents for each dollar of taxable income in excess of the shade-out threshold. The pensioner tax offset shade-out threshold does not allow for the low-income tax offset.

(b) These figures show the taxable income above which tax liability exceeds the sum of the pensioner and low-income tax offset.

(c) The cut-out threshold is the level of taxable income where the pensioner tax offset is reduced to nil.

(d) Any unused portion of the pensioner tax offset of a partnered pensioner can be transferred to his or her partner if they are eligible for the pensioner or Senior Australians tax offset.

(e) Pensioner couples separated because of illness receive the (higher) single rate of payment but the same income test free area as other pensioner couples. Therefore, the tax offset level for this category is higher than the level for pensioner couples not separated because of illness but lower than that for single pensioners.

Personal tax offsets

Some recipients of social security payments are eligible for certain personal tax offsets in addition to the two previous mentioned tax offsets (see Table 6). Eligibility for personal tax offsets and the amount of tax offset actually received depend on individual circumstances and the amount of private income received during the financial year.

Table 6: Personal tax offsets also available to eligible recipients of social security payments (\$ per annum)

Tax offset type	Maximum tax offset amount	Taxable income above which tax becomes payable (a)
Dependent spouse (legal/de facto)		
With no dependent child/student	1 365 (b)	14 029
Child-housekeeper		
With no dependent child/student	1 365 (b)	14 029
With dependent child/student	1 637 (c)	15 629
Housekeeper caring for taxpayer's child, spouse receiving Disability Support Pension (legal/de facto) or relative		
With no dependent child/student	1 365 (b)	14 029
With dependent child/student (d)	1 637 (b)	15 629
Invalid relative	614 (b)	9 612
Parent/parent-in-law (including parent of de facto spouse)	1 227 (b)	13 218
Low income	150 (d)	6 882

Notes:

(a) The taxable income at which tax becomes payable refers to individual tax offsets in a particular row only, not to the combination of tax offsets that may be available. For instance, a recipient of Parenting Payment (single) may be entitled to claim a pensioner tax offset and a low-income tax offset, which would result in a higher income tax threshold (see Table 5, especially note (b)).

(b) Reduced by \$1 for every \$4 of the separate net income of the dependant that exceeds \$282.

(c) Entitlement to the spouse or child-housekeeper rebate is denied or reduced for periods when the taxpayer or the taxpayer's spouse is eligible for Family Tax Benefit Part B.

(d) Reduced by 4 cents for every dollar of taxable income in excess of \$20 700.

Medicare Levy

The Medicare Levy for 2000–01 is generally 1.5 per cent of taxable income. The levy is not payable where taxable income is less than the following Medicare levy thresholds (table 7).

Individuals eligible for Senior Australians tax offset (a)	20 000
Individuals eligible for pensioner tax offset (b)	15 970
Other individuals	13 807
Couple or sole parent eligible for Senior Australians tax offset	31 729
for each dependent child/student add	2 140
Other couples or sole parent	23 299
for each dependent child/student add	2 140

Notes:

(a) refer to page 2 for explanation of persons eligible for Senior Australians tax offset.

(b) refer to page 3 for explanation of persons eligible for pensioner tax offset.

The levy is phased in at the rate of 20 per cent of taxable income above the relevant threshold until the amount of the levy reaches 1.5 per cent of all taxable income. Full or partial exemption from the levy may be given to blind pensioners and recipients of Sickness Allowance for periods in which they were in receipt of the pension or allowance. An additional surcharge of 1 per cent applies to high-income earners who have not taken out private health insurance (singles without dependants earning \$50 000 or more a year and couples or singles with dependants earning \$100 000 or more a year, plus an additional \$1 500 for each dependent child after the first).

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This FaCS Sheet was prepared by the Modelling and Indexation Section.

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