



Taxation and social security for 1998–99

Introduction

This FaCS Sheet provides a guide to the taxation treatment of social security payments. It describes which social security payments are to be included in an individual’s taxable income (see Table 1), various forms of rebates or 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

<p>These payments are taxable:</p> <ul style="list-style-type: none"> • Age Pension • Austudy • Bereavement Allowance • Carer Payment (only if either the carer or the person being cared for is of Age Pension age) • Disability Support Pension (only if the recipient is of Age Pension age) • Education Entry Payment • Exceptional Circumstances Relief Payment, Restart Income Support or Farm Household Support - by way of grant of financial assistance (formerly drought relief payments) • Mature Age Allowance • Mature Age Partner Allowance (if granted before 1 July 1996) • Newstart Allowance • Parenting Payment (single) • Parenting Payment (partnered) (other than basic component) • Partner Allowance • Sickness Allowance • Special Benefit • Widow Allowance • Widow Pension (class B) • Wife Pension (if either the taxpayer or partner is of Age Pension age) • Youth Allowance 	<p>These payments are not taxable:</p> <ul style="list-style-type: none"> • Advance Pharmaceutical Allowance • Bereavement Payments (in some circumstances) • Carer Payment (if both carer and caree are of Age Pension age and caree receives a non-taxable pension) • Child Disability Allowance • Disability Support Pension (for those recipients not of Age Pension age) • Disaster Relief Payments • Double Orphan Pension • Employment Entry Payment • Family Allowance • Family Allowance Advance • Family Tax Payment • Guardian Allowance • Incentive Allowance • Maternity Allowance • Maternity Immunisation Allowance • Mobility Allowance • Multiple Birth Allowance • Parenting Payment (partnered) (basic component – any amounts received by taxpayer or spouse will reduce the Dependent Spouse Rebate) • Pharmaceutical Allowance • Rehabilitation Allowance • Remote Area Allowance (however, any income tax zone rebate will be reduced by the amount of the allowance paid) • Rent Assistance • Telephone Allowance • Wife Pension (if both the pensioner and partner are not of Age Pension age) • Youth Disability Supplement
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Table 2: Income tax rates for 1998–99 (excluding Medicare Levy)

Taxable income	Tax on taxable income
\$0–\$5,400	Nil
\$5,401–\$20,700	Nil plus 20c for each \$1 over \$5,400
\$20,701–\$38,000	\$3,060 plus 34c for each \$1 over \$20,700
\$38,001–\$50,000	\$8,942 plus 43c for each \$1 over \$38,000
\$50,001 and over	\$14,102 plus 47c for each \$1 over \$50,000

Notes:

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.

Medicare Levy

The Medicare Levy for 1998–99 is 1.5 per cent of taxable income. An additional surcharge of 1 per cent applies to high-income earners (\$50,000 singles, \$100,000 couples) who have not taken out private health insurance. No levy is payable where taxable income is less than \$13,389 for a single person or \$22,594 in the case of a married (legal or de facto) couple. The higher threshold also applies to taxpayers entitled to a Child-Housekeeper, Housekeeper, or Sole Parent Rebate. The threshold was increased by \$2,100 for each dependent child or student. The levy was 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.

Family Tax Initiative

Family Tax Initiative (FTI) is delivered in two ways: Family Tax Assistance (FTA) through the Australian Taxation Office, and Family Tax Payment (FTP) through Centrelink. FTA works by raising the tax-free threshold for the main income earner. FTA enables families to reduce one partner's Pay As You Earn (PAYE) tax deductions or provisional tax, or to claim it at the end of the financial year when lodging their tax return. FTP is paid to people who receive above the minimum rate of Family Allowance. Table 3 provides details of FTI, including FTA and FTP.

Table 3: Family Tax Initiative (\$ per annum)

Part A ^(a)				
Number of dependent children	Family income threshold	FTA Increase in tax free threshold		FTP Amount of cash payments
1	70,000	1,000	or	200
2	73,000	2,000	or	400
For each additional child, add	3,000	1,000	or	200
Part B ^(b)				
Number of dependent children	Main income earner threshold	FTA Increase in tax free threshold		FTP Amount of cash payments
1	65,000	2,500	or	500
2	68,000	2,500	or	500
For each additional child, add	3,000	Nil	or	Nil

Notes:

(a) Payment is made for each dependent child under 16 (or under 18 if a full-time secondary student).

(b) At least one child must be under 5 years old. Paid once only per family where at least one partner earns less than \$4,606 per annum.

Beneficiary Rebate

The Beneficiary Rebate 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 rebate is calculated using the following formula:

$$\text{Total Rebate} = 0.2 \times (\text{amount of benefit or allowance received} - \text{tax free threshold})$$

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

Pensioner Rebate

The Pensioner Rebate (see Table 4) is generally available to recipients of taxable social security payments that are not covered by the Beneficiary Rebate.

	Pensioner rebate levels	Estimated annual amount of taxable social security payments	Rebate threshold ^(a)	Taxable income above which tax becomes payable ^(b)	Taxable income at which rebate cuts out
Single					
No dependent child/student	1,301	9,302	11,905	12,369	22,313
Dependent child/student ^(c)	1,301	9,302	11,905	16,192	22,313
Couple ^(d)					
General	930	7,761	10,050	10,514	17,490
Living apart due to illness or infirmity	1,238	9,302	11,590	12,054	21,494
Non-taxable pensions					
All	Nil	Nil ^(e)	N/A	6,150 ^(f)	N/A

Notes:

- The rebate threshold is the maximum taxable income at which the pensioner is eligible for the full rebate. The rebate reduces by 12.5 cents for each dollar of taxable income in excess of this threshold.
- This figure shows the taxable income above which tax liability exceeds the sum of all rebates, including Pensioner Rebate, Low Income Rebate and Sole Parent Rebate (if applicable—see note c).
- This taxpayer would also be entitled to a Sole Parent Rebate of \$1,243 per annum provided that at least one child is earning less than \$1,785 per annum. This rebate has been taken into account in calculating the 'taxable income at which tax becomes payable'.
- Any unused portion of the rebate (or the notional rebate if the pension is not taxable) of a married pensioner can be transferred to his or her spouse if they receive a taxable pension. The excess of a married pensioner's rebate threshold, over his or her taxable income or where the pensioner's income is less than the tax-free threshold, the difference between the unused Pensioner Rebate threshold and the tax-free threshold is then also added to the rebate threshold of his or her spouse.
- Pension is non-taxable.
- Non-pension income.

Personal rebates

Some recipients of social security payments are eligible for certain 'personal rebates' in addition to their Pensioner Rebate or Beneficiary Rebate (see Table 5). Eligibility for personal rebates and the amount of rebate actually received depend on individual circumstances and the amount of private income received during the financial year.

Table 5: Personal rebates also available to eligible recipients of social security payments (\$ per annum)		
Rebate type	Rebate level	Taxable income above which tax becomes payable (a)
Dependent Spouse (legal/de facto)		
With no dependent child/student	1,324 (b)	12,020
With dependent child/student	1,452 (b) (c)	12,660
Child/housekeeper		
With no dependent child/student	1,324 (b)	12,020
With dependent child/student	1,587 (b)	13,335
Housekeeper caring for taxpayer's child, invalid spouse (legal/de facto) or relative		
With no dependent child/student	1,324 (b)	12,020
With dependent child/student (d)	1,587 (b)	13,335
Invalid Relative	596 (b)	8,380
Parent/Parent-in-law (including parent of de facto spouse)	1,190 (b)	11,350
Sole Parent	1,243 (d)	11,615
Low Income	150 (e)	6,150

Notes:

- The taxable income at which tax becomes payable refers to individual rebates in a particular row only, not to a combined rebate which would result. For instance, a recipient of Parenting Payment (single) may be entitled to claim a Pensioner Rebate, a Low Income Rebate and a Sole Parent Rebate with a resulting higher tax threshold (see Table 4, especially note b).
- Reduced by \$1 for every \$4 of the separate net income of the dependent that exceeds \$282.
- Rebate entitlements will be reduced dollar for dollar if the taxpayer or spouse received any amount of the basic component of Parenting Payment (partnered).
- The taxpayer has at least one child under 16 (or a student under 25) with a separate net income for 1998-99 of less than \$1,785.
- Reduced by 4 cents for every dollar of taxable income in excess of \$20,700.

This FaCS Sheet is produced at the end of each financial year once all the social security notes for the given year are known. The next taxation and social security FaCS Sheet, for 1999-2000, will be available by mid to late 2000.

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