



Taxation and social security for 1999–2000

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 types of rebates 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

| | |
|--|---|
| <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"> • Carer Payment (if both carer and the person being cared for are under Age Pension age) • Carer Allowance • Disability Support Pension (for those recipients below 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) • Pension bonus • Pension education supplement • Pharmaceutical 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 below Age Pension age) |
|--|---|

Table 2: Income tax rates for 1999–2000 (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 1999–2000 is 1.5 per cent of taxable income. No levy is payable where taxable income is less than \$13,550 for a single person or where family income is less than \$22,865 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 is increased by \$2,100 for each dependent child or student. 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 (singles without dependants earning \$50,000 or more per annum and couples or singles with dependants earning \$100,000 or more per annum, plus an additional \$1,500 for each dependant child after the first) who have not taken out private health insurance.

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 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 below provides details of FTI, including FTA and FTP.

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

| Part A^(a) | | | | | |
|--------------------------------|------------------|--------------------------------|----|-------------------------|--|
| | Family income | FTA | | FTP | |
| Number of dependent children | threshold | Increase in tax free threshold | | 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) | | | | | |
| | Main income | FTA | | FTP | |
| Number of dependent children | earner threshold | Increase in tax free threshold | | 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 | | 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 \$4,650 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 more than \$20,700, an additional 14 per cent rebate is applied to the amount in excess of \$20,700. 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 | 1,358 | 9,537 | 12,190 | 12,652 | 23,054 |
| Dependent child/student ^(c) | 1,358 | 9,537 | 12,190 | 16,522 | 23,054 |
| Couple^(d) | | | | | |
| General | 980 | 7,960 | 10,300 | 10,762 | 18,140 |
| Living apart due to illness or infirmity | 1,296 | 9,537 | 11,880 | 12,342 | 22,248 |
| Non taxable pensions | | | | | |
| All | Nil | Nil ^(e) | N/A | 6,150 ^(f) | N/A |

Notes:

- (a) 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.
- (b) 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).
- (c) This taxpayer would also be entitled to a Sole Parent Rebate of \$1,258 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'.
- (d) 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. Where the pensioner's income is greater than the tax-free threshold the difference between the rebate threshold and the pensioner's taxable income is added to the rebate threshold of the pensioner's spouse. Where the pensioner's taxable income is less than the tax free threshold the difference between the rebate threshold and the tax free threshold is added to the rebate threshold of the pensioner's spouse.
- (e) Pension is non-taxable.
- (f) 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 | 1,340 ^(b) | 12,100 |
| With dependent child/student | 1,452 ^{(b)(c)} | 12,660 |
| Child/housekeeper | | |
| With no dependent child/student | 1,340 ^(b) | 12,100 |
| With dependent child/student | 1,606 ^(b) | 13,430 |
| Housekeeper caring for taxpayer's child, invalid spouse (legal/de facto) or relative | | |
| With no dependent child/student | 1,340 ^(b) | 12,100 |
| With dependent child/student ^(d) | 1,606 ^(b) | 13,430 |
| Invalid Relative | | |
| | 603 ^(b) | 8,415 |
| Parent/Parent-in-law (including parent of de facto spouse) | | |
| | 1,204 ^(b) | 11,420 |
| Sole Parent | | |
| | 1,258 ^(d) | 11,690 |
| Low Income | | |
| | 150 ^(e) | 6,150 |

Notes:

- (a) The taxable income at which tax becomes payable refers to individual rebates in a particular row only, not to the combination of rebates which may be available. 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 which would result in a higher tax threshold (see Table 4, especially note b).
- (b) Reduced by \$1 for every \$4 of the separate net income of the dependent that exceeds \$282.
- (c) Rebate entitlements will be reduced dollar for dollar if the taxpayer or spouse received any amount of the basic component of Parenting Payment (partnered).
- (d) The taxpayer has at least one child under 16 (or a student under 25) with a separate net income for 1999-2000 of less than \$1,785.
- (e) 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. The next *Taxation and social security FaCS Sheet* for 2000-2001 will be available by mid-2001.

This FaCS Sheet was prepared by the Modelling and Indexation Section, Budget Development Branch. Inquiries relating to taxation and the Medicare Levy matters should be directed to your local Australian Taxation Office.

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