

This guide is an initiative of the **CPA Australia Retirement Savings Centre of Excellence**. Information is current – based on legislation as at 1 July 2010 and updated for social security as at 20 March 2011.

Tax Rates

Resident personal tax rates 1/7/10 – 30/6/11

Taxable income \$	Marginal rate*	Tax payable \$
Up to 6,000	Nil	Nil
6,001 – 37,000	15%	15c for each \$1 over 6,000
37,001 – 80,000	30%	4,650 plus 30c for each \$1 over 37,000
80,001 – 180,000	37%	17,550 plus 37c for each \$1 over 80,000
Excess over 180,000	45%	54,550 plus 45c for each \$1 over 180,000

Tax rate for Minors – unearned income

Income	Marginal rate
\$0 - \$416	Nil
\$417 - \$1,307	66%
Excess over \$1,307	45% on all income

- Earned income taxed at (adult) marginal rates
- If eligible for LITO, can earn approximately \$3,333 tax free

Non-resident personal tax rates 1/7/10 – 30/6/11

Taxable income \$	Marginal rate*	Tax payable \$
Up to 37,000	29%	29c for each \$1 over
37,001 – 80,000	30%	10,370 plus 30c for each \$1 over 37,000
80,001 – 180,000	37%	23,630 plus 37c for each \$1 over 80,000
Excess over \$180,000	45%	60,630 plus 45c for each \$1 over 180,000

Medicare levy

1.5% of taxable income – Not applicable to:

- Non-residents
- individual taxpayers where taxable income is under the 'threshold amount' - \$18,488 (2009/10);
- married taxpayers where family income is under the 'family income threshold' - \$31,196 (2009/10).

Medicare levy shaded in where taxable income is above the threshold limits

Medicare surcharge

1% levy surcharge applicable where not covered by private health insurance and exceed following thresholds

	Threshold
Single	Over \$77,000
Single (with dependents)	\$154,000 + \$1,500/dependent after first
Married [^]	\$154,000

*Includes taxable income, reportable fringe benefits, reportable super contributions, net investment losses + family trust distribution tax been paid (for couples includes combined amount).
[^]Medicare levy surcharge payable by married individual if either the individual or any dependent not covered by private health insurance.

Other tax rates

	Tax Rate
Company	30%
Superannuation fund:	
- Complying	15%
- Non-complying	45%
Insurance and Friendly Society Bonds	30%

Tax Offsets

Low income tax offset (LITO)

	Max. rebate \$*	Shade-out threshold \$	Cut-out threshold \$
Low income earner	1,500	30,000	67,500

* Reduced by 4c for each \$1 of taxable income over \$30,000. Tax free threshold effectively \$16,000.

Senior Australian Tax Offset (SATO)

Low income aged person	Max. Rebate level \$*	Shade-out threshold \$	Cut-out threshold \$
Single	2,230	30,685	48,525
Couple (each)	1,602	26,680	39,496
Couple (separated due to illness – each)	2,040	29,600	45,920

* Rebate reduces by 12.5c for each \$1 of taxable income above the shade-out threshold

Spouse offset

Spouse Assessable Income (SAI)*	Max. Rebateable Contribution (MRC)\$	Max. Rebate \$ (18% of the lesser of)
0 – 1000	3,000	MRC or actual contribution
10,801 – 13,799	3000 – (SAI-10,800)	MRC or actual contribution
13,800 +	Nil	Nil

* Includes reportable fringe benefits + reportable employer super contributions

Fringe Benefits Tax

Fringe benefits tax rate (FBT Year 1 April 2010)

Fringe benefit provided	Gross-up rate
After 30/6/2000 which have been eligible to an input tax credit under GST regime	2.0647
Does not attract an input tax credit	1.8692

FBT Rate is 46.5% and calculated on tax-inclusive value of fringe benefit provided in the year.

Statutory Fractions for car benefit valuation

Annualised no. of whole kms	Statutory fraction
Less than 15,000	.26
15,000 to 24,999	.20
25,000 to 40,000	.11
More than 40,000	.07

Formula $\frac{ABC}{D} - E$

Where:

A = base value of the car

B = statutory fraction applicable to the car for the year

C = number days in year car benefit was provided to an employee

D = number of days in the year

E = the amount of recipient's contribution

Operating cost method

$(C \times (100\% - BP) - R)$

Where:

C = operating cost of the car during the holding period

BP = business use percentage applicable to care in holding period

R = the amount of any recipient's payments for the holding period

Employment termination payments

Life Benefit Employment Termination Payments

	Thresholds	Maximum tax rate*
Tax free component		0%**
Taxable component		
Under preservation age	\$0 - \$160,000^ Balance	30% 45%
Preservation age or over	\$0 - \$160,000^ Balance	15% 45%

Age is determined at the end of the financial year in which the termination payment is received.
 * Plus Medicare Levy (1.5%)
 ** Not assessable
 ^ Indexed to AWOTE will only increase in \$5,000 increments.

Transitional termination payment (lump sum) (Transitional period 1 July 2007 – 30 June 2012)

Payment can be received as cash lump sum (or rolled over to a super fund) provided the amount of payment has been specified in the employment contract at 9 May 2006 and paid before 1 July 2012.

	Thresholds	Maximum tax rate*
Tax free component		
Taxable component		
Under preservation age	\$0 - \$1,000,000 Balance	30% 45%
Preservation age or over	\$0 - \$160,000^ \$160,000-\$1,000,000 Balance	15% 30% 45%

Age is determined at the end of the financial year in which the termination payment is received.
 * Plus Medicare Levy (1.5%)
 ** Not assessable
 ^ Indexed to AWOTE will only increase in \$5,000 increments

Death benefit employment termination payments

	Thresholds	Maximum tax rate*
Dependent		
Tax free component		0%**
Taxable component	\$0 - \$160,000^ Balance	0% 45%
Non-dependent		
Tax free component		0%**
Taxable component	\$0 - \$160,000^ Balance	30% 45%

* Plus Medicare Levy (1.5%)
 ** Not assessable
 ^ Indexed to AWOTE will only increase in \$5,000 increments.
 Applies regardless of whether deceased would have qualified for the transitional arrangements between 1 July 2007 and 30 June 2012.

Other termination payments

Non ETP lump sum payments

	Period of accrual	Assessable amount	Max. tax rate*
Unused Long Service Leave	Pre 16/8/78	5%	Marginal rate
	16/5/78 – 17/8/93	100%	30%
Accrued Annual Leave	Pre 18/8/93	100%	30%
	Post 17/8/93	100%	Marginal rate

*Tax rates exclude Medicare Levy which needs to be added to the applicable rate (unless rate is 0%)

Bona fide redundancy, invalidity or approved retirement scheme payments

	Period of accrual	Assessable amount	Max. tax rate*
Unused Long Service Leave	Pre 16/8/78	5%	Marginal rate
	Post 15/8/78	100%	30%
Accrued Annual Leave	Full Period	100%	30%

Bona fide redundancy Tax-Free Amount: \$8,126 + \$4,064 for each completed year of service (2010/2011)
 *Tax rates exclude Medicare Levy which needs to be added to the applicable rate (unless rate is 0%)

Life expectancy tables 2005-2007*

Age	Life Expectancy (yrs)		Age	Life Expectancy (yrs)	
	Male	Female		Male	Female
55	26.95	30.53	73	12.64	15.03
56	26.08	29.61	74	11.96	14.27
57	25.20	28.70	75	11.31	13.51
58	24.34	27.79	76	10.68	12.78
59	23.48	26.89	77	10.07	12.05
60	22.63	26.00	78	9.48	11.35
61	27.79	25.11	79	8.92	10.67
62	20.96	24.23	80	8.38	10.01
63	20.14	23.35	81	7.86	9.37
64	19.34	22.48	82	7.36	8.75
65	18.54	21.62	83	6.89	8.17
66	17.76	20.76	84	6.45	7.61
67	16.99	19.92	85	6.03	7.08
68	162.4	19.08	86	5.64	6.58
69	15.49	18.24	87	5.27	6.11
70	14.76	17.42	88	4.94	5.68
71	14.04	16.61	89	4.63	5.28
72	13.33	15.82	90	4.36	4.91

*Apply from 1 January 2010

Age Pension

Qualification

Date of Birth	Eligible for Age Pension at Age	
	Women	Men
1 January 1946 – 30 June 1947	64	65
1 July 1947 – 31 December 1948	64.5	65
1 January 1949 – 30 June 1952	65	65
1 July 1952 – 31 December 1953	65.5	65.5
1 January 1954 – 30 June 1955	66	66
1 July 1955 – 31 December 1956	66.5	66.5
1 January 1957	67	67

Pension Rates

	Max. Benefit (per fortnight)*\$	Maximum Benefit (per annum)*\$
Single	729.30	18,961.80
Couple (each)	549.70	14,292.20
Couple separated due to illness (each)	729.30	18,961.80

* Payment rates include the Pension Supplement - \$58.40 (singles) and \$44.00 (couples) per fortnight. Can opt to accrue the minimum Pension Supplement amount and have it paid on a quarterly basis.

Following payments may also be payable:

- Remote area allowance may also be payable - \$18.20 (single) or \$15.60 (couple, each) + \$7.30 for each dependent
- Rent assistance

Income test

	Income threshold* (per fortnight)	Income cut-out** (per fortnight)
Single	Up to \$146	Less than \$1,604.60
Couple (combined)	Up to \$256	Less than \$2,454.80
Couple separated due to illness (combined)	Up to \$256	Less than \$3,173.20

Income includes reportable super contributions and net investment losses. Exempt from income test if permanently blind and receive Age Pension or Disability Support Pension (DSP).

*Fortnightly pension reduced by 50c (single) or 25c (couple) for each dollar over the threshold. For transitional or saved cases, reduced by 40c (single) and 20c (couple).

** Payment rates may be higher if also receive Rent Assistance with the pension payment.

Work Bonus - disregards half of the first \$500 of fortnightly employment income from the income test for pensioners over age pension age.

Assets test

	Lower Limit*	Upper Limit#
Home owner		
Single	Up to \$181,750	Less than \$668,000
Couple	Up to \$258,000	Less than \$991,000
Couple separated due to illness (combined)	Up to \$258,000	Less than \$1,230,500
One partner eligible	Up to \$258,000	Less than \$991,000
Non-home owner		
Single	Up to \$313,250	Less than \$799,500
Couple	Up to \$389,500	Less than \$1,122,500
Couple separated due to illness (combined)	Up to \$389,500	Less than \$1,362,000
One partner eligible	Up to \$389,500	Less than \$1,122,500

* Rate of pension reduces by \$1.50 per fortnight for every \$1,000 above lower limit.
Limits may increase if you receive Rent Assistance with Pension Payment.

Extra allowable amount for retirement village and granny flat residence

Extra allowable amount*	\$131,500
*Amount equal to the different between the non-home owner and home owner assets test limits. If entry contribution is equal to or less than the extra allowable amount at the time of entry, then assessed as a non-home owner. Entry contribution will count as an asset. May also qualify for Rent Assistance.	

Deeming Rates

	Financial Investment	Deeming Rate
Single (Pension or allowance)	\$0 - \$43,200 Balance	3% 4.5%
Couple – combined (Pensioner)	\$0 - \$72,000 Balance	3% 4.5%
Couple – For each allowee (Neither is Pensioner)	\$0 - \$36,000 Balance	3% 4.5%

Pension Bonus Scheme

Years in the scheme	Single Max. rate	Partnered (each) Max. rate
1 year	\$1,689.50	\$1,277.50
2 years	\$6,758.10	\$5,109.90
3 years	\$15,205.80	\$11,497.30
4 years	\$27,032.60	\$20,439.70
5 years	\$42,238.40	\$31,937.00

- Closed to new entrants 20 September 2009, unless qualified for Age Pension before 20 September 2009
- Paid as lump sum, non-taxable payment
- Subject to eligibility requirements including work test
- Bonus dependent also upon how much Age Pension entitled to and time in scheme

Pension Loan Scheme

- Loan paid in regular fortnightly instalments
- Loan amount dependent on value of the property offered as security, equity wish to retain and age at time loan is granted
- Compounding interest charged on the balance of the loan and calculated on a fortnightly basis
- Can receive up to maximum amount of Age Pension including Pharmaceutical Allowance and Rent Assistance, each fortnight.

Age Pension – Transitional Rules

Pension Rates

	Max. Benefit (per fortnight)*\$	Maximum Benefit (per annum)*\$
Single	\$650.90	\$16,923.40
Couple (each)	\$525.70	\$13,668.20

Income Test

	Income threshold* (per fortnight)	Income cut-out** (per fortnight)
Single	Up to \$146	Less than \$1,773.25
Couple (combined)	Up to \$256	Less than \$2,884.50
Couple separated due to illness (combined)	Up to \$256	Less than \$3,510.50

Allowable income increased by up to \$24.60 for each dependent child
 *Fortnightly pension reduced by 50c (single) or 25c (couple) for each dollar over the threshold. For transitional or saved cases, reduced by 40c (single) and 20c (couple).
 ** Payment rates may be higher if also receive Rent Assistance with the pension payment.

Assets test

	Lower Limit*	Upper Limit#
Single	Up to \$181,750	Less than \$615,750
Couple	Up to \$258,000	Less than \$959,000
Couple separated due to illness (combined)	Up to \$258,000	Less than \$1,126,000
One partner eligible	Up to \$258,000	Less than \$959,000

Non-home owner

Single	Up to \$313,250	Less than \$747,250
Couple	Up to \$389,500	Less than \$1,109,500
Couple separated due to illness (combined)	Up to \$389,500	Less than \$1,257,000
One partner eligible	Up to \$389,500	Less than \$1,090,500

* Rate of pension reduces by \$1.50 per fortnight for every \$1,000 above lower limit.
 # Limits may increase if you receive Rent Assistance with Pension Payment.

Social Security – Fringe Benefits

Commonwealth Seniors Health Card

To qualify must:

- have reached pension age but not qualify for the Age pension (or other certain pensions)
- be an Australian resident living in Australia
- have an annual adjusted taxable income below the income test threshold, where adjusted taxable income = taxable income + foreign income (where no Australian income tax is paid) + net investment losses + employer provided benefits (in excess of \$1000) + reportable super contributions

	Income Test*
Single	\$50,000
Couples	\$80,000
Couples separated by illness – combined	\$100,000

*Limit increased by \$639.60 for each dependent child the individual cares for.

The commonwealth seniors health care card also provides access to the Seniors Supplement.

Allowances

Allowance rates

	Max. Benefit (per fortnight)*\$	Maximum Benefit (per annum)*\$
Single (no children)	474.90	12,347.40
Single (with children)	513.80	13,358.80
Single (over 60 after 9 months on allowance)*	513.80	13,358.80
Partnered (each)	428.70	11,146.20
Single, principal carer of a dependent child (granted an exemption for foster caring/ home schooling/distance education/large family)	625.90	16,273.40

* Pharmaceutical Allowance may be paid

Allowance income test

Family situation	For full allowance (per fortnight)*	For part allowance (per fortnight)**
Single (no children)	Up to \$62	Less than \$884.84
Single (with children)	Up to \$62	Less than \$949.67
Single (over 60 after 9 months on allowance)*	Up to \$62	Less than \$949.67
Partnered (each)	Up to \$62	Less than \$807.84
Single, principal carer of a dependent child (granted an exemption for foster caring/ home schooling/distance education/large family)	Up to \$62	Less than \$1,136.50

* Fortnightly income between \$62 and \$250 reduces fortnightly allowance by 50c in the dollar. Fortnightly income above \$250 reduces fortnightly allowance by 60c in the dollar. Partner income which exceeds the cut-off point reduces fortnightly allowance by 60c in the dollar.

**May be higher if eligible for Pharmaceutical Allowance or Rent Assistance.
 Child support received is not included as income for the personal income test.

Allowance asset test

Family situation	For full allowance (per fortnight)*	For part allowance (per fortnight)**
Single	\$181,750	\$313,250
Couple	\$258,000	\$389,500
Couple separated due to illness (combined)	\$258,000	\$389,500
One partner eligible	\$258,000	\$389,500

*No benefit payable where threshold is exceeded

Liquid assets waiting period

	Threshold (Equal or exceeds)
Single (no children)	\$5,500
Single (with children)	\$11,000
Partnered	\$11,000

*Liquid Assets Waiting Period applicable if have a certain amount of available assets on the day after left work or study, or on the day claim an income support payment.

** Applicable to Newstart Allowance, Youth Allowance, Sickness Allowance and Austudy.

Copyright © CPA Australia Ltd 2010

DISCLAIMER: CPA Australia Ltd has used reasonable care and skill in compiling the content of this material. However, CPA Australia Ltd makes no warranty as to the accuracy or completeness of any information in these materials. These materials are not intended to be advice, whether legal or professional. All names, figures, solutions and scenarios are fictitious and have been established for training purposes only. You should not act solely on the basis of the information contained in these materials as parts may be generalised and the application of exercises, examples and case studies may vary from organisation to organisation and may apply differently to different people and circumstances. Further, as laws change frequently, all practitioners, readers, viewers and users are advised to undertake their own research or to seek professional advice to keep abreast of any reforms and developments in the law.