Tax Reference Guide

2007/08

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CommInsure

1 July 2007.

Contents

CommInsure life insurance tax

Ready reference guide 2007/08

Type of life insurance	Policy owner/ purpose	Beneficiary
Life Cover	Self (individual)	Nominated (up to 5)
	Paid by employer but owned by individual.	Nominated (up to 5)
	Key Person – Revenue (to replace lost revenue as a result of death of key person).	Business
	Key Person – Capital (covers circumstances such as repayment of loans payable on death of key person).	Business

Premium deductibility	Benefit assessability	Capital Gains Tax
No	No	No CGT unless recipient not original beneficial owner and acquired interest for consideration (s118-300 Income Tax Assessment Act (ITAA) 1997). Policy assignment for consideration is likely to give rise to CGT consequences in the future for the assignee.
Yes – premium deductible to employer. Company is subject to FBT liability upon payment of premium. Any FBT paid by employer is deductible for income tax purposes.	No	
Yes – premium deductible to business (Income Tax Ruling IT 155).	Yes – assessable to the business at the applicable tax rate (IT 155).	
No – (Income Tax Ruling IT 155).	No – (Income Tax Ruling IT 155).	

Type of life insurance	Policy owner/ purpose	Beneficiary
Life Cover (continued)	Superannuation trustee	The trustee on behalf of the member.

	Premium deductibility	Benefit assessability	Capital Gains Tax
	Yes – premium deductible to the Trustee of the Fund (s295-465 ITAA 1997). If you have an accumulation fund then premiums may be deducted from fund assets regardless of age. **Member eligibility to the fund:** People aged between 65 and 74 are able to make personal superannuation contributions and/or have mandated employer contributions in a financial year where they have worked at least 40 hours in a period of not more than 30 consecutive days in that financial year. Individuals who are under the age of 65 do not have to satisfy the abovementioned work test.	**Fund:** Tax free. Payment to the recipient is non-deductible to the fund and treated as a 'Superannuation Death Benefit' (s307-290 ITAA 1997). **Beneficiary:** If beneficiary is a taxation dependant, payment will be tax free, no limit. For more information refer to 'Superannuation death benefits' on page 37. If beneficiary is a non-dependant, lump-sum payment will be taxed as per 'Superannuation death benefits'. Income stream payments are no longer available to non-dependants.	(continued)

Type of life insurance	Policy owner/ purpose	Beneficiary
Total & Permanent Disability Cover (lump sum)	Self (individual)	Self
	Paid by employer but owned by individual.	The Insured
	Key Person – Revenue (to replace lost revenue as a result of total and permanent disability of key person).	Business
	Key Person – Capital (covers circumstances such as repayment of loans payable by key person on total and permanent disability).	Business
		The Insured, or defined relative of the life insured.

	Premium deductibility	Benefit assessability	Capital Gains Tax
	No	No	No CGT if the recipient is 'The Insured' (s118-37 ITAA 1997).
	Yes – premium deductible to employer. Company is subject to FBT liability upon payment of premium. Any FBT paid by employer is deductible for income tax purposes.	No	
	Yes – premium deductible to business (Income Tax Ruling IT 155).	Yes – assessable to the business at the applicable tax rate (IT 155).	No – as amounts are already included as assessable income under other statutory provisions (s118-20 ITAA 1997). Generally, it is unlikely for a capital gain to be higher than the amount otherwise assessable.
	No – (Income Tax Ruling IT 155).	No – (Income Tax Ruling IT 155).	Yes – if recipient is not the life insured or defined relative of the life insured (s118-37 ITAA 1997).
	No – (Income Tax Ruling IT 155).	No – (Income Tax Ruling IT 155).	No – (s118-37 ITAA 1997).

Type of life insurance	Policy owner/ purpose	Beneficiary
Total & Permanent Disability Cover (lump sum) (continued)	Superannuation trustee	The trustee on behalf of the member.

	Premium deductibility	Benefit assessability	Capital Gains Tax
	Yes – premium deductible to the Trustee of the Fund (s295-465 ITAA 1997). If you have an accumulation fund then premiums may be deducted from fund assets regardless of age. **Member eligibility to the fund:** People aged between 65 and 74 are able to make personal superannuation contributions and/or have mandated employer contributions in a financial year where they have worked at least 40 hours in a period of not more than 30 consecutive days in that financial year. Individuals who are under the age of 65 do not have to satisfy the abovementioned work test.	**Fund:** Tax free. Payment to the recipient is non-deductible to the fund. **Beneficiary:** Payment to beneficiary is taxed as a superannuation benefit. Modification rules apply to the calculation of the tax components referrable to the disability benefits (s307-145 ITAA 1997).	No

Type of life insurance	Policy owner/ purpose	Beneficiary
Trauma Cover (lump sum)	Self (individual)	Self
	Paid by employer but owned by individual.	The Insured
	Key Person – Revenue (to replace lost revenue as a result of trauma of key person).	Business
	Key Person – Capital (covers circumstances such as repayment of loans payable by key person).	Business
		The Insured, or defined relative of the life insured.

Premium deductibility	Benefit assessability	Capital Gains Tax
No	No	No CGT if the recipient is ‘The Insured’ (s118-37 ITAA 1997) or a defined relative.
Yes – premium deductible to employer. Company is subject to FBT liability upon payment of premium. Any FBT paid by employer is deductible for income tax purposes.	No	
Yes – premium deductible to business (Income Tax Ruling IT 155).	Yes – assessable to the business at the applicable tax rate (IT 155).	No – as amounts are already included as assessable income under other statutory provisions (s118-20 ITAA 1997). Generally, it is unlikely for a capital gain to be higher than the amount otherwise assessable due to the discount allowed on capital gains.
No – (Income Tax Ruling IT 155).	No – (Income Tax Ruling IT 155).	Yes – if recipient is not the life insured or defined relative of the life insured (s118-37 ITAA 1997).
No – (Income Tax Ruling IT 155).	No – (Income Tax Ruling IT 155).	No – (s118-37 ITAA 1997).

Type of life insurance	Policy owner/ purpose	Beneficiary
Income Protection	Self (individual)	Self – if policy is for someone else's life, proceeds of the policy will be paid to the policy owner. Any Super Continuance Benefit will be paid to the nominated superannuation fund.
	Trustee of complying superannuation fund.	Member of the complying superannuation fund.
	Owned by employer.	Self (employee)
Business Overheads	Self (individual)	Self
	Owned by individual on own life, paid by employer.	Self
	Owned by business.	Business

Premium deductibility	Benefit assessability	Capital Gains Tax
Yes – except for premium relating to Cash Back option (CR 2002/57) and TPD option (CR 2005/15).	Yes – except for benefit relating to Cash Back option (CR 2002/57) and TPD option (CR 2005/15).	No – for lump sum payments on ancillary income protection cover, section 118-37 ITAA 1997 provides CGT exemption.
Premium is deductible to the Trustee of the Fund (s295-465 ITAA 1997) provided that the benefits payable under the terms of the insurance policy comply with the requirements of SIS Act (TD 2007/3).	Benefit is assessable to the member of the superannuation fund.	
Premium is deductible to employer. FBT is paid by employer for premium relating to Cash Back and TPD option.	Benefit is assessable to employee – except for Cash Back option (CR 2005/57) and TPD option (CR 2005/15).	
Yes – except premium related to Cash Back option (CR 2002/57).	Yes – except benefit related to Cash Back option (CR 2002/57).	No
Yes – premium deductible to employer.	Yes – to individual (s6-5 ITAA 1997).	
Yes – premium deductible to the business.	Yes – to the business.	

Tax rates

Resident individuals (2007/08)

Taxable income (column 1) $	Tax on column 1 $	% on excess (marginal rate)
6,000	Nil	15
30,000	3,600	30
75,000	17,100	40
150,000	47,100	45

Note:

- Rates shown do not include Medicare levy of 1.5%, payable where taxable income exceeds a certain level, or the Medicare levy surcharge (see the 'Notes' section of the 'Medicare levy thresholds (2007/08)' table on page 18).

Non-resident individuals (2007/08)

Taxable income (column 1) $	Tax on column 1 $	% on excess (marginal rate)
Nil	Nil	29
30,000	8,700	30
75,000	22,200	40
150,000	52,200	45

Notes:

- A non-resident is generally only taxable on Australian sourced income. Special rules apply where taxable income includes a net capital gain.
- Non-residents do not pay Medicare levy or Medicare levy surcharge.
- Prescribed non-residents pay tax on the very first dollar of taxable income.

Minors (resident individuals) (2007/08)

Income tax on eligible taxable income is calculated as follows:

Taxable income $	Tax payable $
0 to 416	Nil
417 to 1,307	Greater of: • 66% of the excess over $416, and • difference between tax on the whole of taxable income and tax on non-eligible taxable income
Over 1,307	45% on the whole of the eligible taxable income

Notes:

- Rates shown do not include Medicare levy of 1.5%, payable where taxable income exceeds a certain level (see table on page 18).
- Entitlement to the $750 low income earner's tax offset will reduce tax payable and effectively increase the tax-free threshold from $416 to $1,667.

Other tax rates

Company, fund, or benefits	Tax rates %
Company	30
Insurance bonds (issued by life insurance company)	30[1]
Friendly society bonds	30[1]
Complying superannuation fund	15
Non-complying superannuation fund	45
Fringe benefits	46.5[2]

Notes:

1 Investor tax offset is 30% on assessable withdrawals.

2 The fringe benefit tax rate includes the 1.5% Medicare levy.

Withholding tax for non-resident individuals

Income type	Comments	General rate
Franked dividends	• Generally exempt from withholding tax.	0%
Interest	• Generally taxed at up to 25% but may vary depending on the Double Tax Agreement with the country of residence.	Up to 25%
Royalties	• Generally taxed at up to 30% but lower rate may apply depending on the Double Tax Agreement with the country of residence.	Up to 30%
Unfranked dividend	• Generally taxed at up to 30% but lower rate may apply depending on the Double Tax Agreement with the country of residence.	Up to 30%
Other income	• Not subject to withholding tax, but income tax is payable at rates shown in the 'Non-resident individuals' tables on page 14.	N/A
Departing Australia Superannuation Payment (DASP)	• Tax free component. • Taxable component – element taxed in the fund. • Taxable component – element untaxed in the fund.	0% 30% 40%

Notes:

- Many new Double Tax Agreements vary the general rates shown for interest, royalties and unfranked dividends. Refer to the specific tax treaty for details of specific rates.
- Withholding taxes are part of the Pay As You Go (PAYG) system.

Medicare levy thresholds (2006/07)

Income category	Relevant taxable income threshold (no levy payable) $	Phase-in limit (full levy payable over this limit) $
Entitled to Senior Australians Tax Offset (SATO)		
• Individual	25,867	30,432
• Married, sole parent	33,500	39,411
• For each dependent child or student, add	2,594	3,051
Entitled to pensioner tax offset		
• Individual	21,637	25,455
• Married, sole parent	28,247	33,231
• For each dependent child or student, add	2,594	3,051
All other taxpayers		
• Individual	16,740	19,694
• Married, sole parent	28,247	33,231
• For each dependent child or student, add	2,594	3,051

Notes:

- The full levy is 1.5% of taxable income; however, this varies for low income earners according to circumstances as shown in the adjacent table. There are also some exempt groups of taxpayers.
- For individuals, a reduced levy is calculated at 10 cents for every dollar above the relevant taxable income threshold amount but at or below the phase-in limit shown in the table.
- Reduced levy calculations, based on family income (combined taxable income of taxpayer and spouse) and number of dependent children, are more complex.
- Medicare levy surcharge – an additional 1.0% is payable by singles/couples either without private health insurance or with private health insurance excess of more than $500 (singles) or more than $1,000 (couples/families), where taxable income plus reportable fringe benefits is greater than $50,000/$100,000 plus $1,500 for each dependent child after the first.

Capital gains

Capital Gains Tax (CGT) for individuals

Individuals will pay income tax on gains made on investments. Income tax on net capital gains is paid at the individual's marginal tax rate subject to the following conditions:

Acquisition date	Asset held for …	Assessable capital gain
Before 20 September 1985	Any length of time	Generally no CGT payable
20 September 1985 to 20 September 1999 (inclusive)	Less than 12 months	Sale proceeds – cost base[1]
	12 months or more and disposed of on or after 21 Sept 1999	Choice of: • Sale proceeds – frozen cost base[2], or • 50%[3] of (sale proceeds – cost base[1])
On or after 21 September 1999	Less than 12 months	Sale proceeds – cost base[1]
	12 months or more	50%[3] of (sale proceeds – cost base[1])

Notes:

1 Cost base not indexed.

2 Cost base indexed to September quarter 1999 (see table on page 21).

3 50% CGT discount becomes 33.33% for complying superannuation-like entities and 0% for companies.

Consumer Price Index (CPI) numbers for CGT calculations

Year	March quarter	June quarter	September quarter	December quarter
1985	–	–	71.3	72.7
1986	74.4	75.6	77.6	79.8
1987	81.4	82.6	84.0	85.5
1988	87.0	88.5	90.2	92.0
1989	92.9	95.2	97.4	99.2
1990	100.9	102.5	103.3	106.0
1991	105.8	106.0	106.6	107.6
1992	107.6	107.3	107.4	107.9
1993	108.9	109.3	109.8	110.0
1994	110.4	111.2	111.9	112.8
1995	114.7	116.2	117.6	118.5
1996	119.0	119.8	120.1	120.3
1997	120.5	120.2	119.7	120.0
1998	120.3	121.0	121.3	121.9
1999	121.8	122.3	123.4	–

Note:
CGT indexation frozen at September quarter 1999 figure.

Tax offsets (rebates)

Low income tax offset (2007/08)

Taxable income (TI) $	Reduction in offset (RI) $	Maximum offset $
30,000 or less	Nil	750
30,001 to 48,749	(TI – 30,000) x 0.04	750 – RI
48,750 or more	Nil	Nil

Senior Australians tax offset (2007/08)

Family situation	Tax offset level $	Taxable income shade-out threshold $	Taxable income cut-out threshold $
Single	2,230	25,867	43,707
Couple (each)	1,602	21,680	34,496
Couple separated because of illness (each)	2,040	24,600	40,920

Notes:

- Offset is available to taxpayers who, at 30 June 2007, are age pension age and eligible to receive an age pension under the SSA 1991 or are service pension age and eligible to receive a pension, allowance or benefit under the VEA 1986, not necessarily receiving any income support, meet certain taxable income tests and were not in prison for the whole income year.

- For a whole-of-year couple, offset eligibility of each partner is determined by their combined taxable income level, i.e. less than $68,992, or less than $81,840 if illness-separated, whereas offset entitlement is calculated on the basis of individual taxable income.
- Offset reduces by 12.5 cents for each dollar of taxable income in excess of the shade-out threshold.
- Partnered senior Australians can transfer any unused portion of their tax offset to their partner using the method set out in TR 93/31 (partner must be eligible for senior Australians or pensioner tax offset).

Beneficiary tax offset

- If taxpayer's benefit amount is not more than $30,000,
  A x (B – C)
- If taxpayer's benefit amount is more than $30,000,
  A x (B – C) + (0.15 x (B – $30,000))

where:

A = Lowest marginal tax rate (currently 15%).

B = Taxpayer's benefit amount, being the amount of rebatable benefit received by the taxpayer during the year of income, rounded down to the nearest whole dollar.

C = Taxpayer's tax-free threshold (currently $6,000, unless taxpayer has a lower threshold).

Notes:

- Payable to persons receiving certain taxable Centrelink benefits and allowances including Newstart and Sickness Allowances, Mature Age Allowance (granted on or after 1 July 1996), Youth Allowance, Austudy and Abstudy payments, Partner Allowance and Parenting Payment (partnered).
- Unlike the Senior Australians and pensioner tax offsets, this offset is not transferable nor is it lost when taxable income exceeds a specified threshold.

Pensioner tax offset (2007/08)

Pensioner receiving social security pension $	Maximum tax offset $	Taxable income shade-out threshold $	Taxable income cut-out threshold $
Single	2,230	25,867	43,707
Couple (each)	1,602	21,680	34,496
Couple separated because of illness (each)	2,040	24,600	40,920

Notes:

- Offset applies to taxpayers in receipt of **taxable** Australian social security or service pensions where taxpayer is not eligible for the Senior Australians Tax Offset.
- The maximum tax offset may be higher depending on the type and amount of pension received. This excess amount is calculated by the Australian Taxation Office (ATO).
- Offset reduces by 12.5 cents for each dollar of taxable income in excess of the shade-out threshold.
- Partnered pensioners can transfer any unused portion of their offset to their partner using the method set out in TR 93/31 (partner must be eligible for Senior Australians or pensioner tax offset).

Medical expenses tax offset

When net medical expenses exceed $1,500, a 20% tax offset is available to resident taxpayers on the excess amount. Expenses can be incurred on behalf of the taxpayer or their dependants. There is no upper limit on the amount that can be claimed.

Private health insurance tax offset

This tax offset can be claimed as:

- a reduction in your private health insurance premium through the health fund
- a cash or cheque rebate from Medicare
- a refundable tax offset at the end of the income year through your tax return, or
- a combination of all the options – each for a different period during the year.

The offset increases to 35% if the policy covers a person aged from 65 to 69 and 40% if the person is 70 or older.

Spouse contributions tax offset

Spouse's relevant income (RI) $	Maximum rebatable contributions (MRC) $	Maximum offset (lesser of 18% of) $
10,800 or less	3,000	MRC or actual
10,801 to 13,799	3,000 – (RI – $10,800)	MRC or actual
13,800 or more	Nil	Nil

Notes:

- Tax offset of 18% on up to $3,000 in spouse contributions.
- Maximum offset available to contributor is $540.
- Relevant income is assessable income plus reportable fringe benefits.
- Eligible spouse must be under 65. If aged 65 to < 75, must be gainfully employed at least 40 hours in a period of not more than 30 consecutive days in that financial year.

Termination payments

Long service and annual leave payments

Type of payment	Assessable %	Maximum tax rate
Unused annual leave		
On resignation or retirement		
• Pre 18 August 1993 service	100	31.5%
• Balance	100	Marginal
On genuine redundancy or approved early retirement		
• All service	100	31.5%
Unused long service leave		
On resignation or retirement		
• Pre 16 August 1978 service	5	Marginal
• 16 August 1978 to 17 August 1993	100	31.5%
• Balance	100	Marginal
On genuine redundancy or approved early retirement		
• Pre 16 August 1978 service	5	Marginal
• Balance	100	31.5%

Notes:

- A tax offset (the lump sum rebate) applies so the taxpayer pays no more than the lower of their marginal rate and the maximum tax rate set.
- The Medicare levy applies to residents only. It is included in the maximum tax rate shown and is not reduced by the lump sum rebate.
- PAYG withholding tax rate of 31.5% assumes the taxpayer has provided their Tax File Number.

Death benefit employment termination payments (ETPs)

Taxable component	Tax treatment
Any age – death benefits if paid to a **dependant** • First $140,000 • Balance	 Tax free then 46.5%
Any age – death benefits if paid to a **non-dependant** • First $140,000 • Balance	 31.5% then 46.5%

Employment termination payments (ETPs) taxable component

Age	Tax treatment[1]
Under 55 • First $140,000 (threshold for 2007/08) • Balance	 31.5% 46.5%
Over 55 • First $140,000 (threshold for 2007/08) • Balance	 16.5% then 46.5%
Under 55 – Transitional rules[2] (Cashed prior to 01/07/2012) • First $1 million • Balance	 31.5% then 46.5%
Over 55 – Transitional rules[2] (Cashed prior to 01/07/2012) • First $140,000 • Between $140,000 and $1 million • Balance	 16.5% 31.5% 46.5%

Note:

1 Medicare levy of 1.5% is included in the above tax rates.

2 ETP paid due to entitlement in a contract, law or workplace agreement as at 9 May 2006.

Tax free part of genuine redundancy payments and early retirement scheme payments

This table shows the limit set for genuine redundancy and early retirement scheme payments from 1 July 2007.

Income year	Base limit	For each complete year of service
2007/08	$7,020	$3,511

Note:

In accordance with section 960-285 of the ITAA 1997, the base limit and service amount will be indexed in line with AWOTE each income year.

Superannuation

Preservation age

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 to 30 June 1961	56
1 July 1961 to 30 June 1962	57
1 July 1962 to 30 June 1963	58
1 July 1963 to 30 June 1964	59
On or after 1 July 1964	60

Quarterly Superannuation Guarantee (SG)

- 9% of each eligible employee's earnings base to be paid to a complying super fund.
- New quarterly payment arrangements for these contributions commenced 1 July 2003 as follows:

SG quarter	Due date for payment of SG	Due date for payment of SG charge
1 July to 30 September	28 October	14 November
1 October to 31 December	28 January	14 February
1 January to 31 March	28 April	14 May
1 April to 30 June	28 July	14 August

Notes:

- Maximum quarterly contribution base for 2007/08 is $36,470 (i.e. $145,880 p.a.).
- Employer does not have to provide superannuation support on that part of an employee's salary/wage which exceeds this level.
- Failure to contribute within 28 days of the end of the relevant quarter will incur the SG charge, payable to the ATO by the 14th day of the second month following the end of the relevant quarter.

Contributions caps

Concessional contributions cap

Concessional contributions include employer contributions (including contributions made under a salary sacrifice arrangement) and personal contributions claimed as a tax deduction by a self-employed person.

The concessional contributions cap is a limit on the amount of contributions that will be taxed at concessional rates. Any concessional contributions which exceed the cap in a financial year will be taxed at an additional 31.5% (including Medicare levy).

Income year	Amount of cap
2007/08	$50,000

Note:

In accordance with section 960-285 of the *Income Tax Assessment Act 1997* (ITAA 1997), the concessional contributions cap will be indexed in line with AWOTE, in increments of $5,000, from the 2008–09 income year.

Transitional arrangement for the concessional contributions cap

Between 1 July 2007 and 30 June 2012, a transitional concessional contributions cap will apply for people aged 50 or over. During this time, if you are aged 50 or over the annual cap will be $100,000. If you have more than one fund, all concessional contributions made to all your funds are added together and count towards the cap.

Non-concessional contributions cap

Non-concessional contributions include personal contributions for which you do not claim an income tax deduction.

The non-concessional contributions cap is a limit on the amount of non-concessional contributions that can be made tax free in a financial year. Any non-concessional contributions which exceed the cap in a financial year will be taxed at the highest marginal tax rate (currently 46.5% including Medicare levy).

Income year	Amount of cap
2007/08	$150,000

Notes:

- The 'bring-forward' option is available, meaning that people under 65 years of age can make non-concessional contributions of up to $450,000 over a three-year period.
- In accordance with subsection 292-85(2) of the ITAA 1997, the non-concessional cap for an income year is three times the concessional contributions cap.

Tax File Numbers

If your super fund does not have your Tax File Number, then:

(a) if your super account was opened before 1 July 2007, all employer contributions made to your account will be taxed at an additional 31.5% where more than $1,000 of employer contributions are made to the super fund in a financial year.

(b) if your super account was opened on or after 1 July 2007, all employer contributions made to your account will be taxed at an additional 31.5%.

Superannuation benefits

Low rate cap amount

From 1 July 2007 the application of the low rate threshold for superannuation lump sum payments is capped. The low rate cap amount is reduced by any amount previously applied to the low rate threshold.

Income year	Cap amount
2007/08	$140,000

Note:

In accordance with section 960-285 of the ITAA 1997, the low rate cap amount will be indexed in line with AWOTE, in increments of $5,000, from the 2008–09 income year.

Untaxed plan cap amount

From 1 July 2007, the untaxed plan cap amount limits the concessional tax treatment of benefits that have not been subject to contributions tax in a superannuation fund. The untaxed plan cap amount applies to each superannuation plan from which a person receives superannuation lump sum member benefits.

Income year	Amount
2007/08	$1 million

Note:
In accordance with section 960-285 of the ITAA 1997, the Untaxed plan cap amount will be indexed in line with AWOTE, in increments of $5,000, from the 2008–09 income year.

Minimum annual pension payments

Once you start a pension on or after 1 July 2007, a minimum amount is required to be paid each year. There is no maximum amount other than the balance of your superannuation account. The following table shows minimum annual pension percentages for each age group:

Age	Minimum % withdrawal
Under 65	4
65–74	5
75–79	6
80–84	7
85–89	9
90–94	11
95 or more	14

Employment termination payments (ETPs)

ETP cap amount

From 1 July 2007, an employment termination payment (ETP) is a payment made in consequence of the termination of employment. It can include:

- amounts for unused rostered days off
- amounts in lieu of notice
- a gratuity or 'golden handshake'
- an employee's invalidity payment (for permanent disability, other than compensation for personal injury), and
- certain payments after the death of an employee.

Employment termination payments do not include:

- a payment for unused annual leave or unused long service leave, or
- the tax-free part of a genuine redundancy payment or an early retirement scheme payment.

The amount up to the ETP cap amount will be concessionally taxed. The amount in excess of the ETP cap amount will be taxed at the top marginal rate.

Superannuation guarantee

The superannuation guarantee charge percentage

The superannuation guarantee requires employers to provide sufficient superannuation support for their employees. You are obliged to contribute a minimum of 9% of an eligible employee's earnings base to a complying superannuation fund or retirement savings account (RSA). Your contributions need to be made at least every quarter (that is, every three months).

The charge percentage is set out in the law. For 2002/03 and subsequent years, the rate is **9% of each employee's earnings base**.

Maximum superannuation contribution base

The maximum superannuation contribution base is used to determine the maximum limit on any individual employee's earnings base for each quarter of any financial year. You do not have to provide the minimum support for the part of earnings above this limit.

Income year	Per quarter
2007–2008	$36,470
2006–2007	$35,240
2005–2006	$33,720
2004–2005	$32,180
2003–2004	$30,560
2002–2003	$29,220
2001–2002	$27,510
2000–2001	$26,300
1999–2000	$25,240
1998–1999	$24,480

Income year	Per quarter
1997–1998	$23,630
1996–1997	$22,590
1995–1996	$21,720
1994–1995	$20,780
1993–1994	$20,160
1992–1993	$20,000

Superannuation co-contributions

Total income (TI) $	Reduction in co-contribution (RI) $	Maximum co-contribution $
28,980 or less	Nil	1,500
28,981 to 58,979	(TI – 28,980) x 0.05	1,500 – RI
58,980 or more	Nil	Nil

Notes:
- Payment rate is $1.50 for every dollar of personal contributions made by eligible employees.
- Maximum co-contribution available is $1,500.
- Total income (TI) is assessable income plus reportable fringe benefits.

Surcharge

Superannuation contributions and termination payments surcharges are taxes commonly known as the 'surcharge'.

Note:

The Government abolished the surcharge effective 1 July 2005. Information on 2004/05 is contained to allow calculations of liability for 2004/05 financial year. Although surcharge has been abolished, it may still be possible for assessments to be raised after 1 July 2005 where the assessment relates to the 2004/05 or earlier income year.

Change in surcharge rate

Year	Rate %
2002/03	15.0
2003/04	14.5
2004/05	12.5
2005/06 and following years	0

Surcharge rate (2004/05)

Adjusted taxable income (ATI)	Surcharge rate (TFN provided) %	Surcharge rate (no TFN provided) %
$99,710 or less	0	12.5
Between $99,710 and $121,075	$\frac{\text{ATI} - \$99{,}710}{\$1{,}709^{1}}$	12.5
$121,075 or higher	12.5	12.5

Note:

1 The ATO will use five decimal places, i.e. $1,709.20000.

Taxation of superannuation member benefits

Taxable component – element taxed in the fund

Age	Amount	Superannuation lump sum benefits%[1]	Superannuation income streams
60 and above	Whole component	0	Not subject to tax
Preservation age to 59	First $140,000 (indexed) Balance over $140,000	0 16.5	Marginal tax rates (MTR) less a 15% tax offset
Below preservation age	Whole component	21.5	MTR (no tax offset)[2]

Taxable component – element untaxed in the fund

Age	Amount	Superannuation lump sum benefits%[1]	Superannuation income streams
60 and above	First $1 million[3] Balance over $1 million	16.5 46.5	MTR less a 10% tax offset
Preservation age to 59	First $140,000 (indexed) Amount from $140,000 to $1 million Balance over $1 million	16.5 31.5 46.5	MTR (no tax offset)
Below preservation age	First $1 million Balance over $1 million	31.5 46.5	MTR (no tax offset)

Notes:

1 Inclusive of 1.5% Medicare levy.

2 Disability superannuation income streams also receive a 15% tax offset.

3 $1 million untaxed plan cap amount, per superannuation plan, indexed annually

Superannuation death benefits

Superannuation death benefits paid to a dependant

Age of deceased	Type of superannuation death benefit	Age of recipient	Taxation treatment
Any age	Lump sum	Any age	Tax free
Age 60 and above	Income stream	Any age	Taxable component-element taxed in the fund: tax free Taxable component-element untaxed in the fund: MTR less 10% tax offset
Under 60	Income stream	Age 60 and above	Taxable component-element taxed in the fund: tax free Taxable component-element untaxed in the fund: MTR less 10% tax offset
Under 60	Income stream	Under 60	Taxable component-element taxed in the fund: MTR less 15% tax offset Taxable component-element untaxed in the fund: MTR

Superannuation death benefits paid to a non-dependant

Age of deceased	Type of death benefit	Age of recipient	Taxation treatment
Any age	Lump sum	Any age	Taxable component-element taxed in the fund: 16.5% Taxable component-element untaxed in the fund: 31.5%
Any age	Income stream	Any age	Not applicable. Income streams commenced prior to 1 July 2007 will be taxed as if received by a dependant.

Note:
Rates are inclusive of 1.5% Medicare levy.

Income streams

Social security means testing

Means test	Assets test exempt (complying)	Assets tested > five years	Assets tested five years or less
Income test	$GNP - \frac{PP}{RN}$	$GNP - \frac{PP - RCV}{RN}$	Deeming rules
Assets test	*100% exempt* defined benefit and pre 20/09/04 complying income streams *50% exempt* From 20/09/04 50% of: • reduced value of PP for purchased life expectancy and lifetime income streams • A/C balance for market linked income streams.	• if 100% RCV, use PP • if RCV < 100%, use reduced value of PP • A/C balance for allocated incomes	• if 100% RCV, use PP • if RCV < 100%, use reduced value of PP

where:

GNP = Gross nominated payment (annualised).

PP = Purchase price less commuted amounts to date where one or more partial commutations.

RCV = Residual capital value at assessment, where relevant. An allocated pension or annuity has zero RCV.

RN = Relevant number at commencement, either life expectancy for lifetime contracts (including allocated incomes) or term for term contracts.

Reduced value = $PP - \left(\frac{(PP - RCV)}{RN} \times TE\right)$

TE = Term elapsed in years rounded down to nearest number of complete half years for six monthly reduction (where two or more income payments a year) and to nearest number of whole years for annual reduction (where only one income payment a year). Reduction carried out in arrears.

Commutation revised amounts

Commutation details	Social security non-assessable amount
Partial commutation, residual income stream	$\frac{\text{PP} - \text{Com} - \text{RCV}}{\text{Original RN}}$
Full commutation, roll to another income stream	$\frac{\text{New PP} - \text{RCV New}}{\text{RN}^2}$

where:

PP = Purchase price.

Com = Commutations (total of all commutations made).

RN = Relevant number (term or life expectancy).

RCV = Residual capital value, where relevant (zero RCV for an allocated pension).

Notes:

1 Original relevant number reduced by the period (term) that the income stream has been payable.

2 Term of new income stream or new life expectancy at commencement.

Life expectancy table (1995 to 1997)

The table below is used to calculate the term, the annual deductible amount (tax) and the annual non-assessable amount (social security) of certain income streams commencing on or after 1 January 2000 and before 1 January 2005.

Age	Male	Female	Age	Male	Female
50	28.64	33.11	71	12.17	15.14
51	27.74	32.18	72	11.56	14.40
52	26.85	31.26	73	10.96	13.67
53	25.97	30.34	74	10.38	12.96
54	25.09	29.43	75	9.82	12.26
55	24.22	28.53	76	9.27	11.58
56	23.36	27.63	77	8.74	10.92
57	22.52	26.74	78	8.24	10.28
58	21.68	25.86	79	7.76	9.67
59	20.86	24.98	80	7.30	9.09
60	20.05	24.11	81	6.87	8.53
61	19.25	23.25	82	6.46	8.00
62	18.46	22.39	83	6.08	7.48
63	17.70	21.54	84	5.73	7.00
64	16.94	20.70	85	5.40	6.53
65	16.21	19.88	86	5.10	6.10
66	15.49	19.06	87	4.82	5.69
67	14.79	18.25	88	4.57	5.32
68	14.11	17.46	89	4.35	4.98
69	13.44	16.67	90	4.16	4.67
70	12.80	15.90			

Life expectancy table (2000 to 2002)

The table below is used to calculate the term, the annual deductible amount (tax) and the annual non-assessable amount (social security) of certain income streams commencing on or after 1 January 2005.

Age	Male	Female	Age	Male	Female
50	30.39	34.51	71	13.41	16.29
51	29.49	33.58	72	12.75	15.53
52	28.59	32.66	73	12.11	14.78
53	27.69	31.73	74	11.50	14.05
54	26.80	30.82	75	10.90	13.33
55	25.92	29.91	76	10.32	12.63
56	25.05	29.00	77	9.77	11.94
57	24.19	28.10	78	9.24	11.27
58	23.34	27.21	79	8.73	10.61
59	22.49	26.32	80	8.24	9.98
60	21.66	25.44	81	7.77	9.38
61	20.84	24.57	82	7.32	8.81
62	20.04	23.71	83	6.89	8.27
63	19.24	22.85	84	6.48	7.76
64	18.46	22.00	85	6.11	7.28
65	17.70	21.15	86	5.77	6.83
66	16.95	20.32	87	5.47	6.41
67	16.21	19.49	88	5.20	6.02
68	15.48	18.67	89	4.95	5.66
69	14.78	17.87	90	4.74	5.33
70	14.08	17.08			

Social security and aged care

Note: Rates and thresholds as at 1 July 2007.

Adult pension rates (e.g. age, service, disability)

Family situation	Maximum pension p.f.[1]	Maximum pension p.a.[1]
Single	$525.10	$13,652.60
Couple (partnered rate)	$438.50 each	$11,401.00 each

Pension income test

Family situation	For full pension p.f.[2]	For part pension p.f.
Single	Up to $132.00	Less than $1,459.25
Couple (combined)	Up to $232.00	Less than $2,439.00

Pension assets test

From 20 September 2007, the pension assets test taper rate will be halved. This means that pensions will only be reduced by $1.50 per fortnight instead of $3 for every $1,000 of assets above the assets limits for full pension. This will result in increased pensions for people who receive a part pension under the assets test. Many people who were previously unable to get a pension because of the level of their assets will now be eligible for a part pension.

Based on current pension rates, the assets test cut out points for a single pensioner will increase by $177,000 ($294,500 for couples). Further details are:

Family situation	Allowable assets limits (for full pension)	Current assets limits (for part pension)	Assets limits for part pension (based on $1.50 taper and current pension rates)*
Single homeowner	$166,750	$343,750	$520,750
Single non-homeowner	$287,750	$464,750	$641,750
Couple homeowner	$236,500	$531,000	$825,500
Couple non-homeowner	$357,500	$652,000	$946,500

* From 20 September 2007

Notes:

1 Pharmaceutical allowance is paid in addition at $5.80 p.f. for eligible single people and at $2.90 p.f. for each eligible member of a couple.

2 Income over these amounts reduces the rate of pension payable by 40 cents in the dollar (single) and 20 cents in the dollar each (couple).

Allowance payment rates (e.g. Newstart, Partner)

Family situation	Allowance rate p.f.	Allowance rate p.a.
Family situation	Allowance rate p.f.	Allowance rate p.a.
Single, 21 or over, no children	$424.30	$11,031.80
Single, 21 or over, with children	$458.90	$11,931.40
Single, 60 or over, after nine months[1]	$458.90	$11,931.40
Couple, 21 or over	$382.80	$9,952.80 each

Allowance income test

Family situation	For full allowance p.f.[2]	For part allowance p.f.[3]
Single, 21 or over, no children	Up to $62	Less than $800.50
Single, 21 or over, with children	Up to $62	Less than $858.17
Single, 60 or over, after nine months	Up to $62	Less than $858.17
Couple, 21 or over	Up to $62 each	Less than $731.34 each

Notes:

1 In addition Pharmaceutical Allowance of $5.80 p.f. paid to this group only – payment rules as for pensioners.

2 Fortnightly income from $62 to $250 (inclusive) reduces fortnightly allowance by 50 cents in the dollar. For income above $250 p.f., fortnightly allowance reduces by 60 cents in the dollar. Partner income which exceeds cut-out point further reduces fortnightly allowance by 60 cents in the dollar.

3 May be higher if you are eligible for Pharmaceutical Allowance or Rent assistance.

Allowance assets test

Family situation	For any allowance[1]
Single homeowner	Up to $166,750
Single non-homeowner	Up to $287,750
Couple homeowners (combined)	Up to $236,500
Couple non-homeowners (combined)	Up to $357,500

Pension bonus scheme

The formula for the calculation of the pension bonus amount is:

annual basic pension entitlement x (9.4% x years in scheme) x years in scheme

Years worked (age pension deferral period)	Maximum bonus payable[2]	
	Single	Partnered (each)
1	$1,283.30	$1,071.70
2	$5,133.40	$4,286.80
3	$11,550.10	$9,645.20
4	$20,533.50	$17,147.10
5	$32,083.60	$26,792.90

Notes:

1 Allowance cuts out where assets exceed these limits, there is no gradual phasing out.

2 Based on maximum basic pension as at 1 July 2007. Amounts revised each 20 March and 20 September.

Deeming thresholds and rates

Family situation	Amount and rate
Single person	$0 to $39,400 @ 3.5%
Pensioner couple (combined)[1]	$0 to $65,400 @ 3.5%
Non-pensioner couple (each)[2]	$0 to $31,900 @ 3.5%
All above categories	Balance @ 5.5%

Notes:

1 At least one member receives a pension.

2 Neither receives a pension.

Pension qualifying age for men

The qualifying age for men is 65 for the Centrelink age pension and 60 for the DVA age service pension.

Pension qualifying age for women

Date of birth	Centrelink minimum age pension age
1 July 1941 to 31 December 1942	62.5
1 January 1943 to 30 June 1944	63.0
1 July 1944 to 31 December 1945	63.5
1 January 1946 to 30 June 1947	64.0
1 July 1947 to 31 December 1948	64.5
1 January 1949 and later	65.0

Note:

The qualifying age for the **DVA age service pension is five years younger** so the 'date of birth' ranges are five years later than those shown in the table.

Aged care rates (as at 1/07/2007)

For care		For care		For accommodation
Maximum basic daily rate (nursing homes and hostels)		Income tested daily fee (nursing homes and hostels)		Accommodation charge (nursing homes)
Pensioner[1] $29.97 (means tested)	+	Full pensioner N/A (means tested)	+	Max. daily charge[4] $17.55 Min. assets left $33,000 Max. interest rate[2] 7%
Non-pensioner $37.55		Maximum[3] $53.96 **Note:** Cannot be greater than cost.		Accommodation bond (hostels)
				Bond agreed with provider Max. retention p.a. $3,282 Min. assets left $33,000 Max. interest rate[4] 10.37%

Notes:

1 Non-pensioner rate may apply where accommodation bond exceeds $132,000.

2 Maximum interest rate for accommodation payment agreements.

3 Otherwise the lesser of the maximum and ((25% of income above annual threshold for full pension)/365).

4 Otherwise the lesser of the maximum and ((20% of assets over $33,000)/365).

Notes

Notes

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