

OVERVIEW

For the 2005–06 income year:

- 11.5 million individuals lodged income tax returns
- 72.8% (8.4 million) of tax returns were submitted by tax agents, and 13.2% (1.5 million) were submitted using e-tax
- individuals declared total income of \$483.1 billion, including \$350.7 billion in salary and wages
- individuals claimed \$27.0 billion in total deductions, including \$13.1 billion in work-related expenses
- 8.0 million individuals were entitled to tax offsets and credits totalling \$15.4 billion
- individuals had taxable income of \$455.1 billion and net tax payable of \$108.7 billion, plus \$0.8 billion payable for higher education loan debt repayments
- individuals declared \$106.2 billion in tax that was paid or withheld prior to lodging their tax return on income received during the income year
- individuals were entitled to \$8.8 billion in refundable tax offsets and credits, and
- \$16.6 billion was refunded to individuals after they lodged their income tax return, and \$11.1 billion was required to be paid by other individuals to meet their annual tax liabilities.

NEW FEATURES AND INFORMATION

Statistics for the 2005–06 income year reported in this chapter may have been affected by:

- personal income tax cuts
- the introduction of new measures such as the 30% child care tax rebate, the 25% entrepreneurs' tax offset, transitional incentives to contribute to superannuation, and
- transition to retirement rules – people aged over 55 can now access superannuation benefits without having to retire or leave their job.

The following new items were added to the 2006 individual tax return and have been included in the chapter and detailed tables:

- 30% child care tax rebate (item T6, item W), and
- the Tax Office calculated 25% entrepreneurs' tax offset

The following tables have been added to this chapter:

- individuals with an interest in a rental property (Table 2.6)
- individuals' work related expenses broken down by the method used to calculate their expense (Table 2.8)
- the range of individuals tax refund or debit on assessment (Table 2.17)
- rental property schedules (income and deductions) sorted by the state/territory of the rental property (Detailed Table 16), and
- taxable income compared to total income for individuals (Detailed table 17).

INTRODUCTION

This chapter provides information about individuals, as reported on their income tax return. A tax return is a form used to disclose income, tax withheld, deductions and/or tax offsets for an income year. An individual is required to lodge an income tax return for many reasons, two of the more common reasons are if they paid tax during the year, or if their taxable income exceeded certain amounts.

The purpose of the tax return is to calculate the difference between the tax withheld during the year and the amount of tax actually due. This results in either a refund or an amount payable.

Individuals have from 1 July to 31 October to lodge their tax return, unless it is prepared by a registered tax agent in which case the deadline may be extended under the particular tax agent's lodgement program for that year of income, but generally not later than 15 May in the following calendar year.

Individuals generally receive most of their income from salary or wages, Australian Government pensions and benefits, or investments. They may also have business income, business losses or deductions.

PERSONAL TAX RETURNS

For the 2005–06 income year, 11.5 million individuals lodged returns. These individuals represented 55.8% of the total estimated Australian population of 20.6 million as at 30 June 2006 (Australian Bureau of Statistics, *Australian demographic statistics*, June 2006, Cat. No. 3101.0).

Lodgment of individuals' tax returns grew by 2.4% for the 2005–06 income year. Growth in e-tax lodgments grew by 17.2% to 1.5 million, while growth in returns lodged by tax agents increased by 2.0%.

Individuals most commonly choose a tax agent to lodge their income tax return (72.8%). Lodgments via e-tax (13.2%) almost overtook paper and telephone lodgments (14.0% or 1.6 million). The proportion of taxpayers lodging returns using e-tax generally decreased with age, although by far the highest rates of growth were seen in those aged between 55 and 74. Not including the 'other' state grouping, the Australian Capital Territory had the highest proportion of people lodging returns using e-tax (24.4%), while Victoria had the lowest (11.2%).

Table 2.1: Individuals' returns, 2004–05 and 2005–06 income years

	2004–05 ¹			2005–06 ¹		
	e-tax	Other	Total	e-tax	Other	Total
By method of lodging						
Agent	0	8,211,730	8,211,730	0	8,378,729	8,378,729
Self-preparer	1,298,581	1,725,682	3,024,263	1,521,780	1,610,450	3,132,230
Total	1,298,581	9,937,412	11,235,993	1,521,780	9,989,179	11,510,959
By tax status						
Taxable	1,047,905	8,051,174	9,099,079	1,255,037	8,153,216	9,408,253
Non-taxable	250,676	1,886,238	2,136,914	266,743	1,835,963	2,102,706
Total	1,298,581	9,937,412	11,235,993	1,521,780	9,989,179	11,510,959
By sex						
Male	647,554	5,171,349	5,818,903	765,817	5,183,674	5,949,491
Female	651,027	4,766,063	5,417,090	755,963	4,805,505	5,561,468
Total	1,298,581	9,937,412	11,235,993	1,521,780	9,989,179	11,510,959
By state						
NSW	404,911	3,263,002	3,667,913	470,216	3,262,838	3,733,054
VIC	265,890	2,535,963	2,801,853	321,857	2,541,576	2,863,433
QLD	291,553	1,908,976	2,200,529	340,246	1,939,512	2,279,758
WA	146,193	990,635	1,136,828	170,318	1,007,504	1,177,822
SA	100,769	752,377	853,146	116,797	751,889	868,686
TAS	29,031	232,748	261,779	34,270	232,774	267,044
ACT	45,383	160,737	206,120	51,783	160,047	211,830
NT	12,844	86,949	99,793	13,994	86,840	100,834
Other	2,007	6,025	8,032	2,299	6,199	8,498
Total	1,298,581	9,937,412	11,235,993	1,521,780	9,989,179	11,510,959
By age						
<18	66,933	213,393	280,326	73,881	207,558	281,439
18–24	358,399	1,164,018	1,522,417	424,068	1,125,689	1,549,757
25–29	203,723	919,998	1,123,721	245,337	907,328	1,152,665
30–34	161,669	1,075,022	1,236,691	181,857	1,040,161	1,222,018
35–39	121,449	1,063,693	1,185,142	139,841	1,093,365	1,233,206
40–44	109,550	1,119,518	1,229,068	121,442	1,106,290	1,227,732
45–49	95,938	1,070,856	1,166,794	111,933	1,086,726	1,198,659
50–54	76,287	962,032	1,038,319	91,369	970,625	1,061,994
55–59	53,318	854,384	907,702	66,160	880,599	946,759
60–64	26,558	571,605	598,163	34,516	604,393	638,909
65–69	11,469	343,116	354,585	14,803	363,528	378,331
70–74	5,815	220,233	226,048	8,204	265,450	273,654
75 or more	7,473	359,544	367,017	8,369	337,467	345,836
Total	1,298,581	9,937,412	11,235,993	1,521,780	9,989,179	11,510,959

¹ Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

PERSONAL INCOME

For the 2005–06 income year, individuals had total income of \$483.1 billion and taxable income of \$455.1 billion. The average total income for all individuals increased by 5.3% to \$42,554 while the average taxable income for all individuals increased by 4.7% to \$40,168 for the 2005–06 income year. The difference in the two growth rates shows that deductions being claimed are growing at a greater rate than income being declared.

The average taxable income for both men and women increased by 4.8%, to \$47,516 for men and to \$32,137 for women. The gap between male and female average taxable income has continued to increase, and now stands at \$15,379.

Table 2.2: Individuals' total and taxable income, 2004–05 and 2005–06 income years

Income	No.	2004–05 ¹		2005–06 ¹	
		\$m	No.	\$m	
Total income	11,073,438	447,450	11,352,174	483,076	
Male	5,799,417	277,801	5,927,830	299,141	
Female	5,274,021	169,649	5,424,344	183,935	
Taxable income²	11,050,246	423,742	11,329,277	455,071	
Male	5,787,015	262,332	5,915,639	281,090	
Female	5,263,231	161,411	5,413,638	173,980	

1 Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

2 Totals may differ from the sum of components due to rounding.

Salary and wages was the most common type of income reported in 2004–05 and 2005–06, with 78.3% of individuals reporting income from this source. Salary and wages represented 73.3% and 72.6% of total income respectively for each year. The average amount of salary and wages paid to an individual increased by 4.3% to \$39,460 in 2005–06.

Net capital gains have continued to grow strongly in 2005–06, increasing by 30.6%. This growth follows on from the 21.3% growth in 2004–05; however, unlike 2004–05, the driver behind this year's growth has been an increase in the size of net capital gains per individual rather than an increase in the number of individuals realising net capital gains. The strength of the share market is reflected in the growth of gross dividends and franking credits, which grew by 14.0% and 14.1% respectively in 2005–06.

Table 2.3: Source of individuals' income, 2004–05 and 2005–06 income years

Source of income ¹	2004–05 ²		2005–06 ²	
	No.	\$m	No.	\$m
Salary and wages	8,664,172	327,808	8,886,656	350,665
Net partnership and trust distributions	2,099,574	29,071	2,114,426	30,110
Net capital gains	1,147,928	12,413	1,193,781	16,213
Net business income	941,217	14,355	978,640	15,369
Gross dividends	3,037,374	13,449	3,002,486	15,331
Other pensions/annuities (non-government)	578,826	12,505	615,421	14,491
Gross interest	4,344,923	8,475	4,356,221	9,607
Eligible termination payments – other than excessive component	333,389	5,729	309,210	6,348
Franking credits	2,983,535	5,516	2,960,789	6,291
Allowances, benefits, earnings and tips	2,029,870	5,508	2,049,273	5,825
Commonwealth of Australia pensions and allowances	702,942	5,072	724,124	5,276
Commonwealth of Australia benefits and payments	967,397	4,468	921,612	4,296
Lump sum payments – assessable in full (amount A)	148,202	1,384	149,101	1,536
Net personal services income	77,885	1,221	82,346	1,336
Other foreign income	877,286	956	927,390	1,186
Other income category 2 ³	110,649	941	116,011	1,007
Less total deferred losses	136,405	871	143,719	985
Other income category 1 ⁴	76,617	690	79,936	972
Foreign employment and pension or annuity income without an undeducted purchase price	57,237	612	61,347	654
Foreign pension or annuity income with an undeducted purchase price	58,185	429	59,574	434
Attributed personal services income	6,395	156	6,331	170
Eligible termination payments – excessive component	602	41	602	36
Attributed foreign income	1,844	12	34,554	27
Life assurance bonuses	2,580	3	2,264	12
Lump sum payments – 5% assessable (5% of amount B)	18,752	10	18,896	10
Australian franking credits from a New Zealand company	7,705	1	8,599	1
Net farm management withdrawals or deposits	25,665	-155	24,088	-24
Net rent	1,510,921	-4,101	1,561,630	-5,089
Total⁵	11,073,438	447,450	11,352,174	483,076

1 Definitions for the different sources of income are in the personal tax return form guide on the attached CD-ROM.

2 Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

3 'Other income category 2' includes 'Other salary and wages category 2' and 'Other income n.e.i. (not elsewhere included) category 2'.

4 'Other income category 1' includes 'Other salary and wages category 1' and 'Other income n.e.i. (not elsewhere included) category 1'.

5 Components do not add to the total number of taxpayers as taxpayers may declare more than one type of income. The total income amount shown in this table is the sum of components as shown by taxpayers on their annual income tax returns. It is not necessarily the total income calculated by the Tax Office during assessment.

RENTAL INCOME AND DEDUCTIONS

For the 2004–05 and 2005–06 income years, total rental deductions were greater than total rental income, resulting in negative net rental income. In 2005–06 net rental income decreased by 24.1%, while the number of individuals with net rental income increased by 3.4%.

Of individuals declaring net rental income, 78.9% claimed rental interest deductions. These interest deductions were 14.1% (\$1,704 million) higher in 2005–06.

Table 2.4: Individuals' rental income and deductions, 2004–05 and 2005–06 income years

Rental income/deductions	No.	2004–05 ¹		2005–06 ¹	
		No.	\$m	No.	\$m
Gross rental income	1,495,646	17,653	1,545,310	19,160	
<i>Less</i> rental interest deductions	1,185,721	12,126	1,231,694	13,830	
Capital works deductions	479,240	965	518,568	1,091	
Other rental deductions	1,497,282	8,662	1,548,327	9,328	
Net rental income²	1,510,921	-4,101	1,561,630	-5,089	

¹ Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

² Components do not add to the total number of taxpayers claiming rental deductions as taxpayers may claim more than one type of deduction. Totals may differ from the sum of components due to rounding.

For 2005–06, 66.5% of individuals with net rental income had a taxable loss (net rental income less than zero) from their rental property. Almost half of individuals with net rental income (48.7%) had a taxable income between \$21,601 and \$63,000.

Table 2.5: Individuals' net rental income, by taxable income, 2005–06 income year

Taxable income	Net rental income less than \$0		Net rental income greater than or equal to \$0		Total
	No.	\$m	No.	\$m	
\$6,000 or less	96,119	-963	41,139	140	137,258
\$6,001–\$21,600	132,526	-940	112,846	594	245,372
\$21,601–\$63,000	521,846	-3,783	238,386	1,482	760,232
\$63,001–\$95,000	174,446	-1,462	75,419	574	249,865
\$95,001 or more	113,872	-1,511	55,031	779	168,903
Total¹	1,038,809	-8,659	522,821	3,570	1,561,630

¹ Totals may differ from the sum of components due to rounding.

Most individuals with an interest in a rental property complete a rental property schedule for each property. An interest in a property means either solely owned, jointly owned, or part year owned (for example brought or sold a property during the year). The majority of individuals (72.5%) had an interest in only one rental property.

Table 2.6 Individuals with an interest in a rental property, 2005–06 income year

Property interests	No. of individuals
1	1,081,067
2	272,677
3	82,283
4	29,738
5	12,082
6 or more	12,442
Total	1,490,289

A new detailed table has been added (Table 16) which contains details of the rental income and expenses from the rental property schedule grouped by the state location of the property.

PERSONAL DEDUCTIONS

Deductions are subtracted from assessable (or total) income to give taxable income, to which the tax rates are then applied. Deductions are generally categorised as work-related deductions or other deductions. Work-related deductions are directly related to gaining or producing an employee's assessable income. Other deductions include gifts, film industry incentives, and expenses such as the cost of managing tax affairs.

The number of individuals claiming deductions (referring to deduction labels D1 to D15, which do not include rental and business deductions) increased by 2.6% for 2005–06 income year, yet the value of deductions claimed increased by 18.8%, far outpacing the growth in income. Work-related expenses were the most common type of deduction claimed, with 79.9% of individuals who claimed deductions in the 2005–06 income year claiming one or more work-related deductions. While 73.1% or 8.2 million individuals used a tax agent to lodge their 2004–05 income tax return, only 5.2 million claimed deductions for the cost of managing tax affairs on their 2005–06 income tax return. Non-employer-sponsored superannuation contributions, or superannuation contributions made by individuals who are predominantly self employed, increased by 91.7% in 2005–06.

Table 2.7: Individuals' deductions, by type, 2004–05 and 2005–06 income years

Type of deduction	2004–05 ¹		2005–06 ¹	
	No.	\$m	No.	\$m
Work-related expenses	7,179,897	11,930	7,404,299	13,067
Non-employer-sponsored superannuation	179,725	2,023	203,233	3,879
Undeducted purchase price of Australian pension or annuity	336,633	2,602	370,895	3,128
Interest and dividends	952,908	2,203	912,589	2,726
Gifts or donations	4,312,817	1,472	4,195,908	1,556
Cost of managing tax affairs	5,145,331	1,219	5,219,831	1,312
Low-value pool	195,237	99	221,145	106
Undeducted purchase price of foreign pension or annuity	51,286	51	49,688	50
Film industry incentives	1,229	23	916	11
Election expenses	2,176	7	2,562	6
Project pool	950	3	749	3
Other	408,959	1,117	434,044	1,190
Total²	9,028,798	22,750	9,263,945	27,034
Prior year losses	75,961	1,035	74,812	1,057

¹ Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

² Components do not add to the total number of taxpayers claiming deductions as taxpayers may claim more than one type of deduction. Amount totals may differ from the sum of components due to rounding.

Individuals can claim more than one type of work-related expense. The number of individuals claiming one or more types of work related expenses increased by 3.1% for the 2005–06 income year, with an increase of 9.5% in the amount claimed.

Details of the types of expenses that individuals claim for motor vehicle, clothing and self-education have been included in Table 2.8. Detailed Table 13 shows total work related expenses claimed by individuals by occupation code.

Table 2.8: Individuals' work-related expenses, 2004–05 and 2005–06 income years

Work-related expense	No.	2004–05 ¹		2005–06 ¹	
		\$m	No.	\$m	No.
Motor vehicle (car) Total	2,338,000	4,707	2,428,406	5,190	5,190
Cents per kilometre	2,004,439	2,599	2,093,694	2,947	2,947
12% of original value	29,632	133	30,062	139	139
1/3 of actual expenses	9,148	26	9,485	28	28
Log book	239,303	1,879	245,346	2,008	2,008
Not stated	55,478	69	49,819	67	67
Clothing (uniform) Total	4,901,414	1,132	5,113,106	1,212	1,212
Protective	1,773,241	431	1,802,035	452	452
Compulsory	2,259,252	506	2,415,840	553	553
Non compulsory	292,175	54	315,782	60	60
Occupation specific	358,910	94	384,775	106	106
Not stated	217,836	47	194,674	42	42
Self-education Total	514,316	780	512,038	834	834
Direct connection with employment	386,416	604	395,522	659	659
Improve skill or income of current employment	67,472	124	65,474	127	127
Other direct connection	12,632	16	10,666	15	15
Not stated	47,796	36	40,376	34	34
Other travel	667,427	1,005	714,449	1,126	1,126
Other work-related expenses	5,421,783	4,306	5,630,475	4,704	4,704
Total work-related expenses²	7,179,897	11,930	7,404,299	13,067	13,067

¹ Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

² Components do not add to the total number of taxpayers claiming work-related expenses as taxpayers may claim more than one type of work-related expense. Totals may differ from the sum of components due to rounding.

NET BUSINESS INCOME

For the 2005–06 income year, more than 1.7 million individuals declared net business income or losses on their tax return.

There was not a significant change in the number of individuals with net business income from 2004–05 to 2005–06 (0.8% increase). There was a 5.0% increase in the number of individuals reporting a loss from their business activities.

Table 2.9: Individuals with net income¹ from business operations, by industry, 2004–05 and 2005–06 income years

Industry ²	2004–05 ³		2005–06 ³	
	Net business income	Net business losses	Net business income	Net business losses
	No.	No.	No.	No.
Agriculture, Forestry and Fishing	50,797	48,863	49,081	53,890
Mining	1,299	498	1,346	511
Manufacturing	29,653	9,093	28,912	9,189
Electricity, Gas, Water and Waste Services	1,468	334	1,535	393
Construction	179,715	18,770	184,222	20,273
Wholesale Trade	9,557	4,734	9,718	5,047
Retail Trade	32,851	17,766	33,209	18,102
Accommodation and Food Services	12,838	6,451	13,022	6,467
Transport, Postal and Warehousing	61,926	7,914	62,856	8,141
Information Media and Telecommunications	5,775	2,403	6,013	2,412
Financial and Insurance Services	236,015	39,750	217,509	42,103
Rental, Hiring and Real Estate Services	21,560	9,285	21,706	9,913
Professional, Scientific and Technical Services	102,962	26,105	104,875	26,880
Administrative and Support Services	52,852	9,298	55,353	9,906
Public Administration and Safety	3,844	906	3,850	901
Education and Training	23,079	6,301	23,947	6,505
Health Care and Social Assistance	58,329	10,244	60,147	10,664
Arts and Recreation Services	29,225	14,358	29,865	14,642
Other Services	52,725	14,790	54,866	15,892
No industry stated	352,826	169,706	350,375	176,775
Total	1,319,296	417,569	1,312,407	438,606

1 The term 'Net business income' in this table refers to the sum of net business income primary production, net business income non-primary production, distribution from partnerships primary production, distribution from partnerships non-primary production, distribution from trusts primary production and net farm management withdrawals less deposits. Distribution from trusts non-primary production generally comprises income from investments, and thus has not been included in identifying taxpayers with net business income.

2 Industry groups are based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 code.

3 Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

There was a 6.2% increase in income from business operations in 2005–06, with the growth mainly driven by the 8.1% increase in other business income.

Table 2.10: Individuals with business income, by type, 2004–05 and 2005–06 income years

Type of income	2004–05 ¹		2005–06 ¹	
	No.	\$m	No.	\$m
Gross payments where ABN not quoted	3,642	190	3,418	112
Gross payments subject to foreign resident withholding	341	22	216	13
Gross payments – voluntary agreement	11,008	379	9,835	353
Gross payments – labour hire or other specified payments	6,505	133	6,631	149
Assessable government industry payments	21,908	290	22,320	296
Other business income	874,597	74,614	906,987	80,653
<i>Total business income</i> ²	895,733	75,547	927,149	81,577
Other business type income ³	651,587	14,757	619,714	14,304
Total income from business operations⁴	1,504,427	90,305	1,504,895	95,881

1 Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

2 'Total business income' here refers to the total business income in item P8 of the business and professional items schedule.

3 The term 'Other business type income' in this table refers to the sum of distribution from partnerships primary production, distribution from partnerships non-primary production, distribution from trusts primary production and net farm management withdrawals less deposits. Distribution from trusts non-primary production generally comprises income from investments, and thus has not been included in identifying taxpayers with net business income.

4 Components do not add to the total number of taxpayers as taxpayers may earn more than one type of business income. Totals may differ from the sum of components due to rounding.

Individuals claimed business expenses worth \$65.7 billion in 2005–06, an increase of 8.2% from 2004–05. Cost of sales was the largest expense claimed, accounting for 46.9% of total business expenses. When comparing the number of individuals that declared total business income and the number that claimed business expenses, there were 22,611 more claimants for expenses than taxpayers who declared business income.

The 'salary and wages in expenses' data at the bottom of table 2.11 is additional information that individuals employing people are required to complete on their income tax return. This does not represent an additional expense, as the amount has already been included in cost of sales or in other expenses. This amount is clearly under-reported.

Table 2.11: Individuals' business expenses, by type, 2004–05 and 2005–06 income years

Type of expense	2004–05 ¹		2005–06 ¹	
	No.	\$m	No.	\$m
Cost of sales	239,182	27,815	243,482	30,812
Other expenses	873,271	21,068	905,022	22,111
Motor vehicle	632,585	2,855	646,391	3,088
External labour	102,692	2,196	108,223	2,400
Depreciation	563,287	2,091	579,014	2,240
Rent	161,086	1,857	163,094	1,954
Interest	218,045	1,316	223,369	1,486
Repairs and maintenance	272,192	691	268,671	701
Superannuation	73,170	452	73,699	538
Lease expenses	46,975	336	39,174	325
Bad debts	8,554	45	8,586	40
Foreign resident withholding expenses	158	4	49	1
Total^{2,3}	915,064	60,727	949,760	65,696
<i>Salary and wages in expenses⁴</i>	<i>73,801</i>	<i>2,957</i>	<i>75,078</i>	<i>3,092</i>

1 Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

2 Components do not add to the total number of individuals claiming business expenses as individuals may claim more than one type of business expense. Amount totals may differ from the sum of components due to rounding.

3 Refers to the total expenses in item P8 of the business and professional items schedule.

4 Refers to item P13 on the 2006 Business and Professional Items Schedule for individuals.

PERSONAL TAX OFFSETS AND CREDITS

The purpose of tax offsets is to provide tax relief for certain individuals, for example, low-income earners or senior Australians. Tax offsets reduce the amount of tax payable on taxable income. Credits are for tax already paid by the individual or by a company or trustee on behalf of the individual.

Tax offsets are either refundable or non-refundable.

Non-refundable tax offsets can reduce the amount of tax owing to \$0, but cannot generate a refund. This can cause situations where the full value of non-refundable offsets that an individual has claimed cannot be fully utilised. For example, if an individual had \$200 in non-refundable tax offsets, but only had \$150 of tax liability, then this individual would only be able to use \$150 of their non-refundable tax offsets, leaving \$50 unused. While an individual's potential entitlement to a tax offset is referred to as the amount claimed, the actual amount used to offset an individual's tax owing is referred to as the amount of tax offset allowed.

For the 2005–06 income year, total tax offsets and credits increased by 13.3% from 2004–05. This growth was assisted by the introduction of the entrepreneurs' tax offset and the child care tax rebate which added 3.1% to the growth. The 14.4% increase in total franking credits claimed by individuals was a result of the strong share market and was the main contributor to the growth in tax offsets.

The superannuation contribution, annuity and pension offset increased 22.6% during 2005–06. This is in line with superannuation pensions paid to individuals increasing by 15.9% during 2005–06.

Table 2.12: Selected tax offsets and credits claimed/calculated by Tax Office, 2004–05 and 2005–06 income years

Type of tax offset and credit	2004–05 ¹		2005–06 ¹	
	No.	\$m	No.	\$m
Tax offsets claimed on return				
Refundable				
Total franking credits ²	3,348,851	7,305	3,335,666	8,357
Private health insurance rebate	284,636	169	269,943	174
Non-refundable				
Superannuation contribution, annuity and pension tax offset	367,865	806	407,422	988
Spouse tax offset	340,469	415	352,213	445
Medical expenses tax offset	538,417	321	601,255	367
30% child care tax rebate	n.a.	n.a.	394,553	306
Zone or overseas forces tax offset	515,932	215	534,592	223
Parent/parent in-law/invalid relative tax offset	17,436	22	24,731	33
Superannuation contributions on behalf of spouse tax offset	35,277	15	35,187	15
Landcare and water tax offset brought forward from previous year tax offset ³	124	..	97	..
Other tax offsets	3,730	9	3,087	8
Total⁴	4,480,326	9,277	4,827,557	10,916

Type of tax offset and credit	2004–05 ¹		2005–06 ¹	
	No.	\$m	No.	\$m
Selected tax offsets calculated by the Tax Office				
Refundable				
Baby bonus ⁵ tax offset	399,705	268	369,560	246
Non-refundable				
Termination payment tax offset	248,342	1,752	240,615	1,907
Senior Australians tax offset	592,869	1,040	585,158	1,045
Low income tax offset	3,421,771	646	3,314,047	621
Mature age worker tax offset	1,070,032	452	1,163,984	500
Pension or pensioner tax offset	279,149	463	302,041	448
Commonwealth of Australia benefits and allowances tax offset ⁶	303,827	142	289,461	128
Entrepreneurs tax offset	n.a.	n.a.	230,550	119
Averaging tax offset	96,232	126	84,286	99
Life assurance (insurance) bonus tax offset	2,580	3	2,264	4
Total⁴	5,190,898	4,892	5,282,437	5,117
Selected credits claimed				
Foreign tax credits	733,148	160	796,922	202
Section 100(2) ⁷ credits	3,013	10	2,476	10
Total⁴	661,161	170	735,739	212

1 Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

2 Sum of primary franking credits (item 11, label U on the individual return) and partnership and trust share of franking credits from franked dividends (item 12, label Q on the individual return).

3 ‘..’ means rounded to zero but not zero.

4 Components do not add to the total number of taxpayers claiming tax offsets or credits as taxpayers may claim more than one type of tax offset or credit. Amount totals may differ from the sum of components due to rounding.

5 The number of taxpayers who claimed the baby bonus tax offset reported includes taxpayers who may not have lodged an individual tax return but lodged only the baby bonus claim form.

6 Also referred to as ‘Beneficiary tax offset’.

7 The total share of credits for tax paid by a trustee.

MEDICARE

The Medicare levy is used to partially fund Medicare, the scheme that gives Australian residents subsidised access to health care. Most individuals who are residents of Australia at any time during the income year are liable to pay a Medicare levy based on their taxable income for the year. The Medicare levy is calculated at 1.5% of an individual's taxable income, but this calculation may be reduced in certain circumstances.

Individuals and families who have adjusted taxable incomes above certain thresholds and who do not have adequate private hospital cover pay an extra 1% of their taxable income for the Medicare levy surcharge in addition to the normal 1.5% Medicare levy.

An additional 91,287 individuals were liable for the Medicare levy surcharge in 2005–06, an increase of 24.4%.

Table 2.13: Medicare levy and Medicare levy surcharge, 2004–05 and 2005–06 income years

	2004–05 ¹		2005–06 ¹	
	No.	\$m	No.	\$m
Medicare levy	7,620,386	5,689	7,833,149	6,121
Medicare levy surcharge	374,040	228	465,327	289

¹ Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

PERSONAL NET TAX

Box 2.1: Calculating net tax for individuals¹

Net tax in this chapter refers to the net tax individuals are liable to pay before applying any refunds.

Individual net tax for 2005–06 is calculated as:

	Total income
less	Total deductions
	Primary production and non-primary production prior year losses
less	
<i>gives</i>	<i>Taxable income or loss</i>
apply	Marginal tax rates
add	Complementary tax ¹
<i>gives</i>	<i>Gross tax</i>
subtract	Total tax offsets ²
add	Medicare levy
add	Medicare levy surcharge
<i>gives</i>	<i>Net tax</i> ³

¹ The amount of tax added to ordinary tax when a primary producer's average income exceeds taxable income.

² Total tax offsets and credits do not include the 30% private health insurance rebate, imputation credits, share of imputation credits from franked dividends, the first child tax offset (baby bonus) and the section 100(2) credit.

³ This part of the calculation cannot result in an amount of less than \$0.

In the 2005–06 income year, a total of 9.4 million taxpayers (both Australian residents and non-residents for tax purposes) were liable for \$108.7 billion in net tax, with an average net tax payable of \$11,553 (tables 2.13, 2.14). Residents were liable for \$108.5 billion (99.8%) of the net tax payable, while non-residents were liable for \$240.6 million. The tax-free threshold for Australian residents remained at \$6,000 in 2005–06. It is apportioned in accordance with the month during the year when a taxpayer ceases full-time education or ceases to be a resident, or in the case of an immigrant when they commence residency.

Box 2.2: Personal income tax rates for residents, 2005–06 income year

Taxable income	Tax payable
\$0–\$6,000	0% or \$0
\$6,001–\$21,600	Nil plus 15 cents for each \$1 over \$6,000
\$21,601–\$63,000	\$2,340 plus 30 cents for each \$1 over \$21,600
\$63,001–\$95,000	\$14,760 plus 42 cents for each \$1 over \$63,000
\$95,001 or more	\$28,200 plus 47 cents for each \$1 over \$95,000

Table 2.14: Resident individuals' net tax payable, by taxable income, 2005–06 income year

Taxable income	Taxpayers ¹		Net tax payable	
	No.	%	\$m	%
\$6,000 or less	18,407	0.2	5	0.0
\$6,001–\$21,600	1,927,049	20.6	2,074	1.9
\$21,601–\$63,000	5,696,230	60.8	44,594	41.1
\$63,001–\$95,000	1,153,914	12.3	23,589	21.7
\$95,001 or more	571,367	6.1	38,201	35.2
Total²	9,366,967	100.0	108,464	100.0

1 Taxpayer population includes only taxable resident individuals, that is, those with net tax payable of more than \$0.

2 Totals may differ from the sum of components due to rounding.

Box 2.3: Personal income tax rates for non-residents, 2005–06 income year

Taxable income	Tax payable
\$0–\$21,600	29 cents for each \$1
\$21,601–\$63,000	\$6,264 plus 30 cents for each \$1 over \$21,600
\$63,001–\$95,000	\$18,684 plus 42 cents for each \$1 over \$63,000
\$95,001 or more	\$31,124 plus 47 cents for each \$1 over \$95,000

Table 2.15: Non-resident individuals' net tax payable, by taxable income, 2005–06 income year

Taxable income	Taxpayers ¹		Net tax payable	
	No.	%	\$m	%
\$21,600 or less	34,853	82.8	53	22.1
\$21,601–\$63,000	5,094	12.1	53	21.8
\$63,001–\$95,000	981	2.3	23	9.6
\$95,001 or more	1,149	2.7	112	46.5
Total²	42,077	100.0	241	100.0

1 Taxpayer population includes only taxable non-resident individuals, that is, those with net tax payable of more than \$0.

2 Totals may differ from the sum of components due to rounding.

HIGHER EDUCATION LOAN PROGRAM (HELP)

Australian students have a choice of payment methods for each semester's university fees:

- full payment upfront to the institution, or
- a deferred repayment to the Australian Government through the tax system.

The HELP system started in 2005, and replaced the older Higher Education Contribution Scheme (HECS). If repaying through the tax system, students are not liable to repay amounts until their income reaches a minimum level. For the 2005–06 income year, the minimum level was \$36,185, whereas in 2004–05 the minimum level was \$35,001. While there was a 12.1% increase in the number of individuals required to make HECS/HELP repayments, the amount repaid increased by 18.2%, reflecting the progressive nature of the repayment schedule.

The HECS/HELP repayment income is a person's taxable income, plus any amount of taxable income that has been reduced by a net rental loss, plus total reportable fringe benefits amounts, plus exempt foreign employment income amounts.

An additional scheme which operated between 1993 and 2003, called Student Financial Supplement Scheme (SFSS), allowed certain students access to loans with similar terms and conditions to those available via HECS/HELP. While new loans were not made available after 2003, individuals with these loans were still required to make compulsory repayments if their income was above \$39,217 for the 2005–06 income year.

Table 2.16: HELP and SFSS debt payable, 2004–05 and 2005–06 income years

Debt	2004–05 ¹		2005–06 ¹	
	No.	\$m	No.	\$m
HELP				
assessment debt	250,084	632	280,255	750
SFSS debt	39,934	57	41,312	62

1 Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

TAX RETURN ASSESSMENTS

The lodgment of an individual's tax return will generally result in a refund to the individual or a debit assessment. For the 2005–06 income year 79.0% of individuals received a refund, which compared to 78.4% for the prior year.

Table 2.17: Tax refund or debit assessment for individuals, 2004–05 and 2005–06 income years

Refund/Debit	2004–05 ¹		2005–06 ¹	
	No.	\$m	No.	\$m
Refund of \$10,000 or more	135,454	-2,688	164,157	-3,338
Refund between \$8,000 and \$9,999	76,268	-679	89,217	-794
Refund between \$6,000 and \$7,999	155,395	-1,068	181,104	-1,244
Refund between \$4,000 and \$5,999	371,939	-1,798	439,293	-2,121
Refund between \$2,000 and \$3,999	1,287,552	-3,577	1,458,646	-4,072
Refund between \$1 and \$1,999	6,783,805	-4,892	6,766,087	-5,039
Total refunds	8,810,413	-14,701	9,098,504	-16,607
<i>No refund or debit</i>	409,321	0	438,279	0
Debit between \$1 and \$2,000	1,243,349	799	1,192,921	777
Debit between \$2,001 and \$4,000	294,721	840	288,372	824
Debit between \$4,001 and \$6,000	146,396	719	145,850	716
Debit between \$6,001 and \$8,000	87,196	603	87,253	604
Debit between \$8,001 and \$10,000	56,026	500	57,419	513
Debit of \$10,001 or more	188,571	6,857	202,361	7,708
Total Debits	2,016,259	10,318	1,974,176	11,142
Total	11,235,993	-4,383	11,510,959	-5,465

¹ Data for 2004–05 and 2005–06 income years includes data processed up to 31 October 2006 and 31 October 2007 respectively.

SOURCE OF PERSONAL TAX STATISTICS

The statistics in this chapter are sourced from 2006 and 2005 individual income tax returns processed by 31 October 2007 and 31 October 2006 respectively, and their associated schedules. The statistics reported are not necessarily complete as the proportion of tax returns processed by 31 October each year can vary. Caution should be exercised when comparing the statistics for the current year and previous years.

Statistics reported in the detailed tables have been updated for the 1999–2000 to 2004–05 income years to include returns processed by 31 October 2007. These statistics cannot be compared to previous editions of *Taxation statistics*.

A copy of the individual return form is in the appendix. It may be viewed or downloaded as a PDF file from the attached CD-ROM or from the online version of *Taxation statistics* on the Tax Office website at www.ato.gov.au

LIST OF PERSONAL TAX DETAILED TABLES

The following personal tax detailed tables are on the attached CD-ROM and included in the online version of this publication on the Tax Office website. The tables may be viewed or downloaded as PDF or Excel files.

The items referred to in the detailed tables are items declared on the 2006 individual tax return. A copy of the return is in the appendix.

To find out whether a particular item is included in a detailed table, refer to the personal tax detailed tables index included on the attached CD-ROM and in the online version of this publication. The table index lists the different items shown in the detailed tables and specifies the tables they appear in.

Table 1: Selected items, by sex and state/territory of residence, 2005–06 income year

This table shows the number of taxable, non-taxable, male, female and all personal taxpayers for each state and territory. It also shows the total income, taxable income, net tax payable, average taxable income, average net tax payable, work-related expenses, gifts or donation deductions, total deductions claimed, total business expenses claimed, HELP assessment debts, SLS assessment debts, Medicare levy and Medicare levy surcharge of male, female and all taxpayers for each state and territory.

Table 2: Selected items, by state/territory/region, 2005–06 income year

This table shows the number of records and amounts for selected income, deductions, tax offsets and other return items of personal taxpayers living in specified regions within different states and territories (for example, major urban, other urban, regional–high urbanisation, regional–low urbanisation, rural and other regions in New South Wales). A region is composed of postcodes grouped together according to specified population ranges.

- **Part A: Taxable individuals** – reports data for taxable individuals only, that is, personal taxpayers with net tax payable of more than \$0.
- **Part B: Non-taxable individuals** – reports data for non-taxable individuals only, that is, personal taxpayers with net tax payable less than or equal to \$0.
- **Part C: All individuals** – reports data for all personal taxpayers.

Table 3: Selected items, by state/territory and postcode, for taxable individuals, 2005–06 income year

This table shows the number of records and amounts for selected income, deductions, tax offsets and other return items of taxable personal taxpayers living in different postcodes (residential postcodes declared by taxpayers on their returns) for each state and territory. In addition, the number of non-taxable individuals residing in different postcodes is shown. The data for each state and territory is presented in separate parts:

- **Part A: New South Wales** – includes data on taxpayers living in residential postcodes in New South Wales.
- **Part B: Victoria** – includes data on taxpayers living in residential postcodes in Victoria.
- **Part C: Queensland** – includes data on taxpayers living in residential postcodes in Queensland.
- **Part D: South Australia** – includes data on taxpayers living in residential postcodes in South Australia.
- **Part E: Western Australia** – includes data on taxpayers living in residential postcodes in Western Australia.
- **Part F: Tasmania** – includes data on taxpayers living in residential postcodes in Tasmania.
- **Part G: Northern Territory** – includes data on taxpayers living in residential postcodes in the Northern Territory.
- **Part H: Australian Capital Territory, other taxpayers and total taxpayers** – includes data on taxpayers living in residential postcodes in the Australian Capital Territory. Also includes data on taxpayers who are living overseas, taxpayers who did not state their residential postcode on their return, taxpayers living in other grouped postcodes and total taxpayers.

Table 4: Selected items for all individuals, by fine industry, 2005–06 income year

This table shows the number of records and amounts for selected items from personal taxpayer returns. Taxpayers and the data are classified into fine industry groupings (determined by the taxpayer's main source of income) based on the ANZSIC 2006 codes.

- **Part A: Tax Office calculated and miscellaneous items** – contains data on Tax Office calculated items such as HELP assessment debt, Medicare levy surcharge, net tax and balance payable or refundable. Also contains the total number of personal taxpayers who lodged returns.
- **Part B: Income, credits, selected deductible, withheld and adjustment items** – contains taxpayer claimed income items, selected deductible and withheld items (items 1–22 on pages 2, 6–8), adjustments items (A1 on page 4 and A3 on page 8), selected credit items, including 'Credit for interest on early payments' (item C1 on page 8) and other Tax Office calculated items such as 'ETP–5% assessable', 'Other salary and wages category 1' and 'Other salary and wages category 2'.
- **Part C: Deduction and tax loss items** – contains taxpayer claimed deductions (items D1–D15 on pages 3 and 8) and tax loss items, including tax losses of earlier years claimed (item L1 on page 3).
- **Part D: Tax offset items** – contains tax offsets claimed by taxpayers on their return (items T1–T15 on pages 3 and 8) and other tax offsets calculated by the Tax Office on behalf of taxpayers, such as the averaging tax offset, life assurance bonus tax offset and others.
- **Part E: Business and professional items** – contains items from the business and professional items section of the return (pages 9–11).

❗ To meet privacy regulations, statistics for some items are not reported by fine industries in the different parts of this table. Statistics on items showing a low number of records are reported in table 10 ('Selected items, by broad industry').

Table 5: All items, by taxable income, 2005–06 income year

This table shows the number of records and amounts for items taxpayers declare on their personal tax return and items calculated by the Tax Office based on information provided on the return. Taxpayers and the data are classified by taxable status (non-taxable and taxable) and are grouped by taxable income.

- **Part A: Tax Office calculated and miscellaneous items** – contains data on Tax Office calculated items such as HELP assessment debt, Medicare levy surcharge, net tax and balance payable or refundable. Also contains the total number of personal taxpayers who lodged returns.
- **Part B: Income, credits, selected deductible, withheld and adjustment items** – contains taxpayer claimed income items, selected deductible and withheld items (items 1–22 on pages 2, 6–8), adjustment items (A1 on page 4 and A3 on page 8), selected credit items, including ‘Credit for interest on early payments’ (item C1 on page 8) and other Tax Office calculated items such as ‘ETP–5% assessable’, ‘Other salary and wages category 1’ and ‘Other salary and wages category 2’.
- **Part C: Deduction and tax loss items** – contains taxpayer claimed deductions (items D1–D15 on pages 3 and 8) and tax loss items, including tax losses of earlier years claimed (item L1 on page 3).
- **Part D: Tax offset items** – contains tax offsets claimed by taxpayers on their return (items T1–T15 on pages 3 and 8) and other tax offsets calculated by the Tax Office on behalf of taxpayers, such as the averaging tax offset, life assurance bonus tax offset and others.
- **Part E: Business and professional items** – contains items from the business and professional items section of the return (pages 9–11).

Table 6: Number of individuals, by broad industry and state/territory/region, 2005–06 income year

This table shows the number of personal taxpayers classified by broad industry in specified regions in different states and territories (for example, major urban, other urban, regional–high urbanisation, regional–low urbanisation, rural and other regions in New South Wales). A region category is composed of postcodes grouped together according to specified population ranges. The broad industry groups used to classify personal taxpayers are based on the ANZSIC 2006 industry groups.

Table 7: Selected items for income years 1996–97 to 2005–06

This table shows the number of records and amounts for selected items from the individual tax return (including items calculated by the Tax Office) for all income years between 1996–97 and 2005–06.

Table 8: Non-resident individuals: selected items, by taxable income, 2005–06 income year

This table shows the number of records and amounts for selected items from the individual tax return of non-resident taxpayers only. For this table, taxpayers and the data are grouped by taxable income.

Table 9: One percentile distribution, by taxable income, 2005–06 income year

This table shows a distribution of taxable income, total income, net tax and number of taxpayers. Taxable income is distributed across 100 quantiles, with each quantile containing 1% of the total number of taxpayers. The table shows the number of male and female taxpayers, and the amount and proportion of total income, taxable income and net tax for each quantile.

Table 10: Selected items, by broad industry, 2005–06 income year

This table shows the number of records and amounts for selected items that are not included in personal tax detailed table 4 (‘Selected items, by fine industry’). Taxpayers and the data are classified into broad industry groupings (determined by the taxpayer’s main source of business income) based on the ANZSIC 2006 industry groups.

Table 11: Selected items, by age, sex, taxable status and taxable income, 2005–06 income year

This table shows the number of male, female and total personal taxpayers classified into different age brackets (from 'under 18' to '75 years and over') and ranged by taxable income. The pension income, net tax payable, taxable income and total income of male, female and total taxpayers in the different age brackets and taxable income ranges are also shown.

Table 12: Selected items, by sex, marital status, state/territory and taxable income, 2005–06 income year

This table shows the number of single and married male, female and total personal taxpayers, classified by state or territory and ranged by taxable income. The taxable income, total income and net tax payable of male, female and total taxpayers in the different states, territories and taxable income ranges are also shown.

Table 13: Total work-related expenses, by occupation code, 2005–06 income year

This table shows the number of records and amounts of salary and wages and total work-related expenses, classified by salary and wage occupation codes. The occupation classifications are based on information provided on the individual tax return.

Table 14: All items, by total income, 2005–06 income year

This table shows the number of records and amounts for items taxpayers declare on their personal tax return and items calculated by the Tax Office based on information provided on the return. Taxpayers and the data are ranged by total income.

- **Part A: Tax Office calculated and miscellaneous items** – contains data on Tax Office calculated items such as HELP assessment debt, Medicare levy surcharge, net tax and balance payable or refundable. Also contains the total number of personal taxpayers who lodged returns.
- **Part B: Income, credits, selected deductible, withheld and adjustment items** – contains taxpayer claimed income items, selected deductible and withheld items (items 1–22 on pages 2, 6–8), adjustment items (A1 on page 4 and A3 on page 8), selected credit items, including 'Credit for interest on early payments' (item C1 on page 8) and other Tax Office calculated items such as 'ETP–5% assessable', 'Other salary and wages category 1' and 'Other salary and wages category 2'.
- **Part C: Deduction and tax loss items** – contains taxpayer claimed deductions (items D1–D15 on pages 3 and 8) and tax loss items, including tax losses of earlier years claimed (item L1 on page 3).
- **Part D: Tax offset items** – contains tax offsets claimed by taxpayers on their return (items T1–T15 on pages 3 and 8) and other tax offsets calculated by the Tax Office on behalf of taxpayers, such as the averaging tax offset, life assurance bonus tax offset and others.
- **Part E: Business and professional items** – contains items from the business and professional items section of the return (pages 9–11).

Table 15: Taxpayers with business income, all items, by total business income, 2005–06 income year

This table shows the number of records and amounts for items taxpayers declare on their personal tax return and items calculated by the Tax Office, based on information provided on the return. Taxpayers and the data are ranged by total business income.

The statistics in the table refer only to taxpayers who had business income or loss. These are taxpayers who declared primary or non-primary production business income or loss at the following items on the business and professional items schedule: gross payments where ABN not quoted, gross payments – voluntary agreement, gross payments – labour hire or other specified payments, assessable government industry payments and/or other business income.

- **Part A: Tax Office calculated and miscellaneous items** – contains data on Tax Office calculated items such as HECS assessment debt, Medicare levy surcharge, net tax and balance payable or refundable. Also contains the total number of personal taxpayers who lodged returns.
- **Part B: Income, credits, selected deductible, withheld and adjustment items** – contains taxpayer claimed income items, selected deductible and withheld items (items 1–22 on pages 2, 6–8), adjustment items (A1 on page 4 and A3 on page 8), selected credit items, including 'Credit for interest on early payments' (item C1 on page 8) and other Tax Office calculated items such as 'ETP–5% assessable', 'Other salary and wages category 1' and 'Other salary and wages category 2'.
- **Part C: Deduction and tax loss items** – contains taxpayer claimed deductions (items D1–D15 on pages 3 and 8) and tax loss items, including tax losses of earlier years claimed (item L1 on page 3).
- **Part D: Tax offset items** – contains tax offsets claimed by taxpayers on their return (items T1–T15 on pages 3 and 8) and other tax offsets calculated by the Tax Office on behalf of taxpayers, such as the averaging tax offset, life assurance bonus tax offset and others.
- **Part E: Business and professional items** – contains items from the business and professional items section of the return (pages 9–11).

Table 16: Rental property schedules, by state of property, 2005–06 income year

This table shows the number of rental properties by the state location of the property, for all income and expense items on the schedule.

❗ The number of schedules does not correlate to the number of rental properties because of double counting. Properties can be jointly owned, or can be bought and sold during the same income year, resulting in more than one schedule being completed by different individuals for the same property.

Table 17: Taxable income compared to total income, by ranges, 2005–06 income year

This table shows the distribution of taxable individuals across taxable income and total income.

❗ Page numbers refer to the 2006 individual tax return form used by tax agents on behalf of their clients. A copy of this form is in the appendix.

❗ To meet privacy regulations, statistics for some items may not be included in these tables.