

# Senior Australians tax offset 2006–07

## WHAT IS THE SENIOR AUSTRALIANS TAX OFFSET?

Tax offsets directly reduce the amount of tax you must pay. They are not the same as deductions which are taken off your income before your tax is worked out. With a tax offset, we work out the tax due on your taxable income then reduce it by the total amount of your tax offsets.

The senior Australians tax offset allows eligible people to earn more income before they have to pay tax and the Medicare levy. If you are eligible, this tax offset means that you pay less tax. In some cases you may not have to lodge a tax return any more.

## WHAT IS THE DIFFERENCE BETWEEN THE SENIOR AUSTRALIANS TAX OFFSET AND THE PENSIONER TAX OFFSET?

There are different criteria to determine eligibility for the senior Australians tax offset and the pensioner tax offset.

You may meet all the eligibility criteria for the senior Australians tax offset and also receive an eligible Commonwealth pension, allowance or payment such as an age pension. Where you are eligible for both tax offsets, you can only claim the senior Australians tax offset. In any event, this will give you a higher amount than the pensioner tax offset. Therefore, you should always check whether you are eligible for the senior Australians tax offset in order to maximise your entitlements.

## IN DECIDING MY ELIGIBILITY FOR THE SENIOR AUSTRALIANS TAX OFFSET, DOES IT MATTER WHAT TYPE OF INCOME I EARN?

No. The senior Australians tax offset is available to anyone who meets all the eligibility criteria, no matter what the source of their income is. For example, your income can be from employment, investment, or from a government pension, allowance or benefit.

## I HAVE RECEIVED AN ELIGIBLE TERMINATION PAYMENT (ETP) FROM MY EMPLOYER. IS THIS LUMP SUM USED TO ASSESS MY ELIGIBILITY FOR THE SENIOR AUSTRALIANS TAX OFFSET?

If your eligible termination payment contains an assessable amount, this will be used, together with any other assessable income you receive, to assess your eligibility for the senior Australians tax offset.

## CONDITIONS

You must meet the following four conditions to be eligible for the senior Australians tax offset. These conditions relate to such factors as age, income, and eligibility for Australian Government pensions and similar payments.

Being eligible does not mean you will automatically get an amount of senior Australians tax offset. We use your taxable income to work out the amount of your senior Australians tax offset. The combined income amounts in **condition 3** are used for eligibility purposes and not for working out the amount of your entitlement.

### Condition 1 – Age

You meet this condition if, on 30 June 2007 you were:

- a male aged 65 years or more, or a male veteran or war widower aged 60 years or more who met the veteran pension age test, or
- a female aged 63 years or more, or a female veteran or war widow aged 58 years or more who met the veteran pension age test.



## Condition 2 – Eligibility for Australian Government age pension and similar payments

1 You meet this condition if:


- you received an Australian Government age pension, or a pension, allowance or benefit from Veterans' Affairs at any time during the 2006–07 income year.

2 You also meet this condition if:

- you were eligible for an Australian Government age pension but did not receive it because you did not make a claim or because of the application of the income test or the assets test, and
- you satisfied one of the following:
  - you have been an Australian resident for age pension purposes for either 10 continuous years or for more than 10 years, of which five years were continuous
  - you have a qualifying residence exemption (because you arrived in Australia as a refugee or under a special humanitarian program)
  - you are a woman who was widowed in Australia (at a time when both you and your late partner were Australian residents), you have made a claim for the age pension and you had two years' residence immediately prior to your claim
  - you received a widow B pension, widow allowance, mature age allowance or partner allowance immediately before reaching age-pension age, or
  - you would qualify under an international social security agreement.

3 You also meet this condition if:

- you are a veteran with eligible war service, or
- you are a Commonwealth veteran, allied veteran or allied mariner with qualifying service, and
- you were eligible for a pension, allowance or benefit from Veterans' Affairs but did not receive it because you did not make a claim or because of the application of the income test or the assets test.

 For help in working out if you are eligible for a Centrelink pension only, phone Centrelink on **13 23 00**. For help in working out if you are eligible for a Department of Veterans' Affairs payment, phone the Department of Veterans' Affairs on **13 32 54**. For all other enquiries relating to the senior Australians tax offset, phone our Personal Infoline on **13 28 61**.

## Condition 3 – Taxable income threshold

You meet this condition by satisfying the income threshold that applies to you, from the following:

- you did not have a spouse – married or de facto – and your taxable income was less than \$42,707
- you did have a spouse – married or de facto – and you and your spouse's combined taxable income<sup>1</sup> was less than \$66,992, or
- you did have a spouse – married or de facto – and for some or all of 2006–07 you had to live apart due to illness<sup>2</sup> or because one of you was in a nursing home, and you and your spouse's combined taxable income<sup>1</sup> was less than \$79,840.


If your combined taxable income is equal to or more than the relevant combined threshold, then neither you nor your partner is eligible for the senior Australians tax offset.

If your taxable income is less than the threshold, then your actual entitlement to this tax offset depends on:

- your taxable income, and
- whether you are eligible to receive any unused portion of your spouse's senior Australians or pensioner tax offset.

You can be eligible for this tax offset whether or not you receive:

- an Australian Government age pension
- a superannuation pension or an overseas pension
- income from investments, or
- any other assessable income, including salary or wages.

 If your marital status changed during the year, you are entitled to the tax offset that gives you the greatest benefit. You will still need to meet the relevant taxable income threshold that applies to your circumstances.

## Condition 4 – Not in jail

If you were in jail for the whole of the income year, then you do not qualify for the senior Australians tax offset.

<sup>1</sup> Combined taxable income includes your spouse's share for 2006–07 of any net income of a trust estate to which they are presently entitled and on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936*.

<sup>2</sup> 'Had to live apart due to illness' is a term used to describe a situation where the living expenses of you and your spouse, married or de facto, are increased because you were unable to live together in your home due to the indefinitely continuing illness or infirmity of either or both of you.

**IF I AM ELIGIBLE FOR THE SENIOR AUSTRALIANS TAX OFFSET, HOW MUCH CAN I EARN BEFORE PAYING PERSONAL INCOME TAX?**

If you are single, you can earn up to \$24,867 before you have to pay personal income tax.

If you have a spouse and you and your spouse lived together for the whole income year, you can earn up to \$20,680.

If you have a spouse but you and your spouse lived apart at any time during the income year because of illness, you can earn up to \$23,600.

If you have a spouse, the amount your spouse can earn before having to pay personal income tax is determined by the tax offsets that apply to them.

**HOW MUCH IS THE SENIOR AUSTRALIANS TAX OFFSET AMOUNT?**

The following table provides the maximum senior Australians tax offset amounts and the taxable income thresholds to qualify for all or part of the tax offset.

**!** The maximum tax offset applies up to the lower taxable income threshold. The tax offset reduces by 12.5 cents for every dollar of taxable income above the lower threshold, and cuts out altogether for taxable income above the upper threshold.

**HOW DO I CLAIM THE SENIOR AUSTRALIANS TAX OFFSET?**

After determining your eligibility, the senior Australians tax offset can be claimed by completing the relevant labels and codes at item **T2** on your tax return.

Circumstance	Maximum tax offset	The maximum tax offset applies up to this lower taxable income threshold	The tax offset cuts off above this upper taxable income threshold
Single, widowed or separated	\$2,230	\$24,867	\$42,707
Had a spouse – married or de facto	\$1,602	\$20,680	\$33,496
Had a spouse – married or de facto but were living apart due to illness	\$2,040	\$23,600	\$39,920

**CAN I WORK OUT MY SENIOR AUSTRALIANS TAX OFFSET?**

Work through question **T2** in *TaxPack 2007* or *e-tax* to see if you are entitled to a tax offset. Fill in the relevant item on your tax return. We will work out your senior Australians tax offset entitlement based on the tax offset code and veteran code (if applicable) that you show on your tax return.

- ➔** To work out the amount:
- use the ‘senior Australians tax offset calculator’ on our website [www.ato.gov.au](http://www.ato.gov.au)
  - use the worksheet on page 124 in *TaxPack 2007*, or
  - phone the Personal Infoline on **13 28 61**.

## MORE INFORMATION

For more information about the senior Australians tax offset, you can:

- visit our website at [www.ato.gov.au](http://www.ato.gov.au)
- phone **13 28 61**
- phone Centrelink on **13 23 00**
- phone the Department of Veterans' Affairs on **13 32 54**.

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

## OUR COMMITMENT TO YOU

We are committed to providing you with advice and information you can rely on.

We make every effort to ensure that our advice and information is correct. If you follow advice in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it. However, we will not charge you a penalty or interest if you acted reasonably and in good faith.

If you make an honest mistake when you try to follow our advice and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

You are protected under GST law if you have acted on any GST advice in this publication. If you have relied on GST advice in this publication and that advice later changes, you will not have to pay any extra GST for the period up to the date of the change. Similarly, you will not have to pay any penalty or interest.

If you feel this publication does not fully cover your circumstances, please seek help from the Tax Office or a professional adviser.

**The information in this publication is current at February 2008.** We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at [www.ato.gov.au](http://www.ato.gov.au) or contact us.