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Income averaging for special professionals 2025

Types of professional income and how to work out the tax payable with income averaging.

Published 29 May 2025

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Income averaging eligibility

You're eligible for special professional income averaging (a concessional tax treatment) if the following applies, you:

- are an individual who is an Australian resident at any time during the income year
- are a special professional
- have satisfied the first-year requirements in either the current income year or an earlier income year.

First-year requirements

The first year you're eligible for special professional income averaging is the first income year that the taxable professional income (TPI) you earn as a resident special professional individual is more than \$2,500. This is known as professional year 1.

You don't need to be an Australian resident for every income year since establishing your eligibility for the professional year 1.

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Types of special professionals

About the types of special professionals and how we define them.

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Sportsperson

Author or inventor

You're a special professional if you're an inventor or the author of a literary, dramatic, musical or artistic work.

The expression 'author' is a technical term from copyright law.

In general, the author of:

- a musical work is its composer
- an artistic work is the artist, sculptor or photographer who creates it.

Performing artist

You're a special professional if you either:

- use intellectual, artistic, musical, physical or other personal skills in the presence of an audience

- perform or appear in a film, on a tape or disc, or in a television or radio broadcast.

Production associate

You're a special professional if you use artistic rather than technical skills in the production.

The people who qualify as production associates are specified in the definition of **artistic support** to be:

- an art director
- a choreographer
- a costume designer
- a director
- a director of photography
- a film editor
- a lighting designer
- a musical director
- a producer
- a production designer
- a set designer
- any person who makes an artistic contribution like that made by any of these people.

Sportsperson

You're a special professional if you compete in sporting activities where you primarily use physical prowess, physical strength or physical stamina. A navigator in car rallying, a coxswain in rowing or a similar competitor is also a special professional.

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Types of professional income

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Above-average special professional income

Taxable professional income

Taxable professional income (TPI) is the amount (if any) remaining after you subtract from your assessable professional income both the:

- total of the deductions that reasonably relate to your assessable professional income
- part of any apportionable deductions (for example, gifts to charity you show in your tax return) that are taken into account in calculating your TPI.

Assessable professional income

Assessable professional income is used in calculating your TPI. It is income arising directly from the activities of a special professional and includes:

- rewards and prizes
- income from endorsements, advertisements, interviews, commentating and any similar service

- royalties from copyright of a literary, dramatic, musical or artistic work
- income from a patent for an invention.

If you're an author or inventor include as your assessable professional income the income you derive from activities of a special professional where you:

- are engaged or commissioned to produce one or more specified works
- invent one or more specified inventions
- have any previous or successive engagements or commissions that don't result in continuous engagement over a substantial period of time.

The following are specifically excluded from assessable professional income:

- any income you derive from
 - coaching or training competitors
 - umpiring or refereeing sport
 - administering sport
 - being a member of the pit crew in motor sport
 - being a theatrical or sports entrepreneur
 - owning or training animals
- a super lump sum or an employment termination payment
- payments for unused annual or long service leave on retirement or termination
- a net capital gain.

Average taxable professional income

Average taxable professional income (ATPI) in an income year is one-quarter of the sum of your TPI for each of the preceding 4 years. Special rules apply for working out the ATPI if your first income averaging year is less than 4 years ago.

In the first 4 years, you work out ATPI as follows, if you are an Australian resident during the year immediately before your year 1:

- Year 1 is nil.
- Year 2 is one-third of TPI in year 1.
- Year 3 is one-quarter of the sum of your TPI in years 1 and 2.
- Year 4 is one-quarter of the sum of your TPI in years 1, 2 and 3.

If you aren't a resident at any time during the year immediately before your year 1, contact us.

Above-average special professional income

Your above-average special professional income is the amount of TPI you earn during the income year that is more than your average TPI.

Your tax payable is the sum of tax on your above-average special professional income and tax on your other income (Step 1 explains 'other income'). If there is no above-average special professional income (that is, your TPI is equal to or less than your average TPI) you'll pay tax at ordinary rates on your taxable income.

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How to work out tax payable with income averaging

Steps to help you to manually work out your tax payable amount with income averaging.

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We calculate tax payable with income averaging

Step 1: Work out your income

Step 2: Work out your tax payable on special professional income

Step 3: Work out your total tax payable

We calculate tax payable with income averaging

You don't need to work out your tax payable with income averaging. We'll work it out from the amount you include in your tax return.

If you want to work it out for yourself, follow the steps.

Step 1: Work out your income

Add your Average taxable professional income (ATPI) (d) to your taxable income that isn't subject to income averaging (your taxable non-professional income (e)). The total, called your 'other income', is taxed at normal rates (g).

Step 2: Work out your tax payable on special professional income

- Subtract your ATPI from this year's TPI to get your above average special professional income.
- To work out the tax payable on this income:
 - to your 'other income', add one-fifth of your above average special professional income
 - work out the tax payable on this amount
 - subtract the tax payable on your 'other income'
 - multiply the result by 5.

Step 3: Work out your total tax payable

- Add the tax on your 'other income' and the tax on your above-average special professional income.
- The result is your total tax payable.

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