PAYMENTS AND TRANSFERS THROUGH THE INCOME TAX SYSTEM 09

OVERVIEW

For the 2010–11 income year:

- $912 million was paid in transfers through the tax system for the benefit of families and individuals
- $698 million was paid in education tax refunds, an increase of 4.0% from 2009–10
- $614 million in tax offsets were claimed for research and development, an increase of 12.0% over the previous income year.

INTRODUCTION

This chapter provides information on a range of payments and transfers made through the tax system, as reported on individual and company tax returns. Several of these payments provide assistance to families and individuals, such as the private health insurance tax offset and the education tax refund. Both the research and development tax offset and the Australian screen production incentive provide targeted assistance to industry.

The education tax refund (tax offset), the private health insurance tax offset, the research and development tax offset and the Australian screen production incentive are refundable. This means that these offsets are not limited to the amount of tax payable.

Other payments made by the ATO are fuel tax credits payments (see Chapter 14) and superannuation co-contribution payments (see Chapter 15).

NEW FEATURES AND INFORMATION

Statistics for the 2010–11 income year reported in this chapter may have been affected by the increase in the location offset (one of the three film tax offsets) from 15 per cent to 16.5 per cent of qualifying Australian production expenditure, where production commenced on or after 10 May 2011.

EDUCATION TAX REFUND

Eligibility for the education tax refund (ETR) in 2010–11 is mainly tied to the eligibility for the family tax benefit Part A. It allows eligible individuals to claim a refund on eligible education expenses, such as computers, computer-related equipment, internet connections, software, textbooks and tools of trade required to complete an apprenticeship. Eligible individuals with children who are undertaking primary or secondary school studies, and independent students under 25 years old who are undertaking primary or secondary school studies, can claim the refund.

The maximum claim available in 2010–11 was 50% of eligible expenses up to:

- $794 for each eligible student in primary school – that is, a refund of up to $397
- $1,588 for each eligible student in secondary school – that is, a refund of up to $794.

Eligible independent students undertaking secondary school studies can also claim 50% of eligible expenses up to $1,588 – that is, a refund of up to $794.

As a result of a 2012–13 Budget measure, the ATO will stop paying the ETR for the 2011–12 income year and later years. Accordingly any eligible expenses that exceeded the above respective limits for the 2010–11 year can no longer be carried forward to the following year's claim.

In the 2010–11 income year, education tax refund claims increased by 4.0% to $698 million.

TABLE 9.1: Education tax refund claims, 2009–10 and 2010–11 income years

	2009–10[1]		2010–11[1]	
	No.	$m	No.	$m
ETR claim	**1,067,764**	**671**	**1,086,259**	**698**
Students recorded for ETR				
Primary	1,033,297		1,059,509	
Secondary	885,395		884,494	

1 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively.

TABLE 9.2: Number of education tax refund claims, by number of school students in each claim, 2009–10 and 2010–11 income years

No. of school students included in claim	2009–10[1]		2010–11[1]	
	No.	$m	No.	$m
1 child	488,000	198	491,126	203
2 children	403,831	283	414,328	299
3 children	134,039	131	138,568	139
4 children	32,072	42	33,080	42
5 or more children	9,822	17	9,157	15
Total[2]	**1,067,764**	**671**	**1,086,259**	**698**

1 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively.

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

PRIVATE HEALTH INSURANCE TAX OFFSET

The private health insurance tax offset is calculated as a percentage of the premium paid to a registered health fund for appropriate private health insurance cover. The percentage of tax offset paid is determined by the age of the oldest individual covered by the policy and the number of days this person was in this age category – 30% of the premium if aged below 65, 35% of the premium if aged between 65 and 69, or 40% of the premium if 70 or older. The tax offset is not affected by the level of a taxpayer's income.

The tax offset can be claimed as:

- a reduced private health insurance premium through a health fund
- a cash or cheque rebate from Medicare
- a fully refundable tax offset at the end of the financial year through the income tax return
- a combination of all the above options – each for a different period throughout the year.

The ATO can only provide statistical data on the refundable tax offset claimed through individual tax returns.

For the 2010–11 income year, 276,838 taxpayers claimed a private health insurance tax offset through the tax system. The average tax offset claimed per taxpayer increased to around $720 in 2010–11, from around $705 in 2009–10.

TABLE 9.3: Private health insurance tax offset, by age, 2009–10 and 2010–11 income years

	2009–10[1]		2010–11[1]	
	No.	$m	No.	$m
<18[2]	67	..	78	..
18 – 24	16,243	4	16,752	4
25 – 29	29,634	9	32,956	10
30 – 34	25,286	10	27,423	11
35 – 39	23,548	12	23,830	13
40 – 44	23,630	16	24,116	17
45 – 49	30,062	24	28,527	23
50 – 54	36,422	33	35,601	33
55 – 59	36,334	34	36,277	36
60 – 64	26,856	25	28,185	27
65 – 69	11,729	12	12,664	14
70 – 74	4,419	5	4,888	6
75 or more	5,402	6	5,541	6
Total[3]	**269,632**	**190**	**276,838**	**199**

1 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively.

2 '..' means rounded to zero, but not zero.

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

The highest proportion of taxpayers claiming a tax offset through the tax system had taxable incomes in the $37,001 to $80,000 range. Their average claim was $652.

TABLE 9.4: Private health insurance tax offset, by taxable income, 2010–11 income year[1]

	No.	$m
Up to $6,000	9,194	7
$6,001 – $37,000	60,301	35
$37,001 – $80,000	118,831	78
$80,001 – $180,000	76,308	67
$180,001 or more	12,204	13
Total[2]	**276,838**	**199**

1 Data for the 2010–11 income year includes data processed up to 31 October 2012.

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

RESEARCH AND DEVELOPMENT TAX OFFSET

Jointly administered by the Industry Research and Development Board (through AusIndustry) and the ATO, the research and development tax offset is designed to increase the level of research and development conducted by Australian companies. The tax offset is available to small companies with an aggregate annual turnover of less than $5 million and grouped research and development expenditure of more than $20,000, but less than $2 million, per income year.

There was a 12.0% increase in total offsets claimed in 2010–11. The average claim was $155,798, a 4.8% increase on the 2009–10 average.

TABLE 9.5: Research and development tax offset, by industry, 2009–10 and 2010–11 income years

	2009–10[1]		2010–11[1]	
Industry[2]	No.	$m	No.	$m
Agriculture, forestry and fishing	97	14	94	15
Mining	156	42	203	59
Manufacturing	755	95	799	104
Electricity, gas, water and waste services	46	6	42	7
Construction	111	12	103	13
Wholesale trade	220	28	244	28
Retail trade	111	10	112	11
Accommodation and food services	11	1	13	1
Transport, postal and warehousing	23	3	29	5
Information media and telecommunications	113	16	125	19
Financial and insurance services	124	22	115	22
Rental, hiring and real estate services	73	10	76	11
Professional, scientific and technical services	1,489	238	1,572	259
Administrative and support services	47	8	57	10
Education and training	26	3	27	3
Health care and social assistance	38	6	44	6
Arts and recreation services	15	1	16	2
Other services	53	6	56	6
Other[3]	179	25	214	33
Total[4]	**3,687**	**548**	**3,941**	**614**

1 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively. Data for 2009–10 revised.

2 The industry groups are based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 codes on the Australian Business Register.

3 Includes companies lodging under the 'Nil company returns' code, which includes non–taxable companies or companies with nil company returns – no income, expense or balance sheet data present; accommodation and food services industry companies; companies that did not state their industry; and/or companies registered under the government administration and defence industry code.

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

AUSTRALIAN SCREEN PRODUCTION INCENTIVE

Film production companies incurring expenditure on certain productions in Australia may be eligible for refundable tax offsets. The three tax offsets are: the location tax offset (formerly the refundable film and television tax offset); the producer tax offset; and the post, digital and visual effects (PDV) tax offset. The refundable tax offsets are paid directly to the producers and are exempt from tax. A production company can claim no more than one of the film tax offsets for each film. The tax offset is provided to the production company through its tax return – any excess over other tax liabilities is refunded.

The location tax offset supports the production of large-budget films and television projects shot in Australia. The producer tax offset encourages the production of Australian film and television projects, while the PDV tax offset supports work on post-digital and visual effects production in Australia, regardless of where a project is shot.

TABLE 9.6: Australian screen production incentive, 2009–10 and 2010–11 income years[1]

	2009–10[2]	2010–11[2]
	$m	$m
Total	111	201

1 Claim data between years can vary significantly given the irregular nature of offset claims by large film productions.

2 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively.

NATIONAL RENTAL AFFORDABILITY SCHEME

The national rental affordability scheme (NRAS), which commenced on 1 July 2008, is designed to encourage large-scale investment in affordable housing. The NRAS offers tax and cash incentives to providers of new dwellings on the condition that they are rented to low and moderate income households at 20 per cent below market rates. The NRAS is available to individuals, companies, trusts, partnerships, superannuation funds and self-managed superannuation funds. It comprises of:

- a Commonwealth contribution in the form of a refundable tax offset for complying investors (claimed through the tax system) and grants to endorsed charitable institutions (claimed outside the tax system which are not included in the table below).
- a state or territory contribution in the form of direct financial support.

The Commonwealth contribution or incentive, paid in the form of refundable tax offsets for complying investors, can be claimed on annual tax returns and is presented in the following table.

TABLE 9.7: National rental affordability scheme tax offset, 2009–10 and 2010–11 income years

	2009–10[1]		2010–11[1]	
	No.	$m	No.	$m
Total	406	3	1,118	9

1 Data for the 2009–10 and 2010–11 income year includes data processed up to 31 October 2011 and 31 October 2012. We recommend you treat this data with caution, due to the volatility of the return label data used to produce this table.

FIRST HOME SAVER ACCOUNT

The federal government launched the first home saver account (FHSA) scheme on 1 October 2008. This scheme aims to provide a simple, tax-effective way for Australians to save for their first home through a combination of government contributions and low taxes, where certain conditions have been met. The account may be offered by banks, building societies, credit unions, life insurance companies and trustees of public offer super funds (but not self-managed super funds). The account providers set their own fees and interest rates, but have to comply with the government rules for the scheme.

Earnings on these accounts are taxed at 15%, payable by the account provider (not the individual).

Account holders must live in the home for a continuous period of six months within 12 months of purchasing their first home or completing its construction.

TABLE 9.8: First home saver account – government contributions paid 2009–10 and 2010–11 income year

	2009–10[1]		2010–11[1]	
	No.	$m	No.	$m
Total	17,075	9.4	23,904	14.8

1 Data for the 2009–10 and 2010–11 income years includes data processed up to 31 October 2011 and 31 October 2012 respectively.

SOURCE OF PAYMENTS AND TRANSFERS STATISTICS

The statistics in this chapter are sourced from 2010 and 2011 individual, company and super fund income tax returns processed by 31 October 2011 and 31 October 2012 respectively. The statistics are not necessarily complete as not all returns are processed by 31 October each year.

PAYMENTS AND TRANSFERS CHAPTER TABLES

The payments and transfers chapter tables are on the attached CD-ROM, and included in the online version of this publication on our website – you can now view or download all the chapter tables in Excel.