



TAX OFFSETS AND REBATES: CREDITS AGAINST YOUR AUSTRALIAN TAX BILL

In Australia, certain tax offsets or rebates (the terms tend to be interchangeable) are available which may be used in reducing the amount of a resident individual's tax liability – a person's tax liability can usually be expected to be less than simply applying the tax rates to a person's taxable income. Note that tax offsets are not the same as tax deductions, which reduce taxable income before the application of the relevant marginal rates of tax. In other words a tax offset is a reduction in the amount of tax payable by an Australian resident individual.

Also note that in general a tax offset cannot reduce the tax liability for an income year to less than nil (although see the Private Health Insurance rebate below.)

There are a number of tax offsets or rebates, and the criteria for eligibility are detailed. As such, in this factsheet we are concentrating on the main points only – contact us for more information about specific rebates.

1. Concessional Rebates

This category of rebates is unrelated to the production of assessable income.

o Dependant rebates

Notes:

- o Dependants must be resident in Australia if the taxpayer is to be entitled to the rebate.
- o The taxpayer must contribute to the maintenance of a child or student to receive the relevant rebate, and the "separate net income" (not defined here – contact us for details) of the child or student must be less than \$1,785 per annum, or \$282 plus \$28.92 for each week the child or student is maintained by the taxpayer.
- o Maximum amounts (income year 2000/01):
 - Spouse and no dependent children - \$1,365, reduced if the spouse has "separate net income" of \$286 or more, or if the spouse was not maintained for the whole year.
 - Spouse with dependent children – *ceased to apply from 2000/01*
 - Child-housekeeper - \$1,365 (no dependent children or students)/\$1,637 (with a dependent child or student), reduced if the child's "separate net income" is \$286 or more, or if the child was not wholly engaged in keeping house for the taxpayer for the whole year.
 - Invalid relative - \$603 **per invalid relative maintained**, reduced if the invalid relative's "separate net income" is \$286 or more, or if the invalid relative was not maintained for the whole year, etc.
 - Parents or parents-in-law - \$1,204 **per parent maintained**, reduced if the parent's "separate net income" is \$286 or more, or if the parent was not maintained for the whole year, etc.

o Housekeeper

Amount: \$1,365 (no dependent children or students)/\$1,637 (with a dependent child or student), reduced where a housekeeper is not engaged for the whole year. This rebate is not reduced where the housekeeper derives a "separate net income."

o Low-income taxpayer

This rebate is available where taxable income does not exceed \$20,700. Amount: \$150, reducing by 4c per dollar of taxable income exceeding \$20,700.

- o Medical expenses
A rebate equal to 20% of the excess "net medical expenses" (as defined) paid by the taxpayer for him/her self and his/her resident dependents over \$1,250.

2. Other Rebates

- o Private Health Insurance
 - o Generally equal to 30% of the amount of the premium paid by the taxpayer, or by the employer of the taxpayer as a fringe benefit, in respect of the income year.
 - o Note that frequently the insurer will offer the alternative of a straight 30% reduction in the level of the premiums, in which case no further rebate is available.
 - o Note also, that where the offset exceeds the taxpayer's tax liability for the income year, the offset is repayable to the taxpayer.

- o Zone Rebates

- o Available to taxpayers who live in remoter areas of Australia for more than one-half of an income year, or where the taxpayer is in the prescribed area for more than 182 days spread over two income years.

- o Rebate amounts:

- Zone A: \$338 plus 50% of the "relevant tax offset."
- Zone B: \$57 plus 20% of the "relevant tax offset."
- Special Area: \$1,173 plus 50% of the "relevant tax offset."
- "Relevant tax offset" is defined and in general terms means the sum of the rebates to which a taxpayer is entitled to (or would have been entitled to in the absence of certain provisions disqualifying their availability).
- Examples:

	Zone A	Zone B	Special Area
Single with no dependent children or students for the whole financial year	\$338	\$57	\$1173
Maximum spouse rebate with no dependent children or students	\$1008	\$325	\$1843

- o Overseas Tax Credits

Credit is given for overseas taxes suffered by residents on their income from non-Australian sources. Where tax has been paid outside Australia the overseas income will be included in assessable income and taxed accordingly, with credit then given for the overseas tax already suffered.

Summary

The above is necessarily an overview designed to give the reader an indication of the availability of, and eligibility for, tax rebates and offsets. It is by no means a complete picture, as the tax law is inevitably long and detailed, and you must therefore take further advice before computing your tax liability, or that of any other person.

The contents of this factsheet are necessarily a general overview of a very detailed subject. The situation may change as tax legislation can alter quickly and we therefore strongly recommend that you take professional advice about your personal circumstances before placing any reliance on the contents of this factsheet.

Collett & Co Chartered Accountants can be contacted by email on info@collettandco.com, by telephone on 02380 488 786 (ask for Alan Collett), or by writing to us at Enterprise House, Ocean Village, Southampton, Hampshire, England, SO14 3XB. We will be happy to provide a 15 minute telephone appraisal without charge.

The contents of this factsheet are subject to Copyright - click on the word "Copyright" at www.collettandco.com for details.