



Government Benefits Impacted by New Income Test Definitions

Government program	Income test 2009/10 (note: red text denotes change from 2008/09 financial year)	Impact on Financial Planning Strategies				Comments
		Salary Sacrifice Contribution Strategy (including Transition to Retirement)	Tax Deductible Contribution Strategy	Negative Gearing Strategy	Adjusted /Reportable Fringe Benefits	
Family Tax Benefit A & B Childcare Benefit Baby Bonus	Adjusted Taxable Income <ul style="list-style-type: none"> • Taxable income • Total net investment loss (i.e. income loses from financial investments and rental property) • Adjusted fringe benefits • Reportable super contributions (i.e. salary sacrifice or deductible contributions into superannuation) • Target foreign income • Tax free Centrelink pension or benefit 	x	x	x	No change	For fringe benefits purposes clients can consider: <ul style="list-style-type: none"> • reducing their taxable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. • packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit.
Youth Allowance	Parental income test <ul style="list-style-type: none"> • Taxable income • Total net investment loss (i.e. income loses from financial investments and rental property) • Adjusted fringe benefits • Reportable super contributions (i.e. salary sacrifice or deductible contributions into superannuation) • Target foreign income 	x	x	x	No change	For fringe benefits purposes clients can consider: <ul style="list-style-type: none"> • reducing their taxable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. • packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit.



Commonwealth Seniors Health Card (CSHC)	<p>Adjusted taxable Income</p> <ul style="list-style-type: none"> • Taxable income • Total net investment loss (i.e. income losses from financial investments and rental property) • Fringe benefit value* • Target foreign income • Reportable super contributions (i.e. salary sacrifice or deductible contributions into superannuation) <p>* Not grossed up by FBT and is an accepted estimate of the amount by which the total of the assessable fringe benefits received or to be received by the person in the tax year that exceeds \$1,000.</p>	x	x	x	No change	<p>Tax-free income above age 60 will still be excluded from the income test for CHSC.</p> <p>For fringe benefits purposes clients can consider:</p> <ul style="list-style-type: none"> • reducing their taxable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. • packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit.
Child Support	<p>Adjusted taxable income</p> <ul style="list-style-type: none"> • Taxable income • Total net investment loss (i.e. income losses from financial investments and rental property) • Reportable fringe benefits • Reportable super contributions (i.e. salary sacrifice or deductible contributions into superannuation) • Target foreign income • Tax-free Centrelink pension or benefit 	x	x	x	No change	<p>For fringe benefits purposes clients can consider:</p> <ul style="list-style-type: none"> • reducing their taxable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. • packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit.
Senior Australians Tax Offset (SATO)	<p>Rebate income</p> <ul style="list-style-type: none"> • Taxable income • Reportable superannuation contributions (i.e. salary sacrifice or deductible contributions into superannuation) • Total net investment loss (i.e. income losses from financial investments and rental property) • Adjusted fringe benefits 	x	x	x	No change	<p>For fringe benefits purposes clients can consider:</p> <ul style="list-style-type: none"> • reducing their taxable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. • packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit.



<p>Mature Age Workers Offset (MAWO) (Measured on “net income from working”)</p>	<ul style="list-style-type: none"> • Net* employment income • Net* personal services income • Net* business income • Reportable fringe benefits • Reportable employer superannuation contributions (i.e. salary sacrifice contributions into superannuation) <p>Excludes:</p> <ul style="list-style-type: none"> • super lump sums, employer termination payments, unused leave payments and passive income. <p>* Net is less allowable deductions related to assessable income.</p>	<p>✘</p>	<p>No change</p>	<p>N/A</p>	<p>No change</p>	<p>There is no change for self employed individuals operating a business. Deductible superannuation contributions for self employed individuals cannot be deducted from assessable business income when determining business income.</p> <p>For fringe benefits purposes clients can consider:</p> <ul style="list-style-type: none"> • reducing their taxable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. • packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit.
<p>Spouse Contributions Tax Offset (SCTO) (Available if receiving spouse’s income < \$13,800.)</p>	<ul style="list-style-type: none"> • Assessable income • Reportable fringe benefits • Reported employer superannuation contributions (i.e. salary sacrifice contributions into superannuation) 	<p>✘</p>	<p>No change</p>	<p>✘</p>	<p>No change</p>	<p>For fringe benefits purposes clients can consider:</p> <ul style="list-style-type: none"> • reducing their assessable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. • packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit. • otherwise deductible benefits as the taxable value of the fringe benefit is not included in assessable income and a reportable fringe benefit.
<p>Deduction for Personal Super contributions (10% test)</p>	<p>Less than 10% of total</p> <ul style="list-style-type: none"> • Total assessable income • Reportable fringe benefits • Reported employer superannuation contributions (i.e. salary sacrifice contributions into superannuation) <p>must be attributable to employment activities as an employee for superannuation guarantee purposes.</p>	<p>✘</p>	<p>No change</p>	<p>✘</p>	<p>No change</p>	<p>Clients could consider increasing their assessable income via realising capital gains or private structure distributions (e.g. family trusts) in order to satisfy the 10% test and maximise the caps.</p> <p>For fringe benefits purposes clients can consider:</p> <ul style="list-style-type: none"> • reducing their assessable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. • packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit. • otherwise deductible benefits as the taxable value of the fringe benefit is not included in assessable income and a reportable fringe benefit.



<p>Superannuation Co-contribution</p> <p>2 income tests apply for Super co-contributions: Test 1: At least 10% total income must come from business or employment income. Test 2: The maximum co-contribution is payable if total income is less than \$31,920 and the co-contribution ceases where total income exceeds \$61,920.</p>	<p>Test 1: 10% total income test. Total income is:</p> <ul style="list-style-type: none"> Assessable income for tax purposes Reportable fringe benefits Reportable employer super contributions (i.e. salary sacrifice contributions into superannuation) <p>Test 2: Dollar threshold</p> <ul style="list-style-type: none"> Assessable income for tax purposes less deductible business expenses. Reportable fringe benefits Reportable employer super contributions (i.e. salary sacrifice contributions into superannuation) 	x	No change	x	No change	<p>There is no change for self employed individuals operating a business. Deductible superannuation contributions for self employed individuals cannot be deducted from assessable business income when determining business income.</p> <p>For fringe benefits purposes clients can consider:</p> <ul style="list-style-type: none"> reducing their assessable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit. otherwise deductible benefits as the taxable value of the fringe benefit is not included in assessable income and a reportable fringe benefit.
<p>Medicare Levy Surcharge (MLS) Levied if no private health insurance and income exceeds \$70,000 (single) or \$140,000 (couple).</p>	<p>Income for surcharge purposes</p> <ul style="list-style-type: none"> Taxable income Reportable fringe benefits Net amount from trust where family trust distribution tax paid. Reportable superannuation contributions (i.e. salary sacrifice or deductible contributions into superannuation) Total net investment loss (i.e. income losses from financial investments and rental property) <p>Excluding</p> <ul style="list-style-type: none"> Taxable income from super lump sums 	x	x	x	No change	<p>For fringe benefits purposes clients can consider:</p> <ul style="list-style-type: none"> reducing their taxable income by accessing an exempt (e.g. a laptop) or concessional (e.g. a car) fringe benefit. packaging a benefit up to the taxable value of \$2,000 to avoid a reportable fringe benefit.