

Big Black Book 2007/2008

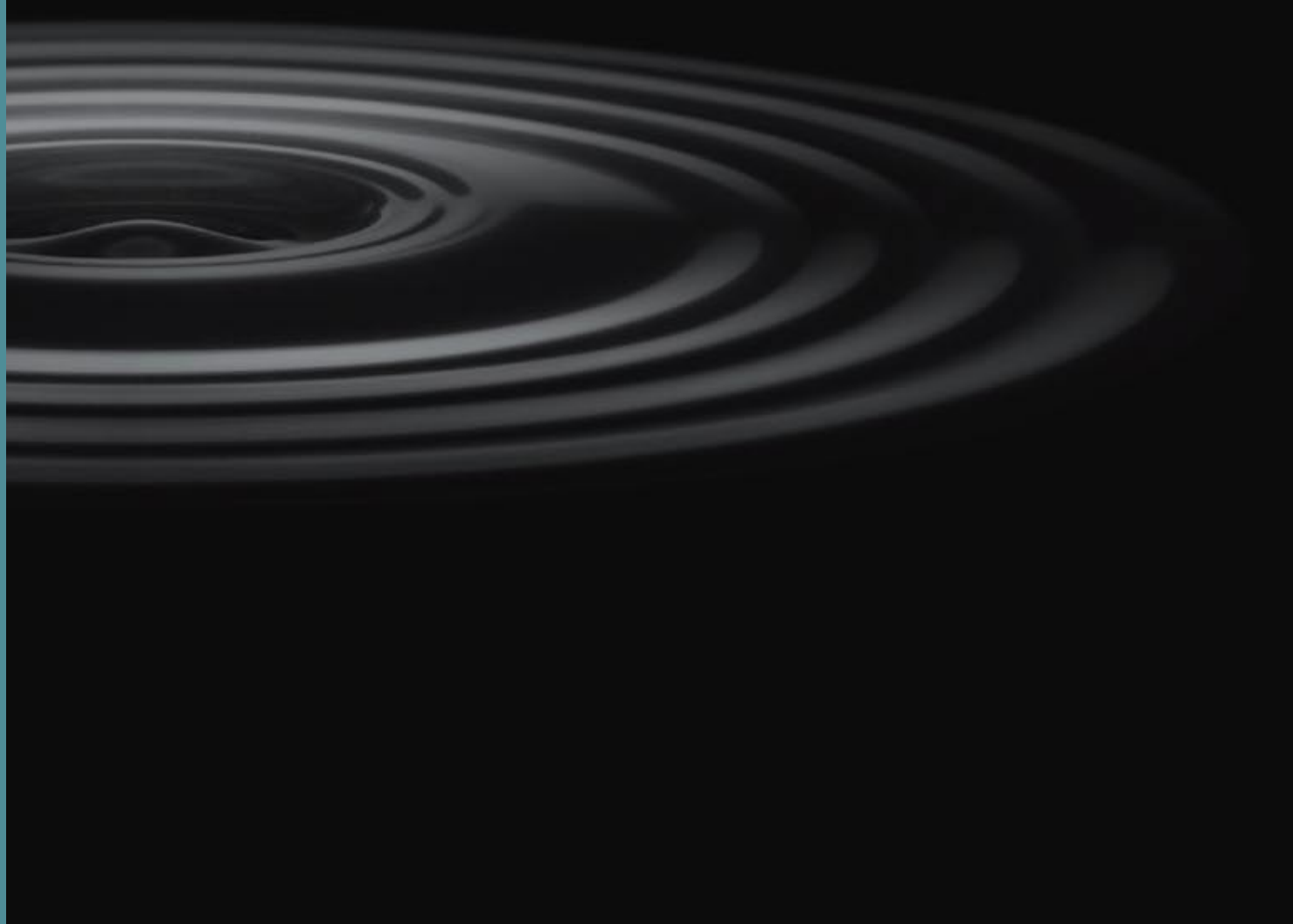
Further facts and figures
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Personal taxation

Tax rates

Personal income tax rates

Effective from 1 July 2008[#]:

Taxable income	Tax payable/MTR ¹ - residents	Tax payable/MTR ¹ – non-residents
Up to \$6,000	Nil	29%
\$6,001 to \$34,000	Nil + 15%	29%
\$34,001 to \$80,000	\$4,200 + 30%	\$9,860 + 30%
\$80,001 to \$180,000	\$18,000 + 40%	\$23,660 + 40%
Excess over \$180,000	\$58,000 + 45%	\$63,660 + 45%

Effective from 1 July 2007 – 30 June 2008: (current income year rates)

Up to \$6,000	Nil	29%
\$6,001 to \$30,000	Nil + 15%	29%
\$30,001 to \$75,000	\$3,600 + 30%	\$8,700 + 30%
\$75,001 to \$150,000	\$17,100 + 40%	\$22,200 + 40%
Excess over \$150,000	\$47,100 + 45%	\$52,200 + 45%

Effective from 1 July 2006 – 30 June 2007:

Up to \$6,000	Nil	29%
\$6,001 to \$25,000	Nil + 15%	29%
\$25,001 to \$75,000	\$2,850 + 30%	\$7,250 + 30%
\$75,001 to \$150,000	\$17,850 + 40%	\$22,250 + 40%
Excess over \$150,000	\$47,850 + 45%	\$52,250 + 45%

¹ Calculate income tax liability by multiplying the amount of income in excess of the lower threshold by the stated marginal tax rate, and adding the base 'Tax payable' amount to the result. These calculations exclude Medicare levy.

[#] The figures outlined for the 2008/09 income year are as proposed in Tax Laws Amendment (Personal Income Tax Reduction) Bill 2008, however at the date of this publication, these amendments had not become law.

Residency tests

Test	When to apply	Detail
Resides	Primary test: if person 'resides' in Australia according to ordinary meaning of the word, no need to apply other 3 tests	Broad definition of the term within ordinary concepts
Domicile	Secondary / statutory tests: extends the class of persons who are treated as residents beyond those who 'reside' in Australia	Where is permanent place of abode (home)?
183 day rule		Presence in Australia for more than 183 days
Superannuation		Person, their spouse or child under 16, is a member of certain Commonwealth superannuation funds

Taxation Ruling IT 2650 suggests the first two tests ('resides' and 'domicile') are usually the most relevant, and that a period of absence from Australia of more than 2 years would generally be regarded as a substantial period of time to support establishing a permanent abode outside Australia.

Non-resident withholding tax rates

Effective from 1 July 2007:

Category	Country with DTA ²	Country with no DTA ³
Interest	10% ³	10% ³
Franked dividends	0%	0%
Unfranked dividends	15% ³	30% ³
Taxable Australian real property gains and Australian other income ⁴	Non-resident tax rates for individuals and company tax rate for corporate and trust beneficiaries ⁴	Non-resident tax rates for individuals and company tax rate for corporate and trust beneficiaries ⁴

² General rates of withholding tax only. Individual Double Tax Agreements (DTAs) with Australia may specify a rate other than that quoted. Where available, refer to the DTA of the country in which the taxpayer is a resident to confirm the correct rate of withholding.

³ These represent a final tax and do not generate an allowable credit when an income tax return is lodged.

⁴ Non-residents who make a capital gain or loss (on or after 12 December 2006) in respect of interests in Australian resident trusts, including managed funds, may be eligible for CGT relief. Broadly, the relief is available to non-residents with interests in managed funds (or other fixed trusts) whose assets are considered not taxable Australian real property.

Countries with Double Tax Agreements

Argentina	Ireland ^b	Russia
Austria ^b	Italy ^b	Singapore
Belgium ^b	Japan ^b	Slovakia
Canada ^b	Kiribati	South Africa
China	Malaysia	South Korea ^b
Czech Republic	Malta ^b	Spain
Denmark ^b	Mexico	Sri Lanka
Fiji	Netherlands ^b	Sweden ^b
Finland	New Zealand	Switzerland ⁵
France ⁵	Norway ⁵	Taipei
Germany ⁵	Papua New Guinea	Thailand
Hungary	Philippines ⁵	United Kingdom
India	Poland	United States
Indonesia	Romania	Vietnam

⁵ Countries with pre-Capital Gains Tax treaties ('pre-CGT treaties') in which the DTA does not contain a specific article dealing with revenue gains from the disposal of certain property.

Minor tax rates

Effective from 1 July 2007:

Eligible taxable income ⁶	Tax payable
Less than \$417	Nil
\$417 - \$1,306	Greater of: <ul style="list-style-type: none"> ■ 66% of excess over \$416 or ■ difference between tax payable at ordinary tax rates on whole of taxable income and tax on taxable income other than the eligible taxable income at ordinary tax rates
\$1,307 and above	45% of eligible taxable income

⁶ Broadly 'eligible taxable income' is unearned income derived in the minor's name.

The \$750 low income tax offset increases the effective tax free threshold for resident minors to \$1,666 (2007/08). For 2006/07 the effective tax free threshold was \$1,333.

Medicare levy + surcharge

Medicare levy is based on taxable income (excluding assessable income from the taxable component of a superannuation lump sum, employment termination payment or directed termination payment where the tax rate is 0%).

Use the tables below to determine firstly the relevant thresholds and secondly the applicable Medicare rate.

Medicare thresholds

Effective from 1 July 2006 – 30 June 2007:

	Nil threshold	Phase in threshold
Individual taxpayers in general	\$16,740	\$19,694
Senior Australians	\$24,867	\$29,255
Pensioners under age pension age	\$21,637	\$25,455
Senior family thresholds	Lower limit: \$33,500 + \$2,594 for each dependent child or student	Upper limit: \$39,411 + \$3,052 for each dependent child or student
Family thresholds	Lower limit: \$28,247 + \$2,594 for each dependent child or student	Upper limit: \$33,231 + \$3,052 for each dependent child or student

Medicare calculation method

Effective from 1 July 2006 – 30 June 2007:

Taxable income	Medicare rate
Less than nil threshold	Nil
Nil threshold – phase in threshold	10% of taxable income above the nil threshold
Above phase in threshold	1.5% ⁷

⁷ Extra 1% surcharge for couples with combined incomes over \$100,000 (\$50,000 for singles) who do not have adequate private health cover. The \$100,000 threshold increases by \$1,500 for each dependent child after the first.

Personal tax offsets

Low Income Tax Offset (LITO)

	Effective 08/09 [#]	Effective 07/08
Shade out threshold	\$30,000	\$30,000
Cut out threshold	\$60,000	\$48,750
Max low income tax offset	\$1,200	\$750
Phase out rate	0.04	0.04

[#] The figures outlined for the 2008/09 income year are as proposed in Tax Laws Amendment (Personal Income Tax Reduction) Bill 2008, however at the date of this publication, these amendments had not become law.

Mature Aged Worker Tax Offset (MAWTO)

Net income from working	2006/07
Less than \$1	Nil
\$1 to \$9,999	5c per dollar of net income from working
\$10,000 to \$53,000	\$500
\$53,001 to \$62,999	\$500 reduced by 5c per dollar over \$53,000
\$63,000 and above	Nil

MAWTO is a non-refundable tax offset available to individuals over the age of 55 at the end of the income year who have net income from working.

Senior Australians Tax Offset (SATO)

	2007/08	2006/07
Max single rebate	\$2,230	\$2,230
Max couple rebate	\$1,602	\$1,602
Single shade-out	\$25,867	\$24,867
Couple together shade-out	\$21,680	\$20,680
Single cut-out	\$43,707	\$42,707
Couple together cut-out	\$34,496	\$33,496

Phase-out rate is 12.5 cents for each dollar above shade-out threshold.

Pensioner tax offset (for pensioners below age pension age)

	2006/07
Max single rebate	\$2,018
Max couple rebate	\$1,522
Single shade-out	\$19,454
Couple together shade-out	\$16,147
Single cut-out	\$35,598
Couple together cut-out	\$28,323

The 2007/08 figures will be notified in the 2008 Federal Budget. Phase-out rate is 12.5 cents for each dollar above shade-out threshold.

Dependent spouse tax offset

	2007/08	2006/07
Max spouse tax offset (assuming all other eligibility criteria are met)	\$2,100	\$1,655

Maximum tax offset reduces by \$1 for every \$4 of spouse's separate net income above \$282.

Spouse contribution rebate - [click to access MAStech Big Black Book Spouse Rebate Calculator](#)

Receiving spouse's assessable income and reportable fringe benefits	Spouse contributions rebate
Less than \$10,800	18% of the lower of: <ul style="list-style-type: none"> ■ total contributions for the income year; or ■ \$3,000
\$10,800 - \$13,799	18% of the lower of: <ul style="list-style-type: none"> ■ total contributions for the income year; or ■ \$3,000 – (receiving spouse's assessable income + reportable fringe benefits - \$10,800)
\$13,800 and above	Nil

Family benefits

Family tax benefit A

Maximum rate is paid up to a family income of \$41,318. This rate is reduced by 20 cents for every extra dollar of income, until base rate of payment is reached. Base rate is paid until family income reaches \$91,542 a year (plus an additional \$3,650 for each dependent child after the first child). Payments are then reduced by 30 cents in every dollar over that amount until the payment reaches nil. The level where payment stops is \$97,845 for a family with one child under 18.

Maximum rates of payment⁸

Effective from 1 July 2007:

For each child	Standard rate per fortnight	Standard rate p.a.
Under 13 years	\$145.46	\$4,460.30
13 – 15 years	\$189.00	\$5,595.45
16 – 17 years	\$46.90	\$1,890.70
18 – 24 years	\$63.00	\$2,310.45
Child in an approved care organisation 0 – 24 years	\$46.90	\$1,222.75

Base rates of payment⁸

Effective from 1 July 2007:

For each child	Base rate per fortnight	Base rate p.a.
Under 18 years	\$46.90	\$1,890.70
18 – 24 years	\$63.00	\$2,310.45
Large family supplement	\$10.08 for 3rd & subsequent children	\$262.80

⁸ Payment per year figures include the Family Tax Benefit Part A Supplement (\$667.95 per child for the 2007-08 income year) but the fortnightly figures do not.

Multiple birth allowance may also be payable. This is a fortnightly payment of \$121.94 for triplets and \$162.54 for multiple births of quadruplets or more.

Family tax benefit B

Maximum rates of payment⁹

Effective from 1 July 2007:

Age of youngest child	Standard rate per fortnight	Standard rate p.a.
Under 5 years	\$125.02	\$3,584.30
5 – 16 years (or 16 – 18 if full time student)	\$87.08	\$2,595.15

⁹ Payment per annum figures include the Family Tax Benefit Part B Supplement (\$324.85 per child for 2007/08).

Income test

Family status	Test
Sole parent	No income test
Couples	Primary earner's income is not taken into account. If secondary earner's income is above \$4,380 p.a., payments reduce by 20 cents per extra dollar of income.

Some family tax benefit part B is available where secondary earner's income is below \$22,302 if youngest child under 5, or \$17,356 if youngest child between 5 and 18.

Private health insurance rebate

Refundable tax offset based on the cost of private health insurance premiums, available as either a tax offset OR by a reduction in health insurance premiums.

Age	Offset available – percentage of premiums
Under 65	30%
65 – 69	35%
70 and over	40%

HELP repayment rates

Rate of repayment (applied to repayment income)	2007/08 Repayment income	2006/07 Repayment income
Nil	Less than \$39,825	Less than \$38,149
4.0%	\$39,825 - \$44,360	\$38,149 - \$42,494
4.5%	\$44,361 - \$48,896	\$42,495 - \$46,838
5.0%	\$48,897 - \$51,466	\$46,839 - \$49,300
5.5%	\$51,467 - \$55,322	\$49,301 - \$52,994
6.0%	\$55,323 - \$59,915	\$52,995 - \$57,394
6.5%	\$59,916 - \$63,068	\$57,395 - \$60,414
7.0%	\$63,069 - \$69,405	\$60,415 - \$66,485
7.5%	\$69,406 - \$73,959	\$66,486 - \$70,846
8.0%	\$73,960 and above	\$70,847 and more

Voluntary repayments of HELP debts attract a 10% bonus (payments of \$500 or more).

Child care benefit

Maximum rate of benefit – approved care – income test applies

Effective from 1 July 2007:

Maximum number of children (non-school age)	Per week	Per hour for each child
1 non-school age child in 50 hours of care	\$168.50	\$3.37

Rates for school age children are 85 per cent of non-school age children rate.

Basic rate of benefit – registered care – no income test applies

Effective from 1 July 2007:

Maximum number of children (non-school age)	Per week	Per hour for each child
1 non-school age child in 50 hours of work related care	\$28.20	\$0.564

Rates for school age children are 85 per cent of non-school age children rate.

Income test

Applicable to approved care users, registered care is not subject to an income test. Maximum rate payable for incomes under \$35,478, or families on income support.

Effective from 1 July 2007:

Number of children in care	Upper income threshold
1	\$108,434
2	\$115,900
3+	\$131,570 + \$23,031 for each child after the third

Child care tax rebate

Eligibility

The taxpayer must have:

- used approved child care;
- received child care benefit; and
- worked or had work related commitments at some time during the period.

A rebate of 30% of out-of-pocket child care expenses, up to a maximum of \$4,096 per child for approved care is claimable in relation to child care costs incurred for the 2005/06 income year via the 2006/07 tax return.

The 30% rebate for out-of-pocket expenses incurred in 2006/07 will be paid by the Family Assistance Office directly to the taxpayer's bank account following the lodgement of the taxpayer's tax return and after the respective child care service(s) has reported the amount of out-of-pocket expenses incurred.

Out-of-pocket expenses are total child care fees less final Child Care Benefit entitlement. The rebate is a non-refundable tax offset. Any unused rebate can be transferred to a spouse.

Capital Gains Tax (CGT) calculation method

Purchased	Capital gain treatment
Prior to 11.45 am 21 Sept 1999	Net capital gain calculated using indexed cost base method (indexation frozen at Sept 1999) ¹⁰ OR Discount Method (see below)
After 11.45 am 21 Sept 1999	<p><i>Capital losses:</i> Current year or carry forward losses may be used to reduce capital gains attributable to assets held for either less than or more than 12 months.</p> <p><i>Assets held less than 12 months:</i> Gain is calculated by deducting cost base from proceeds.</p> <p><i>Discount Method (Assets held 12 months or more):</i> Net capital gain may be discounted by 50% (individuals) or 33^{1/3}% (complying superannuation funds).</p>

¹⁰ Refer to CPI indexation figures.

CPI figures

CPI	March	June	September	December
2007	155.6	157.5	158.6	160.1
2006	151.9	154.3	155.7	155.5
2005	147.5	148.4	149.8	150.6
2004	144.1	144.8	145.4	146.5
2003	141.3	141.3	142.1	142.8
2002	136.6	137.6	138.5	139.5
2001	132.7	133.8	134.2	135.4
2000	125.2	126.2	130.9	131.3
1999	121.8	122.3	(CGT indexation frozen)	124.1
1998	120.3	121	121.3	121.9
1997	120.5	120.2	119.7	120
1996	119	119.8	120.1	120.3
1995	114.7	116.2	117.6	118.5
1994	110.4	111.2	111.9	112.8
1993	108.9	109.3	109.8	110
1992	107.6	107.3	107.4	107.9
1991	105.8	106	106.6	107.6
1990	100.9	102.5	103.3	106
1989	92.9	95.2	97.4	99.2
1988	87	88.5	90.2	92
1987	81.4	82.6	84	85.5
1986	74.4	75.6	77.6	79.8
1985	-	-	71.3	72.7

Source: ABS catalogue number 6401.0

Annual/long service leave

Accrued annual leave

Resignation/retirement To 17/8/1993 From 18/8/1993	30%* Marginal Tax Rate*
Bona fide redundancy/invalidity/ early retirement	30%*

* Plus Medicare levy of 1.5%.

Accrued long service leave

Resignation/retirement To 15/8/1978 16/8/1978 – 17/8/1993 From 18/8/1993	5% at Marginal Tax Rate* 30%* Marginal Tax Rate*
Bona fide redundancy/invalidity/ early retirement To 15/8/1978 From 16/8/1978	5% at Marginal Tax Rate* 30%*

* Plus Medicare levy of 1.5%.

Redundancy payment limits

The tax-free portion (which cannot be rolled over) of a bona-fide redundancy payment is calculated as follows:

2007/2008	2006/2007
\$7,020 plus \$3,511 for every completed year of service	\$6,783 plus \$3,392 for every completed year of service

Generally, the amount in excess of the tax-free portion was treated as an employer-financed ETP which could be rolled over up to and including 30 June 2007. Note, employer ETPs rolled over on or after 1 July 2004 are generally preserved. From 1 July 2007, the amount in excess of the tax-free portion (i.e. Employment Termination Payment) cannot be rolled over.

Employment Termination Payments (ETP)

Component	Tax treatment
Tax free (post-June 1994 invalidity and pre-July 1983 amounts)	Non-assessable non-exempt
Taxable	Under preservation age: Up to \$140,000 ¹¹ – 30%* Over \$140,000 ¹¹ – 45%* Preservation age and over: Up to \$140,000 ¹¹ – 15%* Over \$140,000 ¹¹ – 45%*

¹¹ This is the ETP cap amount for 2007/08. It is indexed annually with AWOTE (refer page 37) and increased in \$5,000 increments.

* Plus Medicare levy of 1.5%.

Transitional Termination Payments (TTP)

From 1 July 2007, employer ETPs can no longer be rolled directly into a superannuation fund. However, transitional arrangements apply until 1 July 2012 to individuals who were entitled under a qualifying contract which was in place before 10 May 2006.

When a TTP is paid into a superannuation fund (known as a Directed Termination Payment) the tax free component is not included in the assessable income of the receiving superannuation fund. The tax free amount is not counted towards the member's non-concessional cap. The taxable component is taxed at 15%. The taxable component, up to a limit of \$1 million, is **excluded** from a member's **concessional contributions cap**. Amounts above \$1 million will count towards a member's concessional contributions cap.

The tax treatment of a TTP taken cash is as follows:

Component	Tax treatment
Tax free (post-June 1994 invalidity and pre-July 1983 amounts)	Non-assessable non-exempt.
Taxable	Under preservation age: Up to \$1 million ¹² – 30%* Over \$1 million ¹² – 45%* Preservation age and over: Up to \$140,000 ¹³ – 15%* \$140,000 ¹³ to \$1 million ¹² – 30% Over \$1 million ¹² – 45%*

¹² This is the lifetime upper cap amount. It is not indexed.

¹³ This is the lifetime lower cap amount for 2007/08. It is indexed annually with AWOTE (refer page 37) and increased in \$5,000 increments.

* Plus Medicare levy of 1.5%.

Other taxation

Life policy taxation

Investment earnings are taxed at the corporate tax rate of 30%.

Assessment of withdrawals

Year	Assessable Part
0 – 8	All accumulated bonuses ¹⁴
8 – 9	2/3 of accumulated bonuses ¹⁴
9 – 10	1/3 of accumulated bonuses ¹⁴
10 onwards	Tax free

¹⁴ This is effectively the growth in the value of the policy.

A 30% rebate is available on the assessable part. The excess of the rebate can be used to offset other tax payable.

Deposits greater than 125% of the previous year's deposit will restart the 10 year period.

Other entity taxation rates

Entity	Type	Tax treatment
Superannuation fund	Complying	15%
	Non-complying	45%
Corporation	Corporate tax entity	30%

Interest rates

Date	RBA Target Rate ¹⁵	Date	RBA personal unsecured loan variable indicator rate ¹⁶
From Mar 2008	7.25%	Feb 2008	14.15%
Feb 2008 – Mar 2008	7.00%	Jan 2008	13.90%
Nov 2007 - Feb 2008	6.75%	Dec 2007	13.85%
Aug 2007 - Nov 2007	6.50%	Nov 2007	13.80%

¹⁵ The rate banks charge each other for overnight borrowings (ie the cash rate).

¹⁶ The maximum rate that can be claimed as an interest deduction for geared capital protected investments.

Fringe benefits tax

Fringe benefits tax is a tax that is payable by employers based upon certain benefits provided to employees or their associates. The information outlined in the tables below relates to the 1 April 2007 – 31 March 2008 FBT year. This information is subject to change each FBT year. At the time of printing, all of the figures for the 1 April 2008 – 31 March 2009 year were not available.

FBT Year	1 April 2007 – 31 March 2008
FBT Rate	46.5%
Type 1 gross-up rate	2.0647 (provider entitled to GST input tax credits) – 10% GST & 46.5% FBT rate
Type 2 gross-up rate	1.8692 – 46.5% FBT rate
FBT exempt amount	\$17,000 (Qualifying public or non-profit hospital, public ambulance service) or \$30,000 (Public benevolent institution or health promotion charity not covered by \$17,000 threshold)
Reportable fringe benefit amount (RFBA)	\$2,000 (1 April 2007 – 31 March 2008)

Types	Description of taxable value
Car benefits	See below
Loan benefits	<p>The taxable value of a loan fringe benefit is the difference between a notional amount of interest (calculated on a daily balance of the loan) at the statutory rate and the actual amount of interest calculated on the loan.</p> <p>Statutory benchmark for period ending 31 March 2007 = 8.05%</p>
Debt waiver fringe benefits	<p>Taxable benefit arises where employer waives a debt of an employer.</p> <p>The taxable value of the benefit is the amount of the debt waived.</p>
Expense payment fringe benefits	<p>Taxable benefit arises where employer pays or reimburses expenses incurred by an employee.</p> <p>Taxable value of expense payment fringe benefits is the amount of the expense paid by the employee but reimbursed by the employer.</p>
Housing fringe benefits	<p>Taxable benefit arises where employer grants an employee a housing right which must be greater than one day.</p> <p>The taxable value of the benefit depends on whether housing is in a remote area or not or whether inside or outside Australia.</p> <ul style="list-style-type: none"> ▪ Outside Australia – taxable value will be the market value of the property less any rent or consideration paid ▪ Non-remote housing in Australia – generally, this is the statutory annual value of the right to occupy the accommodation less any rent paid. In the first year it is the market value of the property and in subsequent years it is indexed according to movements in the CPI. ▪ Remote area housing in Australia – this is an exempt benefit provided certain criteria are met.

Board fringe benefits	<p>Board benefits arise when employees are entitled to meals under an industrial award or employment arrangement to accommodation and two meals a day.</p> <p>Taxable value is \$2 per meal (if 12 or more) or \$1 per meal (if under 12).</p>
Airline transport fringe benefits	<p>An airline transport benefit arises when an airline operator provides transport to its employees.</p> <p>Domestic flights – taxable value is 37.5% of standard economy fare less any amounts paid International flights – taxable value is 37.5% of lowest advertised fare.</p> <p>Exemption for first \$1,000 taxable value in benefits employees receive each year.</p>
Living away from home allowance (LAHFA) fringe benefits	<p>LAHFA fringe benefit arises when an employer pays an employee an allowance to compensate for additional expenses because the employee is required to live away from home.</p> <p>The taxable value of LAHFA benefits provided is the amount of the allowance paid that exceeds the amount reasonably necessary to compensate the employee for living away from home.</p> <p>Reasonable additional food costs - \$42 per week per person (12 years or older) or \$21 per week per child (12 years or younger)</p>
Property fringe benefits	<p>Property benefits arise when property is provided to an employee. The form of the property may take the form of goods, services, shares or rights.</p> <p>The taxable value of property benefits is the amount by which the arms length cost of the goods provided exceeds the price charged to the employee.</p> <p>For in-house property benefits, the first \$1,000 of the taxable value for each employee will be exempt.</p>
Entertainment fringe benefits	<p>The taxable value of meal entertainment fringe benefits is calculated by either:</p> <ol style="list-style-type: none"> 1. the 50:50 method – one half of the expenses incurred is the taxable value of the benefits provided, or 2. the 12 week register method – taxable value is the total meal expenditure multiplied by the register percentage. The register percentage is the total percentage of meal entertainment benefits provided divided by total value of meal entertainment provided
Car parking fringe benefits	<p>Taxable value of car parking benefit can be determined using any of the:</p> <ol style="list-style-type: none"> 1. Commercial parking station method 2. Market value method 3. Average cost method 4. Statutory formula method 5. 12 week register method
Residual fringe benefits	<p>A residual benefit is one that is not covered by any of the above.</p> <p>The taxable value of an in-house residual fringe benefit is 75% of the lowest price charged to the public.</p> <p>For residual in-house benefits, the first \$1,000 of the taxable value for each employee will be exempt.</p> <p>For residual benefits that are not in-house benefits, the taxable value is the arm's length cost of the benefit to the employer less any amount paid.</p>

Value of car fringe benefits – Statutory formula

Statutory formula for calculating benefit value is $\frac{ABC}{D} - E$ where:

A is base value of car

B is statutory fraction

C is number of days during the year on which a car fringe benefit was provided

D is the number of days during the year

E is the amount of any 'recipient's payment'

Annualised number of whole kilometres	Statutory fraction
Less than 15,000	0.26
15,000 to 24,999	0.20
25,000 to 40,000	0.11
More than 40,000	0.07

Value of car fringe benefits – Operating cost method

Operating cost method for calculating benefit value is $[C \times (100\% - BP)] - R$ where:

C is operating cost of the car during the holding period

BP is the business use percentage applicable for the holding period

R is the amount of any recipient's payment attributable to the holding period

Operating cost includes depreciation: $\frac{abc}{d}$ where:

a is the depreciated value

b is 0.1875 for cars acquired on or after 1 July 2002 (0.225 otherwise)

c is the number of days car is held during the year

d is number of days in the year

Superannuation accumulation phase

Contribution eligibility

Eligibility for acceptance of superannuation contributions			
Member's age	Contributor ¹		
	Member (personal)	Member's spouse or another person (excluding member's employer)	Member's employer
Under 65	No work test TFN required	No work test TFN required	No work test
65 – 69	Work test ² TFN required	Work test ² TFN required	Mandated ³ : no work test Non-mandated: work test ²
70 - 74	Work test ² TFN required	Not eligible	Mandated ³ : no work test Non-mandated: work test ²
75 and above	Not eligible ⁴	Not eligible	Mandated ³ : no work test Non-mandated: Not eligible ⁴

¹ A one-off contribution may not be able to be accepted from an individual or someone else on their behalf (other than the individual's employer) if that contribution in itself would exceed the non-concessional contributions cap or three times the non-concessional contributions cap if the member is 64 or less on 1 July of the financial year.

² Work test: Member must have been gainfully employed for at least 40 hours in a period of not more than 30 consecutive days in the financial year in which the contribution is made.

³ Mandated contributions include contributions that an employer makes to satisfy the requirements of a particular award, certified agreement or the Superannuation Guarantee provisions (until age 70).

⁴ Contributions that are otherwise eligible may be accepted up to 28 days after the end of the month in which the individual reaches age 75, providing the 'work test' has been met in the financial year in which the contribution is made.

Contribution types and respective caps

Contribution type	Typically comprise	Annual limit (cap) 2007/08
Concessional contributions (CC)	<ul style="list-style-type: none"> ■ employer contributions (including salary sacrifice); ■ personal contributions for which the individual validly claims a tax deduction; ■ amount of Directed Termination Payments⁵ (DTP) representing post-June 83 service in excess of \$1 million; and ■ certain amounts allocated from a reserve unless the allocation meets one of the specific exemptions⁶. 	<p>\$50,000 (indexed⁷ in \$5,000 increments).</p> <p>\$100,000 (not indexed) until 30 June 2012 if age 50 or over on last day of financial year.</p> <p>Amount in excess of cap incurs additional 31.5% tax (in addition to standard 15%) and counts towards NCC cap.</p>
Non-concessional contributions (NCC)	<ul style="list-style-type: none"> ■ personal contributions for which the individual does not claim a tax deduction; ■ contributions made by a spouse; ■ amounts in excess of the CC cap; and ■ certain amounts transferred from an overseas pension arrangement which are not subject to tax in the fund <p>and exclude:</p> <ul style="list-style-type: none"> ■ Government co-contributions, personal injury contributions, CGT small business concession contributions (within CGT cap – see below) and tax-free portion of DTPs. 	<p>\$150,000 (indexed so that it is always 3 x CC cap).</p> <p>Members under age 65 at any time in a financial year may contribute up to \$450,000 by bringing forward up to 2 future years' entitlements.</p> <p>Amount in excess of cap is taxed at 46.5%.</p>
Personal injury contributions	<p>Contributions arising from:</p> <ul style="list-style-type: none"> ■ personal injury settlement relating to workers' compensation, damages claim or right under statute in writing (court order or otherwise); ■ where the contribution is made within 90 days of the later of receipt of payment or date of effect of settlement or order; and ■ 2 medical practitioners certifying the member is unlikely to ever be gainfully employed in a capacity for which they are reasonably qualified by education, experience or training. 	No cap applies.

CGT small business concession contributions	Contributions made from: <ul style="list-style-type: none"> ■ capital proceeds of asset sale that satisfy the requirements for the CGT small business 15 yr exemption (or would have if a capital gain had arisen); or ■ capital gain that satisfies the requirements of the CGT small business retirement exemption; and ■ is made by later of date of lodgement of tax return or 30 days from receipt of capital proceeds. 	\$1,000,000 lifetime limit (indexed annually) ⁷ . Amount in excess of CGT cap counts towards NCC cap.
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⁵ Directed termination payments are transitional employment termination payments that can be contributed into super subject to certain conditions until 30 June 2012.

⁶ Reserve allocation exceptions: (1) a fair and reasonable allocation to all members of the fund or a relevant class of members and that is less than 5% of the member's interest at that time; or (2) allocation from a reserve solely for the purpose of enabling the fund to discharge its liability in respect of pensions which are payable at the time.

⁷ Indexed with AWOTE – refer to page 37

Note: Contributions-splitting superannuation benefit does not count towards either the CC Cap or the NCC Cap.

Government co-contribution

Government co-contribution eligibility criteria:

- eligible personal superannuation contributions made to a complying fund during the income year.
- 10% or more of total income⁸ for year is sourced from either or both:
 - activities which result in the individual being treated as an employee for Superannuation Guarantee purposes; or
 - carrying on a business.
- lodge an income tax return for the income year.
- less than 71 years on last day of income year.
- does not hold eligible temporary resident visa.

Amount of Government co-contribution

Effective from 1 July 2007:

Total income ⁹	Government Co-contribution ¹¹
Less than or equal to \$28,980 ¹⁰	Lesser of: <ul style="list-style-type: none">■ Eligible personal contributions x 150%; and■ \$1,500.
More than \$28,980 ¹⁰ but less than \$58,980 ¹⁰	Lesser of: <ul style="list-style-type: none">■ Eligible personal contributions x 150%; and■ \$1,500 reduced by 5c per dollar of total income⁹ greater than \$28,980¹⁰.
Greater than \$58,980 ¹⁰	Nil

⁸ Total income = assessable income + reportable fringe benefits (RFB).

⁹ Total income = assessable income + RFB – carrying on business related deductions.

¹⁰ Thresholds will be indexed annually in line with AWOTE (refer to page 37)

¹¹ Minimum Government co-contribution (where income does not exceed \$58,980) is \$20.

Superannuation Guarantee (SG)

Employer contribution rates generally required on notional earning base:

Effective from 1 July 2007:

Superannuation Guarantee System	
SG rate	9%
SG contribution cut off dates	28 October, 28 January, 28 April, 28 July
Maximum age requiring SG payments	70 years
Minimum age requiring SG payments	18 years ¹²
Maximum salary requiring SG payments	\$36,470 per quarter (\$145,880 p.a.)
Minimum salary requiring SG payments	\$450 per month

¹² Employees under age 18 working more than 30 hours per week are covered by SG.

Fund choice and portability

Choice of fund	Portability
Eligible employees can choose a fund for their SG contributions (exemptions apply to Defined Benefit Funds)	Super fund members can rollover/transfer their super entitlements at any time ¹³ (exemptions apply).
Relates to future contributions	Relates to current accumulated superannuation benefit.
Choice of fund can be made once in a 12 month period	Rollover/transfer can be made once in a 12 month period.

¹³ Rollovers/transfers are generally required to be processed within 30 days of receipt of complete and correct information. Exception to 30 day rule applies to illiquid investments.

Deductibility of insurance premiums

Insurance	Premium paid by superannuation fund	Premium paid by individual on non-superannuation policy for personal purposes
Death	Deductible	Non-deductible
Total Permanent Disability	Deductible	Non-deductible
Income Protection	Deductible where relates to temporary disability	Fully deductible ¹⁴

¹⁴ Excluding personal injury portion of the premium.

Self Managed Superannuation Fund (SMSF) rules

Member/Trustee Rules for SMSFs		
Fund type	Individual trustees	Corporate trustee
1 member	Member is one of two trustees and either a relative or not an employee of the other trustee.	Member is sole director of the corporate trustee, or one of two directors where the member is either a relative or not an employee of the other director.
2 – 4 members	Each trustee is a member and each member is a trustee.	Each director of the corporate trustee is a member and each member is a director.
All SMSFs	Must have fewer than 5 members.	
	No member is an employee of another member unless they are relatives.	
	No trustee receives remuneration from the fund for any services performed in relation to the fund.	
	Circumstances where legal personal representative (LPR) may act as trustee/director: <ul style="list-style-type: none"> ■ upon death until the death benefits in fund begin to be paid; ■ member is under a legal disability; or ■ LPR has enduring power of attorney. A parent or guardian may act where member is under an age or legal disability.	

Superannuation fund investment rules

Investment rule	SMSF/small APRA funds	All other funds
Sole purpose test	Yes	Yes
Prohibited providing financial assistance to members or relatives	Yes	Yes
Prohibited from acquiring assets from members and related parties generally	Yes	Yes
Exceptions include:		
■ listed securities @ market value	Yes	Yes
■ business real property	Yes	No
■ approved bank deposits	Yes	Yes
■ PST units	Yes	Yes
■ widely held unit trusts units	Yes	Yes
■ non-geared unit trust meeting specified conditions	Yes	Yes
■ in-house assets that don't breach 5% limit	Yes	Yes
Prohibited from borrowing (limited exceptions)	Yes	Yes
Satisfy in-house assets maximum (5%)	Yes	Yes
Transactions on arm's length basis	Yes	Yes
Follow fund investment strategy	Yes	Yes
Prohibited from using assets as security	Yes	Yes

Superannuation transition phase

Compulsory cashing

Members are no longer required to 'cash' their superannuation (i.e. cash out or start an income stream) upon reaching age 65 if they are not working or upon reaching age 75. Except in the event of death, an individual's superannuation savings may be retained in the accumulation phase of superannuation indefinitely. Restrictions remain on when a member can access their superannuation prior to reaching age 65.

Preservation

Preservation components and access rules

Preservation component	When it can be accessed
Unrestricted non-preserved	At any time
Restricted non-preserved	When a suitable condition of release has been met
Preserved	When a suitable condition of release has been met

Preservation age

Date of birth from	To	Preservation age
	30 June 1960	55
1 July 1960	30 June 1961	56
1 July 1961	30 June 1962	57
1 July 1962	30 June 1963	58
1 July 1963	30 June 1964	59
1 July 1964 and later		60

Conditions of release

Condition of Release (COR)	Definition	Comment
Death	N/A	No cashing restriction.
Attaining age 65	N/A	No cashing restriction.
Retirement	<ol style="list-style-type: none"> 1. From preservation age, if an arrangement under which the member was gainfully employed has ended, and the trustee is reasonably satisfied that the member intends never to be gainfully employed for at least 10 hours per week, or 2. From age 60, if an arrangement under which the member was gainfully employed has ended after turning age 60. 	No cashing restriction. Either definition can be relied on from age 60.
Permanent incapacity	Physical or mental ill health where the trustee is reasonably satisfied the member is unlikely to engage in gainful employment for which the member is reasonably qualified by education, training or experience.	No cashing restriction.
Attaining preservation age	N/A	Limited cashing restriction: Benefits can only be taken as a TTR or non-commutable income stream.
Temporary resident's permanent departure	<p>Upon request from the member and the trustee receives:</p> <ol style="list-style-type: none"> 1. a copy of the eligible temporary resident visa and passport showing departure, where benefit is less than \$5,000, or 2. a written statement from Department of Immigration and Indigenous Affairs that eligible temporary resident visa has ended and member has permanently departed. 	No cashing restriction. Benefit must be paid in full.
Termination of gainful employment with standard employer sponsor where preserved benefit less than \$200	N/A	No cashing restriction with regard to that fund.
Termination of gainful employment with employer sponsor who had contributed to the fund	N/A	Limited cashing restriction: Restricted non-preserved benefits may be accessed. Preserved benefits can only be accessed via non-commutable life pension or annuity.

Temporary incapacity	Physical or mental ill-health that has caused the member to (temporarily or otherwise) cease gainful employment, but not permanent incapacity.	Limited cashing restriction: Benefits accessed as a non-commutable income stream to continue the gain or reward for period of incapacity.
Severe financial hardship	<ol style="list-style-type: none"> 1. Trustee is satisfied that the member: <ul style="list-style-type: none"> ■ is and has been continuously on Commonwealth income support benefits for 26 weeks; and ■ is unable to meet reasonable and immediate family living expenses. or 2. The member has reached age 55 and trustee is satisfied that the member: <ul style="list-style-type: none"> ■ has been on Commonwealth income support for a cumulative period of 39 weeks since turning age 55; and ■ is not gainfully employed for at least 10 hours per week. 	Limited cashing restriction: Under definition 1 <ul style="list-style-type: none"> ■ access to a single amount of between \$1,000 and \$10,000 per annum. Under definition 2 <ul style="list-style-type: none"> ■ access to entire benefit.
Compassionate grounds	<p>On application to the Regulator (APRA or ATO) benefits may be released to:</p> <ul style="list-style-type: none"> ■ pay for medical treatment or medical transport for member or dependant; ■ make loan repayment to prevent foreclosure or mortgagee power of sale of principal residence; ■ modify principal residence for severe disability needs of member or dependant; ■ meet member's palliative care expenses; ■ pay expenses for dependant's palliative care, death, funeral or burial; and ■ meet other expenses related to the above points. 	Limited cashing restriction: amount determined in writing by the Regulator.
Terminal medical condition	<ol style="list-style-type: none"> 1. The member has an illness or injury, certified by two registered medical practitioners, that is likely to result in death within 12 months of certification date. 2. At least one of the medical practitioners specialises in an area related to the illness or injury. 3. For each certificate, the certification period must not have ended. 	No cashing restriction.

TTR income stream

TTR pensions commenced from 1 July 2007:

Feature	Description
General criteria	Same as account based pension (ABP)
Minimum payments	As for ABP: 4.0% p.a. ¹ . ages 55 – 64
Maximum payments	10% p.a. ² .
Commutation allowed	At any time: <ul style="list-style-type: none">■ back to accumulation phase■ cash unrestricted non-preserved benefits (if any)■ pay superannuation surcharge■ effect a payment split to a non-member spouse■ allow payment of an ATO provided release authority Otherwise: <ul style="list-style-type: none">■ where a condition of release has been met
Reverts to ordinary ABP	When subsequent condition of release is met

¹ If the pension commences on a day other than 1 July, the minimum payment amount is pro-rated in accordance with the number of days in the financial year that include and follow the commencement day.

² The maximum payment is not pro-rated.

Departing Australia tax rates

Component	Tax Rate
Tax free	Nil
Taxable –	
Taxed	30%
Untaxed	40%

Calculation of tax components

Source	Tax free component	Taxable component
Crystallised segment (all values calculated at end 30/06/07)	UDC, pre July 1983 component, concessional component, post June 1994 invalidity component, CGT exempt amounts.	Value of super interest less tax free component
Contributions segment	NCCs and other contributions not included in assessable income made on or after 1 July 2007.	
Other	Tax-free component of rollovers within super system after 1 July 2007 Excess untaxed roll-over amounts	

Tax treatment of lump sum benefits

Taxpayer's age	Tax free component	Taxable component	
		Taxed element	Untaxed element
Under 55	Non-assessable non-exempt income	20%*	30%* up to \$1million ³ 45%* above \$1million ³
55 – 59	Non assessable non-exempt income	0% up to \$140,000 ³ 15%* above \$140,000 ³	15%* up to \$140,000 ³ 30%* \$140,000 ¹ - \$1million ³ 45%* above \$1million ³
60 and over	Non assessable non-exempt income		15%* up to \$1million ³ 45%* above \$1million ³

³ These are the lifetime caps for 2007/08. They are indexed annually with AWOTE (refer page 37) and increased in \$5,000 increments.

* Plus Medicare levy of 1.5% for residents. Medicare is not payable by non-residents.

Notes:

- If no TFN is quoted, tax on the taxable component of member benefits should be withheld at highest MTR (plus Medicare levy) for taxpayers under age 60. For those 60 or over who have not quoted their TFN, only the untaxed element (if any) will be subject to withholding at the highest MTR (plus Medicare levy).
- For non-residents, tax arrangements in the taxpayer's country of residence will depend on the relevant legislation in that country. If there is a double tax agreement (DTA) between Australia and the country of residence, and the lump sum is also subject to tax in that country, the taxpayer may be eligible to claim a tax credit/deduction for any amount of Australian tax paid.

The Government has proposed to amend the tax law to make lump sum benefits that are paid to an individual who suffers a terminal medical condition as prescribed under tax law, non-assessable non-exempt income in certain circumstances. At the time of writing the proposed amendments had not become law.

Taxation of death benefit lump sums

Beneficiary (Tax Act definition)	Tax free component	Taxable component	
		Taxed element	Untaxed element
Dependant	Non-assessable non-exempt income		
Non-dependant	Non assessable non-exempt income	15%*	30%*

* Plus Medicare levy of 1.5% for residents. Medicare is not payable by non-residents.

Notes:

- If no TFN is quoted, tax on the taxable component of a death benefit paid to a non-dependant must have tax withheld at the highest MTR (plus Medicare levy).
- For non-residents, tax arrangements in the taxpayer's country of residence will depend on the relevant legislation in that country. If there is a double tax agreement (DTA) between Australia and the country of residence, and the lump sum is also subject to tax in that country, the taxpayer may be eligible to claim a tax credit/deduction for any amount of Australian tax paid.

Anti-detriment benefit - [click to access MASTech Big Black Book Anti-detriment Calculator](#)

An anti-detriment benefit may be payable when a death benefit lump sum is paid to a spouse (including de facto), former spouse or child of the deceased, or via the deceased's estate to one or more of these persons. Not all funds provide an anti-detriment benefit so it is important to check with your fund if an anti-detriment benefit is payable. If an anti-detriment benefit is payable the fund may choose to calculate the benefit payable in a number of ways, including via the formula detailed below.

ATO ID Formula

$$\text{Anti-detriment} = \frac{0.15P}{(R-0.15P)} \times C$$

Where

P = Days in eligible service that occur after 30 June 1988

R = Days in eligible service that occur after 30 June 1983

C = Taxable component of death benefit excluding insurance

'ATO ID formula' is specified in ATO Interpretative Decision 2007/219.

Macquarie currently only uses the ATO ID formula in the calculation of the anti-detriment payment amount associated with superannuation lump sum death payments.

Calculation of untaxed element where death benefit includes insurance cover and deduction claimed

Tax free component = original tax free component

Taxable component *taxed element* is the greater of:

$$\text{Amount of lump sum} \times \frac{\text{Service days}^4}{(\text{Service days}^4 + \text{Days to retirement}^5)} \quad \text{less tax free component}$$

or nil.

⁴ Service days = No. of days in service period for lump sum.

⁵ Days to retirement = No. of days from the day the deceased died to the deceased's last retirement day (assumed to be day they reach age 65 in absence of a specified retirement age).

Taxable component *untaxed element* = Amount of lump sum less taxed element, less tax free component

Notes: This section applies to a death benefit that is paid from a complying superannuation fund where the fund has, or will, claim a deduction for either premiums paid for insurance policies in relation to the death benefit, or amounts based on the fund's future liability to pay the benefit.

A further adjustment to this calculation applies if the death benefit lump sum is paid from an account that was opened before 1 July 2007 which has an untaxed element and where deceased client had pre July 83 service.

Tax treatment of death benefit pensions

A death benefit can be paid in the form of a pension if the recipient is:

- a dependant who is not a child of the deceased (for example, a spouse, an 'ordinary meaning' dependant, or a person with whom the individual has an interdependency relationship), or
- a child who is:
 - less than age 18, or
 - aged 18 – 24 inclusive and was financially dependent on the deceased; or
 - aged 18 or more and has a qualifying disability.

A death benefit pension that is paid to a child must cease when the child reaches age 25, unless the child is disabled. A lump sum paid to a child as a result of the commutation of a death benefit pension is tax free.

Age	Tax treatment		
	Tax free component	Taxable component	
		Taxed element	Untaxed element
Deceased or Dependant is 60 years of age or older	Non-assessable non-exempt income		
Deceased and Dependant are younger than 60 years of age	Non-assessable non-exempt income.	Assessable income taxed at marginal tax rates. Medicare levy* and 15% tax offset may apply.	Assessable income taxed at marginal tax rates. Medicare levy* may apply.

* Plus Medicare levy of 1.5% for residents. Medicare is not payable by non-residents.

Dependant

Dependant includes	SIS	Tax Act
<ul style="list-style-type: none"> ■ Spouse, including defacto ■ Former spouse 	Yes No	Yes Yes
Child, including: <ul style="list-style-type: none"> ■ Adopted, Step, Ex-nuptial ■ Over age 18 	Yes Yes	Yes No
Person in interdependency relationship	Yes	Yes
'Ordinary meaning' dependant	Yes	Yes
Other	No	Yes – in limited circumstances ⁶

⁶ Where certain circumstances are met, an individual who is not otherwise a dependant for tax purposes but receives a death benefit lump sum in relation to a person who died in the line of duty as a member of either the:

- Defence Force,
- Australian Federal Police,
- State or Territory Police Force, or
- was a protective service officer,

will be treated as a dependant for tax purposes.

Tax treatment of disability superannuation benefits

A disability superannuation benefit⁹ includes an additional tax free component calculated as follows:

$$\text{Tax free component} = \text{benefit amount} \times \frac{\text{Days to retirement}^7}{(\text{Service days}^8 + \text{Days to retirement}^7)}$$

⁷ Service days = No. of days in service period for lump sum.

⁸ Days to retirement = No. of days from day person stopped being capable of gainful employment to last retirement day (assumed to be day they reach age 65 in absence of a specified retirement age).

⁹ Disability superannuation benefit means a superannuation benefit paid to a person because he or she suffers physical or mental ill-health and two legally qualified medical practitioners have certified that, because of the ill-health, it is unlikely that the person can ever be gainfully employed in a capacity for which he or she is reasonably qualified because of education, training or experience.

Reasonable Benefit Limits (RBLs)

If benefits are paid before age 55, the lump sum RBL is reduced by 2.5% for each whole year the person is under that age, beginning at the birthday immediately before the benefits are paid.

Standard RBLs	2006/07	2005/06	2004/05	2003/04	2002/03
Lump sum	\$678,149	\$648,946	\$619,223	\$588,056	\$562,195
Pension	\$1,356,291	\$1,297,886	\$1,238,440	\$1,176,106	\$1,124,384

Transitional Reasonable Benefit Limits Indexation Factors

Income year	Indexation factor
2006/07	1.045
2005/06	1.048
2004/05	1.053
2003/04	1.046
2002/03	1.062
2001/02	1.046
2000/01	1.042
1999/2000	1.031
1998/1999	1.036
1997/1998	1.046
1996/1997	1.040
1995/1996	1.045

AWOTE figures

AWOTE	March	June	September	December
2007	1,073.80	1,090.00	1,105.10	1,108.50
2006	1,037.50	1,041.60	1,053.00	1,058.60
2005	992.90	1,006.70	1,023.20	1,025.70
2004	947.80	949.50	962.90	976.40
2003	900.40	921.00	929.60	938.40
2002	860.50	866.80	879.40	889.60
2001	810.60	824.10	838.50	848.70
2000	774.80	784.20	796.10	800.40
1999	743.80	747.30	753.00	764.20
1998	721.30	725.20	735.40	742.70
1997	696.10	697.60	704.30	710.90
1996	665.80	671.20	674.60	685.50
1995	639.90	647.20	653.10	661.00
1994	612.30	616.90	620.00	629.90
1993	595.50	598.00	600.80	603.50
1992	588.80	587.30	585.70	586.90
1991	564.30	560.20	567.50	580.10
1990	524.80	534.50	541.70	554.40
1989	493.40	501.40	509.70	516.80
1988	458.80	465.60	470.10	484.50
1987	429.60	435.60	446.00	450.00
1986	404.90	408.30	419.80	428.40
1985	378.00	383.10	388.80	397.10
1984	353.60	364.90	369.40	375.20
1983	335.20	336.50	339.80	351.70
1982	293.50	306.00	317.70	331.50
1981	270.70	295.10	304.00	285.20
1980	245.70	256.70	268.10	289.10
1979	222.70	232.80	238.30	248.00
1978	205.20	215.50	218.90	229.10
1977	182.90	198.70	203.90	213.60
1976	165.30	180.70	184.70	195.50
1975	143.80	156.40	157.10	172.40
1974	105.60	119.90	129.00	143.90
1973	90.80	100.80	103.10	112.20
1972	83.40	90.60	90.50	97.30
1971	76.40	83.70	84.30	89.90

Source: ABS catalogue number 6302.0

Superannuation pension phase

Tax treatment of income stream benefits

Residents

Taxpayer's age	Tax free component	Taxable component	
		Taxed element	Untaxed element
Under 55	Non-assessable non-exempt income	Marginal tax rate* (less 15% tax offset if disability benefit)	Marginal tax rate*
55 – 59	Non assessable non-exempt income	Marginal tax rate* less 15% tax offset	
60 and over	Non assessable non-exempt income	Non assessable non-exempt income	Marginal tax rate* less 10% tax offset

* Plus Medicare levy of 1.5%.

Non - residents

Taxpayer	Tax treatment
Under 60, no DTA	<p>If no DTA exists between Australia and the taxpayer's country of residence, the pension income (excluding tax free component) is included in the taxpayer's Australian assessable income and taxed at non-resident tax rates.</p> <p>A recipient aged between preservation age and age 60, will generally be eligible for a 15% tax offset on the taxable component*.</p> <p>If the taxpayer has not quoted their TFN, the tax on the taxable component of the pension income will be withheld at the highest MTR*.</p> <p>The pension income may also be subject to tax in the country of residence, depending on the arrangements that exist in that country.</p>
Under 60, DTA	<p>If the individual resides in a country with which Australia has a DTA, the pension income will generally be subject to the tax arrangements that exist in their country of residence. (Relevant provisions of DTA should be checked on a case-by-case basis). If pension income is to be taxed in the individual's country of residence, withholding obligations will not apply in Australia..</p>
Over 60, all	<p>The superannuation pension income is NANE (if paid from a taxed source). No withholding obligation exists within Australia (regardless of whether TFN is quoted). The taxpayer will be subject to tax arrangements applying to Australian sourced income that exist in their country of residence.</p>

* Medicare is not payable by non-residents.

Calculation of tax components

Commencement date of income stream	Component calculation method
On or after 1 July 2007	Proportional component method
Before 1 July 2007 and subsequent trigger event occurred.	Proportional method where tax free component = Unused Undeducted Purchase Price (UPP) of existing pension plus any pre July 1983 component ¹
Before 1 July 2007 and no trigger event.	Tax free amount (deductible amount) = UPP less RCV/ relevant number (where (UPP) depends on commencement date of income stream - refer table below).

¹ The pre Jul '83 component is not included for pensions that were purchased prior to 1 July 1994 or pensions purchased after that date wholly with a pre 1994 pension rollover amount.

Calculation of deductible amount - Allocated pensions and allocated annuities

Calculation of deductible amount =
$$\frac{\text{UPP}}{\text{Relevant number}^2}$$

² Where relevant number is the life expectancy of the recipient, or of the reversionary beneficiary (if any) if this is longer, at the commencement date of the income stream..

Calculation of Undeducted Purchase Price (UPP)

Date of commencement	Tax purposes
Pre 1/7/94	pre-July '83 + concessional + undeducted contributions
1/7/94 – 30/6/97 ³	undeducted contributions
1/7/94 – 4/6/98 ³	undeducted contributions + CGT exempt
After 4/6/98	undeducted contributions + CGT exempt + post-June '94 invalidity

³ Unless attributable to a rollover from a pension/annuity starting before that date.

Tax free income thresholds – if sole source of income

Income Source	Effective maximum tax free income (2008/09) [#]	Effective maximum tax free income (2007/08)
Child/single person pension (ABP)	\$44,211	\$38,684
Testamentary trust	\$14,000	\$11,000

[#] The figures outlined for the 2008/09 income year are based on the tax rates and thresholds as proposed in Tax Laws Amendment (Personal Income Tax Reduction) Bill 2008, however at the date of this publication, these amendments had not become law.

The figures illustrate the maximum amount of assessable income that can be generated before tax applies, taking into account the low income tax offset. Medicare levy may still be payable.

Account Based Pension (ABP) – minimum percentage factors

Age	Minimum annual pension payment ⁴ as a percentage of account balance
Under 65	4%
65 – 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 – 94	11%
95 and over	14%

⁴ If the pension commences on a day other than 1 July, the minimum payment amount is pro-rated in accordance with the number of days in the financial year that include and follow the commencement day.

Note: No maximum applies, except for transition to retirement (TTR) pensions (10% of account balance).

Allocated Pensions Payment Factors

Table 1: Pensions purchased on or after 1 January 2006⁵

	PVF Factors			PVF Factors	
	Minimum	Maximum		Minimum	Maximum
0	29.2	12.0	31	27.4	12.0
1	29.2	12.0	32	27.2	12.0
2	29.2	12.0	33	27.0	12.0
3	29.2	12.0	34	26.8	12.0
4	29.2	12.0	35	26.6	12.0
5	29.2	12.0	36	26.4	12.0
6	29.2	12.0	37	26.2	12.0
7	29.2	12.0	38	26.0	12.0
8	29.2	12.0	39	25.8	12.0
9	29.2	12.0	40	25.5	12.0
10	29.2	12.0	41	25.3	12.0
11	29.2	12.0	42	25.0	12.0
12	29.2	12.0	43	24.8	12.0
13	29.2	12.0	44	24.5	12.0
14	29.2	12.0	45	24.2	12.0
15	29.2	12.0	46	24.0	12.0
16	29.2	12.0	47	23.7	12.0
17	29.2	12.0	48	23.4	12.0
18	29.2	12.0	49	23.1	12.0
19	29.2	12.0	50	22.8	12.0
20	29.2	12.0	51	22.5	11.9
21	29.0	12.0	52	22.2	11.8
22	28.9	12.0	53	21.8	11.8
23	28.7	12.0	54	21.5	11.7
24	28.6	12.0	55	21.1	11.5
25	28.4	12.0	56	20.8	11.4
26	28.3	12.0	57	20.4	11.3
27	28.1	12.0	58	20.1	11.2
28	27.9	12.0	59	19.7	11.0
29	27.8	12.0	60	19.3	10.9
30	27.6	12.0	61	18.9	10.7

Table 1: Pensions purchased on or after 1 January 2006 (continued)

	PVF Factors			PVF Factors	
	Minimum	Maximum		Minimum	Maximum
62	18.5	10.5	82	9.6	1.4
63	18.1	10.3	83	9.1	No Maximum
64	17.7	10.1	84	8.7	No Maximum
65	17.3	9.9	85	8.3	No Maximum
66	16.8	9.6	86	7.9	No Maximum
67	16.4	9.3	87	7.5	No Maximum
68	16.0	9.1	88	7.2	No Maximum
69	15.5	8.7	89	6.9	No Maximum
70	15.1	8.4	90	6.6	No Maximum
71	14.6	8.0	91	6.3	No Maximum
72	14.2	7.6	92	6.0	No Maximum
73	13.7	7.2	93	5.8	No Maximum
74	13.3	6.7	94	5.5	No Maximum
75	12.8	6.2	95	5.3	No Maximum
76	12.3	5.7	96	5.1	No Maximum
77	11.9	5.1	97	4.9	No Maximum
78	11.4	4.5	98	4.7	No Maximum
79	10.9	3.8	99	4.5	No Maximum
80	10.5	3.1	100	4.4	No Maximum
81	10.0	2.3			

⁵ For the 2005/06 year only, Table 2 may have been used for pensions purchased from 1 January 2006 to 30 June 2006.

Allocated Pensions Payment Factors

Table 2: Pensions purchased before 1 January 2006

	PVF Factors			PVF Factors	
	Minimum	Maximum		Minimum	Maximum
0	28.6	10.0	31	26.7	10.0
1	28.6	10.0	32	26.5	10.0
2	28.6	10.0	33	26.3	10.0
3	28.6	10.0	34	26.0	10.0
4	28.6	10.0	35	25.8	10.0
5	28.6	10.0	36	25.6	10.0
6	28.6	10.0	37	25.3	10.0
7	28.6	10.0	38	25.1	10.0
8	28.6	10.0	39	24.8	10.0
9	28.6	10.0	40	24.6	10.0
10	28.6	10.0	41	24.3	10.0
11	28.6	10.0	42	24.0	10.0
12	28.6	10.0	43	23.7	10.0
13	28.6	10.0	44	23.4	10.0
14	28.6	10.0	45	23.1	10.0
15	28.6	10.0	46	22.8	10.0
16	28.6	10.0	47	22.5	10.0
17	28.6	10.0	48	22.2	10.0
18	28.6	10.0	49	21.9	10.0
19	28.6	10.0	50	21.5	9.9
20	28.6	10.0	51	21.2	9.9
21	28.5	10.0	52	20.9	9.8
22	28.3	10.0	53	20.5	9.7
23	28.1	10.0	54	20.1	9.7
24	28.0	10.0	55	19.8	9.6
25	27.8	10.0	56	19.4	9.5
26	27.6	10.0	57	19.0	9.4
27	27.5	10.0	58	18.6	9.3
28	27.3	10.0	59	18.2	9.1
29	27.1	10.0	60	17.8	9.0
30	26.9	10.0	61	17.4	8.9

Table 2: Pensions purchased before 1 January 2006

	PVF Factors			PVF Factors	
	Minimum	Maximum		Minimum	Maximum
62	17.0	8.7	82	8.3	No Maximum
63	16.6	8.5	83	7.9	No Maximum
64	16.2	8.3	84	7.5	No Maximum
65	15.7	8.1	85	7.1	No Maximum
66	15.3	7.9	86	6.8	No Maximum
67	14.9	7.6	87	6.4	No Maximum
68	14.4	7.3	88	6.1	No Maximum
69	14.0	7.0	89	5.8	No Maximum
70	13.5	6.6	90	5.5	No Maximum
71	13.1	6.2	91	5.3	No Maximum
72	12.6	5.8	92	5.0	No Maximum
73	12.2	5.4	93	4.8	No Maximum
74	11.7	4.8	94	4.6	No Maximum
75	11.3	4.3	95	4.4	No Maximum
76	10.8	3.7	96	4.2	No Maximum
77	10.4	3.0	97	4.0	No Maximum
78	10.0	2.2	98	3.8	No Maximum
79	9.5	1.4	99	3.7	No Maximum
80	9.1	No Maximum	100	3.5	No Maximum
81	8.7	No Maximum			

Source: Superannuation Industry (Supervision) Regulations 1994

Term Allocated Pensions (TAPs) – payment factors

May vary annual income by +/- 10%

Remaining term	Required PF	Remaining term	Required PF
1 or less	1.00	36	20.29
2	1.90	37	20.57
3	2.80	38	20.84
4	3.67	39	21.10
5	4.52	40	21.36
6	5.33	41	21.60
7	6.11	42	21.83
8	6.87	43	22.06
9	7.61	44	22.28
10	8.32	45	22.50
11	9.00	46	22.70
12	9.66	47	22.90
13	10.30	48	23.09
14	10.92	49	23.28
15	11.52	50	23.46
16	12.09	51	23.63
17	12.65	52	23.80
18	13.19	53	23.96
19	13.71	54	24.11
20	14.21	55	24.26
21	14.70	56	24.41
22	15.17	57	24.55
23	15.62	58	24.69
24	16.06	59	24.82
25	16.48	60	24.94
26	16.89	61	25.07
27	17.29	62	25.19
28	17.67	63	25.30
29	18.04	64	25.41
30	18.39	65	25.52
31	18.74	66	25.62
32	19.07	67	25.72
33	19.39	68	25.82
34	19.70	69	25.91
35	20.00	70 or over	26.00

Note: The term may be varied by up to 12 months in last year of income.

Term Allocated Pensions (TAPs) – available terms

Age	Male	Female
60	22 -40	26 -40
61	21 – 39	25 – 39
62	21 – 38	24 - 38
63	20 – 37	23 – 37
64	19 - 36	22 - 36
65	18 – 35	22 – 35
66	17 –34	21 – 34
67	17 – 33	20 – 33
68	16 – 32	19 – 32
69	15 – 31	18 – 31
70	15 – 30	18 – 30
71	14 – 29	17 – 29
72	13 – 28	16 – 28
73	13 – 27	15 – 27
74	12 – 26	15 – 26
75	11 – 25	14 – 25
76	11 – 24	13 – 24
77	10 – 23	12 – 23
78	10 – 22	12 – 22
79	9 – 21	11 – 21
80	9 - 20	10 – 20

Life expectancy

For allocated pension deductible amount calculations the 2000-2002 table applies for allocated pensions first commencing to be payable on or after 1 January 2005. The 1995-1997 table applies for allocated pensions commencing from 1 January 2000 up to 31 December 2004.

For TAP term and deductible amount calculations, the 2000-2002 table applies from 1 January 2005. For TAPs commenced prior to 1 January 2005 there is a choice of either 1995-1997 or 2000-2002 table.

All pensions purchased from 1 January 2005, including Term Allocated Pensions, must use the 2000-2002 Life Tables.

Age	Australian Life Tables 1995-1997		Australian Life Tables 2000-2002		Age	Australian Life Tables 1995-1997		Australian Life Tables 2000-2002	
	Male	Female	Male	Female		Male	Female	Male	Female
0	75.69	81.37	77.64	82.87	27	50.07	55.23	51.89	56.65
1	75.15	80.78	77.08	82.25	28	49.14	54.25	50.95	55.68
2	74.20	79.81	76.12	81.29	29	48.20	53.27	50.01	54.70
3	73.22	78.83	75.14	80.30	30	47.26	52.30	49.07	53.72
4	72.25	77.85	74.16	79.32	31	46.32	51.32	48.13	52.75
5	71.26	76.87	73.17	78.33	32	45.38	50.35	47.19	51.77
6	70.28	75.88	72.18	77.34	33	44.44	49.38	46.24	50.80
7	69.29	74.89	71.20	76.35	34	43.50	48.41	45.30	49.82
8	68.30	73.90	70.21	75.35	35	42.57	47.44	44.35	48.85
9	67.31	72.91	69.21	74.36	36	41.63	46.47	43.41	47.88
10	66.32	71.91	68.22	73.37	37	40.69	45.50	42.47	46.91
11	65.33	70.92	67.23	72.37	38	39.75	44.53	41.53	45.94
12	64.34	69.93	66.24	71.38	39	38.81	43.56	40.58	44.98
13	63.35	68.94	65.25	70.39	40	37.88	42.60	39.65	44.01
14	62.36	67.96	64.26	69.39	41	36.94	41.64	38.71	43.05
15	61.38	66.97	63.28	68.41	42	36.01	40.68	37.77	42.09
16	60.41	65.98	62.30	67.42	43	35.08	39.72	36.84	41.14
17	59.44	65.00	61.33	66.44	44	34.15	38.76	35.91	40.18
18	58.49	64.02	60.37	65.45	45	33.22	37.81	34.98	39.23
19	57.55	63.04	59.43	64.48	46	32.30	36.86	34.06	38.28
20	56.61	62.07	58.48	63.50	47	31.38	35.92	33.13	37.33
21	55.68	61.09	57.54	62.52	48	30.46	34.98	32.22	36.39
22	54.75	60.12	56.59	61.54	49	29.55	34.04	31.30	35.45
23	53.81	59.14	55.65	60.57	50	28.64	33.11	30.39	34.51
24	52.88	58.16	54.71	59.59	51	27.74	32.18	29.49	33.58
25	51.94	57.18	53.77	58.61	52	26.85	31.26	28.59	32.66
26	51.01	56.21	52.83	57.63	53	25.97	30.34	27.69	31.73

Age	Australian Life Tables 1995-1997		Australian Life Tables 2000-2002	
	Male	Female	Male	Female
54	25.09	29.43	26.80	30.82
55	24.22	28.53	25.92	29.91
56	23.36	27.63	25.05	29.00
57	22.52	26.74	24.19	28.10
58	21.68	25.86	23.34	27.21
59	20.86	24.98	22.49	26.32
60	20.05	24.11	21.66	25.44
61	19.25	23.25	20.84	24.57
62	18.46	22.39	20.04	23.71
63	17.70	21.54	19.24	22.85
64	16.94	20.70	18.46	22.00
65	16.21	19.88	17.70	21.15
66	15.49	19.06	16.95	20.32
67	14.79	18.25	16.21	19.49
68	14.11	17.46	15.48	18.67
69	13.44	16.67	14.78	17.87
70	12.80	15.90	14.08	17.08
71	12.17	15.14	13.41	16.29
72	11.56	14.40	12.75	15.53
73	10.96	13.67	12.11	14.78
74	10.38	12.96	11.50	14.05
75	9.82	12.26	10.90	13.33
76	9.27	11.58	10.32	12.63
77	8.74	10.92	9.77	11.94

Age	Australian Life Tables 1995-1997		Australian Life Tables 2000-2002	
	Male	Female	Male	Female
78	8.24	10.28	9.24	11.27
79	7.76	9.67	8.73	10.61
80	7.30	9.09	8.24	9.98
81	6.87	8.53	7.77	9.38
82	6.46	8.00	7.32	8.81
83	6.08	7.48	6.89	8.27
84	5.73	7.00	6.48	7.76
85	5.40	6.53	6.11	7.28
86	5.10	6.10	5.77	6.83
87	4.82	5.69	5.47	6.41
88	4.57	5.32	5.20	6.02
89	4.35	4.98	4.95	5.66
90	4.16	4.67	4.74	5.33
91	3.99	4.39	4.54	5.03
92	3.86	4.15	4.36	4.75
93	3.73	3.93	4.19	4.50
94	3.62	3.72	4.03	4.28
95	3.50	3.54	3.87	4.07
96	3.39	3.37	3.73	3.88
97	3.28	3.21	3.60	3.71
98	3.18	3.07	3.47	3.55
99	3.07	2.93	3.35	3.40
100	2.98	2.81	3.24	3.26

Source: Australian Government Actuary

Lifetime pension valuation factors

These factors are found in SIS Regulations Schedule 1B. Nine different tables are provided for indexation rates 0 – 8%, with factors varying by age on commencement and reversion percentage..

Where a pension is indexed to movements in the Consumer Price Index (CPI), use the table into which the current standard indexation rate falls (that is, at least 7% but less than 8%).

Social security

Age pension ages

Male – 65

Female – based on date of birth:

Date of birth from	To	Qualification age
<i>Females born up to and including 30 June 1944 qualify</i>		
1 July 1944	31 December 1945	63.5
1 January 1946	30 June 1947	64.0
1 July 1947	31 December 1948	64.5
1 January 1949 and later		65.0

Service pension ages

Male – 60

Female – based on date of birth:

Date of birth from	To	Qualification age
<i>Females born up to and including 30 June 1949 qualify</i>		
1 July 1949	31 December 1950	58.5
1 January 1951	30 June 1952	59.0
1 July 1952	31 December 1953	59.5
1 January 1954 and later		60.0

Age Pension

Pension payment maximum basic rates (including pharmaceutical allowance)

Effective from 20 March 2008:

Single	Total: \$14,216.80 (basic rate) + 150.80 (pharm allowance) p.a., (max pension \$546.80 (excl pharm allowance) per fortnight)
Couple	Combined: \$23,753.60 (basic rate) + 150.80 (pharm allowance) p.a., (max pension \$456.80 each (excl pharm allowance) per fortnight)

Note: Pensions and Allowances are indexed to CPI on 20 March and 20 Sept each year. Single pension rate cannot fall below 25% of Male Total Average Weekly Earnings at March and September indexation points.

Assets test thresholds

Effective from 20 March 2008:

	Homeowner		Non-Homeowner	
	Full pension	Pension cut out	Full pension	Pension cut out
Single	\$166,750	\$535,250	\$287,750	\$656,250
Couple	\$236,500	\$849,500	\$357,500	\$970,500

Pension reduced by \$39 p.a. per \$1,000 of assets over full pension thresholds.

Income test thresholds

Effective from 20 March 2008:

	Full pension	Pension cut out
Single	\$3,432.00 p.a.	\$39,351.00 p.a.
Couple	\$6,032.00 p.a.	\$65,793.00 p.a.

Pension reduced by 40c for every dollar of income over full pension thresholds. (20c in the dollar for each member of couple).

- Full pension thresholds are indexed each 1 July in line with changes to CPI.
- Cut out thresholds change 20 March and 20 September (when Pensions and Allowances indexed to CPI).

Deeming rates and thresholds (income from financial investments)

Effective from 20 March 2008:

4.0% p.a.	for first \$39,400 for single (\$65,400 for couple)
6.0% p.a.	for balance over these amounts

Superannuation assessment

Superannuation accumulation funds are exempt from the assets test until age/service pension age. Superannuation pension benefits are assessable under the assets test unless they are subject to some level of assets test exemption. From age/service pension age superannuation accumulation interests are counted as an asset and subject to deeming under the income test.

Superannuation payments/superannuation income streams:

Type		Income test	Asset test	
Superannuation accumulation (from age/ service pension age)	Ongoing	Deemed	Account balance	
	Lump sum withdrawal	Non assessed	Not assessed	
Non-defined benefit income stream	Assets test exempt (e.g. term allocated pension)	AI – PP/RN	Start date :	ATE
			pre 20/9/04	100%
			20/9/04-19/9/07	50%
			post 20/9/97	Nil
	Term > 5 years ¹ (e.g. allocated or account based pension)	AI - $\frac{PP - RCV}{RN}$	Account balance	
	Term 5 years or less	Deemed	PP - (PP – RCV) / RN x Y	

¹ Alternatively a term five years or less where equal to or greater than the individual's life expectancy at comments.

Where:

AI = Annual income being gross payment received during the year
 PP = Purchase price* less any commuted amounts
 RCV = Residual capital value
 RN = Relevant number
 Y = Years elapsed

Other assets

Asset or action	Social Security treatment
Controlling interest in trust or company	Assets and income of the trust or company are assessable.
Life policy surrendered or matured	Value of the policy is assessable under the asset test.
Gifting	Gifting up to \$10,000 each financial year and up to \$30,000 over a 5 year period is allowable. Excess amount is subject to deprivation.

Pension bonus scheme

The Pension Bonus Scheme is a voluntary scheme that rewards people who defer claiming Age or Service Pension.

Eligibility criteria:

- Client must be registered for the scheme.
- Continue to work past the date of meeting age and residence requirements for age pension purposes; and
- Work 960 hours per year.

Bonus = Age Pension x (0.094 x Years in scheme) x Years in scheme

Effective from 20 March 2008:

Maximum amount of bonus payable

Bonus years	Single	Partnered (each)
1 year	\$1,336.40	\$1,116.40
2 years	\$5,345.50	\$4,465.70
3 years	\$12,027.40	\$10,047.80
4 years	\$21,382.10	\$17,862.70
5 years	\$33,409.50	\$27,910.50

The bonus cannot be accrued after reaching 75 years of age.

Commonwealth Seniors Health Card eligibility

A client must:


- be an Australian resident, living in Australia;
- not be subject to a newly arrived residents waiting period;
- have reached age pension age but not qualify for age pension (or not receive certain other Social Security/Veteran Affairs pensions/benefits); and
- have an annual adjusted taxable income² of:
 - less than \$50,000 (singles);
 - \$80,000 (couples combined) or
 - \$100,000 (couples combined who are separated due to ill health).


The limit is increased by \$639.60 for each dependent child cared for.

² Adjusted taxable income¹ is taxable income plus net rental property loss, target foreign income (foreign income not normally taxed in Australia including fringe benefits) and employer provided fringe benefits in Australia.


How to contact Macquarie Adviser Services


National Adviser Contact Centre

 1800 808 508

 1800 550 140

Wrap Contact Centre

 1800 025 063

 1800 025 175

Macquarie Adviser Centre

 www.macquarie.com.au/advisers

 Macquarie Investment Management Limited
PO Box 192, Australia Square NSW 1215

Other contact information

 FPA: 1800 337 301

 www.fpa.asn.au

 ATO Super enquiries: 131 020

 ATO personal tax enquiries: 132 861

 www.ato.gov.au/super

 Centrelink Hotline: 132 300

 www.centrelink.gov.au

 APRA Enquiries: 1300 131 060

 www.apra.gov.au

 ASIC: 1300 300 630

 www.asic.gov.au

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