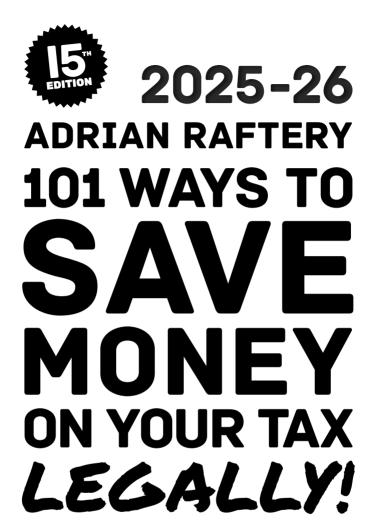


# 2025-26

**ADRIAN RAFTERY 101 WAYS T** ON YOUR TAX LEGALLY!

THE ESSENTIAL GUIDE FOR ALL AUSTRALIAN TAXPAYERS

WILEY



THE ESSENTIAL GUIDE FOR ALL AUSTRALIAN TAXPAYERS

WILEY

First published in 2025 by John Wiley & Sons Australia, Ltd

© Adrian Raftery 2025

All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies. Except as permitted under the *Australian Copyright Act 1968* (for example, a fair dealing for the purposes of study, research, criticism or review) no part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise. Advice on how to obtain permission to reuse material from this title is available at http://www.wiley.com/go/permissions.

The right of Adrian Raftery to be identified as the author of 101 Ways to Save Money on Your Tax – Legally! 2025–2026 edition has been asserted in accordance with law.

ISBN: 978-1-394-32863-5



## A catalogue record for this book is available from the National Library of Australia

Registered Office

John Wiley & Sons Australia, Ltd. Level 4, 600 Bourke Street, Melbourne, VIC 3000, Australia For details of our global editorial offices, customer services, and more information about Wiley products visit us at www.wiley.com.

Wiley also publishes its books in a variety of electronic formats and by print-on-demand. Some content that appears in standard print versions of this book may not be available in other formats.

Trademarks: Wiley and the Wiley logo are trademarks or registered trademarks of John Wiley & Sons, Inc. and/or its affiliates in the United States and other countries and may not be used without written permission. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc. is not associated with any product or vendor mentioned in this book.

### Limit of Liability/Disclaimer of Warranty

While the publisher and author have used their best efforts in preparing this work, they make no representations or warranties with respect to the accuracy or completeness of the contents of this work and specifically disclaim all warranties, including without limitation any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives, written sales materials or promotional statements for this work. This work is sold with the understanding that the publisher is not engaged in rendering professional services. The advice and strategies contained herein may not be suitable for your situation. You should consult with a specialist where appropriate. The fact that an organisation, website, or product is referred to in this work as a citation and/or potential source of further information does not mean that the publisher and author endorse the information or services the organisation, website, or product may provide or recommendations it may make. Further, readers should be aware that websites listed in this work may have changed or disappeared between when this work was written and when it is read. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

Cover design by Wiley

Internal permissions: Tables 1.1, 1.2, 1.6, 1.7, 2.1, 2.2, 2.3, 2.4, 3.1, 4.2, 5.1, 6.1, 6.2, 6.4, 7.1, 8.2, 8.3, 8.4 © Australia Taxation Office for the Commonwealth of Australia; Tables 1.3, 1.4, 1.5 © Services Australia for the Commonwealth of Australia

Typeset in 11/14 pt Bembo Std by Straive, Chennai, India

Dedicated to my father in law George Davis who left an indelible mark on us all. He is sadly missed.

## **CONTENTS**

About the author  How to use this book	ix xi
Introduction	xi xiii
PART I	
YOU AND YOUR FAMILY	1
1 Marriage	2
2 Income splitting	4
3 Dependant (invalid and carer) tax offset	6
4 Children	8
5 Payments for new parents	10
6 Child care	12
7 Low-income earners	15
8 Senior and pensioner tax offset	16
9 Other government benefits	18
10 Family breakdown	22
11 Death	24
12 Family trusts	26
PART II	
YOUR EMPLOYMENT	29
13 Car usage	31
14 Methods to claim car travel	33
15 Travel	35
16 Uniform	37
17 Home office	39
18 Other work-related deductions	42
19 Keeping those receipts	45
20 ATO hit lists	48
21 Redundancy	51
22 Working a second job	53
23 Salary sacrifice	55

Fringe benefits	57
Living-away-from-home allowance	61
RT III	
UR EDUCATION	65
Claiming self-education expenses	66
Student loans	70
	77
·	80
· · · · · · · · · · · · · · · · · · ·	81
Education savings plans	84
ART IV	
UR INVESTMENT PROPERTY	87
Negative gearing	89
Interest	91
Depreciation and low-value pooling	94
Repairs and maintenance	98
Borrowing and legal expenses	100
Other rental property deductions	104
	106
	108
	111
	113
Build-to-rent properties	115
ART V	
OUR SHARES	119
Dividends	120
Shares owned by low income earners	126
Borrowing to buy shares	129
	131
Capital gains tax on shares	132
Realising capital losses	134
	Fringe benefits Living-away-from-home allowance  ART III  DUR EDUCATION  Claiming self-education expenses Student loans Austudy and ABSTUDY Scholarships School building funds Education savings plans  ART IV  DUR INVESTMENT PROPERTY  Negative gearing Interest Depreciation and low-value pooling Repairs and maintenance Borrowing and legal expenses Other rental property deductions Foreign investment properties Capital gains tax PAYG withholding variation Co-ownership of your investment property Build-to-rent properties  ART V  DUR SHARES  Dividends Shares owned by low income earners Borrowing to buy shares Other share deductions Capital gains tax on shares Realising capital losses

	Share traders versus share investors	138
	Rights and options	140
	Employee share schemes	142
53	Share portfolios within self managed superannuation funds	144
54	Cryptocurrency	146
55	Non-fungible tokens	151
PΑ	ART VI	
YO	UR SUPERANNUATION	153
56	Contribution limits	156
<b>57</b>	Transfer balance cap	159
58	Downsizer contribution	162
59	Compulsory employer contributions	165
60	Salary sacrifice	167
61	Division 293 tax	170
62	Super co-contribution	172
63	Transferring foreign super	175
64	Self managed superannuation funds	176
65	Buying property within SMSFs	179
66	Gearing through a super fund	182
67	Accessing your super	184
68	Transition to retirement	187
69	Account-based pensions	189
70	Death benefits	190
71	Lost or unclaimed super	192
PΑ	ART VII	
ΥO	OUR BUSINESS	197
72	Choosing the right business structure	198
	Tax obligations	203
74	Record keeping	206
75	Deferring tax	208
	Trading stock	210

Inheriting share portfolios

//	Bad debts	212
78	Home-based businesses	213
79	Sharing Economy	215
80	Employing people	218
81	Single Touch Payroll	221
82	Tax concessions and offsets	223
83	Selling or closing down	228
84	Personal services income	230
85	Non-commercial losses	232
86	Division 7A loans by private companies	233
87	Franchising	235
88	Crowdfunding	237
PA	RT VIII	
MI	SCELLANEOUS	241
89	Overseas income	241
90	Getting a great tax accountant	244
	Lodging your tax return	244 247
91		=
91 92	Lodging your tax return	247
91 92 93	Lodging your tax return  Amending returns and objecting to assessments	247 249
91 92 93 94	Lodging your tax return  Amending returns and objecting to assessments  ATO data matching	247 249 252
91 92 93 94 95	Lodging your tax return  Amending returns and objecting to assessments  ATO data matching  Problems paying your tax	247 249 252 256
91 92 93 94 95 96	Lodging your tax return  Amending returns and objecting to assessments  ATO data matching  Problems paying your tax  Estate planning	247 249 252 256 257
91 92 93 94 95 96	Lodging your tax return  Amending returns and objecting to assessments  ATO data matching  Problems paying your tax  Estate planning  Private ancillary funds	247 249 252 256 257 263
91 92 93 94 95 96 97	Lodging your tax return  Amending returns and objecting to assessments  ATO data matching  Problems paying your tax  Estate planning  Private ancillary funds  Levies	247 249 252 256 257 263 266
91 92 93 94 95 96 97 98	Lodging your tax return  Amending returns and objecting to assessments  ATO data matching  Problems paying your tax  Estate planning  Private ancillary funds  Levies  Zone and overseas forces tax offsets	247 249 252 256 257 263 266 269
91 92 93 94 95 96 97 98 99	Lodging your tax return  Amending returns and objecting to assessments  ATO data matching  Problems paying your tax  Estate planning  Private ancillary funds  Levies  Zone and overseas forces tax offsets  Tax-effective investments	247 249 252 256 257 263 266 269 271
91 92 93 94 95 96 97 98 99 100	Lodging your tax return  Amending returns and objecting to assessments  ATO data matching  Problems paying your tax  Estate planning  Private ancillary funds  Levies  Zone and overseas forces tax offsets  Tax-effective investments  Tax planning as a 365-day process	247 249 252 256 257 263 266 269 271 273
91 92 93 94 95 96 97 98 99 100 101	Lodging your tax return  Amending returns and objecting to assessments  ATO data matching  Problems paying your tax  Estate planning  Private ancillary funds  Levies  Zone and overseas forces tax offsets  Tax-effective investments  Tax planning as a 365-day process  Just do it!	247 249 252 256 257 263 266 269 271 273 274

## ABOUT THE AUTHOR

Dr Adrian Raftery (PhD, MBA, B Bus, CTA, FCA, GAICD), aka Mr Taxman, is one of Australia's leading commentators on all matters relating to tax and finance. With regular appearances on TV and in the media, Adrian is one of Australia's leading tax and financial experts.

Part of Adrian's 'tax' appeal as a financial media commentator is due to his personable and approachable style. Just as importantly, Adrian's 35 years' experience as an award-winning accountant working with small and medium businesses, and as a personal tax expert, means he has the relevant knowledge and experience to give qualified advice.

Adrian is considered so good at what he does that he was one of the youngest Australian accountants to have advanced to Fellowship with the Institute of Chartered Accountants at the age of 33 and had an award-winning Sydney accountancy firm at just 25! Adrian is also one of the country's leading experts on the rapidly growing Australian superannuation industry with work from his PhD on self-managed superannuation funds published in top-ranked international academic journals. These factors and Adrian's ability to translate complicated tax, superannuation and finance jargon into understandable and workable solutions are probably why 'Mr Taxman' is frequently called upon for his viewpoints by the Australian media.

## **HOW TO USE THIS BOOK**

This book is designed to be of benefit to 99.9 per cent of taxpayers. If you have an investment property, own a share portfolio, have money in superannuation, have a family, work as an employee or run your own business, there will be something in here for you.

While it is extremely unlikely that all 101 tips will be applicable to you, your family or your business, just feel comfortable knowing that one tip alone will be more than enough to pay for the investment you make in buying this book. This book has been written to take into account all phases of life, so if you find that only a few tips apply to you right now, don't worry because more tips will become relevant as you grow older. Make sure that you consult your own adviser to assess your own particular needs before implementing any of these tips.

If there is one constant with tax, it is change. That is why I update this book every year to take into account the latest federal budget changes and other Government measures each year. If you intend to use this book as a reference guide over a number of years, you should always check the latest tax legislation for the current figures and thresholds.

Remember that tax planning should be a year-round exercise, not merely one that's done in the last few weeks before 30 June. A lot of these strategies are just as useful on 1 July as they are on 30 June.

### $\Omega$ TIP

When you see this box throughout the book, it will provide you with a handy suggestion in relation to the particular money-saving strategy.

### **TAX FACT**

When you see this box throughout the book, it will provide you with an interesting fact.

### A PITFALL

When you see this box throughout the book, it will outline a potential pitfall in relation to this money-saving strategy that you need to look out for

### **BONUS RESOURCES**

When you see this box throughout the book, it will provide you with a tool or a calculator available on my website www.mrtaxman.com.au to help explain or work out a strategy.

### ? FAQ

When you see this box throughout the book, it will provide you with an answer to a frequently asked question that I have received from readers of previous editions of this book.

### T PROPOSED CHANGE

When you see this box throughout the book, it will outline a tax change which has been proposed by the government but has not been put through as legislation as at date of publication. Before making any decisions, ensure that you check the status of these proposed changes as there may be variations to the original proposal as it passes through both houses of parliament.

## INTRODUCTION

Like for many people, writing a book — just one — was on my bucket list for years. So come 2010 I was really fortunate to get the opportunity to write the first ever edition of 101 Ways to Save Money on Your Tax – Legally! Back then I had three main objectives for the book. None of them were to make money (although my mates think that was the only reason!). First, I wanted to help maximise everyone's refunds by making you more aware of the different ways that are available to help you save money. I wanted to reduce the confusion around all the different types of government benefits and tax concessions that were available to you so that you started claiming more of what you were legally entitled to. Second, through the setting of boundaries, I wanted to reduce the amount of fraudulent claims made so that we all pay a fairer share of tax. I am not sure what small part I played with achieving this objective but looking back at table 1.1 from the first edition it's hard to believe that the tax-free threshold was only \$6000 whilst family companies paid an

Whilst these objectives haven't changed over the past decade — and the structure of the book is still pretty much the same — I never thought in my wildest dreams I would be writing tax tips about cryptocurrency, non-fungible tokens, decentralised finance, the sharing economy, downsizer contributions and a crazy coronavirus that would cause a pandemic around the globe. Likewise, I never thought that tax incentives such as the education tax refund and medical expense rebates would be scrapped along with travel to visit your investment property. I guess tax changes is one of the few constants in life, along with death and taxes!

extra 5 per cent tax than what they will in 2025-26! Third, although this was never published, I didn't want my mates hassling me for tax tips at 2.45 am when we were out having a few beers. Needless to say as time rolls on, with age and families, this objective has also been achieved!

This book is split into various parts in line with some key areas surrounding your finances:

- · you and your family
- · your employment
- · your education

- your investment property
- your shares
- your superannuation
- · your business.

In each part I will share with you a number of tips and strategies that you can implement to save money on your taxes—legally!

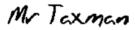
You should leave no stone unturned in your quest to legally minimise your tax. While everyone should pay their fair share of tax, the late Kerry Packer summed it up best when he famously said 'don't tip them!' Now I don't expect that every single tip will be applicable to every single person out there but I am confident that there will be at least one tip that will save you more than the cost of this book. Some tips will maximise your refund, others will minimise your tax, while others will simply save you money. Some may save you millions over a lifetime, others just a few dollars. But times are tough and every dollar counts.

Over the years I have dedicated this book to many amazing people who have had a huge impact on my life. My mum and dad (who have both passed away); my three kids (Hamish and Zoe on earth and Sophie in heaven); my wife Kylie; my university colleagues; the Irish cricket team; my neighbours; the Allies on Kokoda; community sport umpires and officials; the Bayside Bhoys; the frontline emergency services and healthcare workers and even the Commissioner of Taxation!

But I also dedicated two editions to two amazing families who helped us have Hamish and Zoe via surrogacy (the Donavans and the Merediths). Before we started the surrogacy process, I remember one of our tummy mummies telling us that she had a gift to bear children, but 'a gift is not a gift unless it is given'.

I feel the same way about this book. Ever since I started working as an accountant at the age of 18, I have had a gift (some would say a curse) for understanding tax. But as a gift should be given, I have decided to share some great tax tips with you for a small tax deductible fee (that is, the price of this very cheap book!).

Whatever you get out of this book, I hope it is positive and not too taxing! And this is my gift to you.



# PART I

# **YOU AND YOUR FAMILY**

From marriage and children right through to divorce, retirement and ultimately death, all families encounter many life-changing events. And in nearly all of these events, there are tax consequences along the way.

The Australian tax system offers a range of tax benefits including credits, refunds, offsets and bonuses to support families. Some people feel ambivalent about putting their hand out for government entitlements. But don't be shy in claiming your fair share. After all, the government doesn't get shy when it comes to taxing you!

### TAX FACT

Tax evasion and tax avoidance are illegal ways of reducing your tax payable. Tax planning and tax minimisation are legal ways of reducing your tax payable.

Part I looks at the tax concessions available to families, the special considerations you need to look out for, as well as some simple strategies to save tax within your family.

You need a tax file number (TFN) to be eligible for any of these tax concessions, as do your spouse and your children if they have income, superannuation or investments.

## 1 MARRIAGE

Accountants are frequently asked two questions by couples who are just about to get married: 'Are there any tax implications once we tie the knot?' and 'Do we need to start doing joint tax returns?'

Your wedding day is a special day. So I'm perplexed as to why on earth the bride and groom are thinking about the ATO during such an exciting time in their lives!

You don't need to worry about tax in the lead-up to your nuptials. Unless you are involved in a business together, you don't have to lodge a combined tax return. Any share of joint investments, such as interest, dividends and rental properties, is still recorded separately in your respective tax returns.

### **ΩTIP**

You don't have to lodge a combined tax return if you're married. Any joint income is recorded separately in your respective tax returns.

You do need to show on your return that you now have a spouse, and disclose his or her taxable income each year.

### A PITFALL

The combined income of married couples is taken into account if you don't have private health insurance (an extra 1 per cent Medicare levy is charged if you earn over \$202,000 combined, increasing to 1.5 per cent for couples earning more than \$316,000) as well as when calculating Family Assistance Office benefits such as child care rebates and family tax benefits.

If you elect to change your name, you can notify the tax office:

- by phone on 13 28 61
- by post after completing the Change of details of individuals form (NAT 2817)
- or online via your myGov account at www.my.gov.au. Make sure
  it is linked to the ATO.

### 2 101 WAYS TO SAVE MONEY ON YOUR TAX — LEGALLY!

You will need either your Australian full birth certificate; your Australian marriage certificate; or your Australian change of name certificate.

According to the ATO, the definition of spouse has been extended so that both de facto relationships and registered relationships are now recognised. Your 'spouse' is another person (whether of the same sex or opposite sex) who:

- is in a relationship with you and is registered under a prescribed state or territory law
- although not legally married to you, lives with you on a genuine domestic basis in a relationship as a couple.

### **TAX FACT**

People living in same-sex relationships are treated in the same way as heterosexual couples for tax purposes. The ATO has outlined some of the tax concessions now open to same-sex couples, including:

- Medicare levy reduction or exemption
- Medicare levy surcharge
- · dependant (invalid and carer) tax offset
- senior and pensioner tax offset
- · spouse super contributions tax offset
- main residence exemption for capital gains tax.

It is not unusual to find a couple where each owns a main residence that was acquired before they met. However, spouses are only entitled to one main residence exemption for capital gains tax (CGT) purposes between them. If both members of a couple own a main residence they must do either of the following:

- select one residence for the exemption
- apportion the CGT exemption between the two residences.

Provided the homes meet the requirements for the main residence exemption, they will both be wholly exempt from CGT for the period prior to the couple being treated as spouses. However, from the time the couple became spouses, only one exemption is available, though this may be divided between the two dwellings.

### **EXAMPLE**

Mary bought a house in 1992. She lived in it right up to the day she married Matthew in 2006 and moved into his house, which he had purchased in 2000. As they elected to treat Matthew's house as their main residence, Mary will be subject to CGT on her house from 2006. She will not be liable for CGT on any capital growth in the 14 years prior to becoming Matthew's spouse.

## 2 INCOME SPLITTING

Income splitting is a legitimate tax-planning tool and one of the easiest strategies to implement. There are a few simple strategies for you to follow and they all mainly revolve around the marginal tax rates for yourself and your spouse, both now and in the future. The tax rates for individuals, not including the Medicare and other levies, are shown in table 1.1.

The goal is to try to level the income of couples so that they are paying tax at the same marginal rate. While income from personal exertion (such as your salary) cannot be transferred to the other partner, there is scope to have passive income from investments transferred if the assets are held in the lower-earning spouse's name.

**TABLE 1.1:** tax rates for individuals excluding levies (2025–26)

Taxable income	Tax on this income
0-\$18 200	Nil
\$18201-\$45000	16c for each \$1 over \$18 200
\$45 001-\$135 000	\$4288 plus 30c for each \$1 over \$45000
\$135 001-\$190 000	\$31288 plus 37c for each \$1 over \$135000
\$190 001 and over	\$51638 plus 45c for each \$1 over \$190 000

Source: © Australian Taxation Office for the Commonwealth of Australia.

It amazes me how many smart business people are really dumb when it comes to reducing tax. Too often I see rich business people paying the highest tax rate (47 per cent including medicare levy) on interest or dividend income while their spouses don't fully use their \$18 200 tax-free threshold. With the \$2 million transfer balance cap on superannuation, there is an opportunity to split superannuation contributions between spouses such that each spouse maximises their respective \$2 million thresholds before they retire.

### **ΩTIP**

Ensure that all investments are in the name of the lower-earning spouse so that they can take advantage of the lower tax rates (particularly the first \$18200, which is tax-free) on any investment income derived. Likewise, have all passive deductions, such as charitable donations, in the higher-earning spouse's name as they may get a return of up to 47 per cent, depending on their income level.

The best tax outcome can be achieved with a low-income earner holding investment assets. They could earn up to \$22575 tax-free (see p. 15), receive a refund of all imputation credits and pay less tax on capital gains.

### **EXAMPLE**

If an investor on the top marginal tax rate of 47 per cent had a \$100000 capital gain on an asset held more than 12 months he/she would pay \$23500 in tax and Medicare levy. If an investor with no other income had a \$100 000 capital gain he/she would pay \$6538 – a saving of \$16962.

### A PITFALL

Any tax benefit derived by transferring an income-producing asset from one spouse to another may be lost if there is CGT to pay on assets originally acquired after 19 September 1985.

If you transfer an income-producing asset to your spouse you may need to find out the market value of the asset from a professional valuer. This is regardless of what you actually receive because the transaction is not independent nor is it at arm's length. In this situation either party could exercise influence or control over the other in connection with the transaction.

### **♀TIP**

If you do not have a spouse, or you are both in the highest tax brackets, consider creating an investment company that is taxed at a flat rate of 30 per cent (reducing to 25 per cent if your company derives at least 20 per cent of its income from non-passive sources and has an annual turnover below the small company threshold of \$50 million) for all income.

# 3 DEPENDANT (INVALID AND CARER) TAX OFFSET

The dependant (invalid and carer) tax offset (DICTO) is only available to taxpayers who maintain a dependant who is genuinely unable to work due to carer obligation or disability.

### **TAX FACT**

The DICTO has consolidated the following tax offsets:

- · invalid spouse
- · carer spouse
- housekeeper
- · housekeeper (with child)
- · child housekeeper
- · child housekeeper (with child)
- · invalid relative
- · parent/parent-in-law.

The ATO may deem you eligible for the DICTO if the following applies:

- you contribute to the maintenance of your spouse, your parent (or your parent's spouse), your child (aged 16 or over) or siblings (aged 16 or over)
- · your dependant was being paid either:
  - a disability support, a special needs disability support or an invalidity service pension
  - a carer allowance for a child or sibling aged 16 or over

- your adjusted taxable income as the primary income earner was \$117 194 or less
- vour dependant's adjusted taxable income was less than \$13,482
- you and your dependant were Australian residents (not just visiting).

If you satisfy the above and your dependant's adjusted taxable income was \$285 or less and you maintained him or her for the whole year, you can claim the maximum dependant (invalid and carer) tax offset of \$3300.

### A PITFALL

The DICTO is reduced by \$1 for every \$4 that your dependant's adjusted taxable income exceeds \$282

### ହ TIP

You may be able to receive more than one amount of DICTO if you contributed to the maintenance of more than one dependant during the year, including if you had different spouses during the year.

### **►** TAX FACT

The ATO defines your 'adjusted taxable income' as the sum of the following amounts, less any child support that you have paid:

- · taxable income
- · adjusted fringe benefits
- · tax-free pensions or benefits
- income from overseas not reported in your tax return
- reportable super contributions
- total net investment loss for both financial investments and rental properties.

### **EXAMPLE**

Marlene and Saxon are married. Marlene is genuinely unable to work and has no salary or wage income. They have rental properties and a share portfolio. Saxon has also entered into a salary-sacrificing arrangement to boost his super. His taxable income is \$130000 after claiming a total net investment loss of \$18000. He has reportable super contributions of \$17000.

Saxon's adjusted taxable income is \$165000 (\$130000 + \$18000 + \$17000). As Saxon's adjusted taxable income is over the income threshold for this offset (\$117194) he is not eligible to claim the dependant (invalid and carer) tax offset.

## 4 CHILDREN

Any income that has been earned by your child's efforts, such as wages from an after-school job, is considered 'excepted income' and is taxed at the general adult tax rates regardless of whether your child is under 18. However, you should be cautious when putting investments in your child's name because minors do not enjoy the same tax-free thresholds as adults on this type of income, known as 'eligible income'. Table 1.2 sets out the tax rates that apply to minors' eligible income.

**TABLE 1.2:** tax on eligible income for minors (2025–26)

Taxable income	Tax on this income
\$O <b>-</b> \$416	Nil
\$417-\$1307	66c for each \$1 over \$416
\$1307 and over	45% of total income

Source: © Australian Taxation Office for the Commonwealth of Australia.

### A PITFALL

Minors under the age of 18 are taxed at the highest marginal tax rate for 'eligible income' (such as interest, dividends and trust distributions) over \$416 per annum.

If some of your child's income is excepted income and the rest is eligible income, they will pay ordinary rates on the excepted income and pay at the higher rate on the eligible income.

### **<b> Ø EXAMPLE**

Louie is 17 on 30 June. He earned \$8780 from a part-time job. He also received \$920 in interest from money he had saved over the years from gifts. Therefore, he has an excepted income of \$8780 and is entitled to the tax-free threshold of \$18200 for this income. He also has eligible income of \$920 interest, which is taxed at the special higher rates.

A child is eligible from birth for a TFN from the ATO. If your child is under 16 (at the start of the calendar year) and does not supply their TFN to the bank or share registry, then 45 per cent tax will be withheld on interest earnings over a threshold of \$420 as well as on all unfranked dividends. If your child is aged 16 and over, then the threshold is reduced to \$120.

Children do not need to lodge a tax return if their assessable income is less than \$416. However, if tax has been withheld from them by an investment body or employer, then they must lodge a return in order to get that money returned to them.

If you have an adult child who has a job while going to university or TAFE then they may be able to claim a deduction for certain expenses if there is a sufficient connection between their course and their assessable income. Some expenses that they might be able to claim in this instance include:

- depreciation of assets (such as computers, desks and bookshelves) used for studying purposes
- · journals and periodicals
- · photocopying and printing costs
- stationery
- textbooks
- travel from work to place of study.

They wouldn't be entitled to a deduction for any tuition fees payable under HELP or any repayments of outstanding HELP debts.

Earnings from a child's investments must be declared by the person who rightfully owns and controls the investment, not the person whose name it is in, or whose name it is held in trust for. This is regardless of whether the money is spent on resources for the child.

### **<b> Ø EXAMPLE**

Sarah opens an account for her three-year-old daughter, Samantha, by depositing \$8000. Sarah is signatory to the account and she also makes regular deposits and withdrawals to pay for Samantha's preschool expenses. The ATO would deem that the money belongs to Sarah and any interest earned from this account must be declared for tax by her.

If the funds in the account are made up of money received as birthday or Christmas presents, pocket money or savings from part-time earnings such as newspaper rounds, and these funds are not used by any person other than the child, then the interest earned is the child's income.

### A PITFALL

Children are not eligible for the low-income tax offset against unearned income, such as interest. The rebate can only be offset against excepted income.

## 5 PAYMENTS FOR NEW **PARENTS**

There are a few government payments available when becoming a mum or a dad.

## Paid parental leave

Eligible working parents of children born or adopted may be entitled to the paid parental leave scheme to help them care for a new baby, dependent on when your child was born as outlined in table 1.3. If your child was born before 1 July 2023, the pay is for up to 18 weeks at the national minimum wage (currently \$915.80 per week before tax) plus superannuation (from 1 July 2025) and is paid by either your employer or the government (where employers do not provide parental leave entitlements). For children born after 1 July 2023, the pay is increased by two additional weeks a year until it reaches a full 26

weeks for those that have children born after 1 July 2026. Table 1.3 also shows the minimum amount of days that are reserved for each partner, with the balance allowed to be divided between parents as they choose.

TABLE 1.3: paid parental leave

Child's date of birth	Maximum paid parental leave	Minimum reserved for each partner
Before July 2023	90 days	10 days
1 July 2023-30 June 2024	100 days	10 days
1 July 2024-30 June 2025	110 days	10 days
1 July 2025-30 June 2026	120 days	15 days
After 1 July 2026	130 days	20 days

Source: @ Services Australia https://www.servicesaustralia.gov.au/changes-if-you-getfamily-payments?context=64479#pplchanges

To be eligible you must have worked at least 330 hours across 10 of the 13 months prior to the birth of your child, but your annual salary must also be less than \$175788 (with a \$364350 family income limit if you do not meet the individual income test from 1 July 2023). The work test has been extended so that mothers can count periods of paid parental leave they've taken for earlier births as 'work'.

### **TAX FACT**

Paid parental leave is subject to income tax and may also affect other government benefits such as child support, health care cards and public housing. In contrast, the Newborn Upfront Payment and Supplement is not taxable and not considered income for family assistance or social security purposes. For more information on paid parental leave go to https://www.servicesaustralia.gov.au/parental-leave-pay.

### TAX FACT

Parents are prevented from 'double-dipping' into parental leave, where they have simultaneous access to employer-funded benefits at the same level or more than the government scheme. If the employer-paid leave is less, then they will only receive the difference.

### **►** TAX FACT

For children born after 1 March 2014, Family Tax Benefit Part A recipients may be entitled to a \$667 Newborn Upfront Payment and up to \$2003.82 for a Newborn Supplement (reduced to \$1309.85 in total for subsequent children), payable via normal fortnightly payments over a three-month period. These payments are not taxable.

### **TAX FACT**

The dad and partner pay is no longer available for those that have a child born after 1 July 2023. Instead it has been incorporated within the expanded paid parental leave for families.

## 6 CHILD CARE

Ask the parents of any young child and they will tell you that their biggest expense is child care. If you have a child who is attending child care services approved by, or registered with, the government you may be eligible for the Child Care Subsidy (CCS). You can apply for the benefit at the Family Assistance Office. The amount you receive will depend on the type and amount of care that you use, your income, the reason you are using care and the number of children that you have in care.

If you have identified that you were eligible for the Child Care Subsidy in previous financial years, but have not received it, you can lodge a lump-sum claim with the Family Assistance Office. You must do this within two years of the end of the financial year for which you are claiming.

As can be seen in table 1.4, families with combined adjusted taxable incomes under \$83280 will receive a Child Care Subsidy rate of 90 per cent of the hourly cap depending on the type of child care you use (shown in table 1.5), reducing by 1 per cent for each \$5000 of income earnt by your family with no subsidy for family incomes

over \$533 280. There is no annual cap on the maximum amount of the subsidy that families can receive in a year.

**TABLE 1.4:** child care subsidy rates (2024–25)

Combined family income	Subsidy rate (up to hourly rate cap)
0-\$83280	90%
\$83280-\$533279	0%-90% (reducing by 1% for every \$5000)
\$533280 and over	0%

Source: Services Australia https://www.servicesaustralia.gov.au/vour-income-canaffect-child-care-subsidy?context=41186

Due to the complexity of the calculations associated with the CCS, it is recommended that you overstate your estimated income with Services Australia during the year. This will avoid the embarrassment of having to repay some (or all) of your CCS received at the end of each tax year should your actual income be higher than expected (for example due to extra hours/overtime, bonuses, pay increases or capital gains). You can vary your estimated income up to twice per year. Any excess will be refunded to you once your returns have been lodged. To assist, the government withholds 5 per cent of the CCS upfront during the year to reduce the likelihood of getting an overpayment.

**TABLE 1.5:** child care hourly rate caps (2024–25)

Type of child care	Hourly rate cap
Centre-based day care	\$14.29 per child
Family day care	\$13.24 per child
After hours school care	\$14.29 per child
In-home care	\$37.87 per family

Source: Services Australia https://www.servicesaustralia.gov.au/type-child-care-you-usecan-affect-child-care-subsidy?context=41186#hourlyrate

Given the complexity of the subsidy calculations that flow from tables 1.4 and 1.5 combined with fluctuating incomes, to reduce the risk of overpayment, Services Australia withholds 5 per cent of your child care subsidy upfront. When you submit your annual tax return, the Department will finalise the annual child care subsidy that was entitled to your family and pay any outstanding amount due to you.

### **►** TAX FACT

According to Services Australia, you may be eligible to claim the Child Care Subsidy if you:

- had a child 13 or under and not attending secondary school
- passed the work/training/study test
- ensure that your children under seven either meet the Government's immunisation requirements or have an exemption
- used approved child care such as long day care, family day care, in-home care, outside school hours care, vacation care and/or some occasional care services.

Parents can claim up to 100 hours of CCS per child per fortnight dependent on passing a work/training/study test. Once eligible, the rebate is paid weekly or fortnightly by Services Australia based on child care attendance information it receives electronically from your service provider. Even if your child is absent from child care, the Child Care Subsidy can still be paid in some situations. You can receive payments for up to 42 absences per child each financial year, if you are charged for child care. These absent days can be taken for any reason with no evidence required.

### A PITFALL

It is important to conservatively estimate your family income for the purposes of the Child Care Subsidy, because if you overestimate it you may need to pay back some or all of what you received during the year (even allowing for the 5 per cent amounts previously withheld by Services Australia).

### A PITFALL

Under the No Jab No Pay legislation, if your children (up to the age of 19) do not meet the immunisation requirements then you will not be eligible for Child Care Subsidy. Your child must be fully immunised, on a catch-up schedule or have a valid exemption in order to receive these payments. Note that while conscientious objection is not considered an exemption category, children with verified medical exemptions by a General Practitioner such as medical contraindication, natural immunity or participation in a recognised vaccine study are allowed.