Tax offset

Directly reduce the income tax payable

Generally, two broad categories:

Non – refundable offsets

- Applied against basic tax
- Surplus cannot be refunded
- Cannot be applied against Medical levy

Ex: most personal offsets (Low income, Foreign income, SAPTO)

Refundable offsets

- Surplus refundable
- Applied against Medical levy

Ex: Franking credit for residents
Private health insurance offset

Australian residents tax rates 2023–24

Resident tax rates 2023–24

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $45,000	19c for each $1 over $18,200
$45,001 – $120,000	$5,092 plus 32.5c for each $1 over $45,000
$120,001 – $180,000	$29,467 plus 37c for each $1 over $120,000
$180,001 and over	$51,667 plus 45c for each $1 over $180,000

The above rates **do not** include the Medicare levy of 2%.

Maximum (Marginal rate) Tax in Australia for resident individual is = 45% + 2% = 47%

Tax payable calculation

Taxable income	=	45,000
Basic income tax liability	=	5,092
Less : Non- refundable tax offsets*	=	(5,092) eligible 6,000 wasted 908
Plus : Medicare Levy (2%) **	=	900
Less : Refundable tax offsets	=	(1,000)
Less : PAYGI + PAYGW	=	(900)
Tax payable or (refund due)	=	**(1,000)**

*surplus non-refundable offsets are wasted

** plus Medicare levy Surcharge and HELP Assessment Debt

Adjusted taxable income (ATI)

The eligibility of some offsets depends upon ATI and includes:

- Taxable income
- IT1 - Adjusted fringe benefits total
- IT2 - Reportable employer super contributions
- D12 - Deductible personal superannuation contributions
- IT5 -Total net investment loss
- IT6 - rental loss
- Certain tax-free/exempt income (certain govt payment or exempt foreign income)
- (Less: child support / maintenance)

= Rebate Income

Income tests

You must complete this section. If you had a spouse during 2022–23 you must also complete **Spouse details – married or de facto** on pages 8–9.

If the amount is zero write 0.

IT1 Total reportable fringe benefits amounts

Employers exempt from FBT under section 57A of the FBTAA 1986 **N** $,000.00

Employers not exempt from FBT under section 57A of the FBTAA 1986 **W** $,000.00

IT2 Reportable employer superannuation contributions **T** $,000.00

IT3 Tax-free government pensions **U** $,000.00

IT4 Target foreign income **V** $,000.00

IT5 Net financial investment loss **X** $,000.00

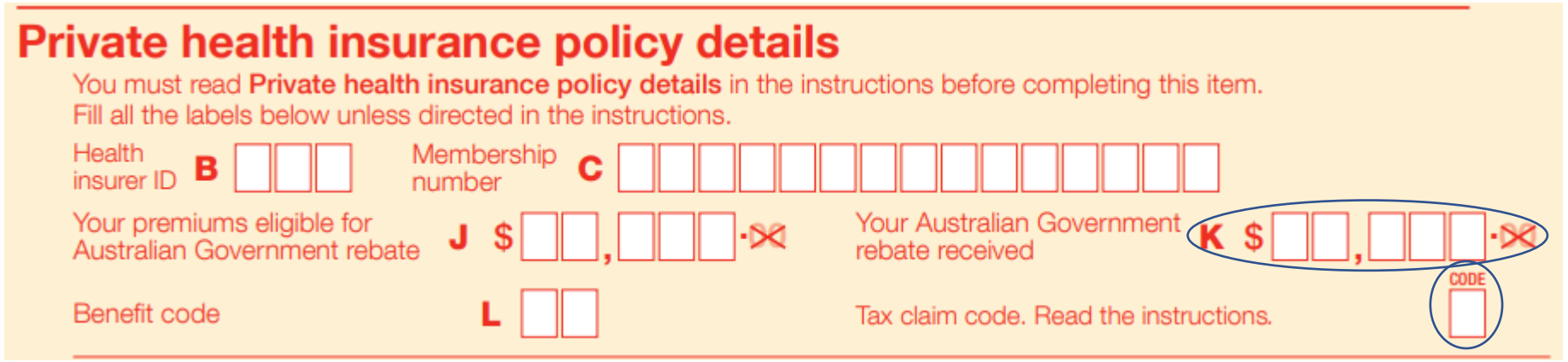
IT6 Net rental property loss **Y** $,000.00

IT7 Child support you paid **Z** $,000.00

IT8 Number of dependent children **D** 00

Private health insurance offset

- Option to Reduced premium or claim as Refundable offset in TR
- Offset is an amount the government contributes towards your private health insurance



The following are the tax claim codes used by the ATO to determine your rebate:

Code	Definition
Tax code A	You are a single adult on 30 June.
Tax code B	You are a single adult on 30 June and you have a dependent child or children.
Tax code C	You have a spouse on 30 June (including if your spouse died during the tax year and you did not have another spouse before 30 June).
Tax code D	You have a spouse on 30 June and they have agreed that you should claim their share of the rebate because they aren't claiming it themselves.
Tax code E	You have a spouse on 30 June and you have agreed that they should claim your share of the rebate because you aren't going to claim it yourself.
Tax code F	You are covered as a dependent child on a private health insurance policy and are not entitled to receive the rebate.

Private health insurance offset

- Generally, no offset if ATI falls under Tier 3
- Offset depends upon age and ATI MLS Threshold

MLS income thresholds and rates for 2023–24

Threshold	Base tier	Tier 1	Tier 2	Tier 3
Single threshold	$93,000 or less	$93,001 – $108,000	$108,001 – $144,000	$144,001 or more
Family threshold	$186,000 or less	$186,001 – $216,000	$216,001 – $288,000	$288,001 or more

- Calculated by TR software / Use ATO tool to calculate tax offset

Foreign income Tax offset (FITO)

- Australian resident – Foreign income taxed in Australia
- Foreign income – Foreign Tax paid/deemed to be paid (converted to AUD)
- Relief provided via FITO (DTAA countries)
- Non-Refundable offset but can be used to reduce Medical levy and MLS
- Claim
  - Up to $1,000 offset = no calculation up to foreign tax paid
  - Above $1,000 offset = work out FITO (the software will calculate)

Foreign income Tax offset (FITO)

- Above $1,000 offset = work out FITO (software will calculate)

	Amount AUD	Tax AUD	Foreign Tax paid in AUD
Australian Taxable income	$20,000.00	$342.00	
Add : Net Foreign Income	$25,000.00		$5,000.00
Total income	**$45,000.00**	**$5,092.00**	
Maximum FITO Excess tax paid due to Net FI		$4,750.00	($4,750)
Non carry forward (wasted)			$250

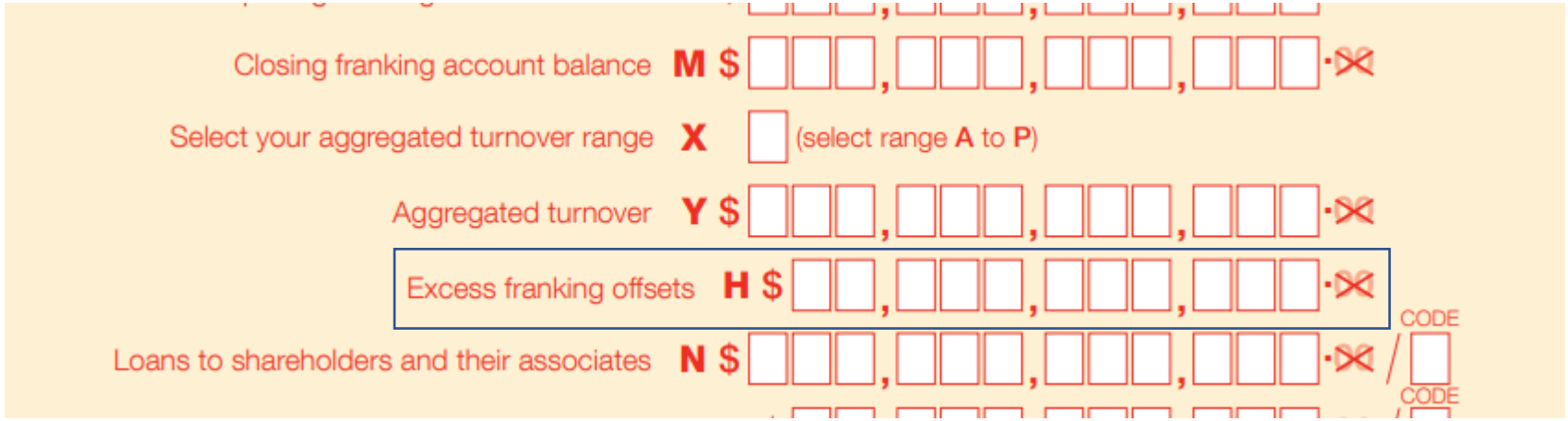
- So Net Tax paid = $5,092 - $4,750 = $342

Franking tax offset (FTO)

- Claiming Franking credit received in Franked dividend & Distribution
- Refundable tax offset for individual but not for company

	Franking Dividend (70%) (Accounting)	Franking Credit (30%)	Taxable Income (100%)	Suppose ABC company
A Pty Ltd	$7,000	$3,000	$10,000	
B Pty Ltd	$14,000	$6,000	$20,000	
Total	**$21,000**	**$9,000**	**$30,000**	**Loss**
Ex. Tax on above is			**$10,000**	
Less : FTO / Franking credit			$9,000	$9,000
Net Tax payable			**$1,000**	**-**
Excess Franking offset				**$4,000**
Convert to Loss CY Loss			$30,000 / 30% (CTR)	**(30,000)**

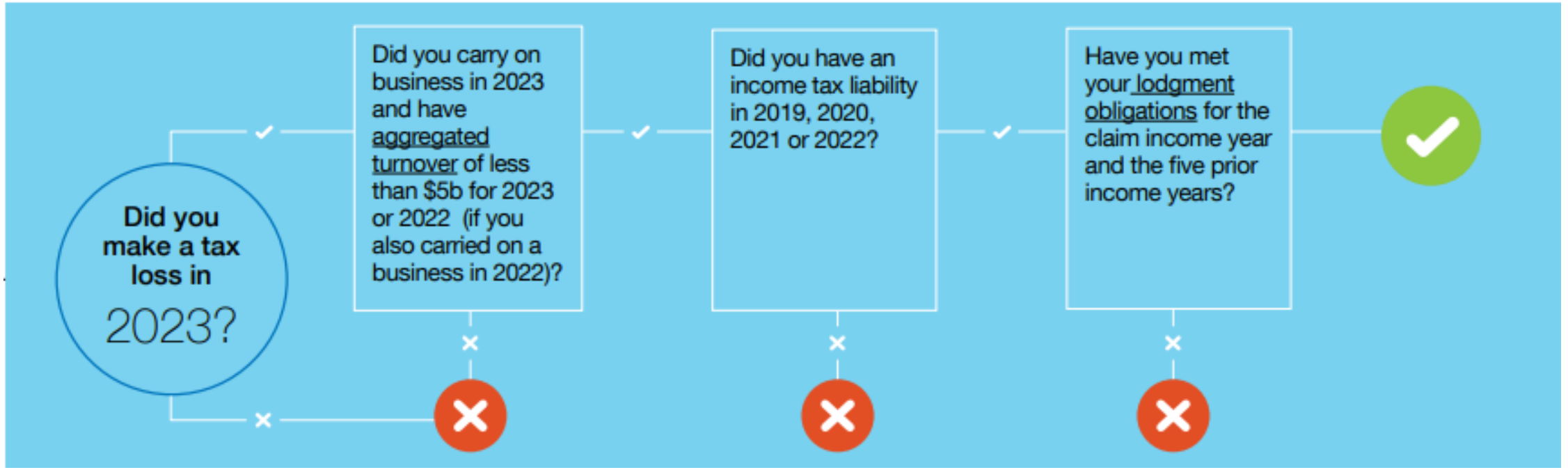
- Company will convert this refundable tax offset into current year loss
- This converted loss **aggregated with CY loss** ($30,000 + X)
- Excess franking tax offset show in CTR 8H ($4,000)



Loss carry back tax offset

- **Condition**
  - Should be a Company, Limited Partnership & Public trading trust
  - Small business entity in the year of loss or would have been a small business entity if aggregated turnover threshold was $5 billion
- Made tax losses in the 2019–20, 2020–21, 2021–22 or 2022–23 income years
- had an income tax liability for the 2018–19, 2019–20, 2020–21 or 2021–22 income years
- Filed TR
- Use ATO calculator
- Refundable tax offset

Loss carry back tax offset



Loss carry back tax offset

- Limited to surplus in franking account
- Losses can only be used once

Loss carry back tax offset calculation				
Year		Amount	Tax (30%)	
2020-21	Loss incurred	$(100,000.00)	$(30,000.00)	
	Convert to positive amount for comparison		**$ 30,000.00**	**A**
Loss carry back to				
2018-19	Income Tax liability		$ 20,000.00	
2019-20	Income Tax liability		$ 20,000.00	
	Total		**$ 40,000.00**	**B**
	Franking account balance		$ 25,000.00	C
	Loss carry back tax offset (Minimum of A / B / C)		**$ 25,000.00**	

T1 - Seniors and pensioners tax offset (SAPTO)

- Non-Refundable offset
- **Condition 1**

A. Income in L6

- an Australian Government pension or allowance from Centrelink
- a pension, allowance or benefit from the Department of Veterans' Affairs (DVA)

or

B. If no Income in L6

- Met Centrelink pension age / Veteran pension age (60yr old)
- Eligible but not received pension due to income or assets tests
- Met Residency rules (10yr {5yr continuous}) / Veteran or met any other condition

Age Pension age

Age Pension age is:

- 65 years and 6 months, if you were born between 1 July 1952 and 31 December 1953
- 66 years, if you were born between 1 January 1954 and 30 June 1955
- 66 years and 6 months, if you were born between 1 July 1955 and 31 December 1956
- 67 years, if you were born on or after 1 January 1957.

T1 - Seniors and pensioners tax offset (SAPTO)

- **Condition 2**

  Rebate Income (Taxable income + IT1 + IT2 + D12 + IT5 + IT6)

	Rebate / *Combined Rebate income	Maximum tax offset
Single	Less than $50,119	$2,230
Couple	Less than $83,580*	$1,602 each
Couple lived apart due to illness	Less than $95,198*	$2,040 each

Completing your tax return

1 Use the table below and select all the code letters that applied to you at any time in 2022–23.

Seniors and pensioners tax offset code letters	
You were single, separated or widowed.	A
You and your spouse: • were both eligible for the seniors and pensioners tax offset, and • **had to live apart due to illness** or lived apart because one of you was in a nursing home.	B
Your spouse was not eligible for the seniors and pensioners tax offset, and you and your spouse • **had to live apart due to illness,** or • lived apart because one of you was in a nursing home.	C
You and your spouse: • lived together, and • were both eligible for the seniors and pensioners tax offset.	D
You and your spouse: • lived together, and • your spouse was not eligible for the seniors and pensioners tax offset.	E

2 Print your code letter in the **TAX OFFSET CODE** box at item **T1** – label **N**.

3

Are you or your spouse a veteran, war widow or war widower?

No Go to step 4.

Yes Select the veteran code letter that applies to you.

Veteran code letters	
You were a veteran, war widow or war widower.	V
Your spouse was a veteran, war widow or war widower.	W
Both codes **V** and **W** applied to you.	X

Print the code letter in the **VETERAN CODE** box at item **T1** – label **Y**.

4 You must read **Income tests** on pages 58–63 and complete all Income tests items.

5 If you had a spouse during 2022–23 you must complete **Spouse details – married or de facto** on pages 8–9 of your tax return.

Tax offsets

T1 Seniors and pensioners (includes self-funded retirees)

N TAX OFFSET CODE

If you had a spouse during 2022–23 you must also complete **Spouse details – married or de facto** on pages 8–9.

The ATO will work out this tax offset amount. Print your code letter in the **TAX OFFSET CODE** box.

Y VETERAN CODE

T2 Australian superannuation income stream

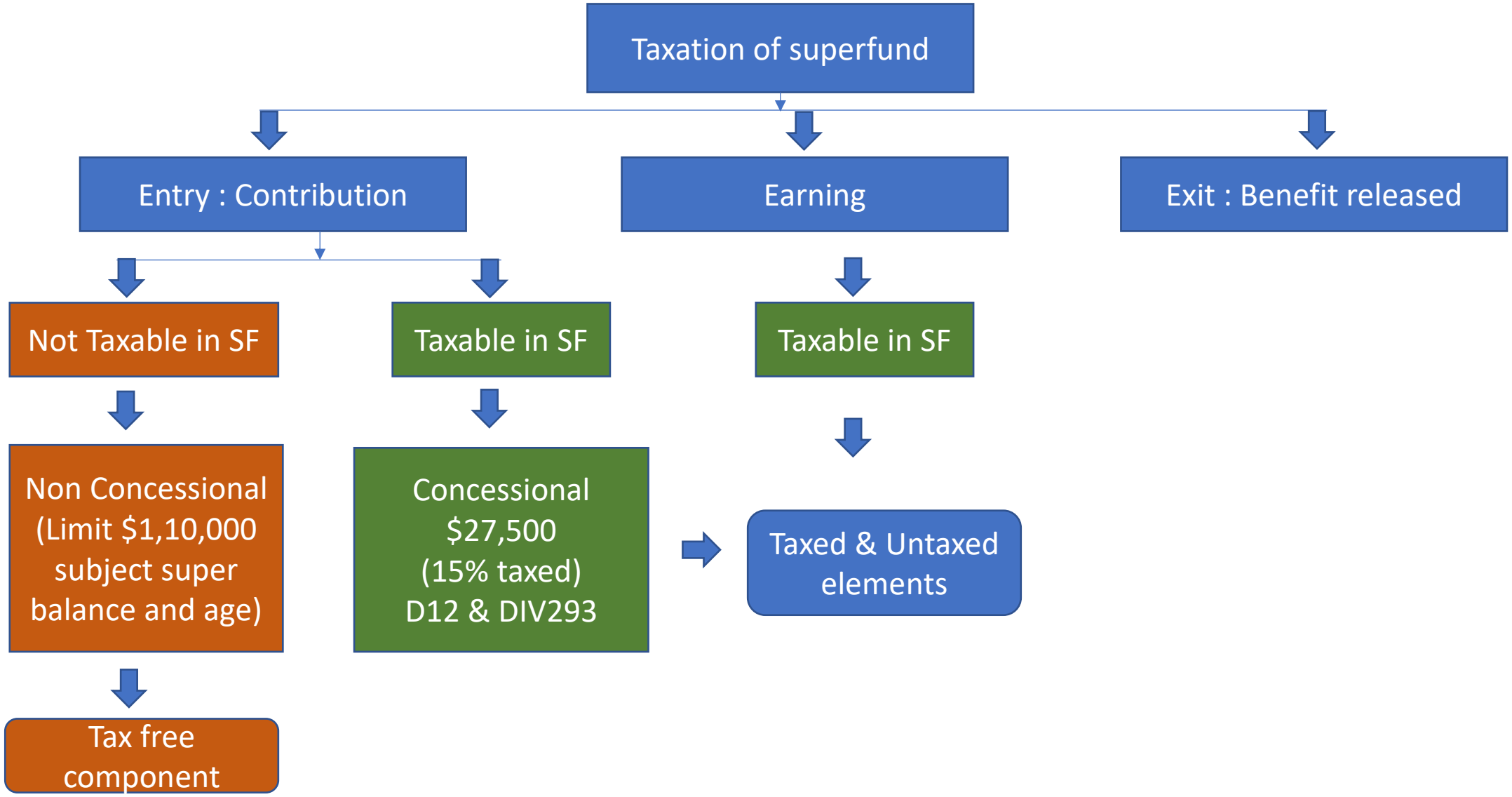
S $,

T If you completed the ***Tax return for individuals (supplementary section) 2023***, write here the amount from TOTAL SUPPLEMENT TAX OFFSETS on page 16. $,

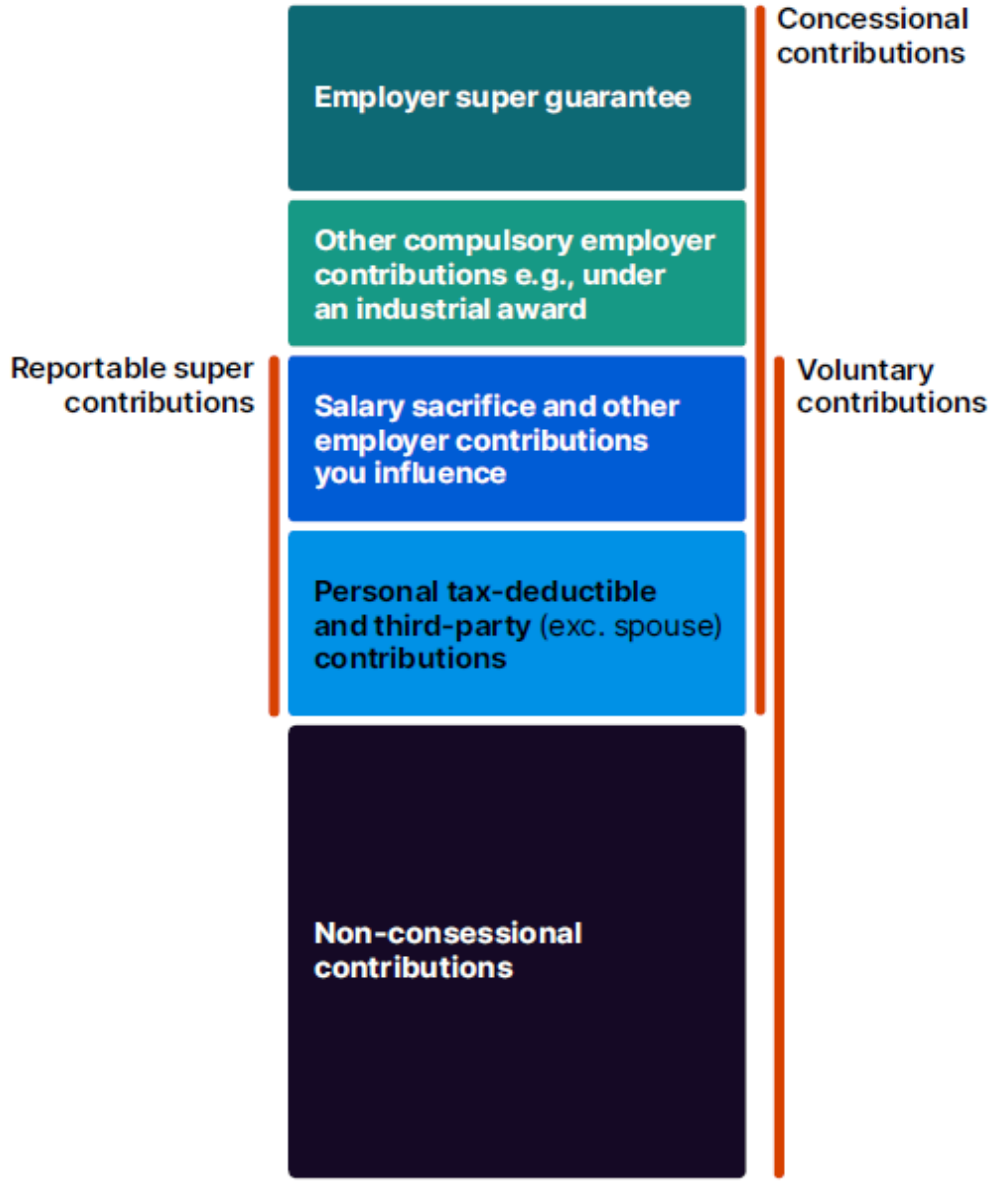
TOTAL TAX OFFSETS Add up all the tax offset amounts at items **T2** and **T**. U $,

T2 – Australian superannuation income stream

- Series of regular payments from your super fund (L7)
- Eligible for tax offset
  - 15% of the taxed element
  - 10% of the untaxed element (Max $10,625)
- No tax offset For taxed element – receiving before Preservation age except death / disability
- No tax offset For untaxed element - receiving before 60yr except death + died after turned 60yr


Taxation of superfund
Entry : Contribution
Earning
Exit : Benefit released
Not Taxable in SF
Taxable in SF
Taxable in SF
Non Concessional (Limit $1,10,000 subject super balance and age)
Concessional $27,500 (15% taxed) D12 & DIV293
Taxed & Untaxed elements
Tax free component

Main categories of superannuation contributions



T2 – Australian superannuation income stream

Offset in PAYG Pay., Sum.,

	Member >= 60	Member at preservation age but < 60	Member < preservation age
Taxed element	Tax-free	Marginal rates less 15% offset	Marginal rates
Untaxed element	Marginal rates less 10% offset	Marginal rates	Marginal rates

Subject to capped defined benefit separate calculation

Marginal rate means slab rate
Member means Individual / Beneficiary of deceased

2022-23 PAYG PAYMENT SUMMARIES as at 15 August 2023

Type of payment summary: Australian annuities and superannuation income stream (AASIS) (Original)

Aged over 60 do not include in tax return - not assessable

Available for pre-filling: 15/08/2023

ABN: [redacted]

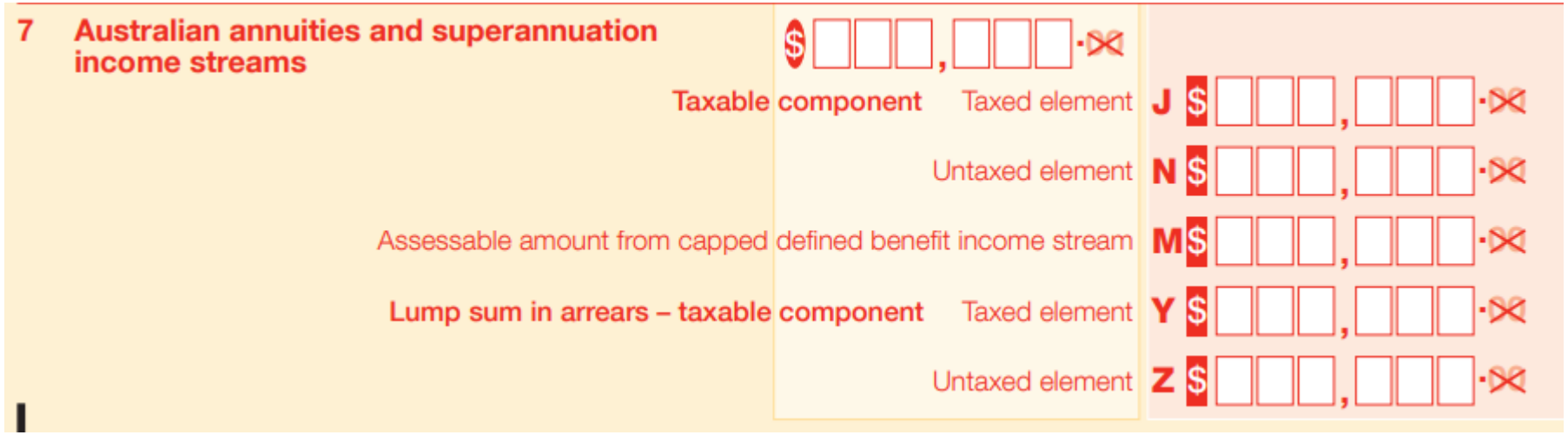
Payer's name: [redacted]

Period from: 01/07/2022

Period to: 30/06/2023

- Your client is aged 60 years or over. The taxed element amounts are non-assessable, non-exempt income. Your client does not have to declare this income in their tax return. However, if your client is receiving amounts from a capped defined benefit income stream, they may need to include amounts in their tax return. AASIS data is provided to assist you in determining any amounts that need to be included.

Description	Type	Tax withheld	Income	Label
Total tax withheld		$0.00		7
Tax free component			$2,556.00	
Taxable component - taxed element			$8,722.00	
Reversionary income stream indicator	No			



Did you show an amount at M item 7 'Assessable amount from capped defined benefit income stream'?

Yes	You are not entitled to a tax offset on the untaxed element that relates to the amount shown at **M** item **7**. However, you may be entitled to a tax offset on another amount. Read on.
No	Read on.

Worksheet 1

Row	Tax offset Calculation		Amount		
a	Defined benefit income cap (from question **7**)	$	10000	10000
b	Your total taxed element and tax-free components	$	5000	11000
c	If **b** is greater than **a** then you are not entitled to an offset on your untaxed element. Write **0** at **f** and then go to **g**. Where **b** is less than **a** then subtract **b** from **a**.	$	5000	0
d	Your total untaxed element	$	6000	6000
e	Write the lesser of **c** and **d**.	$	5000	6000
f	Multiply **e** by 10%.	$	500	600
g	Tax offsets shown on your pay., sum. for Member at preservation age but < 60	$	1000	1000
h	Add together **f** and **g**. This is your tax offset. Show in S at T2	$	1500	1600

PAYG payment summary – superannuation income stream

Death benefit (Reversionary income stream)

Is the payee under 60 years of age and a death benefits dependant, where the deceased died at 60 years or over? Yes ☐ No ☐

ATO original

Section B: **Payment details**

Period during which payments were made Day Month Year to Day Month Year

TOTAL TAX WITHHELD $

Taxable component

Taxed element $ 10,000

Untaxed element $ 10,000

Tax-free component $

Tax offset amount $ 3,589

Lump sum in arrears – taxable component

Taxed element $

Untaxed element $

Lump sum in arrears – tax-free component $

Only relating to Taxed element Member at preservation age but < 60

Tax offsets

T1 Seniors and pensioners (includes self-funded retirees)

N TAX OFFSET CODE

If you had a spouse during 2022–23 you must also complete **Spouse details – married or de facto** on pages 8–9.

The ATO will work out this tax offset amount. Print your code letter in the **TAX OFFSET CODE** box.

Y VETERAN CODE

T2 Australian superannuation income stream

S $,

T If you completed the ***Tax return for individuals (supplementary section) 2023***, write here the amount from TOTAL SUPPLEMENT TAX OFFSETS on page 16. $,

TOTAL TAX OFFSETS Add up all the tax offset amounts at items **T2** and **T**. U $,

Tax offsets

Tax offsets – do not show cents

T3 **Superannuation contributions on behalf of your spouse**
Contributions paid $,,.00
You must also complete **Spouse details – married or de facto** on pages 8–9 of your tax return.
A $,,.00

T4 **Zone or overseas forces**
R $,,.00

T5 **Invalid and invalid carer**
B $,,.00

T6 **Landcare and water facility**
Landcare and water facility tax offset brought forward from earlier years **T** $,,.00

T7 **Early stage venture capital limited partnership**
Current year tax offset **K** $,,.00
Tax offset carried forward from previous year **M** $,,.00

T8 **Early stage investor**
Current year tax offset **L** $,,.00
Tax offset carried forward from previous year **O** $,,.00

T9 **Other refundable tax offsets**
P $,,.00 CODE

TOTAL SUPPLEMENT TAX OFFSETS
Add up all the tax offset amounts at items **T3** to **T9**. $,,.00
Transfer this amount to page 5 of your tax return at **T**

T3 – Superannuation contributions on behalf of your spouse

- Contribution to complying super fund or retirement savings account
- No deduction claimed in D12
- Spouse's Taxable + IT1 + IT2 income does not exceed $40,000
- Spouse's total super balance should not > 1.9 Million as at 30.06.2023
- Spouse's non-concessional contribution should not exceed limit ($110K)
- Maximum tax offset $540 ($3000 * 18%)

T3 – Superannuation contributions on behalf of your spouse

Spouse Super Offset Formula (from 1 July 2017 and later years)

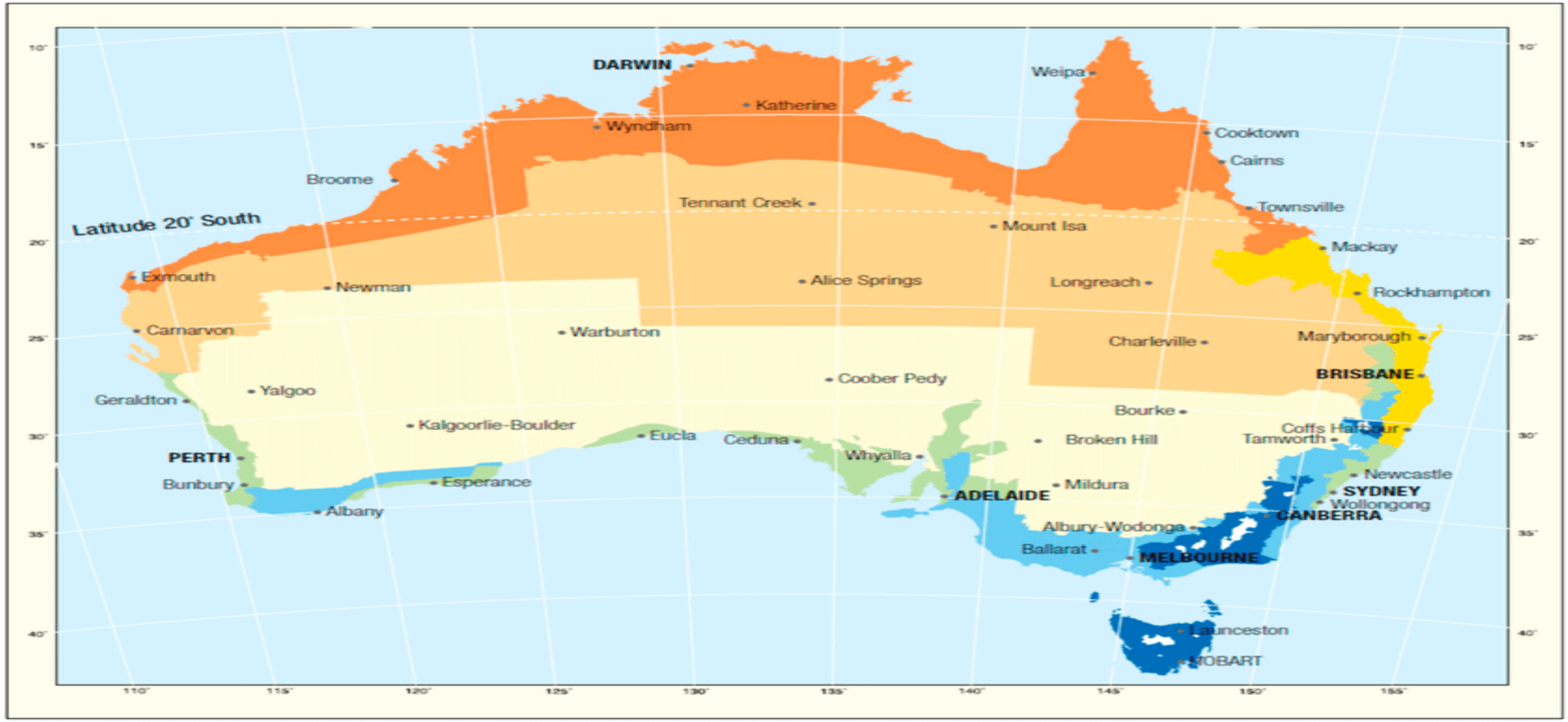
Spouse's Income* "SI"	**Maximum Rebatable Super Contributions "MRC"**	**Maximum Offset**
Up to $37,000	$3,000	18% x $3,000 = $540
$37,000 to $39,999	$3,000 – (SI – $37,000)	MRC x 18%
$40,000 and over	Nil	Nil

*Spouse' income = Spouse's Taxable + IT1 + IT2 income

T4 - Zone and overseas forces tax offsets

Zone tax offset

- As a compensation for difficult climate / Isolation / higher cost of living
- Taxpayer residing in isolated areas
  - Usual place of residence in the zone > half the tax year (>183 day)
  - Excludes fly in, fly out (FIFO) employees
  - ZONE A (worst affected area)
  - ZONE B (less badly affected area)
  - Non Refundable tax offset



ZONE	DESCRIPTION
1	High humid summer, warm winter
2	Warm humid summer, mild winter
3	Hot dry summer, warm winter
4	Hot dry summer, cool winter
5	Warm temperate
6	Mild temperate
7	Cool temperate
8	Alpine

T4 - Zone and overseas forces tax offsets

Overseas forces tax offsets

- Non Refundable tax offset
- Member of Australian Defense Force / a United Nations armed force
- You serve in a specified overseas locality
- Full tax offset if served 183 days or more
- Part tax offset if served < 183 days
- Use ATO calculator to calculate offset

T5 – Dependent invalid and carer offset (DICTO)

- Non Refundable tax offset
- Maintaining one or more dependents who are genuinely unable to work due to invalidity or carer obligations
- Such dependent should be as family member and 16 old or older
- Must be in receipts of support pension / allowance from government
- Family ATI <= $104,432, use ATO calculator to calculate offset

T6 – Landcare and water facility Offset

- Non Refundable tax offset
- For primary producers only
- Refer NOA or amended NOA for excess unused or offset
- This brought forward amount needs to be mentioned in T6

T7 – Early stage venture capital limited partnership (ESVCLP) Tax Offset

- Structured as Limited partnership
- General partner – fund manager. Limited partner – Investor.
- Makes equity investments (EVCI) in eligible Australian start-up and growth companies
- Maximum Tax offset 10% on contribution made (ref Distribution St.)
- Non Refundable but carried forward offset
- Income & Capital gain on disposal of EVCI not subject to tax for Australian resident or resident of country that has DTA with Australia
- Details of Exempt income & Tax offset mentioned in partnership distribution statement

BLUECHILLI VENTURE FUND
Partnership Statement

artesian

Year ended: **30-Jun-2023**

Limited Partner Details: [redacted]

TFN
Provided

SHARE OF PARTNERSHIP NET ASSETS	Capital Account	Income Account	Total
Opening balance as at 1 July 2022	148,451	14,081	162,532
Capital Contributions	-	-	-
Distributions paid	-	-	-
Share of income for the year	-	(31,125)	(31,125)
Closing balance as at 30 June 2023	148,451	(17,044)	131,407

TAX STATEMENT	
Share of taxable income	
Net Income	23
Total taxable income	23
Share of tax exempt income	
Income/(losses) - tax exempt per section 51-52 of the *Income Tax Assessment Act, 1997*	(3,423)
Gains/(losses) (unrealised) - tax exempt per section 51-54 of the *Income Tax Assessment Act, 1997*	(27,725)
Total taxable exempt income [1]	(31,148)
Total share of income for the financial year	**(31,125)**

T8 – Early stage investor (Angel Investor)

- Condition
  - New share purchase
  - In a qualifying Early Stage Innovation Company (ESIC) from 1.07.2016
- Tax offset is 20% on eligible investment
- Eligibility use ATO tool to determine
- Sophisticated investor Max tax offset $2,00,000 others $50,000 (including affiliates).
- Non Refundable but carried forward offset
- Capital gain or loss may be disregarded held >= 12months & < 10years
- Investor Vs Venture Capitalist

In Company TR

22 Early stage venture capital limited partnership tax offset

Current year tax offset **L** $,,,.

Tax offset carried forward from a previous year **P** $,,,.

(include these amounts in the calculation statement at label **D** – Non-refundable carry forward tax offsets)

23 Early stage investor tax offset

Current year tax offset **M** $,,,.

Tax offset carried forward from a previous year **R** $,,,.

(include these amounts in the calculation statement at label **D** – Non-refundable carry forward tax offsets)

T9 – Other Offsets

- Exploration Credits received from trust or partnership
- Refundable tax offset for Individual & SMSF
- For individuals claim in T9
- For company claim in Franking account as Franking credit and pass on
- For Trust or Partnership – show in distribution statement and pass on
- For SMSF claim in TR as offset

Other super tax offset

Low income super tax offset

- Eligibility income $37,000 or less
- Maximum offset $500
- No disclosure in TR
- ATO will calculate offset and make payment to superfund directly

Veterans' super (invalidity pension) tax offset

- a non-refundable tax offset
- This tax offset ensures veterans and their beneficiaries don't pay more tax because of the Douglas court decision.
- It applies from the 2007–08 income year.
- No disclosure in TR, ATO will calculate and consider offset in NOA

Notice of assessment - year ended 30 June 2021

Income Tax Assessment Act 1936 and *Income Tax Assessment Act 1997*

Description	Debits $	Credits $
Your taxable income is ***$602,179***		
Tax on your taxable or net income	**241,647.55**	
Less **non-refundable tax offsets**		
Excess concessional contributions tax offset		809.84
Assessed tax payable $240,837.71 DR		
Plus other liabilities		
Medicare levy	12,043.58	
Less tax offset refunds	0.00	
Less Pay as you go (PAYG) credits and other entitlements		
PAYG withholding (eg tax deducted by your employer or bank)		251,848.00
Result of this notice	**1,033.25 DR**	

Total superannuation balance at 30 June 2020
$223,697.62

Visit total superannuation balance to learn more.

Financial year

2020-21

Current as at **11 February 2024**

Excess concessional contributions Cap exceeded

$5,398.98

More tax may be due if further concessional contributions are made.
There are excess concessional contributions of **$5,398.98**. This will be counted as non-concessional contributions if not released.

Description	Amount
Annual concessional contributions cap	$25,000.00
Concessional contributions	$35,665.40
Unused carry-forward concessional contributions applied from previous year(s)	$5,266.42
Excess concessional contributions	**$5,398.98**

Hide details

5,398.98 * 15% = 809.84

Small business income tax offset

- Maximum offset is $1,000 per year
- **Eligibility**
  - small business (aggregated turnover of less than $5 million)
    - as a sole trader
    - share of net small business income from a partnership or trust.

Income year	Aggregated turnover threshold	Rate of offset	Maximum offset
2015–16	$2m	5%	$1,000
2016–17 to 2019–20	$5m	8%	$1,000
2020–21	$5m	13%	$1,000
2021–22 and onwards	$5m	16%	$1,000

Working out your offset

- Maximum offset limit is $1,000

$$\frac{\text{Your total net small business income for the income year}}{\text{Your taxable income for the income year}} \times \text{Your basic income tax liability for the income year}$$

- Net small business income =$ 5,000
- Taxable income = $10,000
- Income tax liability = $ 3,000
- Small Business tax offset calculation = 5000/10000 * 3000
- Small business tax offset amount = $1,500 but max $1,000