Income Label 22 – 24

Index

22. Life insurance companies and friendly society bonuses

23. Forestry managed investment scheme income

24. Other income

22 Life insurance companies and friendly society bonuses 2024

- Both Insurance Bonds (IBs) and Friendly Society Bonds (FSBs) are investments made with a single payment and have a nominal ten-year term although the term may continue past ten years.
- Investment earnings accumulate within the bond on a regular basis and can accessed **without further tax liability after ten years.**
- Bonds are most suitable for accumulating money but **not for providing regular income payments.**
- Beneficiaries may be nominated indicating the proportion of the asset they are to receive. In the **event of the death of the owner the proceeds of the bond are paid, free of further tax**, to the nominated beneficiaries, by-passing the deceased estate and the risk of this distribution being contested.
- IBs are provided by Life Insurance companies while FSBs are provided by Friendly Societies. Life Insurance companies and Friendly Societies are regulated by the Australian Prudential Regulation Authority (APRA) and by the Australian Securities and Investments Commission (ASIC).
- Medium to long-term investments which accumulate earnings
- Earnings are not included in the investor’s tax return unless received within ten years. In these cases, a tax offset applies.

When withdrawn:	Income & Tax Offset
In the first 8 years:	All earnings taxable,less tax offset.
In the 9th year:	2/3rds of earnings taxable, less tax offset.
In the 10th year:	1/3rd of earnings taxable, less tax offset.
After 10 years:	No tax due, no tax offset.
Death:	Free of further tax to estate/ beneficiaries

Taxation Point of View

- Insurance and friendly society bonds are often sold as “tax free” investments.
- **Tax is actually paid by the company**/society each year before earnings are added to the account.
- Earnings, including any capital gains realized on the underlying investments are taxed at a maximum rate of 30% in the fund’s hands.
- Imputation credits received effectively reduce the tax liability.
- Personal income tax is due upon withdrawal only. The tax due depends on the investor’s marginal tax rate, applicable tax offsets, tax paid by the fund on the bond earnings and the timing of the withdrawals shown in the side.

23 Forestry managed investment scheme income 2024

- A forestry interest in a forestry managed investment scheme (FMIS) is a right to benefits produced by the scheme (whether the right is actual, prospective or contingent and whether it is enforceable or not).
- Forestry Managed Investment Schemes (FMIS) offer a unique investment opportunity, allowing individuals to invest in the establishment and management of forestry plantations.

Types of Participants

In an FMIS, there are two types of participants:

1. **Initial Participants**: These are individuals who obtained their forestry interest directly from the forestry manager, and their payment resulted in the establishment of trees.
2. **Subsequent Participants**: These are individuals who acquired their forestry interest through means other than direct acquisition from the forestry manager.



Example:

Julian is a subsequent participant in an FMIS. He sells his forestry interest at the market value of $20,000. The sale of his forestry interest is a CGT event. His original cost base is $14,000.

In the time that Julian held his forestry interest, he claimed $4,000 in deductions (his 'total forestry scheme deductions') for lease fees, annual management fees and the cost of felling that he paid to the forestry manager. In the same period, Julian received $1,500 from thinning proceeds (his 'incidental forestry scheme receipts').

Julian writes **$2,500** (that is, $4,000 – $1,500) at question **23** – label **A**, because this amount is less than the market value of his forestry interest ($20,000) at the time of the CGT event.

CGT notes:

Julian will take the amount included at question **23** – label **A** into account when working out the amount to include in his question **18 Net capital gain**.

The capital gain would be $3,500, that is, capital proceeds of $20,000 less cost base of $16,500 (made up of $14,000 plus $2,500 that was included in assessable income).

24 Other income 2024

Income to be declared in Label 24 of individual tax returns;

- Incomes not declared in any other labels (1-23)
- Reimbursement, Bonus, prize money,
- Any Allowances – Other than the income updated in Label 2
- Educational awards, grants
- Jury Attendance Fees
- Foreign exchange gains

➢ Other Income also includes Income from activities as a special professional ,

- you were an Australian resident
- you were a special professional,
- your taxable professional income was more than $2,500 in the first year that this concession applied.

Income from activities as a special professional

A special professional is an author of a literary, dramatic, musical or artistic work, an inventor, a performing artist, a production associate or an active sportsperson. As a special professional, you may be entitled to a concessional rate of tax where your taxable income includes certain amounts of professional income which, when added to your other income, moves you into a higher tax bracket.

- You are entitled to this concession in 2023–24 if:
- you were an Australian resident
- you were a special professional, and
- your taxable professional income was more than $2,500 in the first year that this concession applied.