Income you must declare

Work out which income you need to declare in your tax return, such as employment, government and investment income.

Employment income

Income from working such as wages, allowances, lump sum payments, cash and tips, reportable fringe benefits and super.

Foreign and worldwide income

Check if you need to declare foreign income and pay tax, the tax you pay depends on your residency for tax purposes.

Government payments and allowances

When to declare taxable and tax-free government payments, pensions and allowances in your tax return.

Investment income

Work out which investment income you must declare, such as interest, dividends, rental income or other capital gains.

Superannuation pensions and annuities

Find out about declaring income in your tax return from

Business partnership and trust income

How to declare income you earn as a sole trader, as a partner in a partnership or from a trust.

Compensation and insurance payments

Check if you need to declare and pay tax on compensation and insurance payments, including settlements.

Scholarships prizes and awards

What to declare in your tax return and tax you pay on scholarships, prizes and awards.

Your income if you are under 18 years old

If you're under 18 years old (a minor), special rules apply to income you earn and you may pay tax at a higher rate.

Taxable assessable and exempt income

Income you receive may be taxable, assessable, exempt, or non-assessable non-exempt – find out if you need to report it.

Amounts you do not include as income

Amounts that you earn or receive that you don't need to declare as income.

QC 102697

Employment income

Income from working such as wages, allowances, lump sum payments, cash and tips, reportable fringe benefits and super.

Last updated 25 June 2024

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Salary and wages

The most common type of employment income is salary and wages, whether you have one job or more, and whether you work full time, part time or casual. This income may be cash-in-hand, paid directly into your bank account or paid in another way.

Salary and wage payments you need to declare in your tax return include:

- your normal weekly, fortnightly or monthly pay
- commissions
- bonuses, including retention bonuses to remain with your employer
- money for part-time or casual work
- parental leave pay
- dad-and-partner pay
- payments from
  - an income protection insurance policy
  - a sickness or accident insurance policy

  - a workers compensation scheme

- pay and allowances for continuous full-time service in the Australian Naval, Army or Air Force Reserve (but you may not have to declare salary and allowances while deployed overseas)
- income you receive in connection with a joint space and defence project – unless exempt from Australian income tax
- foreign employment income – unless exempt from Australian income tax.

If you are an employee of an Australian Government agency (and not a member of a disciplined force), include income you earn from delivering Australian official development assistance.

Allowances and other work-related income

You may receive allowances or other payments in connection with your employment that you need to declare in your tax return. These payments may include:

- allowances, including travel and overtime meal allowances
- cash tips, gratuities and payments for your services
- consultation fees and payments for voluntary services
- jury attendance fees
- income for providing personal services outside of employment or in a non-business capacity (for example, income from working in the sharing economy).

Lump sum payments

A lump sum payment is a one-time payment that is taxed and reported differently to your salary and wage income. You include lump sum payments as assessable income in your tax return in the income year you receive the payment.

You may receive a lump sum payment:

- when you leave a job, such as

  - an employment termination payment (ETP)
  - a genuine redundancy payment
  - an approved early retirement scheme payment that exceeds the tax-free limit
- for unused annual leave, long service leave or special leave you are entitled to when you leave a job
- in arrears (known as back pay or lump sum payments in arrears) for money your employer owes you from an earlier income year.

If you receive a lump sum payment in arrears, you don't need to amend prior year tax returns. There are tax offsets for lump sum payments in arrears, which prevent you paying too much tax in the year you receive the payment.

Reportable fringe benefits and super contributions

You need to declare:

- reportable fringe benefits you receive from your employer (such as, a work car for private purposes, a cheap loan or free private health insurance)
- reportable super contributions made on your behalf by your employer.

You don't have to pay tax on these amounts. We use these amounts to work out whether you are eligible to receive certain government benefits and tax offsets.

Employment allowances

Types of employment allowances, how and when to treat them as income, and how they affect claiming a deduction.

QC 72088

Employment allowances

Types of employment allowances, how and when to treat them as income, and how they affect claiming a deduction.

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What is an allowance?

An allowance is a separate amount your employer pays you in addition to your salary and wages. It's an estimate of costs you might incur for expenses, or compensation for certain conditions of your employment.

An allowance is different to a reimbursement. A reimbursement is an amount your employer pays you for the actual expenses you incur.

If your employer pays you:

- An amount based on an estimate of what you might spend, such as paying cents per kilometre if you use your car for work, then it's an allowance. In this instance, you may or may not spend the exact amount your employer pays you.
- For the actual amount of the expense (either before or after you incur the expense), such as paying for the petrol you use when you use your car for work, it's a reimbursement.

If you receive an allowance from the Australian Government, see Government payments and allowances.

Types of allowances

Your employer may pay you an allowance that provides:

- for expenses you have that are not deductible, such as meals and snacks during your normal working hours. Specific examples include
  - part-day travel allowance
  - meal allowance (that are not award overtime meal allowances)
- for certain work-related expenses, such as using your car to travel between workplaces or buying and laundering work-specific clothing. Specific examples include
  - tool and equipment allowance
  - motor vehicle or car allowance
  - transport expenses allowance
  - uniform allowance
- compensation for your working conditions or industry peculiarities, such as working at heights or in dangerous, hot or cold conditions. Specific examples include
  - remote area allowance
  - cold temperature allowance
  - irregular working hours or broken shift allowance
- recognition of special duties, skills or qualifications, such as holding a first aid certification, leading a department or being on call. Specific examples include
  - on-call allowance
  - leading hand allowance
  - health and safety representative allowance.

When to include an allowance as income

If your employer reports your allowance on your annual income statement, you must include it as income in your tax return.

Your employer may also pay you allowances that they only report on your payslip (not your annual income statement). This can occur when they pay you a travel allowance or certain overtime meal allowance.

Special rules apply to these allowances, see Allowance on payslip not on annual income statement.

Allowances and claiming a deduction

There is no automatic deduction for receiving an allowance from your employer.

If you can claim a deduction, the amount you claim is the deductible work-related expenses you actually incur, which is usually not the same amount as the allowance you receive.

Allowance on income statement

Where the allowance is reported on your annual income statement, you:

- must include the allowance as income in your tax return
- can claim a deduction for the amount you spent on deductible work-related expenses covered by the allowance
- must keep records of your expenses (unless a record keeping exception applies).

Allowance on payslip not on annual income statement

Different rules apply to the following allowances if your employer has not reported them on your annual income statement:

- a travel allowance to cover expenses you may incur when you travel away from home to perform your employment duties
- an overtime meal allowance paid under an industrial law, award or enterprise agreement.

If your employer doesn't report the allowance on your annual income statement, and you:

- spent the whole allowance amount on deductible expenses, then you
  - don't include it as income in your tax return
  - **can't** claim any deductions for the expenses you incur

- spent more than your allowance amount on deductible expenses, then you can
  - include the allowance as income in your tax return
  - claim a deduction for the expenses you incur.

If you can claim a deduction, you must also keep records of your expenses, unless a record keeping exception applies.

QC 72089

Government payments and allowances

When to declare taxable and tax-free government payments, pensions and allowances in your tax return.

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What are government payments, pensions and allowances?

Australian Government payments, pensions and allowances are income amounts that you receive from a government agency. Commonly these payments are from Services Australia or the Department of Veteran's affairs (DVA).

Depending on the payment type you receive, these payments might be either:

- taxable – meaning you pay tax on the amounts and must declare the income in your tax return
- tax-free – meaning you don't pay tax on the amounts, but you may need to declare them in your tax return so we can work out your eligibility for tax offsets and other benefits.

If you are unsure of the type of payment you receive, contact the government agency to check.

If you lodge your tax return online we pre-fill most of these payments, pensions and allowances in your tax return. You will need to check the pre-fill information and manually include any amounts that have not pre-filled in your tax return.

For instructions on how to complete **government payments, pensions and allowances** in your tax return, see Lodgment options for preparing your tax return.

Taxable pensions, payments and allowances

You must include taxable Australian Government pensions, payments and allowances in your tax return.

Taxable government payments, pensions and allowances include:

- age pension
- carer payment
- Austudy payment
- JobSeeker payment
- Youth allowance
- veteran payment
- invalidity service pension, if you are age-pension age or over
- disability support pension, if you are age-pension age or over
- income support supplement
- parenting payment (partnered)

- disaster recovery allowance.

This is not an exhaustive list, for a full list of Australian Government payments, pensions and allowances, see:

- Australian Government allowances and payments
- Australian Government pensions and allowances.

Tax-free government pensions or benefits

Some Australian Government payments are tax-free but you still need to declare them in your tax return. We use this information to work out if you are eligible for tax offsets and any government benefits or concessions.

Tax-free Australian Government pensions or benefits include:

- carer payment where either:
  - both the carer and the care receiver are under age-pension age
  - the carer is under age-pension age and any of the care receivers has died.
- disability support pension paid by Centrelink, if you are under age-pension age
- invalidity service pension, if the veteran is under age-pension age
- partner service pension where either
  - the partner and the veteran are under the age-pension age and the veteran is receiving an invalidity service pension
  - the partner is under age-pension age, the veteran has died and was receiving an invalidity service pension at the time of death.

This is not an exhaustive list, for a full list of tax-free Australian Government pensions and benefits, see Tax-free government pensions or benefits.

Government payments and stimulus during difficult times

During difficult times such as natural disasters, the federal, state or territory governments may provide support payments or grants.

If you received a payment because you were impacted by a disaster, find out if the payment is taxable and whether to include it in your tax return in Government disaster recovery payments.

QC 72100

Investment income

Work out which investment income you must declare, such as interest, dividends, rental income or other capital gains.

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When to declare investment income

You must declare income you earn from investments and assets in your tax return. Investment income may include amounts from interest, dividends, rental income, managed investment trust credits, crypto assets and capital gains.

You need to declare investment income whether you receive payments directly or through a distribution for a partnership (such as a share club) or trust.

Income from jointly held assets

If you hold assets jointly with another person, it is assumed that income of the asset is divided equally. That is, unless you can show that you hold the asset in unequal proportions.

Interest income

If you're an Australian resident and you receive interest, you must declare it as income. Interest income includes:

- interest you earn from financial institution accounts and term deposits
- interest you earn from any other source including penalty interest you receive on an investment
- interest you earn from children's savings accounts, if you
  - open or operate an account for a child and the funds in the account belong to you
  - spent or use the funds in the account
- interest we pay or credit to you – for example, interest on early payments, interest on overpayments and delayed refunds
- life insurance bonuses (you may be entitled to a tax offset equal to 30% of any bonus amounts you include in your income)
- interest from foreign sources (you can claim a foreign income tax offset for any tax paid on this income).

You must also declare interest we have imposed if it is remitted or recouped and you have claimed (or can claim) a deduction for the interest. You declare these amounts as **other income** in your tax return.

For instructions on how to complete your tax return, see Lodgment options for preparing your tax return.

Term deposits

You must declare interest income in the year it is credited or received. For term deposits this usually means you should declare interest in the year the investment matures.

If you elect to rollover your investment or if the financial institution automatically reinvests the term deposit at maturity, you will need to declare the interest earned as at the rollover or reinvestment date. This is the amount you would have received if the investment was not rolled over or reinvested.

Similarly, you may choose to have the interest from a term deposit, held for more than 12 months, credited to a different account periodically throughout the life of the investment. In this case, the interest is assessable at the dates of payment (which is before the date of maturity). You are taken to have received the amount as soon as it is applied or dealt with in any way on your behalf or as you direct.

Dividends

Dividend payments can be money or other property, including shares. If you receive bonus shares instead of money, the company issuing the shares should give you a statement that shows if the bonus shares are a dividend.

Dividend income may come from a:

- listed investment company
- public trading trust
- corporate unit trust
- corporate limited partnership (in the form of a distribution).

Some dividends have imputation or franking credits attached.

If you receive franking credits on your dividends, you must declare in your tax return both your:

- franked amount
- franking credit.

If a company pays or credits you with dividends that have been franked, you'll generally claim a franking tax offset.

When you sell or dispose of your shares, you need to declare capital gains or losses.

Rental property income

You must declare the full (gross) amount of any rent and rent-related payments that you receive. This includes amounts you receive from overseas properties.

If you receive goods and services instead of rent, you must work out and declare the monetary value.

Payments that relate to your rental property include:

- rent
  - report the gross amount of rent paid by the tenant, not the amount you receive from your managing agent after deducting fees
  - report rent in the income year the tenant pays it, this may be before your managing agent pays it to you
- rental bond, money you retain or keep – for example, because
  - a tenant defaults on the rent
  - of damage to your rental property requiring repairs
- an insurance payout to compensate you for lost rent
- a letting or booking fee
- a reimbursement or recoupment for deductible expenditure, such as an amount from a tenant to cover the cost of repairing damage to your rental property. Include the whole amount you receive from the tenant in your income and you can claim a deduction for the cost of the repairs
- rent you receive through the sharing economy (renting out a room or a whole house or unit on a short-term basis, through a website or app).

When you sell or dispose of your rental property, you need to declare capital gains or losses.

Co-ownership

Only include your share of rental income and expenses in your tax return, if you:

- own a rental property jointly or in common with another person

- have an interest in a partnership that carries on a rental property business.

Managed investment trusts

You must show any income or credits you receive from any trust investment product in your tax return. This includes income or credits from a:

- cash management trust
- money market trust
- mortgage trust
- unit trust
- managed fund – such as a property trust, share trust, equity trust, growth trust, imputation trust or balanced trust.

When you sell or dispose of your managed investment trust units, you need to declare capital gains or losses.

Crypto asset income

You must declare the rewards you receive from staking crypto assets. These are often in the form of additional tokens from holding the original tokens. You need to work out the money value of the additional tokens and convert the amounts into Australian dollars at the time you receive them. Report them at 'other income' in your tax return.

Some crypto projects 'airdrop' new tokens to existing token holders as a way of increasing the supply of tokens. The money value of established tokens you receive by airdrop is income at the time you receive them. You need to convert these amounts into Australian dollars and declare them as **other income**.

For instructions on how to complete **other income** in your tax return, see Lodgment options for preparing your tax return.

When you sell or dispose of a crypto asset, a CGT event happens. At this time, you may make either a capital gain or capital loss that you need to declare in your tax return. If you make a capital gain, you may pay tax on it.

Capital gains

You must declare any capital gains you make when you sell or dispose of capital assets, such as investment property, shares or crypto assets. Generally, your capital gain is the difference between:

- your asset's cost base (what you paid for it)
- your capital proceeds (the amount you receive for it).

You can also make a capital gain if a managed fund or other unit trust distributes a capital gain to you.

We treat capital gains as part of your total income.

Report capital gains and capital losses in your tax return. You can offset any allowable capital losses against your capital gains to work out your net capital gain or loss. You pay tax on a net capital gain. If you have a net capital loss, you can retain the loss to offset capital gains in future years.

QC 72101

Superannuation pensions and annuities

Find out about declaring income in your tax return from superannuation pensions or annuities.

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Super pensions

A super pension is a series of regular payments made as a super income stream. This doesn't include government payments such as the age pension.

You may receive these payments:

- from an Australian super fund, life assurance company or retirement savings account (RSA) provider
- from a fund established for the benefit of Commonwealth, state or territory employees and their dependants, such as
  - the Commonwealth Superannuation Scheme
  - the Public Sector Superannuation Scheme
- as a result of another person's death (death benefit income stream).

Depending on your age and the type of income stream you receive, you may need to declare different items in your tax return. This includes:

- a taxed element – the part of your benefit on which tax has already been paid in the fund
- an untaxed element – the part of your benefit that is still taxable because tax has not been paid in the fund
- a tax-free component – the part of your benefit that is tax-free.

Your *PAYG payment summary – superannuation income stream* from your super fund will show the amount you need to declare in your tax return. We pre-fill the amounts from your payment summary when you prepare and lodge you tax return online.

You may be entitled to an Australian super income stream tax offset. Your *PAYG payment summary – superannuation income stream* may show the amount of tax offset you can receive on your taxed element.

To work out how your super pension will be taxed, you need to know How tax applies to your super.

If you are receiving an income stream, you should check with your superannuation fund to work out if it is a capped defined benefit income stream.

Annuities

An annuity is usually a series of regular payments made to you by a life insurance company or friendly society in return for a lump sum payment.

Most annuities have both taxable and tax-free components.

Your assessable income will include your taxable annuity payments when you receive the payment. This includes annuities you receive as a reversionary beneficiary.

A reversionary beneficiary is the person a super fund member nominates to automatically receive an income stream on the death of a member.

Your *PAYG payment summary – individual non-business* will show the annuity amounts you need to declare in your tax return.

QC 72102

Business, partnership and trust income

How to declare income you earn as a sole trader, as a partner in a partnership or from a trust.

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On this page

Income as an individual running a business

If you're an individual running a business (a sole trader), you must declare the income you earn from your business in your individual tax return.

The net income you receive from carrying on a business is assessable income. Business income includes cash and other forms of payment for goods or services you supply.

If you lodge:

- online with myTax, you report your business income by selecting
  - You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund)
  - Business/Sole trader income or loss
- by paper, you will need to complete the business and professional items schedule.

You don't need to lodge a separate tax return for your business.

If you’re an influencer or content creator, or have a side hustle, you may need to work out if you're in business. As a sole trader, you will still declare the income and deductions you earn from this work.

If you are in business as a sole trader, and also earn salary, wages, or other income from employment or commissions as an individual, your total taxable income is:

- your total assessable business income, plus
- the total assessable employment income.

This total income may affect the amount of repayments for income contingent loans like FEE-help, or offset eligibility and amounts.

Income or loss from a partnership

A partnership doesn't pay income tax but is required to lodge a partnership tax return each income year. A partnership carrying on a business distributes its net income or loss to each partner. Each partner includes their share of the net income of the partnership in their assessable income. Where a partnership makes a net loss in an income year, each partner may claim a deduction for their share of the partnership's loss.

Each partner in the partnership must lodge their individual tax return to declare their share of the partnership's net income or loss. The partner needs to do this whether or not they actually receive their share of the net income or loss.

However, a partnership must lodge a partnership tax return to report its:

- income
- deductions
- distribution of net income or net loss to the partners.

For capital gains tax (CGT) purposes, each partner owns a proportion of each CGT asset in the partnership.

If there is a CGT event (such as selling an asset), the individual partners calculate a capital gain or capital loss on their share of the asset.

If you lodge:

- online with myTax, you report your share of the partnership's income or loss by selecting
  - You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund)
  - Partnerships
- by paper, you will need to complete the supplementary tax return.

Income from a trust

If you're a beneficiary of a trust, you declare trust income to which you're entitled in your individual tax return. You need to do this even if you didn't actually receive your share of the net income from the trust.

However, you don't need to declare a trust distribution if family trust distribution tax has already been paid.

If you lodge:

- online with myTax, you report your share of the trust's income by selecting
  - You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund)
  - Trusts
- by paper, you will need to complete the supplementary tax return.

The trustee must lodge a trust tax return to report for the trust, but the trust itself generally doesn't pay income tax. However, the trustee may be required to pay income tax in some circumstances, such as if it has non-resident beneficiaries.

Tax on trust distributions to non-resident beneficiaries

Tax on trust distributions to non-resident beneficiaries, including trustee beneficiaries in a chain of trusts.

QC 72103

Tax on trust distributions to non-resident beneficiaries

Tax on trust distributions to non-resident beneficiaries, including trustee beneficiaries in a chain of trusts.

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How a trust distribution to a non-resident beneficiary is taxed

Generally, the net income of a trust is taxed to beneficiaries of the trust under section 97 of the *Income Tax Assessment Act 1936* (ITAA 1936).

However, if the beneficiary is a non-resident at the end of an income year, the trustee (rather than the beneficiary) is taxed on the beneficiary's share of the trust's net income (subsection 98(3) of the ITAA 1936).

This is to assist in the collection of Australian tax on the income.

Tax assessed to a trustee in relation to a non-resident beneficiary is generally not a final tax. When the non-resident beneficiary prepares their Australian tax return, they can claim a credit for the tax paid by the trustee (under subsection 98A(2)).

These rules generally don't apply to trustees of Australian managed investment trusts or Australian trustee intermediaries, (to the extent their income is managed investment trust income). Instead, these trusts are required to withhold from distributions to non-resident beneficiaries under Subdivision 12-H of the *Tax Administration Act 1953*.

Rate of tax

If the non-resident beneficiary is:

- an individual who is not a trustee – the trustee pays tax at [marginal tax rates]
- a company that is not a trustee – the trustee pays tax at the [full company or base rate entity rate].

Special rules for specific types of income

There are special rules for particular amounts included in net income:

- Dividends, interest and royalties
- Distributions declared to be conduit foreign income
- Capital gains

Dividends, interest and royalties

Income taxed under the withholding tax rules, or specifically excluded from those rules (for example, franked dividends), is not taxed again to the trustee under section 98 or to a beneficiary.

A beneficiary is liable, under the withholding rules in Division 11A of Part III of the ITAA 1936, for tax on Australian dividends, interest and royalties to which they are presently entitled while a non-resident. The withholding tax is collected from the trustee under the pay as you go withholding rules in the *Taxation Administration Act 1953*.

If a non-resident beneficiary is taken by Division 11A of Part III to be presently entitled to a franked distribution received by a trust, the franking credits attached to that distribution are not taxed to the trustee, do not reduce the tax payable of either the trustee or beneficiary, and are not refundable.

Distributions declared to be conduit foreign income

Under section 802-17 of the *Income Tax Assessment Act 1997* (ITAA 1997), distributions declared to be conduit foreign income are able to flow through trusts to non-resident beneficiaries, free of Australian tax.

If an Australian company makes an unfranked frankable distribution to a trustee, and declares that the distribution is conduit foreign income, then:

- the trustee is not liable to pay tax on a non-resident beneficiary's share of the net income of the trust that is reasonably attributable to all or part of that distribution (the non-resident beneficiary must be presently entitled to that share of the trust income)
- a non-resident beneficiary is not assessed on their share of the net income of the trust that is reasonably attributable to the distribution.

Capital gains

If the amount on which a trustee is assessed in relation to a non-resident trustee or company beneficiary includes a discount capital gain, the trustee is assessed as if the discount had not applied to the capital gain (see sections 115-220 and 115-222 of the ITAA 1997).

Trust income of non-resident trustee beneficiaries

The way a trustee is taxed in respect of their non-resident trustee beneficiaries is similar to the way they are assessed for their non-resident company or individual beneficiaries.

A trustee is liable to pay tax (under section 98(4) of the ITAA 1936) for a trustee beneficiary's share of the trust's net income that is attributable to Australian sources, if the trustee beneficiary is a non-resident at the end of the income year.

If the beneficiary trust has more than one trustee, subsection 98(4) will apply as if at least one trustee is a non-resident at that time.

In this situation:

- the trustee beneficiary and any subsequent trustee in the chain of trusts is not taxed again on the amount (under section 98, 99 or 99A) that has already been taxed to the first trustee
- the ultimate individual or company beneficiary may be taxed on the amount that has flowed to them (under section 97, 98A(3) or 100), and they can claim a credit for their share of the tax paid by the first trustee (under section 98B).

If the first trust is a closely held trust it is not required to report, in a trustee beneficiary statement, details of the net income of the trust in respect of which the trustee is assessed under subsection 98(4) or which is reasonably attributable to an amount that has previously been assessed under that provision.

Rate of tax

The trustee pays the top tax rate (which is currently 45% for non-resident individuals) for a non-resident trustee beneficiary.

Trustees and beneficiaries in a chain of trusts

A chain of trusts exists where a trustee of a trust is a beneficiary of another trust.

If the trustee is assessed under subsection 98(4) of the ITAA 1936 in respect of a trustee beneficiary, the trustee beneficiary and any later trustee in the chain of trusts is not assessed again on that amount under section 98, 99 or 99A. However, an amount may be taxed to an ultimate individual or company beneficiary under subsection 97, 98A(3) or 100, and allowed a credit under section 98B.

The following example of a chain of trusts demonstrates the taxation of trust net income for non-resident beneficiaries.

Example: chain of trusts

There is a chain of 3 trusts:

- Trust 1
- Trust 2
- Trust 3.

Trust 1:

- has Australian sourced rental income as its only income
- may have resident or non-resident trustees
- has one beneficiary, which is Trust 2.

Trust 2:

- has a non-resident trustee at the end of the income year
- is not a foreign trust for the purposes of the Foreign Investment Fund provisions in Part XI ITAA 1936.
- is presently entitled to 100% of the income of Trust 1
- has no other income and no allowable deductions
- has 5 beneficiaries, each of which is presently entitled to 20% of the income of that trust and not under a legal disability
  - Individual C, who is non-resident for the full year
  - Company D, which is non-resident for the full year

  - Individual E, who is resident for the full year
  - Company F, which is resident for the full year
  - Trust 3.

Trust 3:

- has a resident trustee at the end of the income year
- has no income other than the income flowing from Trust 1, which can't be reduced by any allowable deductions
- has no presently entitled beneficiary.

Diagramatic view of chain of trusts example.

The information below explains the tax treatment of each of these trusts and beneficiaries.

Tax treatment of first trustee

The trustee of Trust 1 is taxed on Trust 2's share (100%) of Trust 1's net income. This is because Trust 2 has a non-resident trustee (subsection 98(4) of the ITAA 1936).

The tax paid by the trustee of Trust 1 is not a final tax. The ultimate beneficiaries may be able to claim a credit for the tax paid by the trustee of Trust 1.

Tax treatment of other trustees in chain

If the trustee of Trust 1 has been assessed on an amount that is reasonably attributable to the amount assessed under section 98(4) in respect of Trust 2:

- the trustee of Trust 2 is not assessed under section 98 on distributions to their non-resident beneficiaries Individual C or Company D

- the trustee of Trust 3 is not assessed under sections 99 or 99A.

The trustee of Trust 2 is not assessed on distributions to their resident beneficiaries.

Tax treatment of ultimate beneficiaries

An amount (or part of it) that is reasonably attributable to an amount that has been assessed to a trustee under subsection 98(4) may also be assessed to an ultimate individual or company beneficiary.

Provisions for assessing a beneficiary (ITAA 1936)

Beneficiary is	resident at the end of income year	non-resident at the end of income year
presently entitled to trust income and not under a legal disability	97(1)	98A(3)
under a legal disability or deemed to be presently entitled	100(1), 100(1B)	98A(3)

The ultimate individual and company beneficiaries in respect of an amount (or part of it) that has been assessed to the trustee of Trust 1 are:

- non-resident Individual C
- non-resident Company D
- resident Individual E
- resident Company F.

Beneficiaries C and D are assessed under subsection 98A(3) on their share of Trust 2's net income, and section 98B allows them to deduct from their tax payable a portion of the tax paid by the trustee of Trust 1.

Beneficiaries E and F are assessed under section 97 on their share of Trust 2's net income, and section 98B allows them to deduct from their tax payable a portion of the tax paid by the trustee of Trust 1.

When they lodge their Australian tax returns, each of these beneficiaries can deduct, from their tax payable, 20% of the tax paid by the trustee of Trust 1. This is the same as the proportion of the tax paid by the trustee of Trust 1 that is attributable to the amount ultimately assessed to each beneficiary.

If the amount a beneficiary can deduct is more than their tax liability, they are entitled to a refund of the difference (see section 98B).

However, the total amount claimed by all the beneficiaries cannot be more than the total tax paid by the trustee of Trust 1.

An ultimate beneficiary can't claim a deduction for the tax the trustee paid if they don't include an amount in their assessable income that is reasonably attributable to the net income on which the trustee of Trust 1 has paid tax under subsection 98(4). For example, if expenses and losses have been offset against that amount as it flows through the chain of trusts – the beneficiary is not entitled to a deduction for the tax the trustee paid.

QC 72104

Your income if you are under 18 years old

If you're under 18 years old (a minor), special rules apply to income you earn and you may pay tax at a higher rate.

Last updated 25 June 2024

On this page

> Work out if you receive excepted income

How tax rates apply for minors

Income of minors is subject to special rules and they may pay tax on certain types of income at a higher rate. These rules were introduced to discourage adults from diverting income to their children.

For tax purposes you're a minor if you are under 18 years old at, 30 June in the income year.

Minors pays the same individual income tax rates as an adult if they're either:

- an excepted person
- receive excepted income.

If you're an excepted person, or only earn excepted income and you're an Australian resident, the first $18,200 you earn is tax free.

If you're a minor and not an excepted person, you pay a higher rate of tax for income that is not excepted income.

Declaring interest and dividend income

If a parent, relative or guardian has set up a savings account or bought shares in the name of a minor, the following needs to be considered.

- If a minor earns interest on income from a savings account, they need to consider who declares the interest as income. The tax treatment of interest income of a minor is different to income from a child's share investments.
- If a minor earns income from shares, they may need to consider who declares the dividends and any capital gain or loss.

Work out if you're an excepted person

You may be an excepted person if you're a minor and a:

- Full time worker
- Person with a disability

- Person with a double orphan pension

If you're an excepted person, you pay tax at the same individual income tax rates as an adult, on all the income you earn.

If you aren't an excepted person, you need to work out if you receive any excepted income. You pay tax at the same individual income tax rates as an adult on this income.

Full time worker

You're an excepted person if **all** of the following apply at, 30 June of the relevant income year:

- You were working full time, or had worked full time for a total of 3 months or more in the income year
- You are, in the following income year, both
  - intending to work full time for most or all of it
  - not intending to study full time.

When you work out how long you have worked full time, ignore any period of full-time work you did before starting full-time study.

Person with a disability

You're an excepted person for the relevant income year if you were **one** of the following:

- The main beneficiary of a special disability trust.
- At 30 June of the relevant income year you were
  - entitled to a disability support pension or someone was entitled to a carer allowance to care for you
  - certified permanently blind
  - disabled and likely to suffer from that disability permanently or for an extended period
  - unable to work full time because of a permanent mental or physical disability and you received little or no financial support from relatives.

Person with a double orphan pension

You're an excepted person for the income year if at, 30 June of the relevant income year, you were both:

- entitled to a double orphan pension
- received little or no financial support from relatives.

Work out if you receive excepted income

Even if you aren't an excepted person, some of your income as a minor may be excepted income.

If you have excepted income, your excepted net income is taxed at the same individual income tax rates as an adult's net income.

Excepted income – Deductions relating to that income = Excepted net income

If you don't have any excepted income, for any other income you receive:

- you're taxed at the higher tax rates
- any tax payable is not reduced by the low income tax offset.

Excepted income

Your excepted income includes:

- employment income
- taxable pensions or payments from Centrelink or the Department of Veterans' Affairs
- compensation, superannuation or pension fund benefits
- income from a deceased person's estate, including income derived by a testamentary trust from property of the deceased person's estate
- income from property transferred to you because of the death of another person or family breakdown, or income in the form of damages for an injury you suffer
- income from your own business
- income from a partnership in which you were an active partner

- net capital gains from the disposal of any property or investments listed above
- income from the investment of any of the amounts listed above.

Income derived by a testamentary trust

Your income from a testamentary trust that was generated from property of a deceased estate, such as a deceased person's mortgaged property, remains excepted income.

Property of a deceased estate includes real property and money from the deceased estate. It can include accumulations of income or capital from property of that deceased estate, and conversions of such property from one asset type to another. For example, if a trustee of a testamentary trust sells a rental property transferred to the trust from a deceased estate and invests those proceeds in shares, the income from those shares is income from property of the deceased estate.

Your income from a testamentary trust is **not** excepted income if it is generated from assets:

- acquired by or transferred to the trustee of the trust on or after 1 July 2019
- that were unrelated to property of the deceased estate.

Example: distribution from a family trust to a testamentary trust

Lavender Trust is a testamentary trust established under a will. Alex is a beneficiary of the trust and is 14 years old. Under the will, $100,000 is transferred on 17 July 2023 to the trustee of Lavender Trust from the deceased estate.

Shortly after, the trustee of a family trust makes a capital distribution of $1 million to the trustee of Lavender Trust. The trustee of Lavender Trust invested the entire amount of $1.1 million in listed shares.

In the 2023–24 income year, the trustee of Lavender Trust derives $110,000 of dividend income from the investment in the listed shares. The net income of Lavender Trust for that year is $110,000. Alex is made presently entitled to 50% of that amount, which is $55,000.

To calculate her excepted income amount, Alex works out from the $100,000 transferred from the deceased estate, she received $55,000.

Alex's excepted income is $5,000 (worked out as $100,000 ÷ $1.1 million × $55,000).

The remaining $50,000 is income that resulted from the $1 million capital distribution from the family trust, which is unrelated to the deceased estate. It is not excepted income and taxed at the higher tax rates.

Example: trust income reinvested

Assume the trustee of Lavender Trust (from the example above) did not pay Alex her share of the net income of the trust (being $55,000, comprising $5,000 excepted income and $50,000 not excepted income).

The trustee, instead, reinvests that amount in more listed shares in the 2023–24 income year.

For the 2023–24 income year, that investment derives income of $5,500 and Alex is made presently entitled to that amount.

Alex's excepted income is $500 (worked out as $5,000 ÷ $55,000 × $5,500). This amount is the extent to which the $5,500 of income resulted from Lavender Trust reinvesting previously excepted income.

The remaining $5,000 is attributable to assets unrelated to the deceased estate and is not excepted income and taxed at the higher tax rates.

Example: rental property acquired with borrowed money, trust distribution and money from deceased estate

Johnston Trust is a testamentary trust established under a will into which $500,000 is transferred from the deceased estate on 22 August 2023. A trustee of a family trust then makes a capital distribution of $500,000 to Johnston Trust. The trustee of Johnston Trust borrows $1 million from a bank and purchases a rental property for $1.9 million. $100,000 is used as working capital for the rental property.

In the 2023–24 income year, the trustee of Johnston Trust receives $50,000 of net rental income. The net income of the trust for that year is $50,000. Michael, who is under 18 years old, is made presently entitled to 50% of the $50,000 net income, being $25,000.

To calculate his excepted income amount, Michael works out from the $500,000 transferred from the deceased estate, he received $25,000.

Michael's excepted income is $6,250 (worked out as $500,000 ÷ $2 million × $25,000).

The remaining $18,750 of income is attributable to assets unrelated to the deceased estate and is not excepted income and taxed at the higher tax rates.

QC 72116

Taxable, assessable and exempt income

Income you receive may be taxable, assessable, exempt, or non-assessable non-exempt – find out if you need to report it.

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Assessable income

Most of the income you earn will be assessable income. Assessable income is income that you pay tax on, if you earn enough to exceed the tax-free threshold. Examples of assessable income you must declare include:

- salary and wages
- tips, gratuities and other payments for your services
- some allowances, such as for clothing and laundry
- interest from bank accounts
- dividends and other income from investments
- bonuses and overtime an employee receives
- commission a salesperson receives
- pensions
- rent.

You may also receive some income in the form of goods or services instead of money. You need to declare the market value of these goods or services as assessable income in your tax return. For example, you may receive clothing, makeup, tools, or accessories from subscribers or fans of your online platforms, or businesses looking to work with you.

If you receive your income as cash including cash cheques, you must declare the cash as income in your tax return.

You can usually claim the tax-free threshold of $18,200 on one source of income you earn in the income year.

Taxable income

Your taxable income is your assessable income minus any allowable deductions. Your taxable income is used to work out how much tax you need to pay.

Assessable income – allowable deductions = taxable income

Allowable deductions don't directly reduce the amount of tax you pay, they reduce your taxable income, which in turn reduces the amount of tax you need to pay.

Exempt income

Exempt income is income that you don't pay tax on (that is, it's tax-free). You may still need to include this income in your tax return for use in other tax calculations.

Examples of exempt income can include:

- some government pensions and payments, including the invalidity pension
- some education payments.

If the only income you receive during an income year is exempt income, you don't have to pay any income tax on it.

Non-assessable, Non-exempt income

Non-assessable, Non-exempt income amounts are those which you don't include as income in your tax return. You can't claim a deduction against non-assessable, non-exempt income.

Non-assessable, non-exempt income can include:

- the tax-free component of an employment termination payment (ETP)
- super co-contributions
- income earned by foreign resident workers under the Pacific Australia Labour Mobility (PALM) scheme or former seasonal worker programme
- certain disaster payments and grants.

QC 72117

Amounts you do not include as income

Amounts that you earn or receive that you don't need to declare as income.

Last updated 25 June 2024

On this page

Amounts you don't include

You may receive money that you don't need to include as assessable income in your tax return. You may still need to report these amounts so we can work out your tax losses or eligibility for tax offsets or benefits.

Amounts you don’t include as assessable income fall into 3 categories:

- exempt income
- non-assessable, non-exempt income
- other non-taxable amounts.

Exempt income

Exempt income is income you don't pay tax on (that is, it's tax-free). However, you may still need to report these in your tax return as we use certain exempt income amounts to work out other calculations such as:

- tax losses of earlier income years that you can deduct
- adjusted taxable income of your dependants.

Exempt income includes:

- certain Australian Government pensions, such as the
  - disability support pension paid by Centrelink to a person who is under age-pension age
  - invalidity service pension paid under the *Veterans' Entitlements Act 1986* where the veteran is under age-pension age
- certain Australian Government allowances and payments, such as the
  - carer allowance
  - child care subsidy
- certain overseas pay and allowances for Australian Defence Force and Federal Police personnel
- Australian Government education payments, such as
  - allowances for students under 16 years old
  - Commonwealth secondary education assistance
- some scholarships, bursaries, grants and awards
- a lump sum payment you received on surrender of an insurance policy where you are the original beneficial owner of the policy – generally you do not earn, expect, rely on or regularly receive these payments – examples include
  - mortgage protection
  - terminal illness
  - a permanent injury occurring at work.

Non-assessable, non-exempt income

Non-assessable, non-exempt income is income that we don't assess and you don't pay tax on. It doesn't affect your tax losses.

Non-assessable, non-exempt income includes:

- the tax-free component of an employment termination payment
- genuine redundancy payments and early retirement scheme payments shown as 'Lump sum D' amounts on your income statement
- super co-contributions
- certain disaster payments and grants.

Other non-taxable amounts

Generally, you don't declare amounts you receive for:

- rewards or gifts on special occasions, such as cash birthday presents and gifts from relatives given out of love (however, gifts may be taxable if you receive them as part of a business-like activity or for your income-earning activities as an employee or contractor)
- prizes you won in ordinary lotteries, such as lotto draws and raffles
- prizes you won in game shows, unless you receive regular appearance fees or game-show winnings
- child support and spouse maintenance payments you receive.

QC 72118

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.