Income

You pay income tax on assessable income you receive, such as salary and wages, most Centrelink payments, investment income from rent, bank interest or dividends, business income; and capital gains from selling assets like shares or property.

Employment Income - [(Go to Tax Office Page)]

Unless specifically exempted, all employment-related income, allowances, payments and other benefits must be declared on your tax return.

Salaries and Wages - [(Go to Tax Office Page)]

Salaries and wages (the main forms of employment income) are payments made under an employment contract as remuneration for services.

Allowances and Other Employment Income - (Go to Tax Office Page)

You must declare other types of employment income, such as car allowances and tips.

Lump Sum Payments - (Go to Tax Office Page)

When you leave a job, you may receive lump sum payments for unused annual and long service leave, which may be taxed concessionally.

Reportable Fringe Benefits and Super Contributions - (Go to Tax Office Page)

You also have to show other employment-related items on your tax return, such as reportable fringe benefits and reportable super contributions.

Pensions and Annuities

For tax purposes, a pension is a series of regular payments made as a superannuation income stream (but not government payments such as the age pension), including payments to you:

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

An annuity is a series of payments usually purchased from a life insurance company via a lump sum payment.

Tax-Free and Taxable Components

From 1 July 2007, your superannuation income stream benefits have two components - a tax-free component and a taxable component.

The tax-free component is non-assessable non-exempt income − that is, tax-free income. It may be shown at 'Tax-free component' on your PAYG payment summary - superannuation income stream, but you do not show it anywhere on your tax return.

The taxable component is the part of your benefit on which tax may be payable. You must declare two elements of the taxable component in your tax return:

- 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.

Australian Government Payments

The Australian Government makes a range of income support and other payments to people.

Many of these payments are assessable for income tax purposes and must be declared on your tax return. Others are exempt from income tax − for example, the disability support pension (when paid to a person who is below the age pension age)

Assessable government payments include:

- age pension
- Newstart allowance
- Youth Allowance
- Austudy payment
- parenting payment (partnered)
- partner allowance
- sickness allowance
- special benefit
- widow allowance
- exceptional circumstances relief payment
- interim income support payment
- the following payments if you are 16 or older

1. ABSTUDY living allowance
2. payments under the Veterans' Children Education Scheme
3. payments under the Military Rehabilitation and Compensation Act Education and Training Scheme 2004 (MRCA Education Allowance)

- other taxable Australian Government education or training payments
- Community Development Employment Project (CDEP) payments.

Investment Income

You generally need to declare investment income whether or not it's paid directly to you or through distributions from a partnership (such as a share club) or a trust.

Interest - (Go to Tax Office Page)

If you're an Australian resident and you receive, or you are credited with, interest, you must declare it as income.

Dividends - (Go to Tax Office Page)

If you own shares in a company, you will generally be paid your share of the company's profits as a dividend. You must declare all assessable dividends paid or credited to you.

Rent - **(Go to Tax Office Page)**

You must declare the full amount of any rent and rent-related payments that you receive, or become entitled to, when you rent out your property - whether paid to you or your agent.

Managed Investment Trusts - **(Go to Tax Office Page)**

You must show any income or credits you receive from any trust investment product on your tax return.

Capital Gains - **(Go to Tax Office Page)**

You must generally show capital gains on your tax return, including gains from selling real estate, shares and managed fund investments.

If a capital gains tax (CGT) event occurs - for example, if you sell an asset - you may make a capital gain. Generally, your capital gain is the difference between your asset's cost base (what you paid for it) and your capital proceeds (what you received for it).

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

There is no separate tax on capital gains - a gain is treated as part of your total income and taxed accordingly.

Business, Partnership and Trust Income - **(Go to Tax Office Page)**

The net income you receive from carrying on a business is assessable income and you need to declare it on your tax return.

You may receive income as a:

Business income as a sole trader (self employed)

You declare income earned by you as a sole trader on your individual tax return using a separate business schedule. If you have business income, you need to lodge your tax return using e-tax or a registered tax agent. Only a registered tax agent can charge you a fee for preparing your income tax return.

Income from a partnership

While a business partnership doesn't pay tax on its income, it must lodge a partnership tax return showing all income earned by the partnership and all deductible expenses. It will also show how the net income or loss has been distributed between the partners.

A partnership doesn't need to lodge a tax return if the jointly received income is investment income, such as:

- income from a jointly owned rental property
- interest from a joint bank account
- dividends from jointly held shares.

Each partner must declare their individual share of the partnership's net income or loss in their individual tax return, whether or not they have actually received the income.

For capital gains tax (CGT) purposes, each partner owns a proportion of each CGT asset and calculates a capital gain or capital loss on their share of each asset. It is the individual partners who make a capital gain or capital loss from a CGT event, not the partnership itself.

Income From a Trust

Like a partnership, a trust is not a separate taxable entity but the trustee is required to lodge a tax return for the trust. Generally, the trust income is taxable in the hands of the trust's beneficiaries.

Each trust beneficiary must declare the amount distributed by the trust in their individual tax return, whether or not they have actually received the income.

This includes distributions from a trust investment product, such as a cash management trust, money market trust, mortgage trust, unit trust, managed fund, share trust, equity trust, growth trust, imputation trust, balanced trust or a family trust.

You don't include in your assessable income any part of a distribution to you on which family trust distribution tax has already been paid and which would otherwise be assessable income.

If you run a business as a company, you are likely to have been paid a salary or directors fees by the company. These amounts need to be shown on your individual tax return. Your company may also pay dividends to you as a shareholder, or pay you interest on a loan, or provide other forms of benefits which may also have to be shown on your tax return.

Foreign Income

If you are not an Australian resident for tax purposes, you generally don't need to declare income you receive from outside Australia in your Australian tax return.

Foreign income includes:

- foreign pensions and annuities
- foreign employment income
- foreign investment income
- foreign business income

- capital gains on overseas assets.

As your foreign income may also be taxed in the source country, it is potentially subject to double taxation. To overcome this, Australia has a system of credits and exemptions and has signed tax treaties with more than 40 countries, including all our major trade and investment partners.

If you're not an Australian resident for tax purposes, you are only taxed in Australia on your Australian-source income, so you generally don't need to declare income you receive from outside Australia in your Australian tax return.

Other Income

You must also declare all income from:

- compensation or insurance payments you receive for lost income
- discounted shares or rights (including options) to acquire shares
- prizes or awards associated with employment or investments, depending on the circumstances.

Amounts Not Included as Income

You may have received amounts that you don't need to include as income on your tax return but that may be used in other calculations on your tax return.

The tax treatment of these amounts depends on whether they are classified as:

- Exempt income
- Non-assessable non-exempt income
- Other amounts that are not taxable.