



Australian  
National  
University



**Income you need  
to declare**

# Tax in Australia

## 1. Tax residency

- If you're an Australian resident for tax purposes, you must declare all income you've earned in Australia and overseas.
- If you're a foreign or temporary resident for tax purposes, you must declare any income you've earned in Australia.

# Tax in Australia

## 2. Tax liability

$\text{Tax liability} = \text{Tax on your taxable income} - \text{Tax offsets} + \text{Other liabilities} - \text{PAYG credits}$

**(1) Taxable income** = assessable income – allowable deductions – other losses

**(2) Tax offsets** = non-refundable tax offsets + refundable tax offsets

➤ Non-refundable offsets:

- Working individuals may receive low-income tax offset, and beneficiary tax offset (if they receive government allowances).
- Seniors or retirees might be entitled to receive seniors and pensioners tax offset, beneficiary tax offset and Australian super income stream tax offset.
- Individuals involved in small business might be eligible for the small business tax offset.

➤ Refundable tax offsets: franking credits and rebates from private health insurance are examples of refundable tax offsets.

# Tax in Australia

## 2. Tax liability

**(3) Other liabilities:** Medicare levy + Medicare levy surcharge

- Medicare levy: All Australian residents are required to pay a 2% Medicare. You may get a reduction or exemption from paying the Medicare levy, depending on you and your spouse's income and circumstances.

# Tax in Australia

## 2. Tax liability

### (3) Other liabilities: Medicare levy + Medicare levy surcharge

- Medicare Levy Surcharge – ranging from 1% to 1.5% of taxable income is charged on higher income earners unless you have private health insurance.

MLS income thresholds and rates for 2025–26

Threshold	Base tier	Tier 1	Tier 2	Tier 3
<b>Single threshold</b>	\$101,000 or less	\$101,001 – \$118,000	\$118,001 – \$158,000	\$158,001 or more
<b>Family threshold</b>	\$202,000 or less	\$202,001 – \$236,000	\$236,001 – \$316,000	\$316,001 or more
<b>Medicare levy surcharge</b>	0%	1%	1.25%	1.5%

The family income threshold is increased by \$1,500 for each MLS dependent child after the first child.

# Tax in Australia

## 2. Tax liability

### (4) **PAYG credits:** PAYGW credits + PAYGI credits

- PAYGW credit: With PAYG withholding, your employer withholds tax from your gross income and remits the amount to the ATO
- PAYGI credits: the ATO might require you to make regular payments (instalments), usually quarterly, throughout the year. When you lodge your tax return, all the amounts you've paid during the year will be offset against any tax you owe for the year.
- There could also be tax withheld on bank interest if you don't provide the bank with your TFN.

# 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. The tax you're supposed to pay based on the marginal tax rate. The types of assessable income you need to declare include:

- Employment income
- Super pensions
- Government payments and allowances
- Investment income eg interest, rent and dividends
- Business, partnership and trust income
- Foreign income

# Assessable income

## 1. Employment income

- Employment income is money you receive from working
- Types of employment income you need to declare include:
  - Salary and wages (regular payment, bonuses, commissions...)
  - Allowances and other employment income (car, travel, uniforms and laundry)
  - Lump sum payments (one-time payment, e.g. employment termination payment (ETP))
  - Reportable fringe benefits and super contributions – You don't have to pay tax on these items, but they are used for your tax calculations and whether you are eligible to receive certain government benefits or incur other liabilities.

# Assessable income

## 2. Super pensions and annuities

You must declare income you received from pensions and annuities:

- A pension is a series of regular payments made as a super income stream. This does not include government payments such as the age pension.
- An annuity is usually a series of regular payments made to you by a life insurance company instead of a lump sum payment.

# Assessable income

## 3. Government payments and allowances

- There are certain Australian Government payments, pensions and allowances that must be declared on your tax return. These include:
  - The age pension
  - Carer payment
  - Austudy
  - Newstart
  - Jobkeeper payment
  - Youth Allowance
  - Sickness allowance
- Some government payments are tax-free, but you still need to declare them in your tax return. The ATO uses this information to work out if you are eligible for any government benefits or concessions

# Assessable income

## 4. Investment income

- Generally, you need to declare investment income regardless of whether it's paid either:
  - directly to you
  - through a distribution from a partnership (such as a share club) or trust.
- Investment income you must declare:
  - [Interest](#)
  - [Dividends](#)
  - [Rental income](#)
  - [Managed investment funds](#)
  - [Capital gains](#) : Capital gain = Your assets cost base – Capital proceeds
    - 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.

# Assessable income

## 5. Business income

- If you're an **individual** running a business as a sole trader, you must declare the income you earn from your business on your own tax return, using a separate business schedule. You don't need to lodge a separate tax return for your business.
- If you're an artist, blogger, creative maker you may need to work out if you have a hobby or business. You can use the [Hobby or business tool](#) from the ATO if you are getting money or intend to get money from creating things, such as:
  - jewellery
  - paintings
  - baked goods
  - blogs
  - videos.

# Assessable income

## 6. Foreign income

- If you're an [Australian resident for tax purposes](#), you are taxed on your worldwide income. You must declare any foreign income in your income tax return.
  - Tax paid overseas: If you have already paid tax in the country where you derived the income, you may be able to claim an [Australian foreign income tax offset](#) to reduce the Australian tax on the same income.
  - If you're not an Australian resident for tax purposes, you are only taxed on your Australian-sourced income.

# How to declare your income

At the end of this financial year, your employer will provide you with your end of year statement as either:

- an income statement – if your employer reports to the ATO through Single Touch Payroll (STP)
- a payment summary (also known as a group certificate) – if your employer is not yet reporting through STP, they will continue to provide you with a payment summary by 14 July

If you lodge your own tax return, you can access your end of year income statement through [ATO online services via myGov](#) .

# How to declare your income

- Most other income from health funds, banks (If they have your TFN), government agencies is pre-filled from information the ATO receives from employers and financial institutions.
- However, there may be some information you will need to enter manually, such as foreign income.



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