

TAX AND SUPERANNUATION EXPLAINED

Understanding the Australian Income Tax System

Tax is something that affects all of us so it is important to know the ins and outs of the Australian income tax system.

What is income tax?

Income tax is applied to an individual's taxable income and is paid on all forms of income. This may include wages from your job, profits from business and returns from investments. Income tax can also apply to assets such as when a house or shares are sold.

Income tax is money paid to the government from the money you earn. It is usually paid throughout the year as you earn the income. For example, if you work for an employer, your employer will deduct tax from each pay and send it to the Australian Taxation Office (ATO) on your behalf.

How do I pay income tax?

When you accept a role with Balance Recruitment, we will set you up in our online time management and payroll system (we call this Astute). When you first log in you will be asked to complete a Tax File Declaration (more information about how to complete this form can be found at [https://www.ato.gov.au/Forms/TFN-declaration/?page=2#How to complete this form payee](https://www.ato.gov.au/Forms/TFN-declaration/?page=2#How_to_complete_this_form_payee)). Once you complete the information it will be submitted to the tax office for their records, but effectively it tells us how much tax to withhold from payments we make to you. We then withhold the required amount from your gross pay and remit it to the Australian tax office on your behalf.

How much tax do you pay?

The amount of tax you pay will depend on how much you earn. Australia uses a sliding scale of tax. You can earn up to \$18,200 in a financial year and not pay tax. This is known as the tax-free threshold and after which, the tax rates kick in. Taxpayers with two or more jobs or other taxable income sources should be aware that they may be caught in an unintentional tax trap as a result of the tax free threshold. If you are not sure whether to tick the "claim tax free threshold" on your tax

file declaration, please call us on +61 2 9091 8222 or ask your accountant for advice. The highest rate of tax you will pay is known as your marginal tax rate.

Marginal tax rates for 2018-19

Taxable income	Tax on this income
\$0 - \$18,200	Nil
\$18,201 - \$37,000	19c for every dollar over \$18,200
\$37,001 - \$90,000	\$3,572 + 32.5c for every dollar over \$37,000
\$90,001 - \$180,000	\$20,797 + 37c for every dollar over \$90,000
\$180,001 and over	\$54,097 + 45c for every dollar over \$180,000

This means that if you earned \$60,000 per year, your tax would be calculated like this:

Taxable income		Tax payable
\$18,200	x nil	= \$0
\$18,800 (\$37,000 - \$18,200)	x 19c	= \$3,572
\$23,000 (\$60,000 - \$37,000)	x 32.5c	= \$7,475
\$60,000		\$11,047

Please note that the tables above only apply to Australian residents who are 18 and over and does not include the Medicare levy. Foreign residents and the investment income of children are taxed at different rates. See the ATO's web pages on income of minors and foreign employment income. Also Working holidaymakers (visa types 417 and 462) pay 15% on all income up to \$37,000 then resident rates on all income from \$37,001 onwards.

Reference: <https://www.moneysmart.gov.au/managing-your-money/income-tax>

Superannuation & How it Works

If you are a young worker, or a new worker to Australia, understanding superannuation and how it all works can be a daunting. We have reviewed some key points to help you with the basics. Take a read, and if you need any more help please feel free to call us at any time on +61 2 9091 8222.

What is superannuation?

Superannuation, according to the Australian Taxation Office (ATO), is money put aside by your employer over the course of your working life that you live on once you retire. Superannuation is extremely important, as you need a solid amount of money to live off when you're no longer working.

How does superannuation work in Australia?

Superannuation is paid by your employer into a super account of your choosing. As of July 2014, your employer is required to pay a minimum of 9.5% of your ordinary time earnings into this super fund on top of your yearly salary.

Ordinary time earnings: what an employee would earn during ordinary working hours, and does not include overtime.

Once this money is placed into your super fund, it is then invested by the fund manager. You'll find that most super funds offer a variety of different investment options, and because of this, the returns you get will vary from fund to fund.

How do you get paid super?

If you're an employee in Australia and you meet the minimum requirements, then you are required to be paid super by law. You must be paid super, regardless of whether you are working casually, part-time, full-time, as a contractor, and even if you are a temporary resident in Australia.

When you join Balance Recruitment you will be asked if you want to join our default super fund. We are lawfully required to do this, but you don't have to accept it. You can choose your own super fund. If you choose to do this, you will need to let us know which fund you would like to use and

provide your membership details. Then we will arrange for your superannuation to be paid into that fund.

What happens next?

While there are some more complicated aspects of superannuation, effectively, you put a minimum of 9.5% of your salary into a super fund and leave it there, untouched, until the day you retire.

When can you access your super?

Accessing your super is limited to people above a certain age, which is known as the preservation age. The preservation age is a restriction preventing people from accessing their superannuation until their retirement unless they meet a condition of release. More information about this can be found at <https://www.ato.gov.au/Individuals/Super/In-detail/Withdrawing-and-using-your-super/Withdrawing-your-super-and-paying-tax/>

Reference: <https://www.canstar.com.au/superannuation/how-does-super-work/>