



Mr Greg Jarvis

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Dear Mr Jarvis

Thank you for your correspondence of 09 July 2024 to the Hon Jim Chalmers MP, Treasurer, concerning working pensioners paying tax on income not received.

As Treasury cannot provide advice on personal taxation affairs, we encourage taxpayers to seek professional taxation advice and to engage with the relevant tax authorities to ensure that taxation laws are appropriately applied to their personal circumstances.

In the transfers system, a recipient's relationship type is one factor that determines their payment rate. Singles who receive the full rate of the Age Pension are tapered 50 cents for every dollar over \$212 of income per fortnight, whilst couples are tapered 25 cents for each dollar over \$372 of income per fortnight – or 50 cents from their combined income over \$372.

Income and assets tests also use the income and assets of both members of a couple, even if one of the partners does not receive an income support payment. This is based on the principle that couples are able to pool their resources and share living costs for their mutual benefit. Couples generally share their expenses, such as various utilities including electricity, gas, telephone and water. Similarly, the income and assets of each member of a couple is assessed for the purposes of social security income test.

In contrast, personal income tax is assessed on an individual basis, rather than a family or couple basis, because this is the most equitable and simple way of structuring the tax system. A key principle of Australia's tax system is progressivity, whereby people with higher incomes pay more tax as a share of their income. If income could be split between couples where one person did not work, couples with the highest incomes would benefit the most.

If personal income tax was assessed on a family basis, the secondary earner may also be disincentivised from participating in the workforce or otherwise earning income. This is because they would be taxed at a higher marginal rate and would not benefit from concessions such as the tax-free threshold (which currently applies on an individual basis).

You may also be interested to know that older Australians receive income tax relief through the seniors and pensioners tax offset (SAPTO). The SAPTO is available to taxpayers in receipt of a taxable Government pension, as well as to Australians who are of Age Pension qualifying age and who meet the Age Pension eligibility criteria except the income and/or asset tests.

Currently, the SAPTO is worth a maximum of \$2,230 for a single senior and \$1,602 for each member of a senior couple. It builds on the statutory tax-free threshold and the low-income tax offset to ensure that eligible single senior Australians with incomes up to \$33,088 (or \$29,783 for each member of a couple) pay no income tax in 2023-24.

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Once again, thank you for taking the time to write.

Yours sincerely

D Watkin

Doug Watkin
Personal and Small Business Tax Branch