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PHASE OUT OF THE MATURE AGE WORKER TAX OFFSET

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EXPLANATORY MATERIAL



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# **General outline and financial impact**

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## **Phasing out the mature age worker tax offset**

This Bill amends the *Income Tax Assessment Act 1997* to phase out the mature age worker tax offset from 1 July 2012 for taxpayers born on or after 1 July 1957.

*Date of effect:* 1 July 2012.

*Proposal announced:* 2012-13 Budget.

*Financial impact:* This measure provides savings of \$255.0 million over the forward estimates period.

| <i>2011-12</i> | <i>2012-13</i> | <i>2013-14</i> | <i>2014-15</i> | <i>2015-16</i> |
|----------------|----------------|----------------|----------------|----------------|
| -              | -              | 40.0           | 85.0           | 130.0          |

*Human rights implications:* This Bill does not raise any human rights issues.

*Compliance cost impact:* Nil.



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# ***Phase out of the mature age worker tax offset***

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## **Outline of chapter**

1.1 This Bill amends the *Income Tax Assessment Act 1997* (ITAA 1997) to phase out the mature age worker tax offset (MAWTO) from 1 July 2012 for taxpayers born on or after 1 July 1957. Those currently eligible because they were aged 55 years or older on 30 June 2012 are unaffected by the changes and remain eligible.

## **Context of amendments**

1.2 The MAWTO is a non-refundable tax offset available to an Australian resident individual who is aged 55 years or older in the year of income and who has worked during the year.

1.3 The MAWTO phases in from the first dollar of 'net income from working', that is income from working *less* any relevant deductions, at the rate of five cents per dollar, with the full \$500 offset being available to all mature age workers when their net income from working reaches \$10,000. The offset is reduced at the rate of five cents per dollar for each dollar above \$53,000, resulting in the offset being completely phased out by \$63,000.

1.4 Net income from working consists of the sum of:

- personal services income (including salary and wages);
- assessable income from a business;
- assessable farm management repayment amounts;
- reportable fringe benefits; and
- reportable superannuation contributions;

*Less* the sum of the taxpayer's deductible expenses relating to their assessable personal services or business income.

1.5 The MAWTO is a high cost method of facilitating mature age workforce participation. The Government will be investing in better targeted workforce participation programs.

1.6 By phasing out the MAWTO, the Government will be maintaining the MAWTO for people who have already built this benefit into their household budgets.

## Summary of new law

1.7 This Bill introduces a new eligibility requirement for the MAWTO by restricting access to the MAWTO to those who are already age eligible, that is those born on or before 30 June 1957.

## Comparison of key features of new law and current law

| <i>New law</i>   | <i>Current law</i>  |
|--|---|
| Workers who are born on or before 30 June 1957 are eligible for the MAWTO. | Workers who are 55 years or older at the end of the income year are eligible for the MAWTO. |

## Detailed explanation of new law

1.8 Section 61-550 of ITAA 1997 explains when a taxpayer is eligible for the MAWTO. The explanation is changed to state that only taxpayers born on or before 30 June 1957 and who have worked during the relevant income year will be eligible for the MAWTO. *[Item 1, section 61-550]*

1.9 Section 61-555 sets out that the object of Subdivision 61-D is to provide an incentive to work for those aged 55 or over. This is amended to restrict eligibility to those taxpayers born on or before 30 June 1957. *[Item 2, section 61-555]*

1.10 From 1 July 2012, entitlement to the MAWTO is restricted to taxpayers born on or before 30 June 1957. Age eligibility for the MAWTO will be maintained for those taxpayers who are aged 55 years or older on 30 June 2012. *[Item 3, section 61-560]*

## **Application and transitional provisions**

- 1.11 These amendments apply on or after 1 July 2012. *[Item 4]*





