

STRATEGY PAPER

Family Tax Benefit

Although many families potentially qualify for Family Tax Benefits they fail to take advantage, believing they aren't entitled or if they were, it would be paid automatically. In this article we look at eligibility and payments for Family Tax Benefit Part B.

There are two types of Family Tax Benefit, Part A and Part B. In order to obtain either of these you must meet an income test. Income for the purposes of eligibility is based on Adjusted Taxable Income (ATI), which includes your taxable income (gross income less allowable deductions) plus reportable fringe benefits, net income losses from rental property/investments and reportable superannuation contributions (e.g. salary sacrifice).

Example

Jason's salary package is \$125,000 per annum. He salary sacrifices \$10,000 per annum to super and has a rental property to which provides an income loss of \$5,000 per annum. Jason also has ordinary work related deduction of \$4,000 per annum.

On this basis Jason's Adjusted Taxable Income (ATI) is calculated as:

Taxable income	\$106,000	(125,000 less salary sacrifice, rental loss & ordinary deductions)
Add backs		
Reportable super contributions	\$ 10,000	(salary sacrifice)
Net Rental loss	\$ 5,000	
Adjusted Taxable Income	\$121,000	

Family Tax Benefit Part B (FTB Part B)

Family Tax Benefit Part B can be received as a fortnightly payment or as an annual tax offset. To be eligible for **Family Tax Benefit Part B** you must have:

- a dependent child aged under 16 years, or
- a qualifying dependent full-time student up to the age of 18 (who doesn't get Youth Allowance or a similar payment), and
- Parents care for child for at least 35% of the time.

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Income Test

Family Tax Benefit (FTB) Part B is limited to families where the primary earner has an adjusted taxable income of \$150,000 per year or less. Where this is met, the payment of Family Tax Benefit Part B will be assessed on the basis of the secondary earner's income (ATI). Secondary earners can earn up to \$4,745 before it affects the rate of FTB Part B.

Payments are reduced by 20 cents for each dollar of income earned over \$4,745.

The payments

The table below outlines the maximum rates payable based on the youngest child in the family.

Child age	Max rate per fortnight	Per annum
Under 5	\$136.36	\$3,909.15
5 to 15 (16-18 Full Time student)	\$95.06	\$2,832.40

The payments can be in the form of a fortnightly allowance or an annual tax offset.

Example

Jason (previous example) is married to Jennifer and together they have a son, Simon who is 3. Jennifer is working on a part time basis and earns \$6,000 per annum.

Given that Jason's income is under \$150,000, the assessment for Family Tax Benefit Part B is based on Jennifer's income and is calculated as follows:

$\$6,000 - 4,745 = \$1,255$ (Jennifer's income less the secondary earners threshold)

The amount of Family Tax Benefit part B is therefore reduced by 20c in the dollar over the \$4,745. This implies a reduction of \$251 ($\$1,255 * 0.20$).

Given this and Simon's age (under 5), the family will be entitled to \$3,658.15 per annum in Family Tax Benefit Part B.

Conclusion

Family Tax Benefit can provide a helping hand for young families and for a new generation of grandparents it may be something worth pointing out to your adult children. In order to claim you need to apply with the forms available from Medicare offices.

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