

Resident minors' 2008/09 tax-free threshold

The increase in the low-income tax offset to \$1,200 in 2008/09 (from \$750 in 2007/08) effectively means that minors (i.e., persons under the age of 18) can receive \$2,666 tax-free in the 2008/09 year (e.g., distributions from discretionary trusts).

The table below shows that, without the offset, once a minor's income exceeds \$1,308, the entire amount of 'unearned income' is taxed at 45%. *Note that this does not apply to some receipts, e.g., salary and wages.*

However, applying the low-income tax offset of \$1,200 means that no income tax will be payable unless the minor's taxable income exceeds \$2,666, i.e., \$1,200 divided by 0.45 = \$2,666.66.

2008/09 Resident Minors' Rates of Tax Unearned Income (Div.6AA)	
Div.6AA Income \$	Tax Payable \$
0 - 416	Nil
417 - 1,307	66% of excess over \$416
1,308+	45% of the entire amount