A STRONGER ECONOMY
A STRONGER AUSTRALIA

THE HOWARD GOVERNMENT
ELECTION 2004 POLICY

Mature Age Worker Tax Offset

LIBERAL

THE NATIONALS

MATURE AGE WORKER TAX OFFSET

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PART 1 MATURE AGE WORKER TAX OFFSET

Preparing and planning for the ageing of Australia's population is one of the Coalition's highest economic priorities.

The Coalition's strategy to deal with the demographic challenge posed by the ageing of our population is to boost economic growth by increasing productivity and improving labour force participation.

We are committed to providing enhanced opportunities and greater choice for mature age workers. Their skills, experience and ongoing contribution to the labour force are vital if we are to secure Australia's future economic strength.

To reward and encourage mature age workers who choose to stay in the workforce, the Coalition will introduce a new *Mature Age Worker Tax Offset*.

This offset will be available to people over the age of 55 and will provide a maximum annual rebate of $500 on their earned income. It will take effect from the start of the 2004-05 financial year and will be payable on assessment.

It is estimated that more than 750,000 mature age Australian workers could benefit from this initiative, which will be funded at a cost to the budget of $1,039 million over the forward estimates period.

The *Mature Age Worker Tax Offset* will phase in at 5 per cent from the first dollar of assessable earned income, so that the full $500 rebate will be available when earned income reaches $10,000. The offset will phase out gradually (at 5 per cent) for those mature age workers whose earned incomes exceed certain thresholds.

- In 2004-05, the phase out will commence once earned incomes reach $48,000, so that no offset is available when incomes exceed $58,000.

- In 2005-06 and beyond, the Tax Offset will start to phase out once earned income exceeds $53,000, so that no offset is available when incomes exceed $63,000.

The Coalition's decision on the *Mature Age Worker Tax Offset* was taken before the caretaker provisions came into effect and the cost of the measure will therefore be fully reflected in the Pre-Election Economic and Fiscal Outlook.

Mature age Australians make a significant contribution to business and to productive workplaces. They are, for example, less likely to be absent from work and they act as a good and steadying influence on younger workers.

There is, however, a strong trend for skilled workers – especially males – to retire early, often well before age pension age. Once retired, the likelihood of them returning to work declines significantly. As a result, Australian workforce participation rates fall sharply amongst those in the 55 to 65 year age cohort.

The *Mature Age Worker Tax Offset* will provide an extra incentive for people to stay in work beyond the age of 55.

This is an important initiative for Australia's long-term economic prosperity, especially as the proportion of Australians of working age is projected to decline in the future. It complements previous reductions in marginal income tax rates and is in addition to the Coalition's other measures to improve workforce participation by the mature aged.

For example, this year's budget included initiatives to lift the capacity of people to undertake work, projects targeting industries with the greatest capacity to employ mature age workers and strategies for employers to retain mature age workers.

The Prime Minister's Community Business Partnership was asked last year to suggest a number of practical ways to encourage greater employment of mature aged workers. An announcement will be made in coming weeks addressing the Partnership's approach.

In costing this policy no account has been made for behavioural effects.

PART 2 COSTINGS ATTACHMENT

MATURE AGE WORKER TAX OFFSET					
Policy Measure	**2004-05** $ m	**2005-06** $ m	**2006-07** $ m	**2007-08** $ m	**Total** $ m
Mature Age Worker Tax Offset	0.0	335.0	354.0	350.0	**1039.0**
TOTAL	**0.0**	**335.0**	**354.0**	**350.0**	**1039.0**

PART 3 MEASURE DESCRIPTION

The *Mature Age Worker Tax Offset* will have the following key features. It will:

- Be available to people aged 55 years or older.
- Commence from 1 July 2004.
- Be calculated on the basis of earned income:
  - Earned income is defined as wage and salary income; business income; and or personal services income.
  - It will exclude income from social security benefits; superannuation; rent; dividends; and capital gains.
- Be non-refundable and paid upon assessment:
  - The offset cannot reduce a person's tax liability to below zero.
- Provide a maximum rebate of $500 per annum.
- The offset will phase in at 5 per cent from the first dollar of assessable earned income, so that the full $500 will be available when earned income reaches $10,000.
- In 2004-05, the phase out will commence once earned incomes reach $48,000, so that no offset is available when incomes exceed $58,000.
- In 2005-06 and beyond, it will phase out from $53,000 so that no offset will be available at earned incomes above $63,000.
- The Mature Age Worker Tax Offset will operate in combination with the existing $6,000 tax-free threshold and the Low Income Tax Offset:
  - Taken together, this means that eligible workers aged 55 or more will pay no tax on their earned income up to $10,323.