



Some money is not counted as 'income' by the ATO

It is possible to receive amounts that are not expected by the ATO to be included as income in your tax return. Although some of these amounts may be used in other calculations, and may therefore need to be included elsewhere in your tax return.

The ATO classifies the amounts that it doesn't count as assessable into three different categories: Exempt income; non-assessable non-exempt income; and other amounts that are not taxable.

Exempt income

As the name may suggest, exempt income doesn't have tax levied on it. The thing to remember here however is that certain exempt income may be taken into account for other adjustments or calculations — for example, when calculating the tax losses of earlier income years that you can deduct, and perhaps "adjusted taxable income" of your dependants.

Exempt income includes:

- Certain government pensions, including the disability support pension paid by Centrelink to a person who is younger than age-pension age.
- Certain government allowances and payments, including the carer allowance and the child care subsidy.
- Certain overseas pay and allowances for Australian Defence Force and Federal Police personnel.
- Government education payments, such as allowances for students under 16 years old.
- Some scholarships, bursaries, grants and awards.
- A lump sum payment you received on surrender of an insurance policy where you are the original beneficial owner of the policy – generally these payments are not earned, expected, relied upon or occur regularly (examples include payments for mortgage protection, terminal illness, and permanent injury occurring at work).

Non-assessable, non-exempt income

Non-assessable, non-exempt income is income you don't pay tax on and that also does not count towards other tax adjustments or calculations such as tax losses.

Non-assessable, non-exempt income includes:

- The tax-free component of an employment termination payment (ETP)
- Genuine redundancy payments and early retirement scheme payments (shown as "Lump sum D" amounts on your income statement)
- Super co-contributions
- A payment made on or after 1 January 2020 by a state or territory for loss of income as a result of you performing volunteer work with a fire service in the 2019-20 income year
- Disaster Recovery Allowance paid directly as a result of the bushfires in Australia in the 2019-20 income year
- Ex-gratia disaster income support allowance for special category visa (subclass 444) holders paid directly as a result of the bushfires in Australia in the 2019-20 income year
- Payments by a state or territory relating to the 2019-20 bushfires under the disaster recovery measures that were introduced.

Other amounts that are not taxable

Generally, you don't have to declare:

- Rewards or gifts received on special occasions, such as cash birthday presents and gifts from relatives given out of love (however, gifts may be taxable if you receive them as part of a business-like activity or in relation to your income-earning activities as an employee or contractor).
- Prizes you won in ordinary lotteries, such as lotto draws and raffles.
- Prizes you won in game shows, unless you regularly receive appearance fees or game-show winnings.
- Child support and spouse maintenance payments you receive.