

# Australian Taxation System

## What is Tax?

Tax is money the government collects from people who earn income. It funds public services like schools, hospitals, roads, police, and welfare support. Everyone earning income in Australia must pay tax according to the law.

## Tax File Number (TFN)

A TFN is a unique number issued by the ATO. It's FREE to apply online at [ato.gov.au](http://ato.gov.au) (takes about 28 days). Keep it safe - only share with your employer or bank. Without a TFN, your employer must withhold tax at the highest rate (47%).

### Tax-Free Threshold: \$18,200

You don't pay tax on the first \$18,200 you earn per financial year (July 1 - June 30). This amount may change - check the ATO website after each Federal Budget in May.

## Special Rules for Under 18s

Employment income (wages from a job) is taxed at normal rates. However, investment income from parents, trust distributions, or passive income may be taxed at higher rates.

### Key Takeaways:

- Apply for your TFN online at [ato.gov.au](http://ato.gov.au) - it's free
- The first \$18,200 you earn per year is tax-free (subject to change)
- Always lodge a tax return to get back any overpaid tax
- Never pay anyone for a TFN - it's always free from the ATO