Instructions for retirees

Retirees TaxPack 2008

To help you complete your retirees tax return

1 July 2007 – 30 June 2008

Lodge online.

- Use e-tax to prepare and lodge your tax return online.
- Most refunds are issued within 14 days.
- Go to **www.ato.gov.au**

Check that you can use the retirees tax return.

See page 2.

Lodge your tax return by 31 October 2008.

NAT 2596–6.2008

Australian Government
Australian Taxation Office

Retirees TaxPack 2008 provides advice and information to help you complete your 2008 tax return for retirees correctly.

I do not expect you to know more than what we have put in *Retirees TaxPack 2008* and its related publications. However, I do ask you to take care in completing your tax return and to make sure that the information you provide to us is complete and accurate.

There have been some changes since *Retirees TaxPack 2007*. To see if any apply to you, check the **What's new this year?** section on page 11.

If you have access to the internet, instead of using *Retirees TaxPack 2008*, you can prepare and lodge your tax return online using e-tax. It's fast, free and easy, and most refunds are issued within 14 days.

We also have a range of services that can assist you when completing your tax return. The inside back cover provides details about how you can access our information services and how you can contact us.

Michael D'Ascenzo

Michael D'Ascenzo
Commissioner of Taxation

OUR COMMITMENT TO YOU

Retirees TaxPack 2008 is a public ruling for individuals who use it reasonably and in good faith to complete their 2008 personal tax return. This means that if we state the law incorrectly and as a result you do not pay enough tax, we will not ask you to pay the extra tax.

If our advice in *Retirees TaxPack 2008* is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it, but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

Retirees TaxPack 2008 also contains guidance to help you complete your tax return. If any of our guidance in *Retirees TaxPack 2008* is incorrect or misleading and as a result you do not pay enough tax, we may ask you to pay the extra tax, but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake when you try to follow our advice and guidance in *Retirees TaxPack 2008* and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

HOW TO USE *RETIREES TAXPACK 2008*

- Have on hand all your necessary documentation and records for the 2007–08 income year (1 July 2007 to 30 June 2008).
- Read all the preliminary pages – they provide valuable information ranging from whether you need to lodge a tax return to how you can get a faster refund.
- Read each question caption carefully and
  - if it applies to you, read the question carefully so that you provide the required details on your tax return
  - if it does not apply to you, go to the next question.
- The index at the back of *Retirees TaxPack 2008* can help you to find information that is relevant to your circumstances.
- Make sure you complete the Medicare levy surcharge item (question **26**) – it applies to all taxpayers.
- Use the checklist on page 80 before you lodge your tax return.

CONTENTS

The section headings and question numbers are colour-coded to match those on the tax return for your ease of reference.

CONTENTS

DATES TO REMEMBER

- **2007–08 income year** – 1 July 2007 to 30 June 2008
- **31 October 2008** – due date for lodgment of your tax return, unless we have allowed you to lodge it late or you have a later due date as it is prepared by a registered tax agent
- **21 November 2008** – the earliest date any tax payable will be due

If you lodge your tax return on time, any tax payable will be due on the later of 21 days after you receive your notice of assessment or 21 days after your tax return was due to be lodged.

Retirees TaxPack 2008 is a public ruling in accordance with Division 358 of Schedule 1 to the *Taxation Administration Act 1953*. However, it is a public ruling only for individuals acting reasonably and in good faith while using *Retirees TaxPack 2008* to complete their 2008 personal tax return.

Published by the Australian Taxation Office, Canberra, May 2008

Printed by PMP Print Pty Ltd

Distribution coordinated by PMP Distribution and effected by PMP Distribution and Australia Post

Thanks to the staff of the Tax Office, tax professionals and members of the community who contributed to *Retirees TaxPack 2008*

CAN YOU USE *RETIREES TAXPACK 2008*?

- *Retirees TaxPack 2008* is a guide to help you complete the *Tax return for retirees 2008*.
- There are two copies of the *Tax return for retirees 2008* at the back of this publication. We have also provided an envelope you can use to lodge your tax return.
- You can get extra copies of *Retirees TaxPack 2008* from Tax Office shopfronts or by phoning our Personal Infoline (see the inside back cover).

To be able to use *Retirees TaxPack 2008* to fill in your tax return, you must meet **all** the following **four conditions**:

Condition 1

You were an Australian resident for tax purposes from 1 July 2007 to 30 June 2008.

You are an Australian resident for tax purposes if:

- you have always lived in Australia or you have come to Australia and live here permanently, or
- you have been in Australia for more than half of 2007–08 – unless your usual home is overseas and you do not intend to live in Australia.

If you go overseas temporarily and you do not set up a permanent home in another country, you may still be an Australian resident for tax purposes.

If you need help in deciding whether or not you are an Australian resident for tax purposes, use the **Are you a resident?** tool on our website or phone the Personal Infoline.

Condition 2

You had no dependants, other than a spouse, during the period 1 July 2007 to 30 June 2008.

Condition 3

All of your tax affairs are covered by the questions in *Retirees TaxPack 2008* (see list on page 6) and none of your tax affairs are covered by any of the questions listed on page 7.

Condition 4

All the following statements apply to you:

- You **did not** receive a distribution of a capital gain from a trust including a managed investment fund in 2007–08.
- You **did not** have income, deductions or a capital gains tax event in relation to an interest in a forestry managed investment scheme in 2007–08.
- You **did not** receive distributions from a corporate limited partnership, or amounts treated as dividends from a private company.
- You **do not** want to claim a foreign tax credit. (You would want to claim a foreign tax credit if you had a foreign pension or annuity from which tax had been taken.)
- You **do not** want to claim a deduction for interest or other debt you incurred in relation to a foreign pension or annuity.
- You **did not** have a lump sum foreign pension payment for an earlier year.
- You **did not** receive an Australian superannuation lump sum that contained a taxed element or an untaxed element.
- You **did not** have exempt overseas employment income and $1 or more of other income.
- You **did not** pay foreign tax on a foreign capital gain.

OTHER WAYS TO PREPARE YOUR TAX RETURN

If you do not meet all the four conditions above, you cannot use *Retirees TaxPack 2008* because the shortened material does not cover all of your tax affairs. You need to complete the *Tax return for individuals 2008* using either:

- e-tax to lodge online (download e-tax at **www.ato.gov.au**), or
- *TaxPack 2008*, and you may also need *TaxPack 2008 supplement*.

NOTE

TaxPack 2008 and *TaxPack 2008 supplement* are available from most newsagents during the lodgment period (1 July to 31 October 2008). Copies are also available all year from our Publications Distribution Service (see the inside back cover) and shopfronts.

Even if you meet all the conditions and are able to use *Retirees TaxPack 2008*, you may not need to lodge a tax return (read **Do you have to lodge a tax return?** on the next page).

DO YOU HAVE TO LODGE A TAX RETURN?

If you cannot use *Retirees TaxPack 2008* because you did not meet all the four conditions listed on the previous page, you **cannot** use this section of *Retirees TaxPack 2008* to find out if you must lodge a tax return. You can use the **Do you have to lodge a tax return?** section in *TaxPack 2008*, or the **Do I need to lodge a tax return?** tool on our website to find out if you have to lodge a tax return for the 2007–08 income year – go to **www.ato.gov.au/individuals**

There are a number of reasons you may have to lodge a tax return for the 2007–08 income year (1 July 2007 to 30 June 2008). Check each reason listed below, in order, from **Reason 1** to **Other reasons**. If you:

- find a reason that applies to your circumstances, you must lodge a tax return. You do not need to read any further in this section. Go to page 6.
- don't find a reason that applies to you, go to the next page to find out if you need to complete a *Non-lodgment advice 2008*.

Reason 1
You were eligible for the senior Australians tax offset.

(If you are unsure, pages 53–4 provide information on eligibility for this tax offset.)

You must lodge a tax return if your taxable income (not including your spouse's) was more than the following relevant amount:

- **$25,867** – if you were single, widowed or separated at any time during the year
- **$24,600** – if you had a spouse but one of you lived in a nursing home or you had to live apart due to illness (see the definition of **Had to live apart due to illness** on page 55)
- **$21,680** – if you lived with your spouse for the full year.

Reason 2
You were not eligible for the senior Australians tax offset, but you received an Australian Government pension, allowance or payment listed at question 1 on page 19.

You must lodge a tax return if:

- you received a payment **and** your taxable income was more than the following relevant amount
  - **$22,922** – if you were single, widowed or separated at any time during the year
  - **$21,942** – if you had a spouse but one of you lived in a nursing home or you had to live apart due to illness
  - **$19,462** – if you lived with your spouse for the full year.

Reason 3
Reasons 1 and 2 do not apply but you received or earned income.

You must lodge a tax return if your taxable income exceeded **$6,000** and you were an Australian resident for tax purposes for the full year.

Other reasons
You must lodge a tax return if any of the following applied to you:

- You had amounts of tax withheld from income you received or earned.
- You paid an amount under the pay as you go (PAYG) instalment system during the year.
- You had amounts withheld from interest because you did not provide your tax file number (TFN) or Australian business number (ABN).
- You had amounts withheld from interest in error and you did not apply for a refund from the investment body before 21 July 2008. If you are exempt from quoting your TFN or ABN to the investment body but you failed to claim the exemption from them, you might be eligible to use the form *Application by an Australian resident investor for a refund of tax file number amounts deducted* (NAT 1846) instead of lodging a tax return.
- You were either a liable parent or a recipient parent under a child support assessment **unless**
  - your taxable income was less than $18,252 **and**
  - you received Australian Government pensions, allowances or payments listed at question **1** on page 19 for the whole of the 2007–08 income year.
- You had a reportable fringe benefits amount on your *PAYG payment summary – individual non-business*.
- You were entitled to the private health insurance tax offset – see question **22** on pages 62–4.
- You carried on a business.
- You made a loss, or you can claim a loss you made in a previous year.
- You were entitled to a distribution from a trust which carried on a business of primary production.
- You had an interest in a partnership which carried on a business of primary production.
- You were an Australian resident for tax purposes and you had exempt foreign employment income and $1 or more of other income.
- You were a special professional covered by the income averaging provisions.
- You received income from dividends or distributions exceeding $6,000 **and** you had franking credits or amounts withheld because you did not quote your TFN or ABN to the investment body.

INFORMATION

- You made personal contributions to a complying superannuation fund or retirement savings account and will be eligible to receive a Super Co-contribution for those contributions.

Deceased estate

If you are looking after the estate of someone who died during 2007–08, consider the above points on their behalf. If a tax return is not required, complete the *Non-lodgment advice 2008* on the next page and send it to us. If a tax return is required, see page 14 for more information.

Franking credits

If you have a franking credit shown on your dividend statement or your distribution statement from a managed fund for 2007–08 you may be able to claim a refund of this franking credit without lodging a tax return.

The publication *Refund of franking credits instructions and application for individuals 2008* (NAT 4105) has more information about the conditions that apply and how you can claim your franking credit. It is available on our website or to find out how to get a printed copy, see the inside back cover.

If you do not need to lodge a tax return

If you do not need to lodge a tax return, you should complete the form on the next page and send it to us **unless** one of the following applies to you:

- You have already sent us a tax return, non-lodgment advice, form or letter telling us that you do not need to lodge a tax return for all future years.
- You are lodging an application for a refund of franking credits for 2008.
- Your only income was from a pension, allowance or payment listed at question **1** on page 19 and your taxable income was less than the relevant amount in **Reason 1** (if you are eligible for the senior Australians tax offset) or **Reason 2**. (The agencies that pay these have provided information for us to determine that you do not need to lodge a tax return.)

You can use *Retirees TaxPack 2008* to fill in your tax return if the questions in *Retirees TaxPack 2008* are the only questions that apply to you.

These questions cover the following:

Income

1 Australian Government pensions and allowances
2 Australian annuities and superannuation income streams
3 Foreign source pension or annuity income
4 Salary, wages, allowances, earnings etc
6 Total reportable fringe benefits amounts
7 Gross interest
8 Dividends – **not** including distributions made by a corporate limited partnership and amounts treated as dividends from a private company
9 Capital gains – **not** including distributions of capital gains by a trust or managed investment fund

Deductions

11 Subscriptions
12 Interest and dividend deductions
13 Gifts or donations
14 Deductible amount of undeducted purchase price of a foreign pension or annuity
15 Cost of managing tax affairs

Tax offsets

18 Spouse – married or de facto
19 Senior Australians (includes age pensioners, service pensioners and self-funded retirees)
20 Pensioner
21 Australian superannuation income stream
22 Private health insurance
23 20% tax offset on net medical expenses over the threshold amount

Medicare levy related items

25 Medicare levy reduction or exemption
26 Medicare levy surcharge – **this item is compulsory for all taxpayers**.

STOP

You **cannot** use *Retirees TaxPack 2008* to complete your tax return if you are claiming

- family tax benefit (FTB) through the tax system, or
- the baby bonus.

See **Other ways to prepare your tax return** on page 2 for alternative ways of preparing your tax return.

DOES THE CAPITAL GAINS TAX (CGT) QUESTION APPLY TO YOU?

You may not be aware that question **9 Capital gains** applies to your circumstances. The following information is provided as a general guide to help you work out if you need to complete item **9**.

Capital gains or capital losses

You generally make a capital gain or capital loss if a CGT event happens. You can also make a capital gain if you have an investment in a managed fund or other trust and you are entitled to a share of a capital gain made by the trust.

The most common CGT event happens if you dispose of an asset to someone else – for example, you sell it or give it away. CGT assets include real estate, shares in a company and units in a unit trust.

Here are examples of other common CGT events:

- An asset you owned was lost or destroyed.
- An asset (such as shares you owned) was cancelled, surrendered or redeemed.
- A liquidator or administrator declared that shares you own are worthless.
- You received an amount in respect of a share or trust interest that was not income and was not for the disposal of the share or trust interest (known as a 'return of capital' or 'non-assessable payment').
- You ceased to be an Australian resident.

Remember, e-tax can help you work out if you have a capital gain or capital loss. It also has a calculator that may help you work out the amount of any capital gain or capital loss you have made. Download e-tax at **www.ato.gov.au**

WHAT'S **NOT** IN *RETIREES TAXPACK 2008*

The following questions are not included in *Retirees TaxPack 2008*. If any of them apply to you, you cannot complete your tax return using *Retirees TaxPack 2008* – see **Other ways to prepare your tax return** on page 2 for alternative ways of preparing your tax return.

TAXPACK 2008

Income

- Employer lump sum payments
- Employment termination payments (ETP)
- Australian superannuation lump sum payments
- Australian Government allowances and payments like newstart, youth allowance and austudy payment
- Attributed personal services income
- Dividends – distributions received from a corporate limited partnership and amounts treated as dividends from a private company

Deductions

- Work-related car expenses
- Work-related travel expenses
- Work-related uniform, occupation-specific or protective clothing, laundry and dry-cleaning expenses
- Work-related self-education expenses
- Other work-related expenses (Subscriptions are included in *Retirees TaxPack 2008*.)
- Low-value pool deduction

Losses

- Tax losses of earlier income years

Tax offsets

- Child-housekeeper or housekeeper
- Baby bonus

Adjustments

- Under 18
- Part-year tax-free threshold

TAXPACK 2008 SUPPLEMENT

Income

- Partnerships and trusts
- Personal services income
- Net income or loss from business
- Deferred non-commercial business losses
- Net farm management deposits or withdrawals
- Capital gains – distributions of capital gains by a trust or managed investment fund
- Foreign entities
- Foreign source income (income from foreign source pensions and annuities), foreign assets or property and taxable foreign superannuation lump sum payments
- Rent
- Bonuses from life insurance companies and friendly societies
- Forestry managed investment scheme income
- Other income – for example, royalties and lump sum payments in arrears (other than superannuation income stream lump sum payments in arrears which are included at question **2** in *Retirees TaxPack 2008*)

Deductions

- Australian film industry incentives
- Personal superannuation contributions – generally for the self-employed
- Deduction for project pool
- Forestry managed investment scheme deduction
- Other deductions – for example, foreign exchange losses, income protection, sickness and accident insurance premiums, and deductions not claimable elsewhere on your tax return

Tax offsets

- Superannuation contributions on behalf of your spouse
- Zone or overseas forces
- Parent, spouse's parent or invalid relative
- Landcare and water facility
- Other tax offsets – for example, heritage conservation work

Adjustment

- Amount on which family trust distribution tax has been paid

Credit for interest on tax paid

- Credit for interest on early payments – amount of interest

LODGE ONLINE.
To lodge your tax return online,
use e-tax – go to **www.ato.gov.au**
Most refunds are issued within 14 days.

WHAT ARE YOUR CHOICES FOR DOING YOUR TAX RETURN?

DO IT YOURSELF USING *RETIREES TAXPACK 2008*

Just follow the instructions on the following pages. Make sure you lodge your tax return by 31 October 2008.

LODGE ONLINE USING E-TAX

- e-tax is a fast, secure and easy way to prepare and lodge your tax return.
- Most refunds are issued within 14 days.
- For more information, visit our website at **www.ato.gov.au**

> **NOTE**
> You cannot lodge the *Tax return for retirees 2008* online using e-tax. However, if you wish to lodge online you can use e-tax to lodge a *Tax return for individuals 2008*.

SOMEONE ELSE CAN DO IT FOR YOU

Family member or friend

A family member or friend can help you but they cannot charge you a fee.

> **NOTE**
> Even if a family member or friend helps you to prepare your tax return, you must sign it yourself and you are still legally responsible for the accuracy of the information on your tax return. See **Self-assessment – it's your responsibility** on page 12.

Tax Help community volunteers

Tax Help is a network of community volunteers trained to help people prepare their tax returns and claims for refunds of franking credits.

This **free service** is available to people on low incomes, including people who are seniors, are from non-English speaking backgrounds, have a disability, are Aboriginal or Torres Strait Islanders, or are students. See page 9 for more information.

Registered tax agents

Registered tax agents are the only people who can prepare and lodge your tax return for a fee. You should make sure that you are using a registered tax agent. You can find a list of registered tax agents at **www.tabd.gov.au** or you can check with the Tax Agents' Board on **1300 362 829**. If you did not go to a tax agent last year – or you will be going to a different tax agent this year – make sure that you see them before 31 October 2008.

Signing your tax return

You must sign and date the *Taxpayer's declaration* on page 6 of your tax return to confirm that the information on your tax return is true and correct.

If a registered tax agent prepares your tax return, you must also sign a declaration stating that:
- you have authorised the agent to lodge your tax return, and
- the information you provided to the agent for the preparation of your tax return is true and correct.

Someone else may sign your tax return on your behalf if they have your authority under a power of attorney. A certified copy of the current power of attorney must be attached to your tax return if you have not previously lodged a certified copy with the Tax Office.

MAKING IT EASIER TO COMPLY

As part of our program to make tax 'easier, cheaper and more personalised' we are currently:
- providing a short tax return that can be lodged over the phone or by mail (We would have sent it to you if you were eligible to use it.)
- expanding e-tax, our online lodgment service, for example, you can now save time and pre-fill your e-tax return with
  - payment details from Centrelink and the Department of Veterans' Affairs
  - interest or unit trust distribution details from some banks, credit unions and other financial institutions
  - dividend details from some share registries
  - medical expenses details from Medicare Australia
- providing calculators and decision tools to help you
- providing a personal tax record keeper that will help you keep your tax records for the year.

IN THE FUTURE

When using e-tax you will be able to pre-fill your e-tax return with even more details, such as pensions and annuities from superannuation funds. This will save you time, and reduce the chances of error. Your tax agent will also have access to this information.

Australian Government
Australian Taxation Office

Your alternative to *Retirees TaxPack 2008*

Lodge online with **e-tax**

e-tax gives you everything in *Retirees TaxPack 2008* and more…

- ✓ Easy access to your individual information
- ✓ Secure and user-friendly
- ✓ Built-in checks and calculators
- ✓ Help available online or over the phone
- ✓ Most refunds within 14 days or less

Go to **www.ato.gov.au**

Tax Help – serving the community

ARE YOU ON A LOW INCOME?

FREE HELP WITH YOUR TAX RETURN

If you want to complete your own tax return or application for a refund of franking credits but you think you may need some assistance, then Tax Help may be the answer. We train and support this network of community volunteers to help you.

Tax Help is a free and confidential service for people on low incomes. People who use Tax Help include seniors, people from non-English speaking backgrounds, people with a disability, Aboriginal people, Torres Strait Islander people, and students.

Volunteers can explain your tax obligations and help you prepare your tax return accurately. They can help you if you have income from Australian and overseas pensions, salary or wages, interest, dividends, and government allowances and benefits. Volunteers cannot help you with more complex tax affairs such as business income and income from rental properties.

There are Tax Help centres throughout Australia. If you want to visit one of the trained volunteers, you need to make an appointment. Take a *Retirees TaxPack 2008* and all your relevant papers with you when you visit.

For more information, or to find out where your nearest Tax Help centre is, phone the Personal Infoline on **13 28 61**.

IF YOU NEED MORE HELP

YOU CAN VISIT OUR WEBSITE

You can visit our website at **www.ato.gov.au** for information on anything that you read in *Retirees TaxPack 2008*.

You can use the tools and calculators on the website to help you complete your tax return.

YOU CAN PHONE US

You can phone us on **13 28 61** if you need assistance with a question in *Retirees TaxPack 2008* or another matter concerning your tax affairs. We may ask you for your tax file number (TFN) or details from your last notice of assessment and some personal details to prove your identity. If you decide to phone us, have your *Retirees TaxPack 2008* handy.

If you would like to visit us and speak to us in person, phone the Personal Infoline on **13 28 61** for an appointment. Our addresses are listed on pages 95–6.

Hearing, speech, or vision impairment

If you are **deaf or have a hearing or speech impairment**, you can phone us through the **National Relay Service**:

- If you are a TTY or modem user, phone **13 36 77** and ask for the number you want. For 1800 free call numbers, phone **1800 555 677** and ask for the number you want.
- If you are a voice-only (speak and listen) user, phone **1300 555 727** and ask for the number you want. For 1800 free call numbers, phone **1800 555 727** and ask for the number you want.

If you have a **vision impairment** you can prepare your tax return on your personal computer and lodge online using e-tax which is available on our website. You need the internet and screen reader and/or screen magnification software. We recommend that you use a Microsoft Windows operating system.

We have free audio and e-text versions of *Retirees TaxPack 2008* available. For copies phone us on **13 28 61**.

YOU CAN ASK FOR A RULING

Private rulings

If you have a complex query about your tax affairs, you can ask us for a private ruling that will relate to your particular circumstances.

To do this, either contact us or complete a *Private ruling application form (not for tax professionals)* (NAT 13742) which is available on our website.

Lodge your tax return by the due date even if you are waiting for the reply to your private ruling. You may need to request an amendment to your tax return once you have received the private ruling.

We publish all private rulings on our website. (Before we publish them, we edit the text to make sure we do not publish information that identifies you.) For more information, see the electronic publication *How to apply for a private ruling* (NAT 9188) which is available on our website.

You can ask for a review of your private ruling decision if you disagree with it. We send you information about the review procedures when we send your ruling to you.

Oral rulings

You can apply for an oral ruling from the Tax Office over the phone on a simple non-business tax enquiry that relates specifically to your own tax affairs or to the tax affairs of someone for whom you are the legal personal representative. An oral ruling is binding on the Tax Office in much the same way as a private ruling.

To apply for an oral ruling you must be able to confirm your identity. Your TFN and most recent notice of assessment will usually be sufficient proof of identity.

We will confirm your eligibility for an oral ruling by asking you a series of questions. If you receive an oral ruling we will provide you with a receipt number for your ruling.

For further information or to apply for an oral ruling, phone the Personal Infoline.

CHANGES TO SUPERANNUATION

Superannuation benefits

- Australian superannuation pensions and superannuation annuities paid by Australian superannuation funds, life insurance companies and retirement savings account providers are now known as superannuation income streams (see question **2** on pages 20–3).
- Lump sum payments paid by an Australian superannuation fund are now referred to as Australian superannuation lump sum payments.
- If you were **aged 60 years or over** when you received an Australian superannuation benefit (income stream or lump sum payment) include only the **untaxed element** in your taxable income and show it on your tax return. The tax-free component and the taxed element are non-assessable non-exempt income, do not include them anywhere on your tax return as they are tax-free income (see **Amounts you do not pay tax on** on pages 16–18).
- If you were **aged under 60 years** when you received an Australian superannuation benefit (income stream or lump sum payment) include only the **taxed element** and the **untaxed element** in your taxable income and show them on your tax return. The tax-free component is non-assessable non-exempt income, do not include it on your tax return as it is tax-free in-come (see **Amounts you do not pay tax on** on pages 16–18).
- You may receive a tax offset for any taxed or untaxed element of a superannuation income stream included in your taxable income when you were aged 55 years and over (see question **21** on pages 59–61).
- Reasonable benefit limits have been abolished.
- For more information on the taxation of superannuation benefits paid by a foreign superannuation fund, see question **3** on pages 24–5.

Employment termination payments

- Eligible termination payments are now known as
  - employment termination payments (ETPs) when paid by an employer, or
  - superannuation lump sums when paid by a superannuation fund.
- The manner in which ETPs are taxed has changed. ETPs may no longer be rolled over into superannuation, except if they are *transitional termination payments*.

Non-superannuation annuities

The deductible amount of undeducted purchase price (UPP) of Australian non-superannuation annuities is no longer shown separately on your tax return. The deductible amount of UPP is used to work out the assessable amount of your Australian non-superannuation annuity (see question **2** on pages 20–3). You still show the deductible amount of UPP of a foreign pension or annuity on your tax return (see question **14** on pages 45–6).

Superannuation contributions

For individuals eligible to claim a deduction for their personal superannuation contributions from 1 July 2007:

- the age based limits for claiming a deduction have been removed, and
- you may claim a full deduction for your personal contributions, rather than the previous limit of the first $5,000 plus 75% of the amount above $5,000 (see **Excess contributions tax assessments** below).

You can make personal superannuation contributions up to the age of 75 years (previously 70 years) where you have satisfied the work test to make contributions.

Excess contributions tax assessments

The tax concessions on superannuation contributions will be limited to set amounts known as contributions caps. If the superannuation contributions made for or by you during an income year exceed the concessional or non-concessional contributions caps, your notice of assessment for excess contributions tax will itemise the tax on those excess contributions. Where an excess contributions tax liability arises, you are able to, and in some cases must, withdraw an amount equal to the tax from one or more of your superannuation funds.

Government Super Co-contribution

The Government Super Co-contribution has been extended to eligible self-employed persons for personal contributions not claimed as a tax deduction.

Contribution splitting

If you made personal superannuation contributions after 5 April 2007 for which you did not claim an income tax deduction, you cannot split your contributions to your spouse's superannuation account.

SELF-ASSESSMENT – IT'S YOUR RESPONSIBILITY

Under our system of self-assessment we prepare *Retirees TaxPack 2008* and our other tax-time publications annually to give you the information and guidance you need to complete your tax return. It is your responsibility to lodge a tax return that is signed, complete and correct. We then use the information on your tax return to issue your notice of assessment.

When you receive your notice of assessment, you may find that we have made some adjustments – for example, you may have made a mistake adding up your figures. However, we do not check everything on your tax return before issuing your notice of assessment.

We may not initially adjust any claims you make on your tax return. We do not take responsibility for checking that details on your tax return are correct – that is your responsibility.

At a later date we may check some of the details on your tax return more thoroughly. Under the law, we are generally allowed two years (depending on your circumstances – see **Amendment period** below) to review your tax return and if necessary increase or decrease the amount of tax payable. This period of review is extended where tax avoidance is involved.

Remember, even if someone else helps you to complete your tax return, you must sign the *Taxpayer's declaration* and you are responsible for the information provided on your tax return. Another person may sign your tax return on your behalf if they have authority to do so under a power of attorney. A certified copy of the current power of attorney must be attached to your tax return if you have not previously lodged the authority with us.

If, after lodging your tax return, you believe you have made a mistake, see page 82 to find out what to do.

AMENDMENT PERIOD

If you are among the majority of taxpayers, your income tax affairs for a particular income year will be considered finalised two years after the Commissioner issues your notice of assessment (for more information, go to **www.ato.gov.au/notices**). However, some taxpayers will have a four-year amendment period.

Generally, you will have a four-year amendment period if:

- you carried on a business and you are not a small business entity for that year
- you were a partner in a partnership that was carrying on a business and the partnership was not a small business entity for that year
- you received a trust distribution in that year and the trust was not a small business entity for that year
- any person entered into or carried out a scheme with the dominant purpose of obtaining for you a benefit in relation to income tax.

KEEP YOUR RECORDS

You need to keep records:

- to provide written evidence of your income and expenses
- to help you or your tax agent prepare your tax return
- to ensure that you are able to claim all your entitlements, and
- in case we ask you to prove the information you provided on your tax return.

Generally you should keep most of your written evidence for five years from 31 October 2008 or from the date you lodge your tax return, whichever is later. Specific record-keeping requirements for particular types of records appear in the relevant questions of *Retirees TaxPack 2008*. If you have acquired or disposed of an asset, applied a capital loss, or are in dispute with the Tax Office, you must keep the records for longer periods, as follows:

acquisition or disposal of assets: five years after the capital gains tax event happened for which those records will be needed to work out a capital gain or capital loss

application of capital losses: generally four years from the year of income when a net capital loss is fully applied

dispute with the Tax Office: five years from the date you lodged your tax return, or when the dispute is settled, whichever is later.

If you qualify as an individual with simple tax affairs under the *Shortened Document Retention Periods (Individuals with Simple Tax Affairs) Determination 2006* (SDR 2006/1), you need to keep your payment summaries for only two years. To check whether you qualify for this shorter record-keeping period, refer to our website **www.ato.gov.au**

DUE DATE FOR LODGING

LODGE YOUR TAX RETURN BY 31 OCTOBER 2008

You have from 1 July to 31 October 2008 to lodge your tax return, unless we have allowed you to lodge it late or you have a later due date as it is prepared by a registered tax agent.

Don't delay sending your tax return, even if you think you will owe tax. The earliest due date for payment of any 2007–08 personal income tax liability is 21 November 2008. If you lodge your own tax return by 31 October 2008, your tax is payable by the date specified on your notice of assessment.

If you lodge your tax return late, or not at all, any tax payable will be due on 21 November 2008 and we will calculate a general interest charge from that date until we receive the full payment. In addition, we may apply a penalty for failure to lodge on time (see **Failure to lodge on time penalty** in the next column).

Before you lodge your tax return, make sure you have read **Self-assessment – it's your responsibility** on the previous page.

IF YOU CANNOT LODGE YOUR TAX RETURN BY 31 OCTOBER 2008

If you cannot lodge your tax return by 31 October 2008 due to circumstances beyond your control, contact us as soon as possible – and certainly before 31 October 2008 – to find out if you can lodge at a later date. Phone our Personal Infoline (see the inside back cover) or send a written request to the address on your notice of assessment for the year ending 30 June 2007, if you have one, or to your nearest tax office (addresses are listed on pages 95–6). Explain why you need to lodge late and suggest another date. We will consider your request and contact you.

We will not normally accept the following explanations as reasons for allowing a late lodgment:

- a delay in receiving your payment summary
- losing your payment summary, or
- being absent from Australia.

If you have not received your payment summary or you have lost it, see **Late, lost or wrong payment summaries** on page 26 for information on what you should do.

FAILURE TO LODGE ON TIME PENALTY

We may apply a failure to lodge on time penalty if you lodge your tax return late.

If your tax return is incomplete, for example, if it is not signed, we may send it back to you asking you to complete it and return it to us. We consider that your tax return has not been lodged until it is returned to us complete.

Generally, we apply a penalty of $110 for every 28 days (or part thereof) your tax return is overdue, to a maximum of $550.

We may apply the penalty even where there is no tax payable. However, our policy is not to apply a penalty where:

- you lodge your tax return voluntarily, and
- no tax is payable.

We are likely to apply the penalty if:

- you have more than one tax return outstanding
- you have a poor lodgment history, or
- you have not complied with a request to lodge your tax return.

The penalty is in addition to any general interest charge that may apply if you do not pay any tax amount outstanding after the due date.

IF YOU NEED MORE HELP, VISIT OUR WEBSITE.

You can visit our website for more information on anything that you read in *Retirees TaxPack 2008*.

You can use the tools and calculators on the website to help you complete your tax return.

COMPLETING PAGE 1 OF YOUR TAX RETURN

We require the information you provide on page 1 of your tax return before we can start processing it. It is important that you complete this page accurately to avoid delays.

Many of the items on page 1 of the tax return relate to your personal details and need no explanation. For the tax-related items, we have provided some additional information to help you complete them. If you need further help, phone the Personal Infoline (see the inside back cover).

YOUR TAX FILE NUMBER

If you already have a tax file number (TFN), you can find it on your last notice of assessment or the payment summary you received from your employer or other payer. If you cannot find your TFN, phone the Personal Infoline. You will need to provide personal information to confirm your identity.

If you do not have a TFN and you are a permanent migrant or temporary visitor to Australia and have a visa that allows work rights, a visa that allows permanent migration, a valid overseas student visa or a valid visa to stay in Australia indefinitely, you may apply for a TFN online by visiting our website at **www.ato.gov.au** and selecting 'For individuals' – 'Apply for a tax file number' – 'Online individual tax file number (TFN) registration (NAT 4157)'.

If you do not have a TFN and you are not a permanent migrant or temporary visitor to Australia with a visa that allows work rights, you will need to complete the form *Tax file number application or enquiry for an individual* (NAT 1432).This form is available on our website or to find out how to get a printed copy, see the inside back cover.

You will need to provide original, unaltered documents that prove your identity with your application. You will find a list of acceptable proof of identity documents on the application.

From 1 July 2007, it has become more important to quote your TFN for taxation and superannuation purposes. To get the full benefit of the new superannuation rules, make sure all your superannuation funds have your TFN.

WILL YOU NEED TO LODGE AN AUSTRALIAN TAX RETURN IN THE FUTURE?

This may be your last tax return if:

- your annual taxable income in the future will be below the tax-free threshold ($6,000 for 2008–09)
- your only source of income in the future will be an Australian Government pension
- you will become eligible for the senior Australians tax offset in the income year 2008–09 (for eligibility to the senior Australian tax offset for 2007–08, see pages 53–4) and your taxable income is below the threshold for lodging a tax return this year (for threshold levels, see page 3)
- you are moving overseas permanently, or
- you are aged 60 years and over and your only source of income is from superannuation benefits (both lump sum and income streams) that have already been subject to tax in the fund.

DECEASED ESTATE – ARE YOU LOOKING AFTER THE ESTATE OF SOMEONE WHO DIED DURING THE YEAR?

Page 4 will tell you if you need to complete a tax return.

If you need to complete a tax return, prepare it for the income year up to the date of death.

Print DECEASED ESTATE on the top of page 1 of the tax return and at the question **Will you need to lodge an Australian tax return in the future?** print **X** in the **NO** box. The executor or administrator of the estate must sign the tax return on behalf of the deceased person and send it to us.

Certain types of income received after the date of death may need to be shown on a trust tax return. If you have any questions, phone the Personal Infoline.

ELECTRONIC FUNDS TRANSFER

Direct refund

Using electronic funds transfer (EFT), we can deposit your tax refund directly into an Australian bank, credit union or building society account of your choice. An EFT deposit will give you quicker access to your money. Direct deposit of your refund is not available on the full range of accounts. If you are in doubt, check with your financial institution.

If you would like to use EFT, print **X** in the **YES** box at the question **Do you want your refund paid directly into your financial institution account?** on page 1 of your tax return.

> **IMPORTANT**
>
> Make sure your account details are correct – if you give another person's account details, we will send your refund to that account.

If you used a tax agent last year but are preparing your own tax return this year, remember to provide the account details of your chosen account.

Complete the following steps.

STEP 1 Write the BSB (bank state branch) number. Do not include spaces, dashes or hyphens. The BSB number is the six-digit number that identifies the financial institution. It can be found on an account statement or a cheque form. If you do not know the BSB number, or the one you have has fewer than six digits or is for a credit union account, check with the financial institution.

STEP 2 Write the account number as shown on the account records. Do not include spaces. An account statement, cheque book or other document from the financial institution will show this information. You cannot use an account number that has more than nine characters (numbers or letters).

STEP 3 Print the account name (also called the account title) as shown on the account records. Include a space between each word and between any initials in the account name. Do not print the account type – savings, cheque, mortgage offset etc.

If your name is John Q Citizen, you might have an account with the account name shown as JQ Citizen, or John Q and Mary Citizen, or another variation.

> **MORE INFORMATION**
>
> If you need more information on using EFT for your refund, phone the EFT Infoline (see the inside back cover).

Direct debit

If you have a tax debt, your notice of assessment will show a due date for payment. If you want to pay using EFT direct debit from your account, phone the EFT Infoline.

If you have provided us with a *Direct debit request* but your notice of assessment does not state that the payment will be debited from your account, phone the EFT Infoline.

AMOUNTS YOU DO NOT PAY TAX ON

You may have received amounts that you do not need to include as income on your tax return, although these amounts may be used in other calculations for your tax return. There are three different types of these amounts.

- **Exempt income** is income on which you do not need to pay tax. However, some types of exempt income are taken into account when calculating the separate net income (SNI) of your spouse (see question **18** on pages 50–2). In addition, some questions in *Retirees TaxPack 2008* ask you to show on your tax return for retirees the exempt income you or your spouse may have received (see **Spouse details – married or de facto** on pages 78–9). Generally you cannot deduct expenses you have incurred in gaining your exempt income when calculating your taxable income. The most common types of exempt income you or your spouse may have received are listed below.
- **Non-assessable non-exempt income** is also income on which you do not need to pay tax. Some types of non-assessable non-exempt income may affect your liability for the Medicare levy surcharge. Some types of non-assessable non-exempt income are also taken into account when calculating the SNI of your spouse (see question **18** on pages 50–2). However, there are no questions in *Retirees TaxPack 2008 that* ask you to show on your tax return for retirees the non-assessable non-exempt income you or your spouse may have received. Generally you cannot deduct expenses you have incurred in gaining your non-assessable non-exempt income when calculating your taxable income. The most common types of non-assessable non-exempt income are listed on the next page.
- Some **other amounts** are not taxable and do not affect any calculation on your tax return.

EXEMPT INCOME

Exempt Australian government pensions, allowances and payments

- Carer adjustment payment (CAP): in the 2008 Budget the Government announced that CAPs will be exempt from income tax from 1 July 2007. At the time of publication this change had not become law.
- Carer payment where
  - **both** the carer **and** either the care receiver or all of the care receivers are under age-pension age, or
  - the carer is under age-pension age and any of the care receivers has died
- Defence Force income support allowance (DFISA) payable to you on a day when the whole of your social security pension or benefit, which is also payable to you on that day, is exempt from income tax under section 52-10 of the *Income Tax Assessment Act 1997*
- Disability support pension paid by Centrelink to a person who is under age-pension age
- Invalidity service pension where the veteran is under age-pension age
- Partner service pension where either
  - the partner (excluding the non-illness separated spouse of a veteran) and the veteran are under age-pension age and the veteran receives an invalidity service pension, or
  - the partner is under age-pension age and the veteran has died and was receiving an invalidity service pension at the time of death
- Veterans' Affairs disability pension and allowances, war widows and war widowers pension
- Wife pension where both the recipient and their partner are under age-pension age, or the recipient is under age-pension age and their partner has died

> **NOTE**
> Lump sum bereavement payments received as part of any of the above payments are exempt only up to the tax-free amount. Phone the Personal Infoline (see the inside back cover) to find out how much of your payment is exempt.

Exempt Australian government education payments

- Apprenticeship wage top-up
- Commonwealth Trade Learning Scholarship
- Language, literacy and numeracy supplement
- Pensioner education supplement and fares allowance paid by Centrelink
- Rent assistance paid to austudy recipients: in the 2008 Budget the Government announced that these payments will be exempt from income tax from 1 July 2007. At the time of publication this change had not become law.

Other exempt Australian government payments

- Australian Government disaster recovery payments
- Carer allowance paid under the *Social Security Act 1991*
- DFISA bonus and DFISA bonus bereavement payment under Part VIIAB of the *Veterans' Entitlement Act 1986*

- Disaster relief payment
- F-111 deseal/reseal ex-gratia lump sum payments
- Loss of earnings allowance paid under the *Veterans' Entitlements Act 1986*
- Lump sum pension bonus paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- Payments from the Australian Government under the incentive payments scheme relating to certain private health insurance policies
- Payments to carers under the scheme determined under Schedule 4 to the *Social Security and Veterans' Affairs Legislation Amendment (One-off Payments and Other 2007 Budget Measures) Act 2007*
- The 2007 one-off $1,000 payment to carers who received a carer payment, wife pension, partner service pension, carer service pension or carer allowance (paid under the *Social Security Act 1991)*
- Payments to older Australians under the scheme determined under Schedule 2 to the *Social Security and Veterans' Affairs Legislation Amendment (One-off Payments and Other 2007 Budget Measures) Act 2007*
- The 2007 one-off $1,000 payment to older Australians (paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986)*
- Pension bonus and pension bonus bereavement payment under Part 2.2A of the *Social Security Act 1991* or Part IIIAB of the *Veterans' Entitlement Act 1986*
- Pharmaceutical allowances paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- Phone allowance paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- Remote area allowance
- Rent assistance
- Seniors concession allowance paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- Sugar industry exit grant where you complied with a condition of the grant not to own or operate any agricultural business within five years of receiving the grant
- Super Co-contributions
- Tobacco industry exit grant where you complied with a condition of the grant not to own or operate any agricultural business within five years of receiving the grant
- Utilities allowance paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*

Other exempt payments

- Certain annuities and lump sums which are paid to an injured person under a structured settlement
- Mortgage and Rent Relief Scheme payments
- Certain distributions from an early stage venture capital limited partnership
- Certain distributions from a pooled development fund
- Certain payments relating to persecution during the Second World War
- Japanese internment compensation payments made under the *Compensation (Japanese Internment) Act 2001* or the *Veterans' Entitlements Act 1986*

NON-ASSESSABLE NON-EXEMPT INCOME

The most common types of non-assessable non-exempt income you may have received are:

- the tax-free component of an employment termination payment (ETP)
- that part of the taxable component of a death benefit ETP paid to a dependant, which is below the 2007–08 cap of $140,000
- the tax-free component of a superannuation benefit
- the taxed element of a superannuation income stream or lump sum received by a person 60 years or over
- the taxed element of a death benefit superannuation income stream paid to a dependant where the deceased was 60 years of age or over at the time of their death or the recipient was 60 years of age or over at the time the income stream started to be paid to them
- a superannuation lump sum death benefit received by
  - a dependant, or
  - someone who is not a dependant, but received the benefit because of the death of a member of the Australian Defence Force or an Australian police force (including Australian Protective Services) who died in the line of duty.

The Government has announced that it would change the law to make superannuation lump sum benefits paid to a superannuation fund member with a terminal medical condition non-assessable non-exempt income from 1 July 2007. At the time of printing this publication, the amending legislation for this measure was before the Parliament. The Commissioner of Taxation has introduced interim measures to remove any unnecessary hardship for terminally ill members. These interim measures took effect from 12 September 2007 and ceased on 1 July 2008. Details of the interim measures are in the electronic publication *Access to super for the terminally ill*. It is available on our website.

NOTE

If you received a superannuation lump sum which is taxable you cannot use *Retirees TaxPack 2008* to prepare your tax return. Go to **Other ways to prepare your tax return** on page 2.

Non-assessable non-exempt income for temporary residents

If you are a temporary resident:

- your foreign income is non-assessable non-exempt income, except income you earn from your employment overseas for short periods while you are a temporary resident
- capital gains and capital losses you made from the disposal of assets other than 'taxable Australian property' are disregarded, except certain gains on shares and rights acquired under employee share schemes.

Any income that is non-assessable non-exempt because you are a temporary resident should not be shown on your tax return.

For further information, see the electronic publication *Foreign income exemption for temporary residents – introduction*. It is available on our website.

Who is a temporary resident?

You are a temporary resident if:

- you hold a temporary visa granted under the *Migration Act 1958*
- you are not an Australian resident within the meaning of the *Social Security Act 1991*, and
- your spouse (if applicable) is not an Australian resident within the meaning of the *Social Security Act 1991*.

If, at any time on or after 6 April 2006, you have been an Australian resident for tax purposes but not a temporary resident, you will not be entitled to the temporary resident exemptions from that time, even if you later hold a temporary visa.

For further information, see the electronic publication *Foreign income exemption for temporary residents – introduction*. It is available on our website.

OTHER AMOUNTS THAT YOU DO NOT PAY TAX ON

- Most spouse maintenance payments
- Your share of certain profits or gains arising from disposal of investments by a venture capital limited partnership, an early stage venture capital limited partnership or an Australian venture capital fund or funds
- Certain profits or gains from disposal of shares in a pooled development fund
- Compensation payments received under the German Forced Labour Compensation Programme

NOTE

For information on the type of payment you received, contact the person or agency that paid you.

If you are not sure whether a payment is exempt income, non-assessable non-exempt income or some other payment that is not taxable, phone the Personal Infoline.

Income

QUESTION 1

AUSTRALIAN GOVERNMENT PENSIONS AND ALLOWANCES

1

Did you receive any of the following payments from Centrelink or the Department of Veterans' Affairs?

- Age pension
- Bereavement allowance
- Carer payment
- Disability support pension and you have reached age-pension age
- Widow B pension
- Wife pension and either you or your partner was of age-pension age
- Age service pension
- Income support supplement
- Defence Force income support allowance (DFISA) if the pension, payment or allowance it relates to is taxable
- DFISA-like payment from the Department of Veterans' Affairs (DVA)
- Invalidity service pension and you have reached age-pension age
- Partner service pension

NO ☐ Go to question **2**.

YES ☐ Read below.

Show your income from these payments at this item. Do not show the payments listed in the **STOP** box below.

STOP

Do not show at this item:

- exempt payments – these are listed on pages 16–18
- Superannuation Act and Defence Forces Retirement Benefits Act pensions and payments – these are dealt with at question **2**
- foreign pensions – these are dealt with at question **3**.

QUESTION ***How do you know how much pension or allowance you received?***

ANSWER The government agency that paid you will provide you with a *PAYG payment summary – individual non-business* or a letter giving details of your pension, allowance or payment. This advice shows the amount you received and whether tax was withheld. If you have not received this information or you have lost it, contact the agency that paid you.

COMPLETING THIS ITEM

STEP 1 Add up all the amounts of tax withheld as shown on your payment summaries or letters. Write the total amount of tax withheld at the left of **B** item **1** on your tax return. Do not show cents.

STEP 2 Add up all the amounts of taxable Australian Government pension or allowance income you received. Write the total amount at **B** item **1** on your tax return. Do not show cents.

Keep all statements and payment summaries with your records. Do not attach them to your tax return.

IMPORTANT

You may be entitled to a tax offset on this income. Tax offsets reduce the amount of tax you have to pay.

Work through question **19 Senior Australians** and question **20 Pensioner** to see if you are entitled to a tax offset. We work out your tax offset entitlement based on the tax offset code and veteran code (if applicable) that you print on your tax return.

Make sure you print the correct code letters on your tax return; otherwise, you may not receive your correct entitlement.

EXAMPLE

Stan received a service pension of $6,200 in 2007–08. He did not have any tax withheld.

Stan fills in his tax return like this:

	Tax withheld – do not show cents	Income – do not show cents
1 **Australian Government pensions and allowances** You must complete item **19** or **20** in **Tax offsets**.	☐☐,☐☐☐.00	**B** ☐6,200.~~00~~

QUESTION 2

AUSTRALIAN ANNUITIES AND SUPERANNUATION INCOME STREAMS

2

NOTE

This question is different from last year's.

Australian superannuation pensions and superannuation annuities are now known as **Australian superannuation income streams**.

If you received an Australian non-superannuation annuity, the amount of your annuity you must show as income at this item may be different from last year.

If you were aged 60 years or over when you received an Australian superannuation income stream benefit, this question applies to you only if your *PAYG payment summary – superannuation income stream* shows:

- an untaxed element amount, or
- an amount of tax withheld.

Show only these amounts at this item. Do not show the tax-free component or the taxed element of your benefit anywhere on your tax return, they are not included in your taxable income.

If you were aged under 60 years when you received an income stream benefit, read on.

Did you receive an Australian annuity or superannuation income stream?

Australian superannuation income streams include those paid to you:

- by an Australian superannuation fund, life insurance company or retirement savings account (RSA) provider
- by a fund established for the benefit of Commonwealth, state or territory employees and their dependants – for example, funds such as the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme
- while you were still working
- as a result of another person's death (often referred to as 'death benefit income streams').

Include also at this item:

- Australian superannuation income stream lump sums in arrears, and
- Australian non-superannuation annuities paid by, for example, life insurance companies or friendly societies.

STOP

Do not include at this item:

- age, service and other Australian Government pensions or allowances (these are dealt with at question **1**)
- foreign pensions and annuities (these are dealt with at question **3**)
- exempt pensions listed on page 16 (these are not taxable and should not be shown anywhere on your tax return).

NO Go to question **3**.

YES Read below.

WHAT YOU MAY NEED

- Your *PAYG payment summary – superannuation income stream*
- Statements from your Australian annuity, superannuation, other pension funds and RSA providers
- Your *PAYG payment summary – individual non-business* showing the gross payment of your non-superannuation annuity. You may also need a statement from the payer (for example, a life insurance company or friendly society) showing the deductible amount of the undeducted purchase price (UPP) of your non-superannuation annuity, for you to work out the amount you need to include as income at this item.

If you have not received a payment summary or statement, or you have lost it, contact your payer to obtain a copy.

YOU NEED TO KNOW

Since 1 July 2007, your superannuation income stream benefits have two components: a tax-free component and a taxable component.

The **tax-free component** is the part of your benefit that is non-assessable non-exempt income, that is, tax-free income. It may be shown at 'Tax-free component' on your *PAYG payment summary – superannuation income stream*. Do not show it anywhere on your tax return as it is not included in your taxable income.

The **taxable component** is the part of your benefit on which tax is payable. It may have two elements:

- a taxed element, and
- an untaxed element.

The **taxed element** is the part of your benefit on which tax has already been paid in the fund. You need to show the taxed element amount at this item if you were aged under 60 years when you received the payment and your *PAYG payment summary – superannuation income stream* shows an amount at 'Taxable component – taxed element'. (The taxed element is included in your taxable income and you may need to pay tax on it.)

An **untaxed element** is the part of your benefit which is still taxable because tax has not been paid in the fund. It is included in your taxable income. You need to show it at this item. Your *PAYG payment summary – superannuation income stream* shows it at 'Taxable component – untaxed element'. (An untaxed element is often included in income stream benefits paid by some public sector superannuation funds, and in small superannuation account payments and superannuation guarantee payments.)

You may be entitled to a tax offset for your superannuation income stream, or superannuation income stream lump sum in arrears payment if you received one. This question helps you to determine your eligibility.

For more information, refer to the electronic publication *How your super payout is taxed*, available on our website at **www.ato.gov.au**

Superannuation and tax file numbers

If you have not given your tax file number (TFN) to your fund or retirement savings acount (RSA) provider, they may withhold a greater rate of tax from your benefit than if you had provided it. You can phone or write to your fund or RSA provider and quote your TFN.

Superannuation funds and RSA providers also use TFNs to keep track of superannuation benefits.

COMPLETING THIS ITEM

STEP 1 Tax withheld

Your *PAYG payment summary – superannuation income stream* shows the amounts of tax withheld from your Australian superannuation income stream.

Your *PAYG payment summary – individual non-business* shows the amounts of tax withheld from your Australian non-superannuation annuities.

Add up the tax withheld amounts on all the payment summaries from your Australian superannuation income streams and Australian non-superannuation annuities. Write this total amount in the **Tax withheld** column at item **2** on your tax return.

STEP 2 Taxable component

Your *PAYG payment summary – superannuation income stream* shows amounts for the taxed and untaxed elements of the taxable component of your benefit.

- Add up all the **taxed element** amounts of the taxable component from all your Australian superannuation income stream payment summaries. Write the total at **J** item **2** on your tax return.
- Add up all the **untaxed element** amounts of the taxable component from the same payment summaries. Write the total at (a) in **worksheet 1** below (see **example 1**).

Do not include any amount of **lump sum in arrears – taxable component** at this step. These are included at step 3.

EXAMPLE 1

Simon is a member of two superannuation funds (fund A and fund B) and receives a superannuation income stream benefit from both of these funds. The untaxed element amounts shown on his *PAYG payment summary – superannuation income stream* are $1,500 for fund A and $2,000 for fund B, so the total untaxed element amount is $3,500. He writes **3,500** at (a) in **worksheet 1**.

WORKSHEET 1: Working out the total of untaxed elements and assessable amounts

	Simon's	Yours	
Total **untaxed element** amounts from your superannuation income streams	$3,500	$	(a)
Total **assessable amounts** from your non-superannuation annuities	$8,000	$	(b)
Add (a) and (b).	$11,500	$	(c)
Transfer the amount at (c) to **N** item **2** on your tax return.			

NOTE

Your *PAYG payment summary – superannuation income stream* may also show the **tax-free component** of your superannuation income stream. That amount is non-assessable non-exempt income, that is, tax-free income. Do not show it anywhere on your tax return.

If you received a 'superannuation pension' with an undeducted purchase price (UPP) before 1 July 2007, the deduction which you claimed on your past tax returns is now accounted for and included in this tax-free component.

STEP 3 Lump sum in arrears – taxable component

Did you receive a lump sum payment that relates to a superannuation income stream from an earlier year?

NO Go to step 4.

YES Read below

The amount you received is shown as a **lump sum in arrears** amount on your *PAYG payment summary – superannuation income stream*. You show only the taxable component of this lump sum at this item.

- Add up all the taxed element amounts of the **lump sum in arrears – taxable component** from all your Australian superannuation income stream payment summaries. Write the total at **Y** item **2** on your tax return.
- Add up all the untaxed element amounts of the **lump sum in arrears – taxable component** from the same payment summaries. Write the total at **Z** item **2** on your tax return.

If your payment summary does not show a lump sum in arrears, leave **Y** and **Z** blank.

> **NOTE**
> The tax-free component of your lump sum in arrears is non-assessable non-exempt income, that is, tax-free income. Do not show it anywhere on your tax return.

STEP 4 Did you receive payments of Australian non-superannuation annuities?

NO Go to step 5.

YES Work out the assessable amount of your Australian non-superannuation annuities.

The **assessable amount** is calculated by subtracting the **deductible amount** of the undeducted purchase price (UPP) of your annuity from the gross amount of the annuity shown on your *PAYG payment summary – individual non-business*.

Your annuity may have a UPP if:

- you bought the annuity with your own capital, or
- the annuity reverted to you on the death of another person.

The UPP is that part of the annuity payment made to you that represents the part of the purchase price which you could not claim as a tax deduction in previous years. The **deductible amount** of the UPP of your annuity is usually calculated by taking the residual capital value away from the purchase price, and dividing the result by either:

- the term of the annuity (where the annuity is payable for a fixed term of years), or
- a life expectancy factor determined according to life expectancy statistics (where the annuity is payable during your lifetime).

If you cannot calculate the deductible amount of the UPP, contact your payer for assistance. If your payer cannot tell you, phone the Superannuation Infoline (see the inside back cover).

Add up all the assessable amounts of your Australian non-superannuation annuities.

Write the total of the assessable amounts of your Australian non-superannuation annuities at (b) in **worksheet 1** on the previous page (see **example 2**).

> **NOTE**
> If you have taken any part of your annuity as a lump sum, or if there are changes to your annuity, for example, due to commutation, divorce or remarriage, then the deductible amount of your UPP may need to be recalculated.
>
> **The deductible amount of your UPP cannot be more than the amount of the annuity** you have received in the income year, that is, the amount at (b) in **worksheet 1** cannot be less than zero. This means that you cannot use any excess of the deductible amount to reduce any income you have received from an Australian superannuation income stream benefit.

EXAMPLE 2

Simon also receives income from an Australian non-superannuation annuity he had purchased from a life insurance company. He works out that the assessable amount of his annuity income is $8,000. He writes **8,000** at (b) in **worksheet 1** on the previous page.

STEP 5 Add (a) and (b) in **worksheet 1**, and transfer the amount at (c) to **N** item **2** on your tax return.

EXAMPLE 3

In Simon's case the total at (c) in **worksheet 1** is $11,500. Simon writes **11,500** at **N** item **2** on his tax return.

STEP 6 Determine your eligibility for tax offsets.

Senior Australians tax offset. You may be entitled to the senior Australians tax offset. Read question **19** on pages 55–6 to find out more about this tax offset.

Superannuation income stream tax offset. You may be entitled to a tax offset for your superannuation income stream. Read question **21** on pages 59–61 to find out more about this tax offset.

Lump sum payments in arrears tax offset. You may be entitled to a tax offset if you received a superannuation income stream lump sum in arrears. If you did, we will calculate the tax offset for you, but you need to provide additional information:

- On a separate piece of paper
  - print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 2
  - include your name, address and tax file number
  - write the amount of the payment in arrears for each income year involved. For example, if you received $900 in 2007–08 as a lump sum in arrears, $600 of that lump sum could be due to you for 2005–06 and $300 for 2006–07. You would write **2005–06 $600** and **2006–07 $300**. If you do not have that information, contact the payer of your superannuation income stream.
- Sign your schedule and attach it to page 3 of your tax return.
- Print **X** in the **YES** box at *Taxpayer's declaration* on page 6 of your tax return.

NOTE

The superannuation income stream tax offset and the lump sum payments in arrears tax offset do not apply to non-superannuation annuities.

CHECK THAT YOU HAVE . . .

- ☐ written at **Tax withheld** the total amount of tax withheld from all superannuation income streams shown on your *PAYG payment summary – superannuation income stream* and all non-superannuation annuities shown on your *PAYG payment summary – individual non-business*
- ☐ written at **J** the total of the taxed elements of your superannuation income streams shown on your *PAYG payment summary – superannuation income stream*
- ☐ written at **N** the total of
  - untaxed elements of the taxable component of your superannuation income streams shown on your *PAYG payment summary – superannuation income stream*, and
  - assessable amounts of non-superannuation annuities shown on your *PAYG payment summary – individual non-business*
- ☐ written at **Y** and **Z** the total taxed and untaxed elements of the taxable component of any superannuation income stream lump sum in arrears, if applicable
- ☐ determined your eligibility for a tax offset
- ☐ completed and attached a SCHEDULE OF ADDITIONAL INFORMATION – ITEM 2, if required
- ☐ kept copies of all payment summaries, signed copies, letters and statements from your payers. You need to keep these records as evidence (see **Keep your records** on page 12).

QUESTION 3

FOREIGN SOURCE PENSION OR ANNUITY INCOME

3

Did you receive income from a foreign pension or annuity?

NO ☐ Go to question **4**.

YES ☐ Read below.

STOP

You cannot complete your tax return using *Retirees TaxPack 2008* if in 2007–08 you received:

- a foreign pension or annuity from which tax had been taken and for which you want to claim a foreign tax credit
- a foreign pension or annuity in relation to which you have incurred interest or other debt deductions for which you wish to claim a deduction, or
- a lump sum foreign pension payment for an earlier year.

See **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

Most foreign pensions and annuities are taxable in Australia, even if tax has been taken from your payment by the country from which the payment came. If you are unsure whether your pension or annuity is taxable in Australia, or whether your pension or annuity is subject to an agreement (see **Note** below), phone the Personal Infoline (see the inside back cover).

NOTE

If you are a temporary resident you will not need to show foreign pensions or annuities. Refer to page 18 for the definition of a temporary resident and details of the exemption.

If the country from which your pension or annuity came withheld tax from your payment, and the pension or annuity is also taxable in Australia, you may be able to claim a foreign tax credit if you are not entitled to seek a refund of the foreign tax paid from the country from which the payment came. This refund may follow under the terms of an agreement between Australia and that country to prevent double taxation. If you want to claim a credit for foreign tax you have paid, **you cannot complete your tax return using *Retirees TaxPack 2008*.** See **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

Do you need to convert your foreign pension or annuity into Australian dollars?

You must convert all of your foreign pension or annuity income into Australian dollars. If your foreign pension or annuity is converted into Australian currency when it is paid into your bank account, the easiest way to do this is to add up those converted payments shown in your passbook or bank statement.

If you cannot do this, use the Foreign income conversion calculator on our website or phone the Personal Infoline to find out the correct exchange rates.

COMPLETING THIS ITEM

STEP 1 You must add the amount of foreign tax paid, if any, to the amount of pension or annuity you received. The answer is the gross amount of foreign pension or annuity you received. Write the gross amount at **E** item **3** on your tax return. Do not show cents.

STEP 2 Take away the amount of any deductible expenses (other than debt deductions, such as interest) you incurred in relation to your gross foreign pension or annuity. Deductible expenses include expenses, such as bank fees and phone calls to your fund. The amount remaining is called your **net taxable foreign pension or annuity**.

Do not take away any deductible amount of undeducted purchase price (UPP) from your gross foreign pension or annuity.

If your foreign pension or annuity has a deductible amount of UPP, you may be able to reduce the amount of pension or annuity that you will pay tax on. Read question **14** on pages 45–6 for further information.

If your pension or annuity never had a UPP, go to step 3. If your pension or annuity has or had a UPP, go to step 4 on the next page.

Net foreign pension or annuity WITHOUT an undeducted purchase price

STEP 3 Write the amount of your net taxable foreign pension or annuity without a UPP at **L** item **3**. Do not show cents. Your tax return will already have the correct code printed in the **CODE** box at item **3**. See **example 1** on the next page.

EXAMPLE 1

Lucy receives a Belgian pension. She had no deductible expenses in relation to this pension and her pension has no undeducted purchase price (UPP) entitlement. Each month's payments were converted into Australian dollars and paid into her bank account. To work out the foreign pension she received, Lucy adds up the amounts paid in each month and finds they total $5,675.

Lucy fills in item **3** on her tax return like this:

3 Foreign source pension or annuity income

Net foreign pension or annuity income WITHOUT an undeducted purchase price **L** 5,675.00 CODE BOX P

Net foreign pension or annuity income WITH an undeducted purchase price **D** .00

Assessable foreign source income **E** 5,675.00

Net foreign pension or annuity WITH an undeducted purchase price

STEP 4 Write the amount of your net taxable foreign pension or annuity with a UPP at **D** item **3**. Do not show cents. See **example 2** below.

EXAMPLE 2

Gino receives an Italian pension and incurred no deductible expenses. He has converted his pension income into Australian dollars, and the amount is $6,730.

Gino is also entitled to claim a UPP deduction at item **14**.

Gino fills in item **3** on his tax return like this:

3 Foreign source pension or annuity income

Net foreign pension or annuity income WITHOUT an undeducted purchase price **L** .00 CODE BOX P

Net foreign pension or annuity income WITH an undeducted purchase price **D** 6,730.00

Assessable foreign source income **E** 6,730.00

QUESTION 4

SALARY, WAGES, ALLOWANCES, EARNINGS ETC

4

Did you receive any income from working, whether or not it is shown on a *PAYG payment summary – individual non-business*?

This income might include:

- payments of salary, wages, commissions, bonuses etc, including income earned from part-time and casual jobs
- allowances
- jury attendance fees
- tips, gratuities and payments for your services
- consultation fees and payments for voluntary services (honoraria).

NO ☐ Go to question **5**.

YES ☐ Read below.

STOP

Do not show the following payments at this item:

- Australian Government pensions, allowances and payments – these are dealt with at question **1**
- Australian annuities and superannuation income streams – these are dealt with at question **2**
- total reportable fringe benefits amounts – these are dealt with at question **6**.

You **cannot use** *Retirees TaxPack 2008* to complete your tax return if:

- you received payment summaries other than the *PAYG payment summary – individual non-business*, or
- you wish to claim any work-related expenses.

See **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

QUESTION ***Was tax withheld from your payments of salary or wages, allowances or other earnings?***

ANSWER If you had tax withheld from your payments of salary or wages, allowances or other earnings during 2007–08, your payer will send you a payment summary showing how much income you earned and how much tax was withheld from your earnings.

NOTE

- Employers are payers.
- Employees are payees.

Late, lost or wrong payment summaries

If your payer has not sent your payment summary to you, if the details on it are wrong or if you have lost it, contact your payer and ask them for the original documents, a signed copy, or a letter or statement showing the correct details.

If your payer is unable to provide you with these documents, you will need to complete a *Statutory declaration* (NAT 4135), available from the Tax Office, and keep it with your taxation records. You will need a separate statutory declaration for each payer from whom you have no documents.

The statutory declaration identifies the categories of information you need to show on your tax return, such as the period or periods of employment covered by your missing documents, the amounts of tax withheld and the amount of gross payments of salary or wages you earned.

To find out how to get this statutory declaration, see the inside back cover.

NOTE

You no longer need to attach payment summaries (or statutory declarations for missing payment summaries) to your tax return.

COMPLETING THIS ITEM

STEP 1 Write the total amount of tax withheld from payments of salary or wages, allowances or other earnings at the left of **C** item **4** on your tax return. Do not include any amounts already shown on your tax return. Do not show cents.

STEP 2 Add up all your gross amounts of salary or wages, allowances or other earnings. Do not include amounts already shown on your tax return. Include all allowances and earnings you received, whether or not they are shown on a payment summary.

STEP 3 Write the total at **C** item **4**. Do not show cents.

EXAMPLE

Ling worked part time in her daughter's clothing shop in 2007–08. She earned $1,200 and had $300 tax withheld.

She also volunteered to do the books of her grandson's pre-school for $150, based on $15 per hour. No tax was withheld from this payment.

Ling fills in item **4** on her tax return like this:

4 **Salary, wages, allowances, earnings etc**	Tax withheld – do not show cents 300.00	**C** 1,350.~~00~~

KEEP YOUR RECORDS

You need to keep your payment summaries for five years after the end of the income year unless the Commissioner has determined that you are subject to a shorter retention period in which case the period is two years from the date of the assessment for the income year. See **Keep your records** on page 12 for more information.

QUESTION 5

5

TOTAL TAX WITHHELD

COMPLETING THIS ITEM

STEP 1 Add up all the amounts in the tax withheld boxes at items **1**, **2** and **4** on page 2 of your tax return.

STEP 2 Write the total amount at **$** item **5 TOTAL TAX WITHHELD** on your tax return. Go to question **6**.

5 **TOTAL TAX WITHHELD**	**$** , .00 ←	**Add up all the amounts in the tax withheld column – items 1, 2 and 4.**

PAY AS YOU GO (PAYG) INSTALMENTS

You do not need to show instalments made under the PAYG instalments system anywhere on your tax return. The amounts are credited automatically in your assessment.

To ensure you are credited with the correct amount, make sure you lodge all your activity statements before you lodge your tax return. You should lodge any outstanding activity statements even if you have paid your instalments, or have nothing to pay.

QUESTION 6

6

TOTAL REPORTABLE FRINGE BENEFITS AMOUNTS

Do you have a reportable fringe benefits amount shown on a *PAYG payment summary – individual non-business*?

NO Go to question **7**.

YES Read below.

You need to complete this item if any payment summaries provided by your employer showed a reportable fringe benefits amount.

Your employer has to keep records of the value of any fringe benefits given to you or your associate, but only needs to show the fringe benefits on your payment summary if their value to you exceeds $2,000 in the fringe benefits tax (FBT) year (1 April 2007 to 31 March 2008).

Additionally, for tax return purposes, your employer has to gross up the value to you of the fringe benefits to ensure their value is comparable with other forms of income on your payment summary.

The highest marginal rate of income tax plus Medicare levy are used to gross up your fringe benefits, so a fringe benefit having a value to you of $2,000.01 becomes a reportable fringe benefits amount of $3,738. Therefore, if your payment summary shows a reportable fringe benefits amount of less than $3,738 you will need to check with your employer about the amount or the method of calculating the amount.

The total amount of reportable fringe benefits that you show on your tax return is not included in your total income or loss amount. You do not pay income tax or Medicare levy on it.

However, it will be used in determining your entitlement to or liability for:

- Medicare levy surcharge
- Super Co-contributions
- mature age worker tax offset
- Higher Education Loan Programme repayments, and
- certain government benefits.

MORE INFORMATION

You can find more information in *Reportable fringe benefits – facts for employees* (NAT 2836). This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

COMPLETING THIS ITEM

STEP 1 Add up the reportable fringe benefits amounts shown on your payment summaries.

STEP 2 Write the total at **W** item **6** on your tax return. Do not show cents. Do not show an amount at **W** that is less than $3,738.

QUESTION 7

GROSS INTEREST

7

Did you receive, or were you credited with, interest from any source within Australia?

NO ☐ Go to question **8**.

YES ☐ Read below.

STOP

You **cannot use** *Retirees TaxPack 2008* to complete your tax return if you received or were entitled to receive distributions of interest from a partnership or trust. 'Trust' includes:

- cash management trust
- money market trust
- mortgage trust
- property trust
- unit trust
- other similar trust investment products.

If you had such distributions, see **Other ways to prepare your tax return** on page 2 for alternative ways of preparing your tax return.

You need to include all the interest you received from:

- interest-bearing accounts – such as savings and passbook accounts – with banks, credit unions and building societies
- cash management accounts and cheque accounts
- term deposits and fixed deposits.

Include any interest you received from or were credited with by the Tax Office.

Deemed interest

We are only concerned with the interest you actually received or were credited with, not what Centrelink or the Department of Veterans' Affairs deemed you to have received from your investments.

Children's and grandchildren's accounts

If you opened or operated an account for a child or grandchild and the funds in that account belonged to you, or you spent or used the funds in the account as if they belonged to you, you must include any interest from the account at this item.

Taxation Ruling IT 2486 – Income tax: children's savings accounts has more details. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

COMPLETING THIS ITEM

STEP 1 Using your records, add up all the amounts of gross interest that you received or that were credited to you. You do not have to show an amount if the total gross interest you earned from all accounts during the year was less than $1.

Remember to show only your share of any interest from joint accounts. Joint account interest is generally split equally between account holders. If it is not, keep a record to show how you worked out your share.

The gross interest amount you show at this item must include any tax file number (TFN) amounts. These are amounts of tax withheld by the financial institution because you did not quote your TFN to the institution. They will be shown in your passbook, statements or other financial records as Commonwealth tax or TFN withholding tax.

Do not deduct account-keeping fees and charges from your gross interest amount. You may be able to claim these at item **12 Interest and dividend deductions**.

STEP 2 Write your gross interest at **L** item **7** on page 2 of your tax return. Do not show cents.

STEP 3 Add up all the TFN amounts withheld from gross interest shown on your statements and take away any TFN amounts already refunded to you. These will also be shown on your statements or passbooks from banks or other financial institutions.

STEP 4 Write the answer from step 3 at **M** item **7**. Remember to show cents. This amount will be credited to you on your notice of assessment.

7

INCOME

EXAMPLE

John's account was credited with $260 interest from the XYZ Bank. In addition, John and his wife, Helen, have a joint account at the STU Bank which credited the account with $170 interest. John has to show only half of this on his tax return.

John also opened an account at the Piggy Bank for his granddaughter, Jessica. This account was credited with $35 interest. John often uses the money in Jessica's account to help pay unexpected expenses. Because John is using the money in Jessica's account as if it belongs to him, he must include the interest from Jessica's account on his tax return.

John has given his tax file number to each of the banks.

John calculates his bank interest like this:

Bank	Interest credited
XYZ	$260
STU (half of the interest credited to the joint account)	$85
Piggy	$35
Total interest	**$380**

John fills in item **7** on his tax return like this:

7 Gross interest

Gross interest **L** 380.~~00~~

Tax file number amounts withheld from gross interest **M**

QUESTION 8

DIVIDENDS

8

Did an Australian company (including a listed investment company), corporate unit trust or public trading trust pay, or credit you with, any dividends or distributions?

NO ☐ Go to question **9**.

YES ☐ Read below.

STOP

You cannot complete your tax return using *Retirees TaxPack 2008* if:

- you received, or were entitled to receive, dividends that were part of a distribution from any of the following trusts (check your distribution statement): a cash management trust, money market trust, mortgage trust, unit trust or managed fund such as a property trust, share trust, equity trust, growth trust, imputation trust, balanced trust or similar trust investment product
- you received distributions from a partnership, including a corporate limited partnership
- you have amounts that are treated as dividends because of a payment, loan or debt forgiveness by a private company
- you have amounts that are treated as dividends because of a payment, loan or a debt forgiveness by a trustee of a trust estate
- you received dividends from a foreign company, including dividends from a New Zealand company that had Australian franking credits attached.

See **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

Do not claim dividend expenses here. Claim them at item **12**.

YOU NEED TO KNOW

You need to show at this item all your assessable dividends including:

- those paid directly to you
- dividends applied under a dividend reinvestment plan
- dividends that are otherwise dealt with on your behalf
- bonus shares that qualify as dividends, and
- dividends paid to you by a listed investment company.

A dividend is assessable income in the year it was paid or credited to you. Your dividend statement should have the relevant date (often referred to as the 'payment date' or 'date paid').

EXAMPLE 1

Jill received a dividend statement notifying her of a final dividend for the year ended 30 June 2007. The payment date shown on the dividend statement was 30 July 2007. Jill must include the amount of the dividend, as well as any franking credits, in her assessable income on her 2008 tax return.

Demerger dividends

Dividends paid under a demerger are generally not assessable dividends (that is, you do not have to pay tax on them). Do not show demerger dividends at this item unless you are advised by the company that they are assessable.

Find out more about demergers in *You and your shares 2008* (NAT 2632). This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

Imputation system

Dividends that Australian resident companies pay their shareholders are taxed under a system known as 'imputation'. It is called an imputation system because the tax the company pays is imputed or attributed to the shareholders. The tax paid by the company is allocated to shareholders by way of franking credits attached to the dividends they receive.

You include an amount equal to the franking credits attached to your dividends in your assessable income. Then we can calculate the correct amount of tax and Medicare levy. You are also entitled to a franking tax offset equal to the amount included in your income (there are some exceptions to this rule, see **Franking credit trading – qualified persons** on the next page). The franking tax offset will be used to cover, or partly cover, the tax payable on the dividends.

If the tax offset is more than the tax payable on the dividends, the excess tax offset will be used to cover, or partly cover, any tax payable on other taxable income you received.

If there is any tax offset amount left over after that, we refund that amount to you.

Some situations are **not** covered by the imputation system and the tax paid by the company is not allocated to shareholders by way of franking credits. Franking credits do not attach to the following dividends:

- dividends where you engaged in franking credit trading and failed to satisfy the 'holding period rule' or the 'related payments rule' (see below)
- dividends to the extent that you are denied a franking tax offset because you had exceeded the small shareholder franking tax offset ceiling contained in the franking credit trading rules
- demerger dividends.

Franking credit trading – qualified persons

Measures designed to curb the unintended use of franking credits apply to people who do not effectively own the shares or who only own the shares briefly. Under these measures, known as the 'holding period rule' and the 'related payments rule', you must satisfy certain criteria before you qualify for franking tax offsets. In other words, only qualified people are able to have the benefit of the franking credits attached to their dividends. These measures address the issue of franking credit trading.

The **holding period rule** applies to shares bought on or after 1 July 1997. It applies to you if you sold shares within 45 days of buying them. It may also apply if you entered into a risk diminution arrangement, such as a derivative transaction, within that time. The holding period is 90 days for certain preference shares.

The **related payments rule** applies to arrangements entered into after 7.30pm (Australian Eastern Standard Time) on 13 May 1997. It applies to you if you were under an obligation to make a related payment for a dividend and you did not hold your shares 'at risk' during a specified qualifying period.

If you failed to satisfy the holding period rule and the related payments rule did not apply to you, you may still be entitled to a franking tax offset if you qualify for the small shareholder exemption. The **small shareholder exemption** applies provided that you do not exceed the franking tax offset limit of $5,000 on all of your franking tax offset entitlements in a given year, whether you received them directly or indirectly (such as through a trust or partnership). Phone the Personal Infoline (see the inside back cover) for more information.

If any of these measures are likely to affect you, read *You and your shares 2008*.

> **NOTE**
>
> If you have a franking credit but do not have to lodge a tax return, see the information about franking credits under **Other reasons** on page 3. You can claim your refund on a shorter form included in the publication *Refund of franking credits instructions and application for individuals 2008* (NAT 4105).

QUESTION ***What are unfranked dividends?***

ANSWER Unfranked dividends are paid by an Australian resident company that has not already paid Australian company tax. If your dividend was unfranked, you are not entitled to a franking tax offset. You must include the unfranked dividend in your assessable income at **S** item **8** on your tax return.

> **NOTE**
>
> If your dividend statement shows that your unfranked dividend was paid out of conduit foreign income, you must still include this amount as unfranked dividend income.

QUESTION ***What if you have not quoted your tax file number (TFN) to the investment body and you have received an unfranked dividend?***

ANSWER If you did not quote your TFN to your investment body for the shares or units you held, the investment body may have withheld tax from your unfranked dividends at the highest rate plus the Medicare levy, a total of 46.5%.

TFN amounts withheld from your unfranked dividends are shown on your dividend statement. You can claim a credit for any TFN amounts withheld at **V** item **8** on your tax return.

If you have received a refund of some or all of the TFN amounts withheld, you cannot claim a credit for these amounts.

The company, corporate unit trust or public trading trust that paid you the dividends or made the distributions will provide you with a statement.

The statement will show:

- the amount of unfranked and franked dividends you received
- the amount of franking credits – which the company has already worked out and allocated to the dividend or distribution, and
- the amount of tax withheld from unfranked dividends – called 'TFN amounts withheld'.

If you have not received your dividend or distribution statements, contact the company, corporate unit trust or public trading trust that paid or credited you with the dividends or distributions.

NOTE

Show only your share of any dividends that were paid or credited to you (for example, if you and another person owned the shares in your joint names, show only your portion of the dividend income on your tax return).

COMPLETING THIS ITEM

STEP 1 Add up all the unfranked dividend amounts shown on your statements, including any tax file number (TFN) amounts withheld. Write the total amount at **S** item **8** on your tax return. Do not show cents.

STEP 2 Add up all the franked dividend amounts shown on your statements. Write the total amount at **T** item **8**. Do not show cents.

STEP 3 Add up all the allowable franking credit amounts shown on your statements. Do not include any franking credits for which you were not entitled to a franking tax offset because of the application of the holding period or related payments rule.

Write the total amount at **U** item **8**. Do not show cents.

STEP 4 Add up any TFN amounts withheld that have not been refunded to you.

Write the total amount at **V** item **8**. Remember to show cents. This amount will appear as a credit on your notice of assessment.

EXAMPLE 2

Yuan had shares in MPG Ltd, HYY Ltd and HPT Ltd. He did not give HPT Ltd his tax file number.

Yuan's dividend statement from MPG Ltd showed a $70 fully franked dividend and a $30 franking credit.

His dividend statement from HYY Ltd showed a $120 unfranked dividend.

His dividend statement from HPT Ltd showed a $100 unfranked dividend and $46.50 in TFN amounts withheld. Yuan received $53.50 from HPT Ltd.

On his working papers, Yuan adds up his income like this:

Company	Unfranked	Franked	Franking credit	TFN amounts withheld from dividends
MPG Ltd		$70	$30	
HYY Ltd	$120			
HPT Ltd	$100			$46.50
Total	**S** **$220**	**T** **$70**	**U** **$30**	**V** **$46.50**

Yuan fills in item **8** on his tax return like this:

8 Dividends

Unfranked amount **S** 220.~~00~~

Franked amount **T** 70.~~00~~

Franking credit **U** 30.~~00~~

Tax file number amounts withheld from dividends **V** 46.50

RECORD KEEPING

Did you:

- purchase or inherit any shares
- receive any shares as part of a divorce settlement or as a gift or donation
- receive ownership interests under a demerger
- participate in a dividend reinvestment plan, or
- participate in an employee share scheme?

If you did, start keeping or updating your records now. Incomplete records could mean paying more tax than you need to when you dispose of your shares.

For more information about shares and other assets that attract capital gains tax, including what records you need to keep, see the *Guide to capital gains tax 2008* (NAT 4151). This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

QUESTION 9

CAPITAL GAINS

9

STOP

You cannot complete your tax return using *Retirees TaxPack 2008* if:

- you received a distribution of a capital gain from a trust, including a managed investment fund in 2007–08, or
- you had a capital gains tax event in relation to a forestry managed investment scheme interest in 2007–08.

See **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

2008 BUDGET ANNOUNCEMENTS

In the 2008 Budget the Government announced several changes to capital gains tax (CGT) proposed to commence in the 2007–08 income year. They concern extending small business CGT concessions, cancellation of interests in widely held entities, demutualisation of health insurers and employee share schemes. See the *Guide to capital gains tax 2008* (NAT 4151) for more information.

Did you have a capital gains tax event during the year?

You may have made a capital gain or capital loss if what is called a 'CGT event' happened in 2007–08. 'CGT' stands for capital gains tax. See the box on the right for an explanation of a CGT event.

For most CGT events, you have made:

- a **capital gain** if the amount of money and property you received – or were entitled to receive – from the CGT event was more than the cost base of your asset. You may have to pay tax on your capital gain
- a **capital loss** if the amount of money and property you received – or were entitled to receive – from the CGT event was less than the reduced cost base of your asset.

You cannot deduct a capital loss from your income, but in most cases it can be used to reduce any capital gain you made in 2007–08. See the note at **Completing this item** step 3 on page 36.

Some capital gains and capital losses are disregarded – see **Exceptions and exemptions** on the next page.

NO Print **X** in the **NO** box at **G** item **9** on your tax return if:

- you did not have a capital gain or capital loss, or
- all of your capital gains or capital losses were disregarded. Go to **Did you have any unapplied net capital losses from earlier years?** on page 37 to find out how to complete this item.

YES Print **X** in the **YES** box at **G** item **9** on your tax return if you had either a capital gain or a capital loss that was not disregarded. Read on to work out your net capital gain or net capital loss.

NOTE

Any capital gains or capital losses you may have made from foreign sources are shown at this item. However, if foreign tax was paid on the foreign capital gain, **you cannot use *Retirees TaxPack 2008*** – see **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

YOU NEED TO KNOW

CGT EVENTS AND CGT ASSETS

There is a wide range of CGT events. The most common CGT event happens when you sell or give away a CGT asset, such as:

- real estate – including your family home, a holiday home, investment property, vacant block of land or hobby farm
- shares
- units in a unit trust or managed investment fund
- collectables – for example, jewellery
- personal use assets.

Examples of other CGT events are:

- an asset you owned was lost or destroyed
- you received an amount for entering into an agreement – for example, you agreed not to work in a particular industry for a set period of time
- you entered into a conservation covenant over land that you owned
- you received a non-assessable payment from a trust or company.

If you are unsure whether a capital gains tax (CGT) event happened in 2007–08, refer to **Appendix 1: Summary of CGT events** in the *Guide to capital gains tax 2008*.

Exceptions and exemptions

Generally speaking, you **disregard** a capital gain or capital loss on:

- an asset you acquired before 20 September 1985
- cars, motorcycles and similar vehicles
- compensation you received for personal injury
- disposal of your main residence
- a collectable – for example, an antique or jewellery – you acquired for $500 or less
- a personal use asset – for example, boats, furniture, electrical goods and household items used or kept mainly for personal use or enjoyment. If you acquired it for more than $10,000, you only disregard capital losses. If you acquired it for $10,000 or less, you disregard both capital gains and capital losses
- the exchange of shares or units you owned in a company or trust that was taken over, if certain conditions were met
- shares in a company or interests in a trust where there had been a demerger and certain conditions had been met.

STOP

Do not show a 'listed investment company capital gain amount' included in a dividend paid by a listed investment company at this item. Refer to question **12 Interest and dividend deductions**.

Did you dispose of shares, stapled securities or rights acquired under an employee share scheme?

The amount of the capital gain may be reduced if your shares, stapled securities or rights were acquired under an employee share scheme.

For more information, read *Employee share schemes – answers to frequently asked questions by employees* on our website.

Did you make a capital gain or capital loss on your shares?

You may make a capital gain or capital loss by selling or giving away your shares, including by selling them to the company under a share buy-back arrangement.

Even if you did not pay for your shares – for example, you received them under a demutualisation – you may make a capital gain or capital loss when you sell or give them away. Also, if you use dividends to acquire additional shares in a company – for example, through a dividend reinvestment plan – the additional shares are subject to CGT if you sell them or give them away.

There are other ways of making a capital gain or capital loss on shares. These include:

- If you held shares in a company and during 2007–08 a liquidator or an administrator declared the shares worthless, you can choose to claim a capital loss equal to the reduced cost base of the shares (otherwise you may have to wait until the company is dissolved to claim the capital loss).
- If you received a non-assessable payment – also known as a return of capital – you may have to reduce the cost base and reduced cost base of your shares. If the amount of the non-assessable payment is more than the cost base of the shares, the difference is a capital gain.

Fact sheets on some major share transactions affecting shareholders are available on our website.

Did you sell a property you inherited?

Capital gains tax applies when you dispose of CGT assets that you inherited. However, if you inherited real estate, you may not have to pay CGT if you sold it within two years of the person's death – for example, if the property was the deceased person's main residence just before they died and they were not renting part of it out or using part of it for business purposes.

For more information, read the *Guide to capital gains tax 2008*.

Your home may be subject to capital gains tax

Under the 'main residence' exemption, you generally do not have to pay CGT on the disposal of your main residence. However, you may have to pay tax on some of your capital gain if:

- the property was not your main residence for the whole period you owned it
- you used the property, or part of it, to produce assessable income, for example, you rented it out
- the land area was greater than two hectares.

For more information, read the *Guide to capital gains tax 2008*.

Asset transfer on marriage breakdown

If you transferred an asset to your spouse as a result of a marriage breakdown, in certain cases there are no immediate CGT consequences. In these cases there is automatic rollover (you cannot choose whether or not it applies).

However, the one who receives the asset (the transferee spouse) will usually make a capital gain or capital loss when they dispose of the asset. If you were the transferee spouse and rollover applies, you may need to get cost base information from your former spouse or their tax adviser.

For more information, read the *Guide to capital gains tax 2008*.

Temporary residents

If you are a temporary resident you may not need to show your foreign and some Australian capital gains and capital losses at this item. See page 18 for the definition of a temporary resident and details of the exemption. For more information, read the *Guide to capital gains tax 2008* or visit our website.

WHAT YOU MAY NEED

- Details of the amount of any unapplied net capital losses from earlier years – this is the amount at **V** at the capital gains item on your last year's tax return
- Documents showing the date you acquired any asset to which a capital gains tax (CGT) event happened, the date of the CGT event, and the date and amounts of any expenditure you incurred that form part of the cost base and reduced cost base of the asset or are taken into account in working out your capital gain or capital loss.

You may also need one or more of the following publications to complete this item. They explain the three methods that are used to calculate a capital gain: the indexation method, the discount method and 'other' method.

- *Introduction to capital gains tax*. This explains what capital gains tax is, how it applies, what assets are included and the exceptions and exemptions. (This publication is only available on our website.)
- *Guide to capital gains tax 2008*. This explains how CGT works and will help you to calculate your net capital gain or net capital loss. It covers CGT issues such as the sale of a rental property, vacant land, a holiday home, collectables (for example, jewellery), or personal use assets (for example, a boat you use for recreation) and real estate, shares and units you inherited or got from the breakdown of your marriage.
- *Personal investors guide to capital gains tax 2008* (NAT 4152) is shorter and simpler than the *Guide to capital gains tax 2008*. It covers the sale, gift or other disposal of shares and units, and non-assessable payments from companies and managed funds. It does not cover other CGT events, nor the CGT consequences for bonus shares, shares acquired under an employee share scheme, bonus units, rights and options, and shares and units where a takeover or demerger has occurred – you will need to refer to the *Guide to capital gains tax 2008*.

These publications are available on our website or to find out how to get a printed copy, see the inside back cover.

COMPLETING THIS ITEM

STEP 1 Read the publication that is relevant to your circumstances and work out the amount of your capital gain or capital loss for each CGT event that occurred for the 2007–08 income year.

STEP 2 Add up all your capital gains for the 2007–08 income year (except the ones that are disregarded) to work out your total current year capital gains. Do not apply capital losses or any CGT discounts yet. Write this amount at **H** item **9** on your tax return.

STEP 3 Work out your net capital gain or net capital loss. This is the amount remaining after applying to your current year capital gains whichever of the following items are relevant to you (in the order listed):

- capital losses from this year
- unapplied net capital losses from earlier years, and
- any CGT discounts.

You must follow this order to get the correct result. The more detailed steps listed in the relevant publication will assist you (see **What you may need** in the previous column).

If you have capital losses to apply, you will find it to your advantage to apply them first to any capital gains that do not qualify for the CGT discount.

If the total amount remaining is positive or zero, write it at **A** item **9** on your tax return. Read **Keeping records from the start** on the next page, then go to question **10**.

If you have a negative amount, **do not put anything at A** – go to step 4 on the next page.

NOTE

You can only use capital losses from collectables to reduce capital gains from collectables. You must disregard capital losses from personal use assets.

STEP 4 You have net capital losses to carry forward to later income years. Write the amount at **V** item **9** on your tax return. Read **Keeping records from the start** in the next column, then go to question **10**.

Did you have any unapplied net capital losses from earlier years?

You can use net capital losses from earlier years that you have not yet used to reduce a capital gain in later years.

NO ☐ Go to question **10**.

YES ☐ Read below.

You have net capital losses from earlier years that are carried forward to later income years. Write the amount at **V** item **9** on your tax return.

> **KEEPING RECORDS FROM THE START**
>
> Keeping records of all expenditure related to your capital gains tax (CGT) assets will help you work out the correct amount of capital gain or capital loss you have made when a CGT event happens to any of these assets.
>
> You must keep records of every act, transaction, event or circumstance that may be relevant to working out your capital gain or capital loss – regardless of whether the CGT event has already happened, is about to happen or may happen in the future.
>
> You must keep these records for five years from the time when no CGT event or further CGT event can happen. The records for these CGT events may be relevant to working out whether you have made a capital gain or capital loss from the event.

QUESTION 10

TOTAL INCOME

10

You have now reached the end of the Income section.

Before adding up your income amounts from items **1** to **9**, note the following:

- The more common types of income you do not pay tax on are listed on pages 16–17.
- You must have shown all of your income for tax purposes. The *Taxpayer's declaration* on page 6 of your tax return will require you to sign that this is true.
- If you still have taxable income that you have not included at any item, you will need to go back through the Income section and include it. If your type of income is not shown in *Retirees TaxPack 2008* you may need to use *TaxPack 2008*. See page 7 for what is included in *TaxPack 2008* and *TaxPack 2008 supplement*. If you are in any doubt, phone the Personal Infoline (see the inside back cover).
- If you have not been able to complete one or more of items **1** to **9** because you do not have all the documents you need to work out the right amount, do not complete this section yet.

You have until 31 October 2008 to lodge your tax return, unless we have allowed you to lodge it late or you have a later due date because it is prepared by a registered tax agent.

You should not lodge your tax return until it is complete.

If you think you are likely to be missing information on 31 October, ask us if you can lodge at a later date. Information on page 13 tells you how.

COMPLETING THIS ITEM

STEP 1 Add up all the income amounts in the right-hand column of items **1** to **9** on your tax return.

STEP 2 Write your answer from step 1 at item **10 TOTAL INCOME** on page 2 of your tax return. Do not show cents.

Deductions

QUESTION 11

SUBSCRIPTIONS

11

Did you have expenses for:

- **subscriptions to associations representing pensioners or self-funded retirees**
- **subscriptions to trade, business or professional associations?**

NO ☐ Go to question **12**.

YES ☐ Read below.

STOP

You cannot use *Retirees TaxPack 2008* to complete your tax return if you have any work-related expenses other than subscriptions, such as car, travel, clothing, laundry, self-education, books, journals and trade magazines, tools and equipment, computers and software, and phone and home office expenses.

See **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

Subscriptions to associations

You can claim as a deduction the full payment you make for membership of a trade, business or professional association or an association representing pensioners and self-funded retirees that is directly related to the earning of your assessable income.

You can claim up to $42 a year in respect of each subscription you make for membership of a trade, business or professional association that is not directly related to the earning of your assessable income.

COMPLETING THIS ITEM

STEP 1 Add up all the expenses that you can claim at this item.

STEP 2 Write the total amount at **E** item **11** on your tax return. Do not show cents.

EXAMPLE

Jarrod is a retired nurse and receives income from a superannuation pension and investments. Jarrod pays an annual subscription of $55 to a retired nurses association. The association publishes a monthly newsletter to keep members up to date on changes to nursing standards and to tell them about other issues of interest. Because the subscription is not directly related to the earning of his assessable income, Jarrod can only claim a deduction of $42 for the subscription.

Jarrod fills in item **11** on his tax return like this:

11 Subscriptions Deductions – do not show cents **E** 42.~~00~~

QUESTION 12

INTEREST AND DIVIDEND DEDUCTIONS

12

Did you have:
- **expenses that you can claim as deductions against assessable interest and dividend income, or**
- **a 'listed investment company (LIC) capital gain amount' included in a dividend received from a LIC?**

Your expenses might include:
- account-keeping fees
- management fees
- interest charged on money borrowed to purchase shares.

You can claim a deduction if you are able to show that you incurred the expenses in earning assessable interest and dividend income.

NO ☐ Go to question **13**.

YES ☐ Read below.

Account-keeping fees

Some financial institutions charge account-keeping fees. You can claim these fees where the account was held for investment purposes – for example, a cash management account. You will find these fees listed on your statements or in your passbooks.

If you were not the sole holder of an account you can only claim your share of fees, charges or taxes on the account. For example, if you held an equal share in an account with your spouse, you can only claim half of any allowable account-keeping fees paid on that account.

Other deductions

You can claim interest incurred on money borrowed to purchase shares and other related investments from which you derived assessable interest or dividend income.

If you used the money you borrowed for both private and income-producing purposes, then you must apportion the interest between each purpose. Only the interest incurred for an income-producing purpose is deductible.

Some interest on money borrowed to purchase shares, units in unit trusts, and stapled securities which is attributable to capital protection under a capital protected borrowing is not deductible, and is treated as a payment for a put option. For more information, visit our website at **www.ato.gov.au**

You can claim ongoing management fees, retainers and amounts paid for advice relating to changes in the mix of investment.

You **cannot claim**:
- a fee charged for drawing up an investment plan unless you were carrying on an investment business, or
- a fee paid to an investment adviser for drawing up an initial investment plan which includes pre-existing investments.

You may also be able to claim a portion of other costs if you incurred them in managing your investments. Such costs would include the cost of specialist investment journals or subscriptions, borrowing costs, the cost of internet access and a capital allowance for the decline in value of your computer.

For more information, read *You and your shares 2008* (NAT 2632). This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

Thin capitalisation

If you have debt deductions such as interest, your claims may be affected by the thin capitalisation rules. These rules may apply if:
- you were an Australian resident for tax purposes and you (or any associate entities) have certain overseas interests **and** your debt deductions combined with those of your associate entities were more than $250,000 for 2007–08, or
- you were a foreign resident with operations or investments in Australia **and** your debt deductions against Australian assessable income combined with those of your associate entities were more than $250,000 for 2007–08.

More information about thin capitalisation is available on our website.

Deduction for 50% of a LIC capital gain amount

If you were an Australian resident when a LIC paid you a dividend that included a LIC capital gain amount, you can claim a deduction of 50% of the LIC capital gain amount. The LIC capital gain amount will be shown separately on your dividend statement.

DEDUCTIONS

12

COMPLETING THIS ITEM

STEP 1 Add up all your interest and dividend deductions and 50% of any listed investment company (LIC) capital gain amount.

STEP 2 Write the total amount at **I** item **12** on page 3 of your tax return. Do not show cents.

EXAMPLE

Matthew has three investment accounts with the ABC Bank, which he holds with his spouse. His 2007–08 bank statements show that account-keeping fees of $140 have been charged on these accounts. Matthew can only claim his half of the account-keeping fees.

Matthew received a LIC dividend of which $800 is a LIC capital gain amount. Matthew can claim a deduction for 50% of that capital gain amount.

Matthew fills in item **12** on his tax return like this:

12 **Interest and dividend deductions** **I** ,470.~~00~~

QUESTION 13

GIFTS OR DONATIONS

13

Did you make:
- **a gift or donation of $2 or more to an eligible organisation (an organisation that is eligible to receive tax-deductible gifts, see below)**
- **a contribution to an eligible organisation of more than $150 in respect of a fund-raising event**
- **a gift of shares listed on an approved Australian stock exchange valued at $5,000 or less to an eligible organisation**
- **a contribution of $2 or more to**
  - **a registered political party**
  - **an independent candidate in an election for parliament, or**
  - **an independent member of parliament**

OR did you:
- **make an approved cultural bequest**
- **enter into a conservation covenant?**

An **eligible organisation** is an organisation that is listed in the tax law, or has been endorsed by the Tax Office, as a deductible gift recipient, such as:
- certain organisations or charities which provide help in Australia
- an approved overseas aid fund
- a school building fund
- an approved environmental or cultural organisation.

NO ☐ Go to question **14**.

YES ☐ Read below.

YOU NEED TO KNOW

Generally, you cannot claim a deduction for a donation if you received something in return – for example, a pen or a raffle ticket (see **Deductions for contributions relating to fund-raising events** on the next page for the exception to this rule).

You can claim deductions for donations made to prescribed private funds.

> **NOTE**
> If you do not know whether you can claim a deduction, see if the information is on the receipt for your donation. If not, check with the organisation. If you still do not know, you can check on **www.abn.business.gov.au** or phone the Personal Infoline (see the inside back cover).

Donations of money

You can claim a deduction for the amount of money you donated to an eligible organisation. You can elect to spread your deduction for this donation over five income years or less. You need to make the election in writing before lodging your tax return, setting out the percentage of the deduction you will claim in each year. You may make the election using the form on page 44.

Gifts of property

Under the general gift provisions you can claim a deduction for a gift of property to an eligible organisation if:
- the property was purchased within 12 months of making the gift, or
- the property was purchased more than 12 months before you made the gift and the Australian Valuation Office (AVO) had valued it at more than $5,000.

If the property was purchased within 12 months of making the gift, the amount deductible is the market value of the property at the time of the gift or the amount you paid for the property, whichever is less. If the property was purchased more than 12 months before you made the gift and the AVO had valued it at more than $5,000, the amount deductible is the value of the property as determined by the AVO.

You cannot claim a deduction for a gift of property if you did not purchase it (for example, you inherited or won the property) unless the AVO had valued it at more than $5,000.

You can elect to spread the deduction for a gift of property which is valued by the AVO at more than $5,000 over five income years or less. You need to make the election in writing before lodging your tax return for the income year in which you made the gift, setting out the percentage of the deduction you will claim in each year. You may make the election using the form on page 44.

> **AUSTRALIAN VALUATION OFFICE**
> For more information about property valuations, phone the AVO on **(08) 8198 1900**, fax **(08) 8296 3398** or visit the AVO's website at **www.avo.gov.au**

Workplace-giving program

If you made donations during the year to an eligible organisation through your employer's payroll system (known as 'workplace-giving'), you still need to record the total amount of your donations at this item.

Your payment summary or other form of advice from your employer, showing the donated amount, is sufficient evidence to support your claim for the deduction. You do not need to have a receipt from the eligible organisation.

Deductions for contributions relating to fund-raising events

You can claim a deduction for contributions to eligible organisations that relate to certain fund-raising events where you receive a minor benefit for your contribution, provided that:

- the contribution meets certain conditions, and
- the benefit you received does not exceed a specified limit.

A fund-raising event includes a fete, ball, gala show, dinner, performance or similar event.

Subject to the conditions listed below, you can claim a deduction if you made:

- a contribution of money or property to attend or participate in (or for the right to attend or participate in) a fund-raising event, or
- a contribution of money to purchase goods or services at a charitable auction at the fund-raising event (or if the charitable auction was itself the fund-raising event).

> **NOTE**
> The contribution is the goods and services tax (GST)-inclusive amount.

Your contribution must meet the following conditions:

- It must have been made to an eligible organisation.
- It must have been worth more than $150.
- If it was property, you must have either
  - purchased it within 12 months of making the contribution, or
  - owned it for more than 12 months and the Australian Valuation Office (AVO) valued it at more than $5,000 (see the second box on the previous page).
- The fund-raising event was held in Australia.
- The market value of the minor benefit you received for your contribution was worth no more than $150 or 20% of the value of the contribution, whichever is less. The receipt from the eligible organisation will show the market value of the minor benefit you received.

Your deduction is limited to the part of the contribution in excess of the market value of the minor benefit you received.

You can claim a deduction for up to two contributions that you make to attend or participate in the same fund-raising event.

Each successful auction bid at a fund-raising event is a single contribution. Provided the conditions are met, there is no limit to the number of deductions you can claim for the purchase of goods or services by way of successful bids.

EXAMPLE 1

Steve and his partner attended a fund-raising event in August 2007. He contributed $600 for the opportunity to attend the dinner and auction ($300 each). The minor benefit (the dinner) he and his partner received was valued by the eligible organisation at $30 per head ($60 in total).

At the auction, Steve made four successful bids at $70 each ($280 in total). Steve cannot claim a deduction for these items because each contribution was not more than $150.

Steve also made two successful bids at $290 each ($580 in total). Both items were valued at $5 each ($10 in total).

Steve can claim deductions for:

- $540 ($600 less the minor benefit of the dinner of $60), and
- $570 ($580 for the two successful bids at $290 each less the minor benefit of $10).

Steve's total claim is **$1,110**.

If the eligible organisation issues a receipt, it should state:

- the name and Australian business number (ABN) of the organisation
- that your contribution was made to attend the fund-raising event or for your purchases as a successful bidder at the charitable auction
- the amount of the contribution (if money), and
- the GST-inclusive market value of the minor benefit.

Gifts of shares valued at $5,000 or less

From 1 July 2007 you can claim a deduction for a gift of shares to an eligible organisation if your gift meets the following conditions:

- The shares must be in a company that is listed on an approved Australian stock exchange on the day the gift is made.
- You must have acquired the shares at least 12 months before making the gift. 'Acquired' includes purchased, inherited, won or received as a gift or a bonus.
- The shares must have a market value of $5,000 or less on the day you make the gift.
- The parcel of shares must be valued at $2 or more.

A share in a company refers to a share in the capital of the company. Securities that are not shares, including derivatives of shares, are not eligible for a deduction.

Shares that are suspended from trading (other than a mere trading halt) are not eligible for a deduction.

Gifts of shares that are in different companies, but given at the same time, are separate gifts.

A deduction is also available where the shares are contributed in return for a right, permitting you or another individual to attend or participate in a particular fund-raising event in Australia. The gift must still comply with the conditions applicable to contributions for fund-raising events – the market value of the shares on the day they were contributed was more than $150 but less than or equal to $5,000, and the market value of the right to attend or participate in the fund-raising event must not exceed 20% of the value of the shares or $150, whichever is less.

> NOTE
>
> The gift of the shares will give rise to a capital gains tax event and the gain or loss is not exempt from the capital gains provisions.

Contributions and gifts to political parties and independent candidates and members

You can claim a deduction for contributions or gifts to registered political parties, independent members of parliament (state or Commonwealth) or independent candidates in an election for parliament. Contributions must be $2 or more. The contribution or gift must be of money, or property that you purchased during the 12 months before making the contribution or gift.

The maximum amount you can deduct in total for all your contributions and gifts to political parties during the year is $1,500. A separate limit of $1,500 applies for the total deduction for all your contributions and gifts to independent candidates or independent members of parliament for the year.

The contribution to a political party must be to a registered political party under Commonwealth, state or territory electoral laws. A contribution to a political party can include membership fees.

The contribution to an independent candidate or independent member must be to a candidate for election to, or member of, the Commonwealth Parliament, a state parliament, the Legislative Assembly of the Northern Territory or the Legislative Assembly of the Australian Capital Territory.

An independent candidate is an individual whose candidature in an election for parliament is not endorsed by a registered political party. An independent member is a member of parliament who is not a member of a registered political party.

Cultural, environmental and heritage property gifts

You can elect to spread the deduction for gifts made under the Cultural Gifts Program, and for environmental and heritage gifts valued by the Australian Valuation Office (AVO), over five income years or less. You must lodge your election with the relevant department before you lodge your tax return.

> INFORMATION
>
> For more information about:
>
> - the Cultural Gifts Program and the election process, phone the Department of the Environment, Water, Heritage and the Arts on **(02) 6275 9651**, email **cgp.mail@environment.gov.au** or visit the department's website. See 'Tax incentives' at the department's website **www.arts.gov.au**
> - making gifts to environmental and heritage organisations and the election process, phone the Department of the Environment, Water, Heritage and the Arts on **(02) 6274 1467**, email **reo@environment.gov.au** or visit the department's website at **www.environment.gov.au/tax/reo/**

If, on or after 1 July 2002, you entered into a conservation covenant over land you owned, you may be entitled to claim a deduction if certain conditions were met. You can elect to spread the deduction over five income years or less. The covenant needs to be either approved in writing by the Minister for the Environment, Heritage and the Arts or entered into under a program approved in writing by the Minister.

> INFORMATION
>
> For more information, phone the Department of the Environment, Water, Heritage and the Arts on **(02) 6274 1111** and ask to speak to the relevant officer in the Biodiversity Conservation Branch, Natural Resources Policy Section, email **tax@environment.gov.au** or visit the department's website at **www.environment.gov.au/tax/**

Cultural Bequests Program

If you are an executor or administrator of an estate, you can claim a deduction on the donor's final individual tax return for a cultural bequest made under the Cultural Bequests Program. If the value of the bequest reduces the donor's taxable income to nil, any excess value can be claimed on the first tax return of the estate. You need a certificate of approval issued to the donor by the Minister for Communications, Information Technology and the Arts during the 1998, 1999 or 2000 income year.

COMPLETING THIS ITEM

STEP 1 Add up the amounts of your eligible gifts, donations and contributions.

> **NOTE**
> If you have been given more than one receipt or form of advice (for example, the charity you donated to and your employer have both provided written confirmation of your donations), make sure you claim the deduction for your donations only once.

STEP 2 Write the total at **J** item **13** on your tax return. Do not show cents.

See below for information on spreading a deduction over five years.

EXAMPLE 2

Siva donated $5 to the Red Cross and was given a receipt. He gave $10 to Vision Australia and in return received a pocket diary. Siva can claim only the $5 donation to the Red Cross.

Siva fills in item **13** on his tax return like this:

13 Gifts or donations	**J** 5.~~00~~

Spreading a deduction over five years

> **NOTE**
> This section does not apply to cultural, environmental or heritage gifts, contributions to fund-raising events or political contributions.

You can only elect to spread your deduction over five income years if it was a gift of property valued at more than $5,000 by the Australian Valuation Office, or a donation of money.

You do not need to fill in the election if you wish to claim the full deduction in the year of the donation.

If you elect to spread your deduction you give up the right to claim the full deduction amount in the year you made the donation.

If you made a donation in conjunction with other donors and you elect to spread your share of the deduction, you must complete your own separate election form and advise us of your percentage share in the donation.

You can vary your election at any time but only for the years you have not yet lodged a tax return.

Your election must:

- be made in writing, signed and dated
- be made before you lodge your tax return for the income year in which the donation was made, and
- state the percentage (if any) of the deduction you will claim in the income year the donation was made and in each of the next four years, the total of which cannot exceed 100% of the original donation.

You must keep your election for five years from the date you lodge your tax return with the claim for the last portion of your donation. Do not attach it to your tax return or send it to us.

ELECTION TO SPREAD DEDUCTION FOR A GIFT

(Does not cover cultural, environmental or heritage gifts, contributions to fundraising events or political contributions.)

Name of donor:

Name of recipient fund, authority or institution:

Reference number from certificate of valuation (if property):

Percentage ownership share (if given in conjunction with other individuals):

Date of donation:

Apportionment election or variation

Year 1	Year 2	Year 3	Year 4	Year 5
%	%	%	%	%

(Note: Make sure that your apportionments total 100%.)

☐ This is my first election for this gift (or donation).

☐ This is a variation to a previous election.

Tick the appropriate box.

Signature:

Date: / /

QUESTION 14

DEDUCTIBLE AMOUNT OF UPP OF A FOREIGN PENSION OR ANNUITY

14

Did you receive a foreign pension or annuity that has a deductible amount of undeducted purchase price (UPP)?

NO ☐ Go to question **15**.

YES ☐ Read below.

YOU NEED TO KNOW

UPP of a foreign pension or annuity

If you showed income from a foreign pension or annuity at **D** item **3** on your tax return, you may be entitled to claim a deduction to reduce the taxable amount of the pension or annuity income if your pension or annuity has a UPP. Only some foreign pensions and annuities have a UPP.

The UPP is the amount you contributed towards the purchase price of your pension or annuity – your personal contributions.

That part of your annual pension or annuity income which represents a return to you of your personal contributions is free from tax. This tax-free portion is called the deductible amount of the UPP, and it is usually calculated by dividing the UPP of your pension or annuity by a life expectancy factor, according to life expectancy statistics.

If you already know your deductible amount, go to **Completing this item** on the next page.

> **CAUTION**
> If you are claiming a deduction at this item, check that you have shown your net foreign source pension or annuity income at **D** item **3** on your tax return.

Austrian pensions

If you received an age, premature age, invalid, disability, widowed persons or orphans pension paid by an Austrian superannuation insurance fund under one of the Austrian social insurance Acts – Allgemeines Socialversicherungsgesetz (ASVG), Gewerbliches Socialversicherungsgesetz (GSVG) or Bauern-Socialversicherungsgesetz (BSVG) – you are entitled to a deductible amount.

Where you have evidence of your actual contributions or actual monthly salary, or you have received from the Austrian superannuation insurance fund a list of your insurance periods, you will need to complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* (NAT 16543).

British pensions

If you received a category A pension or a category B widows pension from the United Kingdom State (UK State) Pension (previously known as the British National Insurance Scheme), you are entitled to a UPP deduction. These pensions are paid from Newcastle-upon-Tyne.

One method of calculating your deduction is to multiply your UK State pension (in Australian dollars) by 8%. We accept this method and it generally results in the maximum deduction you are entitled to.

However, there is another method – the exact method. If you wish to find out about this method or you receive another type of British pension and you are not sure about a UPP entitlement, phone the Superannuation Infoline (see the inside back cover).

Dutch pensions

If you received an old age pension, or a widows, widowers or orphans pension from the Sociale Verzekeringsbank (SVB) under the Netherlands social insurance system and you can obtain all the necessary information to determine the deductible amount of your UPP, claim the amount you have worked out. If you cannot determine the deductible amount, you can claim an annual deductible amount equal to 25% of your gross pension payment.

German pensions

If you received a German pension you will need to provide a copy of the insurance resume (*Versicherungsverlauf*) from the pension provider. You will need to contact the pension provider directly to obtain this information. When you have evidence of your employment history and the salary income that you earned at those dates, you will need to complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity*.

Italian pensions

If you received an Italian government pension, the Italian government authorities will send you an Article 10 letter (previously known as an Article 17 letter) each year giving you an estimate of the amount of pension you will receive, and the amount that you have contributed towards your pension.

If you are unable to work out your deductible amount, you will need to complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity*.

Pensions from another country

If you received a pension from another country (other than an Austrian, British, Dutch, German or Italian pension) and you think you are entitled to claim a deductible amount, complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity*.

> NOTE
>
> If you need to complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* and provide the additional information required, you can get it from our website, or to find out how to get a printed copy, see the inside back cover.

COMPLETING THIS ITEM

Write the deductible amount of your undeducted purchase price (UPP) at **Y** item **14** on your tax return. Do not show cents.

If you do not know your deductible amount, leave **Y** item **14** blank, and complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* and provide the additional documentation required.

Print **X** in the **YES** box at *Taxpayer's declaration* on page 6 of your tax return. Sign your *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* and attach it to page 3 of your tax return.

We will address your request in the form of a private binding ruling (PBR) which is legally binding on the Commissioner. We will process your tax return once the PBR is finalised.

If you need information or assistance with this question, phone our Superannuation Infoline (see the inside back cover).

QUESTION 15

COST OF MANAGING TAX AFFAIRS

15

Did you have expenses:
- **relating to managing your own tax affairs**
- **imposed by the Tax Office as an interest charge**
- **for complying with your legal obligations relating to another person's tax affairs?**

NO ☐ Go to question **16**.

YES ☐ Read below.

Expenses relating to managing your own tax affairs

You can claim the following expenses relating to managing your own tax affairs:
- preparing and lodging your tax return and activity statements – for example
  - buying tax reference material
  - lodging your tax return through a registered tax agent
  - dealing with the Tax Office about your tax affairs
  - obtaining tax advice from a recognised tax adviser

> **NOTE**
> A recognised tax adviser is a registered tax agent, barrister or solicitor. You cannot claim for the cost of tax advice given by a person who is not a recognised tax adviser. See page 8 for information on how to check whether your tax agent is registered.
>
> You can only claim fees paid to a registered tax agent for preparing or lodging your tax return if you incurred them in 2007–08. Generally, you incur the fees in the year you pay them.

- travel, to the extent that it is associated with getting tax advice – for example, the cost of travelling to attend a meeting with a recognised tax adviser
- appealing to the Administrative Appeals Tribunal or courts, and
- obtaining a valuation needed for a deductible gift or donation of property or for a deduction for entering into a conservation covenant.

Expenses incurred as an interest charge

The Tax Office imposes an interest charge on:
- late payments of taxes and penalties
- the amount of any increase in your tax liability as a result of an amendment to your assessment, and
- the amount of any increase in other tax liabilities, such as goods and services tax (GST) or pay as you go (PAYG) amounts.

You can claim any interest charge we impose if the interest charge was incurred in 2007–08. Interest charges imposed when an income tax assessment is amended are incurred when you are charged the interest. Interest charges in the other situations listed are generally incurred in the year in which the interest accrues.

> **NOTE**
> Tax shortfall and other penalties for failing to meet your obligations are not deductible.

Expenses for complying with your legal obligations relating to another person's tax affairs

This category includes expenses relating to:
- complying with your PAYG withholding obligations – for example, where you withheld tax from a payment to a supplier because the supplier did not quote an Australian business number, and
- providing information requested by us about another taxpayer.

COMPLETING THIS ITEM

STEP 1 Add up the amounts of your expenses for managing your own tax affairs, any interest charge you have incurred and any expenses for complying with your legal obligations relating to another person's tax affairs.

STEP 2 Write the total amount at **M** item **15** on your tax return. Do not show cents.

EXAMPLE

During 2007–08 Lester had a registered tax agent help him fill in his 2007 tax return. The tax agent charged Lester $220. Lester can claim the tax agent's fee at this item this year.

Lester fills in item **15** on his tax return like this:

15 Cost of managing tax affairs **M** ☐☐,2 2 0.~~00~~

QUESTION 16

TOTAL DEDUCTIONS

16

Did you claim any deductions at items 11 to 15?

NO ☐ Go to question **17**.

YES ☐ Read below.

COMPLETING THIS ITEM

STEP 1 Add up all the amounts at items **11** to **15** on your tax return.

STEP 2 Write the total amount at item **16 TOTAL DEDUCTIONS**. Do not show cents.

QUESTION 17

TAXABLE INCOME

17

COMPLETING THIS ITEM

STEP 1 If you did not have any deductions, transfer your total income amount from item **10** to item **17** on your tax return.

STEP 2 If you had deductions, take away your total deductions amount at item **16** from the total income amount at item **10**. This will give you your taxable income.

STEP 3 Write your answer at item **17 TAXABLE INCOME**. Do not show cents.

QUESTION *Are you eligible for the low-income tax offset?*

ANSWER If your taxable income was less than $48,750, you may get the low-income tax offset.

The maximum tax offset of $750 applies if your taxable income was $30,000 or less. This amount is reduced by 4 cents for each dollar over $30,000.

You do not have to work out your tax offset. We will work it out for you from your taxable income details and make sure it comes off your tax. The tax offset will be shown on your notice of assessment. If you want to work it out yourself, use the low-income tax offset calculator on our website or go to the worksheet on page 89. Do not write anything about this tax offset on your tax return.

QUESTION 18

SPOUSE

Did you have a spouse – married or de facto?

See the definition of spouse on page 78.

NO ☐ Go to question **19**.

YES ☐ Read below.

> **STOP**
>
> If you maintained a child or a student, **you cannot complete your tax return using *Retirees TaxPack 2008***. See **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

QUESTION ***Can you claim a dependent spouse tax offset?***

ANSWER You can claim a dependent spouse tax offset if you and your spouse – married or de facto – were Australian residents for tax purposes and you maintained your spouse for all or part of the income year. **Maintained** means that:

- you and your spouse lived in the same house, or
- you helped your spouse to pay living, medical, food and clothing expenses.

If you had a spouse for the whole year and your spouse worked for part of the year, we still consider you to have maintained your spouse – as a dependant – for the whole year.

We consider you to have maintained your spouse even if you were temporarily separated from them, for example, due to holidays or if they were away from Australia for a short time.

The maximum spouse tax offset is $2,100. You can claim the maximum amount unless your spouse's separate net income (SNI) was more than $282 for the year.

The tax offset is reduced by $1 for every $4 of your spouse's SNI over $282.

You cannot claim a spouse tax offset if your spouse's SNI was more than $8,681 while they were your spouse.

> **NOTE**
>
> If you are claiming the spouse tax offset you need to complete **Spouse details—married or de facto** on page 5 and **Your spouse's name** on page 1 of your tax return.

QUESTION ***What is separate net income (SNI)?***

ANSWER Separate net income is income and other specified amounts your spouse earned or received in 2007–08 while you maintained them. It includes salary or wages, interest and dividend income, pensions (including exempt pensions listed on page 16), Department of Veterans' Affairs and most Centrelink payments including allowances, any net capital gain for the income year and superannuation income streams.

SNI can also include amounts on which tax is not payable. These amounts include most pensions and scholarships and any maintenance payments your spouse received for their own support after divorce or separation.

SNI does not include:

- lump sum severance or retirement payments of a capital nature or as compensation payments for losing a job
- franking credits attached to franked dividends
- any maintenance payments your spouse received for support of their dependent children
- amounts received under the incentive payments scheme relating to certain private health insurance policies
- carer allowance (but note that carer payments **are** included in SNI)
- Japanese internment compensation payments made under the *Compensation (Japanese Internments) Act 2001* or the *Veterans' Entitlements Act 1986*
- compensation payments received under the German Forced Labour Compensation Programme (GFLCP)
- the 2007 one-off $1,000 payment to carers who received a carer payment, wife pension, partner service pension, carer service pension or carer allowance (paid under the *Social Security Act 1991*)
- the 2007 one-off $1,000 payments to older Australians (paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*)
- payments to older Australians under a scheme determined under Schedule 2 to the *Social Security and Veterans' Affairs Legislation Amendment (One-off Payments and Other 2007 Budget Measures) Act 2007*
- payments to carers under the scheme determined under Schedule 4 to the *Social Security and Veterans' Affairs Legislation Amendment (One-off Payments and Other 2007 Budget Measures) Act 2007.*

Your spouse's SNI may reduce any tax offset you are entitled to claim.

What can reduce your spouse's separate net income (SNI)?

The following expenses and deductions can reduce your spouse's SNI:

- any work-related expenses your spouse incurred in 2007–08 even if they did not lodge a tax return
- any deductions your spouse could claim against interest and dividend income, and
- any expenses your spouse incurred in 2007–08 for travel to and from work (even if they could not claim the expenses as a deduction).

Where any of the above expenses include car expenses, we accept a calculation of the expense based on a rate per kilometre multiplied by the actual number of kilometres travelled. For more information about the 'cents per kilometre' method, see question **D1** in *TaxPack 2008*. If this method is used, the 5,000 kilometre limit does not apply for the purpose of calculating your spouse's SNI.

Your spouse must be able to demonstrate that they actually incurred the expenses that reduce their SNI.

What doesn't reduce your spouse's SNI?

Your spouse's SNI cannot be reduced by:

- amounts they paid for gifts, donations or tax agent fees
- tax withheld, superannuation contributions or any tax losses brought forward from 2006–07 or earlier years.

Part-year tax offset

You may be entitled to claim a part-year tax offset if, during 2007–08, you and your spouse were Australian residents and:

- you married or entered into a de facto relationship
- you divorced or separated, or
- your spouse died.

Use the steps in the example on the next page to work out your dependent spouse tax offset.

If you had a dependent spouse for part of the year and a different dependent spouse for another part of the year, you will need to go through the steps twice – once for each spouse – and then add the results.

EXAMPLE

Barry and Jenny are married and lived together for the whole year. Jenny received a part pension of $4,350.

Barry can claim a spouse tax offset for Jenny as her total separate net income (SNI) was not more than $8,681. Barry would use the following calculation to work out the amount of dependent spouse tax offset he can claim.

HOW TO WORK OUT YOUR DEPENDENT SPOUSE TAX OFFSET				
		Barry		Use these steps to work out your correct tax offset.
STEP 1 Write your maximum allowable tax offset at (a). **Note:** If you had a spouse for only part of the year, multiply the number of days you had a spouse by $5.74 a day. Show the answer at (a).	(a)	$2,100 for the whole year or $5.74 a day $2,100	(a)	$
STEP 2 If your spouse's SNI for the year (or for the period you are claiming a spouse tax offset if this is not for the whole year) was less than $286, write the amount from (a) at (f) step 6, then go to step 7. Otherwise, go to step 3.				
STEP 3 If your spouse's SNI was $286 or more, write at (b) their SNI for the year (or for the period you are claiming a spouse tax offset if this is not for the whole year).	(b)	$4,350	(b)	$
STEP 4 SNI at which the tax offset begins to reduce	(c)	$282	(c)	$282
Take (c) away from (b).	(d)	$4,068	(d)	$
STEP 5 Divide the amount at (d) by 4. If your answer includes cents, write only the whole dollar amount at (e).	(e)	$1,017	(e)	$
STEP 6 Take (e) away from (a). The answer is your allowable tax offset. You cannot claim a tax offset if the amount at (f) is 0 or less.	(f)	$1,083	(f)	$
STEP 7 Write your allowable tax offset from (f) at **P** item **18** on your tax return.				

Barry fills in item **18** on his tax return like this:

18 **Spouse – married or de facto**	To claim the spouse tax offset you must also complete **Spouse details – married or de facto** on page 5 of your tax return.	Tax offsets – do not show cents **P**	1,083.00

Barry also completes **Spouse details – married or de facto** on page 5 and **Your spouse's name** on page 1 of his tax return.

ELIGIBILITY FOR THE SENIOR AUSTRALIANS TAX OFFSET

You must meet the following **four conditions** to be eligible for the senior Australians tax offset. These conditions relate to such factors as age, income and eligibility for Australian Government pensions and similar payments.

ELIGIBILITY CALCULATOR

The senior Australians and pensioner tax offset calculator on our website can help you work out whether you are eligible. If you are, it can also work out the amount you are entitled to claim.

CONDITION 1 – Age

You meet this condition if, on 30 June 2008, you were:

- a male
  - aged 65 years or more, or
  - veteran or war widower aged 60 years or more who met the veteran pension age test

  or
- a female
  - aged 63 years and 6 months or more, or
  - veteran or war widow aged 58 years and 6 months or more who met the veteran pension age test.

NOTE

You met the **veteran pension age test** if one of the following applied to you and you were eligible for a pension, allowance or benefit under the *Veterans' Entitlements Act 1986*:

- You have eligible war service, that is, service in World War I or World War II or operational service as a member of the Australian Defence Force.
- You are a Commonwealth or allied veteran who served in a conflict in which the Australian Defence Force was engaged during a period of hostilities, that is, World War I or World War II, or in Korea, Malaya, Indonesia or Vietnam.
- You are an Australian or allied mariner who served during World War II.
- You are the war widow or widower of a former member of the Australian Defence Force.

'Pension, allowance or benefit' includes:

- disability pension
- service pension, and
- white or gold Repatriation health cards for treatment entitlements.

If you are unsure if you met the veteran pension age test, visit the Department of Veterans' Affairs website at **www.dva.gov.au** or phone Veterans' Affairs on **13 32 54**.

CONDITION 2 – Eligibility for Australian Government pensions and similar payments

There are **three ways** of meeting this condition.

1 You meet this condition if you received an Australian Government age pension, or a pension, allowance or benefit from Veterans' Affairs at any time during the 2007–08 income year.

2 You also meet this condition if:

- you were eligible for an Australian Government age pension but did not receive it because you did not make a claim, or because of the application of the income test or the assets test

and

- you satisfy one of the following
  - you have been an Australian resident for age-pension purposes for either 10 continuous years or for more than 10 years, of which five years were continuous
  - you have a qualifying residence exemption (because you arrived in Australia as a refugee or under a special humanitarian program)
  - you are a woman who was widowed in Australia (at a time when both you and your late partner were Australian residents) and you have made a claim for the age pension and you had two years' residence immediately prior to your claim
  - you received a widow B pension, widow allowance, mature age allowance or partner allowance immediately before turning age-pension age, or
  - you would qualify under an international social security agreement.

If you need assistance in determining your eligibility for a social security or Centrelink pension only, phone Centrelink on **13 23 00**; for all other enquiries relating to the senior Australians tax offset, phone our Personal Infoline (see the inside back cover).

3 You also meet this condition if:
- you are a veteran with eligible war service, or
- you are a Commonwealth veteran, allied veteran or allied mariner with qualifying service

and
- you were eligible for a pension, allowance or benefit from Veterans' Affairs but did not receive it because you did not make a claim, or because of the application of the income test or the assets test.

If you are not sure if you were eligible for a payment you can get further information from the Department of Veterans' Affairs website or by phoning Veterans' Affairs.

CONDITION 3 – Taxable income threshold

You meet this condition by satisfying the income threshold that applies to you, from the following:
- You did not have a spouse (married or de facto) and your taxable income was less than $43,707.
- You did have a spouse (married or de facto) and your and your spouse's combined taxable income* was less than $68,992.
- You did have a spouse (married or de facto) and for some or all of 2007–08 you 'had to live apart due to illness' or because one of you was in a nursing home, and your and your spouse's combined taxable income* was less than $81,840.

* **Combined taxable income** includes your spouse's share for 2007–08 of any net income of a trust estate to which they are presently entitled and on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936*.

The threshold amounts shown above relate to determining your eligibility for the senior Australians tax offset. They are not tax-free thresholds.

> **DEFINITION**
>
> **Had to live apart due to illness** is a term used to describe a situation where the living expenses of you and your spouse, married or defacto, were increased because you were unable to live together in your home due to the indefinitely continuing illness or infirmity of either or both of you.

CONDITION 4 – Not in jail

You meet this condition unless you were in jail for the whole income year.

Are you eligible?

If you meet conditions 1, 2, 3 and 4 you are **eligible** for the senior Australians tax offset.

Being eligible means that you may receive the senior Australians tax offset but it does not mean you will automatically receive it. We use your taxable income to work out the amount, if any, of your senior Australians tax offset. We use the combined taxable income amounts in **condition 3** to determine your eligibility, not to work out the tax offset amount you will receive.

If you came to this section from **Reason 2** in **Do you have to lodge a 2008 tax return?** on page 3, go back to that section. Otherwise, you must go to question **19** on the next page.

QUESTION 19

SENIOR AUSTRALIANS

19

CAUTION

If this question applies to you, you must complete this item on your tax return before you go to the next question.

Were you eligible for the senior Australians tax offset?

If you are unsure, see the eligibility criteria for this tax offset on pages 53–4. If you had a spouse, you will also need to work out if your spouse was eligible. See the definition of spouse on page 78.

NO ☐ Go to question **20**.

YES ☐ Read below.

COMPLETING THIS ITEM

STEP 1 Find the tax offset code letter that applies to your circumstances in the table below. This code letter tells us the amount of tax offset your entitlement will be based on.

TAX OFFSET CODE LETTERS

If at any time during 2007–08, you were single, separated or widowed	A
If you and your spouse (married or de facto) 'had to live apart due to illness' or because one of you was in a nursing home at any time in 2007–08 and you were both eligible for the senior Australians tax offset	B
If you and your spouse (married or de facto) 'had to live apart due to illness' or because one of you was in a nursing home at any time in 2007–08 but your spouse was **not** eligible for the senior Australians tax offset	C
If you and your spouse (married or de facto) were living together and you were both eligible for the senior Australians tax offset	D
If you and your spouse (married or de facto) were living together but your spouse was **not** eligible for the senior Australians tax offset	E

DEFINITION

Had to live apart due to illness is a term used to describe a situation where the living expenses of you and your spouse, married or de facto, were increased because you were unable to live together in your home due to the indefinitely continuing illness or infirmity of either or both of you.

If more than one code letter applies to you, read on. Otherwise, go to step 2.

Select the letter that appears first in the following order: **A**, **B**, **C**, **D**, **E**. For example, if both **B** and **D** apply to you, select **B**.

Exceptions to this rule:

- If both **A** and **B** apply to you, and your spouse's taxable income was less than $18,334, select **B** as this gives you the correct tax offset. Include in your spouse's taxable income any net income of a trust estate to which your spouse is presently entitled and on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936* (ITAA 1936).
- If both **A** and **C** apply to you, and your spouse received an Australian Government pension or allowance listed at question **1** and their taxable income was less than $17,947, select **C** as this gives you the correct tax offset.
- If both **A** and **D** apply to you, and your spouse's taxable income was less than $12,494, select **D** as this gives you the correct tax offset. Include in your spouse's taxable income any net income of a trust estate to which your spouse is presently entitled and on which the trustee is assessed under section 98 of the ITAA 1936.
- If both **A** and **E** apply to you, and your spouse received an Australian Government pension or allowance listed at question **1**, and your spouse's taxable income was less than $12,547, select **E** as this gives you the correct tax offset.

STEP 2 Print your code letter from the table in the previous column in the **TAX OFFSET CODE** box at the right of **N** item **19** on page 3 of your tax return.

NOTE

If you do not print a code letter on your tax return or you print an incorrect code letter, you may not receive the correct tax offset amount.

STEP 3 If your spouse or you were a veteran, war widow or war widower (see definition in the NOTE box on page 53), read on. Otherwise, go to step 4.

From the following list, select the veteran code that applies to your circumstances:

You were a veteran, war widow or war widower.	**V**
Your spouse was a veteran, war widow or war widower.	**W**
Both **V** and **W** apply to you.	**X**

Print your veteran code in the **VETERAN CODE** box at **Y** item **19** on page 3 of your tax return.

STEP 4 Have you used **tax offset code** (not veteran code) **B**, **C**, **D** or **E**? If so, you must complete **Spouse details – married or de facto** on page 5 of your tax return. Provide relevant details including:

- your spouse's date of birth at **K**
- your spouse's taxable income at **O**. If this amount is zero, write **0**
- your spouse's share of trust income on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936* at **T**, if it is not already included in your spouse's taxable income. If this amount is zero, write **0**
- your spouse's Australian Government pension income at **P**. If this amount is zero, write **0**
- your spouse's exempt pension income at **Q**. If this amount is zero, write **0**.

Remember to complete **Your spouse's name** on page 1 of your tax return.

If you were eligible for the senior Australians tax offset and your spouse was eligible for the senior Australians or pensioner tax offset, and one of you does not fully use your tax offset, the unused portion may be available for transfer to the other person. We use the amounts you write on the spouse details section of your tax return to work out if we can transfer the unused portion of your spouse's tax offset to you. If an unused amount is available, we will make sure it is taken into account in working out your tax offset.

NOTE

In working out if there is any unused spouse's senior Australians or pensioner tax offset available for transfer to you, we do not take your spouse's other credits and tax offsets into account.

EXAMPLE

Sonya is married to Russell and they have lived together for the whole 2007–08 income year. Russell, who is a veteran, has received a service pension. Sonya and Russell were both over pension age and their combined taxable income was less than $68,992. They were both eligible for the senior Australians tax offset. Sonya's taxable income was $24,800 and Russell's was $10,200.

Sonya writes tax offset code letter **D** at **N** item **19** on her tax return. She also writes veteran code letter **W** at **Y** item **19** on her tax return.

Sonya completes **Spouse details – married or de facto** on page 5 of her tax return, so any tax offset that Russell does not use will be automatically transferred to Sonya and taken into account when her tax offset is calculated. She also completes **Your spouse's name** on page 1 of her tax return.

CHECK THAT YOU HAVE…

- ☐ written your tax offset code letter at **N** item **19**
- ☐ if required, written your veteran code at **Y** item **19**
- ☐ written your spouse's date of birth at **K** and the relevant amounts at **O**, **P**, **T** and **Q** at **Spouse details – married or de facto** on page 5 of your tax return
- ☐ written your date of birth and your spouse's name on page 1 of your tax return.

DID YOU COMPLETE THIS ITEM?

If you were eligible for the senior Australians tax offset (that is, you printed a tax offset code letter and a veteran code letter, if applicable, at item **19** on your tax return), go to question **21**. **Do not** complete item **20 Pensioner**.

DO YOU WANT TO WORK OUT YOUR TAX OFFSET?

You do not have to work out your tax offset. We will work it out for you from your taxable income details and your tax offset code letter and your veteran code letter (if applicable). Make sure you print your code letter(s) at item **19** on page 3 of your tax return.

If you do want to work out your tax offset, you can use the senior Australians and pensioner tax offset calculator on our website, or go to pages 89–90.

QUESTION 20

PENSIONER

20

Did you show any income at item 1?

(See question **1** on page 19.)

NO ☐ Go to question **21**.

YES ☐ Read below.

Have you already claimed a tax offset at item 19?

NO ☐ Read below.

YES ☐ Go to question **21**.

COMPLETING THIS ITEM

STEP 1 Find the tax offset code letter that applies to your circumstances in the table below. This code letter tells us the amount of tax offset we will base your entitlement on.

TAX OFFSET CODE LETTERS

If at any time during 2007–08 while you were receiving an Australian Government pension or allowance listed at question 1	
You were single, widowed or separated.	S
You and your spouse (married or de facto) lived together.	P
You and your spouse (married or de facto) 'had to live apart due to illness' or because one of you was in a nursing home.	I
If more than one code letter applies	
If both **P** and **I** apply to you, select	I
If **S**, **P** and **I** all apply to you, select	J*
If both **S** and **I** apply to you, select	J*
If both **S** and **P** apply to you, select	Q*

* We use the tax offset codes **J** and **Q** to calculate correct entitlements in certain situations where more than one tax offset code applies.

DEFINITION

Had to live apart due to illness is a term that relates to the payment of pensions. This would apply to you if you were paid the pension at a higher rate because Centrelink or the Department of Veterans' Affairs (DVA) determined that you and your spouse were separated due to illness. If you are unsure check with Centrelink or DVA.

See the definition of spouse on page 78.

STEP 2 Print your tax offset code letter in the **TAX OFFSET CODE** box at the right of **O** item **20** on your tax return.

NOTE

If you do not print a code letter on your tax return or you print an incorrect code letter, you may not receive the correct tax offset amount.

STEP 3 If you or your spouse was a veteran, war widow or war widower (see definition in the NOTE box on page 53), read on. Otherwise, go to step 4.

From the following list, select the veteran code that applies to your circumstances:

You were a veteran, war widow or war widower.	V
Your spouse was a veteran, war widow or war widower.	W
Both **V** and **W** apply to you.	X

Print your veteran code in the **VETERAN CODE** box at the right of **T** item **20** on your tax return.

STEP 4 If you have used tax offset code (not veteran code) letter **S**, go to the question **Do you want to work out your tax offset?** on the next page.

If your tax offset code letter is **P**, **Q**, **I** or **J**, you must complete **Spouse details – married or de facto** on page 5 of your tax return. Provide relevant details including:

- your spouse's date of birth at **K**
- your spouse's taxable income at **O**. If the amount is zero, write **0**
- your spouse's share of trust income on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936* at **T**, if it is not already included in your spouse's taxable income. If the amount is zero, write **0**
- your spouse's Australian Government pension income at **P**. If the amount is zero, write **0**
- your spouse's exempt pension income at **Q**. If the amount is zero, write **0**.

You must also complete **Your spouse's name** on page 1 of your tax return.

If both you and your spouse were eligible for the senior Australians tax offset or pensioner tax offset and one of you does not fully use your tax offset, the unused portion may be available for transfer to the other person. We use the amounts you write on the spouse details section of your tax return to work out if the unused portion of your spouse's tax offset can be transferred to you. If an unused amount is available, we will take it into account when we work out your tax offset.

> **NOTE**
> In working out if there is any unused spouse's senior Australians tax offset or pensioner tax offset available for transfer to you, we do not take your spouse's other credits and tax offsets into account.

EXAMPLE

Faye is not a veteran and lives with her husband who is a veteran. Faye receives a partner service pension in addition to other income. Faye is not eligible for the senior Australians tax offset as she is not yet of age-pension age.

Faye completes item **20** on her tax return like this:

20 Pensioner If you completed **item 19 Senior Australians** above **DO NOT** complete this item.

If you had a spouse during 2007–08 you must also complete **Spouse details – married or de facto** on page 5 of your tax return.

The Tax Office will work out this tax offset amount. Print your code letter in the **TAX OFFSET CODE** box. Read pages 57–8 in *Retirees TaxPack 2008*.

O TAX OFFSET CODE: P

T VETERAN CODE: W

QUESTION ***Do you want to work out your tax offset?***

ANSWER You do not have to work out your tax offset. We will work it out for you from your taxable income details and your tax offset code letter and veteran code letter (if applicable). Make sure you print your code letter(s) at item **20** on page 3 of your tax return.

If you do want to work out your tax offset, you can use the senior Australians and pensioner tax offset calculator on our website, or go to pages 89–90.

QUESTION 21

AUSTRALIAN SUPERANNUATION INCOME STREAM

21

Did you receive an Australian superannuation income stream shown on a:

- ***PAYG payment summary – superannuation income stream*, or**
- **statement from an Australian superannuation fund?**

NO ☐ Go to question **22**.

YES ☐ Read below.

YOU NEED TO KNOW

If you were less than 55 years of age on 30 June 2008, you are not entitled to a tax offset unless the superannuation income stream was either:

- a disability superannuation benefit, or
- a death benefit income stream.

For the purposes of this question, a death benefits dependant also includes a person who receives a death benefit income stream that commenced before 1 July 2007.

If you are not entitled to a tax offset, go to question **22**.

If you have shown income from an Australian superannuation income stream at item **2** on your tax return, you may be entitled to a tax offset equal to 10% or 15% of all or part of the taxable component of your superannuation income stream benefit.

The **taxable component** of a superannuation income stream is the part of the benefit you have received on which tax is payable. It may have two elements, a taxed element and an untaxed element.

The **taxed element** is the part of the income stream you received from a taxed source, for example, where the income stream is received from contributions and earnings that have been subject to tax in the superannuation fund.

The **untaxed element** is the part of the income stream you received from an untaxed source, for example, the unfunded part of the income stream of some state and Commonwealth public sector superannuation schemes.

Definition of death benefits dependant and interdependency relationship

You were a **death benefits dependant** of the deceased if at the time they died you were:

- the surviving spouse (including a de facto spouse)
- a former spouse (including a former de facto spouse)
- a child of the deceased and you were under 18 years old
- any other person who was financially dependent on the deceased, or
- any other person in an interdependency relationship with the deceased.

An **interdependency relationship** exists if there is a close personal relationship between two persons who live together and one or both provide for the financial, domestic and personal support of the other. An interdependency relationship can also exist if there is a close personal relationship but the other conditions are not satisfied because of the physical, intellectual or psychiatric disability of one of the persons.

> For more information on the taxation of death benefits paid from superannuation funds as lump sums or income streams to death benefits dependants and others, see the electronic publication *Understanding death benefits*. It is available on our website.

WHAT YOU NEED

- Your *PAYG payment summary – superannuation income stream*, which should show the amount of the tax offset

If you disagree with the amount of tax offset shown on your payment summary, you should discuss it with the payer.

If you have not received your payment summary or statement, or you have lost it, contact your payer to obtain a copy.

COMPLETING THIS ITEM

STEP 1 Does each *PAYG payment summary – superannuation income stream* you received show your tax offset amount?

YES Add up the tax offset amounts on each *PAYG payment summary – superannuation income stream* and write the total tax offset amount at **S** item **21** on page 3 of your tax return. Do not show cents.

You have finished this question. Go to question **22**.

NO For each *PAYG payment summary – superannuation income stream* that does not show a tax offset amount, you can work out your tax offset amount by multiplying the taxed element and the untaxed element of the taxable component shown on each of those payment summaries by the relevant percentage shown in **table 1** below.

STEP 2 Did you turn 55 or 60 years old during the 2007–08 income year?

YES A different percentage of tax offset may apply to the superannuation income stream you were receiving before and after your birthday.

You can ask your payer what amounts of your superannuation income stream attract a tax offset, or you can use **worksheet 1** to work out the amount of your tax offset. **Example 1** below illustrates **worksheet 1**.

NO Go to step 3.

TABLE 1: Percentages used to work out your Australian superannuation income stream tax offset

Income stream	Age of the deceased	Your age at date of each payment	Taxed element	Untaxed element
Death benefit	Under 60 years	Under 60 years	15%	0%
		60 years and over	Tax free*	10%
	60 years and over	Any age	Tax free*	10%
Disability superannuation benefit	Not applicable	Under 60 years	15%	0%
		60 years and over	Tax free*	10%
All other income streams	Not applicable	Under 55 years	0%	0%
		55–59 years	15%	0%
		60 years and over	Tax free*	10%

* This is non-assessable non-exempt income, that is, tax-free income.

EXAMPLE 1

Emily's superannuation income stream was first paid on 1 August 2007. The entire amount of her superannuation income stream is a taxable component, made up of a single taxed element.

Emily turned 55 years old on 21 September 2007.

For the 2007–08 income year, Emily received a total of $15,500 from her superannuation income stream, $2,500 before her 55th birthday and $13,000 after.

Emily does not qualify for a tax offset before her 55th birthday, and she works out her tax offset as follows on **worksheet 1**. She will write **1,950** at **S** item **21** on page 3 of her tax return.

WORKSHEET 1: Working out the amount of your tax offsets

	Emily's	Yours	
The amount of your superannuation income stream benefit paid to you before your 55th or 60th birthday	$2,500	$	(a)
Relevant percentage from **table 1**	0%		(b)
Multiply (a) by (b).	$0	$	(c)
The amount of your superannuation income stream benefit paid to you on or after your 55th or 60th birthday	$13,000	$	(d)
Relevant percentage from **table 1**	15%		(e)
Multiply (d) by (e).	$1,950	$	(f)
Add (c) and (f).	$1,950	$	(g)
The amount at (g) is your tax offset.			

STEP 3 Add up all the tax offset amounts you have worked out using **table 1**, and **worksheet 1** if required, and write the total tax offset amount at **S** item **21** on page 3 of your tax return. Do not show cents.

QUESTION 22

PRIVATE HEALTH INSURANCE

22

Did you, or your employer on your behalf, pay the premium for a complying private health insurance policy?

NO ☐ Go to question **23**.

YES ☐ Read below.

QUESTION ***What is a complying private health insurance policy?***

ANSWER Your health insurance policy is a **complying private health insurance policy** only if:

- it is provided by a health insurer which is a registered insurer – the Private Health Insurance Administration Council website at **www.phiac.gov.au** can tell you if your insurer is a registered health insurer
- it provides hospital or general (also known as 'extras') cover or combined hospital and general cover, and
- it meets the other **complying private health insurance policy** requirements – if you are unsure, your health insurer can tell you if your policy meets these requirements.

You are eligible for the rebate only if every person who is covered by the policy is eligible to claim benefits under the Medicare system.

Did you receive your full entitlement to a private health insurance rebate from your health insurer or Medicare?

NO ☐ Read below.

YES ☐ Go to question **23**.

QUESTION ***What is the private health insurance rebate?***

ANSWER The private health insurance rebate is worked out as a percentage of the premium paid to a registered health insurer for a complying private health insurance policy. The percentage of rebate you may be entitled to claim is determined by the age of the oldest person covered by the policy (see **How does the rebate work?** in the next column). The rebate is not affected by your level of income.

Claiming the rebate

The rebate can be claimed as:

- a reduction in your private health insurance premium through the health insurer
- a cash or cheque rebate from Medicare
- a refundable tax offset at the end of the income year through your tax return, or
- a combination of all the options – each for a different period during the year.

If you received your **full entitlement** by way of a reduction in your premium through the health insurer or a rebate from Medicare, you **cannot** claim the rebate on your tax return. The statement you received from your health insurer will advise you if you have already taken your full entitlement by premium reduction.

QUESTION ***Were you eligible for the private health insurance rebate?***

ANSWER You were eligible to claim the rebate if you have paid, or your employer has paid for you, the premium for a complying private health insurance policy. If two people made payments for the same policy – for example, you made payments from a joint bank account – each person can claim the relevant percentage for the proportion of the premium they paid.

QUESTION ***How does the rebate work?***

ANSWER The rebate is based on the premium you paid, or your employer paid for you, for a complying private health insurance policy, including payments made for cover for more than one income year. Your entitlement will be 30%, 35% or 40% – depending on the age of the oldest person covered by the policy and the number of days they were in the age category.

Age of the oldest person covered by the policy*	Amount of rebate
Less than 65 years	30% of the amount of premium paid
65 years to under 70 years	35% of the amount of premium paid
70 years or older	40% of the amount of premium paid

* If the oldest person moves into the next age group during the year, the rebate is based on the number of days that person was in each group. Your health insurer will calculate this automatically.

Once the policy becomes eligible for the higher rebate, it will retain this eligibility even if the person who established the eligibility comes off the policy. Additionally, the eligibility continues even if you change insurers or policies after this. However, this ongoing eligibility for the higher rate will be affected if a new person is added to the policy after the person who established the eligibility leaves the policy. In this circumstance you should contact your health insurer for more information on how your rebate level will be determined.

If the policy was in operation before 1 January 1999, you may be entitled to a higher amount under the Private Health Insurance Incentive Scheme (old incentive scheme). The statement from your health insurer will advise you if you had an eligible policy under the old incentive scheme by showing the amount you may be able to claim.

If your statement shows an amount in a box for 'Maximum private health insurance incentive amount (after premium reductions and subject to income tests) – G', this is the amount under the old incentive scheme.

If you have this box and the amount shown is greater than the amount in the box for 'Maximum claimable rebate on private health insurance (after premium reductions) – G', then you may be eligible to claim the higher amount if you meet certain eligibility and income tests.

If you want to know more about calculating the private health insurance incentive amount or how to complete this item if you are claiming the higher amount under the old incentive scheme, see the instructions on our website or phone the Personal Infoline (see the inside back cover).

QUESTION ***Do you need a statement from your health insurer to work out the rebate you can claim?***

ANSWER Yes. Your health insurer should have sent you a statement showing the premium you have paid and the amount of premium reductions you have received. If you have more than one policy, you should have received a statement for each policy.

If you did not receive a statement for one or more of the policies you have paid for, you should contact your health insurer and ask for one.

COMPLETING THIS ITEM

To complete this item you will need:

- your private health insurance statement, and
- the amount of any cash or cheque rebate received from Medicare for your private health insurance.

STEP 1 If you did not receive any cash or cheque rebate from Medicare for your private health insurance premium, transfer the amount at G from your statement to G item **22** on page 3 of your tax return. If you had more than one policy, add up the amounts at G on your statements.

STEP 2 If you received a cash or cheque rebate from Medicare for your private health insurance premium, use **worksheet 1** below to work out your entitlement.

WORKSHEET 1

Amount shown at G on your statement	(a)	$
Amount of any cash or cheque payment you have received from Medicare for your private health insurance premium	(b)	$
Take (b) away from (a).	(c)	$
If you paid for more than one policy, repeat the steps in this worksheet for each policy then add up the amounts at (c) ignoring any negative amount.		

If the amount at (c) is **0** or a negative amount, you have already received your full entitlement. Go to question **23**.

If the amount at (c) is positive, this is the tax offset that you are eligible to claim at G item **22** on your tax return. Do not include cents.

STEP 3 Complete the **Private health insurance policy details** on page 4 of your tax return. See page 68 for how to complete these details.

It is better to complete this item using the annual statement you received from your health insurer.

However, if you cannot get a statement, or if your statement shows a total amount expected to be paid during the year which is different to the total amount actually paid (for example, you did not make one of the expected payments) you can use one of the following worksheets to help you calculate your tax offset.

Use **worksheet 2** on the next page if your rebate percentage did not change during the period the payments cover.

Use **worksheet 3** on the next page if your rebate percentage changed during the period the payments cover – for example, a person covered by the policy turned 65 or 70 years old.

WORKSHEET 2

Total premiums paid during 2007–08 for the policy **before** any premium reduction from your health insurer or rebate from Medicare	(a)	$
Your rebate percentage	(b)	%
Multiply (a) by (b).	(c)	$
Amount, if any, of premium reduction from your health insurer or of rebate from Medicare	(d)	$
Take (d) away from (c).	(e)	$

The amount at (e) is what you are entitled to claim. If (e) is **0** or a negative amount, you have already received your full entitlement. Go to question **23**.

WORKSHEET 3

Total premiums paid during 2007–08 for the policy **before** any premium reduction from your health insurer or rebate from Medicare	(a)	$	
Number of days the amount shown at (a) covers	(b)		
		Column 1 Rebate for first period	**Column 2*** Rebate for second period
Your rebate percentages for the days shown at (b)	(c)	%	%
Number of days to which the rebate percentages at (c) apply	(d)		
Multiply (a) by (d).	(e)	$	$
Divide (e) by (b).	(f)	$	$
Multiply (f) by (c).	(g)	$	$
Add (g) in column 1 and column 2.	(h)	$	
Amount, if any, of premium reduction from your health insurer or of rebate from Medicare	(i)	$	
Take (i) away from (h).	(j)	$	
* Add another column if your rebate percentage changed more than once.			

The amount at (j) is what you are entitled to claim. If (j) is **0** or a negative amount, you have already received your full entitlement. Go to question **23**.

QUESTION 23

20% TAX OFFSET ON NET MEDICAL EXPENSES OVER THE THRESHOLD AMOUNT

23

Did you have net medical expenses over $1,500 in 2007–08?

Medical expenses do not include contributions to a health insurer, travel or accommodation expenses associated with medical treatment, or inoculations for overseas travel.

NO ☐ Go to question **24**.

YES ☐ Read below.

> **STOP**
>
> If you paid medical expenses for a dependant other than a spouse, **you cannot complete your tax return using *Retirees TaxPack 2008***. See **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

QUESTION ***What are net medical expenses?***

ANSWER Net medical expenses are medical expenses you have paid less any refunds you received, or could get, from Medicare or a health insurer.

The medical expenses can be for:

- you, or
- your spouse (married or de facto) regardless of their income.

You and your spouse must have been Australian residents for tax purposes.

What you can claim

You can claim a tax offset of 20% (20 cents in the dollar) of your net medical expenses over $1,500. There is no upper limit on the amount you can claim.

You can claim medical expenses you paid while travelling overseas. You can claim expenses relating to an illness or operation paid to legally qualified doctors, nurses or chemists and public or private hospitals. However, expenses for some cosmetic operations are excluded.

Medical expenses which qualify for the tax offset include payments:

- to dentists, orthodontists or registered dental mechanics
- to opticians or optometrists, including for the cost of prescription spectacles or contact lenses
- to a carer who looks after a person who is blind or permanently confined to a bed or wheelchair
- for therapeutic treatment under the direction of a doctor
- for medical aids prescribed by a doctor
- for artificial limbs or eyes and hearing aids
- for maintaining a properly trained dog for guiding or assisting people with a disability (but not for social therapy), and
- for laser eye surgery.

Expenses which **do not** qualify for the tax offset include payments made for:

- cosmetic operations for which a Medicare benefit is not payable
- dental services or treatments that are solely cosmetic
- inoculations for overseas travel
- non-prescribed vitamins, or health foods
- travel or accommodation expenses associated with medical treatment
- chemist-type items, such as tablets for pain relief, purchased at retail outlets or health food stores
- therapeutic treatment if the patient is not formally referred by a doctor – a mere suggestion or recommendation by a doctor to a patient is not enough; the patient must be referred to a particular person for specific treatment
- contributions to a health insurer
- purchases from a chemist that are not related to an illness or operation
- life insurance medical examinations
- ambulance charges and subscriptions, and
- funeral expenses.

Cosmetic operations, services and treatment

To find out which operations and dental services and treatments are cosmetic and whether you can claim your payments for them, visit our website **www.ato.gov.au** or phone the Personal Infoline (see the inside back cover).

Residential aged care expenses

You can claim payments made to nursing homes or hostels (not retirement homes) for the permanent or respite care of an approved care recipient if the payments:
- were made to an approved provider, and
- were for personal or nursing care, not just for accommodation.

An approved care recipient's residential aged care payments usually include an amount for personal or nursing care if an aged care assessment team (ACAT) has assessed that the recipient requires either low-level or high-level care.

Payments for residential aged care can be for:
- daily fees
- income tested daily fees
- extra service fees, and
- accommodation charges, periodic payments of accommodation bonds, or amounts drawn from accommodation bonds paid as a lump sum.

The tax offset does not cover the following payments:
- lump sum payments of accommodation bonds
- interest derived by care providers from the investment of accommodation bonds (because these are not payments for residential age care)
- payments for people who were residents of a hostel before 1 October 1997 and who did not have a personal care subsidy or a respite care subsidy paid on their behalf at the personal care subsidy rate by the Commonwealth (unless they have subsequently been reassessed as requiring care at levels 1 to 7), and
- payments for people assessed as requiring level 8 care.

WHAT YOU MAY NEED

- Details of the medical expenses you can claim
- Details of refunds you received, or are entitled to receive, from Medicare or a health insurer

To help you work out medical expenses you have paid, you can ask for an itemised statement from:
- Medicare
- your health insurer
- chemists where you had prescriptions filled.

Some of the items shown on these statements may not qualify for the tax offset. You will need to exclude these items from your claim.

COMPLETING THIS ITEM

To work out your tax offset, you can use the net medical expenses tax offset calculator on our website or follow the steps below.

STEP 1 Add up all your allowable medical expenses. Take away from this total all of the refunds you have received or are entitled to receive. This will give you your net medical expenses amount.

STEP 2 Take $1,500 away from your net medical expenses and divide the remaining amount by 5 (to get 20%). **This is your medical expenses tax offset.**

STEP 3 Write your medical expenses tax offset at **X** item **23** on your tax return. Do not show cents.

EXAMPLE

Tony had some dental work done this year, none of which was solely cosmetic, and also bought new prescription glasses. His total medical costs were $2,300 and he received $500 back from his health insurer.

Tony worked out his medical expenses like this:

Total medical expenses	$2,300
Less costs covered by health insurer	$500
Net medical expenses	$1,800
Subtract $1,500.	$1,500
	$300
Tax offset equals 20 cents for every dollar over $1,500 (divide $300 by 5 to get 20%) This is Tony's medical expenses tax offset.	$60

Tony fills in item **23** on his tax return like this:

23 **20% tax offset on net medical expenses over the threshold amount** **X** 60.~~00~~

QUESTION 24

TOTAL TAX OFFSETS

Did you claim any tax offsets at items 18 to 23?

NO ☐ Go to **Private health insurance policy details** on the next page.

YES ☐ Read below.

COMPLETING THIS ITEM

STEP 1 Add up all the tax offset amounts at items **18**, **21**, **22** and **23** on your tax return. If you are claiming the senior Australians tax offset at item **19** or the pensioner tax offset at item **20**, we will make sure your assessment includes your correct tax offset amount. Do not include either of these tax offsets in the total.

STEP 2 Write the total amount at item **24 TOTAL TAX OFFSETS**. Do not show cents.

Low-income tax offset

If your taxable income was less than $48,750, you may get the low-income tax offset.

The maximum tax offset of $750 applies if your taxable income was $30,000 or less. This amount is reduced by 4 cents for each dollar over $30,000.

Mature age worker tax offset

If you were an Australian resident aged 55 years or older on 30 June 2008 and you have net income from working within certain limits, you may be eligible for the mature age worker tax offset.

We will work out these tax offsets for you and make sure they come off your tax. These tax offsets will be shown on your notice of assessment. Do not write anything about these tax offsets on your tax return.

NOTE

With the exception of the private health insurance rebate and the franking tax offset (which applies to franking credits on dividends paid to you) tax offsets can only reduce the amount of tax you pay to zero. If your tax offsets – other than the private health insurance rebate and the franking tax offset – exceed your tax payable, the excess does not become a refund.

Private health insurance policy details

PH

PRIVATE HEALTH INSURANCE POLICY DETAILS

If question **22** or **26** asked you to complete this item because you paid, or your employer paid for you, a premium to a registered health insurer for a private health insurance policy, you must complete **Private health insurance policy details** on page 4 of your tax return.

If you received a statement from your health insurer, your private health insurance policy details will be shown on the statement. If you did not receive a statement because your employer paid the premium for you, contact your health insurer or speak to your employer.

You may be covered under a family policy even though you or your employer may not have paid the premium. You can complete this item showing the type of cover that you had under that family policy.

To check if your health insurer is a registered health insurer, visit the Private Health Insurance Administration Council website at **www.phiac.gov.au**

COMPLETING THIS ITEM

STEP 1 Print the identification (ID) code of your health insurer at **B Health insurer ID** on page 4 of your tax return.

STEP 2 Write your private health insurance membership number at **C Membership number**.

STEP 3 In the **Type of cover** box print the code letter from the table in the next column that describes the type of private health insurance cover you had.

Type of cover	Code
General cover – also known as 'extras'	A
Hospital cover	H
Combined hospital and general cover	C

NOTE

If you have used code letter **H** or **C** your liability for Medicare levy surcharge may be reduced. Make sure you carefully read question **26 Medicare levy surcharge** on pages 73–7.

If you changed your type of cover during the year, print the code letter for the type of cover that gave you the highest level of cover. For example, if you had hospital cover and added general cover during the year, use code letter **C** for combined hospital and general cover.

QUESTION ***Did you have more than one policy during 2007–08?***

ANSWER If you had more than one policy during 2007–08 you will need to complete steps 1 to 3 for each policy. If you had more than three policies during 2007–08, complete steps 1 to 3 for the first three policies, then on a separate piece of paper, print SCHEDULE OF ADDITIONAL INFORMATION – PRIVATE HEALTH INSURANCE POLICY DETAILS. Include your name, address and tax file number, and list the health insurer ID code, membership number and type of cover for each of the other policies you held. Print **X** in the **YES** box at *Taxpayer's declaration* on page 6 of your tax return. Sign and attach your schedule to page 3 of your tax return.

EXAMPLE

Kel had a policy with Credicare Health Fund (**Health insurer ID** – CPS) which provided hospital cover. During the year he changed his policy to include general cover. His membership number was 1234567.

Kel fills in **Private health insurance policy details** on his tax return like this:

PRIVATE HEALTH INSURANCE POLICY DETAILS **Page 68 in *Retirees TaxPack 2008* will help you to correctly fill in your details.**

You must provide the details for each policy if item **22** or **26** asked you to complete this section.

Health insurer ID	Membership number	Type of cover
B CPS	C 1234567	C
B	C	
B	C	

Medicare levy

Medicare is the scheme that gives Australian residents access to health care.

To help fund the scheme, resident taxpayers are subject to a Medicare levy. Normally, we calculate your Medicare levy at the rate of 1.5% of your taxable income. A variation to this calculation may occur in certain circumstances.

Generally, tax offsets do not reduce your Medicare levy. However, if you have excess refundable tax offsets, we use them to reduce your tax, including your Medicare levy.

MEDICARE LEVY REDUCTION OR EXEMPTION

In some cases you may be exempt from the levy or it may be reduced – this is the subject of question **25**. You only need to complete this item if you belong to an exemption category or you are able to claim a reduction based on family income. Read pages 70–2 to work out if you are eligible for the exemption or the reduction based on family income.

MEDICARE LEVY SURCHARGE

Individuals and families on incomes above the Medicare levy surcharge thresholds (see page 73) who do not have private patient hospital cover may have to pay the Medicare levy surcharge – this is the subject of question **26**. This surcharge is in addition to the Medicare levy. We calculate it at the rate of 1% of your taxable income (including your total reportable fringe benefits). You will need to read pages 73–7 to see if you have to pay the surcharge.

ITEM 26 IS COMPULSORY FOR ALL TAXPAYERS.
If you do not complete item **26** on your tax return you may be charged the full Medicare levy surcharge.

QUESTION 25

MEDICARE LEVY REDUCTION OR EXEMPTION

25

Were you a low income earner (see below) or were you in one of the Medicare levy reduction or exemption categories listed on the next page?

NO ☐ Go to question **26**.

YES ☐ Read below.

STOP

If you were a resident of **Norfolk Island**, or have a **certificate** from the Medicare Levy Exemption Certification Unit of Medicare Australia showing that you were not entitled to Medicare benefits because you were a temporary resident for Medicare purposes, **you cannot complete your tax return using *Retirees TaxPack 2008*** – see **Other ways to prepare your tax return** on page 2 for alternative ways to prepare your tax return.

YOU NEED TO KNOW

Most Australians are liable to pay the Medicare levy.

The standard Medicare levy is 1.5% of your taxable income. However, this may vary according to your circumstances. Your taxable income is the amount you wrote at item **17 TAXABLE INCOME** on your tax return.

LOW INCOME EARNER AND MEDICARE LEVY REDUCTION THRESHOLD

	Lower threshold	Upper threshold
If you are eligible for the senior Australians tax offset (see pages 53–4)	$25,867	$30,431
If you are eligible for the pensioner tax offset (see pages 57–8)	$22,922	$26,967
All other taxpayers	$17,309	$20,363

You do not need to complete this item if your taxable income was:

- equal to or less than the relevant lower threshold shown in the table above. **You do not have to pay the Medicare levy**. Do not write anything at item **25** on your tax return. Go to question **26**
- more than the relevant lower threshold but less than or equal to the relevant upper threshold. **Your Medicare levy is reduced**, calculated at 10 cents for every dollar above your lower threshold. We will work this out for you. Go to **Medicare levy exemption categories** on the next page to see if you are entitled to an exemption.

You also do not need to complete this item if you had a spouse on 30 June 2008 (see the definition of spouse on page 78), or your spouse died during 2007–08, and the combined taxable income of you and your spouse was:

- if you are eligible for the senior Australians tax offset (see pages 53–4), more than $37,950 but less than $44,648 **or**
- if you are not eligible for the senior Australians tax offset, more than $29,207 but less than $34,362.

Your Medicare levy is reduced. Make sure that you complete **Spouse details – married or de facto** on page 5 of your tax return. Provide relevant details, including your spouse's taxable income at **O** on that page. If your spouse had no taxable income, write **0**. You must also complete **Your spouse's name** on page 1 of your tax return. You need to complete your spouse details even if your spouse died during the income year.

We will work out your reduced Medicare levy for you. Read on to see if you are also entitled to an exemption.

NOTE

If the taxable income of your spouse includes any taxable component of a superannuation lump sum for which the tax rate is zero, this amount is not included in their taxable income for Medicare levy purposes (see question **8** on pages 28–31 in *TaxPack 2008*). If you are unsure of the tax rate, phone the Superannuation Infoline (see the inside back cover) for assistance. Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 25 SPOUSE'S TAXABLE INCOME on a separate piece of paper and write this amount. Include your name, address and tax file number. Print **X** in the **YES** box at *Taxpayer's declaration* on page 6 of your tax return. Sign and attach your schedule to page 3 of your tax return.

If the above points do not apply, you may still be entitled to a Medicare levy exemption. Read on.

Medicare levy exemption categories

If you were in one of the following categories, you may be exempt or partially exempt from paying the Medicare levy:

- you were entitled to full free medical treatment for all conditions under **defence force** arrangements or **Veterans' Affairs** Repatriation Health Card (Gold Card) or repatriation arrangements, or
- you were a **blind pensioner** or you received the **sickness allowance** from Centrelink.

The Department of Veterans' Affairs or Centrelink will provide you with a statement or *PAYG payment summary – individual non-business* that shows you the number of days you were in a Medicare levy exemption category.

COMPLETING THIS ITEM

STEP 1 You qualify for a full levy exemption if you were in one of the Medicare levy exemption categories and either you did not have a spouse or your spouse was also in an exemption category, or your spouse had to pay the Medicare levy. If this is the case, go to step 2. Otherwise, go to step 3.

STEP 2 Write the total number of days that you were in the full Medicare levy exemption category at **V** item **25** on your tax return. If the number of days you wrote at **V** is less than 366, and you were in one of the exemption categories, you may qualify for a half levy exemption for the whole or part of that other period. Go to step 3.

STEP 3 You qualify for a half levy exemption if you were in one of the Medicare levy exemption categories and you had a spouse who was not in an exemption category and who did not have to pay the Medicare levy because of the low income earner threshold. If this is the case, go to step 4. Otherwise, go to step 5 on the next page.

STEP 4 Write the total number of days that you are entitled to a half levy exemption from paying the Medicare levy at **W** item **25**. Go to step 5 on the next page.

EXAMPLE 1

Rupert receives a Department of Veterans' Affairs part pension. His *PAYG payment summary – individual non-business* shows that he was in a Medicare levy exemption category for the full year – 366 days. Rupert does not have a spouse.

Rupert fills in item **25** on his tax return like this:

25 Medicare levy reduction or exemption

NOTE
Only certain taxpayers are entitled to a Medicare levy reduction or exemption. Read question **25** in *Retirees TaxPack 2008* to work out if you are eligible to claim.

Exemption categories

Full 1.5% levy exemption – number of days	V	366
Half 1.5% levy exemption – number of days	W	

If you have completed item **25** and had a spouse during 2007–08 you must also complete **Spouse details – married or de facto** on page 5 of your tax return.

EXAMPLE 2

Dulcie is blind and receives an age pension. With her payment summary she received a statement showing that she was in a Medicare levy exemption category for 310 days. Dulcie's husband, who is eligible for the senior Australians tax offset, did not have to pay the Medicare levy because his taxable income was below $25,867.

Dulcie fills in item **25** on her tax return like this:

25 Medicare levy reduction or exemption

NOTE
Only certain taxpayers are entitled to a Medicare levy reduction or exemption. Read question **25** in *Retirees TaxPack 2008* to work out if you are eligible to claim.

Exemption categories

Full 1.5% levy exemption – number of days **V**

Half 1.5% levy exemption – number of days **W** 310

If you have completed item **25** and had a spouse during 2007–08 you must also complete **Spouse details – married or de facto** on page 5 of your tax return.

STEP 5 If you had a spouse at any time during 2007–08, complete **Spouse details – married or de facto** on page 5 of your tax return. Write your spouse's taxable income at **O** on that page. If your spouse had no taxable income, write **0**. You must also complete **Your spouse's name** on page 1 of your tax return. This applies even if your spouse died during the year.

NOTE

Some of the amounts in this question reflect proposed changes to Medicare levy thresholds for 2007–08. At the time of printing *Retirees TaxPack 2008* these changes had not become law. The Tax Office will work out your Medicare levy, including any Medicare levy reduction, from the information you provide on your tax return. If you wish to calculate it, you can use the Medicare levy calculator on our website or the worksheet on pages 91–3.

QUESTION 26

MEDICARE LEVY SURCHARGE

26

THIS QUESTION IS COMPULSORY FOR ALL TAXPAYERS.

For the whole of 2007–08 did you and your spouse – married or de facto (if you had one) – have private patient hospital cover?

For the definitions of **private patient hospital cover**, **dependants**, **family**, **taxable income for Medicare levy surcharge (MLS) purposes** and other relevant terms see **Explanation of terms** in the next column.

YES Print **X** in the **YES** box at the right of **E** item **26** on your tax return. Make sure you have completed **Private health insurance policy details**. See page 68 for assistance. Go to **Spouse details – married or de facto** on page 78.

NO Print **X** in the **NO** box at the right of **E** item **26** on your tax return. Read below.

> **STOP**
> If you maintained a child under 21 years of age or a full-time student under 25 years or if you have received an amount on which family trust distribution tax has been paid, **you cannot complete your tax return using *Retirees TaxPack 2008*** – see **Other ways to prepare your tax return** on page 2.

For the whole of 2007–08 were you:

- **a single person with a taxable income for MLS purposes of $50,000 or less**

OR

- **married or in a de facto relationship and your combined taxable income for MLS purposes was $100,000 or less?**

NO You may have to pay MLS. Print **X** in the appropriate **NO** box at item **26** on your tax return. If you had a spouse during 2007–08 you may also have to complete your spouse details on pages 1 and 5 of your tax return. Go to **You need to know** in the next column.

YES You do not have to pay MLS for any part of the year. Print **X** in the appropriate **YES** box at item **26** on your tax return. Go to **Completing this item** on page 76.

YOU NEED TO KNOW

Individuals and families on incomes above the MLS thresholds (see the previous column) who do not have private patient hospital cover pay MLS for any period during 2007–08 that they did not have this cover.

MLS is 1% of their taxable income. It is additional to the 1.5% Medicare levy.

Explanation of terms

For MLS purposes you will need to understand the following terms:

Private patient hospital cover is cover provided by an insurance policy issued by a registered health insurer for some or all hospital treatment provided in an Australian hospital or day hospital facility. However, an insurance policy for hospital cover taken out after 24 May 2000 that has an 'annual front-end deductible' amount or excess of more than $500 (in the case of a policy covering only one person) or more than $1,000 (for all other policies) does not provide private patient hospital cover for MLS purposes. The same applies to an insurance policy for hospital cover with a high front-end deductible amount or excess that was taken out before 24 May 2000 and that ceased to provide continuous cover after that date.

If you made a payment to cover a shortfall in the cost of hospital treatment, other than the excess agreed in your policy, this is not a front-end deductible amount or an excess. Your health insurer may include details of the level of front-end deductible amount or excess that applied to your policy in the private health insurance statement that it sent you.

The statement from your health insurer will indicate the maximum number of days that your policy may have provided an appropriate level of private patient hospital cover at **A**.

Travel insurance is not private patient hospital cover for MLS purposes. Private patient hospital cover does not include cover provided by an overseas or unregistered fund or insurer.

> **NOTE**
> To find out if your health insurer is a registered health insurer, contact the Private Health Insurance Administration Council or visit their website at **www.phiac.gov.au**

General cover (formerly called ancillary cover) is commonly known as 'extras'. General cover is **not** private patient hospital cover. It covers items such as optical, dental, physiotherapy or chiropractic treatment.

Dependant includes your spouse (even if they had their own income).

Family – we consider you to be a member of a family during any period of 2007–08 that you contributed to the maintenance of a dependant.

Spouse – married or de facto – if you are living separately and apart from your spouse, we treat you as not being married. (See the definition of spouse on page 78.)

Taxable income for Medicare levy surcharge (MLS) purposes is the total of:
- your taxable income
- your total reportable fringe benefits amounts.

The taxable income of your spouse for MLS purposes is the total of:
- your spouse's taxable income
- your spouse's total reportable fringe benefits amounts
- any share in the net income of a trust estate to which your spouse is presently entitled and on which the trustee of the trust is assessed under section 98 of the *Income Tax Assessment Act 1936* and which has not been included in your spouse's taxable income*
- the amount on which family trust distribution tax has been paid which your spouse would have had to show as assessable income if that tax had not been paid

less
- any taxable component of a superannuation lump sum where the tax rate is zero (see **table 1** on page 31 in *TaxPack 2008*). If you are unsure of the tax rate, phone the Superannuation Infoline (see the inside back cover).

* A trustee is assessed under section 98 of the *Income Tax Assessment Act 1936* in relation to a presently entitled beneficiary under a legal disability. A person is under a legal disability if they are:
- under 18 years of age as at 30 June 2008
- a bankrupt, or
- a person who has been declared legally incapable because of a mental condition.

NOTE

If you are liable for MLS only because your spouse has shown a lump sum payment in arrears at item **20 Foreign source income and foreign assets or property** or item **24 Other income** on their tax return for individuals (supplementary section), you may be entitled to a tax offset up to the amount of MLS you have to pay. We will calculate the tax offset for you. You will need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 26 on the top of a separate piece of paper and explain that your spouse received a lump sum payment in arrears. Include your name, address, tax file number and details of your spouse. Print **X** in the **YES** box at *Taxpayer's declaration* on page 6 of your tax return. Sign your schedule and attach it to page 3 of your tax return.

QUESTION ***When don't you have to pay MLS?***

ANSWER You do not have to pay MLS if you were in an exemption category for the whole of 2007–08 and you did not have any dependants or, if you had dependants, they were also all in an exemption category and/or they all had private patient hospital cover for the whole of 2007–08.

For more information on the exemption categories for the Medicare levy, read page 71. If the paragraph above applies to you, go to **Completing this item** on page 76.

You do not have to pay MLS if you had private patient hospital cover for the whole of 2007–08 and:
- you did not have any dependants, or
- if you had dependants, they also all had private patient hospital cover for the whole of 2007–08 and/or they were all in an exemption category.

If this applies to you, go to **Completing this item** on page 76.

You do not have to pay MLS for the full year if you and all of your dependants, if any, had private patient hospital cover for part of the year and:
- you and your dependants were not in an exemption category at any time during 2007–08, and
- your taxable income or combined taxable income for MLS purposes was above the relevant threshold.

However, in the above situation, you must pay MLS for the number of days you or any of your dependants did not have private patient hospital cover. **Examples 1** and **2** on the next page may help you work this out. Go to **Completing this item** on page 76.

EXAMPLE 1: Part-year private patient hospital cover

Ashley is not married and in 2007–08 he had a taxable income for Medicare levy surcharge (MLS) purposes of $59,000. He was not in a Medicare levy exemption category at any time during the year.

Ashley took out private patient hospital cover on 15 December 2007. Because Ashley's taxable income was above the single person surcharge threshold of $50,000 and he did not have private patient hospital cover for the full year he will have to pay MLS for the part of the year that he did not have private patient hospital cover.

Ashley will **not** have to pay MLS for the time he had private patient hospital cover – 15 December 2007 to 30 June 2008 (199 days).

Ashley will write the number of days in 2007–08 that he is **not** liable for MLS – **199** – at **A** item **26** on his tax return and complete **Private health insurance policy details** on page 4 of his tax return for retirees.

EXAMPLE 2: Part-year liability

Kathy and Mark have been married for a number of years. Kathy and Mark were not in a Medicare levy exemption category at any time during the year. Kathy was covered by private patient hospital cover for the full income year. Mark had his name added to the policy on 10 December 2007.

Kathy and Mark had a combined taxable income for MLS purposes of $115,000. Because not everyone was covered for the period 1 July 2007 to 9 December 2007, Kathy and Mark are both liable for MLS for this period – 162 days. Kathy and Mark would both write the number of days in 2007–08 that they were **not** liable for MLS – **203** – at **A** item **26** on their tax returns and complete **Private health insurance policy details** on their tax returns.

QUESTION ***When do you have to pay MLS?***

ANSWER You will have to pay MLS for any period during 2007–08 that you or any of your dependants did **not** have private patient hospital cover **and** you were:

- a single person with a taxable income for MLS purposes of more than $50,000, or
- a member of a family and the combined taxable income for MLS purposes of you and your spouse (if you had one for the whole of 2007–08) was above $100,000.

NOTE

If your spouse died during the year and you did not have another spouse before the end of the year, we consider you to have had a spouse until the end of the year and you retain the benefit of the family surcharge threshold.

It is possible that both the single and family surcharge thresholds applied to you at different periods during 2007–08 because your circumstances changed during the year – see the question **What if your circumstances changed during the year?** below. However, if only one of the surcharge thresholds – single or family – applied to you for the whole of 2007–08 and:

- your taxable income or combined taxable income for MLS purposes **did not exceed** this threshold, you are not liable for MLS for part of the year. Go to **Completing this item** on the next page. Otherwise, read on
- your and your spouse's combined taxable income for MLS purposes **exceeded** the family surcharge threshold but your own taxable income for MLS purposes **did not exceed** $17,309, you are not liable for MLS for any part of the year. (This amount reflects a proposed change to the law for 2007–08 which at the time of printing *Retirees TaxPack 2008* had not become law.) However, your spouse may still be liable for MLS. Go to **Completing this item** on the next page. Otherwise, read on
- your taxable income or combined taxable income for MLS purposes **exceeded** this threshold then you will have to pay MLS for the whole of the 2007–08 income year if for the whole of 2007–08 you or any of your dependants:
  - did not have private patient hospital cover, and
  - were not in one of the Medicare levy exemption categories on page 71.

  Go to **Completing this item** on the next page.

QUESTION ***What if your circumstances changed during the year?***

ANSWER If you had a new spouse or you separated from your spouse, or you became or ceased to be a sole parent, both the single and the family surcharge thresholds may apply to you for different periods.

To work out if you were liable for MLS for any period during 2007–08 that you:

- were single (that is, you had no spouse) – apply the single surcharge threshold of $50,000 to your own taxable income for MLS purposes
- had a spouse – apply the family surcharge threshold of $100,000 to your own taxable income for MLS purposes (see **example 3** on the next page).

EXAMPLE 3: Spouse for part of the year

Michael and Michelle were married for seven years but on 12 October 2007 they separated and each stayed single. They did not have private patient hospital cover at any time during 2007–08.

Michelle and Michael had no dependent children but they were dependants of each other for Medicare levy surcharge (MLS) purposes until they separated.

Michael's taxable income for MLS purposes was $45,000 and Michelle's was $60,000. In previous years they had used their **combined** income to assess their MLS liability, but because they separated during the year they now have to use their **individual** taxable income for MLS purposes.

Michael and Michelle are considered to be a family for the period 1 July to 12 October 2007 (104 days); so the family MLS threshold of $100,000 applies to **each of them** for that period:

- Michelle is not liable for MLS for this period because her $60,000 taxable income for MLS purposes was less than $100,000.
- Michael is not liable for MLS for this period because his $45,000 taxable income for MLS purposes was less than $100,000.

Michael and Michelle were single for the period 13 October 2007 to 30 June 2008; so the single person MLS threshold of $50,000 applies for that period:

- **Michelle is liable** to pay MLS for this period because her $60,000 taxable income for MLS purposes exceeded $50,000.
- **Michael is not liable** for MLS for this period because his $45,000 taxable income for MLS purposes was less than $50,000.

Michelle and Michael complete their tax returns at A item **M2** by writing the number of **days that they were not liable for MLS** in 2007–08:

- Michelle writes **104**, the number of days in the first period when she was not liable for MLS.
- Michael writes **366** because he was not liable for MLS in 2007–08.

COMPLETING THIS ITEM

WHAT YOU MAY NEED

- Your taxable income for MLS purposes
- Your spouse's taxable income for MLS purposes, if you had a spouse for the whole of 2007–08 or your spouse died during the year
- The number of days you and all your dependants had private patient hospital cover during 2007–08
- Your private health insurance policy details
- The number of days you do **not** have to pay MLS

STEP 1 If you and your spouse had private patient hospital cover for the whole of 2007–08, print **X** in the **YES** box at the right of E item **26** on page 4 of your tax return. Make sure you also complete **Private health insurance policy details**. See page 68 for assistance. You have now finished this question. Go to **Spouse details – married or de facto** on page 78.

If you or your spouse did not have private patient hospital cover or only had cover for part of the year, print **X** in the **NO** box at the right of E item **26** on page 4 of your tax return. Go to step 2.

STEP 2 Write the number of days during 2007–08 that you do **not** have to pay MLS at A item **26**.

> **NOTE**
> The number of days you had private health insurance cover will be shown on the statement from your health insurer at A.

If you do **not** have to pay MLS for the whole period 1 July 2007 to 30 June 2008 write **366** at A.

If you have to pay MLS for:

- the whole period 1 July 2007 to 30 June 2008, write **0** at A
- part of the period 1 July 2007 to 30 June 2008, write the number of days you do **not** have to pay MLS at A.

STEP 3 If you had a spouse during 2007–08 and your spouse or you were not covered by private patient hospital cover for the full year, complete **Spouse details – married or de facto** on page 5 of your tax return. If you cannot find out any of the amounts required, you may make a reasonable estimate.

If your spouse's taxable income at **O** on page 5 of your tax return included any taxable component of a superannuation lump sum where the maximum tax rate is zero, print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 26 SPOUSE'S TAXABLE INCOME on a separate piece of paper and write this amount. Include your name, address and tax file number. Print **X** in the **YES** box at *Taxpayer's declaration* on page 6 of your tax return. Sign your schedule and attach it to page 3 of your tax return.

You must also complete **Your spouse's name** on page 1 of your tax return.

STEP 4 If you had private patient hospital cover for any part of the year you must complete **Private health insurance policy details**. See page 68 for assistance.

You have now completed this question. Go to **Spouse details – married or de facto** on page 78.

DO YOU WANT TO WORK OUT YOUR MEDICARE LEVY SURCHARGE?

You do not have to work out your MLS amount. We will work it out based on the information you provide. If you would like to work it out for your records, you can use the Medicare levy calculator on our website or the worksheet on page 93.

Spouse details – married or de facto

SD

You must complete **Spouse details – married or de facto** on page 5 of your tax return if you had a spouse during 2007–08, and you completed any of the items listed below.

DEFINITION

Your spouse is your husband or wife to whom you are legally married, or a person who lives with you on a genuine domestic basis as your husband or wife. Under Australian law your husband or wife cannot be the same sex as you.

Did you complete any of the following items?

18 Spouse tax offset
19 Senior Australians tax offset
20 Pensioner tax offset
25 Medicare levy reduction or exemption
26 Medicare levy surcharge – and you printed **X** in the **NO** box at **E**

NO You do not need to complete this section. Go to **Check that your tax return is complete** on page 80.

YES ☐ Read below.

WHAT YOU MAY NEED

- Your spouse's *PAYG payment summary – individual non-business*
- The relevant distribution statements, if any, for trust income and family trust distribution tax

YOU NEED TO KNOW

The information on this page will help you complete **Spouse details – married or de facto** on page 5 of your tax return.

You may have had more than one spouse during 2007–08. The details you use to complete this section should be the details for your spouse on 30 June 2008, or your latest spouse.

COMPLETING THIS SECTION

STEP 1 Print your spouse's name in the boxes provided on page 1 of your tax return.

STEP 2 Print your spouse's date of birth at **K** on page 5 of your tax return.

STEP 3 If you had a spouse for the full year, 1 July 2007 to 30 June 2008, print **X** in the **YES** box at **L**. If you did not have a spouse for the full year, print **X** in the **NO** box at **L** and write the dates you had a spouse between 1 July 2007 and 30 June 2008 at **M** and **N**.

STEP 4 Did you complete item 18, 19, 20, 25 or 26 on your tax return?

NO ☐ You have finished this section.

YES ☐ Read on.

The following table shows which details relating to your spouse's income you need to complete.

If you have completed:	you need to complete:
item **18**	**R**
item **19** or **20**	**O**, **T**, **P** and **Q**
item **25** (**V** or **W**)	**O**
item **26** and you printed **X** in the **NO** box at **E**	**O**, **T**, **U** and **S** if you had a spouse for all of 2007–08 or your spouse died during the year

Label O Write at **O** your spouse's 2007–08 taxable income. Do not show cents. If this amount is zero, write **0**. This amount can usually be obtained from your spouse's tax return or notice of assessment. If your spouse does not have to lodge a tax return, provide an estimate of their taxable income.

Label T Write at **T** your spouse's share of trust income on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936* if it is not already included in your spouse's taxable income. Do not show cents. If this amount is zero, write **0**. Check the trust distribution statements.

Label U Write at **U** distributions to your spouse on which family trust distribution tax has been paid which your spouse would have had to show as assessable income if the tax had not been paid. Do not show cents. If this amount is zero, write **0**. Check the trust distribution statements.

Label S Add up the reportable fringe benefits amounts shown on your spouse's payment summaries and write the total at **S**. Do not show cents. If this amount is zero, write **0**.

Label P Write at **P** the amount of Australian Government pensions and allowances that your spouse received in 2007–08 (not including **exempt pension** income). Do not show cents. If this amount is zero, write **0**. Australian Government pensions and allowances are listed on page 19.

Label Q Write at **Q** the amount of any exempt pension income that your spouse received in 2007–08. Make sure you include only your spouse's **exempt pension** income. Do not show cents. If this amount is zero, write **0**. Exempt income is listed on pages 16–18.

Label R Write at **R** your spouse's 2007–08 separate net income. Do not show cents. If this amount is zero, write **0**. See pages 50–2 for information on separate net income.

If you cannot find out any of the amounts required, you may make a reasonable estimate.

Information

CHECK THAT YOUR TAX RETURN IS COMPLETE

INFORMATION

Use this checklist to make sure your tax return is complete before you lodge it with the Tax Office. Use the pre-addressed envelope provided with your *Retirees TaxPack 2008* to lodge your tax return.

If you don't have a pre-addressed envelope, see the next page for the address to use.

CHECK THAT YOU HAVE...

- ☐ read page 2 to confirm that you can use *Retirees TaxPack 2008* to fill in your tax return
- ☐ read **Self-assessment – it's your responsibility** on page 12
- ☐ written your tax file number on your tax return
- ☐ filled in all your personal details
- ☐ filled in the appropriate details for electronic funds transfer if you want to have your refund paid directly into a financial institution account
- ☐ entered totals at items **5**, **10**, **16**, **17** and **24**
- ☐ filled in the code boxes – if you were asked to do so – at items **19** and **20**
- ☐ attached all documents which *Retirees TaxPack 2008* tells you to attach to page 3 of your tax return
- ☐ completed item **26** of your tax return – this item is compulsory for all taxpayers
- ☐ completed **Spouse details – married or de facto** if required
- ☐ read, completed, signed and dated the *Taxpayer's declaration* on page 6 of your tax return, and
- ☐ kept copies of your tax return, all attachments and relevant papers for your own records.

WHEN CAN YOU EXPECT YOUR NOTICE OF ASSESSMENT?

Our current standard processing time for tax returns is six weeks. To allow for time in the mail, wait seven weeks. After that time you can phone the automated self-help service (see the inside back cover) to check the progress of your tax return. This service is available 24 hours a day. You will need to key in your tax file number using your phone keypad.

WHERE TO SEND YOUR TAX RETURN

WITHIN AUSTRALIA

To make sure we can process your tax return as quickly as possible, use the pre-addressed envelope enclosed with your copy of *Retirees TaxPack 2008*. The address shown on the pre-addressed envelope is the official lodgment address. If you post your tax return to an address other than this, you may experience delays.

Use this envelope only for lodging your tax return (and its attachments) or a non-lodgment advice. Do not use it to send correspondence intended for other Tax Office locations (these are listed with their addresses on pages 95–6).

If you did not receive an envelope with your *Retirees TaxPack 2008*, or you have misplaced it, post your tax return in a business-sized envelope to:

Australian Taxation Office
GPO Box 9845
IN YOUR CAPITAL CITY

The address must appear on your envelope exactly as shown above. Do not replace the words **IN YOUR CAPITAL CITY** with the name of your capital city and its postcode – they are not needed because of a special agreement with Australia Post.

FROM OVERSEAS

To lodge a paper tax return from outside Australia, use the pre-addressed envelope with the following alteration:

cross out **IN YOUR CAPITAL CITY** and replace with

SYDNEY NSW 2001
AUSTRALIA

It will assist us if you cross out the barcode above the address.

Alternatively, you can complete a *Tax return for individuals 2008* and lodge it online using e-tax – go to **www.ato.gov.au** for more information. Most refunds are issued within 14 days.

> **NOTE**
> Before you lodge your tax return, make sure you have read **Self-assessment – it's your responsibility** on page 12.

WHAT HAPPENS AFTER YOU LODGE YOUR TAX RETURN?

We process your tax return and send you a notice of assessment.

Your notice of assessment is an itemised account of the amount of income tax you owe on your taxable income, taking into account any tax offsets to which you are entitled. Your notice of assessment also contains other details which are not part of the assessment, such as the amount of credit for tax you have already paid through the year.

When you receive your notice of assessment check it to make sure that everything is correct.

Unless you are using electronic funds transfer, the bottom section of your notice of assessment will be either your refund cheque or, if you owe tax, your payment advice.

WHAT IF YOU MADE A MISTAKE, NEED TO AMEND YOUR TAX RETURN OR YOU THINK YOUR ASSESSMENT IS WRONG?

If you realise that you did not include something on your tax return that you should have, or there is some other mistake on your tax return, you need to correct it as soon as possible by requesting an amendment.

To request an amendment, write a letter to us. In the letter provide:

- your name, address, phone number and tax file number
- the year shown on the tax return you want to amend – for example, 2008
- the item number on the tax return and a description of the change
- the amount of income or deductions to be added or taken away, if relevant
- the amount of tax offsets to be increased or decreased, if relevant
- the claim type code – if one applies to the item you are changing
- an explanation of why you made the mistake or the reason for the change
- a declaration as follows: 'I declare that all the information I have given in this letter, including any attachments, is true and correct.'
- the date, and
- your signature.

It is very important that your letter explains why you made the mistake or the reason for the change, so that we can correctly assess any penalty or interest charge. Make sure you attach to your letter any additional information that applies to your amendment.

IS THERE ANY TIME LIMIT FOR YOU TO REQUEST AN AMENDMENT?

If you are eligible for a two-year amendment period, you must request an amendment within two years of the date the Commissioner issued your notice of assessment. If a four-year amendment period applies to you, you must request an amendment within four years (see page 12 for more information).

WILL YOU HAVE TO PAY A PENALTY?

If, after lodging your tax return, you voluntarily tell us that you made a mistake and the amendment will result in you paying more tax, we will, in most cases, impose a lower penalty than we would otherwise have imposed.

If we state the law incorrectly, or our advice on the application of the law is incorrect and as a result you do not pay enough tax, we will not ask you to pay the extra tax.

If our advice in *Retirees TaxPack 2008* is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it, but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

Retirees TaxPack 2008 also contains guidance to help you complete your tax return. If any of our guidance in *Retirees TaxPack 2008* is incorrect or misleading and as a result you do not pay enough tax, we may ask you to pay the extra tax, but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake when you try to follow our advice and guidance in *Retirees TaxPack 2008* and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

WHERE DO YOU SEND YOUR AMENDMENT REQUEST?

Post your letter and attachments to:

Australian Taxation Office
GPO Box 5056
Sydney NSW 2001

Keep a copy of your letter for your records. Do not send in another tax return unless we ask you to.

WHAT IF YOU THINK YOUR ASSESSMENT IS WRONG?

Check all the details on your notice of assessment with those on your tax return. If you think there is a problem, phone the Personal Infoline (see the inside back cover) for help. You will need your notice of assessment and, if possible, a copy of your tax return.

WHAT IF YOU STILL THINK YOUR ASSESSMENT IS WRONG?

You can write to us and object to your assessment. If you want to object to your assessment, see the fact sheet on how to lodge an objection on our website or to find out how to get a printed copy, see the inside back cover.

Generally, you must lodge your objection within the two-year or four-year amendment period, whichever applies to you. For more information, visit **www.ato.gov.au/notices**

PRIVACY AND ACCESS TO INFORMATION

COLLECTING YOUR INFORMATION

We are authorised by the *Taxation Administration Act 1953* to ask you to quote your tax file number (TFN). It is not an offence not to quote your TFN. However, your assessment may be delayed if you do not quote your TFN.

We are authorised by the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, the *A New Tax System (Australian Business Number) Act 1999* and the *A New Tax System (Family Assistance) (Administration) Act 1999* to ask for the other information on your tax return. We need this information to help us to administer the tax laws and parts of the family assistance law.

WHO ELSE CAN WE GIVE YOUR INFORMATION TO?

We can give your information to some government agencies specified in tax law, for example:

- benefit payment agencies, such as Centrelink, the Department of Education, Employment and Workplace Relations, and the Department of Families, Housing, Community Services and Indigenous Affairs
- law enforcement agencies, such as state and federal police
- other agencies such as the Child Support Agency and the Australian Bureau of Statistics.

This disclosure is usually to check eligibility for government benefits, for law enforcement purposes or for statistical purposes. Any further use of your information by these agencies is also controlled by law.

If you receive a refund cheque with your notice of assessment, details of your refund are provided to the Reserve Bank of Australia to assist in clearing your cheque.

We can also disclose your information in performing our duties under the tax and family assistance laws. Otherwise, we can give your information only to you or to someone you have appointed to act for you.

Child Support Agency clients

The Child Support Agency may use the information you give us to assess or collect child support.

HOW DO WE PROTECT YOUR INFORMATION?

The tax and family assistance laws contain secrecy provisions that prohibit officers (including employees and contractors) of the Tax Office or of any other government agency from improperly accessing, recording or disclosing any information you provide on your tax return. These provisions allow officers to disclose information in performing their duties and in certain other specified circumstances. A person can be fined up to $11,000 and sentenced to two years in prison for breaking these provisions.

In addition, the *Privacy Act 1988* protects personal information held by federal government agencies. It also protects TFNs, no matter who holds them.

WHO CAN ASK YOU FOR YOUR TFN?

Only certain people and organisations can ask you for your TFN. These include employers, some federal government agencies, trustees for superannuation funds, higher education institutions, the Child Support Agency and investment bodies such as banks.

You do not have to give your TFN but there may be consequences if you do not – for example, if you are applying for a government benefit and you do not give your TFN, you may not be paid the benefit.

DO YOU NEED MORE INFORMATION?

If you need more information about how the law protects your personal information or have any concerns about how we have handled your personal information, phone the Personal Infoline (see the inside back cover).

If you are unable to resolve your concerns with us about how we have handled your personal information, you can contact the Office of the Privacy Commissioner by visiting their website at **www.privacy.gov.au** or by phoning their privacy hotline on **1300 363 992**.

FREEDOM OF INFORMATION

The *Freedom of Information Act 1982* (FOI Act) gives you the right to see your tax return and other documents – for example, payment summaries and notices of assessment. In some circumstances this information may be provided free of charge, but usually there is a charge to cover the time and expense involved in getting the information for you. We suggest you phone the Personal Infoline before you ask for information under the FOI Act.

Keep copies of your tax returns, as we may impose a charge if you ask us for a copy.

PAYING YOUR TAX DEBT

HOW DO YOU KNOW HOW MUCH TAX YOU HAVE TO PAY?

Your notice of assessment will tell you how much tax you have to pay, if any, and when you must pay to avoid being charged interest for late payment.

WHEN DO YOU PAY YOUR TAX DEBT?

You must lodge your income tax return by 31 October 2008, unless we have given you a later date to lodge, or your tax return is being prepared by a registered tax agent. If you did not use a tax agent last year but intend to do so this year – or you will be using a different tax agent this year – make sure you contact the agent before 31 October 2008.

If you lodge your tax return on time, any tax payable will be due the later of:

- 21 days after you receive your notice of assessment, or
- 21 days after your tax return was due to be lodged.

If you:

- prepare your own tax return and it is lodged by 31 October 2008, any tax payable will be due no earlier than 21 November 2008
- have contacted the Tax Office and we have given you a later date to lodge your tax return, any tax payable will be due no earlier than 21 days after the deferred date for lodgment.

If you do not lodge your tax return on time, the law treats any tax payable as being due for payment 21 days after your tax return was due for lodgment, irrespective of the date you lodged it or are advised of the debt.

General interest charge (GIC) will accrue on any amount that is not paid by the due date for payment.

WHAT IF YOUR TAX DEBT IS INCREASED BECAUSE YOUR ASSESSMENT IS AMENDED?

Where your assessment is amended and the tax payable increased, the due date for payment of the additional tax is 21 days after the Commissioner gives your notice of amended assessment to you.

You will also be liable to pay a shortfall interest charge (SIC) from the due date of your original assessment to the day before the issue of the notice of amended assessment. Where your original assessment did not have a due date because there was no tax payable, the SIC is calculated from the day tax would have been payable if there had been any tax due. The SIC will also be due 21 days after the Commissioner gives your notice of amended assessment to you.

GIC will continue to apply to any unpaid amount of the amended assessment, including the SIC, after the due date for the amended assessment.

WHERE DO YOU PAY YOUR TAX DEBT?

We do not accept payments over the counter at our shopfronts. Information about payment options is on the back of your notice of assessment. If you need more information, phone **1800 815 886** (8.00am to 6.00pm Eastern Standard Time).

We do not accept payments by credit card.

DO YOU HAVE TO PAY YOUR TAX IF YOU DON'T AGREE WITH THE ASSESSMENT?

You must pay your tax on time even if you have lodged an objection or asked for an amendment. If the objection is decided in your favour, you will normally receive a refund of the amount you have overpaid plus interest.

WHAT IF YOU CANNOT PAY YOUR TAX DEBT ON TIME?

If you cannot pay your tax debt on time, contact us immediately on **13 11 42** to discuss your situation. Depending on your circumstances, you may be able to:

- defer the payment, or
- enter into an arrangement to pay by instalments.

In some circumstances you may need to provide written details of your financial position, including a statement of your assets and liabilities and details of your income and expenditure.

We also need to understand what steps you have taken to obtain funds to pay your tax and what steps you are taking to make sure you pay future tax debts on time.

If we agree to defer the time for payment, general interest charge (GIC) will not apply until after the deferred date for payment. Alternatively, if we allow you to pay by instalments, we will charge you GIC on the outstanding balance from the original due date.

You can claim any interest we charge as a tax deduction in the income year in which it is incurred. In addition you can request a remission of all or part of the interest. Phone us on **13 11 42** if you would like to request a remission.

WHAT IF PAYMENT WILL CAUSE YOU SERIOUS HARDSHIP?

Serious hardship exists when you are unable to provide food, accommodation, clothing, medical treatment, education and other necessities for yourself, your family or other people for whom you are responsible. If you are suffering from hardship, you can apply for a release from payment of your tax debt. For more information and an application form, phone us on **13 11 42**.

ASKING ABOUT YOUR ASSESSMENT OR OTHER TAX AFFAIRS

If you have an enquiry about your tax assessment or other tax affairs, you can contact us.

IT'S EASIER BY PHONE

When you phone us we will ask you to provide information to prove your identity – for example, details from a recent notice of assessment. Note that if we ask you to provide your tax file number (TFN), this is not compulsory. However, we cannot access your records unless you provide us with your TFN.

If you want a representative to phone on your behalf, you must provide authorisation to us beforehand. Your representative will need to quote this authorisation and provide information to prove their identity.

This requirement is to protect your privacy.

Phone tips

If you are phoning us, the following tips will help you to get quicker and more efficient service:

- See the inside back cover for the correct phone number to use.
- Avoid phoning during the busy times. The busiest times are Mondays, the days after public holidays, and between 10.00am and 2.00pm each day.
- Your call will be placed in a queue and answered by the first available operator. Do not hang up. If you hang up and redial, you will be placed at the end of the queue.
- Have near the phone *Retirees TaxPack 2008* and any taxation documents you want to talk about. Have a pen and paper handy so you can take down any relevant information.
- Check that it is the Tax Office that you need to contact. Our contact details will be included on any official documents or letters we send you.

IF YOU WRITE

Provide your full name and address. Provide your phone number if it is convenient. You could include your TFN, but it is not compulsory. Remember to sign the letter.

IF YOU VISIT

If you prefer to make your enquiry in person, we request that you make an appointment by phone. The number to phone for an appointment is **13 28 61**. Bring along your most recent notice of assessment. If you do not have a notice of assessment, you may quote your TFN (but this is not compulsory) or bring a letter from the Tax Office. You should also bring some identification that has your photograph, such as your drivers licence or passport.

If you want a representative to visit on your behalf, they must show us a letter of authorisation and provide information to prove their identity.

DEALING WITH THE TAX OFFICE

INFORMATION

It is important that you are aware of both your rights and your obligations when dealing with us.

When we make a decision about your tax affairs, we will tell you about your rights and obligations in relation to that decision. We will give you contact details in case you have any queries or need more information.

We also have a charter which sets out the way we conduct ourselves when dealing with you. There is information under 'Your rights' on our website. See the inside back cover to find out how to get a printed copy of the *Taxpayers' charter – what you need to know* (NAT 2548).

YOUR RIGHT TO COMPLAIN

If you are dissatisfied with a particular decision we have made, or with one of our services or actions, you have the right to complain.

We recommend that you first try to resolve the issue with the tax officer you have been dealing with (or phone the contact number you have been given).

If you are not satisfied, talk to the tax officer's manager.

If you are still not satisfied, phone our complaints line on **13 28 70**.

You can also make a complaint by:

- writing to:
  Complaints
  Australian Taxation Office
  Locked Bag 40
  Dandenong VIC 3175
- lodging online at **www.ato.gov.au**
- sending a fax (FREECALL) to **1800 060 063**.

THE COMMONWEALTH OMBUDSMAN

If you are not satisfied with our decisions or actions, you can raise the matter with the Commonwealth Ombudsman. Before looking into a matter for you, the Commonwealth Ombudsman may ask you to go to our complaints area if you have not already done so.

The Commonwealth Ombudsman's office can investigate most complaints relating to tax administration and may recommend that we provide a solution or remedy to your problem. Investigations are independent, private, informal and free of charge.

You can contact the Commonwealth Ombudsman's office by:

- visiting their website at **www.ombudsman.gov.au**
- phoning **1300 362 072**
- sending an email to **ombudsman@ombudsman.gov.au**
- visiting the office nearest to you (there are offices in all Australian capital cities), or
- writing to:
  The Commonwealth Ombudsman
  GPO Box 442
  Canberra ACT 2601

THE PRIVACY COMMISSIONER

The Privacy Commissioner receives complaints under the *Privacy Act 1988* and tax file number guidelines. You can contact the Privacy Commissioner by:

- phoning the privacy hotline on **1300 363 992**, or
- writing to:
  The Privacy Commissioner
  GPO Box 5218
  Sydney NSW 2001

HOW WE WORK OUT YOUR TAX

INCOME	You show this amount at item **10 TOTAL INCOME** on your tax return.
minus	
ALLOWABLE DEDUCTIONS	You show this amount at item **16 TOTAL DEDUCTIONS** on your tax return.
equals	
TAXABLE INCOME	You show this amount at item **17 TAXABLE INCOME** on your tax return. We use this amount to work out the **TAX ON TAXABLE INCOME**.
TAX ON TAXABLE INCOME	If you want to estimate the tax on your taxable income, use the calculator on our website or go to page 88.
minus	
TAX OFFSETS	You show most tax offsets at item **24 TOTAL TAX OFFSETS** on your tax return. If you are entitled to a low-income, senior Australians, pensioner or mature age worker tax offset, we work it out for you. You can estimate some tax offsets for yourself using the calculators on our website or go to pages 89–90. These tax offsets only reduce the amount of tax you pay. Refundable tax offsets, on the other hand, are included below in the amount for **TAX CREDITS AND REFUNDABLE TAX OFFSETS**.
equals	
NET TAX PAYABLE	
plus	
HELP AND SFSS REPAYMENTS	If you have a Higher Education Loan Programme (HELP) debt or Student Financial Supplement Scheme (SFSS) debt, we work out your repayment. If you want to estimate it, use the calculators on our website.
plus	
MEDICARE LEVY AND MEDICARE LEVY SURCHARGE	We work out these amounts from items **25** and **26** on your tax return. If you want to estimate them, use the calculator on our website or go to pages 91–3.
minus	
TAX CREDITS AND REFUNDABLE TAX OFFSETS	We work out these amounts from tax you paid during the year and any refundable tax offsets that have not already been credited or refunded to you. The refundable tax offsets are the private health insurance tax offset (item **22**) and franking credits (item **8**).
equals	
REFUND OR AMOUNT OWING	We show this amount on your notice of assessment. Your entitlement to a refund may be affected by any outstanding liabilities to the Tax Office. These amounts will appear on your notice of assessment as 'Other amounts payable'.

WORKING OUT YOUR TAX REFUND OR TAX DEBT

You do not have to work out your tax refund or tax debt. We will work it out from the information you provide on your tax return and advise you of the result on your notice of assessment.

If you do want to work out your tax refund or tax debt for your own purposes, you can:

- use the tax calculators on our website at **www.ato.gov.au** or
- follow the instructions on the following pages.

There are some situations where you cannot work out your tax refund or tax debt because the calculation is too complex to explain here. These are situations where you:

- had a net capital gain
- are entitled to the unused portion of your spouse's senior Australians or pensioner tax offset
- were 60 years of age or over when you received a superannuation income stream benefit that included an untaxed element
- were under 60 years of age when you received a superannuation income stream benefit that included a taxed element or an untaxed element.

You need to work out the following amounts if they apply to you.

- Tax on taxable income – see part 1.
- Low-income tax offset – see part 2.
- Senior Australians or pensioner tax offset – see part 3.
- Mature age worker tax offset – see part 4.
- Medicare levy – see part 5.
- Medicare levy surcharge – see part 6.

> **NOTE**
> **Do not write on your tax return any of the amounts you work out here.**

PART 1
Tax on taxable income

Table 1.1 shows the income tax rates. To work out your tax, first identify your taxable income range in column (a), and note the corresponding tax bracket threshold (b), the tax due on that threshold amount (c) and the marginal tax rate (d).

Transfer the amounts (b), (c) and (d) which apply to you from **table 1.1** to (b), (c) and (d) in **worksheet 1.1**, and follow the steps in that worksheet.

TABLE 1.1: Income tax rates

Taxable income	Tax bracket threshold	Tax due on threshold amount	Marginal tax rate on amount above threshold
(a)	(b)	(c)	(d)
$1 to $6,000	$0	$0	Nil
$6,001 to $30,000	$6,000	$0	0.15
$30,001 to $75,000	$30,000	$3,600	0.30
$75,001 to $150,000	$75,000	$17,100	0.40
$150,001 and over	$150,000	$47,100	0.45

In the example in **worksheet 1.1**, Sam had a taxable income of $38,682. So he looks up the row in **table 1.1** which applies to his taxable income ($30,001 to $75,000) and works out his **tax on taxable income** as shown.

WORKSHEET 1.1: Working out your tax on taxable income

	Sam's	Yours	
Your taxable income (from item **17** on your tax return)	$38,682	$	(a)
Your tax bracket threshold amount (b) from **table 1.1**	$30,000	$	(b)
Tax on that threshold amount (c) from **table 1.1**	$3,600	$	(c)
Marginal tax rate on amount above threshold (d) from **table 1.1**	0.30		(d)
Amount of income above threshold: take (b) away from (a).	$8,682	$	(e)
Tax on income above threshold: multiply (e) by (d).	$2,604.60	$	(f)
Add (c) and (f).	**$6,204.60**	$	(g)

The amount at (g) is your **tax on taxable income**.

Transfer your **tax on taxable income** to step 1 on the **FINAL WORKSHEET** on page 94.

PART 2
Low-income tax offset

You are entitled to the low-income tax offset if your taxable income is less than $48,750.

The maximum tax offset of $750 applies if your taxable income is $30,000 or less. This amount reduces by 4 cents for each dollar of taxable income over $30,000.

If your taxable income is more than $30,000 but less than $48,750, use **worksheet 2.1** to work out your low-income tax offset.

WORKSHEET 2.1: Working out your low-income tax offset

Maximum tax offset	$ 750	(a)
Your taxable income (from item **17** on your tax return)	$	(b)
Threshold at which tax offset reduces	$ 30,000	(c)
Take (c) away from (b).	$	(d)
Multiply (d) by 0.04.	$	(e)
Take (e) away from (a).	$	(f)
The amount at (f) is your **low-income tax offset**, if it is more than zero.		

Transfer your **low-income tax offset** to step 2 on the **FINAL WORKSHEET** on page 94.

PART 3
Senior Australians or pensioner tax offset (from item 19 or 20 on your tax return)

If you completed item **19** to claim the senior Australians tax offset, or item **20** to claim the pensioner tax offset, you can work out the amount of your tax offset. You need to refer to the **tax offset** code letter you showed at either item **19** or **20** on your tax return. **Table 3.1** shows the taxable income thresholds that apply for your tax offset code letter.

You can work out your tax offset at step 1. **However**, if any of the following situations applies to you, you will not be able to work out your tax offset here.

1 If you are eligible for the pensioner tax offset and you used tax offset code letter:
   - **S**, **Q**, **I** or **J** and your pension was more than $13,990, or
   - **P** and your pension was more than $11,685

   then your actual maximum tax offset may be higher than your maximum tax offset (d) in **table 3.1**, and you may get a tax offset if your taxable income was more than the upper taxable income threshold (c) in **table 3.1**.

2 If your taxable income is between the lower taxable income threshold (b) and the upper taxable income threshold (c) in **table 3.1**, and an unused portion of your spouse's senior Australians or pensioner tax offset is available for transfer to you, you may receive a higher tax offset.

3 If your taxable income is equal to or more than the upper taxable income threshold (c) in **table 3.1**, you may still qualify for a tax offset from the transfer of any unused portion of your spouse's senior Australians or pensioner tax offset to you, if applicable.

If these situations apply, you could use the calculators on our website to work out your tax offset. Whether or not you can calculate your tax offset here, we will work out the optimum tax offset which applies for you, and show that on your notice of assessment.

STEP 1 Find in column (a) in **table 3.1** the row with the tax offset code letter that you showed at item **19** or **20** on your tax return.

STEP 2 Refer to the row with your tax offset code letter in **table 3.1** to determine whether you are entitled to a tax offset.

- If your taxable income is equal to or more than the amount at (c) you will not get a tax offset.
- If your taxable income is equal to, or less than, the amount at (b), you may get up to the maximum tax offset shown at (d).
- If your taxable income is more than the amount at (b) and less than the amount at (c) in **table 3.1**, transfer the amounts (b) and (d) from **table 3.1** to (b) and (d) in **worksheet 3.1** to work out your tax offset.

TABLE 3.1: Senior Australians and pensioner tax offset thresholds

(a)	(b)	(c)	(d)
Your tax offset code letter	**Lower taxable income threshold**	**Upper taxable income threshold**	**Maximum tax offset**
A	$25,867	$43,707	$2,230
B, **C**	$24,600	$40,920	$2,040
D, **E**	$21,680	$34,496	$1,602
S, **Q**, **J**	$20,194	$37,226	$2,129
I	$19,214	$35,070	$1,982
P	$16,734	$29,614	$1,610

STEP 3 Work out your tax offset using **worksheet 3.1**.

WORKSHEET 3.1: Working out your senior Australians or pensioner tax offset

Your taxable income (from item **17** on your tax return)	$	(a)
Lower taxable income threshold (b) from **table 3.1**	$	(b)
Take (b) away from (a).	$	(c)
Maximum tax offset (d) from **table 3.1**	$	(d)
Divide (c) by 8.	$	(e)
Take (e) away from (d).	$	(f)
The amount at (f), if it is more than zero, is your **senior Australians** or **pensioner tax offset**.		

Transfer your **senior Australians** or **pensioner tax offset** to step 2 on the **FINAL WORKSHEET** on page 94.

PART 4
Mature age worker tax offset

To be eligible for the mature age worker tax offset, your **net income from working** must have been within certain limits and you must have been:

- an Australian resident on 30 June 2008, and
- aged 55 years or older on 30 June 2008.

The maximum mature age worker tax offset is $500. To calculate your tax offset you need to work out your net income from working.

STEP 1 Work out your net income from working using **worksheet 4.1**. You will need to transfer certain amounts from your tax return.

WORKSHEET 4.1: Working out your net income from working

If any of the amounts listed below do not apply to you, write **0** in the appropriate box.		
Total income from working		
Salary or wages (**C** item **4**)	$	(a)
Total reportable fringe benefits amounts (**W** item **6**)	$	(b)
Add (a) and (b).	$	(c)
Related deductions		
Subscriptions (**E** item **11**)	$	(d)
Net income from working		
Take (d) away from (c).	$	(e)
The amount at (e) is your net income from working. This amount can be zero or a negative amount.		

STEP 2 Use **table 4.1** to check if you are eligible and find out what you need to do to work out your mature age worker tax offset.

TABLE 4.1: Find out whether you are eligible for the mature age worker tax offset

Your net income from working (e) from worksheet 4.1	Your mature age worker tax offset	Action required
$0 or a negative amount	Nil	None. You are not entitled to the mature age worker tax offset. You have finished part 4.
$1 to $9,999	5% of your net income from working	Go to **worksheet 4.2**.
From $10,000 to $53,000	$500	This is your **mature age worker tax offset**. Write **$500** at step 2 on the **FINAL WORKSHEET** on page 94. You have finished part 4.
More than $53,000 but less than $63,000	Reduced by 5 cents per dollar over $53,000	Go to **worksheet 4.3**.
$63,000 and above	Nil	None. You are not entitled to the mature age worker tax offset. You have finished part 4.

WORKSHEET 4.2: Working out your mature age worker tax offset – net income from working from $1 to $9,999

Your net income from working (e) from **worksheet 4.1**	$	(a)
Multiply (a) by 0.05.	$	(b)
The amount at (b) is your **mature age worker tax offset**.		

Transfer your **mature age worker tax offset** to step 2 on the **FINAL WORKSHEET** on page 94. You have finished part 4.

WORKSHEET 4.3: Working out your mature age worker tax offset – net income from working from $53,001 to $62,999

Maximum tax offset	$ 500	(a)
Your net income from working, (e) from **worksheet 4.1**	$	(b)
Threshold at which tax offset reduces	$ 53,000	(c)
Take (c) away from (b).	$	(d)
Multiply (d) by 0.05.	$	(e)
Take (e) away from (a).	$	(f)
The amount at (f) is your **mature age worker tax offset**.		

Transfer your **mature age worker tax offset** to step 2 on the **FINAL WORKSHEET** on page 94.

PART 5
Medicare levy (from item 25 on your tax return)

STEP 1 Work out your basic Medicare levy.
The basic Medicare levy you pay depends on the amount of your taxable income and whether you are eligible for the senior Australians tax offset or the pensioner tax offset.

- If you are eligible for the senior Australians tax offset, use column 1 in **worksheet 5.1**.
- If you are eligible for the pensioner tax offset, use column 2 in **worksheet 5.1**.
- If you are not eligible for either of those tax offsets, use column 3 in **worksheet 5.1**.

WORKSHEET 5.1: Working out your basic Medicare levy

	Column 1 **Eligible for the senior Australians tax offset**	Column 2 **Eligible for the pensioner tax offset**	Column 3 **Not eligible for either of those tax offsets**	
When your taxable income (from item **17** on your tax return) is below a specified lower threshold, you pay no Medicare levy.				
Lower taxable income threshold				
	$ 25,867	$ 22,922	$ 17,309	(a)
If your taxable income is equal to or less than your threshold at (a), you pay no Medicare levy. You have finished part 5.				
When your taxable income is above a specified upper threshold, you pay Medicare levy at the rate of 1.5% of your taxable income.				
Upper taxable income threshold				
	$ 30,431	$ 26,967	$ 20,363	(b)
If your taxable income is equal to or more than your threshold at (b), use the following calculation to work out your basic Medicare levy:				
Your taxable income	$	$	$	(c)
Multiply (c) by 0.015.	$	$	$	(d)
The amount at (d) is your basic Medicare levy. Go to step 2.				
When your taxable income is between the lower and upper threshold at (a) and (b) above, you pay Medicare levy at the rate of 10% on that part of your taxable income above the lower threshold. Use the following calculation to work out your basic Medicare levy:				
Your taxable income	$	$	$	(e)
Your lower threshold	$ 25,867	$ 22,922	$ 17,309	(f)
Take (f) away from (e).	$	$	$	(g)
Multiply (g) by 0.10.	$	$	$	(h)
The amount at (h) is your basic Medicare levy. Go to step 2.				

EXAMPLE 5.1

- Cecilie is eligible for the senior Australians tax offset, so she uses column 1. Cecilie's taxable income is $25,000. It is less than the $25,867 threshold in column 1. She pays no Medicare levy.
- Joel is not eligible for the senior Australians tax offset nor the pensioner tax offset, so he uses column 3. Joel's taxable income is $40,000. It is above the $20,363 upper taxable income threshold in column 3. His basic Medicare levy is:
  $40,000 × 1.5% = $600.
- Peter is eligible for the pensioner tax offset, so Peter uses column 2. Peter's taxable income is $25,000. It is between the $22,923 and $26,967 thresholds in column 2. His basic Medicare levy is:
  ($25,000 – $22,922) × 10% = $207.80.

STEP 2 Did you claim a Medicare levy reduction or exemption?
If you claimed a Medicare levy reduction or exemption at item **25**, go to step 3.

If you did not claim a Medicare levy reduction or exemption, your Medicare levy is the amount at (d) or (h) at **worksheet 5.1**. Transfer that amount to step 4 on the **FINAL WORKSHEET** on page 94. You have finished part 5.

STEP 3 Did you claim a Medicare levy reduction?
If you claimed a Medicare levy reduction at item **25**, go to step 4.

If you did not claim a Medicare levy reduction but claimed only an exemption at item **25** (**V** or **W**, or both), transfer your basic Medicare levy (d) or (h) from **worksheet 5.1** directly to (a) at step 7 on page 93.

STEP 4 Work out whether you are entitled to the family reduction amount.
If you had a spouse on 30 June 2008 or your spouse died during 2007–08, your family income is the combined taxable income of you and your spouse.

If you did not have a spouse on 30 June 2008 and you were eligible for a reduced Medicare levy based on family income, your family income is your taxable income (item **17** on your tax return).

To complete step 4, find the lower and upper income limits that apply to your circumstances in **table 5.1**.

TABLE 5.1: Family income table for 2007–08

	Lower income limit	Upper income limit
If you were eligible for the **senior Australians tax offset**	$37,950	$44,647
If you were **not eligible** for the **senior Australians tax offset**	$29,207	$34,361

If your family income was less than or equal to your lower income limit, you do not pay the Medicare levy. You have finished part 5.

If your family income was greater than your lower income limit but less than or equal to your upper income limit, you pay a reduced Medicare levy.

The worksheets at steps 5 and 6 show you how to work out the amount of reduced Medicare levy you pay.

EXAMPLE 5.2

Trevor is not eligible for the senior Australians tax offset and he had a spouse on 30 June 2008. His taxable income was $21,000 and his spouse's taxable income was $17,500 – a family income of $38,500. His family income is between the lower and upper family income limits in **table 5.1**. His basic Medicare levy is $315.00, from **worksheet 5.1**. Go to step 5 to see how Trevor works out his Medicare levy.

STEP 5 Work out your family reduction amount and your share of it.

WORKSHEET 5.2: Calculating your family reduction amount

	Trevor's	Yours	
Family income	$38,500	$	(a)
Lower income limit from **table 5.1**	$34,571	$	(b)
Take (b) away from (a).	$3,929	$	(c)
Multiply (b) by 0.015.	$518.56	$	(d)
Multiply (c) by 0.085.	$333.96	$	(e)
Take (e) away from (d).	$184.60	$	(f)
The amount at (f) is your family reduction amount.			

If your spouse's taxable income was less than $17,310, go directly to step 6 to work out your reduced Medicare levy.

If your spouse's taxable income was $17,310 or more, you will share the family reduction amount shown in **worksheet 5.3**.

WORKSHEET 5.3: Calculating your share of the family reduction amount

	Trevor's	Yours	
Family reduction amount (f) from **worksheet 5.2**	$184.60	$	(g)
Your taxable income (from item **17** on your tax return)	$21,000	$	(h)
Multiply (g) by (h).	$3,876,600	$	(i)
Family income (a) from **worksheet 5.2**	$38,500	$	(j)
Divide (i) by (j).	$100.69	$	(k)
The amount at (k) is your share of the family reduction amount.			

Your family reduction amount is unlikely to be more than your basic Medicare levy from step 1. If it is, your Medicare levy will be reduced to zero, and any excess family reduction amount may be transferred to reduce your spouse's basic Medicare levy. If this applies to you, you will not pay any Medicare levy, and you have finished part 5.

Similarly, it is possible that your spouse has an excess family reduction amount which can be transferred to you. To determine whether that is the case, proceed with **worksheet 5.4**.

WORKSHEET 5.4: Calculating your share of the family reduction amount after a transfer from your spouse

	Trevor's	Yours	
Calculating your spouse's share of the family reduction amount			
Your spouse's basic Medicare levy using step 1	$19.10	$	(l)
Your family reduction amount (f) from **worksheet 5.2**	$184.60	$	(m)
Your share of the family reduction amount (k) from **worksheet 5.3**	$100.69	$	(n)
Take (n) away from (m).	$83.91	$	(o)
The amount at (o) is your spouse's share of the family reduction amount.			
Transfer of any excess family reduction amount from your spouse			
Take (l) away from (o).	$64.81	$	(p)
If (p) is zero or less than zero (negative), your spouse does not have an excess family reduction amount. Go to step 6 and use the amount at (n) for that step. Otherwise, the amount at (p) is the excess family reduction amount transferred to you from your spouse.			
Add (n) and (p).	$165.50	$	(q)
The amount at (q) is your new share of the family reduction amount after the transfer.			

STEP 6 Work out your reduced Medicare levy.

	Trevor's	Yours	
Your basic Medicare levy from (d) or (h) at **worksheet 5.1**	$315.00	$	(a)
Your family reduction amount (f), (k) or (q) as applicable, from **worksheets 5.2**, **5.3** or **5.4** respectively	$165.50	$	(b)
Take (b) away from (a).	$149.50	$	(c)
The amount at (c) is your reduced **Medicare levy**.			

If you claimed an exemption and completed item **25** (V or W, or both) on your tax return, go to step 7.

Otherwise, transfer your reduced **Medicare levy** to step 4 on the **FINAL WORKSHEET** on page 94. You have finished part 5.

STEP 7 Work out your exemption amount and your Medicare levy.

Your reduced Medicare levy: (c) from step 6 or your basic Medicare levy (d) or (h) from **worksheet 5.1**	$	(a)
Full exemption		
Number of days at V item **25** on your tax return	$	(b)
Multiply (a) by (b).	$	(c)
Divide (c) by 366.	$	(d)
Half exemption		
Number of days at W item **25** on your tax return		(e)
Multiply (e) by (a).	$	(f)
Divide (f) by 366.	$	(g)
Divide (g) by 2.	$	(h)
Add (d) and (h).	$	(i)
The amount at (i) is your exemption amount.		
Take (i) away from (a).	$	(j)
The amount at (j) is your **Medicare levy**, if any.		

Transfer your **Medicare levy** to step 4 on the **FINAL WORKSHEET** on page 94.

PART 6
Medicare levy surcharge (from item 26 on your tax return)

The Medicare levy surcharge applies only if you have selected **NO** at E item **26** on your tax return. To work out your Medicare levy surcharge, use **worksheet 6.1**.

WORKSHEET 6.1: Working out your Medicare levy surcharge

Your taxable income (from item **17** on your tax return)	$	(a)
Your total reportable fringe benefits amounts (from W item **6** on your tax return)	$	(b)
Add (a) and (b).	$	(c)
Divide (c) by 100 to get 1%.	$	(d)
If the surcharge applies for the whole year, the amount at (d) is your **Medicare levy surcharge**.		
If the surcharge applies for only part of the year, continue with the steps below.		
Number of days (from A item **26** on your tax return)	$	(e)
Take (e) away from 366.	$	(f)
Multiply (d) above by (f).	$	(g)
Divide (g) by 366.	$	(h)
The amount at (h) is your part-year **Medicare levy surcharge**.		

Transfer the amount of your whole year or part-year **Medicare levy surcharge** to step 4 on the **FINAL WORKSHEET** on page 94.

FINAL WORKSHEET

To estimate your tax refund or debt you can use the comprehensive tax calculator on our website or complete the steps below. Read pages 88–93 to work out the amounts which you need to complete this worksheet. If any of the amounts listed do not apply to you, write **0** in the appropriate box.

Note: If you have a Higher Education Loan Programme (HELP) debt or a Student Financial Supplement Scheme (SFSS) debt, you cannot estimate your tax refund or debt using the steps below, but you can still use the comprehensive tax calculator on our website.

STEP 1	**Tax on taxable income**		
	Write the amount of tax you worked out in part 1 on page 88.	$	A
STEP 2	**Tax offsets**		
	Total tax offsets claimed on page 3 of your tax return Do not include your private health insurance tax offset, you show that amount at step 6.	$	B
	Low-income tax offset from part 2 on page 89	$	C
	Senior Australians or pensioner tax offset from part 3 on pages 88–90	$	D
	Mature age worker tax offset from part 4 on page 90	$	E
	Add up all your tax offsets **B**, **C**, **D** and **E**.	$	F
STEP 3	**Tax payable**		
	Take **F** away from **A**. If this amount is less than zero, write **0**.	$	G
STEP 4	**Medicare levy and Medicare levy surcharge**		
	Medicare levy from part 5 on pages 91–3	$	H
	Medicare levy surcharge from part 6 on page 93	$	I
	Add up your Medicare levy related amounts **H** and **I**.	$	J
STEP 5	**Total tax payable**		
	Add **G** and **J**.	$	K

STEP 6	**Tax credits and refundable tax offsets**		
	Total credits from payment summaries – amount at **$** **TOTAL TAX WITHHELD** item **5** on your tax return	$	L
	Pay as you go (PAYG) instalments from your instalment activity statement, if you have one	$	M
	Credits from tax file number amounts withheld – amounts at		
	M item **7** on your tax return	$	N
	V item **8** on your tax return	$	O
	Private health insurance tax offset – amount at **G** item **22** on your tax return	$	P
	Franking tax offset – amount at **U** item **8** on your tax return	$	Q
	Add up your credits and refundable tax offsets **L**, **M**, **N**, **O**, **P** and **Q**.	$	R
STEP 7	**Refund or net amount payable**		
	Take **R** away from **K**.	$	S

Are you entitled to a refund or do you have a tax debt?

If the amount at **S is less than zero**, this is the **amount of refund due to you**. If you have no tax debts, this is the amount you will receive.

If **S is more than zero**, this is the **net amount of tax you have to pay**.

TAX OFFICE SHOPFRONTS

STOP

Send your tax return to the address shown on page 81.

Our shopfront addresses and mailing addresses for correspondence are listed below. Send correspondence to the office shown on your last notice of assessment, if you have one; otherwise send it to the nearest tax office.

If you have an enquiry, you can visit our website **www.ato.gov.au** or you can contact us by phone. Our phone services are listed on the inside back cover.

If you prefer to make your enquiry in person, phone 13 28 61 to make an appointment at one of our shopfronts.

PAYING YOUR TAX DEBT

We do not accept payments over the counter at our shopfronts. The various ways you can pay your tax debt are set out on the back of your notice of assessment. If you need more information, phone **1800 815 886**.

SHOPFRONTS

AUSTRALIAN CAPITAL TERRITORY

Canberra
Ground floor Ethos House
28–36 Ainslie Avenue, Canberra
GPO Box 9990 Canberra ACT 2601

NEW SOUTH WALES

Albury
567 Smollett Street, Albury
PO Box 9990 Albury NSW 2640

Chatswood
Ground floor, 501 Victoria Avenue, Chatswood
GPO Box 9990 Sydney NSW 2001

Hurstville
1st floor MacMahon Plaza
14–16 Woodville Street, Hurstville
PO Box 9990 Hurstville BC NSW 1481

Newcastle
266 King Street, Newcastle
PO Box 9990 Newcastle NSW 2300

Parramatta
Ground floor Commonwealth Offices
2–12 Macquarie Street, Parramatta
PO Box 9990 Parramatta NSW 2123

Sydney
2 Lang Street, Sydney
GPO Box 9990 Sydney NSW 2001

Wollongong
93–99 Burelli Street, Wollongong
PO Box 9990 Wollongong NSW 2500

NORTHERN TERRITORY

Alice Springs
Jock Nelson Centre
16 Hartley Street, Alice Springs
GPO Box 9990 Adelaide SA 5001

Darwin
24 Mitchell Street, Darwin
GPO Box 9990 Adelaide SA 5001

QUEENSLAND

Brisbane
280 Adelaide Street, Brisbane
GPO Box 9990 Brisbane QLD 4001

Townsville
Stanley Place
235 Stanley Street, Townsville
PO Box 9990 Townsville QLD 4810

Upper Mt Gravatt
Ground floor Nexus Building
96 Mt Gravatt-Capalaba Road
Upper Mt Gravatt
PO Box 9990 Upper Mt Gravatt QLD 4122

SOUTH AUSTRALIA

Adelaide
91 Waymouth Street, Adelaide
GPO Box 9990 Adelaide SA 5001

TASMANIA

Hobart
200 Collins Street, Hobart
GPO Box 9990 Hobart TAS 7001

Launceston
Retirement Services Centre
Cnr Boland and Willis Street, Launceston
GPO Box 9990 Hobart TAS 7001

VICTORIA

Cheltenham
4A, 4–10 Jamieson Street, Cheltenham
PO Box 9990 Dandenong VIC 3175

Dandenong
14–16 Mason Street, Dandenong
PO Box 9990 Dandenong VIC 3175

Geelong
92–100 Brougham Street, Geelong
PO Box 9990 Geelong VIC 3220

Melbourne
Level 1, Casselden Place
2 Lonsdale Street, Melbourne
PO Box 9990 Melbourne VIC 3001

WESTERN AUSTRALIA

Northbridge
45 Francis Street, Northbridge
GPO Box 9990 Perth WA 6848

OTHER OFFICES

Box Hill tax office
PO Box 9990
Box Hill VIC 3128

Chermside tax office
PO Box 9990
Chermside QLD 4032

Moonee Ponds tax office
PO Box 9990
Moonee Ponds VIC 3039

Penrith tax office
PO Box 9990
Penrith NSW 2740

INDEX

MORE INFORMATION

PUBLICATIONS

To get publications referred to in *Retirees TaxPack 2008* and taxation rulings, practice statements and forms, you can:

- **visit our website at www.ato.gov.au/publications**
- **phone our Publications Distribution Service 1300 720 092**

  Before you phone, check whether there are other publications you may need – this will save you time and help us. For each publication you order, quote the full title printed in *Retirees TaxPack 2008*. An automated self-help publications ordering service is available 24 hours a day every day where you know the title of the publication. Alternatively, you can speak to an operator between 8.00am and 6.00pm Monday to Friday.
- **visit a Tax Office shopfront**.
  See pages 95–6 for our street addresses.

YOU CAN VISIT OUR WEBSITE

You can visit our website at **www.ato.gov.au** for information on anything that you read in *Retirees TaxPack 2008*.

You can use the tools and calculators on the website to help you complete your tax return.

INFOLINES

If you have an enquiry about your tax, phone the relevant infoline below. Make sure you have *Retirees TaxPack 2008* handy when you phone us.

We can offer a more personalised service if you provide your tax file number (TFN) and have your last notice of assessment with you when you phone us.

If you require access to your Tax Office records you will be asked to prove your identity by providing your TFN and either details from your last notice of assessment or some personal details.

Our infolines are open 8.00am to 6.00pm Monday to Friday except where otherwise indicated. Our automated services are available 24 hours a day, every day of the year.

You can find a list of Tax Office infolines in your White Pages.

Personal Infoline **13 28 61**

Phone between 8.00am and 6.00pm. Enquiries about the following subjects can be made to this service:

- tax affairs for seniors who are retired or planning to retire
- tax file numbers
- pay as you go (PAYG) instalments, including instalment activity statements
- capital gains and foreign income
- e-tax
- notice of assessment
- general income tax, including replacement cheque and account queries, lodgment and queries about questions in *Retirees TaxPack 2008*
- binding oral advice.

Complaints **13 28 70**

Fax (FREECALL) **1800 060 063**

EFT Infoline **1800 802 308**

For enquiries about direct deposit of your tax refund

Superannuation Infoline **13 10 20**

Aboriginal and Torres Strait Islander Infoline **13 10 30**

Specialises in helping Indigenous clients with their personal tax matters

Tax Office personal self-help **13 28 65**

Our automated phone service is available 24 hours a day every day, so you can:

- check the progress of your refund
- find lost superannuation
- make an arrangement to pay a tax debt
- lodge your application for a refund of franking credits
- lodge your application for a baby bonus
- order a publication where you know the title of the publication.

Note: Although providing your TFN is voluntary, you need to quote your TFN to use these self-help services (except publications ordering).

People with a hearing, speech or vision impairment

See page 10 for the services we offer to people with a hearing, speech or vision impairment.

To report tax evasion confidentially

Phone (FREECALL) **1800 060 062**

Fax (FREECALL) **1800 804 544**

Go to our website **www.ato.gov.au/reportevasion**

Mail Locked Bag 6050, Dandenong VIC 3175

If you do not speak English well and need help from the Tax Office, phone the Translating and Interpreting Service (TIS) on 13 14 50. TIS staff can assist with interpreting in over 120 languages.

إذا كنت لا تجيد التكلم باللغة الإنكليزية وتحتاج لمساعدة من مكتب الضرائب ، اتصل بخدمة الترجمة الخطية والشفهية على الرقم 131450. يتوفر لدى هذه الخدمة مترجمون في أكثر من مائة وعشرين لغة.
ARABIC

如你不懂英語但需稅務局協助，請致電 131450 翻譯及傳譯服務處（TIS），翻譯及傳譯服務處的職員可提供超過 120 種語言的傳譯服務。
CHINESE

Ako imate poteškoća s engleskim, a potrebna vam je pomoć od Poreznog ureda, nazovite Službu prevoditelja i tumača (Translating and Interpreting Service – TIS) na 13 14 50. Osoblje TIS-a može pružiti pomoć u tumačenju na više od 120 jezika.
CROATIAN

درصورتیکه به لسان انگلیسی خوب صحبت کرده نمی توانید و ضرورت به کمکِ اداره مالیات (Tax Office) دارید، به خدمات ترجمانی تحریری و شفاهی (TIS) به نمبر 131450 تیلفون کنید. موظفین TIS می توانند در ترجمانی شفاهی به بیشتر از 120 لسان کمک کنند.
DARI

اگر به انگلیسی خوب صحبت نمی کنید و نیاز به کمکِ اداره مالیات (Tax Office) دارید، به خدمات ترجمه کتبی و شفاهی (TIS) به شماره 131450 تلفن کنید. کارکنان TIS می توانند در ترجمه شفاهی به بیش از 120 زبان یاری دهند.
FARSI

Αν δεν μιλάτε καλά Αγγλικά και χρειάζεστε βοήθεια από την Εφορία, τηλεφωνήστε στην Υπηρεσία Μετάφρασης και Διερμηνείας (TIS) στο 13 14 50. Το προσωπικό της TIS μπορεί να βοηθήσει με διερμηνεία σε πάνω από 120 γλώσσες.
GREEK

Se non parlate bene l’inglese e vi serve aiuto dall’Ufficio delle imposte, telefonate al Servizio traduzioni e interpreti (TIS) al numero 13 14 50. Il personale del TIS può offrirvi un servizio interpreti in oltre 120 lingue.
ITALIAN

英語でお困りの方で、国税庁のサポートが必要な場合には、翻訳通訳サービス（TIS）13 14 50 にお電話ください。TIS では、各種言語との通訳（120 ヶ国語以上）を提供しています。
JAPANESE

영어에 어려움이 있는 분이 국세청으로부터 도움이 필요한 경우, 번역 및 통역 서비스 (TIS) 13 14 50 번으로 전화하십시요. TIS 직원은 120 여개 언어의 통역을 도와 드립니다.
KOREAN

Ако не зборувате добро англиски и ви треба помош од Даночната управа, телефонирајте во Службата за писмено и усмено преведување (Translating and Interpreting Service - TIS) на 13 14 50. Персоналот од TIS може да помогне со усмено преведување на над 120 јазици.
MACEDONIAN

Если вы не говорите хорошо по-английски и нуждаетесь в помощи Налогового управления, звоните в Переводческую службу TIS по тел. 13 14 50. Сотрудники TIS могут помочь с устным переводом более чем на 120 языках.
RUSSIAN

Ако не говорите добро енглески а потребна вам je помоћ Пореске управе, позовите Службу за превођење и тумачење (ТИС) на 13 14 50 . Особље ТИС-а пружа преводилачке услуге на више од 120 језика.
SERBIAN

Si no habla bien el inglés y necesita ayuda de la Oficina de Impuestos, llame al Servicio de Traducción e Interpretación (Translating and Interpreting Service - TIS) al 13 14 50. El personal de TIS puede ayudar con la interpretación en más de 120 idiomas.
SPANISH

หากท่านพูดภาษาอังกฤษได้ไม่คล่อง และต้องการความช่วยเหลือจากสำนักงานสรรพากร กรุณาติดต่อหน่วยบริการแปลและล่าม (Translating and Interpreting Service - TIS) ได้ที่โทรศัพท์ 13 14 50 เจ้าหน้าที่จาก TIS สามารถให้ความช่วยเหลือด้านงานล่ามได้มากกว่า 120 ภาษา
THAI

İyi İngilizce konuşamıyorsanız ve Vergi Dairesi’nden yardıma ihtiyacınız varsa, Yazılı ve Sözlü Çeviri Servisi’ni (TIS) 13 14 50 numaralı telefondan arayın. TIS görevlileri 120’den fazla dilde sözlü tercüme yardımında bulunabilirler.
TURKISH

Nếu không nói thạo tiếng Anh và cần Sở Thuế giúp đỡ, xin quý vị gọi điện cho Dịch Vụ Thông Phiên Dịch (TIS) theo số 13 14 50. Nhân viên của TIS có thể làm thông dịch cho trên 120 ngôn ngữ.
VIETNAMESE

Tax Help

If you want to complete your own tax return or your claim for a refund of franking credits but think you may need some assistance, then Tax Help may be the answer.

We train and support this network of community volunteers to help taxpayers.

Tax Help is a free and confidential service for people on low incomes.

See page 9 for more information.

Blind or vision impaired

If you are vision impaired you can lodge a *Tax return for individuals 2008* online using e-tax. e-tax is compatible with common screen reader software.

We have also developed tax-time products for people who are blind or vision impaired.

You can get free audio and e-text versions of *Retirees TaxPack 2008* by phoning us on **13 28 61**.