

TaxPack 2008

To help you complete your 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



You may also need the separate publication *TaxPack 2008 supplement* – see page 7.



Lodge your tax return by 31 October 2008.





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

I do not expect you to know more than what we have put in *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 *TaxPack 2007*. To see if any apply to you, check the **What's new this year?** section on page 8.

If you have access to the internet, 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 these services and how you can contact us.

Michael D'Ascenzo
Commissioner of Taxation

OUR COMMITMENT TO YOU

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, 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.

TaxPack 2008 also contains guidance to help you complete your tax return. If any of our guidance in *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 our advice in *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.

If you make an honest mistake when you try to follow our advice and guidance in *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 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 *TaxPack 2008* can help you to find information that is relevant to your circumstances.
- Make sure you complete the Medicare levy surcharge item (question **M2**) – it applies to all taxpayers.
- Use the checklist on page 112 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.

Do you have to lodge a tax return?	2	DEDUCTIONS	T5 Private health insurance	93
Non-lodgment advice 2008	4	Claiming deductions for expenses that relate to your work as an employee	T6 Baby bonus	95
What are your choices for doing your tax return?	5	D1 Work-related car expenses	Tax offsets from the supplementary section	97
If you need more help	6	D2 Work-related travel expenses	Total tax offsets	97
Do you also need <i>TaxPack 2008 supplement</i> ?	7	D3 Work-related clothing, laundry and dry-cleaning expenses	PRIVATE HEALTH INSURANCE POLICY DETAILS	98
What's new this year?	8	D4 Work-related self-education expenses	MEDICARE LEVY	99
Important messages	9	D5 Other work-related expenses	M1 Medicare levy reduction or exemption	100
Completing page 1 of your tax return	11	D6 Low-value pool deduction	M2 Medicare levy surcharge	104
Amounts you do not pay tax on	12	D7 Interest and dividend deductions	ADJUSTMENTS	
		D8 Gifts or donations	A1 Under 18	108
INCOME		D9 Cost of managing tax affairs	A2 Part-year tax-free threshold	109
1 Salary or wages	15	Deductions from the supplementary section	SPOUSE DETAILS – MARRIED OR DE FACTO	110
2 Allowances, earnings, tips, director's fees etc	16	Total deductions	INFORMATION	
3 Employer lump sum payments	18	Subtotal	Checklist – tax return pages 1–8	112
4 Employment termination payments	19	LOSSES	Where to send your tax return	112
5 Australian Government allowances and payments	23	L1 Tax losses of earlier income years	If you made a mistake or need to amend your tax return	113
6 Australian Government pensions and allowances	24	TAXABLE INCOME OR LOSS	Paying your tax debt	114
7 Australian annuities and superannuation income streams	25	INFORMATION	Your notice of assessment	115
8 Australian superannuation lump sum payments	28	Dependants and separate net income	Privacy and access to information	116
9 Attributed personal services income	32	Family tax benefit	Dealing with the Tax Office	118
Total tax withheld	33	TAX OFFSETS	Your right to complain	118
10 Total reportable fringe benefits amounts	33	T1 Spouse (without dependent child or student), child-housekeeper or housekeeper	How we work out your tax	119
11 Gross interest	34	Eligibility for the senior Australians tax offset	Working out your tax refund or tax debt	120
12 Dividends	35	T2 Senior Australians	Final worksheet	130
Income from the supplementary section	39	T3 Pensioner	Tax Office shopfronts	131
Total income or loss	40	T4 Australian superannuation income stream	Index	132
			Publications/Infolines	inside back cover

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 *TaxPack 2008* to complete their 2008 personal tax return.

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Taxpayers may copy parts of *TaxPack 2008* and *TaxPack 2008 supplement* for their personal records.

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DO YOU HAVE TO LODGE A TAX RETURN?

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 have to read any further on this page – go to page 5
- don't find a reason that applies to you, go to page 3 to find out if you need to complete a *Non-lodgment advice 2008*.

! NOTE

You can use the **Do I need to lodge a tax return?** tool on our website to find out whether you have to lodge a tax return for the 2007–08 income year – go to www.ato.gov.au/individuals

REASON 1

You paid tax during 2007–08.

You must lodge a tax return if you were an Australian resident for tax purposes (see page 11) and 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) to the investment body.
- 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 the refund of tax file number amounts deducted* (NAT 1846) instead of lodging a tax return.

REASON 2

You were eligible for the senior Australians tax offset. You must meet all four conditions set out on pages 86–7.

You must lodge a tax return if your taxable income (not including your spouse's) in 2007–08 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 87)
- **\$21,680** if you lived with your spouse for the full year.

REASON 3

You were not eligible for the senior Australians tax offset, but you received an Australian Government pension, allowance or payment.

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

- You received an allowance or a payment listed at question **5** on page 23 and you had other non-exempt income, which together made your taxable income in 2007–08 more than \$11,000.
- You received a pension, payment or an allowance listed at question **6** on page 24 **and** your taxable income in 2007–08 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 4

You were not eligible for the senior Australians tax offset and you did not receive an Australian Government pension, allowance or payment listed at question 5 or 6 but you received or earned income in 2007–08.

You must lodge a tax return if your taxable income exceeded the following relevant amount:

- **\$6,000** if you were an Australian resident for tax purposes for the full year
- **\$1,666** if you were under 18 years of age at 30 June 2008 and your income was not salary or wages
- **\$1** if you were a non-resident and you had income taxable in Australia – excluding income that had non-resident withholding tax withheld from it
- **your part-year tax-free threshold amount** – if you became or stopped being an Australian resident for tax purposes, you will have a part-year tax-free threshold which determines whether you have to lodge a tax return. Page 120 shows you how to work out this amount.

OTHER REASONS

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

- 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 questions **5** and **6** on pages 23–4 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 **T5** on pages 93–4.
- You carried on a business.
- You made a loss or you can claim a loss you made in a previous year.

- You received an Australian superannuation lump sum that included an untaxed element when you were 60 years of age or over.
- You received an Australian superannuation lump sum that included a taxed element or an untaxed element when you were under 60 years of age.
- You were entitled to a distribution from a trust or you had an interest in a partnership **and** the trust or partnership 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. (Pages s21–6 in *TaxPack 2008 supplement* explain what is meant by ‘exempt foreign employment income’.)
- You are a special professional covered by the income averaging provisions. These provisions apply to authors of literary, dramatic, musical or artistic works; inventors; performing artists; production associates and active sportspeople.
- You received income from dividends or distributions exceeding \$6,000 (or \$416 if you were under 18 years of age at 30 June 2008) **and** you had franking credits attached, or amounts withheld because you did not quote your tax file number or Australian business number to the investment body.
- You made personal contributions to a complying superannuation fund or retirement savings account and will be eligible to receive a Super Co-contribution in relation to those contributions.

Deceased estate

If you are looking after the estate of someone who died during 2007–08, consider all the above reasons on their behalf and, 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 11 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.

➤ See *Refund of franking credits instructions and application for individuals 2008* (NAT 4105) for more

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, application for a refund of franking credits or baby bonus claim 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 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

information. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

Baby bonus

If you are not required to lodge a tax return for 2007–08 you can lodge your baby bonus claim on its own:

- online using e-tax which has a separate baby bonus application – go to www.ato.gov.au for more information, or
- by using the publication *Baby bonus instructions and claim 2008* (NAT 6580) and lodging your claim by mail.

If you are lodging both a claim for baby bonus and an application for a refund of franking credits, you must send them to us together in one envelope. You can also lodge them together using e-tax but you will be required to complete a full tax return in the e-tax application.

➤ The publication *Baby bonus instructions and claim 2008* 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

You should complete the non-lodgment advice 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.
- You are lodging a baby bonus claim for 2008.
- Your only income was from an allowance or payment listed at question 5 on page 23 **or** you received a pension, payment or an allowance listed at question 6 on page 24 and your taxable income was less than the relevant amount in
 - **Reason 2** (if you are eligible for the senior Australians tax offset), or
 - **Reason 3** (the agencies that paid you have provided information for us to determine that you do not need to lodge a tax return).

have income from Australian and overseas pensions, salary or wages, interest, dividends and government allowances and benefits. Volunteers cannot help 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 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**.



Australian Government
Australian Taxation Office

Non-lodgment advice **2008**

1 July 2007 to 30 June 2008

Print neatly in BLOCK LETTERS with a black or blue ballpoint pen only. Do not use correction fluid or tape.

The Tax Office is authorised by the *Taxation Administration Act 1953* to request you to quote your tax file number (TFN). It is not an offence not to quote your TFN. However, your TFN helps the Tax Office to correctly identify your tax records.

Your tax file number

Your date of birth

DAY	MONTH	YEAR
<input type="text"/>	<input type="text"/>	<input type="text"/>

Your name

Title – for example,
Mr, Mrs, Ms, Miss

Surname or family name

Given names

Your postal address

Suburb or town

State

Postcode

Country
if not
Australia

Have you changed your postal address since your last tax return?

NO

YES

Print the address on your last notice of assessment or the address you last told us about.

Suburb or town

State

Postcode

Country
if not
Australia

Your phone number during business hours – if it is convenient

Area code

Phone number

Reason for not lodging a tax return

I will not have to lodge a tax return for 2008 because none of the reasons listed on pages 2–3 in *TaxPack 2008* apply.

I will not have to lodge a tax return for future years because:

I declare that the information I have given on this non-lodgment advice is true and correct. See the privacy information on pages 116–17.

Signature

Date

DAY	MONTH	YEAR
<input type="text"/>	<input type="text"/>	<input type="text"/>

The tax law imposes heavy penalties for giving false or misleading information.

Use the pre-addressed envelope provided with *TaxPack 2008* to send your non-lodgment advice to the Tax Office by 31 October 2008. If you are not using the pre-addressed envelope, see pages 112–13 for more information and the address to use.

WHAT ARE YOUR CHOICES FOR DOING YOUR TAX RETURN?

LOGDE 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

DO IT YOURSELF USING TAXPACK 2008

Just follow the instructions on the following pages and make sure you lodge your tax return by 31 October 2008. You should not lodge your tax return if it is incomplete. If you think you will still be missing information on 31 October, ask us if you can lodge at a later date. Pages 9–10 tell you how to do this.

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.

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 9.

Tax Help community volunteers

Tax Help is a network of community volunteers trained to help people prepare their tax returns, baby bonus claims 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 3 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 ensure that the tax agent you are using is registered. A list of registered tax agents can be found 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.

For more information on registered tax agents and help with your tax affairs, see our taxpayers' charter publication, *Who can help with your tax affairs* (NAT 2555) available on our website. To find out how to get a printed copy, see the inside back cover.

Signing your tax return

You must sign and date the *Taxpayer's declaration* on page 8 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 Education, Employment and Workplace Relations
 - 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
- tailoring our website to particular audiences – for example, ato.gov.au/youth for under-25s, and
- providing a personal tax record keeper that will help you keep your tax records for the year.

MORE INFORMATION

You will find more detail about our plans in *Making it easier to comply* (NAT 9497). This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

IN THE FUTURE

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

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 *TaxPack 2008*.

You can use the tools and calculators on the website to help you complete your tax return. For a listing of our calculators go to www.ato.gov.au/calculators

YOU CAN PHONE US

You can phone us on **13 28 61** if you need assistance with a question in *TaxPack 2008* or *TaxPack 2008 supplement*. If you decide to phone us, have your *TaxPack 2008* or *TaxPack 2008 supplement* handy.

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.

If you would like to visit us and speak to us in person, phone the Personal Infoline on **13 28 61** for an appointment.

Hearing or speech 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.

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 *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 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 be eligible for an oral ruling you must meet certain conditions. Your enquiry must be about a simple non-business related income tax matter and 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.

Product rulings

To find out if there is a product ruling for an investment scheme you have invested in, visit our website at www.ato.gov.au/atp which has more information about product rulings and lists of current product rulings.

A product ruling provides certainty for investors in the arrangement it relates to by confirming that the tax benefits set out in the product ruling are available, provided that the arrangement is carried out in accordance with the details provided by the applicant and described in the product ruling.

PUBLICATIONS

TaxPack 2008 and *TaxPack 2008 supplement*

From 1 July to 31 October 2008 you can get additional copies of *TaxPack 2008* and *TaxPack 2008 supplement* from most newsagents. Copies are also available all year from our Publications Distribution Service (see the inside back cover) and shopfronts.

Tax returns

Additional copies of tax returns are available from our Publications Distribution Service and shopfronts.

TaxPack 2008 referred publications

Because we can't cover everything in *TaxPack 2008* and *TaxPack 2008 supplement*, we will sometimes refer you to other publications that will help you to complete your tax return. Some publications are essential to complete some items. These publications are available on our website or to find out how to get printed copies, see the inside back cover.

DO YOU ALSO NEED TAXPACK 2008 SUPPLEMENT?

TaxPack 2008 supplement and the *Tax return for individuals (supplementary section) 2008* contain questions which are not included in *TaxPack 2008* and the *Tax return for individuals 2008*.

The list below shows you the questions in *TaxPack 2008 supplement*. Check to see if you need to use *TaxPack 2008 supplement* to complete your tax return.

Questions marked * have a related publication which you must read before you can complete the item on your tax return. The details are explained at the relevant question.

TAXPACK 2008 SUPPLEMENT

INCOME

- 13** Partnerships and trusts
- 14** Personal services income (PSI)*
- 15** Net income or loss from business*
- 16** Deferred non-commercial business losses*
- 17** Net farm management deposits or withdrawals
- 18** Capital gains*
- 19** Foreign entities
- 20** Foreign source income and foreign assets or property – including foreign source pension or annuity
- 21** Rent
- 22** Bonuses from life insurance companies and friendly societies
- 23** Forestry managed investment scheme income
- 24** Other income – income not listed elsewhere

DEDUCTIONS

- D10** Australian film industry incentives*
- D11** Deductible amount of undeducted purchase price of a foreign pension or annuity
- D12** Personal superannuation contributions – generally for the self-employed
- D13** Deduction for project pool
- D14** Forestry managed investment scheme deduction
- D15** Other deductions – deductions not claimable at items **D1** to **D14** or elsewhere on your tax return

TAX OFFSETS

- T7** Superannuation contributions on behalf of your spouse
- T8** Zone or overseas forces
- T9** 20% tax offset on net medical expenses over the threshold amount – the threshold for 2008 is \$1,500
- T10** Parent, spouse's parent or invalid relative
- T11** Landcare and water facility
- T12** Net income from working – supplementary section
- T13** Entrepreneurs tax offset
- T14** Other tax offsets

ADJUSTMENT

- A3** Amount on which family trust distribution tax has been paid

CREDIT FOR INTEREST ON TAX PAID

- C1** Credit for interest on early payments – amount of interest

NOTE

If you have not received *TaxPack 2008 supplement* and need it, you can get a copy from most newsagents from 1 July to 31 October 2008. Copies are also available all year from our Publications Distribution Service (see the inside back cover) and shopfronts.

RENTAL PROPERTY INVESTORS

Do you know:

- that rent is income for tax purposes
- what deductions you can claim for your rental property
- how to divide the rental income and expenses between yourself and other owners?

If you have a rental property, read question **21 Rent** on pages s27–8 in *TaxPack 2008 supplement*. To complete item **21** you may need to read *Rental properties 2008* (NAT 1729). This publication explains how to treat rental income and expenses, including how to treat more than 230 residential rental property items.

DOES THE CAPITAL GAINS TAX QUESTION APPLY TO YOU?

You may not be aware that question **18 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 **18** on the tax return (supplementary section).

Capital gains or capital losses

You generally make a capital gain or capital loss if a capital gains tax (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 disposed of an asset to someone else – for example, you sold it or gave 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 NEW THIS YEAR?

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 7 on pages 25–7).
- Lump sum payments paid by an Australian superannuation fund are now referred to as Australian superannuation lump sum payments (see question 8 on pages 28–31).
- 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 12–14).
- 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 income (see **Amounts you do not pay tax on** on pages 12–14).
- 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 T4 on pages 91–2).
- Reasonable benefit limits have been abolished.
- For more information on:
 - taxation of superannuation death benefits, see question 8 on pages 28–31
 - taxation of superannuation benefits paid by a foreign superannuation fund, see question 20 on pages s21–6 in *TaxPack 2008 supplement*.

Employment termination payments

- Eligible termination payments are now known as:
 - employment termination payments (ETPs) when paid by an employer (see question 4), or
 - superannuation lump sums when paid by a superannuation fund (see question 8).
- 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** (see the definition on page 20).

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 7 on page 25). You still show the deductible amount of UPP of a foreign pension or annuity on your tax return (see question D11 on pages s36–7 in *TaxPack 2008 supplement*).

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 (see question D12 in *TaxPack 2008 supplement*).

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. See **Excess contributions tax** on page 116 and question D12 in *TaxPack 2008 supplement*.

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. See question D12 in *TaxPack 2008 supplement*.

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 (see question D12 in *TaxPack 2008 supplement*).

SMALL BUSINESS ENTITIES

New streamlined taxation measures for small business entities have replaced the simplified tax system (STS). See *Business and professional items* (NAT 2543).

FORESTRY MANAGED INVESTMENT SCHEMES

There are new laws for the taxation of income, deductions and capital gains from forestry managed investment schemes. See questions 23 and D14 in *TaxPack 2008 supplement*.

IMPORTANT MESSAGES

TaxPack 2008 will help you complete your *Tax return for individuals 2008* for the income year 1 July 2007 to 30 June 2008. There are two copies of the tax return and an envelope for lodgment in each *TaxPack 2008* package. If you need more copies of the tax return, see page 6.

To check if you have to lodge a tax return this year, read **Do you have to lodge a tax return?** on page 2.

SELF-ASSESSMENT – IT'S YOUR RESPONSIBILITY

Under our system of self-assessment we prepare *TaxPack 2008*, *TaxPack 2008 supplement* and other tax-time publications annually to provide you with 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.

Remember, even if someone 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 113 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 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 in *TaxPack 2008*. If you have claimed a deduction for decline in value, have acquired or disposed of an asset, applied a loss or a net capital loss, or are in dispute with the Tax Office, you must keep the records longer, as follows:

decline in value deductions: five years from the date of your last claim for decline in value

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 losses or net capital losses: generally four years from the year of income when the tax loss is fully deducted or 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.

See *Taxation Determination TD 2007/2 – Income tax: should a taxpayer who has incurred a tax loss or made a net capital loss for an income year retain records relevant to the ascertainment of that loss only for the record retention period prescribed under income tax law?* for more information.

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 and, if applicable, your family agreement from question **M1** for only two years. To check whether you qualify for this shorter record-keeping period, refer to our website www.ato.gov.au

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 will be payable 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 the information below).

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 the 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 (see page 131). 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.

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 or does not include a required attachment, 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 have any tax amount outstanding after the due date.

FAMILY TAX BENEFIT

If you are a family tax benefit (FTB) claimant:

- you must lodge your 2008 FTB tax claim by 30 June 2009 **and**
- you must lodge your 2008 tax return **and**
- your spouse (if you have one) must also lodge their 2008 tax return, if they are required to do so.

If your spouse is not required to lodge a tax return for 2008, they must inform the Family Assistance Office (FAO) on **13 61 50** by 30 June 2009.

You have until 30 June 2009 to lodge your 2008 FTB tax claim with the Tax Office; but if you claim from the FAO you have until 30 June 2010 to do so. You have until 30 June 2009 to lodge any 2007 FTB tax claim or inform the FAO that you are not required to lodge a 2007 tax return.

If you or your spouse received FTB, and you lodge your 2008 tax returns after 30 June 2009, the full FTB amount you received in the 2007–08 income year may be treated as a debt. If you lodge these tax returns after 30 June 2010, you will not receive any top-up or supplements that may otherwise have been due to you. Remember that we may impose a penalty if you lodge your tax return after the due date for tax returns – see **Lodge your tax return by 31 October 2008** on the previous page.

For more information, see pages 73–7.

EDUCATION TAX REFUND

The Government has announced the introduction of a new tax offset to apply from 1 July 2008.

Under the proposed measure, if you receive FTB Part A, you may be able to claim a refundable tax offset for certain eligible education expenses of up to \$375 per primary school child and up to \$750 per secondary school child. These expenses may include laptops and home computers, their associated running costs, and educational software. Keep your receipts for these expenses from 1 July 2008 as you may be able to claim the refund on your 2009 tax return.

Further information about the proposed education tax refund is available at www.ato.gov.au

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 your 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), it will be shown 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.

ARE YOU AN AUSTRALIAN RESIDENT?

The tax rates that apply to your taxable income depend on whether or not you are an Australian resident. A higher rate of tax is applied to a non-resident's taxable income and non-residents are not entitled to a tax-free threshold. See pages 120–2 for more information.

The standards the Tax Office uses to determine your residency status are not the same as those used by the Department of Immigration and Citizenship or Centrelink.

Generally, we consider you to be an Australian resident for tax purposes if:

- you have always lived in Australia or you have come to Australia and live here permanently
- you have been in Australia continuously for six months or more and for most of that time you worked in the one job and lived at the same place, or

- you have been in Australia for more than half of the income year 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, we may continue to treat you as an Australian resident for tax purposes.

Overseas students who come to Australia to study and are enrolled in a course that is more than six months long are generally treated as Australian residents for tax purposes.

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

! HAS YOUR RESIDENCY STATUS CHANGED?

If your residency status for tax purposes changed during 2007–08, you will need to answer question **A2** on page 109. We need this information to work out your tax-free threshold.

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, and your taxable income is below the threshold for lodging a tax return this year (for threshold levels and eligibility for 2007–08, see pages 86–7)
- 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 LODGING A TAX RETURN FOR SOMEONE WHO DIED DURING THE YEAR?

Page 3 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, family tax benefit and/or any baby bonus 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 to use electronic funds transfer (EFT) this year for your tax refund or family tax benefit payment where applicable?** on page 1 of your tax return.

! IMPORTANT

Make sure your account details are correct – if you give another person's account details, your refund will be sent 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 a 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.

➤ 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, exempt income is taken into account when calculating the tax losses of earlier income years that you can deduct (see question **L1** on page 67). Some types of exempt income are taken into account when calculating the separate net income (SNI) of your dependants (see **Dependants and separate net income** on page 71). In addition, some questions in *TaxPack 2008* and *TaxPack 2008 supplement* ask you to show on your tax return the exempt income you or your spouse may have received (see **Spouse details – married or de facto** on page 110 and question **20** on page s21 in *TaxPack 2008 supplement*). 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 dependants may have received are listed below.
- **Non-assessable non-exempt income** is also income on which you do not need to pay tax. It does not affect your tax losses, but 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 taken into account when

- calculating the SNI of your dependants (see **Dependants and separate net income** on page 71). 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 page 14.
- 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
- Double orphan pension
- 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

- Allowances for students under 16 years of age including those paid under ABSTUDY, austudy payment, youth allowance, Assistance for Isolated Children Scheme, Commonwealth secondary education assistance and the Veterans' Children Education Scheme
- Apprenticeship wage top-up
- Australian–American Educational Foundation grant
- Commonwealth scholarships or bursaries provided to foreign students
- Commonwealth secondary education assistance other than that already referred to
- Commonwealth Trade Learning Scholarship
- Language, literacy and numeracy supplement
- Payments under the Military Rehabilitation and Compensation Act Education and Training Scheme 2004 for eligible young persons whose eligibility was determined under:
 - paragraph 258(1)(a) of the *Military Rehabilitation and Compensation Act 2004* and the eligible young person was under 16 years of age, or
 - paragraph 258(1)(b) of the *Military Rehabilitation and Compensation Act 2004*
- 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.
- Some scholarships and bursaries received by full-time students
- Supplementary allowances for students paid under the Assistance for Isolated Children Scheme

Other exempt Australian government payments

- Australian Government disaster recovery payments
- Baby bonus paid by Centrelink
- Carer allowance paid under the *Social Security Act 1991*
- Child care benefit
- Child care tax rebate
- Child disability assistance under Part 2.19AA of the *Social Security Act 1991*
- DFISA bonus and DFISA bonus bereavement payment under Part VIIAB of the *Veterans' Entitlement Act 1986*
- Disaster relief payment
- Employment entry payment
- F-111 deseal/reseal ex-gratia lump sum payments
- Family tax benefit
- Farm household support payments that have been converted to a grant
- 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*
- Maternity immunisation allowance
- Maternity payment
- Mobility allowance paid under the *Social Security Act 1991*
- Open employment incentive bonus under the *Handicapped Persons Assistance Act 1974*
- 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 and 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 after 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 after receiving the grant
- Utilities allowance paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*

Exempt Australian Defence Force and United Nations Payments

- Certain pay and allowances for Australian Defence Force personnel – your employer will advise you if an amount is exempt
- Compensation payments for impairment or incapacity resulting from service with a United Nations armed force
- Compensation payments made under the *Military Rehabilitation and Compensation Act 2004*, except those that are income-related payments
- Pay and allowances for part-time service in the Australian Naval, Army or Air Force Reserve
- Some allowances paid to Australian Defence Force personnel who served in prescribed overseas areas – your employer will advise you if an allowance is exempt

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 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 of age 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
- genuine redundancy payments and early retirement scheme payments shown as 'Lump sum D' amounts on your payment summary
- amounts on which family trust distribution tax has been paid (see question **A3** on page s66 in *TaxPack 2008 supplement*).

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.

Non-assessable non-exempt income for temporary resident

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 were a temporary resident should not be shown on your income 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 child support and 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.

QUESTION 1

SALARY OR WAGES

Did you receive payments of salary, wages, commissions, bonuses etc, including income earned from part-time and casual jobs, from which tax was withheld?

Include amounts for lost salary or wages paid under an income protection, sickness or accident insurance policy or workers compensation scheme if tax was withheld from the payment.

NO Go to question 2.

YES Read below.

STOP

Do not show the following payments at this item or you may be taxed incorrectly:

- amounts shown on any payment summary other than the *PAYG payment summary – individual non-business*
- Australian Government pensions, allowances and payments
- amounts paid from a Community Development Employment Project (CDEP)
- amounts in the 'Allowances' and 'Lump sum payments' boxes on your payment summary
- amounts in the 'Other income' box on your payment summary – if this is exempt income you will not need to show the amount on your tax return; if this is foreign employment income refer to the Index
- foreign employment income (including income earned from working overseas)
- reportable fringe benefits amounts
- income from an Australian annuity or superannuation income stream
- income paid to you as a partner in a partnership.

Other questions deal with these matters. Refer to the relevant topics in the Index.

NOTE

- Employers are payers.
- Employees are payees.

WHAT YOU NEED

To complete this item you need your *PAYG payment summary – individual non-business* which shows:

- your gross income (in the 'Gross payments' box)
- total tax withheld, and
- your payer's Australian business number (ABN) or withholding payer number (WPN).

YOU NEED TO KNOW**Late, lost or wrong payment summaries, letters or signed statements from your payer**

If you do not have all of your documents, or any document is wrong, contact your payer. Ask your payer to give you a signed copy of your payment summary, or a letter or signed statement showing the correct details.

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

This statutory declaration identifies the categories of information you need to show on your tax return, such as the period or periods covered by your missing documents during which payments were made, the names of your payers, the amounts of tax withheld and the amount of gross payments 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 Print the occupation from which you earned most of your salary or wages included at this item in the **Your main salary and wage occupation** box at item **1** on your tax return.

STEP 2 Print the payer's ABN or WPN shown on each payment summary, signed copy, letter or statement from your payer – or statutory declaration you have completed – in a **Payer's Australian business number** box at item **1** on your tax return.

STEP 3 Write the amount of tax withheld as shown on each payment summary, signed copy, letter or statement from your payer – or statutory declaration you have completed – at the left of **C** to **G** item **1** on your tax return. Do not show cents.

STEP 4 Write the amount of gross payments shown on each payment summary, signed copy, letter or statement from your payer – or statutory declaration you have completed – at **C** to **G** item **1** on your tax return. Do not show cents. If the gross payment is exempt from tax or is foreign employment income (including income earned from working overseas) which you show at item **20** on your tax return (supplementary section), show **0** as the gross payment.

Did you have more than five payers?

The tax return only has spaces for information from five payment summaries, signed copies, letters or statements from your payers, or statutory declarations. If you have more than five, complete steps 2 to 4 at this item for your first four documents only. For your remaining documents, add up the tax withheld shown on these documents and write the total at the left of **G** item **1** on your tax return. Do not show cents. Leave the **Payer's Australian business number** box at the left of **G** blank.

Also add up the amounts of gross payments shown on these documents and write the total at **G** item **1** on your tax return. Do not show cents.

CHECK THAT YOU HAVE . . .

- printed on your tax return your occupation
- printed on your tax return the Australian business numbers or withholding payer numbers of your payers
- written on your tax return the amounts of tax withheld
- written on your tax return the amounts of gross payments
- kept all your payment summaries, signed copies, letters or statements from your payers, or the statutory declarations you have completed. Do not attach them to your tax return.

! 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 9 for more information.

QUESTION 2**ALLOWANCES, EARNINGS, TIPS, DIRECTOR'S FEES ETC**

2

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:

- allowances
- payments of salary, wages, commissions, bonuses etc, including income earned from part-time and casual jobs, from which tax was **not** withheld
- tips, gratuities and payments for your services
- consultation fees and honoraria – payments for voluntary services
- jury attendance fees – except where you have to pay the fees to your employer because you received your normal employment income while you were on jury duty.

Show at this item income from income protection, sickness and accident insurance policies shown on a payment summary where no tax has been withheld.

NO Go to question **3**.

YES Read on.

– STOP

Do not show the following payments at this item or you may be taxed incorrectly:

- salary or wages shown at item **1**
- amounts shown on any payment summary other than the *PAYG payment summary – individual non-business*
- Australian Government pensions, allowances and payments
- lump sum payments in arrears shown at 'E' in the 'Lump sum payments' box on your payment summary
- reportable fringe benefits amounts
- amounts in the 'Other income' box on your payment summary – if this is exempt income you will not need to show that amount on your tax return; if this is foreign employment income, refer to the Index
- income from income protection, sickness and accident insurance policies **not** shown on a payment summary (see question **24**)
- foreign employment income (including income earned from working overseas)
- income paid to you as a partner in a partnership
- income you earned because you were self-employed, including commission income
- income you earned as a non-employee taxi driver (for example, a driver operating under a standard bailment agreement with an owner/operator) – for tax return purposes, this is income earned as a sole trader.

Other questions deal with these matters. Refer to the relevant topics in the Index.

NOTE

- Employers are payers.
- Employees are payees.

WHAT YOU NEED

- Your *PAYG payment summary – individual non-business*
- Other details of your income

If you do not have all of your documents, contact the person who paid you.

YOU NEED TO KNOW

Allowances and earnings from your payer may include:

- car, travel or transport allowances
- award transport payments – these are allowances covering either transport or car expenses which are paid under an industrial law or award that was in force on 29 October 1986
- allowances for tools, clothing or laundry
- dirt, height, site, risk, meal or entertainment allowances
- allowances for qualifications – for example, a first aid certificate
- any reimbursement of car expenses – calculated by reference to the distance travelled by the car – which is an exempt car expense payment benefit for fringe benefits tax purposes.

Jury fees can include attendance fees and travel and meal allowances. Only the attendance fees shown on your payment summary are assessable for tax.

Reasonable travel allowances and overtime meal allowances not shown on a payment summary

Payers do not have to show bona fide travel allowances paid for travel away from your home in the course of your duties as an employee or bona fide overtime meal allowances paid under an industrial law, award or agreement on payment summaries unless the allowances exceed the Commissioner's reasonable allowance amounts. The reasonable overtime meal allowance for the 2007–08 year is \$22.60 per meal. If you have received such an allowance and it is not shown on your payment summary, you do not have to include it as income at this item providing you have spent all the allowance on deductible expenses and you are not making a claim for expenses relating to the allowance on your tax return (see question **D2** for travel expenses and question **D5** for overtime meal expenses).

Deductions

You cannot automatically claim a deduction just because you received an allowance. Carefully read the **Deductions** section that starts on page 41.

COMPLETING THIS ITEM

STEP 1 Add up all the amounts of tax withheld from your allowances, earnings and other salary and wage income. Write the total amount of tax withheld at the left of **K** item **2** on page 2 of your tax return. Do not show cents.

Do not include any amounts of tax withheld already shown on your tax return.

STEP 2 Add up all your allowances, earnings and other salary and wage income. Do not include amounts listed in the **Stop** box on the previous page.

Include all allowances and earnings you received, whether or not they are shown on a payment summary, signed copy, letter or statement from your payer.

Make sure you include any reimbursements of car expenses you received that were worked out by reference to the distance travelled by the car.

STEP 3 Write the total at **K** item **2** on your tax return. Do not show cents.

CHECK THAT YOU HAVE . . .

- written on your tax return the total amount of tax withheld from allowances, earnings and other salary and wage income
- written on your tax return the total amount of allowances, earnings and other salary and wage income required to be shown
- kept all your payment summaries; signed copies, letters or statements from your payers; or the statutory declarations you have completed. Do not attach them to your tax return.

! You need to keep your records as evidence (see **Keep your records** on page 9).

QUESTION 3

EMPLOYER LUMP SUM PAYMENTS

3

3

INCOME

Did you receive any lump sum payments from your employer for unused annual leave or unused long service leave?

NO Go to question 4.

YES Read below.

STOP

Do not show at this item:

- early retirement scheme payments and genuine redundancy payments shown as 'Lump sum D' on your payment summary. These amounts are often paid at the same time as an employment termination payment (ETP). Lump sum D amounts are not taxed and are not shown as income at any item on your tax return. If you received an ETP, complete item **4 Employment termination payments (ETP)**
- employer lump sum payments in arrears and non-superannuation annuity payments in arrears shown as 'Lump sum E' on your *PAYG payment summary – individual non-business*. These amounts are dealt with at question **24 Other income** in *TaxPack 2008 supplement*
- lump sum payments in arrears shown on your *PAYG payment summary – superannuation income stream*. These amounts are dealt with at question **7 Australian annuities and superannuation income streams**.

WHAT YOU NEED

- Your *PAYG payment summary – individual non-business* showing an amount at 'A' or 'B' in the lump sum payments box
or
- A signed copy, letter or statement from your payer

What are the amounts at 'A' and 'B' in the lump sum payments box on your payment summary, signed copy, letter or statement?

The amount at 'A' was paid to you:

- for unused long service leave that accrued after 15 August 1978 if you left your job because of genuine redundancy, invalidity or under an early retirement scheme
- for unused annual leave if you left your job because of genuine redundancy, invalidity or under an early retirement scheme
- for unused long service leave that accrued after 15 August 1978 and before 18 August 1993 if you did not leave your job because of genuine redundancy, invalidity or under an early retirement scheme, or

- for unused annual leave that accrued before 18 August 1993 if you did not leave your job because of genuine redundancy, invalidity or under an early retirement scheme.

The amount at 'B' was paid to you for unused long service leave which you accumulated before 16 August 1978.

▶ COMPLETING THIS ITEM

What to do with amounts shown at 'A' on your payment summary, signed copy, letter or statement

STEP 1 Add up the amounts of tax withheld as shown on each payment summary, signed copy, letter or statement from your payer. Do not include any amounts already included at item **1** or **2**. Write the total at the left of **R** item **3** on your tax return. Do not show cents.

STEP 2 Add up the amounts shown at 'A' on each payment summary, signed copy, letter or statement from your payer. Write the total at **R** item **3** on your tax return. Do not show cents.

STEP 3 If you left your job because of genuine redundancy, invalidity or under an early retirement scheme, print the letter **R** in the **TYPE** box at the right of **R** item **3** on your tax return. Otherwise, print the letter **T** in the **TYPE** box . Check with your payer if you are not sure.

What to do with amounts shown at 'B' on your payment summary, signed copy, letter or statement

STEP 1 Add up the amounts of tax withheld as shown on each payment summary, signed copy, letter or statement from your payer. Do not include any amounts already included at item **1** or **2** or at step 1 above. Write the total at the left of **H** item **3** on your tax return. Do not show cents.

STEP 2 Add up the amounts as shown at 'B' on each payment summary, signed copy, letter or statement from your payer. Then divide by 20 to work out 5% of the amount.

STEP 3 Write the answer from step 2 at **H** item **3** on your tax return. Do not show cents.

CHECK THAT YOU HAVE . . .

- written on your tax return the amounts of tax withheld
- written on your tax return the amounts of income
- kept copies of all your payment summaries, signed copies, letters or statements from your payers. Do not attach them to your tax return.

QUESTION 4

EMPLOYMENT TERMINATION PAYMENTS

4

4

INCOME

NOTE

This question is different from last year's.

Eligible termination payments are now known as either:

- **employment termination payments** (ETPs) when paid by an employer (you show these at this item on your tax return), or
- Australian superannuation lump sums when paid by a superannuation fund (you show those at item **8**).

The manner in which ETPs are taxed has changed. Most ETPs can no longer be rolled over into superannuation.

Terms in bold print, such as **employment termination payment**, **foreign termination payment**, **late termination payment** and **transitional termination payment** are explained at **Definitions** in the next column.

Did you receive an ETP?

ETPs include:

- a lump sum paid to you by your employer when you retired or ceased employment
- a lump sum paid to you as a death benefit, by the employer of a person who has died
- a payment that is a late termination payment, and
- a transitional termination payment.

If you received an ETP you should have received a *PAYG payment summary – employment termination payment* from the payer.

Include at this item foreign ETPs received due to the termination of your employment in a foreign country:

- where you were an Australian resident during the period of your employment
- where the payment was exempt from income tax under the law of the foreign country, and
- whether or not your foreign employer has an Australian business number (ABN) or has given you a *PAYG payment summary – employment termination payment*.

STOP

Do not show at this item a payment you received:

- as a superannuation lump sum – show this at item **8** on your tax return
- as the trustee of a deceased estate – such an ETP must be shown on the trust tax return of the deceased estate
- more than 12 months after termination of your employment shown on a *PAYG payment summary – individual non-business*. Such a payment is not an ETP and should be shown at item **1** on your tax return.
- that is a **foreign termination payment (FTP)** (see definition on the next page)
- from a foreign source more than 12 months after termination of your employment that is not an FTP. Such a payment is not an ETP and should be shown at item **20** on your tax return.

If you are still not sure whether the payment you received is an ETP, see **MORE INFORMATION** at the end of this question or phone the Superannuation Infoline (see the inside back cover).

NO Go to question **5**.

YES Read below.

YOU NEED TO KNOW

DEFINITIONS

Employment termination payment (ETP)

An ETP is a payment you received within 12 months of, and in consequence of, the termination of your employment, such as:

- a payment in lieu of notice or a 'golden handshake'
- a payment for unused sick leave or unused rostered days off
- compensation for loss of a job or wrongful dismissal
- a genuine redundancy payment or an approved early retirement scheme payment that exceeded the tax-free threshold for such payments (in 2007–08 the threshold is \$7,020 plus \$3,511 for each complete year of service)
- a payment you received because of invalidity or a disability, that is, because you stopped being gainfully employed as a result of ill health certified by two legally qualified medical practitioners (other than payments made as compensation for personal injury).

An ETP does not include an FTP.

Death benefit ETP

A lump sum payment similar to those outlined above, but which is paid to you because you are the beneficiary of a person who has died, is called a death benefit ETP. However, if the ETP was paid to you as the trustee of a deceased estate, the ETP must be shown on the trust tax return of the deceased estate, not on your personal tax return.

Death benefits dependant

You are 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.

Foreign termination payment (FTP)

An FTP is a payment received in consequence of termination of employment relating exclusively to overseas employment or service where:

- it was received in consequence of the termination of your employment in a foreign country and it relates only to a period of employment when you were a foreign resident, or
- it is not exempt from income tax of the foreign country and it was received in consequence of the termination of your
 - employment in a foreign country where the foreign earnings were exempt from Australian tax for the period of employment, or
 - qualifying service on an approved project and the eligible foreign remuneration was exempt from Australian tax during the period of engagement.

Foreign termination payments are non-assessable non-exempt income and should not be shown anywhere on your tax return.

Interdependency relationship

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.

Late termination payment

A lump sum payment similar to employment termination payments (ETPs) listed under **Employment termination payment** on the previous page, which you received more than 12 months after the time when you retired or ceased employment, will still be treated as an ETP where:

- legal action about your entitlement to the ETP or about the amount of the ETP was commenced within 12 months of the termination of employment, or
- the payment was made by a person who was appointed within 12 months of your employment termination as a liquidator, receiver or trustee in bankruptcy for the employer.

Transitional termination payment

A transitional termination payment is an ETP for which 'transitional arrangements' apply. These arrangements apply to ETPs:

- made to you on or after 1 July 2007, and
- to which you were entitled on 9 May 2006 under
 - a written contract
 - an Australian or foreign law (or an instrument under such a law), or
 - a workplace agreement under the *Workplace Relations Act 1996*.

The contract, law or agreement should specify the amount of the payment, or a way to work out the specific amount of the payment.

Transitional termination payments are taxed differently from other ETPs.

Transitional arrangements do not apply to death benefit ETPs.

The electronic publication *Employment termination payments – transitional arrangements* has more information. It is available on our website.

Directed termination payment

A transitional termination payment can, at your request, be paid by your employer to a complying superannuation fund or to purchase a superannuation annuity. These payments are called directed termination payments. That payment is non-assessable non-exempt income, that is, tax-free income. Do not show it anywhere on your tax return.

WHAT YOU NEED

Your *PAYG payment summary – employment termination payment*

- If you did not receive one, contact the person who paid your ETP to obtain one.
- If you have lost it or you think the details on it are wrong, contact the person who prepared it.
- If the payer refuses to provide this information, you can use a *Statutory declaration for payment summaries* (NAT 4135).

If you received a **death benefit ETP** from a deceased person's employer, the information provided on your *PAYG payment summary – employment termination payment* will depend on whether you were a **death benefits dependant**.

- If you were a death benefits dependant of the deceased, the payment summary will show only the taxable components of the ETP over \$140,000.
- If you were not a dependant of the deceased, the payment summary will show the entire taxable component of the ETP.

If you disagree with the dependency status shown on your payment summary, you should discuss it with the payer.

EXAMPLE 1

John's wife died during the income year. As a dependant, he received an ETP payment of \$250,000 from his wife's employer. The entire amount of the ETP is a taxable component. The *PAYG payment summary – employment termination payment* John received from his wife's employer shows \$110,000. This is the part of the taxable component over \$140,000. He writes **\$110,000** at **I** item 4.

▶ COMPLETING THIS ITEM

! NOTE

Your *PAYG payment summary – employment termination payment* shows the tax-free component of your ETP. That amount is non-assessable non-exempt income, that is, tax-free income. Do not show it anywhere on your tax return.

STEP 1 Did you receive a foreign employment termination payment (ETP) due to the termination of your employment in a foreign country where:

- you were an Australian resident during the period of that employment
- the payment was exempt from income tax under the law of that country, and
- the payer either
 - did not have an Australian business number (ABN), or
 - did not give you a *PAYG payment summary – employment termination payment*?

NO Go to step 2.

YES Read below

You need to convert all such foreign ETPs to Australian dollars before you can complete this item. Information on how to convert foreign payments is available on our website, or you can phone the Personal Infoline (see the inside back cover) to get information about the exchange rates.

- Then on a separate piece of paper:
 - print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 4
 - for each foreign ETP, print the name of the payer and the foreign country in which you were employed, and write the amount of the payment
 - for each foreign ETP, print the appropriate code letter (from those listed at step 6 in the next column) or print NO CODE LETTER APPLIES
 - include your name, address and tax file number.
- Sign your schedule and attach it to page 3 of your tax return.
- Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return.

You will need to include the total amount of these foreign ETPs in the amount you show at **1** item **4** on your tax return.

Go to step 2.

STEP 2 Did you receive more than one ETP during the year?

NO Go to step 3.

YES You need to complete an *Employment termination payment schedule* (NAT 71744). Go to step 7.

STEP 3 Write the date of payment and the payer's ABN.

The date of payment and the payer's ABN are on your *PAYG payment summary – employment termination payment*. Write them both in the left column at item **4** on your tax return.

STEP 4 Write the total tax withheld amount.

The total tax withheld amount is on your *PAYG payment summary – employment termination payment*. Write this amount in the **Tax withheld** column at item **4** on your tax return.

STEP 5 Write the total taxable component.

The total taxable component is on your *PAYG payment summary – employment termination payment*. Write this amount at **1** item **4** on your tax return.

STEP 6 Print the payment type.

Print the appropriate code letter for the payment type in the **TYPE** box at the right of **1** on your tax return, as follows:

- T** if you received a transitional termination payment
- D** if you received a death benefit ETP and you were a **dependant** of the deceased
- N** if you received a death benefit ETP and you were **not a dependant** of the deceased.

If none of the above circumstances apply to you, leave the box blank.

You have completed this item. Go to **Check that you have . . .** below.

STEP 7 Complete your *Employment termination payment schedule*.

- A copy of the *Employment termination payment schedule* is available on our website or to find out how to get a printed copy, see the inside back cover.
- Use the information on all your *PAYG payment summary – employment termination payment* to complete your *Employment termination payment schedule*.

STEP 8 Transfer information from your schedule to your tax return.

- Add up all the tax withheld amounts on your *Employment termination payment schedule*, and transfer the total to the **Tax withheld** column at item **4** on your tax return.
- Add up all the taxable component amounts on your *Employment termination payment schedule*, and transfer the total to **1** on your tax return.
- Print the code letter **M** in the **TYPE** box at the right of **1** on your tax return.
- Do not write any date of payment or payer's ABN on your tax return.

STEP 9 Attach your schedule to your tax return.

- Attach the schedule to page 3 of your tax return.
- Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return.

You have completed this item. Go to **Check that you have . . .** below.

CHECK THAT YOU HAVE . . .

- if you have only one ETP:
 - written the date of payment
 - written the payer's ABN
 - printed the correct code letter, if required, in the **TYPE** box at the right of **1** item **4** on your tax return
- if you have more than one ETP, completed and attached an *Employment termination payment schedule* to page 3 of your tax return
- written the total amount of tax withheld from your ETPs on your tax return
- written the total taxable component of your ETPs at **1** item **4** on your tax return
- kept copies of all payment summaries, signed copies, statements and relevant letters from your payer. See **Keep your records** on page 9
- if you have a foreign ETP, attached your SCHEDULE OF ADDITIONAL INFORMATION – ITEM 4 and included the total of foreign ETPs in the amount at **1** item **4**.

➤ MORE INFORMATION

For more information about employment termination payments (ETPs), see *Employment termination payments* (NAT 70643) and *Employment termination payments – transitional arrangements* (NAT 70644).

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

Tax offsets

The tax rates in **table 1** are the maximum rates that can apply to your ETPs, whatever the tax rate that applies to your other taxable income might be. We make sure that you pay no more tax than you need to by working out a tax offset where applicable. Your age is relevant in calculating your tax offset. **Example 2** illustrates this point (ignoring the Medicare levy).

EXAMPLE 2

Benoit is 56 years old and has a taxable income of \$160,000 (not including ETPs) this income year. Ignoring the Medicare levy, his marginal rate of tax is 45%.

Benoit also received an ETP (which was neither a transitional nor a death benefit ETP) of \$100,000. He would normally have to pay \$45,000 tax on that amount. However, **table 1** (second line from the bottom) shows that the maximum tax rate which applies to Benoit's ETP is 15%, so the tax due on his ETP is only \$15,000, not the \$45,000 initially worked out. We will apply a tax offset of \$30,000 to ensure Benoit pays no more tax than he has to.

HOW WE WORK OUT THE TAX ON YOUR ETP

The amount of tax payable on your ETP depends on:

- the total amount of all ETPs you received in an income year
- the total of all the payments that you have received for the same termination of employment, whether that termination was in this or an earlier income year
- your age on the last day of the income year in which you received the payment or payments
- the amount of the taxable component of your ETPs
- your dependency status if the ETP was a death benefit ETP
- whether or not the payment was a transitional termination payment.

TABLE 1: Maximum tax rates applicable to the taxable component of ETPs

The Medicare levy is additional where applicable.

Taxable component of different ETPs	Your age on 30 June 2008	Component subject to taxation	Maximum rate of tax
Transitional ETP	Under 55 years	Up to \$140,000	30%
	55 years and over	Up to \$140,000	15%
	All ages	Over \$140,000 up to \$1 million	30%
Over \$1 million		45%	
Death benefit ETP paid to a non-dependant	All ages	Up to \$140,000	30%
		Over \$140,000	45%
Death benefit ETP paid to a dependant	All ages	Up to \$140,000*	Tax free
		Over \$140,000	45%
All other ETPs	Under 55 years	Up to \$140,000	30%
	55 years and over	Up to \$140,000	15%
	All ages	Over \$140,000	45%

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

QUESTION 5

AUSTRALIAN GOVERNMENT ALLOWANCES AND PAYMENTS

5

5

INCOME

Did you receive any of the following Australian Government payments?

- Parenting payment (partnered)
- Newstart allowance
- Youth allowance
- Mature age allowance
- Partner allowance
- Sickness allowance
- Special benefit
- Widow allowance
- Austudy payment
- Exceptional circumstances relief payment or farm help income support
- Interim income support payment
- Cyclone Larry or Cyclone Monica income support payment
- Education payment of any of the following and you were 16 years or older
 - ABSTUDY living allowance
 - payment under the Veterans' Children Education Scheme
 - payment under the Military Rehabilitation and Compensation Act Education and Training Scheme 2004 – shown as 'MRCA Education Allowance' on your *PAYG payment summary – individual non-business*
- Training for Employment Program allowance; New Enterprise Incentive Scheme allowance; textile, clothing and footwear special allowance; Green Corps training allowance; or other taxable Commonwealth education or training payments
- Income support component from a Community Development Employment Project (CDEP) – shown as 'CDEP salary or wages' on your *PAYG payment summary – individual non-business*
- CDEP scheme participant supplement
- Northern Territory CDEP transition payment
- Equine workers hardship wage supplement payment

NO Go to question 6.

YES Read below.

Show your income from these payments at this item.

! NOTE

Interim income support payments and Cyclone Larry or Cyclone Monica income support payments are not reported as separate amounts on Centrelink PAYG payment summaries, but are included in the total amount reported for emergency and general assistance payments. If you received these payments you will need a letter from Centrelink notifying you of the amount you have received. Show these amounts at this item in order to get the correct tax offset.

Show the balance of the amount for emergency and general assistance payments shown on your Centrelink PAYG payment summary at item **24 Other income** on your tax return (supplementary section).

Do not show at this item the payments listed in the following box.

– STOP

Do not show any of these payments at this item:

- exempt payments – these are listed on pages 12–14
- Overseas Student Higher Education Loan Programme amounts from your higher education provider – these payments should not be included anywhere on your tax return
- emergency and general assistance payments – these payments are shown at item **24 Other income** on your tax return (supplementary section).

WHAT YOU NEED

- Your *PAYG payment summary – individual non-business* or
- A letter from the agency that paid your allowance or payment stating the amount that you received

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 each payment summary or letter. Write the total amount of tax withheld at the left of **A** item **5** on your tax return. Do not show cents.

STEP 2 Add up all the taxable amounts you received. Write the total amount at **A** item **5**. Do not show cents.

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

! NOTE

You may be entitled to a tax offset on this income.

Tax offsets reduce the amount of tax you have to pay.

If you received one or more of the payments listed at this question, you may be entitled to a beneficiary tax offset. You do not have to work out your tax offset.

We work it out for you from the income you show at **A** item **5**. If you want to work it out before you receive your notice of assessment, you can use the beneficiary tax offset calculator on our website, or go to page 123.

QUESTION 6

6

AUSTRALIAN GOVERNMENT PENSIONS AND ALLOWANCES

6

INCOME

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
- Education entry payment
- Parenting payment (single)
- 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) where the pension, payment or allowance to which it relates 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 7.

YES Read below.

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

STOP

Do not show the following payments at this item or you may be taxed incorrectly:

- exempt payments – these are listed on pages 12–14
- Superannuation Act and Defence Forces Retirement Benefits Act pensions and payments
- employment termination payments
- foreign pensions.

Other questions deal with these matters. Refer to the relevant topics in the Index.

WHAT YOU NEED

- Your *PAYG payment summary* – individual non-business or
- A letter from the agency that paid your pension, allowance or payment stating the amount that you received

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 6 on page 2 of your tax return. Do not show cents.

STEP 2 Add up all the income you received. Write the total amount at **B** item 6. 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 **T2 Senior Australians** and question **T3 Pensioner** to see if you are entitled to a tax offset. Fill in the relevant item on your tax return. 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.

QUESTION 7

7

AUSTRALIAN ANNUITIES AND SUPERANNUATION INCOME STREAMS

7

INCOME

! NOTE

This question is different from last year's.

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

NO Go to question 8.

YES Read on.

WHAT YOU NEED

- Your *PAYG payment summary – superannuation income stream*
- Statements from your Australian annuity, superannuation, other pension funds or 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

From 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, it is not included in your taxable income.

The **taxable component** is the part of your benefit on which tax may be 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.)

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

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
- 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 6)
- foreign pensions and annuities (these foreign sources of income are dealt with at question 20 **Foreign source income and foreign assets or property** in *TaxPack 2008 supplement*)
- non-superannuation annuity payments in arrears (these are dealt with at question 24 **Other income** in *TaxPack 2008 supplement*).

Superannuation and tax file numbers

If you have not given your tax file number (TFN) to your fund or 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.

- 7 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 Australian superannuation income streams.

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

Add up all 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 boxes under **Tax withheld** in the left column at item 7 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 7 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 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 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 7 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 on your *PAYG payment summary – superannuation income stream*. You show only the taxable component of the lump sum on your tax return.

- 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 7 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 7 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 amounts of your Australian non-superannuation annuities.

The **assessable amount** is calculated by subtracting the **deductible amount** of the 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** (see **example 2**).

EXAMPLE 2

Simon also receives income from an Australian non-superannuation annuity he had purchased from a life insurance company. He works out (at step 3) that the assessable amount of his annuity income is \$8,000. He writes \$8,000 at (b) in **worksheet 1** on the previous page.

! 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 re-marriage, then the deductible amount of your undeducted purchase price (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.

STEP 5

Add (a) and (b) in **worksheet 1**, and transfer the amount at (c) to **N** item 7 on your tax return (see **example 3**).

EXAMPLE 3

In Simon's case, the total at (c) in **worksheet 1** is \$11,500. Simon writes **11,500** at **N** item 7 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 **T2** on pages 88–9 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 **T4** on page 91 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 7
 - 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* question **2a** on page 8 of your tax return.

! NOTE

The superannuation income stream tax offset does 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 7, 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 9).

QUESTION 8

8

AUSTRALIAN SUPERANNUATION LUMP SUM PAYMENTS

8 INCOME

NOTE

This question is new for this year.

Eligible termination payments are now known as either:

- **Australian superannuation lump sum payments** when paid by a superannuation fund (you show these at this item on your tax return), or
- employment termination payments (ETPs) when paid by an employer (you show those at item 4).

Did you receive an Australian superannuation lump sum payment?

Superannuation lump sum payments include:

- lump sum payments from
 - superannuation funds
 - approved deposit funds
 - retirement savings account providers, and
 - life insurance companies
- payments you received as a **death benefit** because a person has died, from a
 - superannuation fund
 - approved deposit fund
 - retirement savings account, or
 - life insurance company
- payments from the Tax Office to you of amounts in respect of the superannuation guarantee charge, the Superannuation holding accounts special account or Super Co-contributions
- payments of unclaimed money to you from the unclaimed money registers.

You should have received a *PAYG payment summary – superannuation lump sum* from your payers.

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

STOP

Do not show the following payments at this item:

- a superannuation lump sum payment you received on or after your 60th birthday unless it included an untaxed element, in which case you show only the untaxed element at this item. Your *PAYG payment summary – superannuation lump sum* shows the amount of the untaxed element
- a superannuation lump sum payment you received before your 60th birthday unless it included a taxed element or an untaxed element, in which case you **show only the taxed and untaxed elements** at this item. Your *PAYG payment summary – superannuation lump sum* shows the amounts of the taxed and untaxed elements

- a superannuation lump sum payment you received as the trustee of a deceased estate (this payment must be shown on the tax return of the deceased estate)
- a superannuation lump sum payment you received from a foreign superannuation fund. You show this at item 20 on your tax return (supplementary section)
- amounts released to you or the Tax Office as a result of one or more of your superannuation funds acting on a 'release authority' issued to you because of an excess contributions tax assessment (see **Your notice of assessment** on page 115)
- payments you received from an employer on termination of employment (show these at item 4 on your tax return).

Do not show the following payments anywhere on your tax return. They are non-assessable non-exempt income, that is, tax-free income.

- Superannuation lump sum payments you received as a **death benefits dependant** (see **Definitions** on the next page). If this was the case, you should not have received a *PAYG payment summary – superannuation lump sum*. Contact your payer.
- If you have been receiving a superannuation income stream benefit as a death benefits dependant, you may be required to cash that benefit out as a lump sum by the time you turn 25 years of age.
- You may have received a *Rollover benefits statement* showing a lump sum you received from your superannuation fund that you rolled over into a complying superannuation plan or used to purchase a superannuation annuity. These payments are referred to as 'roll-over superannuation benefits'.
- If you entered Australia on a temporary residents visa and have permanently departed Australia, you may have received a 'departing Australia superannuation payment' from your superannuation fund.

If you are still not sure whether the payment you received is a superannuation lump sum, see **MORE INFORMATION** on the next page or phone the Superannuation Infoline (see the inside back cover).

NO Go to question 9.

YES Read on.

YOU NEED TO KNOW

For an explanation of taxable component, taxed element and untaxed element, see **You need to know** on page 25.

Benefits paid to members with a terminal medical condition

The Government has announced that it will change the law so that from 1 July 2007 superannuation lump sum benefits paid to a member with a terminal medical condition are to be non-assessable non-exempt income, that is, tax-free income. At the time of printing *TaxPack 2008*, the amending legislation for this measure was before Parliament.

The Commissioner of Taxation has introduced interim measures to remove any unnecessary hardship for terminally ill members. These interim measures take effect from 12 September 2007 and cease 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.

DEFINITIONS

Death benefits dependant

You are 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.

You are also a death benefits dependant, whether or not you fall into the categories above, when you receive a superannuation lump sum payment because a person who was a member of the Australian Defence Force or an Australian police force (including Australian Protective Services) died in the line of duty.

Interdependency relationship

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.

Low-rate cap for taxable components

The low-rate cap is the maximum amount of taxable components (taxed and untaxed elements) that can be taxed at a concessional lower rate. The concessional rate applies only to superannuation lump sums paid to you when you are 55 to 59 years old, that is, when you have reached your **preservation age** (55 years).

For 2007–08 the low-rate cap is \$140,000; but it could be less for you if before July 2007 you received an eligible termination payment after your 55th birthday.

The low-rate cap is a 'lifetime' limit. This means that the **taxed element and untaxed elements of all superannuation lump sum payments** that you receive when you are 55 to 59 years old will be taxed at a concessional rate until they add up to the low-rate cap amount. Payments you receive in excess of this low-rate cap will be taxed at the tax rate shown in **table 1** on page 31.

Consequently, for 2007–08 the amount for which you will be taxed at a concessional rate is the low-rate cap amount less any amount to which we have previously applied the concessional tax rate.

Untaxed-plan cap for untaxed elements

The untaxed-plan cap is the maximum amount of the untaxed elements of your superannuation lump sum payments which will be subject to concessional tax rates.

For 2007–08 the untaxed-plan cap is \$1 million. The cap is indexed.

There is a separate untaxed-plan cap for each superannuation fund you have. This means that, for each fund, the untaxed elements which make up your superannuation payments will be taxed at a concessional rate until these untaxed elements add up to the untaxed-plan cap amount (\$1 million plus future indexed increases). Amounts above this limit will be taxed at the top marginal rate.

If you roll over an amount from one superannuation fund to another, any untaxed element that is part of that amount will count against the untaxed-plan cap for the fund from which the amount was rolled over.

! MORE INFORMATION

For more information about Australian superannuation lump sums, see the electronic publication *How your super payout is taxed and Understanding death benefits* (NAT 17141). These publications are available on our website or to find out how to get a printed copy, see the inside back cover.

WHAT YOU NEED

Your *PAYG payment summary – superannuation lump sum*

- If you have not received your *PAYG payment summary – superannuation lump sum* or statement, contact the person who paid your superannuation lump sum to obtain one.
- If you have lost it or you think the details on it are wrong, contact the person who prepared it.
- If the payer is unable to provide this information, you can use a *Statutory declaration for payment summaries* (NAT 4135).

If you disagree with the dependency status shown on your payment summary, you should discuss it with your payer.

▶ COMPLETING THIS ITEM

! NOTE

The following payments should not appear on your *PAYG payment summary – superannuation lump sum*. They are 'non-assessable non-exempt' income and are not included in your taxable income. If they appear on your payment summary, do not show them anywhere on your tax return:

- the tax-free component
- payments you received as a death benefits dependant.

STEP 1 Did you receive more than one *PAYG payment summary – superannuation lump sum* for 2007–08?

NO Go to step 2.

YES Go to step 6.

STEP 2 Write the date of payment and the payer's Australian business number (ABN).

The date of payment and the payer's ABN are on your *PAYG payment summary – superannuation lump sum*. Write them both in the left column at item **8** on your tax return.

STEP 3 Write the total tax withheld amount.

The total tax withheld amount is on your *PAYG payment summary – superannuation lump sum*. Write this amount in the **Tax withheld** column at item **8** on your tax return.

STEP 4 Did you receive a death benefit lump sum payment?

NO Go to step 5.

YES Print **N** in the **TYPE** box at **item 8** on your tax return. Go to step 5.

STEP 5 Write the taxed and untaxed element amounts.

The taxed element and the untaxed element of your superannuation lump sum are on your *PAYG payment summary – superannuation lump sum*.

Write the taxed element amount at **Q** item **8** on your tax return.

Write the untaxed element amount at **P** item **8** on your tax return.

You have completed this item. Go to **Check that you have . . .** in the next column.

STEP 6 Complete a Superannuation lump sum schedule.

You need to complete a *Superannuation lump sum schedule* (NAT 71743). A copy of the schedule is available on our website or to find out how to get a printed copy, see the inside back cover.

Use the information from each *PAYG payment summary – superannuation lump sum* you received to complete your *Superannuation lump sum schedule*.

Go to step 7.

STEP 7 Transfer information from your schedule to your tax return.

Add up all the tax withheld amounts on your *Superannuation lump sum schedule*, and transfer the total to the **Tax withheld** column at **item 8** on your tax return.

Print the code letter **M** in the **TYPE** box at **item 8** on your tax return.

Add up all the **taxed element** amounts on your *Superannuation lump sum schedule*, and transfer the total to **Q** item **8** on your tax return.

Add up all the **untaxed element** amounts on your *Superannuation lump sum schedule*, and transfer the total to **P** item **8** on your tax return.

Do not write any date of payment or payer's ABN on your tax return.

STEP 8 Attach your schedule to your tax return.

Attach the schedule to page 3 of your tax return.

Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return.

You have completed this item. Go to **Check that you have . . .** in the next column.

CHECK THAT YOU HAVE . . .

- if you have only one Australian superannuation lump sum payment
 - written the date of payment
 - written the payer's ABN
 - printed **N** in the **TYPE** box, if you received the payment as a death benefit
- if you have more than one Australian superannuation lump sum payment
 - completed and attached your *Superannuation lump sum schedule* to page 3 of your tax return
 - printed **M** in the **TYPE** box
- written the total amount of tax withheld from your Australian superannuation lump sum payments
- written the total of the taxed elements
- written the total of the untaxed elements
- kept a copy of all your payment summaries, signed copies, letters and statements from all your payers. See **Keep your records** on page 9.

HOW WE WORK OUT TAX ON YOUR LUMP SUM

You may be entitled to a tax offset. This ensures that relevant elements of your superannuation lump sum are taxed at the applicable concessional tax rate outlined in **table 1** on the next page. We will work out the amount of the tax offset for you to ensure that you pay the correct amount of tax on your superannuation lump sum.

The amount of tax payable on your superannuation lump sum depends on the following:

- your age when you received the payment
- the amounts of the taxed and untaxed elements of the taxable component
- your dependency status if the payment is a death benefit, and
- the amounts available to you below the low-rate cap for taxable components (\$140,000) and the untaxed-plan cap for untaxed elements (\$1 million).

TABLE 1: Tax rates applicable to the taxable components of superannuation lump sums

The Medicare levy is additional where applicable.

	Your age at the time of payment	Taxed element		Untaxed element		
		Amount	Tax rate	Amount	Tax rate	
Death benefit paid to:						
	– dependant	Any age	Whole*	Tax free	Whole*	Tax free
– non-dependant	Any age	Whole	15%	Whole	30%	
Superannuation lump sum (other than death benefit)	Under 55 years	Whole	20%	Up to \$1 million	30%	
				Over \$1 million	45%	
	55 to 59 years	Up to \$140,000**	0%	Up to \$140,000**	15%	
				Over \$140,000**	Over \$140,000** up to \$1 million	30%
					Over \$1 million	45%
	60 years and over	Whole*	Tax free	Up to \$1 million	15%	
Over \$1 million				45%		

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

** The low-rate cap could be less than \$140,000 if before July 2007 you received an eligible termination payment after your 55th birthday.

QUESTION 9

9

ATTRIBUTED PERSONAL SERVICES INCOME

9

INCOME

Did you have personal services income attributed to you from a company, partnership or trust?

If you have received a *PAYG payment summary – personal services attributed income*, your answer to this question is **YES** and you must complete item **9** on your tax return.

Where you have provided personal services for reward and the payment for your services was made to you as a sole trader, your answer to this question is **NO**. In that case you must answer question **14** in *TaxPack 2008 supplement* and complete item **P1** in the *Business and professional items schedule for individuals 2008* (NAT 2816). These publications are available on our website or to find out how to get a printed copy, see the inside back cover.

STOP

Do not show at this item amounts shown on a *PAYG payment summary – individual non-business*.

You should have already shown these amounts at item **1 Salary or wages** or item **2 Allowances, earnings, tips, director's fees etc.**

NO Go to **Total tax withheld** on the next page.

YES Read below.

WHAT YOU NEED

- Your *PAYG payment summary – personal services attributed income* showing the amount of personal services income attributed to you and the total amount of tax paid or withheld
- Details of any other personal services income attributed to you

If you do not have all of your documents, contact the person who paid you.

YOU NEED TO KNOW

There are special rules for the income tax treatment of certain personal services income.

Personal services income is income that is mainly a reward for your personal efforts or skills and is generally paid either to you or to a personal services entity (a company, partnership or trust).

Where the payment has been made to a personal services entity, the income (less any deductions allowable to the personal services entity in gaining or producing the personal services income) will be attributed to you unless:

- the personal services entity gained the income in the course of conducting a personal services business, or
- the income has been promptly paid to you by the entity as salary.

 You can find an explanation of the rules relating to the attribution of personal services income in *Taxation Ruling TR 2003/6: Income tax – attribution of personal services income*. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

Where the personal services entity has a net personal services income loss relating to your personal services income there is no amount attributed to you. You are entitled to a deduction for the loss and you must answer question **D15** in *TaxPack 2008 supplement*.

If you need help in relation to these rules visit our website or phone the Business Infoline (see the inside back cover).

COMPLETING THIS ITEM

STEP 1 Write the total amount of tax paid or withheld from personal services income attributed to you at the left of  item **9** on your tax return. Do not show cents. Do not show any tax withheld amount that you have included elsewhere on your tax return.

STEP 2 Write the total amount of personal services income attributed to you at  item **9** on your tax return. Do not show cents.

CHECK THAT YOU HAVE . . .

- written on your tax return the amounts of tax paid or withheld
- written on your tax return the amounts of personal services income attributed to you
- kept copies of all your payment summaries. Do not attach them to your tax return.

TOTAL TAX WITHHELD

Add up all the amounts in the tax withheld boxes at items **1** to **9** on page 2 of your tax return.

Write the total amount at **\$ TOTAL TAX WITHHELD** on your tax return. Go to question **10**.

Tax offsets and your tax withheld

If your tax offset entitlements have changed since you last filled in a *Withholding declaration* (NAT 3093) authorising your payer to vary the amount of tax withheld, you may need to fill in a new declaration. The government has announced that all family tax benefit (FTB) claims for the period beginning 1 July 2008 must be lodged with the Family Assistance Office (FAO). If you previously notified your payer to reduce the amount of tax withheld because you were entitled to FTB, you must lodge a new *Withholding declaration*. Contact your payer for more information. Failure to fill in a new declaration may result in a tax debt. Pages 78–97 tell you about tax offsets. For more information about family tax benefit, see pages 73–7.

QUESTION 10

TOTAL REPORTABLE FRINGE BENEFITS AMOUNTS

10

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

NO Go to question **11**.

YES Read below.

WHAT YOU NEED

- Your *PAYG payment summary* – individual non-business

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.

YOU NEED TO KNOW

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 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.

Additional tax withheld for Higher Education Loan Programme (HELP) and Student Financial Supplement Scheme (SFSS) debts

If you had an accumulated HELP or SFSS debt, the additional tax withheld from your pay forms part of your normal tax withheld – shown on your payment summary – and is therefore already included in the total amount you show at **\$ TOTAL TAX WITHHELD** on your tax return. Pages 120–30 show you how we work out your tax.

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.

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.

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
- deductions for superannuation contributions
- Super Co-contributions
- mature age worker tax offset
- Higher Education Loan Programme repayments
- Student Financial Supplement Scheme repayments
- child support obligations
- certain government benefits.

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 **10** on your tax return. Do not show cents. Do not show an amount at **W** that is less than \$3,738.

QUESTION 11

11

GROSS INTEREST

11

INCOME

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

STOP

Do not show at this item:

- distributions of interest you received, or were entitled to receive, from a partnership or trust – including a cash management trust, money market trust, mortgage trust, property trust, unit trust or other similar trust investment product
- interest from a foreign source
- interest from the land transport facilities tax offset scheme or infrastructure borrowings scheme.

Other questions deal with these matters. Refer to the relevant topics in the Index.

Include interest earned from financial institution accounts and term deposits unless you were a non-resident and have paid, or should have paid, non-resident withholding tax on that interest (see **Non-residents** below).

Include any interest the Tax Office gave you or credited you with. If you were a non-resident and we gave you or credited you with interest, see **Non-residents** below.

NO Go to question 12.

YES Read below.

Children's accounts

If you opened or operated an account for a child 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 detail. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

Non-residents

If you were a non-resident for tax purposes for all or part of the year (see page 11) and you received or were credited with interest during the period, do not include that interest at this item.

If withholding tax was deducted from your interest, you do not have to write it anywhere on your tax return because withholding tax paid by non-residents is a final tax.

However, if withholding tax was not deducted from that interest, you must attach a schedule showing the details.

On a separate piece of paper:

- print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 11

- write the amounts of interest you received during any period(s) you were a non-resident from which withholding tax was not deducted
- sign your schedule and attach it to page 3 of your tax return.

Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. We will work out the amount of non-resident withholding tax you have to pay on this interest and advise you of the amount.

WHAT YOU NEED

- Your statement, passbook or other documentation from your financial institution or other source that shows 2007–08 interest income
- Any Tax Office notice of assessment or amended assessment you received during 2007–08 that shows interest on early payments or interest on overpayments

COMPLETING THIS ITEM

STEP 1 Using your records, add up all the amounts of gross interest 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. Do not show amounts that were or should have been subject to non-resident withholding tax.

If you were not the sole holder of an account, show only your share of interest. For any account where the account holders do not share equally in the interest, 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 or Australian business number (ABN) to the institution. They will be shown on your statement or other document as Commonwealth tax or TFN withholding tax.

NOTE

Do not deduct account-keeping fees and charges from your gross interest amount. You may be able to claim these at item **D7 Interest and dividend deductions**.

STEP 2 Write your gross interest at **L** item **11** on page 2 of your tax return. Do not show cents.

STEP 3 Add up all the TFN amounts shown on your statement and take away any TFN amounts already refunded to you. These will also be shown on your statement or other document.

STEP 4 Write the answer from step 3 at **M** item **11**. Show cents. This amount will be credited to you on your notice of assessment.

QUESTION 12

12

DIVIDENDS

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

STOP

Do not show at this item:

- distributions from other partnerships or trusts – including 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 (see question 13)
- dividends from foreign companies (see question 20)
- that part of a dividend or distribution on which family trust distribution tax has been paid (see question A3).

Questions relating to these amounts are in *TaxPack 2008 supplement*.

Do not claim dividend expenses here. Claim them at item **D7**.

If you carried on the business of trading in shares, include any dividend income and franking credit at this item; if you have a profit or loss on the sale of shares, read question 15 in *TaxPack 2008 supplement*.

If you sold shares during the year and you did not carry on a business of trading in shares, you must read question 18 in *TaxPack 2008 supplement* to see if you need to show a capital gain or capital loss.

If a New Zealand company has paid you a dividend with Australian franking credits attached, you may be eligible to claim the franking credits. You show the dividends and claim the Australian franking credits at item **20 Foreign source income and foreign assets or property**. Read question 20 in *TaxPack 2008 supplement*.

NO Go to **Income from the supplementary section** on page 39.

YES Read below.

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 were otherwise dealt with on your behalf, and
- bonus shares that qualify as dividends.

Dividends include:

- distributions made by a corporate limited partnership
- dividends paid to you by a public trading trust
- dividends paid to you by a corporate unit trust
- 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

Sally 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. Sally 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. 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.

! DON'T LEAVE IT TOO LATE!

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 further information about shares and other assets that attract capital gains tax, including what records you need to keep, see the publication *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.

Payments, loans and forgiven debts that are treated as dividends

If you were a shareholder (or an associate of a shareholder) of a private company and received payments or loans from the company or had debts forgiven by the company, the value of those payments, loans or forgiven debts are treated as dividends (unless specifically excluded by law). You will also have an amount that is treated as a dividend (unless specifically excluded by law) if:

- you were a shareholder (or an associate of a shareholder) of a private company that had (or was going to have by a certain time) an unpaid present entitlement from a trust estate **and**
- the trustee of the trust estate made a payment or loan, or forgave a debt, in your favour.

Combine the amounts that were treated as unfranked dividends with any other unfranked dividends you received and include the total amount in your assessable income at **S** item 12 on your tax return.

In some circumstances, amounts treated as dividends may be franked. Combine these amounts with any other franked dividends you received and include the total amount in your assessable income at **T** item 12 on your tax return.

You must also include any franking credit in your assessable income at **U** item 12.

For more information, read *You and your shares 2008*.

Returns on non-share equity interests

Dividends also include dividends paid on a non-share equity interest. To find out more about this, read *You and your shares 2008*.

Non-residents

Withholding tax paid by non-residents is a final tax.

If you were not an Australian resident for tax purposes for all or part of the year (see page 11), include dividend income paid or credited to you during that period at this item unless:

- the dividend was fully franked, or
- the dividend was not fully franked, but either:
 - withholding tax was (or should have been) withheld from the unfranked amount, or
 - the unfranked amount was declared to be conduit foreign income in the dividend statement.

On a separate piece of paper, print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 12. Provide details of any dividend you received during any period you were a non-resident that was not fully franked, and was not declared to be conduit foreign income, or on which you have not paid withholding tax.

Sign your schedule and attach it to page 3 of your tax return. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. We will work out the amount of withholding tax you have to pay on the dividends, and advise you of the amount.

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 credit attached to your dividend in your assessable income. 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.

! NOTE

If you have a franking credit but do not have to lodge a tax return, see **Franking credits** on the next page. 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).

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:

- the part of a dividend on which family trust distribution tax has been paid. These dividends are exempt income and you cannot claim the franking credit. (The company or corporate limited partnership that paid the dividend should tell you if family trust distribution tax has been paid on it.)
- a dividend that is included in a trust distribution on which ultimate beneficiary non-disclosure tax has been paid. (The trustee will let you know if a distribution fits this category.)
- dividends where you engaged in franking credit trading and failed to satisfy the 'holding period rule' or the 'related payments rule' (see the next page)
- dividends from a non-equity share which, although a share in legal form, is not treated as an equity interest. (*You and your shares 2008* has more information on non-equity shares.)
- dividends to the extent that a franking tax offset is denied because you have exceeded the small shareholder franking tax offset limit 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 briefly own the shares. 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 will apply to you if you sell 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, but 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 received directly or indirectly (such as through a trust or partnership). If you are not a qualified person for a dividend paid to you, include the franked amount of the dividend at **T** item 12. Do not include any franking credit amount at **U** item 12 for that dividend.

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

Unfranked dividends

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 12 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.

If you did not quote your tax file number (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 marginal rate plus the Medicare levy, a total of 46.5%.

TFN amounts withheld from your unfranked dividends will be shown on your dividend statement. You can claim a credit for any TFN amounts withheld at **V** item 12 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.

Franked dividends

You must include the amount of any franked dividends you received from a resident company in your assessable income at **T** item 12.

Franking credits

You must also include any franking credit in your assessable income at **U** item 12 on your tax return, so we can calculate the correct amount of tax and Medicare levy. However, do not include any franking credit if you do not qualify for a franking tax offset because of the application of the holding period rule or the related payments rule (see the franking credit trading measures described in the previous column).

An amount equal to the franking credit will be automatically allowed as a tax offset to reduce any tax payable on your dividends and any other taxable income received.

For more information, read *You and your shares 2008*.

WHAT YOU NEED

You need your statements from the company, corporate unit trust, public trading trust or corporate limited partnership that paid you the dividends or made the distributions.

These statements should show:

- the amounts of unfranked and franked dividends you received
- the amounts of franking credits you received (the company works this out and allocates it to the dividend or distribution), and
- the TFN amounts withheld from unfranked dividends.

If you have not received your dividend or distribution statements, contact the company, corporate unit trust, public trading trust or corporate limited partnership 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

There is an example in the next column that explains how to show unfranked and franked dividends. It may help you complete the following steps.

STEP 1 Add up all the unfranked dividend amounts on your statements – including any TFN amounts withheld – plus any amounts treated as dividends. Write the total amount at **S** item **12** on page 2 of your tax return. Do not show cents.

STEP 2 Add up all the franked dividend amounts on your statements and any other franked dividends paid or credited to you. Include also any amounts treated as franked dividends. Write the total amount at **T** item **12**. Do not show cents.

! NOTE

If your statement does not show the franked and unfranked portions of the dividend, include the total dividend amount at **T** item **12**.

STEP 3 Add up all the allowable franking credit amounts on your statements. Write the total amount at **U** item **12**. 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 **12**. Show cents. This amount will appear as a credit on your notice of assessment.

CHECK THAT YOU HAVE . . .

- written on your tax return the total unfranked amount
- written on your tax return the total franked amount
- written on your tax return the total allowable franking credit amount
- written on your tax return the total tax file number (TFN) amount withheld from dividends, and
- kept your dividend statements with your other records.

EXAMPLE 2: How to show unfranked and franked dividends

Ranjini has shares in Coals Tyre Ltd, Melmott Ltd, JT Corporate Unit Trust and SYF Ltd. She has not given her TFN to Melmott or SYF.

For the 2007–08 year, Ranjini's dividend statements from the companies she has shares in showed:

- a) Coals Tyre Ltd – fully franked dividends of \$70 and a \$30 franking credit
- b) Melmott Ltd – an unfranked dividend of \$100. A TFN amount of \$46.50 was withheld from her payment, so she received \$53.50. The unfranked dividend amount Ranjini must show on her tax return is \$100 (\$53.50 plus \$46.50)
- c) JT Corporate Unit Trust – unfranked dividends of \$50, franked dividends of \$70 and a \$30 franking credit
- d) SYF Ltd – dividends totalling \$240, made up of an unfranked dividend of \$100 and a franked dividend of \$140. A TFN withheld amount of \$46.50 was withheld from the unfranked dividend amount, so Ranjini received \$53.50. The unfranked dividend amount she must show on her tax return is \$100 (\$53.50 plus \$46.50). For the franked dividend of \$140, she had a franking credit of \$60. No TFN amount is withheld from fully franked dividends.

Company or trust	Unfranked amount*	Franked amount	Franking credit	TFN amounts withheld from dividends
a) Coals Tyre Ltd	\$0.00	\$70.00	\$30.00	\$0.00
b) Melmott Ltd	\$100.00	\$0.00	\$0.00	\$46.50
c) JT CU Trust	\$50.00	\$70.00	\$30.00	\$0.00
d) SYF Ltd	\$100.00	\$140.00	\$60.00	\$46.50
Total	S \$250.00	T \$280.00	U \$120.00	V \$93.00

* Unfranked amount includes both the amount received or credited and the TFN amount withheld.

For more examples, refer to *You and your shares 2008*.

INCOME FROM THE SUPPLEMENTARY SECTION

I

! CAUTION

Read this question carefully – consult *TaxPack 2008 supplement* if you are not familiar with the terms used.

Did you derive any of the following types of income or incur any of the following types of losses?

Income types

- Partnership and trust distributions
- Personal services income (other than salary or wages)*
- Income from a business (including if you are self-employed)
- Income under a pay as you go (PAYG) voluntary agreement
- Income from which an amount was withheld because you did not quote your Australian business number
- Income received as an independent contractor under a labour hire arrangement
- Income you earned as a non-employee taxi driver, for example, a driver operating under a standard bailment agreement with an owner/operator
- Income from which an amount was withheld due to the operation of foreign resident withholding
- Income you deposited into a farm management account
- Income you withdrew from a farm management account
- A capital gain, for example, on disposal of a capital gains tax (CGT) asset
- A distribution from a foreign entity
- Income attributed to you from a controlled foreign company, foreign investment fund, foreign life policy or a transferor trust (foreign income)
- Income received from a foreign source, including foreign pensions and foreign employment income, and foreign dividends, for example, New Zealand dividends with Australian franking credits**
- Rent
- Bonuses from life insurance companies and friendly societies
- Forestry managed investment scheme income
- Other income not shown at items 1 to 12

* Personal services income includes the following payments specified by regulation ('specified payments'):

- income as a performing artist in a promotional activity
- payment for tutorial services provided for the Indigenous Tutorial Assistance Scheme of the Department of Education, Employment and Workplace Relations
- payment for translation and interpretation services for the Translating and Interpreting Service of the Department of Immigration and Citizenship.

**You must also complete the supplementary section if:

- you own foreign assets (including an interest in a foreign life policy or foreign company or trust, or shares)
- you have ever directly or indirectly caused the transfer of property (including money) or services to a non-resident trust estate.

'Other income' includes:

- discounts on shares, stapled securities or rights to acquire them under an employee share scheme
- lump sum payments in arrears (except those relating to superannuation – you show these at item 7)
- foreign exchange gains
- royalties
- bonus amounts distributed from friendly society income bonds
- taxable scholarships, bursaries, grants or other educational awards
- benefits or prizes from investment-related lotteries and some game-show winnings
- income from your activities as a special professional, such as author of a literary, dramatic, musical or artistic work; an inventor; a performing artist; a production associate or an active sportsperson
- reimbursements of tax-related expenses or election expenses which you have claimed as a deduction
- an assessable balancing adjustment from the disposal, loss or destruction of any depreciating asset, including your car, for which you have claimed a deduction for decline in value
- payments from sickness and accident insurance policies other than those shown on your payment summary
- interest from the land transport facilities tax offset scheme or infrastructure borrowings
- gains from the disposal or redemption of traditional securities
- allowances or payments you received as a member of a local government council that you have not already shown at item 1 or 2
- other taxable allowances or payments you received from Centrelink that are not shown at item 5 or 6.

Loss types

- A business loss (including if you are self-employed)
- A deferred non-commercial business loss
- A capital loss, for example, on disposal of a CGT asset
- Non-capital loss from the disposal or redemption of traditional securities

NO Go to **Total income or loss** on the next page.

YES You must complete the *Tax return for individuals (supplementary section) 2008*. Read below.

If you had personal services income, net income or loss from business, or deferred non-commercial business losses you will need to read the publication *Business and professional items 2008* (NAT 2543) then complete the *Business and professional items schedule for individuals 2008* (NAT 2816) and attach it to page 3 of your tax return.

➤ You can find the *Tax return for individuals (supplementary section) 2008* at the back of *TaxPack 2008 supplement*. If you don't have a copy of this supplement, you can get one 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.

! NOTE

If you were 55 years or older on 30 June 2008, you may be entitled to the mature age worker tax offset. Certain income from the supplementary section will be used to calculate your net income from working. See question **T12 Net income from working – supplementary section** for further information.

➤ COMPLETING THIS ITEM

STEP 1 Complete the details at the top of page 9 on your tax return (supplementary section). Use *TaxPack 2008 supplement* to help you complete the Income section.

STEP 2 Transfer the amount you wrote at **TOTAL SUPPLEMENT INCOME OR LOSS** on page 11 to **I** on page 2 of your tax return. If it is a loss amount, print **L** in the **LOSS** box beside it.

TOTAL INCOME OR LOSS

You have now reached the end of the Income section.

Before adding up your income amounts from items **1** to **12** and any amount at **I** on page 2 of your tax return, note the following:

- The more common types of income you do not pay tax on are listed on pages 12–14. **Generally these are not included on your tax return.**
- You must have shown all of your income for tax purposes. The *Taxpayer's declaration* on page 8 of your tax return will require you to sign that this is true. Pages 15–40 give you the information you need to show the correct amounts. If you still have taxable income that you have not put at any item, you will need to go back through the Income section and include it.

If you are in any doubt, phone the Personal Infoline (see the inside back cover).

Our audit activities include checking the income details you provide on your tax return with other sources – for example, your employer, your bank or the Australian Government agency that pays your pension, allowance or payment.

If you have not been able to complete any of the income items because you do not have all the documents you need to work out the correct amount – for example, you are missing a payment summary – do not complete this section yet.

Remember that you have until 31 October 2008 to lodge your tax return. You should not lodge your tax return if it is incomplete. If you think you will still be missing information on 31 October, ask us if you can lodge at a later date. See pages 9–10 for information on how to do this.

➤ COMPLETING THIS ITEM

STEP 1 Add up all the amounts in the right-hand column of items **1** to **12** and **I** – do not include **I** if it is a loss – on your tax return.

STEP 2 Take any loss amount at **I** away from the amount you worked out at step 1. Your answer is your total income or loss.

STEP 3 Write your answer from step 2 at **TOTAL INCOME OR LOSS** on page 2 of your tax return. Do not show cents.

If you made an overall loss, print **L** in the **LOSS** box at the right of **TOTAL INCOME OR LOSS**.

Deductions

CLAIMING DEDUCTIONS FOR EXPENSES THAT RELATE TO YOUR WORK AS AN EMPLOYEE

You can claim deductions for work-related expenses you incurred while performing your job. You incur a work-related expense when:

- you receive a bill or invoice for an expense that you are liable for and must pay
- you do not receive a bill or invoice but you are charged and you pay for it.

➤ Refer to *Taxation Ruling TR 97/7 – Income tax: section 8-1 – meaning of ‘incurred’ – timing of deductions* for more information. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

If your work-related expense includes an amount of goods and services tax (GST), the GST is part of the total expense and is therefore part of any allowable deduction.

Basic rules

- You must have incurred the expense in 2007–08.
- You cannot claim an expense that your employer (or any other person) has or will reimburse you for.
- You must have incurred the expense in the course of earning your assessable income and it must not be private, domestic or capital in nature. For example, the costs of normal travel to and from work or buying lunch each day are private. If you incurred an expense that was both work related and private or domestic, you can only claim a deduction for the work-related portion of the expense.
- If you incurred an expense for services paid in advance, read **Advance expenditure** below to decide what part of the expense is allowable in 2007–08.
- You must be able to substantiate your claims with written evidence if the total amount you are claiming for expenses, not including claims for car, meal allowance, award transport payments allowance and travel allowance expenses, is greater than \$300 (see **Written evidence rule – records you need to keep for claims of more than \$300** in the next column).
- If the total amount you are claiming is \$300 or less, you need to be able to show how you worked out your claims but you do not need written evidence.

! BUSINESS EXPENSES

If your income comes from carrying on a business, you claim your business expenses using the *Business and professional items schedule for individuals 2008* (NAT 2816). See questions **14** and **15** in *TaxPack 2008 supplement*.

Advance expenditure

You must follow the apportionment rules for advance expenditure if you prepay for a service costing \$1,000 or more and the service extends for a period of more than 12 months or beyond 30 June 2009. Under these rules you may be entitled to claim only part of the expenditure this year and the remainder in future years. If you incurred

expenditure in a prior income year and apportioned it under the advance expenditure rules and the prepaid service extended into the 2007–08 income year, you may claim the relevant portion of the expenditure on your 2008 tax return.

➤ If you need to know more, refer to *Deductions for prepaid expenses 2008* (NAT 4170). This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

Allowances

Receiving an allowance from your employer does not automatically entitle you to a deduction. You must still meet the basic rules listed in the previous column to make a claim. You can claim only the total amount you incurred even if the allowance is more. For example, if you received a tools allowance of \$500 and your tool expenses were \$400, you must include the whole amount of the allowance at item **2** on your tax return and the deduction you can claim at item **D5** is \$400.

Written evidence rule – records you need to keep for claims of more than \$300

You must have written evidence to prove your claims if your total claims exceed \$300. The records you keep must prove the total amount, not just the amount over \$300.

The \$300 limit does not apply to claims for car, meal allowance, award transport payments allowance and travel allowance expenses. There are special written evidence rules for these claims which are explained at the relevant questions.

! NOTE

Do not send in your receipts or other records with your tax return unless we request you to do so in writing.

What is written evidence?

Written evidence can be:

- a document from the supplier of the goods or services, showing
 - the name of the supplier
 - the amount of the expense
 - the nature of the goods or services – if not shown, you may write this on the document before you lodge your tax return
 - the date the expense was incurred
 - the date of the document
- another document or combination of documents containing the information listed above.

If you use a combination of documents, the dates of the documents are not required but they need to contain the date you incurred the expense.

These documents can be in written or electronic form. They include

- bank and other financial institution statements
- credit card statements

- BPAY reference numbers, often also called receipt or transaction numbers
 - email receipts
 - your *PAYG payment summary – individual non-business*; this may show, for example, your total union fees
 - paper or electronic copies of documents – these must be a true and clear reproduction of the original
 - evidence you have recorded yourself
 - for expenses of \$10 each or less, providing the total of these expenses is not more than \$200
 - if you have been unable to obtain written evidence – for example, for toll or parking fees where you cannot get a receipt.
- Your records must show the same details as a document from a supplier as described above.

Your documentation must be in English unless you incurred the expense outside Australia.

➤ For more information, see *Law Administration Practice Statement PS LA 2005/7 – Substantiation of deductions claimed by individual taxpayers for work and car expenses incurred in the course of earning non-business and non-investment income*. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

Electronic records

We recommend that if you store your records electronically you make a back-up copy to ensure the evidence is easily accessible if the original becomes inaccessible or unreadable (for example, where a compact disk, floppy disk or hard drive is corrupted).

Claims of \$300 or less

We may ask you to tell us how you worked out your claim and explain why your claim is reasonable, based on the requirements of your occupation. You do not need written evidence; you can make reasonable estimates.

! DON'T LEAVE IT TOO LATE!

Will your total claims for work-related expenses exceed \$300 next year?

If you are unsure, you may want to keep written evidence of your expenses during the year. You will need this evidence if you want to claim more than \$300.

How long you need to keep your records

You must keep your written evidence of work-related expenses for five years from 31 October 2008 or the date you lodge your tax return, whichever is later. If at the end of this period you are in a dispute with the Tax Office that relates to a work expense, you must keep the relevant records until the dispute is resolved.

For depreciating assets, you must keep records for the entire period over which you claim deductions for the decline in value of those assets. You must keep your records for a further five years from the date of your last claim. For example, if this was your last claim year, the five years start from 31 October 2008 or the date you lodge your 2008 tax return, whichever is later. This period is extended if, when the five years end, you are in a dispute with us that relates to a depreciating asset.

! DEFINITION

A **depreciating asset** is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

EXAMPLE: Keeping records

Linda buys a computer for \$4,000 in July 2004. Linda uses her computer for work 60% of the time. She claims 60% of the decline in value on the cost of her computer over four years. Linda's last claim for a deduction for decline in value is on her 2008 tax return which she lodges on 14 October 2008.

Linda must keep her records until 31 October 2013. If at this time she is in a dispute with the Tax Office that relates to this claim, she must keep her records until the dispute is resolved.

If you have lost your records or they have been destroyed, phone the Personal Infoline (see the inside back cover) to find out what you can do.

Why you need to keep your records

We will work out your refund or tax debt using the information you provide on your tax return. We may ask for more information or audit this information at a later date. You need to keep your records to prove your deduction claims in case we audit you.

Questions D1 to D6 on the following pages show you how to claim deductions for expenses that relate to your work as an employee.

➤ Extra information for some occupations

We provide summaries of tax rulings for 16 occupations:

- *Airline employees* (NAT 2331)
- *Australian Defence Force members* (NAT 2321)
- *Building workers* (NAT 2324)
- *Cleaners* (NAT 2328)
- *Factory workers* (NAT 2329)
- *Hairdressers* (NAT 2320)
- *Hospitality industry employees* (NAT 2326)
- *Journalists* (NAT 2782)
- *Lawyers* (NAT 2327)
- *Nurses* (NAT 2319)
- *Performing artists* (NAT 2325)
- *Police officers* (NAT 2316)
- *Real estate employees* (NAT 2323)
- *Shop assistants* (NAT 2322)
- *Teachers* (NAT 2317)
- *Truck drivers* (NAT 2318)

These publications are only available on our website.

QUESTION D1

WORK-RELATED CAR EXPENSES

D1

D1**DEDUCTIONS**

Did you have any car expenses relating to your work as an employee?

Do not include expenses for vehicles other than cars – for example, utility trucks or panel vans with a carrying capacity of one tonne or more, vehicles with a carrying capacity of nine or more passengers, or motorcycles. Show expenses for these vehicles at item **D2**.

Do not include travel expenses including short-term car hire, public transport fares, bridge and road tolls, parking fees, taxi fares, or the work-related running costs of a car owned or leased by somebody else – a borrowed car. You may be able to claim these at item **D2**.

NO Go to question **D2**.

YES Read below.

CAUTION

If you received an allowance for car expenses or a reimbursement that was worked out by reference to the distance the car travelled, you must show the amount of the reimbursement or allowance as income at item **2** on your tax return.

You can claim at this item your work-related expenses for using a car that you owned, leased or hired (under a hire purchase agreement).

You cannot claim at this item any expenses relating to a car owned or leased by someone else, including your employer or another member of your family. However, we consider you to be the owner or lessee of a car and eligible to claim expenses where a family or private arrangement made you the owner or lessee even though you were not the registered owner. For example, we would allow you to claim for a family car that was given to you as a birthday present and which, although it was not registered in your name, you used as your own and for which you paid all expenses.

If you owned or leased a car or hired one under a hire purchase agreement, you can use one of the four methods explained in this question to claim your work-related car expenses.

Depending on the method you choose, you will need to know or estimate your business kilometres. **Business kilometres** are the kilometres you travelled in the car in the course of using it for work-related purposes.

YOU NEED TO KNOW

Using your car for work

You cannot claim the cost of normal trips between home and work as that travel is private. You cannot claim it even if:

- you did minor tasks – for example, picking up the mail on the way to work or home
- you had to travel between home and work more than once a day

- you were on call – for example, you were on standby duty and your employer contacted you at home to come into work
- there was no public transport near where you worked
- you worked outside normal business hours – for example, shift work or overtime, or
- your home was a place of business and you travelled directly to a place of employment.

WHAT YOU MAY NEED

- Written evidence of your car expenses – receipts, invoices or diary entries
- Car logbook and odometer records
- *Guide to depreciating assets 2008* (NAT 1996)
- *Law Administration Practice Statement PS LA 1999/2 – Calculating car expense deductions where the car is jointly owned, jointly leased or jointly hired under a hire purchase agreement (but is not owned, leased or hired by a partnership)*

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

You can claim the cost of trips between home and work if:

- you used your car because you had to carry bulky tools or equipment that you used for work and could not leave at work – for example, an extension ladder or cello
- your home was a base of employment – you started your work at home and travelled to a workplace to continue the work, or
- you had shifting places of employment – you regularly worked at more than one site each day before returning home.

 *Taxation Ruling TR 95/34 – Income tax: employees carrying out itinerant work – deductions, allowances and reimbursements for transport expenses* has more information on travel expenses for employees who have shifting places of employment. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

You can claim the cost of using your car to travel directly between two separate places of employment – for example, when you have a second job.

EXAMPLE 1

Will is a clerk at a large department store. During 2007–08 he used his own car to travel from his normal place of employment to his second job as a waiter. After finishing work as a waiter, he went directly home. Will's travel cost from his normal place of employment to his second job is an allowable deduction. However, he cannot claim the cost of travelling home from his second job.

 For more information, see the electronic publication *Deduction for transport between workplaces* on our website.

You can claim the cost of using your car to travel:

- from your normal workplace to an alternative workplace – for example, a client's premises – while still on duty and back to your normal workplace or directly home
- from your home to an alternative workplace for work purposes and then to your normal workplace or directly home.

EXAMPLE 2

Bec is a clerk at a large department store in the city. In 2007–08 she was required to attend meetings at her employer's other store in the suburbs. She used her own car to travel to the meetings. As the meetings finished late, Bec went directly home after the meetings.

Bec can claim the cost of each journey.

Calculating your deduction

You can use one of the four methods summarised below to work out your car expenses. Ensure you have the necessary evidence for the method that you choose. We have online calculators to assist you. Go to www.ato.gov.au/calculators and select the work-related expense option.

METHOD 1 – Cents per kilometre

- Your claim is based on a set rate for each business kilometre.
- You can claim a maximum of 5,000 business kilometres.
- You do not need written evidence.

METHOD 2 – 12% of original value

- Your claim is based on 12% of the original value of your car.
- The value is subject to luxury car limits.
- Your car must have (or would have) travelled more than 5,000 business kilometres in the income year.
- You do not need written evidence.

METHOD 3 – One-third of actual expenses

- You claim one-third of your car's expenses.
- Your car must have (or would have) travelled more than 5,000 business kilometres in the income year.
- You need written evidence or odometer records for fuel and oil costs.
- You need written evidence for all the other expenses for the car.

METHOD 4 – Logbook

- Your claim is based on the business use percentage of each car expense.
- You need a logbook so you can work out the percentage.
- You need odometer readings for the start and end of the period you owned or leased the car.
- You can claim fuel and oil costs based on odometer records.
- You need written evidence for all the other expenses for the car.

Jointly owned cars

There are special rules for jointly owned cars. For example, if two people have equal shares in a car, under the '12% of original value' method, they would each claim 6% of the value as their deduction. Law Administration Practice Statement PS LA 1999/2 tells you more about these rules.

Deductions for decline in value

If you are claiming a deduction for the decline in value of a car, you should refer to the publication *Guide to depreciating assets 2008*. It contains details of how to work out deductions for the decline in value and balancing adjustments for cars. (You may need to make a balancing adjustment if you disposed of your car. See the next page.)

You can only claim a deduction for the decline in value if:

- you owned the car or hired it under a hire purchase agreement, and
- you used either the 'one-third of actual expenses' or 'logbook' method to calculate your car expenses.

If you leased a car you cannot claim a deduction for its decline in value (because you were not the owner of the car), unless it was a luxury car. Special rules apply to leased luxury cars (see below).

Some important things to remember:

- The decline in value is worked out from the day you first use the car for any purpose.
- You can only claim a deduction for the decline in value in a year you use the car for work-related purposes.
- You will need to apportion your deduction for the decline in value if you used the 'logbook method' and owned the car for only part of the year.
- When calculating a deduction for the decline in value, the cost of the car is restricted to the luxury car limit (see page 46).

Leased luxury cars

If you leased a luxury car, you can claim a deduction for its decline in value. Special rules apply if you want to claim a deduction for the decline in the value of a luxury car:

- you must use the 'one-third of actual expenses' or 'logbook' method to calculate your car expenses, and
- the value of the car is restricted to the luxury car limit (see page 46).

A car is considered to be a luxury car if the cost of the car – whether new or second-hand – at the time the lease begins is more than the luxury car limit applying for that year. Phone the Personal Infoline (see the inside back cover) to find out more about the special rules.

Decline in value and low-value pools

If you included a car you used for work in your low-value pool, do not include an amount for the decline in value of that car in your car expenses at item **D1**. You claim the deduction for the decline in value of the low-value pool at item **D6**. See *Guide to depreciating assets 2008* for information on the low-value pool method and how to calculate the decline in value of your low-cost and low-value depreciating assets.

! SMALL BUSINESS TAX CHANGES

New streamlined provisions for small business entities have replaced the former simplified tax system (STS). Broadly, to use the simplified depreciation rules you must be in business and have an aggregated turnover of less than \$2 million. For more information, see *Business and professional items* (NAT 2543).

Decline in value using the simplified depreciation rules

If you were a small business entity for 2007–08 and are choosing to use the simplified depreciation rules, do not claim an amount for the decline in value of your

car at item **D1**. You must calculate your work-related deduction for depreciating assets, including your car, using the simplified depreciation rules. You claim your small business entity depreciating assets deductions at item **P8** on the *Business and professional items schedule for individuals 2008* (NAT 2816).

Under transitional rules for the streamlined provisions for small business entities, depreciating assets allocated to your general STS pool and long-life STS pool are treated as being allocated to your general small business pool and long-life small business pool respectively.

If you did not carry on any business during 2007–08 but have deductions for decline in value because you have allocated depreciating assets (such as a car) to an STS pool in a prior year, make your claim for small business pool deductions at item **D15** on your tax return (supplementary section).

➤ For more information, see *Guide to concessions for small business entities* (NAT 71874). This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

Was your car disposed of, lost or destroyed?

You may need to make a balancing adjustment if you have disposed of your car and you have claimed a deduction for its decline in value. The balancing adjustment is necessary if you:

- used only the ‘one-third of actual expenses’ or ‘logbook’ method
- switched between the ‘one-third of actual expenses’ method and the ‘logbook’ method, or
- switched between the ‘one-third of actual expenses’ or ‘logbook’ method and the ‘cents per kilometre’ or ‘12% of original value’ method.

The publication *Guide to depreciating assets 2008* explains how to make these calculations.

If you had a loss after making the adjustment, claim the loss amount at this item. If you had a profit, include the amount as category 1 income at item **24** on your tax return (supplementary section). Refer to the Index for more information.

! IMPORTANT

A balancing adjustment is not required if you have used only the ‘cents per kilometre’ or ‘12% of original value’ method for calculating expenses for the car.

Award transport payments

Award transport payments are allowances covering either transport expenses or car expense reimbursements that are paid under an industrial law or award that was in force on 29 October 1986. The car expense reimbursement is calculated in respect of a certain number of kilometres.

Your union or employer can tell you the ‘29 October 1986’ amount.

Award transport payments are assessable income and you must include any payments as income on your tax return. If you have incurred transport or car expenses covered by these payments, you may be able to claim a deduction:

- for transport expenses – at item **D2**
- for car expenses – at either this item or item **D2**.

If your claim for work-related transport or car expenses is no more than the award amount, make the claim at item **D2**. You do not need written evidence.

If you also have a claim for any additional kilometres not covered by the award transport payment, you can make the claim at this item but you can only use the ‘logbook’ method (you will need written evidence) or the ‘cents per kilometre’ method.

Remember, kilometres that are covered by the award transport payment and claimed at item **D2** are not counted as business kilometres under either the ‘cents per kilometre’ or ‘logbook’ method but they are counted as part of the total kilometres travelled for the ‘logbook’ method. If you do not know how many business kilometres relate to your award transport payment, you can make a reasonable estimate.

Alternatively, you may choose not to limit any part of your claim for work-related car expenses to the award amount. If this is the case, make your claim at this item (and do not claim car expenses covered by your award transport payment at item **D2**). When making your claim at this item you can use any of the four methods to calculate your car expenses. Treat any work-related kilometres covered by the award transport payment as business kilometres. You will need to provide the written evidence required by the particular method you select.

The example below explains the different ways you can claim when you receive an award transport payment.

EXAMPLE 3

Emma travelled 22,000 kilometres in total during 2007–08. Half of these were work related. She received an award transport payment of \$2,000 which, under her award, covered travel of 5,000 work-related kilometres. This left her with 6,000 business kilometres not covered by the payment. The ‘29 October 1986’ award transport payment was \$1,400.

Emma has to show the \$2,000 at item **2**. She can claim her car expenses in one of the following ways:

- She can claim \$1,400 at item **D2**.
- She can claim \$1,400 at item **D2** and then use 5,000 of her additional 6,000 business kilometres towards a claim for total car expenses at item **D1** using the ‘cents per kilometre’ method (see below).
- If she has written evidence of her expenses, she can claim \$1,400 at item **D2** and then use all the outstanding 6,000 business kilometres towards a claim for total car expenses using the ‘logbook’ method (see pages 47–8). She divides her 6,000 business kilometres by her 22,000 total kilometres to work out her business use percentage:

$$\frac{6,000}{22,000} \times 100 = 27\%$$

- If she has written evidence of her expenses, she can ignore item **D2** and treat the kilometres covered by the award transport payment as business kilometres, and claim them at this item. This gives her a total of 11,000 business kilometres towards a claim for total car expenses using the ‘logbook’ method (see pages 47–8). She divides her 11,000 business kilometres by her 22,000 total kilometres to work out her business use percentage:

$$\frac{11,000}{22,000} \times 100 = 50\%$$

METHOD 1 – Cents per kilometre

You can use this method to claim up to a maximum of 5,000 business kilometres per car even if you have travelled more than 5,000 business kilometres. For example, if you travelled 5,085 business kilometres, you can only claim the cost of travelling 5,000 kilometres with this method. You cannot claim for the extra 85 kilometres.

You do not need written evidence but you may need to be able to show how you worked out your business kilometres.

STEP 1 Multiply the total business kilometres travelled (a maximum of 5,000 for each car) by the number of cents allowed for your car's engine capacity (from the **Rates per business kilometre** table in the next column). Divide your answer by 100 to work out the amount in dollars that you can claim.

RATES PER BUSINESS KILOMETRE

Ordinary car – engine capacity	Rotary engine car – engine capacity	Cents per kilometre
1600cc (1.6 litre) or less	800cc (0.8 litre) or less	58 cents
1601–2600cc (1.601–2.6 litre)	801–1300cc (0.801–1.3 litre)	69 cents
2601cc (2.601 litre) and over	1301cc (1.301 litre) and over	70 cents

Work out the amount you can claim for each car and add up all the amounts.

STEP 2 Write the total amount at **A** item **D1** on page 3 of your tax return. Do not show cents. Print the code letter **S** in the **CLAIM TYPE** box beside the amount.

METHOD 2 – 12% of original value

You can use this method if you used your car to travel more than 5,000 business kilometres in 2007–08. This method is also available if you would have used your car to travel more than 5,000 business kilometres had you used it for the whole of 2007–08.

You do not need written evidence to use this method but you may need to be able to show how you worked out your business kilometres.

If you bought the car, you can claim 12% of the cost. If you leased the car, you can claim 12% of its market value at the time that you first leased it. The maximum deduction you can claim is 12% of the luxury car limit in the year in which you first used or leased the car. The luxury car limits for the past 10 years are shown in the table below.

LUXURY CAR LIMITS FOR THE PAST 10 YEARS

2007–08	\$57,123	2002–03	\$57,009
2006–07	\$57,009	2001–02	\$55,134
2005–06	\$57,009	2000–01	\$55,134
2004–05	\$57,009	1999–2000	\$55,134
2003–04	\$57,009	1998–99	\$55,134

STEP 1 Multiply the cost of the car or the luxury car limit, whichever is less, by 12 and divide the result by 100. This is the amount you can claim if you owned or leased your car for the whole of 2007–08 and used it for work during that year.

If you are using this method to claim a deduction for more than one car, work out the amount you can claim for each car.

If you owned or leased all the cars for the whole of 2007–08, go to step 3. Otherwise, go to step 2.

STEP 2 If you did not own or lease the car for all of 2007–08, you need to work out whether you can use this method.

First work out the number of days you owned or leased the car in 2007–08.

If you travelled 5,000 business kilometres or less, multiply the number of business kilometres you travelled by 365. Divide the result by the number of days you owned or leased the car during 2007–08. We consider the answer to be the number of kilometres you would have travelled if you had used the car for the whole year.

If your answer is more than 5,000, you can use this method to claim your expenses. Go to **Working out the amount you can claim** below.

If your answer is 5,000 or less, you cannot use this method; use the 'cents per kilometre' or 'logbook' method.

Working out the amount you can claim

Multiply the amount you worked out at step 1 by the number of days you owned or leased the car. Divide the result by 365.

EXAMPLE 4

Aaron bought a car on 1 March 2008 for \$40,000 and he travelled 3,600 kilometres for work between 1 March 2008 and 30 June 2008 (122 days).

Because he did not own the car for the full year, Aaron needs to work out if he can use the '12% of original value' method.

As he travelled less than 5,000 business kilometres, Aaron multiplies the business kilometres he travelled by 365 and divides the result by the number of days he owned the car:

$$\frac{3,600 \times 365}{122} = 10,770 \text{ kilometres}$$

Because this is more than 5,000 business kilometres, he is able to use this method.

Aaron follows the instructions in step 1 to get 12% of the cost of the car:

$$\frac{\$40,000 \times 12}{100} = \$4,800$$

He multiplies this amount by the number of days he owned the car and divides the result by 365:

$$\frac{\$4,800 \times 122}{365} = \$1,605$$

This is the amount Aaron can claim for car expenses.

STEP 3 Write your claim at **A** item **D1** on page 3 of your tax return. Do not show cents. Print the code letter **T** in the **CLAIM TYPE** box beside the amount.

METHOD 3 – One-third of actual expenses

This method allows you to claim one-third of your expenses for each car. Car expenses do not include capital costs such as the initial cost of your car or improvements to it.

You can use this method if you used your car to travel more than 5,000 business kilometres in 2007–08. This method is also available if you would have used your car to travel more than 5,000 business kilometres had you used it for the whole of 2007–08.

You must have written evidence for all your car expenses except fuel and oil costs.

There are two ways to work out your fuel and oil costs:

- use your fuel and oil receipts, if you have them
- keep odometer records and make a reasonable estimate based on those records.

Odometer records need to show the odometer readings of the car at the start and end of the period that you owned or leased the car during 2007–08. They should also show the car's engine capacity, make, model and registration number. You may also need to be able to show how you worked out your business kilometres and any reasonable estimate you made.

EXAMPLE 5

Sim has made a reasonable estimate that she travelled 7,000 business kilometres during 2007–08. She is able to use this method.

Her odometer records show she used the car to travel a total of 25,000 kilometres during 2007–08.

She also estimated that the car used 10 litres of fuel per 100 kilometres travelled, based on the manufacturer's guidelines, and the average fuel price for the period in her area was \$1.30 per litre.

Sim would work out her fuel claim like this:

$$\frac{25,000 \times 10}{100} = 2,500 \text{ litres}$$

$$2,500 \times \$1.30 = \mathbf{\$3,250}$$

This is the amount Sim would include for fuel in step 1.

Complete the following steps to work out how much you can claim using the 'one-third of actual expenses' method.

STEP 1 Add up your total expenses for fuel and oil, registration, insurance, interest, repairs and maintenance, the decline in value or lease payments and any other costs of running your car. See pages 44–5 to work out the amount to show here for decline in value.

STEP 2 Divide your total car expenses by 3. The answer is the amount you can claim.

STEP 3 Write the amount from step 2 at **A** item **D1** on page 3 of your tax return. Do not show cents. Print the code letter **O** in the **CLAIM TYPE** box beside the amount.

METHOD 4 – Logbook

Using the 'logbook' method, you work out the business use percentage of your car. You can then claim this percentage of each car expense. Car expenses do not include capital costs such as the purchase price of your car or improvements to it.

You must keep:

- a logbook
- odometer records, and
- written evidence for all your car expenses except fuel and oil costs.

Business use percentage

You can claim the business use percentage of all your car expenses. To work out your business use percentage, use the details from your logbook and odometer records.

From your records, work out the total kilometres you travelled.

Work out how many were business kilometres. Divide this number by the total number of kilometres travelled. Multiply the answer by 100.

EXAMPLE 6

At the end of the logbook period, Tim's logbook shows that he travelled a total of 11,000 kilometres, of which 6,600 were business kilometres.

Tim would work out his business use percentage like this:

$$\frac{6,600}{11,000} \times 100 = \mathbf{60\%}$$

This is the business use percentage Tim would use to work out his car expenses claim.

It is in your interest to write in the logbook all journeys you make in your car for work activities. If a work-related journey is not recorded, the logbook will indicate a lower business use percentage than it could.

Did the pattern of use of your car change during 2007–08?

If the pattern of use of your car changed, make a reasonable estimate of what your business use percentage would have been for the whole of 2007–08, taking into account your logbook, odometer and other records, any variations in the pattern of use of your car and any changes in the number of cars you used in the course of earning your income.

Your logbook

Your logbook is valid for five years. If this is the first year you are using this method, you must have kept a logbook during 2007–08. The logbook must cover at least 12 continuous weeks. If you started to use your car for business purposes less than 12 weeks before the end of 2007–08, you are able to continue to keep a logbook into 2008–09 so that your logbook covers the required 12 weeks. If you want to use the logbook method for two or more cars, the logbook for each car must cover the same period.

If you have not kept a logbook since 2002–03, you must have kept a new logbook for 2007–08. If you did not keep a new logbook for 2007–08, you cannot use the ‘logbook’ method. You must use another method.

Where you have kept a logbook for 2007–08 it must contain the following information:

- when the logbook period begins and ends
- the car’s odometer readings at the start and end of the logbook period
- the total number of kilometres that the car travelled during the logbook period
- the number of kilometres travelled for work activities based on journeys recorded in the logbook. If you made two or more journeys in a row on the same day, you can record them as a single journey
- the business use percentage for the logbook period.

If you established your business use percentage using a logbook from an earlier year, you need to keep that logbook and maintain odometer records.

You also need a logbook if we told you in writing to keep one. We do not supply logbooks. Pre-printed logbooks are available from stationery suppliers or you can draw up your own.

Logbook entries

Your logbook must show details of each business trip. You must write down:

- the date the journey began and the date it ended
- the car’s odometer readings at the start and end of the journey
- how many kilometres the car travelled on the journey, and
- the reason for the journey.

The logbook entries must be made at the end of the journey, or as soon as possible afterwards, and they must be in English.

Odometer records

You must keep written odometer records for the period you owned or leased the car during 2007–08. You need to record:

- the car’s odometer readings at the start and end of the period, and
- the make, model, engine capacity and registration number of the car.

Odometer records can be kept as part of your logbook if you kept one for 2007–08. If you did not keep a logbook in 2007–08, you need to have a separate record of the odometer readings and other details.

Working out your claim

Once you have worked out your business use percentage, you can apply it to your car expenses.

You need to keep written evidence of all your car expenses except fuel and oil costs – for example, for registration, repairs, interest and insurance.

There are two ways to work out your fuel and oil costs:

- use your fuel and oil receipts, if you have them
- make a reasonable estimate based on your odometer records.

EXAMPLE 7

Bayden’s odometer records show he used his car to travel a total of 7,000 kilometres during 2007–08.

Based on the manufacturer’s guidelines, he estimated that the car used 10 litres of fuel per 100 kilometres travelled and the average fuel price for the period in his area was \$1.20 per litre.

Bayden would work out his fuel claim like this:

$$\frac{7,000 \times 10}{100} = 700 \text{ litres}$$

$$700 \times \$1.20 = \mathbf{\$840}$$

This is the amount Bayden would include for fuel in step 1.

Complete the following steps to work out how much you can claim using the ‘logbook’ method.

STEP 1 Add up your total expenses for fuel and oil, registration, insurance, interest, repairs and maintenance, the decline in value or lease payments and any other costs of running your car. See pages 44–5 to work out the amount to show here for decline in value.

STEP 2 Multiply the amount you worked out at step 1 by your business use percentage. The answer is the amount you can claim.

STEP 3 Write the amount from step 2 at **A** item **D1** on page 3 of your tax return. Do not show cents. Print the code letter **B** in the **CLAIM TYPE** box beside the amount.

Claiming under more than one method

If you had more than one car and you are claiming expenses under different methods, add the amounts you worked out under each method and write the total at item **D1** on your tax return. Do not show cents. Print the code letter for the method that gave you the largest amount in the **CLAIM TYPE** box beside the amount.

CHECK THAT YOU HAVE . . .

- written on your tax return the amount of your claim for car expenses
- printed the correct code letter in the **CLAIM TYPE** box beside the amount:
 - S** – if you used the ‘cents per kilometre’ method
 - T** – if you used the ‘12% of original value’ method
 - O** – if you used the ‘one-third of actual expenses’ method
 - B** – if you used the ‘logbook’ method
- written evidence of your car expenses, where required. Keep this evidence for five years from 31 October 2008 or the date you lodge your tax return, whichever is later. If at the end of this period you are in a dispute with us that relates to this work expense, you must keep your records until the dispute is resolved.

QUESTION D2

WORK-RELATED TRAVEL EXPENSES

D2

D2**DEDUCTIONS**

Did you have any travel expenses relating to your work as an employee?

At this item you claim travel expenses, including for vehicles other than cars – for example, utility trucks or panel vans with a carrying capacity of one tonne or more, vehicles with a carrying capacity of nine or more passengers, and motorcycles.

You can also claim work-related running costs you incurred for a car owned or leased by somebody else – a borrowed car.

NO Go to question **D3**.

YES Read below.

YOU NEED TO KNOW

You can claim travel expenses directly connected with your work. If your travel was partly private and partly for work, you can only claim the work-related part.

Travel expenses you may be able to claim include meal expenses, accommodation expenses and incidental expenses you incurred while away overnight for work – for example, going to an interstate work conference. Generally, if your travel did not involve an overnight stay, you cannot claim for meals even if you received a travel allowance.

Other travel expenses you may be able to claim include air, bus, train, tram and taxi fares, bridge and road tolls, and parking and car hire fees.

You cannot claim a deduction for expenses you incurred for the direct operation of a car that your employer provided, if at any time you or your relatives used it for private purposes, even if the expenses were work related. Examples of **direct operation expenses** are petrol, oil and repairs. Such expenses form part of the valuation of the car for fringe benefits tax purposes. However, you may be able to claim expenses linked to the car that are not related to its direct operation, such as parking fees and bridge tolls.

You cannot claim the cost of normal trips between your home and your workplace, as that travel is private. You cannot claim it even if:

- you did minor tasks – for example, picking up the mail on the way to work or home
- you had to travel between your home and your workplace more than once a day
- you were on call – for example, you were on standby duty and your employer contacted you at home to come into work
- there was no public transport near where you worked
- you worked outside normal business hours – for example, shift work or overtime, or
- your home was a place of business and you travelled directly to a place of employment.

You can claim for the cost of trips undertaken between your home and your workplace if:

- you used your vehicle or had other travel expenses because you had to carry bulky tools or equipment that you used for your work and could not leave at your workplace – for example, an extension ladder or cello

- your home was a base of employment – you started your work at home and travelled to a workplace to continue the work, or
- you had shifting places of employment – you regularly worked at more than one site each day before returning home.

T *Taxation Ruling TR 95/34 – Income tax: employees carrying out itinerant work – deductions, allowances and reimbursements for transport expenses* has more information on travel expenses for employees who have shifting places of employment. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

You can claim the cost of travelling directly between two separate places of employment – for example, when you have a second job.

EXAMPLE 1

Sue is a clerk at a large department store. During 2007–08 she travelled by bus from her normal workplace to her second job as a waitress. After finishing work as a waitress, she went directly home.

Sue's travel costs from her normal workplace to her second job are an allowable deduction. However, she cannot claim the cost of travelling home from her second job.

You can claim the cost of travelling:

- from your normal workplace to an alternative workplace – for example, a client's premises – while still on duty and back to your normal workplace or directly home
- from your home to an alternative workplace for work purposes and then to your normal workplace or directly home.

EXAMPLE 2

Janet is a clerk at a large department store in the city. In 2007–08 she was required to attend meetings at her employer's other store in the suburbs. She travelled by bus to the suburban store. As the meetings finished late, she went straight home by train.

Janet can claim the cost of each journey.

Records you need

The table on the next page explains what records you need if you are claiming domestic or overseas travel expenses for accommodation, food, drink or incidentals.

If you are claiming travel expenses and you received a travel allowance from your employer, you must show the allowance at item **2** on your tax return.

We set the reasonable allowance amount for your circumstances in an annual taxation determination which explains when you do not need evidence of your expenses and the way in which you can claim them.

➤ For 2007–08 refer to *Taxation Determination TD 2007/21 – Income tax: what are the reasonable travel and meal allowance expense amounts for 2007–08?*. This determination should be read together with *Taxation Ruling TR 2004/6 – Income tax: substantiation exception for reasonable travel and overtime meal allowance expenses*. These publications are available on our website or to find out how to get a printed copy, see the inside back cover. Your employer may also be able to tell you what the amount is.

If your travel allowance was not shown on your payment summary and was not more than the reasonable allowance amount for your circumstances, you do not have to include the allowance at item 2 provided that you have fully expended the allowance on deductible travel expenses and you do not claim a deduction for these expenses.

TRAVEL EXPENSE RECORDS

	DOMESTIC TRAVEL		OVERSEAS TRAVEL	
	Written evidence	Travel diary ¹	Written evidence	Travel diary ¹
If you did not receive a travel allowance:				
■ travel less than 6 nights in a row	Yes	No	Yes	No
■ travel 6 or more nights in a row	Yes	Yes	Yes	Yes
If you received a travel allowance and your claim does not exceed the reasonable allowance amount:				
■ travel less than 6 nights in a row	No	No	No ²	No
■ travel 6 or more nights in a row	No	No	No ²	Yes ³
If you received a travel allowance and your claim exceeds the reasonable allowance amount:				
■ travel less than 6 nights in a row	Yes	No	Yes	No
■ travel 6 or more nights in a row	Yes	Yes	Yes	Yes ³

¹ A travel diary is a document in which you record the dates, places, times and duration of your activities and travel.

² Written evidence is required for overseas accommodation expenses regardless of the length of the trip.

³ Members of international aircrews do not have to keep a travel diary if they limit their claim to the amount of the allowance received.

Written evidence

You must have written evidence for the whole of your claim, not just the excess over the reasonable amount. Written evidence is explained on pages 41–2.

Utility trucks, panel vans, large passenger-carrying vehicles and motorcycles

If you owned, leased or hired (under a hire purchase agreement) one or more of the following vehicles and

used them for work purposes, you can claim the costs you incurred relating to this work use (for example, the cost of petrol and oil):

- a utility truck or panel van with a carrying capacity of one tonne or more
- a vehicle with a carrying capacity of nine or more passengers
- a motorcycle.

You can claim the costs you actually incurred. As these types of vehicles are not considered to be cars, you cannot use the ‘cents per kilometre’ method or any other method described at question D1 to calculate your claim.

Car owned or leased by somebody else – a borrowed car

You can claim the costs you actually incurred when using a car owned or leased by somebody else for work-related purposes – for example, the costs of petrol and oil. You cannot use the ‘cents per kilometre’ method or any other method described at question D1 to calculate your claim.

Award transport payments

Award transport payments are allowances covering either transport expenses or car expense reimbursements that are paid under an industrial law or award that was in force on 29 October 1986. Your union or employer can tell you the ‘29 October 1986’ amount.

Award transport payments are assessable income and you must include any payments as income on your tax return. If you have incurred work-related transport expenses or car expenses covered by these payments, you may be able to claim a deduction for these expenses.

If you choose to claim no more than the ‘29 October 1986’ amount, claim these expenses at this item. You do not need written evidence.

If you choose to claim more than the ‘29 October 1986’ amount for:

- transport expenses, make the claim at this item – you will need written evidence for the whole of the claim
- car expenses, make the claim at item D1.

You can also claim additional car expenses not covered by the award transport payment at item D1.

➤ COMPLETING THIS ITEM

STEP 1 Add up all your allowable travel expenses.

STEP 2 Write the total amount at **B** item D2 on page 3 of your tax return. Do not show cents.

CHECK THAT YOU HAVE . . .

- written on your tax return the amount of your claim for travel expenses
- written evidence of your travel expenses, where required. You need to keep these records for five years from 31 October 2008, or the date you lodge your tax return, whichever is later. If at the end of this period you are in a dispute with us that relates to this work expense, you must keep your records until the dispute is resolved.

QUESTION D3

WORK-RELATED CLOTHING, LAUNDRY AND DRY-CLEANING EXPENSES

D3

D3**DEDUCTIONS**

Did you have expenses for any of the following items that relate to your work as an employee:

- protective clothing
- uniform
- occupation-specific clothing, or
- laundry or dry-cleaning?

NO Go to question D4.

YES Read below.

If you received an allowance from your employer for clothing, uniforms, laundry or dry-cleaning, make sure that you have shown the amount at item 2.

You can claim the cost of buying, renting, repairing and cleaning occupation-specific clothing, protective clothing and certain work uniforms.

You cannot claim the cost of purchasing or cleaning a plain uniform or clothes you bought to wear for work that are not protective or specific to your occupation even if your employer tells you to wear them – for example, a bartender's black trousers and white shirt or a manager's suit or stockings.

➤ For more information, read:

- *Taxation Ruling TR 98/5 – Income tax: calculating and claiming a deduction for laundry expenses*
- *Taxation Ruling TR 97/12 – Income tax and fringe benefits tax: work-related expenses: deductibility of expenses on clothing, uniform and footwear*
- *Taxation Ruling TR 2003/16 – Income tax: deductibility of protective items*
- *Taxation Ruling TR 94/22 – Income tax: implications of the Edwards case for the deductibility of expenditure on conventional clothing by employees.*

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

WHAT YOU MAY NEED

- Written evidence from your goods or services supplier
- Diary records of your laundry costs, if you need written evidence

YOU NEED TO KNOW

You cannot automatically claim a deduction simply because you received a uniform, clothing, laundry or dry-cleaning allowance from your employer. Carefully read the section **Claiming deductions for expenses that relate to your work as an employee** on pages 41–2 before claiming a deduction.

Work uniform

This is a uniform, either compulsory or non-compulsory, that is unique and distinctive to the organisation that you work for.

! DEFINITION

Clothing is **unique** if it has been designed and made only for the employer.

Clothing is **distinctive** if it has the employer's logo permanently attached and the clothing with the logo is not available to the public.

Compulsory work uniform

This is a set of clothing that identifies you as an employee of an organisation which has a strictly enforced policy that makes it compulsory for you to wear the uniform while you are at work.

You may be able to claim a deduction for shoes, socks and stockings where they are an essential part of a distinctive compulsory uniform, the characteristics of which (colour, style, and type) are specified in your employer's uniform policy.

➤ For more information, read *Taxation Determination TD 1999/62 – Income tax: what are the criteria to be considered in deciding whether clothing items constitute a compulsory corporate uniform/wardrobe for the purposes of paragraph 30 of Taxation Ruling TR97/12?*. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

You may be able to claim for a single item of distinctive clothing, such as a jumper, if it is compulsory for you to wear it at work.

Non-compulsory work uniform

You cannot claim expenses incurred for non-compulsory work uniforms unless your employer has registered the design with AusIndustry – check with your employer (who will be able to find the information for 'corporate wear' at www.ausindustry.gov.au).

Shoes, socks and stockings can never form part of a non-compulsory work uniform, and neither can a single item, such as a jumper.

Occupation-specific clothing

This is clothing that is specific to your occupation, is not everyday in nature and would allow the public to easily recognise your occupation – for example, the checked pants a chef wears.

Protective clothing

This is clothing and footwear that you wear to protect yourself from the risk of illness or injury posed by your income-earning activities or the environment in which you are required to carry them out. To be considered protective, the items must provide a sufficient degree of protection against that risk. Examples of protective clothing include fire-resistant and sun-protection clothing, safety-coloured vests, non-slip nurse's shoes, rubber

boots for concreters, steel-capped boots, gloves, overalls, and heavy duty shirts and trousers. Overalls, smocks and aprons you wear to avoid damage or soiling to your ordinary clothes during the course of your income-earning activities are also protective clothing. Ordinary clothes, such as jeans, drill shirts and shorts, trousers and socks, that lack protective qualities designed for the risks of your work are not protective clothing.

Laundry expenses

You can claim the costs of washing, drying and ironing eligible work clothes. These costs can include laundromat expenses.

You must have written evidence – for example, diary entries and receipts – for your laundry expenses if:

- the amount of your claim is greater than \$150, and
- your total claim for work expenses exceeds \$300 – not including car, meal allowance, award transport payments allowance and travel allowance expenses.

If you do not need to provide written evidence for your laundry expenses, you may use a reasonable basis to work out your claim.

For washing, drying and ironing you did yourself, we consider that a reasonable basis for working out your laundry claim would be \$1 per load – this includes washing, drying and ironing – if the load was made up only of the clothes described in this question, and 50 cents per load if other laundry items were included. If you choose a different basis to work out your claim, we may ask you to explain that basis.

Dry-cleaning expenses

You can claim the cost of dry-cleaning eligible work clothes. You must have written evidence to substantiate your claim if your total claim for work expenses exceeds \$300 – not including car, meal allowance, award transport payments allowance and travel allowance expenses.

▶ COMPLETING THIS ITEM

To work out your claim you can use the work-related uniform expenses calculator on our website and then go to step 3. Otherwise, go to step 1.

STEP 1 Work out the total cost of laundering your occupation-specific clothing, protective clothing or work uniforms. (For information about using a reasonable basis to work out laundry expenses, see **Laundry expenses** in the previous column.)

STEP 2 Add up all your allowable uniform, clothing, laundry and dry-cleaning expenses.

STEP 3 Write the total amount at **C** item **D3** on page 3 of your tax return. Do not show cents.

STEP 4 Select the code letter that describes the majority of the clothing for which you are claiming:

C compulsory work uniform

N non-compulsory work uniform

S occupation-specific clothing

P protective clothing

Print the code letter in the **CLAIM TYPE** box at the right of **C** item **D3** on your tax return.

CHECK THAT YOU HAVE . . .

- written on your tax return the total amount of your uniform, occupation-specific clothing, protective clothing, laundry and dry-cleaning expenses
- printed your code letter in the **CLAIM TYPE** box
- written evidence to prove your claims, where required (see **What is written evidence?** on pages 41–2).

You need to keep these records for five years from 31 October 2008 or the date you lodge your tax return, whichever is later. If at the end of this period you are in a dispute with us that relates to this work expense, you must keep your records until the dispute is resolved.

QUESTION D4

WORK-RELATED SELF-EDUCATION EXPENSES

D4

D4**DEDUCTIONS**

Did you have any self-education expenses relating to your work as an employee?

The self-education expenses that you show at this item are expenses that you incur when you undertake a work-related course to obtain a formal qualification from a school, college, university or other place of education.

The course must have a **sufficient connection** to your current employment, that is, the course:

- maintains or improves the **specific** skills or knowledge you require in your current employment, or
- results in, or is likely to result in, an **increase in your income** from your current employment.

You cannot claim a deduction for self-education expenses for a course that does not have a **sufficient connection** to your current employment even though:

- it might be generally related to it (see **example 1**), or
- it enables you to get new employment.

STOP

Do not show at this item:

- the cost of formal education courses provided by professional associations – show these at item **D5 Other work-related expenses**
- the cost of attending seminars, education workshops or conferences that were connected to your work activities but did not relate to your course of education – show these at item **D5 Other work-related expenses**
- amounts for decline in value of items included in a low-value pool – show these at item **D6 Low-value pool deduction**
- deductions for depreciating assets if you were in business and are using the streamlined provisions for small business entities, which have replaced the simplified tax system (STS) – show these at item **P8** on the *Business and professional items schedule for individuals 2008* (NAT 2816)
- small business pool deductions for depreciating assets if you were not carrying on any business during 2007–08 but have small business pool deductions because you have previously allocated depreciating assets (such as a car) to an STS pool (now a small business pool) in a prior year – show these at item **D15** on your tax return (supplementary section).

NO Go to question **D5**.

YES Read on.

EXAMPLE 1

Louis, a computer science student, works at the university laboratory installing computers. The course and the job are generally related, and what Louis learns might help him in his job.

However, the high level professional skills Louis acquires are well beyond the skills required for his current job and employment. Consequently there is not a sufficient connection between his job and his course, and he cannot claim a deduction for work-related expenses for his course.

WHAT YOU MAY NEED

- Written evidence. Read pages 41–2 for an explanation of the **written evidence rule**.
- *Taxation Ruling TR 98/9 – Income tax: deductibility of self-education expenses*
- *Guide to depreciating assets 2008* (NAT 1996). This publication contains information about deductions for decline in value, balancing adjustments and immediate deductions for certain depreciating assets. It also explains the option to pool low-value depreciating assets for which you cannot claim an immediate deduction. If you choose this option, see question **D6 Low-value pool deduction**.

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

DEFINITION

A **depreciating asset** is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

YOU NEED TO KNOW

What you cannot claim

You cannot claim deductions for the following expenses:

- self-education expenses that you incurred if the only income you received was from youth allowance, austudy, ABSTUDY or similar schemes providing payments in the nature of financial assistance
- self-education expenses for a contribution amount paid to an education provider by you or by the Australian Government under HECS-HELP
- the cost of meals generally; for when you can claim the cost of meals, see **What you can claim** on the next page.
- the repayments you made, whether compulsory or voluntary, on debts you have under the following student loan schemes:
 - Student Financial Supplement Scheme (SFSS)
 - Higher Education Loan Programme (HELP)

➤ The Higher Education Loan Programme (HELP) is the student loan scheme that was introduced on 1 January 2005.

HELP has three types of loans:

- HECS-HELP for eligible students enrolled in a Commonwealth supported place
- FEE-HELP for eligible fee-paying students enrolled at an eligible higher education provider or Open Universities Australia
- OS-HELP which helps students who wish to undertake some of their study overseas.

For more information on HELP, see the Department of Education, Employment and Workplace Relations website at www.goingtouni.gov.au

What you can claim

You can claim deductions for the following expenses:

- your tuition fees payable under FEE-HELP, provided there was a direct connection between the course and your work activities at the time you incurred the debt – even if the Australian Government paid your fees for you under FEE-HELP
- self-education expenses paid with your OS-HELP loan, provided there was a direct connection between the course and your work activities at the time you incurred the expenses
- the cost of meals during an absence from home if:
 - you were participating in self-education directly connected to your current work, and
 - that self-education required you to be temporarily away from your home for one or more nights
- other expenses such as textbooks, stationery, student union fees and the decline in value of your computer. If you did not use your computer solely for self-education purposes, you will need to apportion your deduction. This means you divide the amount between private use and work-related use. For example, if you used your computer 40% of the time for deductible self-education purposes and 60% of the time for private purposes, then you can only claim 40% of the decline in value.
- expenses for travel between:
 - your home and your place of education
 - your place of education and your home
 - your workplace and your place of education, and
 - your place of education and your workplace.

However, only the first leg of each trip is deductible where you travelled:

- from your home to your place of education and then to your workplace, or
- from your workplace to your place of education and then to your home.

To work out the amounts of allowable car or other travel expenses, you will need to read question **D1** (car expenses) or **D2** (travel expenses). However, you must generally claim these amounts here at item **D4**.

\$250 reduction

In certain circumstances you may have to reduce your allowable self-education expenses by \$250. However, you may have other types of expenses – some of which are not allowable as a deduction (see category E in **How to work out your claim**) – that can be offset against the

\$250 before you have to reduce the amount you can claim for allowable expenses.

HOW TO WORK OUT YOUR CLAIM

You can use the self-education expenses calculator on our website to work out your claim amount and then go to **Completing this item**. Alternatively, follow the instructions below.

First, list your expenses under the following categories.

Category A

Category A expenses are general expenses that are allowable as a deduction. Include in this category the cost of textbooks, stationery, student union fees, course fees, public transport fares and car expenses (excluding amounts for decline in value) worked out under the 'logbook' or 'one-third of actual expenses' method.

In some cases you may need to reduce your category A expenses by \$250 – see **example 2** on the next page.

Category B*

Category B expenses are deductions for the decline in value of depreciating assets used for self-education purposes, including a car for which you are claiming deductions under the 'logbook' or 'one-third of actual expenses' method.

Category C*

Category C expenses are expenses for repairs to items of equipment used for self-education purposes.

Category D*

Category D expenses are car expenses related to your self-education activities which are claimed using the 'cents per kilometre' or '12% of original value' method. See page 46 for information on these methods.

You cannot claim car expenses under this category if you have included deductions for decline in value or repairs to your car under category B or C.

* You do not have to reduce category B, C and D expenses by \$250.

Category E

Category E expenses are self-education expenses you have incurred that are not allowable as a deduction. For example:

- travel expenses in respect of the last leg of each trip:
 - from your home to your place of education and then to your workplace, or
 - from your workplace to your place of education and then to your home
- child care costs related to attendance at lectures or other self-education activities, or
- capital cost of items acquired in 2007–08 and used for self-education purposes – for example, a computer or desk.

➤ COMPLETING THIS ITEM

STEP 1 If you used the calculator to work out your claim amount, write this amount at **D** item **D4** on page 3 of your tax return then go to step 7. Otherwise, read on.

STEP 2 If you had any category A expenses, go to step 3. Otherwise, read on.

If you did not have any category A expenses, you do not have to reduce your claim. Add any category B, C and D amounts together and write the total at **D** item **D4** on page 3 of your tax return. Do not show cents. Go to step 7.

STEP 3 If the total of your category C, D and E amounts is less than \$250, go to step 4. Otherwise, read on.

If the total of your category C, D and E amounts is \$250 or more, you do not have to reduce your claim. Add any category A, B, C and D amounts together and write the total at **D** item **D4** on page 3 of your tax return. Do not show cents. Go to step 7.

STEP 4 Take away the total of any category C, D and E amounts from \$250.

STEP 5 Take your answer from step 4 away from your total category A amount. If this leaves you with zero or less, your category A amount is reduced to zero.

STEP 6 Add your step 5 amount, if any, to the total of your category B, C and D amounts. Write your answer at **D** item **D4** on your tax return. Do not show cents.

STEP 7 Select from the list below the code letter that best describes your self-education.

K At the time you incurred the expense, there was a direct connection between your self-education and your work activities as an employee, because the study maintained or improved a skill or specific knowledge required for those work activities.

I At the time you incurred the expense, there was a direct connection between your self-education and your work activities as an employee, because you can show that the study was leading to, or was likely to lead to, increased income from those work activities.

O At the time you incurred the expense, other circumstances existed which established a direct connection between your self-education and your work activities as an employee.

STEP 8 Print your code letter (**K**, **I** or **O**) from step 7 in the **CLAIM TYPE** box at the right of **D** item **D4** on your tax return.

Examples of how to work out a claim

EXAMPLE 2

Maureen studied hairdressing at a TAFE college and the course was directly related to her current employment as an apprentice hairdresser.

Her expenses		Category
Course fees	\$180	A
Textbooks	\$70	A
Student union fees	\$40	A
Total expenses	\$290	
Take away	\$250	
Maureen can claim	\$40	

EXAMPLE 3

Ian was unemployed and got a Newstart allowance. He went to a course to gain a second qualification to help his job prospects.

Ian cannot claim any self-education expenses as there was no direct connection between the expense and his income source.

EXAMPLE 4

Lachlan was a clerk in the public service who was studying gourmet cooking part time in order to become a chef. Lachlan cannot claim any self-education expenses as there was no direct connection between the expense and his income source.

EXAMPLE 5

Katelin studied full time at a university and received an austudy payment as her only source of income.

Katelin cannot claim any self-education expenses as there was not a sufficient connection between the expense and her austudy payment.

EXAMPLE 6

Angus studied part time at a university and the course was directly related to his current employment. He travelled by bus from his work to university.

His expenses		Category
Stationery	\$10	A
Textbooks	\$240	A
Course fees	\$200	A
Bus fares	\$150	A
Student union fees	\$150	A
Repair to home printer	\$70	C
Total allowable expenses	\$820	
Self-education expenses not allowable as a deduction:		
Child care costs	\$520	E

The general expenses for stationery, textbooks, course fees, bus fares and student union fees are category A amounts. The repair expense is a category C amount.

Angus does not have to reduce his category A expenses as the total of his category C (repairs \$70) and category E amounts (child care costs \$520) is more than \$250.

Angus can claim \$820 – his category A and category C amounts.

However, if Angus had no child care costs then his claim would be worked out using the steps from the previous pages, as follows:

STEP 4 \$250 less \$70 (the category C amount) = \$180

STEP 5 \$750 (category A amount) less \$180 (step 4 amount) = \$570

STEP 6 \$570 (step 5 amount) plus \$70 (category C amount) = \$640

Angus could claim **\$640**.

QUESTION D5

D5

OTHER WORK-RELATED EXPENSES

D5

DEDUCTIONS

Did you have any other expenses relating to your work as an employee?

Other expenses include union fees; overtime meals; attending formal education courses provided by professional associations; seminars, conferences or education workshops; books, journals and trade magazines; tools and equipment; protective items, such as sunscreens and sunglasses; computers and software; and phone and home office expenses. Phone the Personal Infoline (see the inside back cover) if you are not sure if you can claim an expense.

You cannot claim the cost of entertainment, fines or penalties. You cannot claim private expenses such as child care expenses or fees paid to social clubs.

STOP

Do not show at this item claims for:

- expenses not related to your work
- protective clothing items (show these at item **D3 Work-related clothing, laundry and dry-cleaning expenses**)
- decline in value of items included in a low-value pool (show these at item **D6 Low-value pool deduction**)
- tax costs – such as tax agent fees (show these at item **D9 Cost of managing tax affairs**)
- the cost of income protection, sickness and accident insurance premiums (show these at item **D15 Other deductions**)
- expenses from carrying on a business (show these on the *Business and professional items schedule for individuals 2008* (NAT 2816)).

NO Go to question **D6**.

YES Read below.

WHAT YOU MAY NEED

- Statements from your bank, building society or credit union
- Written evidence from your supplier or association
- Other written evidence (see pages 41–2)
- Your *PAYG payment summary – individual non-business*
- *Taxation Ruling TR 93/30 – Income tax: deductions for home office expenses*
- *Law Administration Practice Statement PS LA 2001/6 – Home office expenses: diaries of use and calculation of home office expenses*
- *Law Administration Practice Statement PS LA 2005/7 – Substantiation of deductions claimed by individual taxpayers for work and car expenses incurred in the course of earning non-business and non-investment income*
- *Guide to depreciating assets 2008* (NAT 1996). This publication contains information about deductions

for decline in value and balancing adjustments, and **immediate deductions** for certain depreciating assets whose cost (when added to the cost of other substantially identical assets or assets that make up a set) does not exceed \$300. It also explains the option to pool low-value depreciating assets for which you cannot claim an immediate deduction. (If you choose this option, see question **D6 Low-value pool deduction**.)

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

DEFINITION

A **depreciating asset** is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

Simplified depreciation rules

If you were a small business entity for 2007–08 you may choose to calculate your work-related deduction for depreciating assets using the simplified depreciation rules. You claim your small business entity depreciating assets deductions at item **P8** on the *Business and professional items schedule for individuals 2008*.

SMALL BUSINESS TAX CHANGES

New streamlined provisions for small business entities have replaced the simplified tax system (STS). Broadly, to use the simplified depreciation rules you must be in business and have an aggregated turnover of less than \$2 million. For more information, see *Business and professional items 2008* (NAT 2543).

If you did not carry on any business during 2007–08 but have small business pool deductions because you allocated depreciating assets to a pool under the former STS provisions in a prior year, make your claim for small business pool deductions at item **D15** on your tax return (supplementary section).

 For more information, refer to *Guide to concessions for small business entities* (NAT 71874). This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

YOU NEED TO KNOW

Receiving an allowance from your employer does not automatically entitle you to a deduction. To claim a deduction, you must have included the whole of the allowance at item **2** on your tax return and incurred the expense, and it must be related to your work as an employee.

If your total claim for all work expenses as an employee exceeds \$300, you may need written evidence to prove your claim. Read about the written evidence rule on pages 41–2.

Union fees and subscriptions to associations

You can claim a deduction for union fees and subscriptions to trade, business or professional associations. You can only claim payments of levies to a strike fund where the fund is used solely to maintain or improve the contributors' pay. Your payment summary may show fees or subscriptions paid by you.

Overtime meals

You can claim a deduction for overtime meal expenses you incurred if you worked overtime and you received a bona fide overtime meal allowance from your employer which was paid under an industrial law, award or agreement. You can claim only the amount of expenditure you incurred. If your claim is more than \$22.60 per meal, you will need written evidence. An amount for overtime meals that has been 'folded in' (for example, under a workplace agreement) as part of your normal salary or wages income is not considered to be an overtime meal allowance.

Amounts received as overtime meal allowances must be included as income at item **2** on your tax return, subject to the note below.

NOTE

If your award overtime meal allowance was not shown on your payment summary and was not more than \$22.60 for each meal, you do not have to include the amount at item **2** provided that you have fully expended the allowance and do not claim a deduction for overtime meal expenses.

Seminars, conferences or education workshops

You can claim the cost of attending seminars, conferences or education workshops that were sufficiently connected to your work activities.

Books, journals and professional libraries

You can claim the cost of trade magazines, technical journals and reference books that you needed to do your work.

You can claim a deduction for the decline in value of a professional library that included books, tapes, compact discs, records, DVDs and videos that you needed to do your work.

Protective equipment and other items

This is equipment or other items, other than clothing items, that you used to protect yourself from the risk of illness or injury posed by your income-earning activities or the environment in which you were required to carry them out – for example, safety equipment, hard hats, safety glasses, sunscreens and sunglasses. Make your claim for the cost of protective clothing and footwear at item **D3**.

Computers and software

You can claim a deduction for the work-related proportion of the decline in value of computers. If you used your computer for private purposes you must divide your decline in value amount between your work-related and private use. For example, if you used a computer 30% of the time for work and 70% of the time for non-work purposes, you can claim 30% of the decline in value.

You can also claim a deduction for the work-related proportion of the cost of repairs to your computer and interest on money borrowed to finance the cost of your computer.

You may need to make a balancing adjustment if you ceased to hold or to use a computer where you have previously claimed a deduction for its decline in value. See the *Guide to depreciating assets 2008* for information on how to work out your claim.

Phone expenses

You can claim a deduction for the cost of work-related phone calls. You can claim a deduction for your phone rental if you can show you were on call or were regularly required to phone your employer or clients while you were away from your workplace. If you also used your phone for private purposes, you must apportion the cost of phone rental between work-related and private use.

Home office expenses

You can claim the additional running expenses of a home office – for example, the decline in value of and repairs to your home office furniture and fittings, heating, cooling, lighting and cleaning. You can keep a diary to work out how much of your running expenses relate to doing work in your home office. Alternatively, you can use a fixed rate of 26 cents per hour for home office expenses for heating, cooling, lighting and the decline in value of furniture instead of keeping details of actual costs.

When you use your home office for work as an employee, note that time in your diary. Diary records are acceptable evidence of a connection between the use of a home office and your work. Keep diary records for a representative four-week period.

There is a home office expenses calculator on our website you can use to work out your claim amount.

For further information, refer to Law Administration Practice Statement PS LA 2001/6. For a complete explanation of the limited circumstances in which you may claim for occupancy expenses of your home, such as rates, rent, mortgage interest and insurance, refer to Taxation Ruling TR 93/30.

Low-value pooling

If you choose the low-value pool method to calculate the decline in value of low-cost and low-value depreciating assets, make your claim at item **D6**.

Other expenses

You can claim a deduction here for any other expenses you incurred in earning your salary or wages that you have not already claimed.

Depreciation for items exempted from fringe benefits tax (FBT)

In the 2008 Budget the Government announced that it will legislate to not allow employees to claim depreciation (decline in value) for the work-related percentage of FBT-exempt items (including laptop computers, personal digital assistants and tools of trade). For items purchased after 7.30pm Australian Eastern Standard Time (AEST) on 13 May 2008 the proposed law will take effect from that time. For items purchased before 7.30pm AEST on 13 May 2008, employees will be not be able to claim depreciation in the 2008–09 and later income years.

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 **D5** on page 3 of your tax return. Do not show cents.

QUESTION D6

D6

LOW-VALUE POOL DEDUCTION

D6

DEDUCTIONS

You can claim a deduction at this item for the decline in value of low-cost assets and certain other depreciating assets which you have allocated to a low-value pool.

Did you allocate assets used for a taxable purpose to a low-value pool in 2007–08, or have you done so in a previous year?

Read **You need to know** below for the rules about low-value pools.

NO Go to question D7.

YES Read below.

DEFINITIONS

A **depreciating asset** is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

A **taxable purpose** is the purpose of producing assessable income, the purpose of exploration or prospecting, or the purpose of mining site rehabilitation or environmental protection activities.

YOU NEED TO KNOW

You can only have one low-value pool.

Once you choose to allocate a low-cost asset to a low-value pool, all low-cost assets you start to hold in that and any subsequent income year must also be allocated to the pool.

You can allocate the following types of depreciating assets to a low-value pool for 2007–08:

- **low-cost assets** – assets costing less than \$1,000, and
- **low-value assets** – assets that are not low-cost assets but which have, under the diminishing value method, been written off to less than \$1,000 as at 1 July 2007.

You cannot allocate the following depreciating assets to a low-value pool:

- assets for which you have previously claimed deductions worked out using the prime cost method
- assets that cost \$300 or less for which you can claim an immediate deduction
- assets for which you deduct amounts under the simplified depreciation rules for small business entities (see note below), and
- horticultural plants.

SMALL BUSINESS TAX CHANGES

New streamlined provisions for small business entities have replaced the simplified tax system (STS). Broadly, to use the simplified depreciation rules you must be in business and have an aggregated turnover of less than \$2 million. For more information, refer to *Business and professional items 2008* (NAT 2543).

Claiming your low-value pool deduction

You must claim your deduction:

- at item **P8** on the *Business and professional items schedule for individuals 2008* (NAT 2816) if your low-value pool contained **only assets used in business** and not for any other income-producing purpose
- at this item **in all other cases** – these include where your low-value pool contained assets used in relation to your work as an employee (questions **D1** to **D5**) or to gain rental income (question **21** in *TaxPack 2008 supplement*).

For information on the depreciation (decline in value) of items exempted from fringe benefits tax announced in the 2008 Budget, see the previous page.

Working out your deduction

You work out your deduction for the decline in value of depreciating assets in a low-value pool using a diminishing value rate of 37.5%.

For the income year in which you first allocate one or more low-cost assets to a low-value pool, you work out your deduction at a rate of 18.75%, or half the normal pool rate. Halving the rate recognises that assets may be allocated to the pool throughout the income year and eliminates the need for separate calculations for each asset based on the date it is allocated to the pool.

▶ You may need the publication *Guide to depreciating assets 2008* (NAT 1996). This publication is available on our website or to get a printed copy, see the inside back cover.

Taxable use percentage

When you allocate an asset to a low-value pool, you must make a reasonable estimate of the percentage of your use of the asset that will be for a taxable purpose over its effective life (for a low-cost asset) or remaining effective life (for a low-value asset). This estimate is the **taxable use percentage**.

Only the taxable use percentage of the cost of a low-cost asset or the taxable use percentage of the opening adjustable value of a low-value asset is allocated to the pool and used to calculate the deduction for decline in value.

How to calculate your low-value pool deduction

Worksheet 1 on the next page shows you how to work out your low-value pool deduction, using the example below. There is also space for your own calculations.

EXAMPLE

Edward bought a printer for \$600 in 2007–08 and allocated it to a low-value pool. He estimated that the printer would be used 40% of the time for taxable purposes over its effective life. He will therefore write \$240 (that is, $600 \times 40\%$) at (e) in **worksheet 1**.

This is the first year of Edward's low-value pool.

In 2007–08 Edward also decided to allocate an existing laptop computer to the low-value pool. He has previously claimed deductions for the laptop worked out under the diminishing value method. The laptop's opening adjustable value at 1 July 2007 was \$900 and Edward will use it only for taxable purposes over its remaining effective life.

WORKSHEET 1: Low-value pool deduction

	Edward	You	
The closing balance of the pool for 2006–07. If you did not have a low-value pool in 2006–07, write 0 at (a).	\$0	\$	(a)
For each low-value asset allocated to the pool in 2007–08, multiply the opening adjustable value (at 1 July 2007) by the taxable use percentage. Add up the amounts and write the total at (b).	\$900	\$	(b)
Add (a) and (b).	\$900	\$	(c)
Multiply (c) by 37.5%.	\$337	\$	(d)
For each low-cost asset allocated to the pool in 2007–08, multiply the cost (including additional capital costs incurred in 2007–08, such as costs of improvements) by the taxable use percentage. Add up the amounts and write the total at (e).	\$240	\$	(e)
For each <ul style="list-style-type: none"> ■ asset allocated to the pool in a prior year, and ■ low-value asset added this year for which you incurred additional capital costs (such as costs of improvements) in 2007–08, multiply the costs by the taxable use percentage. Add up the amounts and write the total at (f).	\$0	\$	(f)
Add (e) and (f).	\$240	\$	(g)
Multiply (g) by 18.75%.	\$45	\$	(h)
Add (d) and (h).	\$382	\$	(i)
The amount at (i) is the total low-value pool deduction. Edward will show \$382 at K item D6 on his tax return.			

COMPLETING THIS ITEM

Write the amount of your total low-value pool deduction at **K** item **D6** on page 3 of your tax return.

Closing pool balance

You will need the closing pool balance for 2007–08 to calculate your low-value pool deduction for next year. Use **worksheet 2** below to work out the amount.

Disposal of depreciating assets in a low-value pool

If a 'balancing adjustment event' happened to an asset in a low-value pool in 2007–08 (such as the sale, loss or destruction of the asset), you need to reduce the closing pool balance for 2007–08 by the taxable use percentage of the asset's termination value. (The asset's termination value is usually the proceeds from the asset's sale or the insurance payout for its loss or destruction.) If the taxable use percentage of the asset's termination value is more than the closing pool balance, you reduce the closing pool balance to nil and include the excess in your assessable income at item **24**.

WORKSHEET 2: Closing pool balance for 2007–08

	Edward	You
Closing pool balance for 2006–07 [from (a) on worksheet 1]	\$0	\$
<i>plus</i> Amounts allocated to the pool in 2007–08 for:		
■ low-value assets [from (b) on worksheet 1]	\$900	\$
■ low-cost assets [from (e) on worksheet 1]	\$240	\$
■ additional capital costs relating to pooled assets [from (f) on worksheet 1]	\$0	\$
<i>less</i> Total low-value pool deduction for decline in value [from (i) on worksheet 1]	\$382	\$
SUBTOTAL	\$758	\$
<i>less</i> Taxable use percentage of termination value of each asset subject to a balancing adjustment event in 2007–08 (see Disposal of depreciating assets in a low-value pool above)	\$0	\$
CLOSING POOL BALANCE FOR 2007–08	\$758	\$

Keep a record of your 2007–08 closing pool balance for next year's tax return.

QUESTION D7

D7

INTEREST AND DIVIDEND DEDUCTIONS

D7

DEDUCTIONS

Did you have any of the following:

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

Your expenses might include:

- account-keeping fees or management fees
- interest charged on money borrowed to purchase shares.

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

You cannot claim a deduction for expenses incurred in deriving an exempt dividend or other exempt income.

NO Go to question **D8**.

YES Read below.

STOP

Do not show at this item:

- an amount for fees, charges or taxes relating to an account kept as an essential part of a business. Show this amount at item **P8** on your *Business and professional items schedule for individuals 2008* (NAT 2816)
- expenses incurred in earning foreign source interest or dividends. Take these expenses into account in working out the amount you show at item **20** or, in the case of debt deductions, claim them at item **D15** on your tax return (supplementary section)
- expenses incurred in relation to a partnership or trust distribution, rental income, business income, tax costs and the land transport facilities tax offset scheme or infrastructure borrowings scheme. Refer to the relevant topics in the Index for more information on these matters.

YOU NEED TO KNOW

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 for 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 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 for ongoing management fees, retainers and amounts paid for advice relating to changes in the mix of investment. However, you cannot claim a fee charged for drawing up an investment plan unless you were carrying on an investment business. You cannot claim 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 they were incurred in managing your investments. Such costs would include travel expenses, 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 the publication *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.

Deduction for 50% of a LIC capital gain amount

If you were an Australian resident when a LIC paid you a dividend, and the dividend 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. Show dividends received from a LIC at item **12 Dividends**.

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 your debt deductions 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.

WHAT YOU NEED

- Your bank or financial institution statements or passbooks
- Your dividend statements showing any listed investment company (LIC) capital gain amount

COMPLETING THIS ITEM

STEP 1 Add up all your interest and dividend deductions and 50% of any LIC capital gain amount.

STEP 2 Write the total amount at **1** item **D7** on page 3 of your tax return. Do not show cents.

QUESTION D8

GIFTS OR DONATIONS

D8

D8**DEDUCTIONS**

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 **D9**.

YES Read below.

! 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).

For more information, read:

- *Taxation Ruling TR 2005/13 – Income tax: tax deductible gifts – what is a gift*
- *Law Administration Practice Statement PS LA 2002/15 – Evidence for making of a gift by a taxpayer who participates in a workplace-giving program*

WHAT YOU MAY NEED

- Your receipts for donations, contributions or gifts
- The purchase price and purchase date of any property donated

- Your valuations by two or more approved valuers for any gifts of property under the Cultural Gifts Program or to a body of the National Trust
- Your valuation certificate from the Australian Valuation Office (AVO), if required, for your gift of property valued at more than \$5,000
- A certificate of approval from the Minister for the Environment, Heritage and the Arts for a cultural bequest
- Your *PAYG payment summary – individual non-business* or other form of advice from your employer showing the amount you have donated through a workplace-giving program
- Your valuation certificate from the AVO in relation to a conservation covenant you have entered into
- Written approval from the Minister for the Environment, Heritage and the Arts for a conservation covenant you have entered into

YOU NEED TO KNOW

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

If you made a donation to a school building fund and your receipt includes other payments, you can claim only the part that is the voluntary donation.

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

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 64.

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 Australian Valuation Office (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 has 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 64.

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 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 AVO valued it at more than \$5,000 (see the first box in the previous column).
- 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

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).

In 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)
- \$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 are contributed is 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. If it is property, the amount deductible is the market value of the property at the time of the donation or the amount you paid for the property, whichever is less.

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.

➤ 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 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/index.html**

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.

➤ 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/reo/index.html**

Cultural Bequests Program

If you are an executor or administrator of an estate, you can claim a deduction in 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 all 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 **D8** on page 3 of your tax return. Do not show cents.

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 AVO, 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.

Where 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 fund raising 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
<input type="text"/> %				

(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 D9

COST OF MANAGING TAX AFFAIRS

D9

D9**DEDUCTIONS**

Did you have expenses:

- relating to managing your own tax affairs
- for advice relating to a claim for family tax benefit (FTB) lodged through the tax system
- imposed by the Tax Office as an interest charge
- imposed by the Tax Office for underestimating a varied goods and services tax (GST) instalment or pay as you go (PAYG) instalment
- for complying with your legal obligations relating to another person's tax affairs?

NO Go to **Deductions from the supplementary section** on the next page.

YES Read below.

YOU NEED TO KNOW

Expenses for managing your own tax affairs

These include expenses relating to:

- preparing and lodging your tax return and activity statements
- travel, to the extent that it is associated with obtaining tax advice – for example, the travel costs of attending a meeting with a recognised tax adviser
- appealing to the Administrative Appeals Tribunal or courts in relation to your tax affairs, and
- obtaining a valuation needed for a deductible gift or donation of property or for a deduction for entering into a conservation covenant.

Expenses relating to preparing and lodging your tax return and activity statements include costs associated with:

- buying tax reference material
- lodging your tax return through a registered tax agent
- obtaining tax advice from a recognised tax adviser, and
- dealing with the Tax Office about your tax affairs.

You can claim fees paid to a recognised tax adviser for preparing or lodging your tax return if those fees were incurred in 2007–08. Generally, you incur the fees in the year you pay them. A recognised tax adviser is a registered tax agent, barrister or solicitor. See page 5 for information on how to check whether your tax agent is registered.

EXAMPLE

During 2007–08, Louise engaged a registered tax agent to prepare and lodge her 2007 tax return. The tax agent lodged her tax return in September 2007 and charged Louise \$220, which she paid immediately. Louise can claim a deduction for the tax agent's fee at this item this year.

You **cannot claim** for the cost of tax advice given by a person who is not a recognised tax adviser.

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

Expenses relating to an FTB tax claim

You can claim the cost of advice from a recognised tax adviser in relation to an FTB claim lodged with the Tax Office at this item.

Expenses incurred as an interest charge

The Tax Office imposes an interest charge on:

- late payment 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 GST or 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.

Expenses incurred for underestimating a varied GST or PAYG instalment

If we have charged you an amount for underestimating a varied instalment for GST or PAYG in 2007–08, you can claim that expense at this item.

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

This category includes expenses relating to:

- complying with the 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 the Tax Office about another taxpayer.

▶ COMPLETING THIS ITEM

STEP 1 Add up the amounts of your expenses for managing your own tax affairs, expenses relating to an FTB claim lodged through the tax system, any interest charge, any amount charged for underestimating GST or PAYG, 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 **D9** on page 3 of your tax return. Do not show cents.

DEDUCTIONS FROM THE SUPPLEMENTARY SECTION

D

! CAUTION

Read this question carefully – consult *TaxPack 2008 supplement* if you are not familiar with the terms used.

Can you claim any of the following types of deductions?

- Australian film industry incentives
- The deductible amount of the undeducted purchase price of a foreign pension or annuity
- Personal superannuation contributions
- Certain capital expenditure directly connected with a project
- Forestry managed investment scheme deductions
- Election expenses for local, territory, state or federal candidates
- Certain deductible capital expenditure you had not claimed in full prior to ceasing a primary production business
- Non-capital losses incurred upon the disposal or redemption of a traditional security
- Insurance premiums paid for income protection, sickness and accident cover
- Deductible foreign exchange losses
- Interest you incurred on money borrowed to invest under the land transport facilities tax offset scheme or infrastructure borrowings scheme
- Debt deductions that you have not claimed elsewhere that you incurred in earning assessable income or in earning certain foreign non-assessable non-exempt income
- Amounts deductible under the five-year write-off for certain business-related capital expenditure under section 40-880 of the *Income Tax Assessment Act 1997*

- Small business pool deductions for depreciating assets that you allocated to a pool under the former simplified tax system (STS) provisions, and you no longer carry on any business
- A deduction for the net personal services income loss of a personal services entity that related to your personal services income
- United Medical Protection Limited (UMP) support payments

NO Go to **Total deductions** below.

YES You must complete the *Tax return for individuals (supplementary section) 2008*. Read the note below.

! NOTE

You can find the *Tax return for individuals (supplementary section) 2008* at the back of *TaxPack 2008 supplement*. If you don't already have a copy of this supplement you can get a copy 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.

➤ COMPLETING THIS ITEM

STEP 1 Complete the details at the top of page 9 on your tax return (supplementary section) if you haven't already done so. Use *TaxPack 2008 supplement* to complete the **DEDUCTIONS** section on page 11 of your tax return (supplementary section).

STEP 2 Transfer the amount you wrote at **TOTAL SUPPLEMENT DEDUCTIONS** on page 11 to **D** on page 3 of your tax return.

TOTAL DEDUCTIONS

STEP 1 Add up all the deduction amounts in the right-hand column of items **D1** to **D9** and **D** on page 3 of your tax return.

STEP 2 Write the amount from step 1 at **TOTAL DEDUCTIONS** on your tax return. Do not show cents. Read below.

SUBTOTAL

If you have an amount at **TOTAL DEDUCTIONS** on your tax return, take it away from the amount at **TOTAL INCOME OR LOSS** on page 2 of your tax return. Write the result at **SUBTOTAL**.

If the amount at **SUBTOTAL** is less than zero, print **L** in the **LOSS** box at the right of the amount.

! NOTE

If the amount at **TOTAL INCOME OR LOSS** is a loss, work out **SUBTOTAL** by increasing the amount of this loss (that is, by adding the amount at **TOTAL DEDUCTIONS** to it). Make sure you print **L** in the **LOSS** box at the right of **SUBTOTAL**.

QUESTION L1

TAX LOSSES OF EARLIER INCOME YEARS

Did you have any undeducted tax losses of earlier income years?

This question only applies to losses incurred in relation to earning income from **Australian** sources.

NO Go to **Taxable income or loss** on page 70.

YES Read below.

A tax loss occurs when the total of your allowable deductions for an income year – excluding tax losses of earlier income years – is greater than the total of your assessable income and your net exempt income. However, some deductions, such as gifts or donations (see question **D8**) and personal superannuation contributions (see question **D12** in *TaxPack 2008 supplement*), are limited for this purpose and cannot be used either to create or increase a tax loss.

You are entitled to claim a tax loss of an earlier year against income in a subsequent year, but you must claim the tax loss at your first opportunity to do so. If you had an increased amount of taxable income last year because you did not claim a tax loss of an earlier year, you cannot claim that tax loss against your 2007–08 income. If you were able to claim a tax loss last year but did not, you can request an amendment. You must complete this item whether or not you are able to claim the tax losses against income this year.

STOP

Do not show at this item:

- deferred non-commercial business losses from a prior year. Show them at the following relevant item:
 - for partnership activities – item **13** on your tax return (supplementary section), or
 - for sole trader activities – item **P8** on the *Business and professional items schedule for individuals 2008*
- capital losses. Show these at item **18 Capital gains** on your tax return (supplementary section)
- expenses and losses in relation to earning foreign source income. Take these into account at item **20** on your tax return (supplementary section).

WHAT YOU MAY NEED

- Records of your tax losses of earlier income years
- Your foreign source income statement

YOU NEED TO KNOW

You must show the amount of your tax losses carried forward from earlier years, separated into primary production and non-primary production. We require this information even if you are not able to claim a tax loss from an earlier year against your income this year. You can provide your prior year tax loss amounts at item **L1 Q Primary production losses carried forward from earlier income years** and **R Non-primary production losses carried forward from earlier income years**.

You can carry forward primary production losses incurred in any earlier income year. Your deductible non-primary production losses are limited to losses incurred in 1989–90 or a later year. Non-primary production losses incurred before 1989–90 can no longer be deducted from income.

If you had tax losses for more than one earlier income year you must, generally, deduct your tax losses in the order you incurred them, oldest first. You can only deduct a tax loss to the extent that you have not already deducted it.

Before you can deduct tax losses of earlier income years, you must reduce them by any **net exempt income** (which does not include non-assessable non-exempt income – refer to page 12) for the current year and, if relevant, by any amount you elect to use to reduce your net foreign source income. See **Australian losses and foreign source income** on the next page for more details.

NOTE

Your tax losses of earlier income years can only reduce your Australian source income to zero. If your tax losses of earlier income years were more than your Australian source income, you will need to keep records of the losses to claim in future years.

Net exempt income

If you were an Australian resident, your net exempt income includes all your exempt income, including any exempt foreign employment income. To work out your net exempt income you deduct any non-capital expenses you incurred in earning your exempt income and any foreign tax payable on that income from your total exempt income.

If you were a non-resident, your net exempt income includes all your exempt income from Australian sources and film income exempt under section 26AG of the *Income Tax Assessment Act 1936*. To work out your net exempt income you deduct any non-capital expenses you incurred in earning your exempt Australian income and your film income exempt under section 26AG, in addition to any foreign tax payable on film income exempt under section 26AG, from your total exempt income.

Effect of bankruptcy

If you have been bankrupt, you generally cannot claim, in an income year after the date you became bankrupt, a deduction for tax losses incurred in income years before that date. This rule also applies if you were released from the debts by the operation of an Act relating to bankruptcy. For more information, phone the Personal Infoline (see the inside back cover).

Australian losses and foreign source income

You can choose to use some or all of your tax losses of earlier income years incurred in earning Australian source income to reduce your net foreign source income, as shown in the example below. You may choose not to reduce your net foreign source income and instead return some or all of the net foreign source income as assessable income. A reason for doing this could be the availability of foreign tax credits on some or all of the **net foreign source income**.

DEFINITION

Net foreign source income is assessable foreign source income less those deductible expenses incurred in deriving the foreign source income.

EXAMPLE

Peter owns a smallgoods business and has accumulated non-primary production tax losses of earlier income years of \$6,000. He made all his losses in 1989–90 and later years.

In 2007–08 Peter had no exempt income but he received \$1,500 income from Germany. He has elected to use \$500 of his tax losses of earlier income years to reduce this foreign income.

Peter's tax losses from earlier income years	\$6,000	(a)
Peter's net exempt income for 2007–08	nil	(b)
Take (b) away from (a). This is the amount of tax losses available to Peter for 2007–08.	\$6,000	(c)
The amount of tax losses of earlier income years Peter uses to reduce net foreign source income	\$500	(d)
Peter will show the balance of the foreign source income of \$1,000 at item 20 on page 10 of his tax return (supplementary section).		
Take (d) away from (c). The amount at (e) is the total tax losses of earlier income years available to Peter to reduce his net Australian source income shown at SUBTOTAL on page 3 of his tax return. Peter will show this amount at R item L1 on page 3 of his tax return.	\$5,500	(e)
Peter then needs to determine how much of these tax losses he can actually deduct from his net Australian source income. If Peter has at least \$5,500 of net Australian source income at SUBTOTAL he will show \$5,500 at Z item L1 on page 3 of his tax return.		

If you choose to use your tax losses of earlier income years to reduce your net foreign source income, you will need to provide additional information with your tax return. Print **SCHEDULE OF ADDITIONAL INFORMATION – ITEM L1** on the top of a separate piece of paper and explain your situation. Include your name, address, tax file number and the amount of tax losses of earlier income years you have used to reduce your net foreign source income. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. Sign your schedule and attach it to page 3 of your tax return.

COMPLETING THIS ITEM

Your tax losses of earlier income years can only reduce your taxable income to zero. This rule affects how you complete this item.

STEP 1 If your amount at **SUBTOTAL** on page 3 of your tax return is a loss, read on. Otherwise, go to step 2.

Write the amount of your primary production tax losses carried forward from earlier income years at **Q** item **L1** on page 3 of your tax return. Do not show cents.

Write the amount of your non-primary production tax losses carried forward from earlier income years at **R** item **L1** on page 3 of your tax return. Do not show cents.

Do not complete **F** or **Z** item **L1**. Go to step 5.

STEP 2 If your amount at **SUBTOTAL** on page 3 of your tax return is an income amount, work out what carry-forward loss amount you have available to claim against this year's net Australian source income. Use **worksheet 1** below to work out separate primary production and non-primary production loss amounts.

WORKSHEET 1

	Primary production losses	Non-primary production losses	
Tax losses from earlier income years at the beginning of 2007–08*	\$	\$**	(a)
Net exempt income for 2007–08***	\$	\$	(b)
Total losses available this year: take (b) away from (a).	\$	\$	(c)
The amount of tax losses of earlier income years used to reduce net foreign source income	\$	\$	(d)
Your total tax losses to deduct from SUBTOTAL on page 3 of your tax return: take (d) away from (c).	\$	\$	(e)
* If your losses include any film losses, special deduction rules apply. For more information, phone the Personal Infoline.			
** Do not include at (a) any non-primary production losses made in 1988–89 and earlier income years.			
*** If you have both primary and non-primary production losses, you can choose which type of loss you use to reduce your net exempt income. You must have reduced your net exempt income to zero before you can deduct the remaining amount of either type of loss from the amount at SUBTOTAL .			

If you have shown an amount of primary production losses at (e) in **worksheet 1** on the previous page, go to step 3.

If you have only shown an amount of non-primary production losses at (e) in **worksheet 1**, go to step 4.

STEP 3 Primary production losses

At **Q** item **L1** on page 3 of your tax return, write the amount you worked out at (e) in the 'Primary production losses' column of **worksheet 1** in step 2. Do not show cents.

If your amount at **SUBTOTAL** on page 3 of your tax return is:

- greater than your amount at **Q**, you can deduct all your prior year primary production losses. At **F** write the amount you have at **Q**
- less than your amount at **Q**, you can deduct some of your prior year primary production losses. At **F** write the amount you have at **SUBTOTAL**.

If you did not show an amount of non-primary production losses at (e) in **worksheet 1**, go to step 5. Otherwise, read on.

STEP 4 Non-primary production losses

Work out the following amount:

SUBTOTAL minus **F** item **L1** \$ (i)

At **R** item **L1**, write the amount you worked out at (e) in the 'Non-primary production losses' column of **worksheet 1** in step 2. Do not show cents.

If your amount at (i) is:

- greater than your amount at **R**, you can deduct all your prior year non-primary production losses. At **Z** write the amount you have at **R**
- less than your amount at **R**, you can deduct some of your prior year non-primary production losses. At **Z** write the amount you have at (i)
- zero, you cannot deduct any non-primary production losses of earlier years.

STEP 5 Carry-forward losses at the end of 2007–08

You can carry forward for deduction in future income years:

- any undeducted tax losses of earlier income years, and
- any undeducted tax loss from this income year.

You need a record of your losses separated into primary and non-primary production amounts. Use **worksheet 2** below to work out your tax losses to carry forward for deduction in future years.

If you have deducted no tax losses in 2007–08, you will have no amounts at **F** and **Z** item **L1**. In this case, you must break up the amount at **SUBTOTAL** into primary and non-primary production losses. To do this, follow **1** to **7** in **worksheet 2**.

If you have an amount at **F** or **Z**, complete **8** and **9** in **worksheet 2**.

WORKSHEET 2

1	Your amount at SUBTOTAL (from page 3 of your tax return)	\$ <input type="text"/>	(a)
2	Your 2008 primary production loss: the amount at item 15 on page 10 of your tax return (supplementary section)	\$ <input type="text"/>	(b)
3	Your 2008 non-primary production loss: take (b) away from (a).	\$ <input type="text"/>	(c)
4	Your amount at Q item L1	\$ <input type="text"/>	(d)
5	Your total carry-forward primary production losses: add (b) and (d).	\$ <input type="text"/>	
6	Your amount at R item L1	\$ <input type="text"/>	(e)
7	Your total carry-forward non-primary production losses: add (c) and (e).	\$ <input type="text"/>	
8	Your total carry-forward primary production losses: take the amount at F away from the amount at Q item L1 .	\$ <input type="text"/>	
9	Your total carry-forward non-primary production losses: take the amount at Z away from the amount at R item L1 .	\$ <input type="text"/>	

TAXABLE INCOME OR LOSS

How you complete this item will depend on whether you completed **F** or **Z** at item **L1 Tax losses of earlier income years** on page 3 of your tax return.

Have you completed **F** or **Z** at item **L1**?

YES Go to **Deduct your losses** below.

NO Transfer the amount you have shown at **SUBTOTAL** on page 3 of your tax return to **\$ TAXABLE INCOME OR LOSS**. Do not show cents. If the amount at **\$ TAXABLE INCOME OR LOSS** is less than zero, print **L** in the **LOSS** box .

Deduct your losses

Add up the amounts at **F** and **Z** item **L1** and take the total away from the amount you have written at **SUBTOTAL**. Write the answer at **\$ TAXABLE INCOME OR LOSS** on your tax return. Do not show cents.

If the amount at **SUBTOTAL** is a loss, you have no taxable income this year against which you can claim a loss of an earlier year. Print **L** in the **LOSS** box .

NOTE

Although the amount at **\$ TAXABLE INCOME OR LOSS** is less than zero and you have printed **L** in the **LOSS** box, this amount may not be your tax loss that can be carried forward for next year. Adjustments may have to be made to limit certain deductions – for example, gifts or donations and personal superannuation contributions – to take into account any exempt income and to make other variations. Phone the Personal Infoline (see the inside back cover) for more information.

Your tax losses carried forward from earlier income years plus your tax loss from this income year can be carried forward to be deducted in future income years. You will need to keep a record of these losses.

LOW-INCOME TAX OFFSET

If you were an Australian resident for tax purposes and 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 tax offset 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 page 123. **Do not write anything about this tax offset on your tax return.**

CHILD SUPPORT AGENCY CLIENTS

The Child Support Agency (CSA) may use your taxable income to make an assessment of child support.

The CSA will include your total reportable fringe benefits amounts, losses from rental properties and exempt foreign employment income when assessing child support liabilities.

DEPENDANTS AND SEPARATE NET INCOME

The purpose of this section is to give you important information about dependants and 'separate net income'. Various questions in *TaxPack 2008* and *TaxPack 2008 supplement* will refer you to this information when you need it.

WHO IS A DEPENDANT?

A dependant can be:

- your spouse – married or de facto (see the definition of spouse on page 110)
- your parents or spouse's parents
- a student under 25 years old who is studying full time at school, college or university
- a child – including your stepchild or adopted child – who is under 21 years old and not a student
- a child-housekeeper – your child of any age who works full time keeping house for you
- an invalid relative – your child, brother or sister – who is 16 years or older and
 - receives a disability support pension or a special needs disability support pension, or
 - has a certificate from a Commonwealth-approved doctor certifying a continuing inability to work.

A dependant needs to be an Australian resident for tax purposes (see page 11). For a spouse, student or child only, they will be treated as a resident if they have always lived in Australia or they came to live in Australia permanently, unless they have set up a permanent home outside Australia.

! NOTE

You can only claim a tax offset for a dependant if you were an Australian resident for tax purposes.

Did you have dependants waiting to migrate to Australia?

If your spouse and dependent children were overseas in 2007–08, we will consider them to be your dependants for tax offset purposes if you were taking the steps necessary for their migration in a timely manner.

WHAT IS MAINTAINING A DEPENDANT?

You maintained a dependant if any of the following applied:

- you and your dependant lived in the same house
- you gave your dependant food, clothing and lodging, or
- you helped them to pay for their living, medical and educational costs.

If you had a spouse for the whole income year and your spouse worked at any time during the year, we still consider you to have maintained your spouse – as a dependant – for the whole income year.

We consider you to have maintained a dependant even if the two of you were temporarily separated, for example, due to holidays or because they were overseas.

If you maintained a dependant for only part of the year, you may need to adjust your claim.

WHAT IS SEPARATE NET INCOME?

Separate net income (SNI) includes income and other specified amounts that your dependant earned or received in 2007–08 while you maintained them. SNI also specifically includes some amounts which are not included in the recipient's assessable income. There are also some amounts that are specifically excluded from SNI. SNI earned by your dependant may affect any claim you are entitled to.

Income included in SNI

- Salary and wages
- Termination payments representing unused annual leave and long service leave
- Pensions, including Australian annuities and superannuation income streams and exempt pensions listed on pages 12–13
- Interest and dividend income – but not the franking credit attached to franked dividends
- Business, trust and rental income
- Veterans' Affairs payments and most Centrelink payments, including parenting payment (partnered), carer payment, remote area allowance and the language, literacy and numeracy supplement
- Any net capital gain for the income year
- Any maintenance payments your spouse received for their own support after divorce or separation – even though your spouse may not need to declare such income for tax purposes
- The maintenance or accommodation component of a scholarship paid by the Commonwealth or a state except where that component is paid for helping to educate isolated children aged under 16 years

Income not included in SNI

- The following Australian government payments:
 - baby bonus (formerly maternity payment)
 - child care benefit
 - child care tax rebate
 - child disability assistance
 - family tax benefit (FTB)
 - 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 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 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*
- maternity immunisation allowance
- carer allowance [but note that carer payments **are** included in separate net income (SNI)]
- Baby bonus tax offset
- Franking credits attached to franked dividends
- The value or amount of any non-government scholarship received in connection with the education of a dependent child or student
- The value or amount of any Commonwealth or state assistance provided for school fees, the purchase of textbooks or travelling expenses
- Lump sum severance or retirement payments of a capital nature or amounts paid as compensation for losing a job, including the full amount of a genuine redundancy payment or early retirement scheme payment
- 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
- Japanese internment compensation payments made under the *Compensation (Japanese Internment) Act 2001* or the *Veterans' Entitlements Act 1986*
- Compensation payments received under the German Forced Labour Compensation Programme

What can reduce SNI?

In calculating SNI, your dependant's income can be reduced by:

- any expenses they incurred in 2007–08 in earning their income which they could claim as a deduction
- any amount they could claim in 2007–08 for the deductible amount of the undeducted purchase price of their foreign pension or annuity at question **D11** in *TaxPack 2008 supplement*
- net child care expenses they incurred in 2007–08 because they were working – that is, the amount paid by the dependant less any cash rebates (for example, child care benefit and rebates provided by an employer or union)
- their expenses for travel during 2007–08 to and from child care because they were working
- their expenses for travel during 2007–08 to and from work
- expenses they incurred in 2007–08 in conducting a business activity that resulted in a deferred non-commercial business loss, even if they did not lodge a tax return.

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 – see the 'cents per kilometre' method described on page 46. If this method is used, the 5,000 kilometre limit does not apply for the purpose of calculating your dependant's SNI.

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

What doesn't reduce SNI?

Your dependant's SNI cannot be reduced by:

- amounts they paid for gifts, donations or tax agent fees
- tax withheld, superannuation contributions or losses brought forward from 2006–07 or earlier years
- self-education expenses that would not be tax-deductible because their only income was from austudy, youth allowance or work that was not connected with self-education.

HOW MUCH SNI CAN YOUR DEPENDANT EARN?

For some of your claims relating to dependants, the amount you may be entitled to will be affected by their SNI. For example, some tax offsets are reduced by \$1 for every \$4 of SNI over \$282 that your dependants earned in 2007–08. We explain at each question the amount of SNI your dependants can earn before your claim is affected.

TAX OFFSETS AND YOUR TAX WITHHELD

If your tax offset entitlements have changed since you last filled in a *Withholding declaration* authorising your payer to vary the amount of tax withheld, you may need to fill in a new declaration.

The government has announced that all family tax benefit (FTB) claims for the period beginning 1 July 2008 must be lodged with the Family Assistance Office (FAO). If you previously notified your payer to reduce the amount of tax withheld because you were entitled to FTB, you must lodge a new *Withholding declaration*. Contact your payer for more information. Failure to fill in a new declaration may result in a tax debt.

Pages 78–97 tell you about tax offsets. For more information about family tax benefit, see pages 73–7.

FAMILY TAX BENEFIT

Did you have care of a dependent child aged under 21 years (or under 25 years if they were studying full time) at any time between 1 July 2007 and 30 June 2008?

! EXPLANATION OF TERMS

Care, adjusted taxable income (ATI), spouse and other terms used in this section are defined at **Explanation of terms** on pages 76–7.

NO You cannot claim family tax benefit (FTB) and do not need to continue reading this section. Go to **Tax offsets** on page 78.

YES Read below.

Did you or your spouse receive FTB payments directly from the Family Assistance Office (FAO) for the full income year?

YES You do not need to lodge a claim for FTB. You might be entitled to a spouse tax offset at item **T1**. Go to page 79.

If you have been paid too much FTB, the FAO will recover any amount you should not have received. Your tax refund – or your spouse's if they gave consent – can be used to recover these amounts directly.

➤ For more information on reconciliation of FTB, see the publication *Family tax benefit (FTB) tax claim instructions 2008* (NAT 4108).

NO Read below.

WHAT IS FAMILY TAX BENEFIT?

FTB is a payment you can receive to help with the cost of raising your dependent children. FTB has two parts. You or your spouse may be eligible for FTB Part A or FTB Part B, or both.

FTB Part A is designed to help with the cost of raising children. You may receive it for:

- each dependent child aged under 21 years for whom you provide care, and
- older dependent children, aged 21 to 24 years, who are studying full time and for whom you provide care.

FTB Part B is designed to give extra help to families with one main income, including single parent families. It is a payment made to a family and not paid per child. You can receive it until:

- your youngest dependent child turns 16 years old, or

- 31 December of the calendar year in which your youngest child turns 18 years old, if that child is studying full time and is not receiving a social security payment, such as youth allowance or a prescribed educational scheme allowance, such as ABSTUDY.

If you were eligible for FTB for a child who has died, you may be entitled to a bereavement payment. For more information, visit the FAO or phone **13 61 50**.

WERE YOU ELIGIBLE FOR FTB?

➤ FTB CALCULATOR

The FTB calculator on our website can help you work out whether you were eligible for FTB. If you were, it can also work out the amount you are entitled to claim.

To be eligible to claim FTB **you** must satisfy the following three criteria:

- You must have provided care to a **dependent child** (see the definition under **Did you have an eligible dependent child?** on the next page).
- You must have cared for the child for a **minimum of 10%** of the assessment period (the period covered by your FTB claim) if you shared the care of the dependent child with another person who is not your current spouse. For example, if you shared the care over the whole 2007–08 income year you must have cared for the dependent child for at least 37 nights of the income year.
- You must have satisfied the **Australian residency** requirements for family assistance purposes (see below). These differ from those for tax purposes.

What is an Australian resident for family assistance purposes?

Residency for family assistance purposes is different from residency for tax or immigration purposes. For example, having a tax file number does not necessarily mean you meet the residency requirement for family assistance. Your residency status may be tested against data held by the Department of Immigration and Citizenship.

To be an Australian resident for family assistance purposes, **you must reside in Australia and satisfy one of the following:**

- You are an Australian citizen.
- You hold a permanent visa.
- You are a New Zealand citizen who entered Australia under a special category visa.
- You hold one of the following temporary visas: 070, 309, 310, 447, 451, 695, 785, 786, 787, 820 or 826.
- You hold a criminal justice stay visa specifically issued for the purpose of assisting in the administration of justice in relation to the offence of people trafficking, sexual servitude or deceptive recruiting.

To determine whether you reside in Australia you need to establish whether Australia is your place of residence. You should consider:

- the nature of your accommodation
- the nature and extent of your family relationships in Australia
- the nature and extent of your employment, business or financial ties with Australia
- the frequency and duration of your travel outside Australia, and
- any other relevant matters.

If you are unsure of your residency status, contact the Family Assistance Office (FAO) on **13 61 50**.

! TEMPORARY ABSENCES FROM AUSTRALIA
 Your family tax benefit (FTB) may be affected by a temporary absence from Australia. For absences longer than 13 weeks, FTB may be reduced. For more information, contact the FAO. If for some reason your dependent child or you were outside Australia on a temporary overseas absence for longer than 13 weeks and were prevented from returning to Australia because of a crisis or emergency situation, you should contact the FAO.

There are also special rules that apply to people who go overseas as part of the Medical Treatment Overseas Program, and for certain individuals who are deployed overseas as part of the Australian Defence Force or Australian Federal Police. If you went overseas for more than 13 weeks and fall into any of these categories, you should also contact the FAO.

Did you have an eligible dependent child?

For you to be eligible for FTB, your dependent child must satisfy the following criteria:

- be aged under 21 years or be a full-time student aged 21 to 24 years
- have been in your care and, if the child is aged under 21 years, you must have been responsible (whether alone or jointly with someone else) for their day-to-day care, welfare and development
- have been an Australian resident, a special category visa holder residing in Australia or be living with you
- not have been your partner
- have resided in Australia for some of the period 1 July 2004 to 30 June 2008
- have had an adjusted taxable income (ATI) in 2007–08 equal to or less than the ATI limit shown in **table 1** below.

A child is not a dependent child if:

- they (or someone on their behalf, for example, a parent) received any of the payments listed at questions **5** and **6** on pages 23–4
- they were 16 years or older and received payments under an ABSTUDY schooling or tertiary scheme, the Student Financial Supplement Scheme, the Veterans' Children Education Scheme, or the Post-graduate Awards Scheme, or
- they had an ATI of more than the ATI limit shown in **table 1**.

TABLE 1: A dependent child's ATI limit

Age of child	ATI limit
Under 5 years	No limit
5 to 15 years studying full time	No limit
5 to 15 years not studying full time	\$11,929
16 to 24 years	\$11,929

For an explanation of ATI and its components, refer to the **Explanation of terms** on page 76. You can also refer to the *Family tax benefit (FTB) tax claim instructions 2008* to work out ATI for a dependant.

Did you satisfy the eligibility criteria AND did at least one of your dependants satisfy the dependent child eligibility criteria?

NO You are not eligible to claim FTB. Go to **Tax offsets** on page 78.

YES Read below.

If you are unsure how to claim your FTB, work through the following steps to find out which way is correct for you.

STEP 1 Did you receive an income support payment from Centrelink for the whole income year? (Income support payments are listed at questions **5** and **6** on pages 23–4.)

YES You should not lodge an FTB tax claim. Your FTB would have been paid in addition to your income support payment. If you would like further information, contact the FAO. Go to **Tax offsets** on page 78.

NO Go to step 2.

STEP 2 Were you entitled to a health care card or rent assistance from the FAO during 2007–08?

For further information on health care cards and rent assistance, phone the FAO on **13 61 50** or visit their website at **www.familyassist.gov.au**

YES Health care cards and rent assistance are not available through the tax system. You should claim your FTB directly from the FAO to receive these other benefits. Go to **Tax offsets** on page 78.

NO Go to step 6.

STEP 3 Did you or your spouse receive child support for all or part of the 2007–08 income year that was registered for collection by the Child Support Agency (CSA)?

YES Go to step 4.

NO Go to step 6.

STEP 4 Did you or your spouse receive arrears of child support in the 2007–08 income year?

For the purposes of the maintenance income credit, 'arrears of child support' means an amount greater than the child support entitlement amount for 2007–08 worked out by the CSA.

YES Go to step 5.

NO Go to step 6.

STEP 5 During the period 1 July 2000 to 30 June 2007:

- were you or your spouse eligible for FTB for all or part of that period, and

■ was the amount of child support that you or your spouse received less than the maintenance income free area (see Explanation of terms) for any of the income years, and the amount due for any such year?

YES You may have a maintenance income credit that can be used to offset the child support arrears you received in the 2007–08 income year. To access this credit you should claim your family tax benefit (FTB) directly from the Family Assistance Office (FAO).
The maintenance income credit may, in some cases, increase the amount of FTB you will receive in 2007–08. For further information, contact the FAO.

NO Go to step 6.

STEP 6 Did you lodge a Withholding declaration (NAT 3093) to reduce the amount of tax that was withheld from your pay in anticipation of your FTB entitlement?

YES You must complete an FTB tax claim and lodge it with the Tax Office by **30 June 2009** or you may incur a tax debt.

NO You can choose to claim your FTB from either the FAO or the Tax Office. To claim it from the Tax Office, complete and lodge an FTB tax claim by **30 June 2009**.

If you would like to claim your FTB from the FAO – either as a lump sum or as fortnightly payments – contact the FAO to get the appropriate FAO claim form. Otherwise, read on.

HOW DOES INCOME AFFECT YOUR FTB PART A?

! NOTE

From this point on in these FTB instructions, unless otherwise specified any reference to a child or children is to a child or children who are dependants for FTB purposes.

The amount of FTB Part A you receive depends on your family adjusted taxable income (ATI). Your family ATI is the total of your and your spouse's ATI.

Use **table 2** to help you determine if you are entitled to all or some of FTB Part A. In the table, use the age of your dependent child or children at 30 June 2008. If your dependent child turned 25 years during the income year, count the child in the 'Number of dependent children aged 18 to 24 years' row.

▶ You can use the calculator on our website to work out your entitlement. There is also a rate estimator on the online services page of the FAO website at www.familyassist.gov.au

In **table 2**:

If all your children were aged 0 to 17 years at 30 June 2008, find the row that shows the number of dependent children you had. Your family ATI limit is the amount shaded **blue** in your row.

If all your children were aged 18 to 24 years, find the column that shows the number of dependent children you had. Your family ATI limit is the amount shaded **pink** in your column.

If you had children in both age groups, find the row that shows the number of dependent children you had aged 0 to 17 years and the column that shows the number of dependent children you had aged 18 to 24 years. Your family ATI limit is the unshaded amount where your column and your row meet.

If your family ATI is equal to or more than the family ATI limits in table 2, you are not entitled to FTB Part A but you may be entitled to FTB Part B. Read on.

! NOTE

You may have become or ceased to be eligible for FTB Part A during the income year if:

- your marital status changed
- any of your dependent children aged 21 to 24 years stopped studying full time, or
- you gained the care of, or ceased to care for, a dependent child.

TABLE 2: Family ATI limit at which FTB Part A stops

		Number of dependent children aged 18 to 24 years			
		0	1	2	3
Number of dependent children aged 0 to 17 years	0		\$99,244	\$110,595	\$122,823
	1	\$97,845	\$109,196	\$121,424	\$133,651
	2	\$107,797	\$120,025	\$132,252	\$144,480
	3	\$118,625	\$130,853	\$143,080	\$155,308

Note: You cannot use this table if:

- you had three children aged 13 to 15 years
- you had more than three children in either age group (0 to 17 years or 18 to 24 years)
- you shared care for any of your children
- you were eligible for multiple birth allowance, or
- you received government rent assistance payments.

If any of these apply to you, use the family assistance estimator available on the FAO website at www.familyassist.gov.au or phone the FAO on **13 61 50**.

EXAMPLES

- If you had one dependent child aged 0 to 17 years and no dependent children aged 18 to 24 years, your ATI limit is \$97,845.
- If you had no dependent children aged 0 to 17 years and three dependent children aged 18 to 24 years, your ATI limit is \$122,823.
- If you have three dependent children aged 0 to 17 years and two dependent children aged 18 to 24 years, your ATI limit is \$143,080.

Were you entitled to family tax benefit (FTB) Part A?

NO You may still be entitled to FTB Part B. See **How does income affect your FTB Part B?** below.

YES See **How to claim FTB from the Tax Office** in the next column. You may also be entitled to FTB Part B. Read below.

Unsure? Contact the Family Assistance Office (FAO).

HOW DOES INCOME AFFECT YOUR FTB PART B?

If you were a single parent at any time during the FTB claim period your income will not affect your FTB Part B entitlement for that time.

If you were a member of a couple, only the lower earner's adjusted taxable income (ATI) is taken into account when determining entitlement to FTB Part B. Use **table 3** to work out if you are entitled to FTB Part B.

TABLE 3: Lower income earner's ATI at which FTB Part B stops

Age of dependent child	Lower income earner's ATI
Under 5 years	\$22,302
5 to 18 years*	\$17,356

* If your youngest child was aged 16 to 18 years at any time during the FTB claim period you can only be entitled to FTB Part B for that child if they were studying full time. If the child was 18 years you will be entitled to FTB Part B until 31 December of the year they turned 18 years.

If you had a shared-care arrangement for any of your children, FTB Part B is calculated based on the child that gives you the greatest entitlement.

Return to work

If you were a parent who returned to work for the first time **on or after 1 July 2007**:

- after the birth of your child, or
- after caring for a child who has come into your care you may be entitled to the maximum rate of FTB Part B for the period that you were not at work during the year.

Eligibility for this extra assistance will be calculated after the end of the income year when FTB payments are reconciled.

Starting a new job may be considered a return to work.

For further information, refer to *Family tax benefit (FTB) tax claim instructions 2008*.

Were you entitled to FTB Part B?

NO Go to **Tax offsets** on page 78.

YES See **How to claim FTB from the Tax Office** in the next column.

Unsure? Contact the FAO.

NOTE

If your entitlement to FTB Part B was:

- for only part of the year – you may be able to claim a spouse tax offset at item **T1** for the rest of the year, or
- at a rate based on a child you or your spouse shared the care of with someone else, for example, an ex-spouse – you may be able to claim a spouse tax offset at item **T1** for the periods when the child was not in the care of you or your spouse.

HOW TO CLAIM FTB FROM THE TAX OFFICE

If you claim your FTB from the Tax Office you will need to complete a separate form, the *Family tax benefit (FTB) tax claim 2008* and then lodge it with or after your *Tax return for individuals 2008*.

This form is included with the *Family tax benefit (FTB) tax claim instructions 2008*. This publication is available on our website or to find out how to get a printed copy, see the inside back cover. The Tax Office will accept your FTB tax claim for 2007–08 until **30 June 2009** only. However, to avoid penalties for late lodgment of your tax return you must lodge by the due date – see **Lodge your tax return by 31 October 2008** on pages 9–10.

If you have a 2006–07 FTB tax claim that you have not lodged with the Tax Office you must do so by 30 June 2009.

The Government has announced that all FTB claims for the period beginning 1 July 2008 must be lodged with the FAO.

Your payer has to increase the amount of tax withheld from 1 July 2008 if you previously notified them that you were entitled to FTB. Speak to your payer if in doubt.

EXPLANATION OF TERMS

Below is an explanation of terms used in this information section. If you are still unsure about a term after reading the explanation, contact the FAO.

Adjusted fringe benefits

This is the reportable fringe benefits amount 'grossed down', that is, the reportable fringe benefits reduced to their actual value to you.

Any reportable fringe benefits will appear on your and your spouse's payment summaries. You need to write the **reportable** fringe benefits amounts on your FTB tax claim or on your tax return as applicable. The FAO will automatically reduce reportable fringe benefits amounts that appear on your payment summary to the adjusted fringe benefits amount.

To 'gross down' your adjusted fringe benefits amount, multiply your reportable fringe benefits amount by 53.5%.

Adjusted taxable income (ATI)

The components of ATI are:

- taxable income
- adjusted fringe benefits
- net rental property losses
- tax-free pensions or benefits
- target foreign income, and
- child maintenance you paid to another person (deductible child maintenance expenditure).

Each of these components is described in detail in this explanation of terms section.

Assessment period

The assessment period is the period covered by your FTB claim.

An assessment period **begins** on the latest of:

- the day on which the care of the dependent child began
- the day on which care arrangements for the dependent child changed (including changes in shared care)
- 1 July in the income year of the claim.

An assessment period **ends** on the earliest of:

- 30 June of the income year in which the period began
- the day before the day on which the care arrangements of the dependent child changed
- the day on which the care of the dependent child stopped.

The relevant assessment period is used to calculate your shared-care percentage. The assessment period is not affected by short-term absences or minor variations to your shared-care arrangements, such as when a child who normally stays with your ex-spouse for a weekend does not do so because of illness.

Care

Care means that you had responsibility for the day-to-day care, welfare and development of the child. Generally, day-to-day care includes physical care.

You can still care for your dependent child if they were being educated away from your home – for example, at university.

Deductible child maintenance expenditure

Deductible child maintenance expenditure is the amount of child maintenance (also known as child support) you are required to pay to another person to maintain your natural or adopted child. To work out your adjusted taxable income (ATI) deduct this amount from the total of all the other ATI components.

Full care

You had full care of your children if you or your current spouse, or both of you, cared for your children for the whole assessment period and you are claiming family tax benefit (FTB) on behalf of your family.

Maintenance income free area

The maintenance income free area is the amount of child support (maintenance) you can receive before your FTB Part A payment is reduced. Maintenance income above the free area reduces your FTB Part A payment by 50 cents in the dollar until the base rate of FTB Part A is reached.

The maintenance income free area is made up of an amount for the first child and a supplementary amount for each subsequent child. The maintenance income free areas for 2007–08 are shown in **table 4**.

TABLE 4: Maintenance income free areas for 2007–08

Individual's situation	Amount for 1 child only	For each additional child, add
Single	\$1,259.25	\$419.75
A couple and both have maintenance income	\$2,518.50	\$419.75
A couple but only one has maintenance income	\$1,259.25	\$419.75

If you need the maintenance income free areas for previous income years, phone the Family Assistance Office (FAO) on **13 61 50** or visit their website at www.familyassist.gov.au

Net rental property losses

Net rental property losses are shown at item **21 Rent** on page 11 of your tax return (supplementary section). Include this amount only if you have shown a rental loss – you would have printed **L** in the **LOSS** box at the right of item **21**.

NOTE

The value of any net rental property loss is counted as income for ATI purposes.

Shared care

Shared care is where you or your spouse, or both of you, cared for a child for some of the time during the assessment period and someone else – for example, your ex-spouse – cared for the child for the rest of the time, such as weekends or school holidays. You can work out your shared-care percentage as follows:

$$\frac{\text{Number of nights you or your spouse, or both of you, cared for the child in an assessment period}}{\text{Number of nights in the assessment period}} \times 100$$

You will need accurate records to claim your correct percentage of FTB, particularly if your care arrangements changed during the year. The percentage can be different for different periods if your pattern of care changed during the year. If you need help to work out your shared-care percentage contact the FAO.

Spouse

Your spouse is a person of the opposite sex to whom you were legally married, or with whom you lived in a marriage-like relationship at any time during the FTB claim period, provided you were not living separately and apart on a permanent or indefinite basis. You may have had more than one spouse during the claim period – for example, if you were married at the beginning of the claim period, then separated, then lived with a new spouse at the end of the claim period.

Target foreign income

Target foreign income is income, calculated in Australian dollars, from sources outside Australia. Do not include any amounts you have already included in your taxable income and any foreign income received in the form of a fringe benefit.

If you received amounts of target foreign income throughout the income year, use the exchange rate applicable on 1 July 2008 to convert foreign amounts to Australian dollars. You will find the applicable exchange rates on the FAO website under 'How to calculate income' or you can get them from the FAO.

Taxable income

This is the amount that you have written at **TAXABLE INCOME OR LOSS** on your *Tax return for individuals 2008*. If you have a loss the amount to be included in your calculation of adjusted taxable income is zero.

If you are completing your FTB tax claim separately from your tax return, taxable income is also shown on your income tax notice of assessment issued by the Tax Office.

Tax-free pensions or benefits

These are listed under **Exempt Australian Government pensions, allowances and payments** on pages 12–13. For FTB purposes the double orphan pension is not included.

Tax-free pensions or benefits do not include bereavement payment, pharmaceutical allowance, rent assistance, remote area allowance and the language, literacy and numeracy supplement.

Tax offsets (sometimes also referred to as rebates) directly reduce the amount of tax you must pay. They are not the same as deductions, which are taken off your income before your tax is worked out.

With a tax offset, we work out the tax due on your taxable income then reduce it by the total amount of your tax offsets.

Tax offsets can only reduce the amount of tax you pay to zero, that is, if your tax offsets are greater than your tax due, you do not get a refund of the excess amount – with three exceptions. The three refundable tax offsets are:

- the private health insurance rebate (see question **T5**)
- the franking tax offset (see question **12**)
- the baby bonus (see question **T6**).

Tax offsets, in general, do not reduce your Medicare levy; however, where you have excess refundable tax offsets, you can use them to reduce your tax, including your Medicare levy.

Generally, there are three types of tax offsets. They:

- provide tax relief for personal circumstances (for example, tax offsets for senior Australians and people living in remote areas)
- give you a credit for an amount of tax that has effectively already been paid (for example, credits for franked dividends and foreign tax)
- provide an incentive (for example, the tax offset for mature age workers and the private health insurance rebate).

Some tax offsets appear on the following pages; some are part of other questions.

QUESTION T1

T1

SPOUSE (WITHOUT DEPENDENT CHILD OR STUDENT), CHILD-HOUSEKEEPER OR HOUSEKEEPER

T1**TAX OFFSETS**

Did you have any of the following for any part of the year:

- a spouse
- a child-housekeeper, or
- a housekeeper?

! DEFINITIONS

A **spouse** can be married or de facto (see the definition of spouse on page 110).

A **child-housekeeper** is your child, adopted child or stepchild who kept house for you full time.

A **housekeeper** is someone who kept house for you full time and also cared for your eligible dependent child, student or invalid relative, or your dependent spouse who received a disability support pension.

NO Go to **Eligibility for the senior Australians tax offset** on page 86.

YES Read below.

PART A

Dependent spouse – married or de facto

You had a dependent spouse if you maintained them. Read **What is maintaining a dependant?** on page 71.

Did you have a dependent spouse – married or de facto?

NO Go to part B on page 82.

YES Read below.

Did you have a dependent child or student for any part of the year?

NO Go to **Dependent spouse eligibility checklist** in the next column.

YES Read below.

– STOP

You cannot claim a spouse tax offset for any period that you or your spouse (during any period they were your spouse) was entitled to family tax benefit (FTB) Part B at a rate based on having full care of a child (full-care rate). This rule applies even if neither you nor your spouse claimed FTB Part B when eligible to do so. To find out if you or your spouse was eligible for FTB Part B, you will need to read the information on family tax benefit on pages 73–7. Then return to this page and work through the questions in the next column.

Were you or your spouse (during any period they were your spouse) entitled to FTB Part B for the whole year?

NO Go to **Dependent spouse eligibility checklist** below.

YES Read below.

Were you or your spouse (during any period they were your spouse) entitled to FTB Part B for any part of the year at a rate based on sharing care of the child with someone else, such as a former spouse (shared-care rate)?

NO You cannot claim a dependent spouse tax offset or a child-housekeeper tax offset. Go to part C on page 84.

YES Go to **Dependent spouse eligibility checklist** below.

Dependent spouse eligibility checklist

You are eligible to claim a dependent spouse tax offset for any period in 2007–08 that you had a spouse and you met **all** these conditions:

- you maintained your spouse – see **What is maintaining a dependant?** on page 71
- your spouse was a resident – if you are unsure, read **Are you an Australian resident?** on page 11
- you were a resident at any time in 2007–08
- neither your spouse (if they were your spouse during that period) nor you were entitled to FTB Part B, or were only entitled to it at the shared-care rate (for more information on FTB, read pages 73–7).

! NOTE

Your spouse's separate net income (SNI) for the period(s) you are claiming a spouse tax offset reduces your claim by \$1 for every \$4 by which their SNI exceeds \$282 (see steps 6–10 of **worksheet 1** on the next page). You cannot claim a spouse tax offset if you had a dependent spouse for the whole year and your spouse's SNI was more than \$8,681. Read **What is separate net income?** on pages 71–2.

How much can you claim?

The maximum spouse tax offset you may be able to claim is \$2,100. You may be entitled to a partial tax offset if:

- you had a spouse for only part of the income year, or
- you met all of the eligibility conditions for only part of the income year – for example, if your spouse ceased to be a resident during 2007–08, or neither your spouse nor you were entitled to FTB Part B for part of the year.

Are you eligible to claim a dependent spouse tax offset?

NO Go to part B on page 82.

YES Go to **worksheet 1** below. Follow steps 1–5 to work out your maximum available tax offset amount for the period(s) you are eligible to claim. Then follow steps 6–10 to work out your allowable tax offset claim after any reduction for your spouse’s separate net income (SNI). Then work through steps 11–14, if they apply to you, to complete this section.

NOTE

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.

WORKSHEET 1: How to claim your dependent spouse tax offset

STEP 1	If you had a dependent spouse for the whole year and neither of you were entitled to family tax benefit (FTB) Part B at ANY time during the year:		
	1 Write \$2,100 at (a).	\$	(a)
	2 Go to step 5.		
STEP 2	If you had a dependent spouse for only part of the year and neither of you were entitled to FTB Part B during that period:		
	1 Work out the number of days you had a spouse and multiply this number by \$5.74 (the daily rate). Write the amount at (b).	\$	(b)
	2 Go to step 5.		
STEP 3	If your spouse or you were entitled to FTB Part B at any time during the year (see example 1 on the next page):		
	1 For the period you had a dependent spouse, work out the number of days that neither of you were entitled to FTB Part B.		
	2 Multiply by \$5.74 (the daily rate) the number of those days you worked out in no. 1. Write the amount at (c).	\$	(c)
STEP 4	If your spouse or you were entitled to FTB Part B at the shared-care rate at any time during the year (see example 2 on the next page):		
	1 For the period you had a dependent spouse, work out the number of days that your spouse or you were entitled to FTB Part B at the shared-care rate.		
	2 Multiply the number of days worked out in no. 1 by \$5.74 (your answer is \$2,100 if you had a dependent spouse for the whole year).		
	3 Work out your shared-care percentage – see the explanation of terms on page 77 and example 2 on the next page.		
	4 Deduct your shared-care percentage from 100%.		
	5 Multiply the amount you worked out in no. 2 by the percentage you worked out in no. 4. Write the amount at (d).	\$	(d)
STEP 5	Add up any amounts at (a), (b), (c) and (d) and write the total at (e). This is your maximum available tax offset. It cannot be more than \$2,100.	\$	(e)
STEP 6	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 (e) at (j) in step 10, then go to step 12. Otherwise, go to step 7.		
STEP 7	If your spouse’s SNI was \$286 or more, write at (f) their SNI for the year (or for the period you are claiming a spouse tax offset if this is not for the whole year).	\$	(f)
STEP 8	SNI at which the tax offset begins to reduce	\$282	(g)
	Take (g) away from (f) and write the amount at (h).	\$	(h)
STEP 9	Divide (h) by 4 and write the amount at (i).	\$	(i)
STEP 10	Take (i) away from (e) and write the amount at (j).	\$	(j)

- STEP 11** If the amount at (j) is \$0 or less, you cannot claim a **dependent spouse tax offset**. Go to part B on the next page.
If the amount at (j) is more than \$0, this is your allowable tax offset. Go to step 12.
- STEP 12** Write your allowable tax offset from (j) at **P** item **T1** on page 4 of your tax return, or on a piece of notepaper if you are going to claim a child-housekeeper or housekeeper tax offset for another part of the year. Do not show cents.
- STEP 13** Print one of the following code letters in the **CLAIM TYPE** box at the right of **P** item **T1** on page 4 of your tax return:
S – if you are claiming the spouse tax offset only
C – if you are claiming a spouse tax offset for part of the year and a child-housekeeper or housekeeper tax offset for another part of the year, or a spouse tax offset and a housekeeper tax offset for the same period.
- STEP 14** Complete **Spouse details – married or de facto** on pages 6–7 of your tax return. Provide relevant details, including your spouse’s separate net income (SNI) at **R**. If your spouse did not have any SNI, write **0**.
- If you are going to claim a child-housekeeper or housekeeper tax offset, go to part B on the next page.
If not, go to **Check that you have . . .** on page 84.

EXAMPLE 1: Eligible for family tax benefit (FTB) Part B at any time during the year (see step 3 in worksheet 1 on the previous page)

Sam remarried on 1 October 2007, so he had a dependent spouse for 274 days during 2007–08.
From 1 October 2007 Sam had full care of Ella, his daughter from his previous relationship.
Ella left school at the end of the 2007 school year. She turned 16 years old on 1 May 2008.
Sam is entitled to claim FTB Part B for Ella from 1 October 2007 until 30 April 2008 (213 days). He can also claim a dependent spouse tax offset for 61 days (274 days he had a dependent spouse less the 213 days he was entitled to claim FTB Part B for Ella).

	Sam	You
1 For the period you had a dependent spouse, work out the number of days that neither of you were entitled to claim FTB Part B.	61	
2 Multiply the number of days you worked out in no. 1 by \$5.74 (the daily rate). Transfer this amount to (c) in worksheet 1 on the previous page.	\$350	\$

EXAMPLE 2: Eligible for FTB Part B at the shared-care rate (see step 4 in worksheet 1 on the previous page)

Koby had a dependent spouse for the whole year.
Koby and his former spouse shared the care of their son, Aiodan, for the whole year. Koby’s share of the care was 146 nights: Koby’s shared-care percentage for the year is 40% (146 nights divided by 366, multiplied by 100).

	Koby	You
1 For the period you had a dependent spouse, work out the number of days that your spouse or you were entitled to FTB Part B at the shared-care rate.	366	
2 Multiply the number of days worked out in no. 1 by \$5.74 (or use \$2,100 if you had a dependent spouse for the whole year).	\$2,100	\$
3 Work out your shared-care percentage – see above.	40%	%
4 Deduct your shared-care percentage from 100%.	60%	%
5 Multiply the amount worked out in no. 2 by the percentage worked out in no. 4.	\$1,260	\$
Transfer this amount to (d) in worksheet 1 on the previous page.		

! NOTE
If the shared-care percentage changed during the year, you will need to do this calculation for each period during the year that the percentage was different.

PART B**Child-housekeeper**

A child-housekeeper is your child, adopted child or stepchild who kept house for you full time. A child who is a full-time student or a full-time employee is not considered to keep house full time. Keeping house means more than simply child-minding or performing domestic duties. It includes having some responsibility for the general running of the household.

Did you have a child-housekeeper?

NO Go to part C on page 84.

YES Read below.

Child-housekeeper eligibility checklist

You are eligible to claim a child-housekeeper tax offset for any period in 2007–08 that you had a **child-housekeeper** and you met **all** these conditions:

- you maintained your child-housekeeper – see **What is maintaining a dependant?** on page 71
- your child-housekeeper was a resident – if you are unsure, read **Are you an Australian resident?** on page 11
- you were a resident at any time in 2007–08
- you were **not** eligible for a dependent spouse tax offset under part A on page 79
- you were **not** entitled to family tax benefit (FTB) Part B or were only entitled to it at the shared-care rate – for more information on FTB, read pages 73–7.

NOTE

Your child-housekeeper's separate net income (SNI) for the period you are claiming a child-housekeeper tax offset reduces your claim by \$1 for every \$4 by which their SNI exceeds \$282 (see steps 6–10 of **worksheet 2** on the next page). You cannot claim a child-housekeeper tax offset if you had a child-housekeeper for the whole year and your child-housekeeper's SNI was over \$7,125 (or \$8,485 if you had another eligible dependent child or student). Read **What is separate net income?** on pages 71–2.

How much can you claim?

The maximum child-housekeeper tax offset you may be able to claim is \$1,711 (or \$2,051 if you had another eligible dependent child or student). A partial tax offset may apply if:

- you had a child-housekeeper for only part of the income year, or
- you met all the eligibility conditions for only part of the income year.

Were you eligible to claim a child-housekeeper tax offset?

NO Go to part C.

YES Go to **worksheet 2** below. Follow the steps to work out your allowable tax offset amount for the period(s) you are eligible to claim.

WORKSHEET 2: How to claim your child-housekeeper tax offset

	COLUMN 1 No other dependent child or student	COLUMN 2 Another dependent child or student
Use column 1 if you had a child-housekeeper and did not have another dependent child under 21 years old or student under 25 years old.		
Use column 2 if you had a child-housekeeper and another dependent child under 21 years old or student under 25 years old and the SNI of the dependent child or student was less than \$1,786. If the SNI was \$1,786 or more, use column 1 .		
If the additional child or student was your dependant for only part of 2007–08, use the column 2 daily rate if their SNI was less than \$282 plus \$28.92 for each week you maintained them. Otherwise, use the column 1 daily rate.	\$1,711 for the whole year (maximum) or \$4.67 a day	\$2,051 for the whole year (maximum) or \$5.60 a day
STEP 1 If you had a child-housekeeper for the whole year and you were NOT entitled to FTB Part B at ANY time during the year:		
1 Write at (a):		
■ \$1,711 in column 1 if you had no other dependent child or student, or		
■ \$2,051 in column 2 if you had another dependent child or student.		
2 Go to step 5.	\$ <input type="text"/>	(a) \$ <input type="text"/>
STEP 2 If you had a child-housekeeper for only part of the year and you were NOT entitled to FTB Part B at ANY time during that period:		
1 Work out how many days during the year you had a child-housekeeper.		
2 Multiply the number of days that you worked out in no. 1 by the following daily rate:		
■ \$4.67 if you had no other dependent child or student, write the answer at (b) in column 1 , or		
■ \$5.60 if you had another dependent child or student, write the answer at (b) in column 2 .		
3 Go to step 5.	\$ <input type="text"/>	(b) \$ <input type="text"/>

STEP 3 If you were entitled to family tax benefit (FTB) Part B at any time during the year:

- 1 Work out how many days during the year you had a child-housekeeper and you were **not** entitled to FTB Part B.
- 2 Multiply the number of days worked out in no. 1 by the following relevant daily rate:
 - \$4.67 if you had no other dependent child or student, write the answer at (c) in **column 1**, or
 - \$5.60 if you had another dependent child or student, write the answer at (c) in **column 2**.

	\$	(c)	\$	(c)
--	----	-----	----	-----

STEP 4 If you were entitled to FTB Part B at the shared-care rate at any time during the year:

- 1 Work out how many days during the year you had a child-housekeeper and you were entitled to FTB Part B at the shared-care rate.
- 2 Multiply the number of days you worked out in no. 1 by the following daily rate:
 - \$4.67 if you had no other dependent child or student (your answer is \$1,711 if you had a child-housekeeper for the whole year), or
 - \$5.60 if you had another dependent child or student (your answer is \$2,051 if you had a child-housekeeper for the whole year).
- 3 Work out your shared-care percentage – see the explanation of terms on page 77 and **example 2** on page 81.
- 4 Deduct your shared-care percentage from 100%.
- 5 Multiply the amount you worked out in no. 2 by the percentage you worked out in no. 4.
- 6 Write the amount you worked out in no. 5 at (d) **column 1** if you used \$4.67 or (d) **column 2** if you used \$5.60.

	\$	(d)	\$	(d)
--	----	-----	----	-----

Note: If the shared-care percentage changed during the year you will need to repeat this calculation for each of those periods, then add up these amounts.

STEP 5 Add up any amounts at (a), (b), (c) and (d) and write the total at (e). This is your maximum available tax offset. The amount cannot be more than \$1,711 (if **column 1**) or \$2,051 (if **column 2**).

	\$	(e)	\$	(e)
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STEP 6 Write at **V** item **T1** on page 4 of your tax return your child-housekeeper's separate net income (SNI) for the year (or for the period you are claiming a child-housekeeper tax offset, if this is not for the whole year). Do not show cents. If your child-housekeeper did not have any SNI, write **0**.
If your child-housekeeper's SNI was less than \$286, you will receive the full tax offset shown at (e) in your column. This is your allowable tax offset – go to step 11. Otherwise, go to step 7.

STEP 7 If your child-housekeeper's SNI was \$286 or more, write at (f) their SNI for the year (or for the period you are claiming a child-housekeeper tax offset, if this is not for the whole year). Do not show cents. Make sure you have also written this amount at **V** item **T1** on your tax return.

	\$	(f)	\$	(f)
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STEP 8 SNI at which the tax offset begins to reduce

	\$282	(g)	\$282	(g)
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Take (g) away from (f) and write the amount at (h).

	\$	(h)	\$	(h)
--	----	-----	----	-----

STEP 9 Divide (h) by 4 and write the amount at (i).

	\$	(i)	\$	(i)
--	----	-----	----	-----

STEP 10 Take (i) away from (e) at step 5 and write the amount at (j). If the amount at (j) is \$0 or less, you cannot claim a child-housekeeper tax offset – go to part C on the next page. If the amount at (j) is more than \$0, this is your allowable tax offset – go to step 11.

	\$	(j)	\$	(j)
--	----	-----	----	-----

STEP 11 Write your allowable tax offset at **P** item **T1** on page 4 of your tax return or add it to the amount you are claiming for the spouse tax offset. If you are not going to claim a housekeeper tax offset for another part of the year at part C of this question, write the total at **P** item **T1**. Do not show cents.
If you are going to claim a housekeeper tax offset, write your tax offset entitlement so far on a piece of notepaper and go to part C. Otherwise, go to step 12.

STEP 12 Print one of the following code letters in the **CLAIM TYPE** box at the right of **P** item **T1** on page 4 of your tax return:
W – if you are claiming a child-housekeeper tax offset and you had **no** dependent child or student
H – if you are claiming a child-housekeeper tax offset and you had a dependent child or student
C – if you are claiming a spouse tax offset for part of the year and a child-housekeeper tax offset for another part of the year.

PART C Housekeeper

A housekeeper is a person who worked **full time** keeping house for you and cared for:

- a child of yours aged under 21 years, irrespective of the child's separate net income (SNI)
- any other child aged under 21 years (including a student aged under 21 years) who was your dependant and whose SNI was less than \$1,786
- your invalid relative who was your dependant (see page 71) and for whom you can claim a dependant tax offset – if you are unsure you will need to read question **T10** in *TaxPack 2008 supplement*, or
- your spouse who received a disability support pension.

Keeping house means more than simply child-minding or performing domestic duties. It includes having some responsibility for the general running of the household.

Did you have a housekeeper?

NO If you are claiming a tax offset at part A or part B, go to **Check that you have . . .** in the next column. If not, go to **Eligibility for the senior Australians tax offset** on page 86.

YES Read below.

Housekeeper eligibility checklist

If you were an Australian resident at any time in 2007–08, you are eligible to claim a housekeeper tax offset for any period in 2007–08 that you had a **housekeeper** and you met **all** the conditions below for the category that applied to you.

You did not have a spouse.

- You were **not** entitled to claim a child-housekeeper tax offset under part B on page 82.
- You were **not** entitled to family tax benefit (FTB) Part B or were only entitled to it at the shared-care rate – for more information on FTB, read pages 73–7.

You had a spouse who received a disability support pension.

- You were not entitled to claim a child-housekeeper tax offset under part B on page 82.

You had a spouse who did not receive a disability support pension.

- You were **not** entitled to claim a dependent spouse tax offset under part A on page 79 or a child-housekeeper tax offset under part B on page 82.
- Neither your spouse nor you were entitled to FTB Part B or were only entitled to it at the shared-care rate – for more information on FTB, read pages 73–7.
- Special circumstances applied – see **Where special circumstances apply** in the next column.

Where special circumstances apply

Examples of special circumstances include:

- your spouse deserted you and your children – and you did not enter into a de facto relationship
- you had a child with a severe mental disability who required constant attention, or
- your spouse suffered from an extended mental illness and was medically certified as being unable to take part in the care of your children.

Where you consider that special circumstances applied you will need to complete this item and provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM T1 PART C on the top of a separate piece of paper and explain your situation. Include your name, address and tax file number. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. Sign your schedule and attach it to page 3 of your tax return.

If the Commissioner does not consider that special circumstances applied, we will advise you. Read on.

How much can you claim?

The maximum housekeeper tax offset you can claim is:

- \$1,711, or
- \$2,051 if you had an eligible dependent child or student.

You may be entitled to a partial tax offset if:

- you had a housekeeper for only part of the income year, or
- you met all of the eligibility conditions (for the category that applied to you) for only part of the income year.

Were you eligible to claim a housekeeper tax offset?

NO If you are claiming a tax offset at part A or part B, go to **Check that you have . . .** below. If not, go to **Eligibility for the senior Australians tax offset** on page 86.

YES Go to **worksheet 3** on the next page.

CHECK THAT YOU HAVE . . .

- worked out your child-housekeeper's separate net income (SNI), if required, and written the amount on your tax return
- written on your tax return your total tax offset
- printed on your tax return the correct code letter in the **CLAIM TYPE** box , if required
- completed **Spouse details – married or de facto** including your spouse's SNI on pages 6–7 of your tax return
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM T1 PART C, if you need to send us one.

WORKSHEET 3: How to claim your housekeeper tax offset

	COLUMN 1 No dependent child or student	COLUMN 2 With a dependent child aged under 21 years or a student aged under 25 years
	\$1,711 for the whole year or \$4.67 a day	\$2,051 for the whole year or \$5.60 a day
<p>STEP 1 If you are eligible for a housekeeper tax offset for the whole year AND:</p> <ul style="list-style-type: none"> ■ neither your spouse (during any period they were your spouse) nor you were entitled to family tax benefit (FTB) Part B at ANY time during the year, or ■ your spouse received a disability support pension for the whole year: <p>1 Write the appropriate amount from column 1 (\$1,711) or column 2 (\$2,051) at (d) step 5, then follow the instructions in step 5.</p>		
<p>STEP 2 If you are eligible for a housekeeper tax offset for the whole year:</p> <p>1 Work out the number of days that:</p> <ul style="list-style-type: none"> ■ neither your spouse (during any period they were your spouse) nor you were entitled to FTB Part B, or ■ either your spouse (during any period they were your spouse) or you were entitled to FTB Part B, but your spouse was receiving a disability support pension. <p>2 Multiply the number of days you worked out in no. 1 by the daily rate (\$4.67 or \$5.60). Write the amount you calculated at (a), then go to step 4.</p>		
	\$ <input type="text"/>	(a) \$ <input type="text"/>
<p>STEP 3 If you are eligible for a housekeeper tax offset for only part of the year:</p> <p>1 Work out the number of days during that part of the year that:</p> <ul style="list-style-type: none"> ■ neither your spouse (during any period they were your spouse) nor you were entitled to FTB Part B, or ■ either your spouse (during any period they were your spouse) or you were entitled to FTB Part B, but your spouse was receiving a disability support pension. <p>2 Multiply the number of days you worked out in no. 1 by the daily rate (\$4.67 or \$5.60). Write the amount you calculated at (b).</p>		
	\$ <input type="text"/>	(b) \$ <input type="text"/>
<p>STEP 4 If, for any period during the year, you did NOT have a spouse receiving a disability support pension and you are eligible for a housekeeper tax offset:</p> <p>1 Work out the number of days during that period that your spouse (during any period they were your spouse) or you were entitled to FTB Part B based on a shared-care rate.</p> <p>2 Multiply the number of days by the daily rate (\$4.67 or \$5.60).</p> <p>3 Multiply the amount you worked out in no. 2 by 100% minus the shared-care percentage (see example 2 on page 81). Write at (c) the amount you calculated.</p> <p>Note: If the shared-care percentage changes during the year you will need to do this step for each period during the year that the percentage was different.</p>		
	\$ <input type="text"/>	(c) \$ <input type="text"/>
<p>STEP 5 Add up any amounts at (a), (b) and (c) and write the total at (d). If you are also claiming a spouse or child-housekeeper tax offset, add the amount at (d) to the other amount on your notepaper. Write the amount at (d) or the total from your notepaper at P item T1 on page 4 of your tax return. Print one of the following code letters in the CLAIM TYPE box <input type="checkbox"/> at the right of P item T1 on page 4 of your tax return:</p> <p>W – if you are claiming the housekeeper tax offset and you had no dependent child or student</p> <p>H – if you are claiming the housekeeper tax offset and you had a dependent child or student</p> <p>C – if you are claiming a spouse tax offset for part of the year and a child-housekeeper tax offset for another part of the year, or a spouse tax offset and a housekeeper tax offset for the same period.</p>		
	\$ <input type="text"/>	(d) \$ <input type="text"/>

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 (DVA) 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), 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.
- 3 You also meet this condition if:
 - 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
 - and**
 - you satisfy either of the following:
 - you are a veteran with eligible war service, or
 - you are a Commonwealth veteran, allied veteran or allied mariner with qualifying service.

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).

If you are not sure if you were eligible for a payment you can get further information from the DVA 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 de facto) are 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. However, the amount of senior Australians tax offset you will receive, if any, is determined by your taxable income. The combined taxable income amounts in **condition 3** are used to determine your eligibility, not the tax offset amount you will receive.

If you came to this section from **Reason 2** in **Do you have to lodge a tax return?** on page 2, go back to that section. Otherwise, you must go to question **T2** on the next page.

QUESTION T2

SENIOR AUSTRALIANS

T2

T2

TAX OFFSETS

! 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 86–7. If you have a spouse, you will also need to work out if your spouse was eligible. See the definition of spouse on page 110.

NO Go to question T3.

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 6, and your spouse’s 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 as listed at question 6, 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 **T2** on page 4 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 86), 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 **Y** item **T2** on page 4 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 pages 6–7 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**.

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 lived together for the whole 2007–08 income year. Russell, who is a veteran, 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 **T2** on her tax return. She also writes veteran code letter **W** at **Y** item **T2** on her tax return.

Sonya completes **Spouse details – married or de facto** on pages 6–7 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.

CHECK THAT YOU HAVE . . .

- written your tax offset code letter at **N** item **T2**
- if required, written your veteran code at **Y** item **T2**
- written your spouse's date of birth at **K** and the relevant amounts at **O**, **T**, **P** and **Q** at **Spouse details – married or de facto** on pages 6–7 of your tax return
- written your date of birth on page 1 of your tax return.

! DID YOU COMPLETE THIS ITEM?

If you were eligible for the senior Australians tax offset (that is, if you printed a tax offset code letter and a veteran code letter, if applicable, at item **T2** on page 4 of your tax return) you cannot get the pensioner tax offset at item **T3**. Go to question **T4**. **Do not** complete item **T3 Pensioner tax offset**.

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 **T2** on page 4 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 page 123.

QUESTION T3

PENSIONER

T3

Did you show any income at item 6 on your tax return? (See question 6 on page 24.)

NO Go to question **T4**.

YES Read below.

Have you already claimed a tax offset at item T2 on your tax return?

NO Read below.

YES Go to question **T4**.

▶ COMPLETING THIS ITEM

STEP 1 Find the tax offset code letter that applies to your circumstances in the table in the next column. 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 6

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 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 110.

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 make sure it is taken into account when we work out your tax offset.

STEP 2 Print your tax offset code letter in the **TAX OFFSET CODE** box at the right of **O** item **T3** on page 4 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 your correct entitlement.

! 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.

STEP 3 If your spouse or you were a veteran, war widow or war widower (see definition in the **Note** box on page 86) 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
If both V and W apply to you.	X

Print your veteran code in the **VETERAN CODE** box at the right of **T** item **T3** on page 4 of your tax return.

STEP 4 If you have used tax offset code (not veteran code) **S** go to **Check that you have . . .** in the next column.

If your tax offset code is **P**, **Q**, **I** or **J** you must complete **Spouse details – married or de facto** on pages 6–7 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**.

CHECK THAT YOU HAVE . . .

- written your tax offset code letter at the right of **O** item **T3**
- if required, written your veteran code letter at the right of **T** item **T3**
- written your spouse's date of birth at **K** and the relevant amounts at **O**, **T**, **P** and **Q** at **Spouse details – married or de facto** on pages 6–7 of your tax return
- written your date of birth on page 1 of your tax return.

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 veteran code letter (if applicable). Make sure you print your code letter(s) at item **T3** on page 4 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 page 123.

QUESTION T4

T4

AUSTRALIAN SUPERANNUATION INCOME STREAM

T4

TAX OFFSETS

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

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

! NOTE

This question does not apply to an Australian non-superannuation annuity.

If you have received an Australian superannuation lump sum payment (shown at item **8** on your tax return) and you are eligible for a tax offset for it, we will work it out for you.

NO Go to question **T5**.

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 **T5**.

If you have shown income from an Australian superannuation income stream at item **7** 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 include 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.

➤ 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 your 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 **T4**.

You have finished this question. Go to question **T5**.

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**.

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** on the next page 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 the 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 **T4** on her tax return.

WORKSHEET 1: Working out the amount of your tax offset

	Emily's	Yours	
The amount of your superannuation income stream benefit paid to you before your 55th or 60th birthday	\$2,500	\$ <input type="text"/>	(a)
Relevant percentage from table 1	0%	<input type="text"/>	(b)
Multiply (a) by (b).	\$0	\$ <input type="text"/>	(c)
The amount of your superannuation income stream benefit paid to you on or after your 55th or 60th birthday	\$13,000	\$ <input type="text"/>	(d)
Relevant percentage from table 1	15%	<input type="text"/>	(e)
Multiply (d) by (e).	\$1,950	\$ <input type="text"/>	(f)
Add (c) and (f).	\$1,950	\$ <input type="text"/>	(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 **T4** on your tax return. Do not show cents.

QUESTION T5

PRIVATE HEALTH INSURANCE

T5

T5**TAX OFFSETS**

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

! DEFINITION

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

- it is provided by a registered health 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.

NO Go to question T6.

YES Read below.

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 T6.

YOU NEED TO KNOW

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 the rebate works** in the next column). The rebate is not affected by your level of income.

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. Your health insurer should have sent you your private health insurance statement showing the details of your rebate level.

! NOTE

If you have statements from all of the health insurers you paid premiums to and the amounts at **G** on your statements are **0** you have already received your full entitlement and you do not need to read any further in this question. Go to question T6.

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.

You can only claim the rebate under one method for each period – that is, if you have already received the rebate by way of a reduction in your premium through the health insurer or as a rebate from Medicare, you cannot also claim a tax offset for the premiums paid for the same period.

! NOTE

If two people make payments for the same policy – for example, you make payments from a joint bank account – each person can claim the relevant percentage for the proportion of the premium they paid.

How the rebate works

The rebate is based on the premium you paid, or your employer has paid for you, for a complying private health insurance policy. You work out your entitlement at 30%, 35% or 40% of the premium paid, depending on the age of the oldest person covered by the policy and the number of days this person was in this 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 over	40% of the amount of premium paid

* If the oldest person moved 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 the policy holder changes health 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). If you had an eligible policy under the old incentive scheme, the statement you received from your health insurer will show the amount you may be able to claim.

If your health insurer 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**', 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).

Did you receive a private health insurance statement from your health insurer?

Your health insurer should have sent you a statement showing the premium you have paid. If you paid a premium for 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 request one.

WHAT YOU NEED

- Your private health insurance statement
- The amount of any cash or cheque rebate received from Medicare for your private health insurance

▶ COMPLETING THIS ITEM

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 **T5** on page 4 of your tax return. If you paid for 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 rebate 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 **T6**.

If the amount at (c) is positive, this is the tax offset that you are eligible to claim at **G** item **T5** 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 98 for how to complete these details. Go to question **T6**.

It is better if you complete this item using the annual statement which health insurers give to all policy holders.

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** if your rebate percentage did not change during the period the payments cover.

Use **worksheet 3** 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 **T6**.

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)	% (c)
Number of days to which the rebate percentages at (c) apply	(d)	(d)
Multiply (a) by (d).	\$ (e)	\$ (e)
Divide (e) by (b).	\$ (f)	\$ (f)
Multiply (f) by (c).	\$ (g)	\$ (g)
Add (g) column 1 and (g) 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 **T6**.

QUESTION T6

T6

BABY BONUS

T6

TAX OFFSETS

Did you have a baby – or gain legal responsibility for a child aged under five years – on or after 1 July 2001 and before 1 July 2004?

NOTE

You have a legal responsibility for a child if:

- you are responsible (whether alone or with someone else) for the day-to-day care, welfare and development of the child and
- you are their natural mother or natural father, or
- you have a court order giving you legal responsibility (for example, through adoption).

NO Go to **Tax offsets from the supplementary section** on page 97.

YES Read below.

YOU NEED TO KNOW

The mother is usually the person who will claim the baby bonus.

You can claim the baby bonus each year until the child turns five. The baby bonus is paid whether or not you get any other family benefits and can be claimed even if you do not pay tax.

If you are transferring your eligibility for the baby bonus to your spouse for the income year this question does not apply to you. You should only transfer your eligibility if your spouse was your spouse for the whole claim period and they would get a higher baby bonus amount than you. See the definition of spouse on page 110. For more information, visit our website or phone the Personal Infoline (see the inside back cover).

Go to part A in the next column if:

- this is the first year you will claim the baby bonus
- you were a transferee in 2006–07 **or**
- you were a transferee in 2007–08.

DEFINITION

A **transferee** is someone who provided their spouse's details on their 2007 baby bonus claim or will provide their spouse's details on their 2008 baby bonus claim.

Go to part B in the next column if:

- you claimed the baby bonus in a previous year (not as a transferee) and you are claiming for the same child this year **and**
- you are required to lodge a tax return this year.

If you do not meet these two points go to part A.

PART A

You cannot claim the baby bonus at this item. How you claim the baby bonus this year depends on whether you are required to lodge a tax return this year.

If you are required to lodge a tax return for 2007–08, you need to get the *Baby bonus instructions and claim 2008* (NAT 6580), complete the claim and lodge it with your tax return. To find out how to get this publication, see the inside back cover.

If you are not required to lodge a tax return for 2007–08, you can lodge your baby bonus claim on its own by:

- using e-tax and lodging online – go to **www.ato.gov.au** and e-tax will estimate your baby bonus amount for you. Most claims are issued within 14 days, or
- getting the *Baby bonus instructions and claim 2008* and completing the claim. To find out how to get this publication, see the inside back cover.

Now go to **Tax offsets from the supplementary section**.

PART B

Work through the following steps to determine the number of days that you were eligible to claim the baby bonus for this claim year.

STEP 1

Write in box **A** the number of days in 2007–08 that **all** of the following applied to you at the same time:

- you had legal responsibility for and care of the child
- the child was under the age of five years, and
- you were an Australian resident (see page 11). Go to step 2. **A**

If all these applied to you for the whole year, write **366**.

NOTE

Adoptive parent

You may be entitled to claim from the date your adopted child came into your care rather than from the date you became legally responsible for the child. For more information, visit our website or phone the Personal Infoline.

EXAMPLE

Danielle is an Australian resident for tax purposes. She had legal responsibility for and care of Mitchell for the full year. Mitchell's fifth birthday was on 20 September 2007. Danielle would write **81** in box **A**, the number of days from 1 July to 19 September.

Bereavement

If your child died during the year but before their fifth birthday, write **366** in box **A** in step 1 and go to step 6.

Child's fifth birthday on 1 July 2007

If your child turned five on 1 July 2007 and the income year you gained legal responsibility for the child is also your base year and you did not transfer your eligibility in your base year – write in box **A** in step 1 the number of days from the date you became legally responsible to 30 June of your base year. Go to step 6.

STEP 2**Did the legal responsibility for your child change, for example, through a court order, during 2007–08?**

A change in legal responsibility for your child may affect the number of days you are eligible to claim and the steps you have to complete.

NO Go to step 6.

YES Go to step 3.

STEP 3**Was there another person (including your spouse) who had legal responsibility for and care of your child during any of the days you have written in box A?**

NO Do not complete steps 4 and 5. Go to step 6.

YES Write in box **B** the total number of days that this applied. **B**

Go to step 4.

STEP 4**Has this person been eligible for the baby bonus for another child without being a transferee?**

NO Go to step 5.

YES You cannot claim for a full year. Take **B** away from **A**. Write the answer in box **C**. This is your number of eligible days. **C**

Go to step 6.

STEP 5**In the following list, are you listed after the person referred to in step 3?**

- Natural mother
- Adoptive mother
- Any other woman
- Natural father
- Adoptive father
- Any other man

NO Go to step 6.

YES You cannot claim for a full year. Take **B** away from **A**. Write the answer in box **D**. This is your number of eligible days. **D**

Go to step 6.

STEP 6

The number of days you are eligible to claim the baby bonus will be the lowest of the number of days you have written in box **A**, **C** and **D**. If you have nothing in box **C** or **D** your number of eligible days is in box **A**. Write the number of eligible days at **H** item **T6** on page 4 of your tax return.

If your child died during the year but before their fifth birthday, print **B** in the **CODE** box at the right of **H** item **T6**. This will allow you to claim the baby bonus for another eligible child in a later year.

Go to **Tax offsets from the supplementary section**.

TAX OFFSETS FROM THE SUPPLEMENTARY SECTION

T

! CAUTION

Read this question carefully – consult *TaxPack 2008 supplement* if you are not familiar with the terms used.

Are you entitled to claim any of the following tax offsets?

- Tax offset for superannuation contributions on behalf of your spouse
- Tax offset for living in a remote or isolated area of Australia
- Tax offset for serving overseas as a member of the Australian Defence Force or a United Nations armed force
- Tax offset for net medical expenses over the threshold amount
- Tax offset for maintenance of your parent, spouse's parent or invalid relative
- Landcare and water facility tax offset brought forward from an earlier year
- Mature age worker tax offset
- Entrepreneurs tax offset
- Tax offset for interest from the land transport facilities tax offset scheme or infrastructure borrowings scheme
- Tax offset for performing work or services in the Joint Petroleum Development Area (JPDA)

NO

Go to **Total tax offsets** below.

YES

You must complete the *Tax return for individuals (supplementary section) 2008*. Read below.

▶ COMPLETING THIS ITEM

STEP 1 Complete the details at the top of page 9 of your tax return (supplementary section) if you haven't already. Use *TaxPack 2008 supplement* to complete the tax offsets section.

STEP 2 Transfer the amount you wrote at **TOTAL SUPPLEMENT TAX OFFSETS** on page 12 to **T** on page 4 of your tax return.

! NOTE

You can find the *Tax return for individuals (supplementary section) 2008* at the back of *TaxPack 2008 supplement*. If you don't have a copy of this supplement, you can get one 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.

TOTAL TAX OFFSETS

STEP 1 Add up all the tax offset amounts at items **T1**, **T4**, **T5** and **T** in the right-hand column on your tax return.

STEP 2 Write the total amount at **U TOTAL TAX OFFSETS** on page 4 of your tax return. Do not show cents. If you do not have any tax offsets, write **0**. Read below.

Low-income tax offset

If you were an Australian resident for tax purposes and your taxable income was less than \$48,750, you may get the low-income tax offset. We will work out this tax offset and make sure it comes off your tax. This tax offset will be shown on your notice of assessment.

Mature age worker tax offset

If you were an Australian resident aged 55 years or older on 30 June 2008 and you have received certain income from working, you may be eligible for the mature age worker tax offset.

If you only have net income from working from items on your tax return, we will work out your mature age worker tax offset for you.

If you have net income from working from items on your tax return (supplementary section), you will need to complete item **T12 Net income from working – supplementary section** so that we can use this amount to work out your mature age worker tax offset entitlement.

ADJUSTMENTS FROM THE SUPPLEMENTARY SECTION

Did you receive a distribution during 2007–08 on which family trust distribution tax has been paid?

NO Read the next column.

YES Read question **A3** on page s66 in *TaxPack 2008 supplement*.

Did you make a payment to the Tax Office more than 14 days before the due date for payment?

NO Go to **Private health insurance policy details** on the next page.

YES Read question **C1** on page s67 in *TaxPack 2008 supplement*.

YOU NEED TO KNOW

The information on this page will help you complete **Private health insurance policy details** on page 4 of your tax return. You will need to complete this item if you claimed a tax offset at item **T5**. Question **M2 Medicare levy surcharge** on pages 104–7 may also direct you to complete this item.

If you received a statement from your registered health insurer, your private health insurance policy details will be shown on the statement. If you did not receive a statement from your health insurer, contact your insurer. If you do not have a statement because your employer paid the premium for you, contact your 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 private 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 below that best describes the type of private health insurance cover you had.

Type of cover	Code letter
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 the Medicare levy surcharge may be reduced. Make sure you carefully read question **M2 Medicare levy surcharge** on pages 104–7.

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).

Did you have more than one policy during 2007–08?

The tax return only has space for information on three policies.

If you had more than three policies, complete steps 1 to 3 for the first three policies. 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's ID code, your membership number and the type of cover for each of the other policies you held. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. Sign your schedule and attach it to page 3 of your tax return.

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. (For more information on refundable tax offsets – for example, the private health insurance rebate – see page 93.)

In some cases you may be exempt from the Medicare levy or it may be reduced. This is the subject of question **M1**. 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 100–3 to work out if you are eligible for the exemption or the reduction based on family income.

Individuals and families on incomes above the Medicare levy surcharge thresholds (see page 106) who do not have private patient hospital cover may have to pay the Medicare levy surcharge. This is the subject of question **M2**.

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 104–7 to see if you have to pay the surcharge.

ITEM M2 IS COMPULSORY FOR ALL TAXPAYERS.

If you do not complete item **M2** on your tax return you may be charged the full Medicare levy surcharge.

QUESTION M1

M1

MEDICARE LEVY REDUCTION OR EXEMPTION

M1

MEDICARE LEVY REDUCTION OR EXEMPTION

Were you a low income earner or were you in one of the Medicare levy reduction or exemption categories listed on page 102?

NO Go to question M2.

YES Read below.

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 usually the amount you wrote at **TAXABLE INCOME OR LOSS** on page 3 of your tax return.

Taxed element of a superannuation lump sum

For Medicare levy purposes, taxable income excludes any taxed element of a superannuation lump sum for which the tax rate is zero (see question 8 on pages 28–31). If you are unsure of the tax rate, phone the Superannuation Infoline (see the inside back cover).

NOTE

The amounts in the tables in this question reflect proposed changes to Medicare levy thresholds for 2007–08. At the time of printing *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.

WHAT YOU MAY NEED

- Your 2007–08 taxable income
- The 2007–08 taxable income of your spouse, if you had one on 30 June 2008 (see the definition of spouse on page 110). If your spouse died during 2007–08 and you did not have another spouse before the end of the year, we consider you to have had a spouse on 30 June 2008 for the purposes of calculating any Medicare levy reductions based on family income
- The number of dependent children and students you had during 2007–08
- The number of days you, your spouse and dependent children and students were in an exemption category – see page 102.

PART A

Low income earner

You do not need to complete this item if your taxable income was:

- equal to or less than the relevant threshold amount (see the table below). **You do not have to pay the Medicare levy.** Do not write anything at item M1 on your tax return. Go to question M2
 - more than the relevant lower threshold amount but equal to or less than the relevant upper threshold (see the table below) and you were not in
 - a Medicare levy reduction category based on family income (see **Part B categories** on the next page), or
 - one of the exemption categories given on page 102.
- You pay a reduced Medicare levy.** It is calculated at 10 cents for every dollar of taxable income above the relevant lower threshold amount. Do not write anything at item M1. We will work out how much Medicare levy you have to pay. Go to question M2.

Taxpayer category	Lower threshold	Upper threshold
If you are eligible for the senior Australians tax offset (see pages 86–7)	\$25,867	\$30,431
If you are eligible for the pensioner tax offset (see pages 89–90)	\$22,922	\$26,967
All other taxpayers	\$17,309	\$20,363

If the above points in part A do not apply to you, go to part B below.

PART B

Reductions based on family income

'Dependent children and students' means:

- any child under 21 years old you maintained who was not a full-time student and whose separate net income was less than \$1,786 for the first child, and \$1,410 for any additional child
- any full-time student under 25 years old who you maintained and whose separate net income was less than \$1,786.

See **What is maintaining a dependant?** and **What is separate net income?** on pages 71–2.

If you were single or separated on 30 June 2008, you must have been eligible for family tax benefit for the whole or part of 2007–08 for any child or student you want to include under the term 'dependent children and students' (see pages 73–7).

Part B categories

If your taxable income was above the relevant threshold amount in part A, you may still be eligible for a reduced Medicare levy based on your family income.

To be eligible for a reduced Medicare levy based on family income, you must have been in one of the following categories:

- You had a spouse – married or de facto – on 30 June 2008.
- Your spouse died during 2007–08 and you did not have another spouse before the end of the year.
- You are entitled to a child-housekeeper or housekeeper tax offset at item **T1** on your tax return or would be entitled if you were not eligible for the family tax benefit – see pages 79–85.
- You were a sole parent at any time during 2007–08 – that is, you had **sole care** of any dependent children or students. This includes any child for whom you had sole care, not just your own child.

! DEFINITION

Sole care means that you alone had full responsibility, on a day-to-day basis, for the upbringing, welfare and maintenance of a child or student. You are not considered to have sole care if you are living with a spouse – married or de facto – unless special circumstances exist. Generally, for special circumstances to exist, you must be financially responsible for the dependent child or student and have sole care without the support a spouse normally provides.

Examples of situations where special circumstances may arise:

- You were married at any time during 2007–08 but during the year you separated from or were deserted by your spouse and for that period you were not in a de facto relationship.
- Your spouse was in prison for a sentence of at least 12 months.
- Your spouse is medically certified as being permanently mentally incapable of taking part in caring for the child or student.

If you are unsure of whether special circumstances apply, phone the Personal Infoline (see the inside back cover).

If you had a spouse on 30 June 2008 or your spouse died during the year, your **family income** is your and your spouse's combined taxable income for Medicare levy purposes (see **Taxed element of a superannuation lump sum** on the previous page). Otherwise, it is your taxable income.

You do not pay the Medicare levy if you were in one of the part B categories above and your family income was equal to or less than the relevant lower income limit. Find the limit that applies to your circumstances in **table 1** or **2** in the next column. You need to complete steps 1 and 2.

If your family income was greater than the relevant lower income limit but equal to or less than the relevant upper income limit, you pay a reduced Medicare levy. You need to complete steps 1 and 2.

If your family income was above the relevant upper income limit, you do not qualify for a reduced Medicare levy. Go to **Exemption categories** on the next page.

Two family income tables are shown below. Use **table 1** if you are eligible for the senior Australians tax offset. Use **table 2** in all other circumstances.

TABLE 1: Family income table for taxpayers who are eligible for the senior Australians tax offset

Number of dependent children and students during 2007–08	Lower income limit	Upper income limit
0	\$37,950	\$44,647
1	\$40,632	\$47,802
2	\$43,314	\$50,957
3	\$45,996	\$54,112
4	\$48,678	\$57,268

If you had more than four dependent children or students, you can extend this table. The lower income limit increases by \$2,682 and the upper income limit increases by \$3,155 for each additional child or student.

TABLE 2: Family income table for taxpayers other than those eligible for the senior Australians tax offset

Number of dependent children and students during 2007–08	Lower income limit	Upper income limit
0	\$29,207	\$34,361
1	\$31,889	\$37,516
2	\$34,571	\$40,671
3	\$37,253	\$43,827
4	\$39,935	\$46,982

If you had more than four dependent children or students, you can extend this table. The lower income limit increases by \$2,682 and the upper income limit increases by \$3,155 for each additional child or student.

Claiming your reduced Medicare levy

STEP 1 If you had a spouse at 30 June 2008 or your spouse died during the year, you must complete **Spouse details – married or de facto** on pages 6–7 of your tax return.

If your spouse's taxable income includes any taxed element of a superannuation lump sum for which the tax rate is zero (see question **8** on pages 28–31), print SCHEDULE OF ADDITIONAL INFORMATION – ITEM M1 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* question **2a** on page 8 of your tax return. Sign your schedule and attach it to page 3 of your tax return.

STEP 2 Write how many dependent children and students you had during 2007–08 at **Y** item **M1** on page 5 of your tax return.

If you had no dependent child or student, write **0**. We will work out your reduced Medicare levy based on this information. If you wish to calculate the Medicare levy yourself, you can use the Medicare levy calculator on our website or the worksheets on pages 125–8.

! NOTE

If you received any exempt foreign employment income, we use a special formula to work out the amount of tax – including Medicare levy – you have to pay on your taxable income. You will not be able to work out your Medicare levy. We will work it out for you.

Read on to see if you are entitled to an exemption.

PART C Medicare levy exemption

Exemption categories

You were in an exemption category if:

- 1 You were a **blind pensioner** or you received the **sickness allowance** from Centrelink.
- 2 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.
- 3 You were **not an Australian resident** for tax purposes.
- 4 You were a resident of **Norfolk Island**.
- 5 You were a member of a **diplomatic mission** or consular post in Australia – or a member of such a person's family and you were living with them – and you were not an Australian citizen and you do not ordinarily live in Australia.
- 6 You have a **certificate** from the Medicare Levy Exemption Certification Unit of Medicare Australia showing that you are not entitled to Medicare benefits because you were a temporary resident for Medicare purposes. A letter from Medicare is not sufficient. For more information on how to apply for an exemption certificate, contact Medicare Australia on **1300 300 271** or visit their website **www.medicareaustralia.gov.au**

If you were not in one of these exemption categories, you are **not entitled to an exemption**. Go to question **M2**.

! DEFINITION

For part C, **dependant** means an Australian resident you maintained who was:

- your spouse
- your child aged less than 21 years, or
- your child aged 21 years or over but less than 25 years who was receiving full-time education at a school, college or university and whose separate net income was less than \$1,786.

See **What is maintaining a dependant?** and **What is separate net income?** on pages 71–2.

If the parents of a child lived separately or apart for all or part of the income year and the child was a dependant of each of them, the child is treated as a dependant of each parent. We base the Medicare levy calculation on the percentage of family tax benefit Part A that was paid or is payable for that child for that period.

If you were in exemption category 3 or 4 for the whole income year, you qualify for a **full Medicare levy exemption** regardless of whether or not you had dependants. Write **366** at **V** item **M1** on your tax return and go to question **M2**.

If you were in any other exemption category, or were in exemption category 3 or 4 for only part of 2007–08, read on.

EXAMPLE 1

Leanne was a member of the defence forces for the whole income year. She shared the care of Daniel with her ex-spouse and received 14% family tax benefit Part A based on the shared-care arrangement. This means that Daniel is considered to be Leanne's dependant for 51 days (14% of 366) for Medicare levy exemption purposes for the year.

Full levy exemption

You may qualify for a full exemption for all or part of 2007–08.

Category 1 or 2

You will qualify for a full exemption from the Medicare levy for a period in 2007–08 if you were in exemption category 1 or 2 (see the previous column) and you satisfied any of the following conditions during the whole of that period:

- You had no dependants for that period.
- All your dependants (including your spouse if you had one) were also in one of the exemption categories, or they had to pay the Medicare levy (for example, your only dependant was your spouse who was not in an exemption category and had to pay the Medicare levy).
- You had dependent children who were not in an exemption category but they were also dependants of your spouse, who either:
 - had to pay the Medicare levy, or
 - was in exemption category 1 or 2 and you have completed a **Family agreement** on the next page declaring that your spouse will pay the half levy for your joint dependants.

To be eligible to complete a **Family agreement** it is a condition that both you and your spouse would, apart from your exemption category status, have to pay the Medicare levy.

Category 3 or 4 for only part of the income year, or category 5 or 6 for any period of the income year

If you were in exemption category 3 or 4 (see the previous column) for only part of 2007–08 or exemption category 5 or 6 for any period of 2007–08, you will qualify for a full Medicare levy exemption for that period if one of the following conditions applies:

- You had no dependants for that period.
- All your dependants were also in an exemption category for that period.

If you met any of the conditions for any full exemption category you were in, go to **Full levy exemption for a period** on the next page.

If you did not meet any of the conditions for any full exemption category you were in, go to:

- **Half levy exemption** if you were in exemption category 1 or 2 for a period in 2007–08, or
- question **M2** if you were not in exemption category 1 or 2 for a period in 2007–08.

Otherwise, read on.

Full levy exemption for a period

STEP 1 Write the total number of days that you and all your dependants, if any, met the required conditions, at **V** item **M1** on page 5 of your tax return.

If you were in more than one exemption category and the time you were in one category overlapped with the time you were in another, only add up the number of days from the day you started in the first category to the last day you were in the last category. Do not count each overlapping period separately.

EXAMPLE 2

You were in category 1 from 1 August to 30 September and category 2 from 15 September to 1 November. The number of days from 1 August to 1 November is 93. You would show **93** days at **V** item **M1**.

STEP 2 If you have completed **V** and you were a temporary resident for Medicare purposes and have a Medicare levy exemption certificate, print the letter **C** in the **CLAIM TYPE** box at the right of **V** item **M1**.

Otherwise, leave the box blank.

STEP 3 If you had a spouse at any time in 2007–08, you must complete **Spouse details – married or de facto** on pages 6–7 of your tax return.

STEP 4 If the number of days you wrote at **V** is **366**, you will not have to pay any Medicare levy. You have finished this question. Go to question **M2**.

If you were in exemption category 3, 4, 5 or 6, you have finished this question. Go to question **M2**.

If the number of days you wrote at **V** is **less than 366**, and you were in exemption category 1 or 2, you may qualify for a half levy exemption. Read on.

Half levy exemption

You may qualify for a half levy exemption for all or part of 2007–08.

You qualify for a half exemption from the Medicare levy for a period in 2007–08 if you were in exemption category 1 or 2 (see the previous page) and you satisfied either of the following conditions during the whole of that period:

- You had at least one dependant (for example, a spouse) who was not in an exemption category and who did not have to pay the Medicare levy (for example, because they were a low income earner – see part A).
- Your spouse was in exemption category 1 or 2 (see the previous page) and you and your spouse had a child who was a dependant of both of you and the child was not in an exemption category. In this case, either you or your spouse can claim a full levy exemption and the other can claim a half levy exemption at part C. You do this by completing a **Family agreement** in the next column.

If you did not meet one of these conditions, go to question **M2**.

Getting a half levy exemption

STEP 1 Write at **W** item **M1** on page 5 of your tax return the total number of days that you and your dependants met the required conditions.

If you were in both exemption categories and the time you were in one exemption category overlapped with the time you were in the other exemption category, only add up the number of days from the day you started in the first category to the last day you were in the second category. Do not count each overlapping period separately.

EXAMPLE 3

You were in category 1 for the period 1 August to 30 September and category 2 from 15 September to 1 November. The number of days from 1 August to 1 November is 93. You would show **93** days at **W** item **M1**.

STEP 2 If you had a spouse at any time during 2007–08 you must complete **Spouse details – married or de facto** on pages 6–7 of your tax return.

STEP 3 If you had a child who was a dependant of both you and your spouse, and you or your spouse was claiming a half levy exemption under part C, both you and your spouse will need to complete a **Family agreement** declaring which one of you will pay the half levy for your joint dependants. A form for this agreement is shown below.

FAMILY AGREEMENT

We	(Your name)	
	(Your spouse's name)	
<i>hereby agree that the half Medicare levy payable in respect of our dependant or dependants for 2007–08 will be paid by</i>		
	(Name of person claiming half exemption)	
	<i>Spouse's signature</i>	
	<i>Your signature</i>	

! NOTE

If you are the one claiming a full exemption from the Medicare levy at part C, you will need to keep this **Family agreement** with your tax records:

- for five years from the date you lodge your tax return, or
- if the Commissioner has determined that you are subject to a shorter period, that shorter period.

We will work out your exemption based on the information on your tax return. If you wish to calculate the exemption yourself, you can use the Medicare levy calculator on our website or the worksheet on page 127. Otherwise, go to question **M2**.

QUESTION M2

MEDICARE LEVY SURCHARGE

M2

M2

MEDICARE LEVY SURCHARGE

THIS QUESTION IS COMPULSORY FOR ALL TAXPAYERS.

For the whole of 2007–08 did you and all of your dependants (this includes your spouse even if they had their own income) – if you had any – 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 **M2** on your tax return. Make sure you have completed **Private health insurance policy details**. See page 98 for assistance. Go to question **A1** on page 108.

NO Print **X** in the **NO** box at the right of **E** item **M2** on your tax return. Read below.

For the whole of 2007–08 were you:

- **a single person – without a dependent child or children – with a taxable income for MLS purposes of \$50,000 or less**

OR

- **a member of a family and the combined taxable income for MLS purposes of you and your spouse (if you had one) was \$100,000 (plus \$1,500 for each dependent child after the first, that is, for the second and subsequent child, if you had children) or less?**

NO You may have to pay the Medicare levy surcharge. Print **X** in the appropriate **NO** box at item **M2** on your tax return. If you had a spouse during 2007–08 you may also have to complete your spouse details on pages 6–7 of your tax return. Go to **You need to know** below.

YES You do not have to pay the Medicare levy surcharge for any part of the year. Print **X** in the appropriate **YES** box at item **M2** on your tax return. Go to **Completing this item** on page 107.

YOU NEED TO KNOW

Individuals and families on incomes above the MLS thresholds 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 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.

Your health insurer statement 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.

Dependants – a dependant is an Australian resident, being:

- your spouse – even if they worked during 2007–08 or had their own income
- any of your children who were under 21 years of age
- any of your children aged 21 years and older but under 25 years of age who were full-time students.

For MLS purposes you need to have contributed to your dependant’s maintenance. See **What is maintaining a dependant?** on page 71.

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 110).

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. Any parent (including a sole parent) who contributed to the maintenance of a dependent child or children is considered to be a member of a family.

Taxable income for Medicare levy surcharge (MLS)

purposes – is the total of:

- your taxable income
- your total reportable fringe benefits amounts at **W** item **10** on your tax return
- the amount on which family trust distribution tax has been paid (see question **A3** on page s66 in *TaxPack 2008 supplement*)

less

- any taxed element of a superannuation lump sum for which the tax rate is zero (see **table 1** on page 31). If you are unsure of the tax rate, phone the Superannuation Infoline (see the inside back cover).

If you had any exempt foreign employment income and a taxable income of \$1 or more, you need to complete this item as if the exempt income were added to your taxable income.

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
- 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
- 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* (ITAA 1936) and which has not been included in your spouse's taxable income*

less

- any taxed element of a superannuation lump sum for which the tax rate is zero.

*A trustee is assessed under section 98 of the ITAA 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 on 30 June 2008
- a bankrupt, or
- a person who has been declared legally incapable because of a mental condition.

! NOTE

If you have shown a lump sum payment in arrears at item **20 Foreign source income and foreign assets or property** or item **24 Other income** on your tax return (supplementary section) and you are liable for MLS, you may be entitled to a tax offset up to the amount of MLS you have to pay on the lump sum payment. We will calculate the tax offset for you.

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 (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 M2 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* question **2a** on page 8 of your tax return. Sign your schedule and attach it to page 3 of your tax return.

When don't you have to pay the Medicare levy surcharge?

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 102. If the above paragraph applies to you, go to **Completing this item** on page 107.

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 107.

You do not have to pay MLS for the full year if you had private patient health cover for part of the year and:

- you and your dependants, if any, 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, 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** may help you work this out. Go to **Completing this item** on page 107.

EXAMPLE 1: Part-year private patient hospital cover

Jacinta is not married and had no dependants. In 2007–08 she had a taxable income for MLS purposes of \$59,000. She was not in a Medicare levy exemption category at any time during the year.

Jacinta took out private patient hospital cover on 15 December 2007. Because Jacinta's taxable income was above the single surcharge threshold of \$50,000 and she did not have private patient hospital cover for the full year she will have to pay MLS for the part of the year that she did not have private patient hospital cover.

Jacinta will **not** have to pay MLS for the time she had private patient hospital cover – 15 December 2007 to 30 June 2008 (199 days).

Jacinta will write the number of days in 2007–08 that she is **not** liable for MLS – **199** – at **A** item **M2** on her tax return and complete **Private health insurance policy details** on page 4 of her tax return.

EXAMPLE 2: Part-year liability

Carolyn and Mat have been married for a number of years. They have three dependent children. Carolyn, Mat and their children were not in a Medicare levy exemption category at any time during the year. Carolyn and the children were covered by private patient hospital cover for the full income year. Mat had his name added to the policy on 10 December 2007.

Carolyn and Mat had a combined taxable income for Medicare levy surcharge (MLS) purposes of \$115,000. Because not everyone was covered for the full period 1 July 2007 to 9 December 2007, Carolyn and Mat are both liable for MLS for this period – 162 days.

Carolyn and Mat would both write the number of days in 2007–08 that they were **not** liable for MLS – **204** – at

A item **M2** on their tax returns and complete **Private health insurance policy details** on page 4 of their tax returns.

When do you have to pay the Medicare levy surcharge?

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 no dependants and had a taxable income for MLS purposes greater 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 the relevant family surcharge threshold shown in the table below.

NOTE

If your spouse died during the income 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 income year and you retain the benefit of the family surcharge threshold.

FAMILY SURCHARGE THRESHOLD

Number of dependent children	Surcharge income threshold
0–1	\$100,000
2	\$101,500
3	\$103,000
4	\$104,500
More than 4	\$104,500 plus \$1,500 for each additional child

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 **What if your circumstances changed during the year?** below. However, if only one of the MLS 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 any part of the year. Go to **Completing this item** on the next page. Otherwise, read on
- you 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 *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 102.

Go to **Completing this item** on the next page.

What if your circumstances changed during the year?

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 and no dependent child or children) – apply the single surcharge threshold of \$50,000 to your own taxable income for MLS purposes
- had a spouse or a dependent child or children – apply the family surcharge threshold of \$100,000 plus \$1,500 for each dependent child after the first, to your own taxable income for MLS purposes.

Example 3 may help you work out whether you were liable for MLS for any period during 2007–08.

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 your dependent children during 2007–08
- 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

See **Taxable income for Medicare levy surcharge (MLS) purposes** on page 105 for the calculation of your and your spouse's taxable income.

STEP 1 If you and all your dependants (this includes your spouse even if they had their own income) had private patient hospital cover for the whole of 2007–08, print **X** in the **YES** box at the right of **E** item **M2** on page 5 of your tax return. Make sure you also complete your **Private health**

insurance policy details. See page 98 for assistance. You have now finished this question. Go to question **A1**.

If you or any of your dependants (including 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** in item **M2** on page 5 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 **M2**.

! NOTE

The number of days you had private health insurance cover will be shown at **A** on the statement from your health insurer.

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**.

If you had a dependent child during 2007–08 go to step 3. Otherwise, go to step 4.

STEP 3 Write the number of your dependent children during 2007–08 at **D** item **M2**.

STEP 4 If you had a spouse during 2007–08 and you or any of your dependants (this includes your spouse even if they had their own income) were not covered by private patient hospital cover for the full year, complete **Spouse details – married or de facto** on pages 6–7 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 7 of your tax return included any taxed element of a superannuation lump sum for which the tax rate is zero, print SCHEDULE OF ADDITIONAL INFORMATION – ITEM M2 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* question **2a** on page 8 of your tax return. Sign your schedule and attach it to page 3 of your tax return.

STEP 5 If you had private patient hospital cover for any part of the year you must complete **Private health insurance policy details.** See page 98 for assistance.

You have now finished this question. Go to question **A1**.

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 128.

! NOTE

If you received any exempt foreign employment income, we use a special formula to work out the amount of tax – including MLS – you have to pay on your taxable income. You will not be able to calculate your MLS. We will do this calculation for you.

STOP

If you were under 18 years of age on 30 June 2008, you **must** complete this item or you may be taxed at a higher rate than necessary.

Were you under 18 years of age on 30 June 2008?

NO Go to question **A2**.

YES Read below.

There are different rates of tax for different types of income. To make sure you are paying the right rate, complete this item.

Did any of the following apply to you on 30 June 2008?

- You:
 - were working full time or had worked full time for three months or more in 2007–08 (ignoring full-time work that was followed by full-time study)
 - and**
 - were intending to work full time for most or all of 2008–09 and not study full time.
- You were entitled to a disability support pension or a rehabilitation allowance, or someone was entitled to a carer allowance to care for you.
- You were permanently blind.
- You were disabled and were likely to suffer from that disability permanently or for an extended period.
- You were entitled to a double orphan pension and you received little or no financial support from your relatives.
- You were unable to work full time because of permanent mental or physical disability and you received little or no financial support from your relatives.

NO Go to **Calculating your ‘excepted net income’**.

YES Read on.

If you were in any of the above categories on 30 June 2008, all of your income will be taxed at normal rates.

Write **0** at **J** item **A1** on page 6 of your tax return. Then print the code letter **A** in the **TYPE** box at the right of **J**. You have now finished this question. Go to question **A2**.

Calculating your ‘excepted net income’

You need to calculate how much of your income will be taxed at normal rates. This income is called ‘excepted net income’.

STEP 1 Add up all of the following income amounts that you have shown on your tax return:

- employment income
- taxable pensions or payments from Centrelink or the Department of Veterans’ Affairs
- a compensation, superannuation or pension fund benefit
- income from a deceased person’s estate
- income from property transferred to you as a result of another’s death or family breakdown, or to satisfy a claim for damages for an injury you suffered
- income from your own business
- income from a partnership in which you were an active partner
- net capital gains from the disposal of any of the property or investments referred to above
- income from investment of amounts referred to above.

Although you will be showing this income twice, you will not be taxed twice.

STEP 2 Add up all your deductions that relate to the income from step 1. (See the **Deductions** section on pages 41–66.) Take away the total of those deductions from the total income worked out at step 1.

STEP 3 Write the amount from step 2 at **J** item **A1** on your tax return. Do not show cents. This is your excepted net income. If you did not have any of the income listed in step 1 or the amount from step 2 is zero, write **0** at **J** item **A1** on your tax return.

STEP 4 Print the code letter **M** in the **TYPE** box at the right of **J** item **A1**.

The amount you have shown at **J** item **A1** will be taxed at normal rates. A higher rate of tax will apply for your other income. For more information, phone the Personal Infoline (see the inside back cover).

EXAMPLE

Joshua is a school student who works part time at a supermarket. He earned \$2,200 in 2007–08 and is entitled to a deduction of \$100 for protective clothing. At step 2 he takes \$100 from \$2,200 = \$2,100. He writes **\$2,100** at **J** item **A1** and prints **M** in the **TYPE** box .

NOTE

If you received a distribution from a trust, read question **13 Partnerships and trusts** on pages s2–6 in *TaxPack 2008 supplement*.

QUESTION A2

A2

PART-YEAR TAX-FREE THRESHOLD

A2

ADJUSTMENTS

In 2007–08 did you:

- become an Australian resident, or
- stop being an Australian resident?

If you are unsure, read **Are you an Australian resident?** on page 11.

NO Go to **Spouse details – married or de facto** on page 110.

YES Read below.

The full-year tax-free threshold is \$6,000. The tax-free threshold may apply to you for only part of the year and is therefore a proportion of the full-year tax-free threshold. We use the following information to work out your tax-free threshold.

PART A

Did you become an Australian resident in 2007–08?

NO Go to part B.

YES Read on.

STEP 1 Write the date you became an Australian resident for tax purposes in the **Date** box at item **A2** on page 6 of your tax return.

STEP 2 Write the number of months that you were an Australian resident in 2007–08 – counting the first month during which you became an Australian resident – at **N** item **A2** on your tax return.

! NOTE

If your residency changed during 2007–08 and you showed income at item **5** or **6** on your tax return, you may not need to complete this item. Phone the Personal Infoline (see the inside back cover).

PART B

Did you stop being an Australian resident in 2007–08?

NO Go to **Check that you have . . .**

YES Read below.

STEP 1 Write the date you stopped being an Australian resident for tax purposes in the **Date** box at item **A2** on page 6 of your tax return.

STEP 2 Write the number of months from 1 July 2007 to when you left Australia – counting the month during which you left Australia – at **N** item **A2** on your tax return.

CHECK THAT YOU HAVE . . .

For part A:

- written in the **Date** box the date you became an Australian resident
- written the number of months that you lived in Australia in 2007–08.

For part B:

- written in the **Date** box the date you left Australia
- written the number of months from 1 July 2007 to when you left Australia.

You must complete **Spouse details – married or de facto** on pages 6–7 of your tax return if you had a spouse during 2007–08, and:

- you completed any of the items listed below, or
- you consented to use part or all of your 2008 tax refund to repay your spouse's Family Assistance Office (FAO) debt.

! 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?

- T1** Spouse (without dependent child or student) tax offset
- T2** Senior Australians tax offset
- T3** Pensioner tax offset
- M1** Medicare levy reduction or exemption
- M2** Medicare levy surcharge – and you printed **X** in the **NO** box at **E**
- T7** Superannuation contributions on behalf of your spouse (on the tax return supplementary section)

NO You do not need to complete this section. Go to **Checklist – tax return pages 1–8** on page 112.

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 pages 6–7 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.

STEP 2 Write your spouse's date of birth at **K** and print **X** in the relevant box for your spouse's sex.

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 T1, T2, T3, M1, M2 on your tax return or T7 in the supplementary section?**

NO Go to step 5.

YES Read below.

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 T1	R
item T2 or T3	O, T, P and Q
item M1 (V or W)	O
item M1 (Y only)	O if you had a spouse on 30 June 2008
item M2 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
item T7	O and S

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 24.

Label Q Write at **Q** the amount of any exempt pension income that your spouse received in 2007–08. Make sure you only include your spouse's **exempt pension** income. Do not show cents. If this amount is zero, write **0**. Exempt income is listed on pages 12–14.

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 71–2 for information on separate net income.

If you cannot find out any of the amounts required, you may make a reasonable estimate.

STEP 5 Do you consent to use part or all of your 2008 tax refund to repay your spouse's Family Assistance Office (FAO) debt?

Only answer **YES** to this question if all of the following apply to you:

- you were the spouse of a family tax benefit (FTB) claimant or the spouse of a child care benefit claimant on 30 June 2008 and your income was taken into account in their claim
- your spouse has given you authority to quote their customer reference number (CRN) on your tax return – if your spouse does not know their CRN, they can contact the FAO
- your spouse has a debt due to the FAO or expects to have an FAO debt for 2008
- you expect to receive a tax refund for 2008, and
- you consent to use part or all of the refund to repay your spouse's FAO debt.

NO Print **X** in the **NO** box. You have finished this section. Go to **Checklist – tax return pages 1–8** on the next page.

YES Print **X** in the **YES** box. You must complete your spouse's CRN at **Z**, and sign and date the consent for FTB purposes.

CHECKLIST – TAX RETURN PAGES 1–8

Use this checklist to make sure your tax return is complete before you lodge it with the Tax Office. To avoid any delay in processing, use the pre-addressed envelope provided with your *TaxPack 2008*. If you don't have a pre-addressed envelope, see below for the address to use.

CHECK THAT YOU HAVE . . .

- written your tax file number
- 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
- filled in the code boxes – if you were asked to do so – at items **3, 4, 8, I, TOTAL INCOME OR LOSS, D1, D3, D4, SUBTOTAL, TAXABLE INCOME OR LOSS, T1, T2, T3, T6, M1 and A1**
- completed item **M2** – this is **compulsory** for all taxpayers
- if required, completed pages 9–12 of the tax return (supplementary section) and worked through the checklist on page s68 in *TaxPack 2008 supplement*
- written totals at:
 - TOTAL TAX WITHHELD**
 - TOTAL INCOME OR LOSS**
 - TOTAL DEDUCTIONS**
 - SUBTOTAL**
 - TAXABLE INCOME OR LOSS**
 - TOTAL TAX OFFSETS**
- attached copies of the following to page 3 of your tax return
 - any employment termination payment (ETP) payment summaries, letters or reasonable benefits limits (RBL) determinations, and
 - other attachments as instructed by any section or question in *TaxPack 2008*
- completed **Spouse details – married or de facto** if required
- completed your spouse's details and provided your signature on page 7 of your tax return if you have consented to offset part or all of your tax refund against your spouse's Family Assistance Office debt
- if you were under 18 years of age as of 30 June 2008, completed item **A1** – this is **compulsory** (if it is not completed, you may be taxed at a higher rate than necessary)
- read **Self-assessment – it's your responsibility** on page 9
- read, completed, signed and dated the *Taxpayer's declaration*
- attached pages 9–12 of your tax return (supplementary section) to page 8
- attached your *Baby bonus claim 2008* to the back of your tax return if you are claiming the baby bonus for the first time
- attached your *Family tax benefit (FTB) tax claim 2008* to the back of your tax return if you are claiming FTB with your tax return
- kept copies of your tax return, all attachments and relevant papers for your own records.

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 *TaxPack 2008*. The address shown on it is our official lodgment address. If you post your tax return to any of our other addresses 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 page 131).

If you did not receive an envelope with your *TaxPack 2008*, or have misplaced it, post your tax return in a business-sized envelope to:

Australian Taxation Office
GPO Box 9845
IN YOUR CAPITAL CITY

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

You can lodge your tax return online using e-tax – go to **www.ato.gov.au** for more information. Most refunds are issued within 14 days.

Alternatively, you can lodge a paper tax return using the pre-addressed envelope. Change the address by crossing out **IN YOUR CAPITAL CITY** and replacing with **SYDNEY NSW 2001, AUSTRALIA**.

It will assist us if you cross out the barcode above the address.

! NOTE

Before you lodge your tax return, make sure you have read **Self-assessment – it's your responsibility** on page 9.

IF YOU MADE A MISTAKE OR NEED TO AMEND YOUR TAX RETURN

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 tax return item number and description affected by 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 the item being changed. **Post your letter and attachments to: Australian Taxation Office, GPO Box 5056, Sydney NSW 2001.** Keep a copy for your records. Do not send another tax return unless we ask you to.

We will not impose a penalty if the amendment reduces the amount of tax you have to pay – for example, where you increase your deductions or tax offsets.

If you voluntarily tell us that you made a mistake and an amendment will result in you paying more tax, the amount of any penalty will, in most cases, be reduced.

If you made a mistake because we stated the law incorrectly in *TaxPack 2008*, we won't charge you a penalty or interest, or ask you to pay the extra tax.

If our advice in *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. Also, if you acted reasonably and in good faith we will not charge you interest.

TaxPack 2008 also contains guidance to help you complete your tax return. If any of our guidance in *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 *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.

Is there any time limit for you to request an amendment?

If you are eligible for a two-year amendment period, you must lodge your request for 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 lodge your request for an amendment within four years. See page 9 for more information.

PAYING YOUR TAX DEBT

HOW DO YOU KNOW HOW MUCH 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 allowed you to lodge it late, or you have a later due date as it is 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 us and we have given you a deferral of time 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 and 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 Australian Eastern Standard or daylight-saving time).

We also 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, 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 HARDSHIP?

Serious hardship exists when you are unable to provide food, accommodation, clothing, medical treatment, education or 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**.

YOUR NOTICE OF ASSESSMENT

WHAT IS YOUR NOTICE OF ASSESSMENT?

The notice of assessment we send you is an itemised account of the amount of tax you owe on your taxable income. It also contains other details that are not part of the assessment, such as the amount of credit for tax you have already paid throughout the income year.

When you receive your notice of assessment, you should make sure that everything is correct.

For more information about the items on your notice of assessment, visit our website www.ato.gov.au/individuals or phone one of our infolines listed on the inside back cover.

Unless you are using electronic funds transfer (EFT), the bottom section of your notice of assessment will be either your refund cheque or, if you owe tax, your payment advice.

Note that if you have any other outstanding tax debts, child support debts, family tax benefit (FTB) debts or Centrelink debts, these may be deducted from any refund you are entitled to. If this happens, we will give you the relevant details.

! NOTE

You should receive your notice of assessment within six weeks of the date you lodge your tax return (see **How long do you have to wait for your assessment?** in the next column).

Under the law we have some time during which we can review your tax return. During this time, we may increase or decrease the amount of tax payable (or refundable) as shown on your initial notice of assessment. This review period is normally two years but in certain circumstances it can be four years (see **Self-assessment – it's your responsibility** on page 9).

Family tax benefit and your notice of assessment

If you lodged an FTB claim with your tax return, your notice of assessment will include information about your FTB entitlement. If the Family Assistance Office (FAO) was unable to process your entitlement in time, it will be indicated on your notice of assessment. If you have a tax debt, your FTB entitlement may be used towards paying that debt. If you have an FAO debt (including FTB and child care benefit debts), your tax refund (including FTB entitlement) may be used towards paying that debt.

If you received FTB directly from the FAO – for example, as a fortnightly payment – your notice of assessment may include information about your reconciliation result.

Reconciliation

When your actual family income is known, the FAO will make sure you have been paid the correct amount of FTB. If you and your spouse (if you have one) are required to lodge a tax return, the Tax Office will send your actual income details to the FAO for calculation of your correct

FTB entitlement. The FAO will compare the amount of FTB you received throughout the year with the amount you are entitled to, based on your and your spouse's actual income. If your spouse (if you have one) is not required to lodge a tax return, you need to advise the FAO.

If you were paid less FTB than you are entitled to, your payment may be topped up. The top-up will be included in your assessment or, if that is not possible, the FAO will pay it to you directly. Your top-up may be used to pay any tax debt you have.

If you have been paid too much FTB, the FAO will recover any amount you should not have received. At reconciliation, the FAO may also recover any debt you may have from an overpayment from a previous year. Your tax refund – or your spouse's if they gave consent – can be used to recover these amounts directly.

If you received FTB directly from the FAO – for example, as a fortnightly payment – and your notice of assessment does not show an FTB reconciliation result, do not be concerned. The reason may be that the FAO was unable to reconcile your FTB payment by the time we issued your notice of assessment. If you have an FTB overpayment or are entitled to a top-up the FAO will contact you directly.

! NOTE

The FAO will determine your final entitlement to FTB. If this payment is not shown on your notice of assessment, the FAO will pay you at a later time.

If you are not sure about an FTB amount or message on your notice of assessment, phone **13 61 50** or visit the FAO.

Child Support Agency

If you have outstanding liabilities to the Child Support Agency, your tax refund can be used to meet them; in certain circumstances your FTB entitlement can also be used.

HOW LONG DO YOU HAVE TO WAIT FOR YOUR ASSESSMENT?

Our current standard for processing tax returns posted to the Tax Office is six weeks. If you lodged your tax return online using e-tax, our standard processing time is two weeks.

However, if you received an FTB payment from the FAO, or you claimed it from the Tax Office, your e-tax return may take longer to process. This additional time is necessary to make sure that you are paid the correct amount of FTB.

If you sent your tax return by ordinary post, wait seven weeks before phoning to check on our progress with your tax return. If you lodged online using e-tax, wait three weeks.

After that time you can use the automated self-help service on **13 28 65** (available 24 hours a day, every day) to check the progress of your tax return. You will need to key in your tax file number (TFN) using your phone keypad.

EXCESS CONTRIBUTIONS TAX

A **compulsory release authority** is issued because you have exceeded the non-concessional contributions cap and we have sent you an excess contributions tax notice of assessment. If you receive a compulsory release authority you must give it to your superannuation fund within 21 days of the issue date. You may make a copy of the authority so that you can give it to more than one of your superannuation funds to release an amount from your superannuation accounts. The total amount released must not exceed the excess contributions tax.

You nominate on the authority whether the fund is to pay the tax to you or directly to us. Your fund is required to release the amount within 30 days after receiving the compulsory release authority.

A **voluntary release authority** is issued because you have exceeded the concessional contributions cap and we have sent you an excess contributions tax notice of assessment. If you receive a voluntary release authority you may either:

- pay the tax and ignore the voluntary release authority **or**
- give it to your superannuation fund within 90 days of the issue date. You may make a copy of the authority so that you can give it to more than one of your superannuation funds to release an amount from your superannuation accounts. The total amount released must not exceed the excess contributions tax.

You nominate on the authority whether the fund is to pay the tax to you or directly to us. Your fund is required to release the amount within 30 days after receiving the voluntary release authority.

CAN YOU GET YOUR REFUND FASTER?

We may be able to help you get a quicker refund if you are in serious financial hardship. Serious financial hardship means you are unable to provide food, accommodation, clothing, medical treatment, education or other necessities for you, your family or other people for whom you are responsible.

Phone the Personal Infoline (see the inside back cover) **before you lodge your tax return** to find out if you are eligible for this faster service. Have on hand your tax return, tax file number (TFN), pension or benefit statement, payment summaries and other papers that show you are in serious financial hardship.

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 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 *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 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 (CSA) 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 CSA may use the information you give us to assess or collect child support.

AUSTRALIAN BUSINESS REGISTER

The Commissioner of Taxation is the Registrar of the Australian Business Register (ABR). We may use the business and postal address details you provide on your tax return to update your trading name, industry classification, status of business, fund wind-up date, public officer (if a company) and main business address on the ABR if we cannot contact you through your ABR postal address. Note that you must advise the Registrar within 28 days of any changes to your registered details on the ABR, including your current postal address.

To help business and government interact more easily, under certain circumstances, we may disclose ABR information to other Commonwealth, state, territory and local government agencies.

You can find details of the government agencies regularly receiving information from the ABR on the internet at www.abr.gov.au or you can phone **13 28 66** between 8.00am and 6.00pm Monday to Friday and ask for a list of agencies to be emailed, faxed or posted to you.

These agencies may use ABR information for purposes authorised by their legislation or for carrying out their functions. Examples of possible uses include registration, reporting, compliance, validation and updating of databases.

The Registrar of the ABR requires all government agencies to detail their specific use of ABR information and sign a memorandum of understanding (MOU) before they can access ABR information or interact with the ABR. The MOU sets out a common understanding between parties and ensures the Registrar has considered the appropriate use of ABR information under the *A New Tax System (Australian Business Number) Act 1999*.

In addition to the publicly available information, these agencies can also access the:

- name of the entity's associates, such as public officer, director or trustee
- entity's address for service of notices
- entity's principal place of business
- entity's email address, and
- Australian and New Zealand Standard Industrial Classification (ANZSIC) code for the business conducted by the entity.

HOW DO WE PROTECT YOUR TAX 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 tax file numbers (TFNs), no matter who holds them.

ASKING ABOUT YOUR ASSESSMENT

If you phone

When you phone we will ask you to provide your TFN and other information to confirm your identity – for example, details from a recent notice of assessment.

If you want a representative to phone us on your behalf, you must first authorise us, in writing, to discuss your information with them. When the person contacts us, they will need to quote your written authority and provide information to prove their identity.

This requirement is to protect your privacy.

If you write

Quote your TFN, your full name and your address. Provide your phone number if it is convenient. Remember to sign the letter.

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, payers under the pay as you go (PAYG) system, higher education providers, 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 on **13 28 61**.

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 on **13 28 61** 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.

DEALING WITH THE TAX OFFICE

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 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 FREEFAX on **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:

- visiting their website at www.privacy.gov.au
- 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 **TOTAL INCOME OR LOSS** on page 2 of your tax return.

minus

ALLOWABLE DEDUCTIONS

You show this amount at **TOTAL DEDUCTIONS** on page 3 of your tax return. If you also show an amount at **L1**, we will take this amount away from your income to work out your taxable income.

equals

TAXABLE INCOME

You show this amount at **TAXABLE INCOME OR LOSS** on page 3 of 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 pages 120–2.

minus

TAX OFFSETS

You show most tax offsets at **TOTAL TAX OFFSETS** on page 4 of your tax return. If you are entitled to a low-income, beneficiary, senior Australians, pensioner, mature age worker, or Medicare levy surcharge lump sum 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 123–5. 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 or go to pages 128–9.

plus

MEDICARE LEVY AND SURCHARGE

We work out these amounts from items **M1** and **M2** on your tax return. If you want to estimate them, use the calculator on our website or go to pages 125–8.

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 **T5**), baby bonus (item **T6**), and franking credits (item **12** or **13**).

equals

REFUND OR AMOUNT OWING

We show this amount on your notice of assessment. Your refund may be affected by any outstanding liabilities to the Tax Office or the Child Support Agency. These amounts will appear on your notice of assessment as 'Other amounts payable'. Your family tax benefit (FTB) entitlement or top-up may be affected by any Family Assistance Office debt (which includes FTB and child care benefit debts). This may also affect your refund or amount owing.

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:

- 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 untaxed element
- received a superannuation lump sum benefit containing a taxed element or an untaxed element that was included in your taxable income
- received a superannuation lump sum as a death benefit and you were not a death benefits dependant of the deceased
- had a net capital gain
- had an employment termination payment
- are entitled to the unused portion of your spouse's senior Australians or pensioner tax offset
- had a lump sum payment in arrears
- had a lump sum payment because you retired or finished working in a job
- were under 18 years old and earned more than \$1,666 in interest, dividends or other investment income
- had credit for tax paid by a trustee
- had a family tax benefit tax claim
- had exempt foreign employment income
- had income that was subject to averaging
- had film industry investment deductions
- had a dividend from a New Zealand company with Australian franking credits attached
- have claimed the entrepreneurs tax offset.

You need to work out the following amounts if they apply to you.

- Tax-free threshold – see part 1.
- Tax on your taxable income – see part 2.
- Low-income tax offset – see part 3.
- Beneficiary tax offset – see part 4.
- Senior Australians or pensioner tax offset – see part 5.
- Mature age worker tax offset – see part 6.
- Medicare levy – see part 7.
- Medicare levy surcharge – see part 8.
- Higher Education Loan Programme (HELP) and Student Financial Supplement Scheme (SFSS) compulsory repayments – see part 9.
- Baby bonus – see part 10.

! NOTE

Do not write on your tax return any of the amounts you work out here.

PART 1 Tax-free threshold

To work out the tax on your taxable income you need to know your tax-free threshold. This is the amount of income you can earn before you must start paying tax.

Australian resident

If you were an Australian resident for tax purposes for the full year, your tax-free threshold is \$6,000. Go to part 2.

Non-resident

If you were a non-resident for the full year you are not entitled to a tax-free threshold. Go to part 2.

Part-year resident

If you were an Australian resident for tax purposes for less than the full year, a lower threshold amount – the part-year tax-free threshold – may apply. In this case you answered **YES** at question **A2** on page 109. Question **A2** applies if you:

- became an Australian resident during 2007–08
- stopped being an Australian resident during 2007–08.

Working out your part-year tax-free threshold:

- If you also showed income at item **5** or **6** on your tax return, you might be entitled to a full tax-free threshold – phone the Personal Infoline for help.
- Otherwise, work out your part-year tax-free threshold. Multiply the number you wrote at **N** item **A2** on your tax return by \$500. The result is your part-year tax-free threshold. In these calculations we refer to your part-year tax-free threshold amount as **T**.

PART 2 Tax on taxable income

We provide a number of tables and worksheets on the following pages to help you work out the tax on your taxable income. The ones you use depend on your residency status. If you were:

- an Australian resident for tax purposes for the full year you are entitled to a \$6,000 tax-free threshold, go to **Australian resident** below
- a non-resident for the full year, go to **Non-resident** on the next page
- a part-year resident for tax purposes and your tax-free threshold **T** is less than \$6,000, go to **Part-year resident** on page 122. If your tax-free threshold **T** is \$6,000, just use **table 2.1** and **worksheet 2.1**.

Australian resident

To use **table 2.1**, first find in column (a) the taxable income range to which your taxable income belongs, and then refer to the amounts in that row.

TABLE 2.1: Income tax rates – resident for full year

Taxable income	Tax bracket threshold	Tax on threshold amount	Marginal tax rate on amount above threshold
(a)	(b)	(c)	(d)
\$0 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

Transfer the amounts at (b), (c) and (d) from the relevant row to (b), (c) and (d) in **worksheet 2.1**, and follow the steps in that worksheet.

In the example in **worksheet 2.1**, Sam had a taxable income of \$38,682. Sam looks up the row in **table 2.1** which applies to his taxable income (\$30,001 to \$75,000) and works out his **tax on taxable income** using **worksheet 2.1** as shown.

WORKSHEET 2.1: Working out your tax on taxable income – resident for full year

	Sam's	Yours	
Your taxable income (from TAXABLE INCOME OR LOSS on page 3 of your tax return)	\$38,682	\$	(a)
Your tax bracket threshold amount (b) from table 2.1	\$30,000	\$	(b)
Tax on that threshold amount (c) from table 2.1	\$3,600	\$	(c)
Marginal tax rate on amount above threshold (d) from table 2.1	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 130. You have finished part 2, go to page 123.

Non-resident

To use **table 2.2**, first find in column (a) the taxable income range to which your taxable income belongs, and then refer to the amounts in that row.

TABLE 2.2: Income tax rates – non-resident for full year

Taxable income	Tax bracket threshold	Tax on threshold amount	Marginal tax rate on amount above threshold
(a)	(b)	(c)	(d)
\$0 to \$30,000	\$0	\$0	0.29
\$30,001 to \$75,000	\$30,000	\$8,700	0.30
\$75,001 to \$150,000	\$75,000	\$22,200	0.40
\$150,001 and over	\$150,000	\$52,200	0.45

In the example in **worksheet 2.2**, Jan's taxable income was \$38,682. Jan looks up the row in **table 2.2** which applies to her taxable income (\$30,001 to \$75,000) and works out her **tax on taxable income** using **worksheet 2.2** as shown.

WORKSHEET 2.2: Working out your tax on taxable income – non-resident for full year

	Jan's	Yours	
Your taxable income (from TAXABLE INCOME OR LOSS on page 3 of your tax return)	\$38,682	\$	(a)
Your tax bracket threshold amount (b) from table 2.2	\$30,000	\$	(b)
Tax on that threshold amount (c) from table 2.2	\$8,700	\$	(c)
Marginal tax rate on amount above threshold (d) from table 2.2	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).	\$11,304.60	\$	(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 130. You have finished part 2, go to page 123.

Part-year resident

You calculated your part-year tax-free threshold **T** at part 1. Write it at (b) in **worksheet 2.3**.

If your taxable income is \$30,000 or less, go to step 1. Your tax rate is 15% (or 15 cents) for each \$1 over your part-year tax-free threshold **T**.

If your taxable income is over \$30,000 go to step 2.

STEP 1 In the example in **worksheet 2.3** Karen had a tax-free threshold **T** of \$5,000 and a taxable income of \$30,000.

WORKSHEET 2.3: Working out the tax on your taxable income of \$30,000 or less with a part-year tax-free threshold

	Karen's	Yours	
Your taxable income (from TAXABLE INCOME OR LOSS on page 3 of your tax return)	\$30,000	\$	(a)
Your tax-free threshold T	\$5,000	\$	(b)
Amount of income above tax-free threshold: take (b) away from (a).	\$25,000	\$	(c)
Tax on income above threshold: multiply (c) by 0.15.	\$3,750	\$	(d)
If your taxable income is \$30,000 or less, the amount at (d) is your tax on your taxable income .			

If your taxable income is \$30,000 or less, transfer your **tax on taxable income** to step 1 on the **FINAL WORKSHEET** on page 130. You have finished part 2, go to the next page.

STEP 2 If your taxable income is greater than \$30,000, you first need to work out the tax you pay on the first \$30,000 of your taxable income. Use **worksheet 2.3**, write \$30,000 at (a) and do the calculation. The amount at (d) is the tax you pay on the first \$30,000 of your taxable income. Transfer the amount at (d) from **worksheet 2.3** to (s) in **worksheet 2.4**. We refer to this amount as **S** in **table 2.3**.

To use **table 2.3**, first find in column (a) the taxable income range to which your taxable income belongs, and then refer to the amounts in that row.

TABLE 2.3: Income tax rates for part-year residents with part-year tax-free threshold

Taxable income	Tax bracket threshold	Tax on threshold amount		Marginal tax rate on amount above threshold
		(c)	(s)	
(a)	(b)	(c)	(s)	(d)
\$0 to T	\$0	\$0	\$0	Nil
\$(T + 1) to \$30,000	\$T	\$0	\$0	0.15
\$30,001 to \$75,000	\$30,000	\$0	\$S	0.30
\$75,001 to \$150,000	\$75,000	\$13,500	\$S	0.40
\$150,001 and over	\$150,000	\$43,500	\$S	0.45

In the example in **worksheet 2.4** Karen had a tax-free threshold **T** of \$5,000 and a taxable income of \$76,000.

- Her tax **S** on the first \$30,000 of her taxable income is \$3,750 from (d) in **worksheet 2.3**.
- She looks up the row in **table 2.3** which applies to her taxable income (\$75,001 to \$150,000), transfers the amounts at (b), (c) and (d) from the relevant row to (b), (c) and (d) in **worksheet 2.4** and works out her tax as shown.

WORKSHEET 2.4: Working out the tax on your taxable income of over \$30,000 with a part-year tax-free threshold

	Karen's	Yours	
Your taxable income (from TAXABLE INCOME OR LOSS on page 3 of your tax return)	\$76,000	\$	(a)
Your applicable tax bracket threshold amount (b) from table 2.3	\$75,000	\$	(b)
Tax amounts due on the threshold amount (c) from table 2.3	\$13,500	\$	(c)
S from (d) at worksheet 2.3	\$3,750	\$	(s)
Marginal tax rate on amount above threshold (d) from table 2.3	0.40		(d)
Amount of income above threshold: take (b) away from (a).	\$1,000	\$	(e)
Tax on income above threshold: multiply (e) by (d).	\$400	\$	(f)
Add (c), (s) and (f).	\$17,650	\$	(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 130.

PART 3**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 3.1** to work out your low-income tax offset.

WORKSHEET 3.1: Working out your low-income tax offset

Maximum tax offset	\$	750	(a)
Your taxable income (from TAXABLE INCOME OR LOSS on page 3 of 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 130.

PART 4**Beneficiary tax offset**

If you have shown income at item **5** on your tax return, use **worksheet 4.1** to work out your beneficiary tax offset.

WORKSHEET 4.1: Working out your beneficiary tax offset

Total amount of allowance or payment you received (from A item 5 on your tax return)	\$		(a)
Your tax-free threshold: \$6,000 (or T if you are a part-year resident)	\$		(b)
Take (b) away from (a).	\$		(c)
If the amount at (c) is zero or a negative amount, you are not entitled to a beneficiary tax offset.			
Multiply (c) by 0.15.	\$		(d)
The amount at (d) is your beneficiary tax offset , if it is more than zero.			
If the amount at (a) is more than \$30,000 you are entitled to an additional 15% tax offset on the amount over \$30,000.			
Take \$30,000 away from (a).	\$		(e)
Multiply (e) by 0.15.	\$		(f)
The amount at (f) is an additional tax offset.			
Add (d) and (f).	\$		(g)
The amount at (g) is your beneficiary tax offset .			

Transfer your **beneficiary tax offset**, either (d) or (g) as applicable, to step 2 on the **FINAL WORKSHEET** on page 130.

PART 5**Senior Australians or pensioner tax offset (from item T2 or T3 on your tax return)**

If you completed item **T2** to claim the senior Australians tax offset, or item **T3** 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 **T2** or **T3** on your tax return.

Table 5.1 on the next page 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.

- 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 5.1**, and you may get a tax offset if your taxable income was more than the upper taxable income threshold (c) in **table 5.1**.
- If your taxable income is between the lower taxable income threshold (b) and the upper taxable income threshold (c) in **table 5.1**, 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.
- If your taxable income is equal to or more than the upper taxable income threshold (c) in **table 5.1**, 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 5.1** the row with the code letter that you showed at item **T2** or **T3** on your tax return.

STEP 2 Refer to the row with your code letter in **table 5.1** 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 5.1**, transfer the amounts (b) and (d) from **table 5.1** to (b) and (d) in **worksheet 5.1** to work out your tax offset.

TABLE 5.1: Senior Australians and pensioner tax offset thresholds

Tax offset code letter	Lower taxable income threshold	Upper taxable income threshold	Maximum tax offset
(a)	(b)	(c)	(d)
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 5.1**.

WORKSHEET 5.1: Working out your senior Australians or pensioner tax offset

Your taxable income (from TAXABLE INCOME OR LOSS on page 3 of your tax return)	\$	(a)
Lower taxable income threshold (b) from table 5.1	\$	(b)
Take (b) away from (a).	\$	(c)
Maximum tax offset (d) from table 5.1	\$	(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 130.

PART 6

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 6.1**. You will need to transfer certain amounts from your tax return and from your tax return (supplementary section), if relevant.

WORKSHEET 6.1: 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 to G item 1)	\$	(a)
Allowances, earnings, tips directors fees etc (K item 2)	\$	(b)
Attributed personal services income (O item 9)	\$	(c)
Total reportable fringe benefits amounts (W item 10)	\$	(d)
Add (a), (b), (c) and (d).	\$	(e)

The amount at (e) is your total income from working.

Related deductions		
Work-related car expenses (A item D1)	\$	(f)
Work-related travel expenses (B item D2)	\$	(g)
Work-related uniform, occupation-specific or protective clothing, laundry and dry-cleaning expenses (C item D3)	\$	(h)
Work-related self-education expenses (D item D4)	\$	(i)
Other work-related expenses (E item D5)	\$	(j)
Low-value pool deduction (K item D6)	\$	(k)
Add up all your related deductions, (f) to (k)	\$	(l)

The amount at (l) is your total related deductions.

Total net income from working		
Take (l) away from (e).	\$	(m)
If you completed M item T12 from the supplementary section, write this amount at (n).	\$	(n)
The amounts at (m) and (n) can be zero or negative amounts.		
Add (m) and (n).	\$	(o)

The amount at (o) is your total net income from working.

STEP 2 Use **table 6.1** to check if you are eligible and find out what you need to do to work out your mature age worker tax offset.

TABLE 6.1: Find out whether you are eligible for the mature age worker tax offset

Your net income from working (o) from worksheet 6.1	Your mature age worker tax offset	Action required
\$0 or a negative amount	\$0	None. You are not entitled to the mature age worker tax offset. You have finished part 6.
\$1 to \$9,999	5% of your net income from working	Go to worksheet 6.2 .
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 130. You have finished part 6.
More than \$53,000 but less than \$63,000	Reduced by 5 cents per dollar over \$53,000	Go to worksheet 6.3 .
\$63,000 and above	\$0	None. You are not entitled to the mature age worker tax offset. You have finished part 6.

WORKSHEET 6.2: Working out your mature age worker tax offset – net income from working from \$1 to \$9,999

Your total net income from working (o) from worksheet 6.1	\$	(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 130. You have finished part 6.

WORKSHEET 6.3: Working out your mature age worker tax offset – net income from working from \$53,001 to \$62,999

Maximum tax offset	\$	500	(a)
Your total net income from working (o) from worksheet 6.1	\$		(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 130.

PART 7

Medicare levy (from item M1 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 7.1**.
- If you are eligible for the pensioner tax offset, use column 2 in **worksheet 7.1**.
- If you are not eligible for either of those tax offsets, use column 3 in **worksheet 7.1**.

WORKSHEET 7.1: 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 TAXABLE INCOME OR LOSS on page 3 of 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 7.			
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 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 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.			

* For Medicare levy purposes, taxable income excludes the amount of any taxable component of a superannuation lump sum for which the tax rate is zero.

NOTE

If you had exempt foreign employment income you will not be able to work out your Medicare levy. We will do this when working out the amount of tax (including Medicare levy) you have to pay on your other income.

EXAMPLE 7.1

- 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:
 $\$40,000 \times 1.5\% = \$600.$
- Peter is eligible for the pensioner tax offset, so Peter uses column 2. Peter's taxable income is \$25,000. It is between the \$22,922 and \$26,967 thresholds in column 2. His basic Medicare levy is:
 $(\$25,000 - \$22,922) \times 10\% = \$207.80.$

STEP 2 Did you claim a Medicare levy reduction or exemption?

If you claimed a Medicare levy reduction or exemption at item **M1**, 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 7.1**. Transfer this amount to step 4 on the **FINAL WORKSHEET** on page 130. You have finished part 7.

STEP 3 Did you claim a Medicare levy reduction?

If you claimed a Medicare levy reduction at **Y** item **M1**, go to step 4.

If you did not claim a Medicare levy reduction, but claimed only an exemption at item **M1** (at **V** or **W**, or both), transfer your basic Medicare levy from (d) or (h) at **worksheet 7.1** directly to (a) at step 7 on the next page.

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 (from **TAXABLE INCOME OR LOSS** on page 3 of your tax return).

To complete step 4, find the lower and upper income limits that apply to your circumstances in **table 7.1**.

TABLE 7.1: Family income table for 2007–08

Number of dependent children and students	Lower income limit	Upper income limit
If you were eligible for the senior Australians tax offset		
0	\$37,950	\$44,647
1	\$40,632	\$47,802
2	\$43,314	\$50,957
Increment	\$2,682	\$3,155
If you were not eligible for the senior Australians tax offset		
0	\$29,207	\$34,361
1	\$31,889	\$37,516
2	\$34,571	\$40,671
Increment	\$2,682	\$3,155
If you had more than two children who were dependants or students, you can extend this table. Increase the relevant lower and upper income limits by the appropriate increment for each additional child or student.		

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 7.

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 the following steps show you how to work out the amount of reduced Medicare levy you pay.

EXAMPLE 7.2

Trevor, who is not eligible for the senior Australians tax offset, had two dependent children and 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 7.1**. His basic Medicare levy is \$315, from **worksheet 7.1**. 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 7.2: Calculating your family reduction amount

	Trevor's	Yours	
Family income	\$38,500	\$	(a)
Lower income limit from table 7.1	\$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 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 7.3**.

WORKSHEET 7.3: Calculating your share of the family reduction amount

	Trevor's	Yours	
Family reduction amount (f) from worksheet 7.2	\$184.60	\$	(g)
Taxable income (from TAXABLE INCOME OR LOSS on page 3 of your tax return)	\$21,000	\$	(h)
Multiply (g) by (h).	\$3,876,600	\$	(i)
Family income (a) from worksheet 7.2	\$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 7.

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 7.4**.

WORKSHEET 7.4: Calculating your share of the family reduction amount after a transfer from your spouse

Calculating your spouse's share of the family reduction amount			
	Trevor's	Yours	
Your spouse's basic Medicare levy using step 1	\$19.10	\$	(l)
Your family reduction amount (f) from worksheet 7.2	\$184.60	\$	(m)
Your share of the family reduction amount (k) from worksheet 7.3	\$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 a negative amount, your spouse does not have an excess family reduction amount. Go to step 6 and use the amount at (n) above 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 7.1	\$315.00	\$	(a)
Your family reduction amount (f), (k) or (q) as applicable, from worksheets 7.2, 7.3 or 7.4 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 at item **M1** (either at **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 130. You have finished part 7.

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 7.1	\$	(a)
Full exemption		
Number of days at V item M1 on your tax return		(b)
Multiply (a) by (b).	\$	(c)
Divide (c) by 366.	\$	(d)
Half exemption		
Number of days at W item M1 on your tax return, if any		(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 130.

PART 8 Medicare levy surcharge (from item M2 on your tax return)

The Medicare levy surcharge applies only if you selected **No** at **E** item **M2** on your tax return and the number you wrote at **A** item **M2** is less than 366. To work out your Medicare levy surcharge, follow the steps below.

! NOTE

If you had exempt foreign employment income you will not be able to work out your Medicare levy surcharge. We will do this when we work out the amount of tax (including the Medicare levy surcharge) you have to pay on your other income.

WORKSHEET 8.1: Working out your Medicare levy surcharge

Your taxable income (from TAXABLE INCOME OR LOSS on page 3 of your tax return). If you had a loss, write 0 .	\$	(a)
Your total reportable fringe benefits amounts (from W item 10 on your tax return)	\$	(b)
Any amount you have shown at item A3 on your tax return (supplementary section)	\$	(c)
Any taxable component of a superannuation lump sum for which the tax rate is zero	\$	(d)
Add (a), (b) and (c), then take away (d).	\$	(e)
Divide (e) by 100 to get 1%.	\$	(f)
The amount at (f) is the whole-year Medicare levy surcharge you have to pay.		

If the surcharge applies for the whole year, the **Medicare levy surcharge** amount you have to pay is (f). In that case, transfer the amount for the whole-year **Medicare levy surcharge** to step 4 on the **FINAL WORKSHEET** on page 130.

If the surcharge applies for only part of the year, continue with the steps below.

Number of days at A item M2 on your tax return		(g)
Take (g) away from 366.		(h)
Multiply (f) above by (h).	\$	(i)
Divide (i) by 366.	\$	(j)
The amount at (j) is the part-year Medicare levy surcharge you have to pay.		

Transfer the amount for the part-year **Medicare levy surcharge** to step 4 on the **FINAL WORKSHEET** on page 130.

**PART 9
Compulsory Higher Education Loan Programme (HELP) and Student Financial Supplement Scheme (SFSS) repayments**

A compulsory HELP or SFSS repayment will be included when:

- you have an accumulated HELP or SFSS debt, and
- your HELP or SFSS repayment income at (e) in **worksheet 9.1** is more than \$39,824.

Your accumulated HELP debt may include HECS-HELP, FEE-HELP or OS-HELP debts. Only one compulsory HELP repayment will be calculated in this assessment based on your accumulated HELP debt.

Your accumulated SFSS debt on 1 June 2008 includes all outstanding loans taken out from 1993 to 2003. Only one compulsory SFSS repayment will be calculated in this assessment based on your accumulated debt.

! NOTE

You will not have to make a compulsory HELP or SFSS repayment if you have a spouse or dependants and if, due to low family income, you:

- are entitled to a reduction of your Medicare levy, or
- do not have to pay the Medicare levy.

Part B of question **M1** on pages 100–2 shows you how to work out if you qualify for the Medicare levy reduction.

Your compulsory HELP or SFSS repayment is a percentage of your HELP or SFSS repayment income. Follow the steps below to work out your compulsory repayment.

STEP 1 Work out your HELP or SFSS repayment income.

WORKSHEET 9.1

Your taxable income (from TAXABLE INCOME OR LOSS on page 3 of your tax return). If you had a loss, write 0 .	\$	(a)
Your total reportable fringe benefits amounts (from W item 10 on your tax return)	\$	(b)
Net rental loss amount from item 21 on your tax return (supplementary section)	\$	(c)
Your exempt foreign employment income amounts from item 20 on your tax return (supplementary section)	\$	(d)
Add (a), (b), (c) and (d).	\$	(e)
The amount at (e) is your HELP or SFSS repayment income.		

STEP 2 Find the repayment rate that applies to your HELP repayment income in **table 9.1** and your SFSS repayment income in **table 9.2**.

TABLE 9.1: HELP repayment rates as a percentage of HELP repayment income

Income	Rate	Income	Rate
Below \$39,825	nil	\$55,323–\$59,915	6%
\$39,825–\$44,360	4%	\$59,916–\$63,068	6.5%
\$44,361–\$48,896	4.5%	\$63,069–\$69,405	7%
\$48,897–\$51,466	5%	\$69,406–\$73,959	7.5%
\$51,467–\$55,322	5.5%	\$73,960 and above	8%

TABLE 9.2: SFSS repayment rates as a percentage of SFSS repayment income

Repayment income	Repayment rate
Below \$39,825	Nil
\$39,825–\$48,896	2%
\$48,897–\$69,405	3%
\$69,406 and above	4%

STEP 3 Multiply your repayment income (e) from **worksheet 9.1** by the relevant rate from step 2. The result is your compulsory repayment which will be shown on your notice of assessment at **X** for HELP and **R** for SFSS. If the balance of your accumulated debt is less than the calculated repayment amount, you pay only the balance.

Transfer your **HELP repayment** or **SFSS repayment** amount to step 7 on the **FINAL WORKSHEET** on page 130.

- For more information about repaying your:
- HELP debt, see *Repaying your HELP debt in 2007–08* (NAT 3913).
 - SFSS loans taken out between 1993 and 2003, see *Repaying your Financial Supplement loan 2007–08* (NAT 2789).

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

PART 10

Baby bonus

If you are claiming the baby bonus and you want to work out the amount, use the baby bonus calculator on our website or phone the Personal Infoline (see the inside back cover).

Transfer the amount of your **baby bonus** to step 9 on the **FINAL WORKSHEET** on page 130.

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 120–9 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. Items marked with an asterisk (*) appear on your tax return (supplementary section), if you have completed one.

STEP 1	Tax on taxable income		
	Write the amount of tax you worked out on pages 120–2.	\$	A
STEP 2	Tax offsets		
	Total tax offsets claimed on page 4 of your tax return Do not include your private health insurance tax offset (G item T5 on your tax return), you show that amount at step 9.	\$	
	Low income tax offset from page 123	\$	
	Beneficiary, senior Australians or pensioner tax offset from page 123. If you have more than one, use the one that gives you the most.	\$	
	Mature age worker tax offset from page 124	\$	
	Tax offset on life insurance bonuses 30% of W item 22* on your tax return	\$	
	Add up all your tax offsets.	\$	B
STEP 3	Tax payable		
	Take B away from A . If this amount is less than zero, write 0 .	\$	C
STEP 4	Medicare levy and Medicare levy surcharge		
	Medicare levy from pages 125–7	\$	
	Medicare levy surcharge from pages 127–8	\$	
	Add up your Medicare levy and Medicare levy surcharge.	\$	D
STEP 5	Total tax payable		
	Add C and D .	\$	E
STEP 6	Foreign tax credits		
	Amount at O item 20* on your tax return	\$	F
	Take F away from E . If this amount is less than zero, write 0 .	\$	G
STEP 7	HELP and SFSS repayments		
	HELP repayments from pages 128–9	\$	
	SFSS repayments from pages 128–9	\$	
	Add up your HELP and SFSS repayments.	\$	H
STEP 8	Add G and H .	\$	I

STEP 9	Tax credits and refundable tax offsets		
	Total credits from payment summaries – amounts at:		
	\$ TOTAL TAX WITHHELD on your tax return	\$	
	E item 24* on your tax return	\$	
	Credits from tax withheld – amounts at:		
	P + A item 13* on your tax return	\$	
	G + H + J item 14* on your tax return	\$	
	D + W + E + F item 15* on your tax return	\$	
	Pay as you go (PAYG) instalments from your instalment activity statement, if you have one	\$	
	Credits from tax file number amounts withheld – amounts at:		
	M item 11 on your tax return	\$	
	V item 12 on your tax return	\$	
	R item 13* on your tax return	\$	
	Credit for interest on early payments – amount at L item C1* on your tax return	\$	
	Private health insurance tax offset – amount at G item T5 on your tax return	\$	
	Franking tax offset (franking credit) – amounts at:		
	U item 12 on your tax return	\$	
	Q item 13* on your tax return	\$	
	Baby bonus – see page 129.	\$	
	Add up all your tax credits and refundable tax offsets.	\$	J
STEP 10	Refund or net amount payable		
	Take J away from I .	\$	K

Are you entitled to a refund or do you have a tax debt?

If **K** is **negative** (less than zero), this is the **amount of refund due to you**. If you have a Family Assistance Office debt (which includes family tax benefit and child care benefit debts), tax debts or outstanding child support payments, we may deduct some or all of them from your refund.

If **K** is **positive** (more than zero), this is the **net amount you have to pay**.

TAX OFFICE SHOPFRONTS

STOP

Send your tax return to the address on page 112 or page 113.

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**.

Our shopfront addresses, and mailing addresses are listed below. Send correspondence to the office shown on your last notice of assessment, if you have one; otherwise send it to your nearest tax office.

If you have an enquiry you can visit our website at 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.

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 Weymouth 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 Sts, Launceston
GPO Box 9990 Hobart TAS 7001

VICTORIA

Cheltenham

4A, 4–10 Jamieson Street, Cheltenham
PO Box 9990 Dandenong VIC 3192

Dandenong

14 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
GPO 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

A

ABN, *see* Australian business number
 Aboriginal people, help with tax return, 3, 5
 ABR, *see* Australian Business Register
 ABSTUDY, 13, 23, 53, 73–4
 accident insurance, *see* sickness and accident insurance
 accommodation component of scholarships, 71
 accommodation expenses, 49–50
 accounts, *see* financial institution accounts
 activity statements, 33, 65
 adjusted fringe benefits, 76
 adjusted taxable income, 73–7
 adjustments, 108–9, s66
 balancing, 56, s34
 project pool values, s42
 Administrative Appeals Tribunal, 65, s34
 adoptive parent, 95
 advance (prepaid) expenditure, 41, s27–8
 advertising expenses, s27
 advice, non-ldgment, 3–4, 112
 adviser, tax, 65
 age,
 of children for family tax benefit, 71–4
 oldest person covered by private health insurance policy, 91
 personal superannuation contributors, s38–40
 over 55, 8, 97, 124
 under 18, 108
 see also dependants; senior Australians
 age pension, 24, 86
 aged care, residential, s56
 agents
 property, s27
 tax, 5, 9, 12, 56, 65, 72, 114
 agriculture, *see* primary production
 Agriculture, Fisheries and Forestry, Minister for, s14
 air fares, *see* travel
 allowances, earnings, 16–17, 41
 allowances, government, *see* government pensions
 amendment of assessment, 9, 113, s67
 amendment period, 8, 113, 116
 ancillary (general) health insurance cover, 98, 104
 annual leave, unused, 18, 71
 annuities, *see* superannuation and annuities
 antiques, *see* capital gains
 appeals, 65, s31
 apportionment rules, 41
 approved deposit funds, *see* superannuation and annuities
 artificial limbs or eyes, s55
 artists, *see* special professionals
 assessable balancing adjustment, s32, s34
 assessment, *see* notice of
 see also amendment of assessment
 assessment period family tax benefit, 73–7
 assets, s16–18
 foreign, s21–2, s27, s36
 transferred to/from non-resident entities, s20, s21, s24
 see also capital gains; depreciating assets;
 disposal of; dividends; gifts
 Assistance for Isolated Children Scheme, 13
 association subscriptions, 57
 attorney, power of, 5, 9
 attributed foreign income, *see* foreign income
 attributed personal services income, 32, 124
 auctions, charitable, 62
 Austrade approved projects, work on, s23
 Australian-American Educational Foundation, 13
 Australian business number (ABN), 2–3, 15–16, 19–21
 amounts withheld because not quoted, 34, 39
 Australian Business Register (ABR), 117
 Australian Defence Force, *see* Defence Force
 Australian Federal Police, 74
 Australian film industry incentives, s36
 Australian franking credits from NZ companies, s2, s21–6
 Australian Government pensions and payments, *see* government pensions
 Australian Government Regional Information Service, s14
 Australian police force, 14, 29

Australian Protective Services, 14, 29
 Australian resident, 2–3, 11, 19–21, 84, s59–60
 became/stopped being, 7, 12, 109, 120
 company, 36–7
 dependants, 71, 74, 95
 for family assistance purposes, 73
 overseas interests, 56, s20–1, s26, s45
 tax offset eligibility, 70, 71, 77, 79–84, 86, 97, s47, s55
 see also foreign income; migrants; non-residents;
 temporary residents
 Australian Tax Office, *see* Tax Office
 Australian Valuation Office (AVO), 61–3
 Austrian pensions, s22, s36
 austudy payment, 13, 23, 55
 authors, *see* special professionals
 averaging, s4, s31
 AVO, *see* Australian Valuation Office
 award transport payments, 17, 41, 45, 50, 52

B

baby bonus, 3, 5, 12–13, 71–2, 78, 95–6, 112, 119, 129, 130
 balanced trusts, *see* trusts and trust income
 balancing adjustments, 44, 53, 56, s32–4
 bank accounts, *see* financial institution accounts
 bankruptcy, 68, 105, s2
 Farm Management Deposits Scheme, s14
 beneficiary tax offset, 23, 120, 123
 benefits, *see* government pensions
 bereavement, *see* death
 Biodiversity Conservation Branch, 63
 blind people, 102, 108
 carers of, s55
 body corporate fees, s27
 bond money, s27
 bonus shares, 35
 bonuses, 15–16
 foreign employment, s23–4
 life insurance companies and friendly societies, 7, 39, 130, s29
 books, 56–7
 boots, 52
 borrowed money, *see* loans
 bridge tolls, 42, 43, 49
 British pensions, s22, s37
 BSB number, 12
 building society accounts, *see* financial institution accounts
 bursaries and scholarships, 13, 39, 71–2, s32–4
 bus fares, *see* work-related expenses
 business establishment costs, s45
 business income, s2–15, s20–1
 see also losses
 Business Register (ABR), 117

C

capital expenditure, s41–2
 rental properties, s28
 section 40–880
 deductions, s45
 capital gains and losses, s16–19
 listed investment company (LIC) amount, 35, 60
 under 18 excepted net income, 108
 carer, 13, 24, 69, 71–2, 108, s55
 exempt income, 12–13
 one-off payment, 71
 see also dependants, family tax benefit
 carry-forward losses, 69, s24
 cars and motor vehicles, work-related, 43–8, 50
 allowances and reimbursement of expenses, 17
 borrowed, 50
 dependants', 72
 parking and toll fees without receipts, 37
 as prizes, s34
 cash management accounts, 60
 cash management trusts, *see* trusts and trust income
 casual jobs, income from, 15–17
 CDEP, *see* Community Development Employment Project
 Centrelink payments, *see* government pensions
 'cents per kilometre' method, 45–8, 50, 54, 72
 charitable gifts and donations, 61–4
 chemists' expenses, s55

child care, 13, 54–5, 56, 70, 71–2
 tax rebate, 13, 71–2
 child care benefit (CCB), 13, 71–2, 111, 115, 119, 130
 children
 financial institution accounts, 29
 government pensioners and beneficiaries, 13, 23, 108
 child-housekeeper, 71, 79–85, 101, s48–52, s55–6
 Child Support Agency (CSA), 70, 74, 115–16, 117, 119
 child support (maintenance), 2, 14, 33, 74–7
 exempt income, 14, 70
 family tax benefit and, 72–3, 75
 liable parent, 2
 zone or overseas forces tax offset for, s48–52
 see also baby bonus; dependants; shared care
 cleaning, dry-, *see* laundry
 cleaning, home office, 57
 clothing for work, *see* work-related clothing
 co-ownership of rental properties, s27
 collectables, *see* capital gains
 commissions, 15, 16
 foreign employment, s23
 to property agents, s27
 Commonwealth Ombudsman, 118
 Commonwealth pensions, *see* government pensions
 Commonwealth scholarships or bursaries, 13, 71, s32–4
 Commonwealth secondary education assistance, 13
 Commonwealth Superannuation Scheme, 25
 see also superannuation
 Commonwealth Trade Learning Scholarship, 13
 Communications, Information Technology and the Arts, Minister for, 63
 Community Development Employment Project (CDEP) 15, 23
 community infrastructure, creating or upgrading, s41
 companies
 controlled foreign company measures, s20
 director's fees, 16–17, 32
 foreign, s20–26
 non-assessable payments, s16–19
 personal services income attributed to you, 32
 see also dividends (distributions)
 compensation payments, 14, 72
 see also insurance
 complaints, *see* objections/complaints
 composers, *see* special professionals
 computers, 57
 conduit foreign income, 36–7
 conferences, seminars and workshops, 53, 56–7
 conservation covenants, 61–5
 construction costs
 project pools, s41–2
 rental properties, s28
 consular staff, 102–3
 contact lenses, s50
 contractors, independent, s7–8, s9
 controlled foreign companies, s20–1
 cosmetic operations, s55
 costs, *see* deductions
 councils, *see* local government
 course fees, 54–5
 credit union accounts, *see* financial institution accounts
 credits, *see* tax credits
 CSA, *see* Child Support Agency
 cultural bequests or gifts, *see* gifts and donations
 currency exchange, *see* foreign exchange
 Cyclone Larry or Cyclone Monica payment, 23

D

date for lodging return, 9
 see also late lodgment
 de facto spouse, *see* spouse
 death, 11, 14
 benefit, 14, 19–22, 25–6, 28, 30–1, 91–2, 120
 bereavement payment, 13, 73, 77
 transfer of property at, 108
 spouse, 100–1, 106
 see also widows/widowers
 debt deductions, 56, s45
 see also interest

- debt, forgiven, 36
 deceased estate, 3, 11, 19, 28, 108, s14
 decline in value, see depreciating assets
 deductions, 7–9, 17, 32, 33, 34, 41–60, 108,
 112–13, 119, 120–4, s36–46
 Farm Management Deposit withdrawals, s14–15
 partnership and trust distributions, s4–5
 rental income, s27–8
 small business entity turnover and, s62–3
- Defence Force personnel, 14, 37, s48–52
 exempt income, 12–14
 income support allowance (DFISA), 12–13, 24
 Medicare levy exemption, 102
 MRCA Education Allowance, 13, 23
 United Nations, 14, 97
 see also government pensions and allowances;
 veterans
- deferred losses
 capital, s16
 non-commercial business, s2, s4–5, s12–13
 dependants, 70
 section 40-880 deductions, s45
 used to reduce foreign source income, s25
 demerger dividends, 35–6
 dentist/orthodontist/oral health expenses, s55
- Department of Education, Employment and
 Workplace Relations, 5, 39, 54, 116
 Indigenous Tutorial Assistance Scheme, s7, s9
- Department of Families, Housing, Community
 Services and Indigenous Affairs, 116
- Department of Immigration and Citizenship, 11, 73
 Translating and Interpreting Service, 39, s7, s9
- Department of the Environment, Water, Heritage and
 the Arts, 63
- Department of Veterans' Affairs (DVA), 86, 90
 payments from, 24, 108
 see also government pensions; veterans
- dependants, 71–2, 126, 128, s55
 death benefit, 19, 91
 family tax benefit (FTB), 73–7
 medical expenses, s55–6
 Medicare levy, 102–7
 separate net income (SNI), 12, 71–2,
 zone or overseas forces tax offsets, s48–52
 see also children; interdependency; spouse
- depreciating assets, 39, 42, 53–4, 56–7, 66, s28
 cars, 44–5
 low-value pool, 44, 53, 56–7, 58–9, 124
 rental properties, s27–8
 site preparation for, s41
 small business pool deductions, s44
 used for self-education purposes, 54
- destroyed assets, s32
- DFISA, see Defence Force
- diaries of expenses, 51–2, 57
- diplomatic staff, 102–3
- direct refund/debit, 12
- director's fees, see fees
- disability, 3, 5, 19, 20
 child, 13, 71, 108
 exempt income, 13–14
 legal, 105, s3
 invalid relatives, s57–8
 medical expenses, s55–6
 mental, 84
 psychiatric, 20, 29
 support pension, 24, 71, 79, 84–5, 86, 91–2, 108
- disaster recovery/relief payments, 13
- discounts on shares or rights, s32–4, s59
- disposal of assets, 9, 14
 see also capital gains
- dividends (distributions), 3, 35–8, 60, s2–6
 dependants', 71
 employee share schemes, s17, s32–4,
 foreign, s20–1, s24–6, s67; withholding tax credit,
 s3, s6
 traditional securities, s32, s34
 see also capital gains; family trust distribution tax;
 trusts and trust income
- donations, 61–4, 67, 70, 72
- double orphan pension, 13, 77, 108
- double taxation agreements, s22
- dramatists, see special professionals
- Drought Assistance Line, Centrelink, s14
- dry-cleaning, see laundry
- Dutch pensions, s22, s37
- DVA, see Department of Veterans' Affairs
- E**
- e-tax, 3, 5, 7, 95, 112, 115
- early payments, s67
- early retirement payments, see retirement payments
- earnings, see income
- ears and hearing, s55 education and training,
 age of dependent students, 71
 attendance at conferences, seminars and
 workshops, 53, 56–7
 exempt payments, 13
 family tax benefit payments and, 73–4
 lump sum payments in arrears, s33–5
 qualifications allowances, 17
 scholarships and bursaries, 13, 39, 71–2, s34
 self-education, 53–5, 72, 124
- education entry payment, 24
- election expenses, s32, s34, s44
- EFT, see electronic funds transfer
- election to spread deduction for gifts, 64
- electoral candidates, see parliamentarians
- electricity connections, s4
- electronic funds transfer (EFT), 12, 112, 115
- electronic records, 42
- employee share schemes, 16–18, s16–17, s32–4,
 s59
- employer letters or statements, see payment
 summaries
- employers
 child care provided by, 72
 private health insurance provided by, 93
- employment, 15–22,
 entry payment exempt, 13
 foreign, s23–6
 government allowances and payments, 13–14, 23
 open employment incentive, 13
 parents returning to, 76, 89–90
 personal superannuation contributions, s38–40
 spouses working for part of year, 71
 termination payment, see employment termination
 payment
 under 18, 108
 visa holders with work rights, 11
 work-related expenses, 41–53, 56, 124
 workplace-giving program, 62
 see also fringe benefits; mature age worker;
 retirement payments; superannuation and
 annuities
- employment termination payment (ETP), 14, 18,
 19–22, 24, 28, 112, 120, s21, s25
 change of name from 'eligible', 8,
 Medicare Levy Surcharge and, 105
 spouse's, 107
 see also transitional termination payment
- entertainers, see performing artists
- entertainment allowances, 17
- entrepreneurs tax offset, s61–3, s65
- environmental protection activities, 58
 covenants and gifts, 61, 63–4, s16
 landcare operations, s4–5, s58–60
 project assessments, s41
 water conservation, s44
 water facilities, s4–5, s58–60
- Environment, Heritage and the Arts, Minister for the,
 61
- equity trusts, see trusts and trust income
- errors, see mistakes
- ETP, see employment termination payment
- evidence, see payment summaries; record keeping
- ex-service personnel, see veterans
- 'excepted net income', 108
- exceptional circumstances declaration, s14
- exceptional circumstances relief payment, 23, s14
- excess contributions tax, 116
- exempt income, 12–14, 36, 60, 67–8, 70, 105, 111
 foreign, s21
 separate net income (SNI), 69–70
 spouse's exempt pension, 89, 90, 111
- expenses, see deductions
- eyewear, protective, 57,
 eyes, artificial, s55
- F**
- F-111 desal/reseal ex-gratia lump sum payments,
 13
 failure to lodge on time penalty, 10
 family adjusted taxable income, 75
 Family agreement, 9, 102–3
- Family Assistance Office (FAO), 10, 74, 75–6, 115
 debt, 110–11, 112, 119, 130
 payment from, 73
- family income, 99, 126–7, 128
 for Medicare, 100–1,
 tables, 101, 126
- family, special circumstances, 84, 101
- family tax benefit (FTB), 73–7, 115
 advice from tax agent, 65
 consent to use part of tax refund to repay
 spouse's debt, 111
 exempt income, 13, 71
 lodging a claim, 10, 76
 tax offsets and, 79–83
 Withholding declaration, 33
- family trust distribution tax, s61
 franking credits, do not attach when paid, 31
 which spouse would have to pay, 105, 111
- fares allowance, Centrelink, 13
- Farm Management deposits or withdrawals, s14–15
- farm help income support, 23
 household support, 13
- farming, see primary production
 feasibility studies, s41
- FEE-HELP, 54, 128
- fee paid to tax agent, 5, 56, 65, 72
- fees, received 16–17
- fertilisation treatment, in-vitro, s55
- film industry incentives, s36
- final tax return, 12
- financial institution accounts, 34
 fees and charges, 60, s26
 financial institution lotteries, s32, s34
- fire-resistant clothing, 51
- fishing, see primary production
- food and meals, see meals
- footwear, protective, 51–2
- forced labour compensation payments, 14, 72
- foreign aid, see overseas aid
- foreign entities, s19–20
 superannuation funds, s19–21, s22–3
 trusts, s19, s62
- foreign exchange (forex), s32–4, s38
 losses, s44–5,
 rates, s22
- foreign income, s20–6
 Australian losses and, 67–8
 capital gains, s16
 conduit, 36–7
 deductions, s36–77,
 family tax benefit and, 76–7
 interest from a foreign source, 34
 partnerships and trusts, s2–6
 temporary residents, 14
- foreign investment fund (FIF) measures, s20
- foreign pensions and annuities, s21–2, s36–7
 lump sum in arrears, s33
- foreign resident withholding, s2–6, s7, s9–11
 partnership and trust income, s2–6
- foreign residents, see non-residents
- foreign students, see overseas students
- foreign tax credits, s19, s21, s26
- foreign termination payment (FTP), 19–20
- forestry managed investment scheme, 7, 39, s30–1
- forgiven debt, 30–1
- franking credits 3, 5, 35–8, 71–2, 119, 120, 130, s6
 from a New Zealand company, 39, s2, s25–6
- freedom of information, 117
- friendly societies scholarships, s34
 see also life insurance companies
- fringe benefits, reportable, 33, 70, 99, 105, 111,
 124–5
 adjusted, 76
 exempt car expense payment, 17
 spouse, 105, 111, s47
- FTB, see family tax benefit
- FTP, see foreign termination payment
- fund-raising events, 62–4
- funeral expenses, s55
- furniture and fittings,
 home office, 57
- G**
- gains,
 from foreign exchange, s32–3, s45
 from traditional securities, s34
 see also capital gains

game show winnings, s34
 gaol, *see* jail
 gardening expenses, s26
 general interest charge (GIC), 10, 114, s67
 German Forced Labour, Compensation Programme, 14, 72
 German pensions, s22, s37
 GIC, *see* general interest charge
 gifts or donations, 62–4, 65
 car, received as gift, 43
 glasses, protective, 56–7,
 glasses, prescription, s55
 gloves, protective, 52
 golden handshake, *see* employment termination
 payment
 goods and services tax (GST), 41, 62, 65, s34
 government pensions, allowances and payments,
 12, 15–16, 24, 25, 86, 111, s32–3
 dependants' separate net income and, 71–2
 exempt income, 12–14, 89, 111
 foreign, s22, s30, s36–7
 Medicare levy exemption, 102–3
 one-off payments, 13, 71–2
 taxable income for lodging tax returns, 2
 under 18 year old recipient, 108
 zone tax offset reduced by, s48
 see also family tax benefit (FTB)
 grapevines, s4
 gratuities, received, 16–17
 Green Corps training allowance, 23
 gross interest, 34
 gross payment, 15–16, 25
 grossed-down fringe benefits amount, 76
 grossed-up fringe benefits amount, 33
 group certificates, *see* payment summaries
 growth trusts, *see* trusts and trust income
 guide dog, s55

H

hard hats, 57
 hardship, serious, 114, 116
 health, s55–6
 see also Medicare; private health insurance;
 sickness and accident insurance
 health care cards, 74
 hearing aids, s55
 hearing impairment, 6
 heavy duty shirts and trousers, 52
 HECS-HELP, 53–4, 128
 help from Tax Office, free, 3, 5–6
 heritage gifts and donations, 62–4,
 HELP (Higher Education Loan Programme), 23, 33,
 53–4, 119, 120, 128, s67
 hired vehicles, *see* cars
 holding period rule, 31–2, s6
 holiday house, free use of, s66
 holiday, as prize, s34
 home, subject to capital gains, s18
 home and education, travel between, 54
 home and work, travel between, 43, 49
 dependants' travel, 72
 home office expenses, 56–7
 honoraria, 16–17
 horticultural plants, s4, s41
 hospital expenses, s55
 hospital insurance, *see* private health hostel
 expenses, s56
 housekeeper, 79–81, 83–5, 101, s51, s55
 see also child-housekeeper,
 husband, *see* spouse

I

illness,
 medical expenses, s55–6
 terminal, 14, 28–9
 impairment to speech or hearing, 6
 improvements to rental properties, s28
 imputation system, 36–7
 imputation trusts, *see* trusts and trust
 in-vitro fertilisation treatment, s55
 income bond bonuses, s29, s32–3
 income protection insurance premiums, s45, s60
 income support payments, *see* government
 pensions
 income support supplement, 24
 Indigenous Tutorial Assistance Scheme, s7, s9
 information, access to, 116–17
 infrastructure, creating or upgrading, s41

infrastructure borrowings scheme, s32, s44, s64
 inherited property 62–3, 108, s17
 injuries, compensation for, 14
 insolvency, *see* bankruptcy
 insurance,
 bonuses, s29
 premium costs, s44–5, s60
 rental properties, s27
 see also life; private health; sickness and accident
 intellectual property, right to, s41
 interest, charged by Tax Office, 10, 65, 113, s34,
 s67
 rental property loans, s27
 interest, received 34, 71
 deductions, s40
 foreign source, s20–1, s23–4
 infrastructure borrowings, s32, s44, s64
 land transport facilities tax offset scheme, s32,
 s44, s64
 given or credited by Tax Office, 34
 see also withheld tax
 interest-free/low interest loans as prizes, s34
 interdependency relationship, 29
 interim income support payment, 23
 international social security agreement, 86, s21, s22
 international aid, *see* overseas aid
 international exchange, *see* foreign exchange
 internet access, cost of, 60
 interpreting and translating services, s7, s9
 invalid relative, 7, 71, 79, 84, 97, s49, s58–9
 invalidity retirement payments, 18, 19
 invalidity service pension, 13, 24
 inventors, *see* special professionals
 investment, 56
 in Australian film industry, s36
 in foreign entities, s20–26
 under 18 year old's, 108
 see also capital gains; debt deductions;
 dividends; rent
 investment-related lotteries, s34
 isolated areas, 13, s48–54
 Italian pensions, s22, s37
 itinerant work, 38–46

J

jail/prison, 87, 101, s51
 Japanese internment compensation payments, 14,
 72
 jewellery, *see* capital gains
 joint financial institution accounts, 29, 56
 Joint Petroleum Development Area, work or services
 in, 97, s64
 jointly owned cars, 44
 jointly owned rental properties, s27
 journals, 56–7, 60
 JPDA, *see* Joint Petroleum Development Area

L

labour hire arrangements, independent contracts
 under, 39, s7–9, s11
 land, conservation covenants on, 61–5
 see also capital gains
 land tax, s7, s27
 land transport facilities tax offset scheme, s32, s44,
 s64
 landcare operations, s4–5, s60
 language, literacy and numeracy supplement, 13,
 71, 77
 laser eye surgery, s55
 late lodgment, 10, 76, s67
 late payment, 65, 114
 late payment summaries, 15
 laundry/dry-cleaning, 51–2, 124
 allowance, 17
 lawn mowing expenses, s27
 leave, lump sum payments for, 18, 19, 71
 legal disability, 105, s3
 legal expenses, 65
 legal responsibility for children, 95–6
 levies to strike funds, 57
 libraries, professional, 57
 life insurance companies, or friendly societies, 7, 8
 25–7, 28, 39, 130, s29
 foreign life assurance company, s20–1
 limbs, artificial, s55
 liquidated companies, shares in, s17
 listed investment companies (LICs), *see* dividends
 (distributions)

loan, interest payment on, 60, s26
 low-interest/interest-free, s34
 to private company shareholders, s36
 see also debt deductions; interest; student
 local government, s32, s59
 election expenses, s44
 rates, s27
 lodging a return, 2–3, 5, 9, 76, 112
 activity statements, 33, 65, 130
 adviser or agent, cost of, 65
 deceased estate, 11
 electronically, *see* e-tax
 free help with, 3
 from overseas, 112
 last lodgment, 11
 record retention period 9, 16
 see also late lodgment
 'logbook' method, 44–8
 loss of earnings allowance, 13
 loss of job, compensation for, 19
 losses, tax, of earlier years, 12, 67–9, 70, s12–13
 capital, s16–18
 foreign, s25
 foreign exchange, s44–5,
 net rental property, 77
 partnerships, s2–5, s12–13
 personal services income, s8, s46
 record-keeping period, 9
 trusts, s2–5
 lost assets, s34
 lost records, 42
 payment summaries, 15
 lottery benefits and prizes, s34
 low family income, 128
 low income, 3, 100, 103
 spouses, superannuation contributions on
 behalf of, s47
 tax offset, 68, 123
 see also government pensions; taxable income
 low rate thresholds, 21–2
 low-value pools, 54–5
 lump sum payments, 18–22
 in arrears, 26, s33; spouse's, 105
 dependants' separate net income (SNI), 69, 70
 exempt income, 13, 14, 70
 foreign, s20–1, s23–4

M

magazines, 56–7
 'main residence' exemption, s18
 maintenance, child, *see* family tax benefit (FTB)
 maintenance income free area, 75, 77
 managed funds, *see* trusts and trust income
 management fees, 56
 managing tax affairs, cost of, 65, s31
 marriage breakdown, asset transfer on, s18
 maternity immunisation allowance, 13, 72
 maternity payment, 13, 71
 mature age allowance, 23, 86
 mature age worker tax offset, 33, 40, 78, 97, 119,
 120, 124–5, 130, s35, s59–60, s65
 meals, 17, 49, 53–4, 56–7
 medical expenses, s55–6
 Medical Treatment Overseas Program, 74
 Medicare Australia, 5, 102
 Medicare levy
 reduction or exemption, 100–3, 110, 126–8
 surcharge (MLS), 12, 33, 98, 99, 104–7, 110,
 119, 120, 127–8, 130
 Medicare Levy Exemption Certification Unit, 102
 medicine (pharmaceuticals), s55
 members of parliament, *see* parliamentarians
 membership fees, political party, 63
 mental disability, 84, 108, s3
 MLS, *see* Medicare levy surcharge
 migration, to Australia, 11, 71, s55
 tax file number, 11
 Military Rehabilitation and Compensation Act, 13–14,
 23
 minors, *see* children
 mistake
 on payment summaries, 15
 on tax return, 9, 113
 mobility allowance, 13
 money, *see* assets
 money market trusts, *see* trusts and trust income
 Mortgage and Rent Relief Scheme payments, 14
 mortgage trusts, *see* trusts and trust income

motor vehicles, *see* cars
motorcycles, 43, 49–50
MRCA Education Allowance, 23
moving overseas, 11, 109
musicians, *see* performing artists

N

net capital gain, 71, 108, 120, s16–19
net capital losses, s16–19
net exempt income, 67–8
net Farm Management deposits or withdrawals, s14–15
net foreign source income, *see* foreign income net income
from working, 7, 40, 97, 124–5, s59–60
from business, s9–11
net medical expenses, s55–6
net non-primary production, s5
net personal services income, s8, s4
net primary production distribution, s5
net rent, s28
Netherlands pensions, s22, s37
New Enterprise Incentive Scheme allowance, 23
New Zealand,
citizen, 73
company, 35, 120, s2, s21, 25–6
dividend, 39
Newstart allowance, 23, 55
non-assessable non-exempt income, 8, 12, 14, 20, 22, 28–9, 31, 66, 67, 92, s4, s6, s44–5
non-commercial business losses, deferred, 7, 39, 67, s2, s4–5, s12–13
dependant's, 72
non-lodgment advice, 3–4, 112
non-primary production, s5, s9–11, s12–13, s14, s59
partnerships, s3, s5
tax losses of earlier income years, 67–9, s12
trusts, s4, s5
non-resident, 2, 11, 34, 120–1
capital gains, s16–19
debt deductions, s40
Medicare levy/levy surcharge exemption, 102
trust estate, 39
withholding tax, 34, 36,
see also foreign entities; foreign resident
non-share equity interest, 36
non-slip shoes, 51
Norfolk Island resident, 102
notice of assessment, 4, 6, 8, 9–10, 11–12, 23, 28, 34, 38, 70, 97, 110, 113, 115–16, 117, 119, 120–3, 129
see also amendment of assessment nursing expenses, s55
nursing home expenses, s56

O

objections/complaints, 114, 116, 118
cost of, 65, s34
occupation, 15–16, 42
clothing and accessories specific to, 51–2, 124
see also professionals
offsets, *see* tax offsets
offshore income, *see* foreign income
older Australians, payments to, 13, 71–2
see also mature age; senior Australians
Ombudsman, 118
one-parent family, *see* parent, single
'one-third of actual expenses' method, 44–8, 54
Open Universities Australia, 54
open employment incentive bonus, 13
operations (medical), s55
optician/optometrist expenses, s55
oral ruling, 6
ornamental trees and shrubs, s41
OS-HELP for Australian students overseas, 54, 128
other deductions, s44–6
other income, s32–5
other tax offsets, s64
overalls, 52
overseas aid fund, donation to, 61
overseas dependants waiting to migrate, 71, s55
overseas forces, 7, s48–52
overseas income, *see* foreign income overseas interests, s20–1, s25, s45
overseas residents, *see* non-residents
overseas student, 11, 23
overseas medical expenses, s55

P

parent, single/sole, 73, 76, 101, 105–6, s51–2
parent (yours/your spouse's), 7, 71, s44, s50–2
parent, adoptive, 95
parenting payment (partnered), 23, 71
parenting payment (single), 24
see also family tax benefit (FTB)
parking fees, 42, 43, 49
parliamentarians and electoral candidates, contribution to, 63
part ownership of rental properties, s27
part-time job, income from, 16–17
part-year tax-free threshold, 2, 109, 120
partner, *see* spouse,
partnership, business, s2–6, s12–13
amendment period, 10
distributions, s5
entrepreneurs tax offset, s61–3, s65
section 40-880 deductions, s45–6
under 18 excepted net income, 108
see also dividends (distributions)
passive income, *see* dividends; rent; royalties
pay as you go (PAYG) system, 2, 33, 63, s31
voluntary agreement, 39, s7–11
payment summaries, letters or statements, 9, 15–16, 17, 18, 20–1, 23, 24, 26–7, 29–30, 32–3, 91, 112, 116, 117, 130
late, lost or wrong, 15
missing, 15
record-keeping period, 16
spouse's, 76, 111
payments received, *see* income
penalty, for late return, 10, 113, s12
pension, *see* government pensions; superannuation and annuities
pensioner education supplement, 13
pensioner tax offset, 86, 89–90, 100, 110, 120, 123–6, 130
performing artist, 3, 39, 42, s5, s7–11, s32–4
personal services income (PSI), 7, 32, 39, 66, 124, s7–8, s38, s44, s46, s47, s59, s60, s68
personal superannuation contributions, s38–40
personal use assets, *see* capital gains
pest control expenses, s27
petrol and oil costs, 44, 47–50
pharmaceutical allowances, 13
pharmaceutical expenses, s55
phone allowance, 13
phone expenses, 57, s27
plants, s4, s9, s41
see also primary production
playwrights, *see* special professionals
political (election) expenses, s44
political party, contribution to, 63
power of attorney, 5, 9
prepaid expenses, 41, s27
prescription expenses, s55
primary production, s9–10, s14–15, s44, s59–60
Farm Management deposits or withdrawals, s14–15
partnership income derived from, s34, s5
trust income derived from, s4–5
primary production losses, s2–4, s9–11
earlier income years, 67, s10, s59
partnerships and trusts, s2–5
prior year losses, *see* deferred losses
prisoner-of-war compensation, 14, 72
prison, *see* jail
privacy, 116, 117, 118
Privacy Commissioner, Office of, 118
private company shareholder, 36
private health insurance, 13, 72, 78, 93–4, 97–8, 104–7
rebate, 78, 99
tax offset, 2, 119, 130
Private Health Insurance Incentive Scheme, 93
private hospital expenses, s55
private ruling, 6, s34
prizes, 39, s30–1
product ruling, 6
production associates, *see* special professionals
professional association subscriptions, 53, 56–7
professional library, 57
professionals, s7–11, s29, s30–1
partnership or trust distributions, s5
project pools, s41–2
property, *see* assets
property agent fees and commissions, s26

property trusts, *see* trusts and trust income
protective clothing and accessories, 51–2, 56–7, 108, 124
PSI, *see* personal services income
public hospital expenses, s55
Public Sector Superannuation Scheme, 25
see also superannuation
public trading trusts, *see* dividends
public transport fares, 43, 49, 54
publications, Tax Office, 6, 7, 9, 22, 29, 32, 40, 42, 43, 50, 51, 53, 56, 66, 97, 129

Q

qualifications allowance, 17
qualifying residence exemption, 86
quiz show prizes, s34

R

raffle prizes, s34
rates, council, s27
rates of tax, *see* tax rates
RBLs, *see* reasonable benefit limits
RDOs, payment for unused, 19
real estate, *see* capital gains
reasonable benefit limits (RBLs), abolished, 8
rebates, *see* tax offsets
records to be kept, 5, 6, 9, 16–17, 27, 35, 41–2, 49–50, 103, 107, 112–13
car logbook and odometer, 43–4, 47–8
diary records, 51–2, 57
employee share schemes, s33
gifts, election to spread deduction, 64
tax losses, 67, 77
travel expenses, 45–6
records, lost or destroyed, 42
redundancy payment, 18, 19, 72
reference material, tax, 65
refugee qualifying residence exemption, 86
refund, *see* tax refund,
rehabilitation allowance, 108
related payments rule, 36–7, s6
relative, s44, s57–8
release authority for excess contributions, 116
remote area allowance, 13, 71–2, s48–52
remote area zone tax offset, s48–52
rent, foreign, s20–1, s23–4
see also capital gains
rent assistance/relief, 13, 74–5, 77
rental income, 7, 58, 60, 71
rental properties, s27–8
repairs and maintenance, car, 47–8
Repatriation health card, 86
reportable fringe benefits, *see* fringe benefits
Reserve Bank of Australia, 116
residency status, 74
see also Australian residents; non-residents
residential aged care expenses, s57–8
retainers received, 60
retirement payments, 72
foreign, s20–1, s23–4
see also employment termination payment
return, *see* tax return
returned services personnel, *see* veterans
roll-over superannuation benefits, 28–9
royalties, 39, s3, s21, s32–3, s67

S

salary or wages, 2–3, 15–16, 57, 124
foreign employment, s22–3
lump sum payments in arrears, s32–5
monthly limit for personal superannuation contribution, s35
partnership paid you, s2
sale of assets, *see* capital gains
savings account, *see* financial institution accounts
scholarships and bursaries, *see* education
school building fund, donation to, 61
schooling, *see* education and training
second job, 43, 49
Second World War, payments relating to, 14, 72
secondary education assistance, 13
section 40-880 deductions, s40
securities, *see* dividends
self-assessment, 5, 9, 112–13, 115
self-education, *see* education and training
self-employed, fully, s38
seminars, *see* conferences
senior Australians, 88–9

- tax offset, 2–3, 11, 27, 79, 84, 86–7, 90, 110
calculating, 90, 124
Medicare levy, 125–7
seniors concession allowance, 13
spouse's tax offset, 90, s47
separate net income (SNI), 12, 71–2, 80–4, 100, 102, 111
service pensioners, *see* veterans
service personnel, *see* Defence Force personnel
SFSS, *see* Student Financial Supplement Scheme
share trusts, *see* trusts and trust income shared care
of child, 77
short tax return, 5
shortfall interest charge, 114, s67
sick leave, unused, 19
sickness, *see* illness
sickness allowance, 23, 102
sickness and accident insurance,
cost of, 56
income from, 16, 39, s29
premiums, s44–5
simplified tax system (STS), *see* small business
single parent, *see* parent
site preparation, s41
small business, 8, 44–5, 56, 58, 66, s61–3
depreciating asset, 45, 56
pool deductions 45, 53, 56, 66
tax changes, s44
small shareholder exemption, 37
SNI, *see* separate net income
social security payments, *see* government pensions
software, 57
sole parent, *see* parent
sole traders, s7–13, s39, s44–5, s61–3
special benefit, 23
special humanitarian program arrivals, 86
special professionals, s32–5, s59
net income or loss from business, s9–11
partnership or trust distributions, s5
personal services income, s8
sportspeople, *see* special professionals
spouse details, married or de facto, 110–11
spouse, definition, 110
baby bonus transferees, 95
dependant, 71–2
death of, 100
family tax benefit and, 73–7
FAO debt, 111
special circumstances, 101
maintenance payments received by, 14, 71–2
medical expenses, s50–1
Medicare levy, reduction or exemption, 100–3
Medicare levy surcharge (MLS), 104–8
pensioner tax offset, 90
senior Australians tax offset, 88–9
superannuation contribution splitting, s36
superannuation contributions on behalf of, s47
tax offset (without dependent child or student),
79–81, s48, s50
zone or overseas forces tax offset component,
s50–1
see also dependants
stapled securities, s17, s32–4
stationery, 54–5, s27
steel-capped boots, 52
strike fund levies, 57
structural improvements to rental properties, s27
STS, *see* small business
student
allowances and payments, 13, 23–4
child care costs, 54–5
cost of stationery, textbooks, union fees, 54–5, 72
help with tax return, 3
repayment to loan schemes, 53
separate net income (SNI), 82
see also dependants; education and training;
FEE-HELP, HECS-HELP, HELP, OS-HELP;
overseas students
Student Financial Supplement Scheme (SFSS), 33,
53, 74, 119, 120, 128, s67
superannuation contribution, s38–40;
caps, s39–40
Government Super Co-contribution, 8, s39
splitting, 8, s38
spouse, on behalf of, s42
superannuation income stream, 8, 14, 18, 25–7,
91–2, s30, s35–7
exempt income, 13, 14, 108
foreign, s19–23, s30, s33–4
separate net income (SNI), included in, 71
taxable component, 25
superannuation lump sum payment, 28
surgery, s55
- T**
target foreign income, 74, 75
tax credits
foreign, s19–26
see also franking credits
tax debt, 12, 33, 75, 114, 115
working out, 120–30
tax file number (TFN), 2–3, 11
application for, 11
confidentiality of, 116, 117, 118
withheld amounts because not quoted, 34, 38, s6
tax-free distributions, s2
tax-free threshold, 109
working out, 120
working out, for part-year residents, 120, 122
Tax Help, 3
tax losses, *see* losses
Tax Office, 6, 116, 117, 118
lodgment address, 112–13
shopfronts, 131
tax offset, 3, 78–97, s32–5, s47–65
beneficiary, 23, 123
employment termination payment, 22
from supplementary section, 97
land transport facilities borrowings, s32, s44, s64
low income, 68, 123
pensioner, 89–90, 123–4
refundable, 78, 93, 99
senior Australians, 88–9, 123–4
tax refund, 12, 36, 42, 119, s31
cheque, 116
electronic funds transfer (EFT), 12, 115
spouse's 73
used to repay spouse's FAO debt, 110–11, 112
working out, 120–30
tax return, 2–12, 112–13
mistakes on, 113
preparing, 6, 63, s35
short form, 5
see also lodgment
tax withheld, 15, 17, 18, 21, 23, 24, 25–7, 30, 32
because TFN/ABN not quoted, 34, 38, 39
total tax withheld, 33, 112, 130
taxable income or loss, 2, 70, 119
taxable use percentage, 5–9
Taxpayer's declaration, 5, 112
telephone lines, s4
temporary resident, 14
applying for a TFN, 11
departing Australia, superannuation lump fund
on, 28
for Medicare purposes, 102
capital gains tax, s18
employee share schemes, s29–30
foreign income, assets or property, s19, s21
term deposit, 34
termination payment, *see* employment termination
payment
textile, clothing and footwear special allowance, 23
TFN, *see* tax file number
therapeutic treatment, s55
thin capitalisation rules, 60, s4, s28, s44–5
Timor Sea Joint Petroleum Development Area
(JPDA), s64
tips, received, 16–17
tobacco industry exit grant, 17
toll, bridge or road, 42, 43, 49
tools, 43, 49, 56
allowances, 17, 41
Torres Strait Islanders, help with tax return, 3, 5
Trade Learning Scholarship, 13
traditional securities, s32–4
training, *see* education and training
transferor trust measures, s20–21
transitional termination payment, 19–22
translating and interpreting services, s7, s9
travel expenses 17, 49–50, 54, 124
for investment management purposes, 60 s26
land transport facilities tax offset scheme, s32,
s44, s64
see also award transport payment; cars
trees or shrubs, ornamental, s41
- trustees, tax paid by, 105, s3, s6
trusts and trust income, s2–6
amendment period, 10
entrepreneurs tax offset, s61–3
transfer of property/services to non-resident, s19
see also capital gains; dividends (distributions)
'12% of original value' method, 44–8, 54
- U**
ultimate beneficiary non-disclosure tax, 36
undeducted purchase price (UPP), 7, 8, 27, 66, 72
unfranked dividends, 32, 33
non-residents, 31
uniforms, 47–8
union fees, 42, 54–5, 56–7
United Kingdom pensions, s22, s37
United Medical Protection Limited (UMP) payments,
66, s44, s46
United Nations force, 14, s48–52
unused RDOs/sick leave, payments for, 19
utilities allowance, 1–3
- V**
valuation of gifts or donations, 61–2
vehicles, *see* motor
veteran, pension/allowance, 24, 71, 86
see also government pensions
Veterans' Affairs, 86
Veterans' Children Education Scheme, 13, 23, 74
visa, 11, 14, 28, 73–4
vision impairment, 53, s55
see also blind people
voluntary agreements, s7–11
voluntary services, payments for, 16–17
- W**
wages, *see* salary or wages
war widow/widower, 13, 86, 88, 90
water charges, s27
water conservation activities, s44
water facilities, s4–5, s58–60
widow/widower, 2, 23, 24, 86, 88, 89
see also government pensions
wife, *see* spouse
winnings, s34
Withholding declaration, 33
withholding payer number (WPN), 15–16
withholding tax *see* tax withheld
work, *see* employment
work-in-progress amounts, s32–4
work-related clothing, 17, 51–2, 56–7
work-related expenses, 41–57
workplace-giving programs, 61–2
workshops, *see* conferences
World War II, *see* Second World War
worthless shares, s17
WPN, *see* withholding payer number
writers, *see* special professionals
wrongful dismissal, compensation for, 19
- Y**
youth allowance, 13, 23, 53, 72, 73
- Z**
zone tax offset, s48–54

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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

如果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

در صورتیکه به لسان انگلیسی خوب صحبت کرده نمی توانید و ضرورت به کمک اداره مالیات (Tax Office) دارید، به خدمات ترجمانی تحریری و شفاهی (TIS) به نمبر 131450 تېلفون 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 کمک 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 전화하십시오. TIS 직원은 120 여개 언어의 통역을 도와 드립니다.
KOREAN

Ako ne zboruvate dobro angliski i vi treba pomoš od Danočnata uprava, telefonirajte vo Službata za pismeno i usmeno prevедување (Translating and Interpreting Service - TIS) na 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

Ako ne говорите добро енглески а потребна вам је помоћ Пореске управе, позовите Службу за преводeње и тумачење (TIS) на 13 14 50 . Особље TIS-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 3 for more information.

Blind or vision impaired

If you are vision impaired you can lodge your *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 *TaxPack 2008* and *TaxPack 2008 supplement* by phoning us on **13 28 61**.