

# TaxPack 2007 supplement

To help you complete the supplementary section  
of your tax return **1 July 2006 – 30 June 2007**



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We are committed to providing you with advice and information you can rely on.

We make every effort to ensure that our advice and information is correct. If you follow advice in this publication and it turns out to be incorrect, or it 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. However, we will not charge you a penalty or interest if you acted reasonably and in good faith.

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If you feel this publication does not fully cover your circumstances, please seek help from the Tax Office or a professional adviser.

**The information in this publication is current at May 2007.** We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at [www.ato.gov.au](http://www.ato.gov.au) or contact us.

## DO YOU NEED THIS SUPPLEMENT?

*TaxPack 2007 supplement* contains instructions for completing the supplementary section (pages 9–12) of the tax return for individuals. Two copies of the *Tax return for individuals (supplementary section) 2007* are at the back of this publication.

The items in the supplementary section of the tax return are those that our records show are least commonly used by taxpayers. Check the contents list on the next page. If any of these items apply to you, please follow the instructions in this supplement, including those that link the supplementary section of the tax return with the main part of the tax return (pages 1–8). You will need to attach the supplementary section to the main part to lodge your tax return.

Remember, *TaxPack 2007 supplement* does not replace *TaxPack 2007*; it is used in conjunction with *TaxPack 2007*.

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

The questions contained in *TaxPack 2007 supplement* are shown in the contents list below. Check the list to find out if you need to use *TaxPack 2007 supplement* and complete the supplementary section of your tax return (pages 9–12).

## NOTE

*TaxPack 2007 supplement* with the *Tax return for individuals (supplementary section) 2007* contains questions and items which are not included in *TaxPack 2007* and the *Tax return for individuals 2007*. When using *TaxPack 2007 supplement* you must also use *TaxPack 2007* to complete all of your tax return (pages 1–12).

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## CHECKLIST – TAX RETURN PAGES 9–12

Use this checklist to make sure pages 9–12 of your tax return (supplementary section) are complete before you attach them to page 8.

### CHECK THAT YOU HAVE . . .

- printed your tax file number and name on page 9 of your tax return (supplementary section)
- written totals (if applicable) at:
  - TOTAL SUPPLEMENT INCOME OR LOSS**
  - TOTAL SUPPLEMENT DEDUCTIONS**
  - TOTAL SUPPLEMENT TAX OFFSETS**
- transferred the totals above, where instructed
- completed item **C1**, if required to do so
- completed item **A3**, if required to do so
- if you were asked to do so, filled in the boxes  or  at items **12, 13, 14, 16, 19, 20** and **TOTAL SUPPLEMENT INCOME OR LOSS**, and the  boxes at items **T13, T14** and **T15**

- completed the *Business and professional items schedule for individuals 2007* if you answered **YES** at question **12** (if you had a net loss), **13, 14** or **15**. If you had tax withheld from your business or personal services income, you must also have completed an *Individual PAYG payment summary schedule 2007*
- attached to page 3 of your tax return all attachments as instructed by any section or question in *TaxPack 2007 supplement*
- signed and dated the *Taxpayer's signature* block on page 12 of your tax return (supplementary section)
- kept copies of your tax return, all attachments and relevant papers for your own records.

See the inside back cover for a list of infolines to phone if you are uncertain about any of the questions.

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# MORE INFORMATION

## PUBLICATIONS

(including taxation rulings, practice statements and forms)

To get publications referred to in *TaxPack 2007 supplement* you can:

■ **visit our website** [www.ato.gov.au/publications](http://www.ato.gov.au/publications)

■ **phone our Publications Distribution Service** **1300 720 092**

Before you phone, check whether there are other publications you may need – this will save you time and help us. For each publication you order, quote the full title printed in *TaxPack 2007 supplement*. An automated self-help publications ordering service is available 24 hours a day every day where you know the title of the publication. Alternatively, you can speak to an operator between 8.00am and 6.00pm Monday to Friday.

■ **visit a Tax Office shopfront.**  
See page 131 in *TaxPack 2007* for our addresses.

## YOU CAN VISIT OUR WEBSITE

You can visit our website at [www.ato.gov.au](http://www.ato.gov.au) for information on anything that you read in *TaxPack 2007 supplement*.

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

## INFOLINES

If you have an enquiry about your tax, phone the relevant infoline below. Make sure you have *TaxPack 2007* and *TaxPack 2007 supplement* handy when you phone us.

We can offer a more personalised service if you provide your tax file number (TFN) and have your last notice of assessment with you when you phone us.

If you require access to your Tax Office records you will be asked to prove your identity by providing your TFN and either details from your last notice of assessment or some personal details.

Our infolines are open Monday to Friday 8.00am to 6.00pm except where otherwise indicated. Our automated services are available 24 hours a day, every day of the year.

You can find a list of Tax Office infolines in your White Pages.

### Phoning from overseas

If you are phoning us from overseas: **+61 2 6216 1111**

Phone during our business hours, 8.30am to 4.45pm (Australian Eastern Standard or daylight-saving time). Note that our infoline numbers may not work from all countries.

You can also fax us: **+61 2 6216 2830**

### Personal Infoline **13 28 61**

Phone between 8.00am and 6.00pm. Enquiries about the following subjects can be made to this service:

- tax affairs for seniors who are retired or planning to retire
- family tax benefit and baby bonus
- tax file numbers
- pay as you go (PAYG), including instalment activity statements
- student loan schemes (HECS, HELP and SFSS)

- capital gains, rental income, foreign income and questions in *TaxPack 2007 supplement*
- e-tax
- notice of assessment
- general income tax, including replacement cheque and account queries, lodgment and queries about questions in *TaxPack 2007*
- binding oral advice.

**Business Infoline** **13 28 66**

**Complaints** **13 28 70**

Fax (FREECALL) **1800 060 063**

**EFT Infoline** **1800 802 308**

For enquiries about direct deposit of your tax refund

**Family Assistance Office (FAO)** **13 61 50**

**Superannuation Infoline** **13 10 20**

**Aboriginal and Torres Strait Islander Infoline** **13 10 30**

Specialises in helping Indigenous clients with their personal tax matters

**Tax Office personal self-help** **13 28 65**

Our automated phone service is available 24 hours a day every day, so you can:

- check the progress of your refund
- find lost superannuation
- make an arrangement to pay a tax debt
- lodge your application for a refund of franking credits
- lodge your application for a baby bonus
- order a publication where you know the title of the publication.

**Note:** Although providing your TFN is voluntary, you need to quote your TFN to use these self-help services (except publications ordering).

**Fax** **13 28 60**

Get information faxed to you about individual taxes. Follow the instructions to order information to be faxed to you.

### People with a hearing, speech or vision impairment

If you have a hearing or speech impairment, see page 7 in *TaxPack 2007*.

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

We have available free audio tapes and compact disks of *TaxPack 2007* and *TaxPack 2007 supplement*. To get copies of these phone:

**13 28 61**

### To report tax evasion confidentially

Phone (FREECALL) **1800 060 062**

Fax (FREECALL) **1800 804 544**

Go to our website [www.ato.gov.au/reportevasion](http://www.ato.gov.au/reportevasion)

Mail Locked Bag 6050, Dandenong VIC 3175

**If you do not speak English well and need help from the Tax Office, phone the Translating and Interpreting Service (TIS) on 13 14 50. TIS staff can assist with interpreting in over 120 languages.**

إذا كنت لا تجيد التكلم باللغة الإنكليزية وتحتاج لمساعدة من مكتب الضرائب ، اتصل بخدمة الترجمة الخطية والشفهية على الرقم 131450. يتوفر لدى هذه الخدمة مترجمون في أكثر من مائة وعشرين لغة.  
**ARABIC**

如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 تلفون 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 англиски и ви треба помош од Даночната управа, телефонирајте во Службата за писмено и усмено преведување (Translating and Interpreting Service - TIS) на 13 14 50. Персоналот од TIS може да помогне со усмено преведување на над 120 јазици.  
**MACEDONIAN**

Если вы не говорите хорошо по-английски и нуждаетесь в помощи Налогового управления, звоните в Переводческую службу TIS по тел. 13 14 50. Сотрудники TIS могут помочь с устным переводом более чем на 120 языках.  
**RUSSIAN**

Ako ne говорите добро енглески а потребна вам је помоћ Пореске управе, позовите Службу за преводње 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**

## Blind or vision impaired

If you have a vision impairment you can lodge your *Tax return for individuals 2007* online using e-tax. e-tax is compatible with common screen reader software.

The Tax Office has also developed tax-time products for people who are blind or vision impaired.

We have free audio tapes and compact disks of *TaxPack 2007* and *TaxPack 2007 supplement* available. Phone us on **13 28 61** to get a copy.

## QUESTION 12

## PARTNERSHIPS AND TRUSTS

**STOP**

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

- attributed foreign income and any other foreign source income from a partnership or trust – questions **18** and **19**
- net capital gain from a trust – question **17**
- a capital gain or a capital loss in respect of your interest in a partnership or a partnership asset – question **17**
- income from a corporate limited partnership – question **11** in *TaxPack 2007*
- income from a public trading trust or a corporate unit trust – question **11** in *TaxPack 2007*
- interest you received, or were credited with, from a joint account, where you quoted your individual tax file number to the financial institution – question **10** in *TaxPack 2007*
- that part of a distribution on which family trust distribution tax or ultimate beneficiary non-disclosure tax has been paid.

**For 2006–07 did you receive or were you entitled to:**

- **income or a loss from a partnership**
- **income from a trust (including a managed fund)**
- **a share of credit for tax paid on or withheld from partnership or trust income**
- **a share of credit for amounts withheld from partnership and trust income subject to foreign resident withholding**

**or**

**did you have an interest in a trust that made a loss from primary production activities?**

If the partnership in which you were a partner paid you salary, wages or allowances, you must show that income at this item.

Distributions of income from any trust investment product, 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 or balanced trust, must be shown at this item. If you are unsure whether your trust investment product is one of these trusts, check with the trustee.

**NO**  Go to question **13**.

**YES**  Read on.

**YOU NEED TO KNOW**

If you have received a distribution from a partnership or trust which includes a dividend with Australian franking credits from a New Zealand company, you may be eligible to claim the Australian franking credits. The instructions in question **19 Foreign source income and foreign assets or property** provide guidance on how to claim Australian franking credits from a New Zealand company. However, you cannot claim New Zealand imputation credits.

If you have deferred non-commercial business losses from a prior year, you may be able to claim them this year if you operate the same or a similar business.

**NOTE**

The deferred non-commercial business loss deduction you can claim in this year may be reduced if:

- you earned net exempt income in this income year, or
- you have become bankrupt or were released from any debts by the operation of an Act relating to bankruptcy.

Phone the Business Infoline (see the inside back cover) for more information. For an explanation of net exempt income, see question **L1** on page 65 of *TaxPack 2007*.

Some trust distributions paid after 30 June 2007 need to be included on your tax return for this year. This is because you were entitled to this income at 30 June 2007. You must make sure that you have included all of your trust income. If you have not been advised of all your trust distribution, contact your trustee.

▶ If your trust distribution includes amounts described as tax-free, tax deferred, tax exempted or capital gains tax (CGT) concession, you will need to read the information on non-assessable payments in the publication *Guide to capital gains tax 2007* (NAT 4151–6.2007) which is available on our website or to find out how to get a printed copy, see the inside back cover. While these amounts may not need to be included at this item, they may be relevant in determining the amount of net capital gains you show at item **17** or may affect the cost base of your unit or trust interest.

Do not show all categories of income distributed from a partnership or trust at this item. If your distribution includes the following categories of income, show them at other items on your tax return:

- net capital gains from trusts – show at item **17**
- attributed foreign income – show at item **18**
- other foreign source income – show at item **19**.

You should not receive a distribution of a net capital gain or a net capital loss from a partnership. For information about how a partner returns their share of a capital gain or capital loss, see the *Guide to capital gains tax 2007*.

**WHAT YOU MAY NEED**

- A statement or advice from the partnership or trust showing the following details in relation to your share of any distribution:
  - the amount of any primary production income or loss and the amount of any non-primary production income or loss
  - the amount of attributed foreign income and other foreign source income
  - the amount of any income on which family trust distribution tax has not been paid
  - your share of entitlement to any of the following credits:
    - credit for amounts of tax withheld because the trust or partnership failed to quote its Australian business number
    - credit for amounts of tax withheld due to the operation of foreign resident withholding
    - allowable franking credits from franked dividends
    - credit for tax file number amounts withheld
    - credit for tax paid by the trustee
- Details of any deductions you can claim against your partnership or trust distribution that have not already been claimed by the partnership or trust
- The publication *Business and professional items 2007* (NAT 2543–6.2007) which contains the *Business and professional items schedule for individuals 2007*. This publication is available on our website. To find out how to get a printed copy, see the inside back cover. If you conducted a business activity as a partner in a partnership that resulted in a loss or resulted in a loss after deducting your expenses, you must complete items **P3** and **P9** on the *Business and professional items schedule for individuals 2007* in addition to item **12**.

**! NOTE**

If you think that any details are wrong or are missing from the statement or advice you received from the partnership or trust, contact the managing partner or trustee.

**▶ COMPLETING THIS ITEM**

Answer the following three questions first.

If you were an Australian resident, you may be able to claim a credit for Australian withholding tax you have borne on an Australian source dividend, interest or royalty included in your distribution from a non-resident trust. A non-resident trust is a trust which, for all of the income year:

- only has non-resident trustees, or
- has its central management and control outside Australia.

**1 Were you an Australian resident in receipt of, or entitled to receive, Australian source income from a non-resident trust?**

NO       YES

If you were under a legal disability, you may be able to claim a credit for the tax that the trustee has paid on your share of income. You are considered to be under a legal disability if you are under 18 years of age as at 30 June 2007 or you are a person who is bankrupt or you have been declared legally incapable because of a mental condition.

**2 Were you under a legal disability?**

NO       YES

If you were not an Australian resident, you may be able to claim a credit for the tax that the trustee has paid on your share of income from a resident trust.

**3 Were you a non-resident?**

NO       YES

If you answered **NO** to all three questions, go to part A below.

If you answered **YES** to one or more of these questions, you will need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 12 at the top of a separate piece of paper and explain your situation. Include your name, address, tax file number, the name of the trust, your share of income from the trust and any credits you are entitled to claim for that income. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return. Go to part A below.

**PART A****Were you a partner in a partnership that derived income or made a loss?**

NO  Go to part B below.

YES  Read below.

**STEP 1** Write the total of your share of primary production partnership income or loss at **N** item **12** on page 9 of your tax return. Do not show cents. If you have a loss, print **L** in the box  at the right of **N**.

**STEP 2** Write the total of your share of non-primary production partnership income or loss – excluding any attributed foreign income or other foreign source income – at **O** item **12**. Do not show cents. If you have a loss, print **L** in the box  at the right of **O**.

**STEP 3** Complete items **P3** and **P9** on the *Business and professional items schedule for individuals 2007* if the amount at **N** or **O** includes a loss from a business activity operated by one or more of your partnerships.

**PART B****Did you receive or were you entitled to income from a trust, or did you have an interest in a trust that made a loss from primary production activities?**

NO  Go to part C on the next page.

YES  Read below.

If, in an income year, a trust makes an overall loss for income tax law purposes, the loss is retained in the trust – there is no amount of net income available for distribution. However, in some cases you are required to enter a loss at this item. This happens when your income is subject to the averaging provisions available to primary producers, and the trust has made a loss from its primary production activities but has an overall net income amount, which it distributes to you.

Your distribution advice or statement from the trust will separately disclose your share of the primary production loss – which is needed for averaging purposes – and your share of other income. You show your share of any primary production loss at **L** item **12** on your tax return and your share of other income at the relevant item – either **U** item **12**, or item **17**, **18** or **19** on your tax return.


If you need help, phone the Personal Infoline (see the inside back cover).

**STEP 1** Write the total of your share of primary production trust income or loss at **L** item **12** on your tax return. Do not show cents. If you have a loss, print **L** in the box  at the right of **L**.

**STEP 2** Write the total of your share of non-primary production trust income or loss – excluding any net capital gain, attributed foreign income or other foreign source income – at **U** item **12**. Do not show cents. Include in this income any share of credit (including franking credit from franked dividends) to be shown in the labels for share of credits from income covered in part E on the next page. If you have a loss, print **L** in the box  at the right of **U**.

### Exception for primary producers

If you are a beneficiary of a trust that carries on the business of primary production, you may still be eligible for tax liability averaging even where that trust makes an overall loss. If this applies to you and you have not already been required to fill in **L** at step 1, write **0** at **L**. This will ensure that you remain subject to the tax liability averaging provisions.

 You may need to refer to *Taxation Ruling TR 95/29 – Income tax: applicability of averaging provisions to beneficiaries of trust estates carrying on a business of primary production*. This publication is available on our website. To find out how to get a printed copy, see the inside back cover.

## PART C


### Can you claim any deductions in relation to a distribution from a partnership or trust?

**NO**  Go to part D on the next page.

**YES**  Read below.

Remember, you cannot claim a deduction for amounts already claimed by the partnership or trust, or for expenses incurred in deriving exempt income or non-assessable non-exempt income (for example, expenses incurred in deriving distributions on which family trust distribution tax or ultimate beneficiary non-disclosure tax has been paid).

If you made a prepayment of \$1,000 or more for something to be done (in whole or in part) in a future income year, the amount you can deduct at **X** and **Y** may be affected by the rules relating to prepayments.

 For more information on prepayments, see the publication *Deductions for prepaid expenses 2007* (NAT 4170–6.2007) which is available on our website. To find out how to get a printed copy, see the inside back cover.


If you have incurred debt deductions, such as interest and borrowing costs, in relation to a distribution from a partnership or trust, the amount that you can deduct at **X** and **Y** may be affected by the thin capitalisation rules. If you were an Australian resident and you (or any associate entities) have certain overseas interests or you were a foreign resident, these rules may apply if all your debt deductions (combined with those of your associate entities) for the year were more than \$250,000. More information about thin capitalisation is available on our website.

### Primary production deductions

**STEP 1** If you were a partner in a partnership that incurred eligible expenditure on landcare operations or water facilities, the expenditure cannot be claimed by the partnership. Costs incurred by the partnership are allocated to each partner who can then claim the deduction.

Write your share of the total of any such expenditure that relates to primary production income or loss from partnerships that you can deduct this year at **U** item **12** on your tax return. Do not show cents.

If a trust incurred eligible expenditure on landcare operations or water facilities, only the trust can claim deductions for that expenditure, not a beneficiary of the trust.

 For further information on deductions for expenditure on landcare operations and water facilities, see the *Guide to depreciating assets 2007* (NAT 1996–6.2007) which is available on our website. To find out how to get a printed copy, see the inside back cover.

**STEP 2** Write at **X** item **12** the total of any other deductions (including non-commercial business losses deferred from a prior year) you can claim in relation to:

- your share of primary production income or loss from a partnership, or
- primary production income from a trust.

If you were a partner in a partnership and you can claim a deduction in relation to your share of eligible expenditure incurred by the partnership on horticultural plants, grapevines, electricity connections or phone lines, include any such deduction that relates to primary production income or loss at **X**. For information about deductions for expenditure on horticultural plants, grapevines, electricity connections and phone lines, see the *Guide to depreciating assets 2007*.

### NOTE

Only include non-commercial business losses deferred from a prior year if they relate to a partnership activity which is the same or similar to your current year partnership activity. See the example on the next page.

**STEP 3** From the list below, print the code letter in the **TYPE** box  at the right of **X** that describes any business losses from a prior year that you are claiming at **X**.

- Print **D** if the entire amount at **X** is a deferred non-commercial business loss from a prior year.
- Print **P** if only part of the amount at **X** is a deferred non-commercial business loss from a prior year.
- Leave the **TYPE** box blank if the amount at **X** does not include any deferred non-commercial business losses from a prior year.

## Non-primary production deductions

**STEP 1** If a partnership incurs eligible expenditure on landcare operations, the expenditure cannot be claimed by the partnership. Costs incurred by the partnership are allocated to each partner who can then claim the deduction. Write your share of the total of any such expenditure that relates to non-primary production income or loss from partnerships that you can deduct this year at **J** item 12. Do not show cents.

If a trust incurred eligible expenditure on landcare operations, only the trust can claim deductions for that expenditure, not a beneficiary of the trust. For more information on deductions for expenditure on landcare operations, see the *Guide to depreciating assets 2007*.

**STEP 2** Write at **Y** item 12 the total of any other deductions (including non-commercial business losses deferred from a prior year) you can claim in relation to:

- your share of non-primary production income or loss from a partnership, or
- non-primary production income from a trust.

If you were a partner in a partnership and you can claim a deduction in relation to your share of eligible expenditure incurred by the partnership on electricity connections, include any such deduction that relates to non-primary production income or loss from partnerships at **Y** item 12. For information about deductions for expenditure on electricity connections, see the *Guide to depreciating assets 2007*.

### ! NOTE

Only include non-commercial business losses deferred from a prior year if they relate to a partnership activity which is the same or similar to your current year partnership activity.

## EXAMPLE

In 2005–06 Lisa deferred total non-commercial business losses of \$6,000 from her share of partnership activities made up of:

- \$5,000 from a furniture restoration business, and
- \$1,000 from a computer consultancy business.

The partnership did not carry on the computer consultancy business in 2006–07. Lisa cannot include her \$1,000 loss from the computer consultancy business at **Y**. This amount does not relate to an activity which is the same or similar to her current year activity.

In 2006–07 Lisa's partnership distribution from the furniture restoration business is \$2,000.

Lisa will include the \$5,000 as a deferred loss relating to the furniture restoration business at **Y**. Therefore, her net distribution from this business activity is a loss of \$3,000.

**Note:** Her \$5,000 loss from the furniture restoration business must also be shown at item **P9** on the *Business and professional items schedule for individuals 2007* as the **Deferred non-commercial business loss from a prior year**. The net distribution of \$3,000 loss from the furniture restoration business must also be shown at item **P9** as the **Net loss** for that activity.

Lisa should keep a record of her \$1,000 deferred loss from the computer consultancy business, as she may be able to claim it in a later year if that business starts again or she starts a similar business.

**STEP 3** From the list below, print the code letter in the **TYPE** box  at the right of **Y** that describes any business losses from a prior year that you are claiming at **Y**.

- Print **D** if the entire amount at **Y** is a deferred non-commercial business loss from a prior year.
- Print **P** if only part of the amount at **Y** is a deferred non-commercial business loss from a prior year.
- Leave the **TYPE** box  blank if the amount at **Y** does not include any deferred non-commercial business losses from a prior year.

## PART D

### Calculation of net distribution from primary production and non-primary production

#### STEP 1 Net primary production distribution

Add the income amounts at **N** and **L** or deduct loss amounts (if any) and take away the amounts at **I** and **X**. Write the answer at item 12 **Net primary production distribution** on your tax return. Do not show cents. If you have a loss, print **L** in the **LOSS** box  at the right of item 12 **Net primary production distribution**.

If you have a total net loss from a partnership business activity, complete items **P3** and **P9** on the *Business and professional items schedule for individuals 2007* in addition to item 12 on your tax return.

#### STEP 2 Net non-primary production distribution

Add the income amounts at **O** and **U** or deduct loss amounts (if any) and take away the amounts at **J** and **Y**. Write the answer at item 12 **Net non-primary production distribution**. Do not show cents.

If you have a loss, print **L** in the **LOSS** box  at the right of item 12 **Net non-primary production distribution**.

If you have a total net loss from a partnership business activity, complete items **P3** and **P9** on the *Business and professional items schedule for individuals 2007* in addition to item 12 on your tax return.

### ! NOTE

If your distribution includes income from activities as an author of a literary, dramatic, musical or artistic work, inventor, performing artist, production associate or active sportsperson, you must also write the amount of this taxable professional income at **Z** item 22. You will not be taxed twice on this income. More information is available at question 22.

## PART E

### Share of credits from partnerships and trusts

If the partnership or trust income you have shown at **N**, **L**, **O** or **U** item 12 on your tax return includes:

- income from which an amount of tax was withheld because an Australian business number was not quoted, write your share of the distributed credit at **P** item 12. Show cents

- interest, dividends and unit trust distributions from which tax file number (TFN) amounts have been withheld, write the total of your share of credits for TFN amounts withheld at **R** item 12. Show cents
- income from which an amount of tax was withheld because of the operation of foreign resident withholding, write your share of the distributed credit at **A** item 12. Show cents
- other credits: for tax paid by a trustee on trust income, write the total of your share of credits for tax paid by a trustee at **S** item 12. Show cents.

### Franking credits

Write the amount of your share of any allowable franking credits which you are entitled to claim as a franking tax offset through a partnership or trust at **Q** item 12. Show cents. You and the partnership or trustee must be qualified persons in relation to the particular dividend – see **Qualified person** below.

You can only claim a share of a franking credit which relates to the share of a franked dividend paid to a partnership or trust which is indirectly included in the amount of partnership income or loss you show at **O** item 12, or in the amount of trust income you show at **U** item 12. Therefore, you cannot claim a franking credit for a dividend paid to the partnership or trust which was exempt income or non-assessable non-exempt income (for example, a distribution on which family trust distribution tax or ultimate beneficiary non-disclosure tax has been paid).

You cannot claim a share of a franking credit through a trust in the following circumstances:

- the trust has an overall loss for the income year
- you did not show an amount of income from the trust at **U** item 12, or
- the amount of income from the trust you have shown at **U** item 12 is not attributable to the franked dividend which has generated the franking credit.

In addition, you cannot claim a franking credit in respect of your share of dividends received through a distribution from a partnership or trust unless both you and the partnership or trustee are qualified persons.

### Qualified person

There are rules – known as franking credit trading rules – designed to curb the unintended use of franking credits by persons who do not effectively own their shares or who only briefly own their shares. Under these rules, known as the ‘holding period rule’ and the ‘related payments rule’, you must satisfy certain criteria before you are considered to be a qualified person and can claim franking credits. In other words, only qualified persons have the benefit of the franking credit attached to their dividends.

If you derived dividends through a distribution from a partnership or trust – except a widely held trust – you need to determine what component of the trust or partnership distribution is attributable to a particular dividend, and then determine whether, in relation to that dividend, you have satisfied the holding period rule and the related payments rule.

In addition, the trustee or the partnership itself must also have satisfied these rules.

The **holding period rule** applies to shares bought on or after 1 July 1997. It applies to you if you (or the partnership or trust) sold shares within 45 days of buying them. It also applies to you if you (or the partnership or trust) 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 (or the partnership or trust) 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.

Special rules apply if you are the beneficiary of a trust and the trustee has made a family trust election.

However, by way of exception, if you are a beneficiary in a widely held trust, you are treated as holding an interest in all the shares or interests held by the trust, as an undissected aggregate. You are only required to satisfy the 45-day rule in relation to your interest in the trust as a whole, rather than in relation to each share in which you had an interest under the trust. The trustee should be able to advise if a particular trust qualifies as a widely held trust.

If you failed to satisfy the holding period rule and the related payments rule does 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 ceiling of \$5,000 on all your franking tax offset entitlements in a given year, whether received directly or indirectly through a partnership or trust.

➤ If any of these measures are likely to affect you, read the publication *You and your shares 2007* (NAT 2632–6.2007) which is available on our website. To find out how to get a printed copy, see the inside back cover.

### CHECK THAT YOU HAVE . . .

- completed – as necessary – parts A, B, C, D and E
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM 12, if you need to send us one
- kept a record of each distribution with your other records. You need the following information: name and tax file number of the partnership or trust, amount and source of distribution, amount of any taxable professional income, amount and type of deductions claimed, and amount and type of any share of credits.

### ! NOTE

If you received a distribution from a partnership or trust that is in the simplified tax system (STS), you may be eligible to claim the entrepreneurs tax offset. You may need to complete item **T14 Entrepreneurs tax offset**.



# QUESTION 13

# 13

## PERSONAL SERVICES INCOME (PSI)

13

INCOME

### Did you receive personal services income?

**NO**  Go to question 14.

**YES**  Read below.

### Are you a sole trader?

**NO**  Go to question 14.

**YES**  Read below.

Personal services income can include:

- personal services income under a pay as you go (PAYG) voluntary agreement
- personal services income from which an amount was withheld because you did not quote your Australian business number (ABN)
- personal services income of an independent contractor working under a labour hire arrangement
- personal services income from the following **specified payments**:
  - payment for tutorial services provided for the Indigenous Tutorial Assistance Scheme of the Department of Education, Science and Training
  - payment for translation and interpretation services for the Translating and Interpreting Service of the Department of Immigration and Citizenship
  - income as a performing artist in a promotional activity.

A **specified payment** is a payment specified in tax law for PAYG withholding tax purposes.

### STOP

Do not show at this item personal services income:

- you received as an employee
- that was subject to foreign resident withholding. Include this income at item 14. The rules for the tax treatment of personal services income will apply to the personal services income included at item 14.

### YOU NEED TO KNOW

Personal services income is income that is mainly a reward for an individual's personal efforts or skills.

Examples of personal services income are:


- income of a professional practitioner in a sole practice
- income payable under a contract which is wholly or principally for the labour or services of a person
- income derived by a professional sportsperson or entertainer from the exercise of professional skills
- income derived by consultants from the exercise of personal expertise.

Personal services income **does not include** income that is mainly:

- for supplying or selling goods – for example, from retailing, wholesaling or manufacturing
- generated by an income-producing asset – for example, from operating a bulldozer
- for granting a right to use property – for example, the copyright to a computer program
- generated by a business structure – for example, a large accounting firm.

There are special rules for the tax treatment of personal services income earned by sole traders including contractors and consultants. If you had personal services income as a sole trader and you were subject to the special rules, you will not be able to claim certain deductions – for example, rent, mortgage interest, rates or land tax for your home, or payments to your spouse (or other associate) for support work such as secretarial duties.


You will be subject to the special rules if you were not conducting a personal services business.

 You need to read the publication *Business and professional items 2007* before you can answer this question. This publication is available on our website. To find out how to get a printed copy, see the inside back cover.

*Business and professional items 2007* contains the *Business and professional items schedule for individuals 2007* and the *Individual PAYG payment summary schedule 2007* (NAT 3647–6.2007).

### WHAT YOU MAY NEED

- *Personal services income – personal services business self-assessment checklist* (NAT 3416). This publication will help you decide whether you were conducting a personal services business. It also tells you how to get more information about personal services income issues.
- *Taxation Ruling TR 2001/7 – Income tax: the meaning of personal services income*
- *Taxation Ruling TR 2001/8 – Income tax: what is a personal services business*
- *Taxation Ruling TR 2003/6 – Income tax: attribution of personal services income*
- *Taxation Ruling TR 2003/10 – Income tax: deductions that relate to personal services income*

 These publications are available on our website or to find out how to get a printed copy, see the inside back cover. If you need more information, phone our Business Infoline (see the inside back cover).

## ▶ COMPLETING THIS ITEM

### PART A

#### Complete your schedules.

**STEP 1** Complete the *Business and professional items schedule for individuals 2007*, sign it and attach it to page 3 of your tax return. If you do not attach your schedule, we will send your tax return back to you and will not consider that you have lodged it until it is returned with all schedules attached. We may apply the failure to lodge on time penalties if this results in your tax return being lodged after the due date. Do not include any of your calculations on your tax return. When you attach your schedule to page 3 of your tax return, print **X** in the **YES** box at *Taxpayer's declaration* question **2b** on page 8 of your tax return.

**STEP 2** If you received personal services income from which tax was withheld, complete the *Individual PAYG payment summary schedule 2007* 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.

#### Did you write an amount at **A** item **P1** on your *Business and professional items schedule for individuals 2007*?

**NO**  Go to question 14.

**YES**  Read below.

### PART B

#### Net personal services income

**STEP 1** Transfer your net personal services income or loss shown at **A** item **P1** on your *Business and professional items schedule for individuals 2007* to **A** item **13** on page 9 of your tax return. Do not show cents.

**STEP 2** If you made a loss, print **L** in the **LOSS** box  at the right of **A**.

**STEP 3** If you made a loss from one or more business activities, check that you have completed items **P3** and **P9** on the *Business and professional items schedule for individuals 2007*.

#### ! NOTE

If you carried on a business as an author, dramatic artist, musician, artist, inventor, performing artist, production associate or active sportsperson, you must **also** write the amount of income you received from these business activities at **Z** item **22**. See page s31 for more information. You will not be taxed twice on this income.

### PART C

#### Tax withheld from personal services income

#### Did you include an amount at **M**, **N** or **O** item **P1** on your *Business and professional items schedule for individuals 2007*?

**NO**  Go to **Check that you have . . .** in the next column.

**YES**  Read on.

#### 1 Did you have amounts of tax withheld under a pay as you go (PAYG) voluntary agreement?

**NO**  Go to 2 below.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2007* at the **Tax withheld** boxes with a **V** in the **TYPE** box . These amounts must correspond with the payments shown at **M** item **P1** on your *Business and professional items schedule for individuals 2007*. Write this amount at **G** item **13** on page 9 of your tax return. Do not show cents.

#### 2 Did you have amounts of tax withheld because you did not quote your Australian business number?

**NO**  Go to 3 below.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2007* at the **Tax withheld** boxes with an **N** in the **TYPE** box . These amounts must correspond with the payments shown at **N** item **P1** on your *Business and professional items schedule for individuals 2007*. Write this amount at **H** item **13** on page 9 of your tax return. Show cents.

#### 3 Did you have amounts of tax withheld because you received income from:

- working under a labour hire arrangement, or
- a specified payment?

**NO**  Go to **Check that you have . . .** below.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2007* at the **Tax withheld** boxes with an **S** in the **TYPE** box . These amounts must correspond with the payments shown at **O** item **P1** on your *Business and professional items schedule for individuals 2007*. Write this amount at **J** item **13** on page 9 of your tax return. Do not show cents.

#### CHECK THAT YOU HAVE . . .

- read the publication *Business and professional items 2007*, and completed your *Business and professional items schedule for individuals 2007* and signed and attached it to page 3 of your tax return
- transferred the amount from **A** item **P1** on your *Business and professional items schedule for individuals 2007* to **A** item **13** on your tax return. If this amount is a loss, print **L** in the **LOSS** box  at the right of **A**
- printed **X** in the **YES** box at *Taxpayer's declaration* question **2b** on page 8 of your tax return.

If you received personal services income from which tax was withheld, also check that you have:

- completed your *Individual PAYG payment summary schedule 2007* and attached it to page 3 of your tax return
- written amounts at **G**, **H** and **J** item **13**, if required
- printed **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return.

# QUESTION 14

# 14

## NET INCOME OR LOSS FROM BUSINESS

14

INCOME

### Did you derive income or incur a loss from any business?

**NO**  Go to question 15.

**YES**  Read below.

This item covers:

- income or a loss from a primary production business
- 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 (ABN)
- income from which an amount was withheld due to the operation of foreign resident withholding
- income of an independent contractor working under a labour hire arrangement
- income from the following **specified payments**:
  - payment for tutorial services provided for the Indigenous Tutorial Assistance Scheme of the Department of Education, Science and Training
  - payment for translation and interpretation services for the Translating and Interpreting Service of the Department of Immigration and Citizenship
  - income as a performing artist in a promotional activity
- any other business income, such as from being a sole trader.

A **specified payment** is a payment specified in tax law for PAYG withholding purposes.



**STOP**

**Do not show at this item** personal services income included at item **13 Personal services income (PSI)**.

### YOU NEED TO KNOW

You need to read *Business and professional items 2007* before you can complete this item. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

*Business and professional items 2007* contains the *Business and professional items schedule for individuals 2007* and the *Individual PAYG payment summary schedule 2007*.

You must show your net income or loss – gross business income less business deductions – at **B** item **14** for primary production and at **C** item **14** for non-primary production on page 10 of your tax return.

You carry on a primary production business if you carry on a business in any of the following:

- cultivating or propagating plants, fungi or their products or parts (including seeds, spores, bulbs and similar things) in any physical environment
- maintaining animals for the purpose of selling them or their bodily produce (including natural increase)
- manufacturing dairy produce from raw material you produced
- conducting operations relating directly to taking or catching fish, turtles, dugong, bêche-de-mer, crustaceans or aquatic molluscs
- conducting operations relating directly to taking or culturing pearls or pearl shell
- planting or tending trees in a plantation or forest that are intended to be felled
- felling trees in a plantation or forest
- transporting trees that you felled in a plantation or forest to the place:
  - where they are first to be milled or processed, or
  - from which they are to be transported to the place where they are first to be milled or processed.

If you are a primary producer, you also need to read the publication *Information for primary producers 2007* (NAT 1712–6.2007) which is available on our website. To find out how to get a printed copy, see the inside back cover.

### WHAT YOU MAY NEED

These publications may help you to correctly complete this item:

- *Taxation Ruling TR 92/18 – Income tax: bad debts*
- *Taxation Ruling TR 93/30 – Income tax: deductions for home office expenses*
- *Taxation Ruling TR 96/7 – Income tax: record keeping – section 262A – general principles*
- *Taxation Ruling TR 96/11 – Income tax: record keeping – taxi industry – guidelines for recording taxi takings*
- *Taxation Ruling TR 97/11 – Income tax: am I carrying on a business of primary production?*
- *Taxation Ruling TR 97/23 – Income tax: deductions for repairs*
- *Taxation Ruling TR 2005/9 – Income tax: record keeping – electronic records*
- *Guide to depreciating assets 2007*
- *The simplified tax system: a guide for tax agents and small businesses* (NAT 6459–6.2006).

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

## ▶ COMPLETING THIS ITEM

### PART A

#### Complete your schedules.

**STEP 1** Complete the *Business and professional items schedule for individuals 2007*, sign it and attach it to page 3 of your tax return. If you do not attach your schedule, we will send your tax return back to you and will not consider that you have lodged it until it is returned with all schedules attached. We may apply the failure to lodge on time penalties if this results in your tax return being lodged after the due date. Do not include any of your calculations on your tax return. When you attach your schedule to page 3 of your tax return, print **X** in the **YES** box at *Taxpayer's declaration* question **2b** on page 8 of your tax return.

**STEP 2** If you received business income from which tax was withheld, complete the *Individual PAYG payment summary schedule 2007* 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.

### PART B

#### Did you derive income or incur a loss from a primary production business?

**NO**  Go to part C below.

**YES**  Read below.

**STEP 1** Transfer your net income or loss from a primary production business shown at **Y** item **P8** on your *Business and professional items schedule for individuals 2007* to **B** item **14** on page 10 of your tax return. Do not show cents.

**STEP 2** If you made a loss, print **L** in the **LOSS** box  at the right of **B** item **14**.

**STEP 3** If you made a loss in 2006–07 from one or more business activities, check that you have completed items **P3** and **P9** in the *Business and professional items schedule for individuals 2007*.

### PART C

#### Did you derive income or incur a loss from any non-primary production business?

**NO**  Go to part D in the next column.

**YES**  Read below.

**STEP 1** Transfer your net income or loss from a non-primary production business shown at **Z** item **P8** on your *Business and professional items schedule for individuals 2007* to **C** item **14** on page 10 of your tax return. Do not show cents.

**STEP 2** If you made a loss, print **L** in the **LOSS** box  at the right of **C**.

**STEP 3** If you made a loss in 2006–07 from one or more business activities, check that you have completed items **P3** and **P9** in the *Business and professional items schedule for individuals 2007*.

#### ! NOTE

If you carried on a business as an author of a literary, dramatic, musical or artistic work or as an inventor, performing artist, production associate or active sportsperson, you must **also** write the amount of income from these business activities at **Z** item **22**. See page s31 for more information. You will not be taxed twice on this income.

### PART D

#### In your calculation of total business income in the *Business and professional items schedule for individuals 2007*, did you include income from which an amount of tax was withheld at **A**, **B**, **C**, **D**, **E**, **F** or **O** item **P8**?

**NO**  Go to **Check that you have . . .** on the next page.

**YES**  Read below.

#### 1 Did you have any amounts of tax withheld under a pay as you go (PAYG) voluntary agreement?

**NO**  Go to **2** below.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2007* shown in the **Tax withheld** boxes where you have printed **V** in the **TYPE** box . These amounts must correspond with the payments shown at **E** and **F** item **P8** on the *Business and professional items schedule for individuals 2007*. Write this total at **D** item **14**. Do not show cents.

#### 2 Did you have any amounts of tax withheld because you did not quote your Australian business number (ABN)?

**NO**  Go to **3** on the next page.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2007* shown in the **Tax withheld** boxes where you have printed **N** in the **TYPE** box . These amounts must correspond with the payments shown at **C** and **D** item **P8** on the *Business and professional items schedule for individuals 2007*. Write this total at **W** item **14**. Show cents.

### 3 Did you have any amounts of tax withheld because your income was subject to foreign resident withholding?

**NO**  Go to 4 below.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2007* shown in the **Tax withheld** boxes where you have printed **F** in the **TYPE** box . These amounts must correspond with the payments shown at **A** and **B** item **P8** on the *Business and professional items schedule for individuals 2007*. Write this amount at **E** item **14**. Show cents.

### 4 Did you have any amounts of tax withheld because you received income:

- working under a labour hire arrangement, or
- from a specified payment?

**NO**  Go to **Check that you have . . .** in the next column.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2007* shown in the **Tax withheld** boxes where you have printed **S** in the **TYPE** box . These amounts must correspond with the payments shown at **O** item **P8** on the *Business and professional items schedule for individuals 2007*. Write this amount at **F** item **14**. Do not show cents.

#### ! NOTE

If you derived income from a business and you are in the simplified tax system (STS) you may be eligible to claim the entrepreneurs tax offset. For more information, refer to question **T14 Entrepreneurs tax offset**.

### CHECK THAT YOU HAVE . . .

- read the publication *Business and professional items 2007*
- completed the *Business and professional items schedule for individuals 2007*, signed the schedule and attached it to page 3 of your tax return
- transferred the amounts from **Y** and **Z** item **P8** on your *Business and professional items schedule for individuals 2007* to **B** and **C** item **14** respectively on your tax return. If these amounts are losses, printed **L** in the **LOSS** boxes  at the right of **B** and **C**
- printed **X** in the **YES** box at *Taxpayer's declaration* question **2b** on page 8 of your tax return.

If you received business income from which tax was withheld also check that you have:

- completed the *Individual PAYG payment summary schedule 2007* and attached it to page 3 of your tax return
- written amounts at **D**, **W**, **E** and **F** item **14**, if required
- printed **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return.

## QUESTION 15

# 15

### DEFERRED NON-COMMERCIAL BUSINESS LOSSES

15

INCOME

#### Did you:

- **conduct a business activity as a partner in a partnership that resulted in a loss or resulted in a loss after deducting your expenses, or**
- **conduct a business activity as a sole trader that resulted in a loss?**

**NO**  Go to question 16.

**YES**  Read below.

#### STOP

This question does not apply to activities that do not constitute carrying on a business – for example, the receipt of passive investment income.

#### YOU NEED TO KNOW

There are special rules relating to the deferral of non-commercial business losses.

You can use a 2006–07 loss from a business activity you conducted either as a sole trader or in a partnership to calculate your 2006–07 taxable income only where:

- an exception applies **or**
- one of the four tests is satisfied **or**
- the Commissioner has exercised his discretion or ruled that it will be exercised to allow you to claim the loss.

For more information about the exceptions, the four tests and the Commissioner's discretion, see question **P9 Business loss activity details** in *Business and professional items 2007*.

#### NOTE

Keep records of each of the net losses deferred for your separate business activities.


**If you are unable to claim your loss this year because of these rules, you must defer the loss.**

**This deferred loss is not disallowed.** Instead, you take it into account for the next income year in which you carry on this business activity or one of a similar kind.

The deferred loss is a deduction when calculating any net profit or loss from the activity in that future year.

Whether any overall loss can be taken into account in your calculation of taxable income for that future year will depend on the application of the non-commercial business loss deferral rules in that year.

You must defer your loss by completing item **15** on your tax return. You will need to split the amount into primary production and non-primary production deferred losses. The amounts shown at item **15** cannot be used to reduce your 2006–07 taxable income.

 You need to read *Business and professional items 2007* before you can complete this item. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

*Business and professional items 2007* contains the *Business and professional items schedule for individuals 2007* and the *Individual PAYG payment summary schedule 2007*.

#### WHAT YOU MAY NEED

- *Taxation Ruling TR 2001/14 – Income tax: Division 35 – non-commercial business losses*. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.
- *Non-commercial losses: partnerships* (NAT 3385). This publication provides information on the special rules that determine whether a business activity you carry on in partnership with others satisfies any one of the four tests. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.
- Any written advice from the Tax Office that the Commissioner will exercise his discretion to allow you to deduct your loss from your business activity carried on either as a sole trader or in partnership with others

#### COMPLETING THIS ITEM

##### PART A

#### Complete your schedule.

Complete the *Business and professional items schedule for individuals 2007*, sign it and attach it to page 3 of your tax return. If you do not attach your schedule, your tax return will be sent back to you. We will not consider you to have lodged your tax return until you return it with all schedules attached. We may apply the failure to lodge on time penalties if this results in you lodging your tax return after the due date. Do not include any of your calculations on your tax return. When you attach your schedule to page 3 of your tax return, print **X** in the **YES** box at *Taxpayer's declaration* question **2b** on page 8 of your tax return.

##### PART B

#### Deferred non-commercial business losses from partnership activities

This part only applies to you if you carried on a business in partnership with others. Do not complete this part if you were in a partnership that did not carry on a business.

#### Were you a partner in a partnership?

**NO**  Go to part C on the next page.

**YES**  Read on.

**Did you make a net loss from a business activity carried on in partnership with others in 2006–07?**NO  Go to part C below.YES  Read below.

If you made a net loss from more than one business activity in partnership with others, you will have to answer the questions and follow the steps on this page for each of your business activities.

**Did your net loss from that business activity come within an exception described at question P9 in *Business and professional items 2007*?**NO  Read below.YES  Go to part C below.**Did your net loss from that business activity satisfy one of the four tests listed at question P9 in *Business and professional items 2007*?**NO  Read below.YES  Go to part C below.**Have we advised you in writing that the Commissioner will exercise his discretion to allow you to claim a net loss from that business activity for the year?**NO  Read below.YES  Go to part C below.

**STEP 1** Write the total of your net losses to be deferred from business activities you carried on in partnership with others at **F** item 15 on page 10 of your tax return.

**STEP 2** Check that you have included the amount of your deferred non-commercial business losses in working out your net distribution at item 12 on your tax return; otherwise, you will have overstated your taxable income.

**STEP 3** Make sure that you have completed items **P3** and **P9** on the *Business and professional items schedule for individuals 2007*.

**PART C****Deferred non-commercial business losses from sole trader activities****Did you make a net loss from a business activity as a sole trader in 2006–07?**NO  Go to part D in the next column.YES  Read below.

If you made a net loss from more than one business activity as a sole trader, you will have to answer the questions and follow the steps in the next column for each of your business activities.

**Did your net loss from that business activity come within an exception described at question P9 in *Business and professional items 2007*?**NO  Read below.YES  Go to part D below.**Did your net loss from that business activity satisfy one of the four tests listed at question P9 in *Business and professional items 2007*?**NO  Read below.YES  Go to part D below.**Have we advised you in writing that the Commissioner will exercise his discretion to allow you to claim a net loss from that business activity for the year?**NO  Read below.YES  Go to part D below.

**STEP 1** Write the total of your net losses to be deferred from business activities as a sole trader at **G** item 15 on page 10 of your tax return.

**STEP 2** Check that you have included the amount of your deferred non-commercial business losses in working out your net income or loss at item 13 and/or item 14 on your tax return; otherwise, you will have overstated your taxable income.

**PART D****Total deferred non-commercial business losses**

**STEP 1** Add up any amounts of **primary production** deferred losses at **F** and **G** item 15 on page 10 of your tax return. Write the total of primary production deferred losses at **I** item 15.

**STEP 2** Add up any amounts of **non-primary production** deferred losses at **F** and **G** item 15 on page 10 of your tax return. Write the total of non-primary production deferred losses at **J** item 15.

**! NOTE**

At item **P9 Business loss activity details** on the *Business and professional items schedule for individuals 2007* you must record the three highest loss-making business activities (if applicable), regardless of whether or not:

- the net loss from your business activity came within an exception
- the net loss from your business activity satisfied one of the four tests
- the Commissioner had advised that he will exercise his discretion to allow the net loss from your business activity to be claimed this year
- you had carried on the business activity in a partnership or as a sole trader.

## QUESTION 16

# 16

### NET FARM MANAGEMENT DEPOSITS OR WITHDRAWALS

16

INCOME

#### THIS QUESTION IS FOR PRIMARY PRODUCERS ONLY.

#### Did you deposit into or withdraw funds from your Farm Management Deposits Scheme account during 2006–07?

NO  Go to question 17.

YES  Read below.

#### YOU NEED TO KNOW

You can claim a deduction for farm management deposits made during 2006–07 at this item unless:

- your non-primary production taxable income was more than \$65,000
- you became bankrupt, or
- you ceased to be a primary producer for at least 120 days – the 120-day period does not have to fall entirely in 2006–07.

Any deduction you claim cannot be more than the deposits made or your taxable primary production income for 2006–07, whichever is less.

The maximum amount that can be held at any one time as farm management deposits is \$400,000.

#### NOTE

*Tax Laws Amendment (2006 Measures No. 7) Act (No.55 of 2007)* raised the total deposit limit from \$300,000 to \$400,000 and the non-primary production taxable income limit from \$50,000 to \$65,000, effective from 1 July 2006.

If you withdraw all or part of a farm management deposit on or after 1 July 2002, you cannot claim a deduction for any part of the deposit that is withdrawn within 12 months of the deposit except in situations outlined in the following paragraphs. Where this affects a deduction you claimed in the prior income year, you need to request an amendment of your assessment for that income year. You are still entitled to your deduction for the part of the deposit not withdrawn provided the original deposit was not reduced to less than \$1,000 within 12 months of the deposit as a result of withdrawals.

If you operate your primary production business in an area covered by an exceptional circumstances declaration made by the Minister for Agriculture, Fisheries and Forestry, you can withdraw deposits made prior to the date of the exceptional circumstances declaration within 12 months and still retain the tax deduction in the year of income in which the deposit was made. However, the amount of the withdrawal is assessable in the year of the withdrawal and you cannot claim a deduction for any subsequent deposits made in the income year in which the withdrawal is made. You will also need to get an exceptional circumstances

certificate from Centrelink no later than three months after the end of the year of income in which the withdrawal was made.

To find out if your area has been declared to be in exceptional circumstances:

- visit the website of the Department of Agriculture, Fisheries and Forestry at [www.daff.gov.au/droughtassist](http://www.daff.gov.au/droughtassist)
- phone the Centrelink Drought Assistance Line on **13 23 16**
- phone the Australian Government Regional Information Service on **1800 026 222**.

If you need an exceptional circumstances certificate, phone the Centrelink Drought Assistance Line on **13 23 16**.

If in 2006–07 you became bankrupt or ceased to be a primary producer for at least 120 days, all remaining deposits are assessable income in 2006–07 to the extent you have previously claimed them as a deduction. Your deductions in earlier years are not affected even where such a repayment is within 12 months of making the deposit.

Where you have your farm management deposit electronically transferred to another financial institution which accepts it as a farm management deposit, the transfer is not treated as a withdrawal or the making of another deposit.

Any withdrawals of the deposits are assessable income to the extent you have previously claimed them as a deduction. If your farm management deposit contained both deductible and non-deductible deposits, only the withdrawals of deductible deposits are assessable income. When you make a withdrawal you are considered to have withdrawn any non-deductible amounts first.

If you have any questions about the tax consequences of farm management deposits or withdrawals, visit our website or phone the Business Infoline (see the inside back cover).

#### DECEASED ESTATE

If you are looking after the estate of someone who died in 2006–07, you cannot claim a deduction for any deposits they made in 2006–07. Any farm management deposits held at the time of death are assessable income in 2006–07 to the extent they have previously been claimed as a deduction.

Deductions in earlier years are not affected even where the person dies within 12 months of making the deposit.



## WHAT YOU MAY NEED

- Your account statement from your financial institution for the Farm Management Deposits Scheme
- The publication *Information for primary producers 2007*. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

## ▶ COMPLETING THIS ITEM

Take away the total amount of your deductible deposits from the total amount of your withdrawals that are assessable income and write the answer at **E** item **16** on page 10 of your tax return. Do not show cents.

If your deductible deposits exceed your assessable withdrawals, write the amount of the excess at **E** item **16** and print **L** in the **LOSS** box  at the right of **E**.

## CHECK THAT YOU HAVE . . .

- taken the total amount of deductible deposits away from the total amount of assessable withdrawals and written the answer on your tax return
- printed **L** in the **LOSS** box  if your deductible deposits exceed your assessable withdrawals
- kept your statement of account with your other tax records.

# QUESTION 17

# 17

## CAPITAL GAINS

17

INCOME

### STOP

Do not show at this item a 'listed investment company capital gain amount' included in a dividend paid by a listed investment company (LIC). See *TaxPack 2007* question **D7 Interest and dividend deductions**.

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

You may have made a capital gain or capital loss if a capital gains tax (CGT) event happened in 2006–07. See the box on the right for an explanation of CGT event.

You may have also made a capital gain for 2006–07 if you were a beneficiary of, or had money invested in, a trust or managed investment fund in 2006–07 and the trust or fund made a capital gain during the year.

For most CGT events, you have made:

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

**You cannot deduct a capital loss from your income**, but in most cases it can be used to reduce any capital gain you made in 2006–07. See the note at **Completing this item** step 3 on page s18.

Some capital gains and capital losses are disregarded – see **Exceptions and exemptions** in the next column.

- NO**  Print **X** in the **NO** box at **G** item **17** on page 10 of your tax return if:
- you did not have a capital gain or capital loss, or
  - all of your capital gains or capital losses were disregarded.

Go to **Did you have any unapplied net capital losses from earlier years?** on page s18 to find out how to complete this item.

- YES**  Print **X** in the **YES** box at **G** item **17** on your tax return if you had a capital gain or a capital loss and it was not disregarded. Read on to work out your net capital gain or net capital loss.

### NOTE

If you were an Australian resident for tax purposes, you show any capital gains or capital losses you made from foreign sources at this item. Do not show them as foreign source income at item **19**.

## YOU NEED TO KNOW

### CGT EVENTS AND CGT ASSETS

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

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

Examples of other CGT events are:

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

➤ If you are unsure whether a CGT event happened in 2006–07, refer to the summary of CGT events in the *Guide to capital gains tax 2007*.

### Exceptions and exemptions

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

- an asset you acquired before 20 September 1985
- cars, motorcycles and similar vehicles
- compensation you received for personal injury
- disposal of your main residence
- a collectable – for example, an antique or jewellery – you acquired for \$500 or less
- a personal use asset – for example, items such as boats, furniture, electrical goods and household items used or kept mainly for personal use or enjoyment. If you acquired it for more than \$10,000, you only disregard capital losses. If you acquired it for \$10,000 or less, you disregard both capital gains and capital losses
- the exchange of shares and units you owned in a company or trust that was taken over, if certain conditions were met
- shares in a company or interests in a trust where there had been a demerger and certain conditions had been met
- disposing of an asset to which the small business 15-year exemption applies.

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

Employee share schemes enable you to acquire shares or stapled securities, or obtain rights (including options) to acquire shares or stapled securities, in your employer's company at a discount.

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

For more information, read *Employee share schemes – answers to frequently asked questions by employees* (NAT 7366) on our website.

## Did you receive a distribution from a managed fund?

Managed funds (unit trusts) include property trusts, share trusts, equity trusts, growth trusts, imputation trusts and balanced trusts.

Distributions from managed funds can include two components that have capital gains tax (CGT) consequences:

- capital gains, and
- non-assessable amounts.

You need to know whether you have received these amounts in your distribution – to find out, check the year-end or annual statement from your managed fund. The statement should also show which method the fund used to calculate the capital gain. There are three methods of calculating capital gains:

- indexation
- 'other', and
- discount.

You must use the same method as the fund to calculate your capital gain.

Fund managers may use different terms to describe the calculation methods they have used and they may refer to capital gains calculated using the indexation and 'other' methods as 'non-discount gains'. If in doubt, check with your fund manager.

For more information, read the *Personal investors guide to capital gains tax 2007* (NAT 4152–6.2007).

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

You may make a capital gain or capital loss by selling or giving away your shares, including by selling them to the company under a share buy-back arrangement. Even if you didn't pay for your shares – for example, you received them under a demutualisation – you may make a capital gain or capital loss when you sell or give them away.

Also, if you use dividends to acquire additional shares in a company – for example, through a dividend reinvestment plan – the additional shares are subject to CGT.

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

- If you held shares in a company and during 2006–07 a liquidator or administrator declared the shares worthless, you can choose to claim a capital loss equal to the reduced cost base of the shares (otherwise you may have to wait until the company is dissolved to claim the capital loss).
- If you received a non-assessable payment – also known as a return of capital – you may have to reduce the cost

base and reduced cost base of your shares. If the amount of the non-assessable payment is more than the cost base of the shares, the difference is a capital gain.

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

## Did you sell a property you inherited?

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

For more information, read the *Guide to capital gains tax 2007*.

## Your home may be subject to capital gains tax

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

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

For more information, read the *Guide to capital gains tax 2007*.

## Asset transfer on marriage breakdown

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

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

For more information, read the *Guide to capital gains tax 2007*.

## Foreign residents

Generally, for CGT events that happened before 12 December 2006, foreign residents have been subject to CGT on assets that have the 'necessary connection with Australia'.

The law has been changed so that, for CGT events that happen on or after 12 December 2006, foreign residents who are individuals are subject to CGT on:

- direct interests in real estate located in Australia
- an interest in an entity where they and their associates hold 10% or more of the entity and the value of their interest is principally attributable to Australian real property
- an asset they have used in carrying on a business through a permanent establishment in Australia
- an option or right over one of the above.

For more information, read the *Guide to capital gains tax 2007* or visit our website.

## Temporary residents

The law has been changed so that, for capital gains tax (CGT) events that happen on or after 1 July 2006, temporary residents are subject to CGT in the same way as foreign residents.

See page 14 in *TaxPack 2007* for the definition of a temporary resident and details of the exemption.

There are special rules for shares and rights acquired under an employee share scheme.

For more information, read the *Guide to capital gains tax 2007* or visit our website.

## WHAT YOU MAY NEED

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

You may also need one or more of the following publications:

- *Introduction to capital gains tax*. This explains what a capital gain is, how it applies, what assets are included and the exceptions and exemptions. (This publication is only available on our website.)
- *Guide to capital gains tax 2007*. This explains how CGT works and will help you to calculate your net capital gain or net capital loss. It covers CGT issues such as the sale of a rental property, vacant land, a holiday home, collectables (for example, jewellery), personal use assets (for example, a boat you use for recreation), and real estate, shares and units you inherited or got from the breakdown of your marriage
- *Personal investors guide to capital gains tax 2007* is shorter and simpler than the *Guide to capital gains tax 2007*. It covers the sale, gift or other disposal of shares and units; distribution of capital gains from managed funds; and non-assessable payments from companies and managed funds. It does not cover CGT consequences for bonus shares, shares acquired under an employee share scheme, bonus units, rights and options, and shares and units where a takeover or demerger has occurred – for those you will need to refer to the *Guide to capital gains tax 2007*
- *Guide to capital gains tax concessions for small business* (NAT 8384) explains what concessions are available if you sold a small business or an asset of a small business during the year.

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

## ▶ COMPLETING THIS ITEM

**STEP 1** Read the publication that is relevant to your circumstances and work out the amount of your capital gain or capital loss for each CGT event that occurred, and the amount of your capital gain from a trust or managed fund for the 2006–07 income year.

**STEP 2** Add up all your capital gains for the 2006–07 income year (except the ones that are disregarded) to

work out your total current year capital gains. Do not apply capital losses, any CGT discounts or the small business concessions (other than the 15-year exemption) yet. Write this amount at **H** item **17** on page 10 of your tax return.

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

- capital losses from this year
- unapplied net capital losses from earlier years
- any CGT discounts
- the small business 50% active asset reduction
- the small business retirement exemption or rollover.

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

If the total amount remaining is positive or zero, write it at **A** item **17** and go to question **18**.

If you have a negative amount, do not put anything at **A**. Go to step 4.

### ! NOTE

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

**STEP 4** You have net capital losses to carry forward to later income years.

Write the amount at **V** item **17**. Go to question **18**.

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

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

**NO**  Go to question **18**.

**YES**  Read below.

You have net capital losses from earlier years that are carried forward to later income years. Write the amount at **V** item **17** on your tax return.

### ! NOTE

If foreign tax was paid on a foreign capital gain, you need to read part G in question **19** to work out the amount of foreign tax credits you can claim. You show the foreign tax credits at **O** item **19**.

### ! KEEPING RECORDS FROM THE START

You must keep records of every act, transaction, event or circumstance that may be relevant to working out your capital gain or capital loss, regardless of whether the CGT event has already happened, is about to happen or will happen in the future.

You must keep those records for five years from the time when no CGT event or further CGT event can happen. The records for these CGT events may be relevant to working out whether you have made a capital gain or capital loss from the event.

# QUESTION 18

# 18

## FOREIGN ENTITIES

18

INCOME

### Are you an Australian resident for tax purposes who:

- had either a direct or an indirect interest in a controlled foreign company
- at any time, directly or indirectly caused the transfer of property – including money – or services to a non-resident trust, or
- had an interest in a foreign investment fund or a foreign life assurance policy?

**NO**  Go to question 19.

**YES**  Read below.

### WHAT YOU NEED

- The *Foreign income return form guide* (NAT 1840)
- The *Foreign investment funds guide* (NAT 2130)

These publications are available on our website.

### NOTE

If you are a temporary resident you will not need to show your foreign investment income at this item. Refer to page 14 in *TaxPack 2007* for the definition of a temporary resident and details of the exemption.

### PART A

The controlled foreign company (CFC) measures may apply to income or gains of foreign companies in which you had a direct or indirect controlling interest, or which you effectively controlled. Read chapter 1 in the *Foreign income return form guide* for more information.

### Did you have either a direct or indirect interest in a controlled foreign company?

**NO**  Print **X** in the **NO** box at **1** item 18 on page 10 of your tax return. Go to part B in the next column.

**YES**  Read below.

### COMPLETING THIS PART

**STEP 1** Did you, alone or with associates:

- have direct or indirect controlling interests totalling 10% or more in a foreign company
- have effective control of a foreign company?

If so, print **X** in the **YES** box at **1** item 18 on page 10 of your tax return. Go to step 2. If not, print **X** in the **NO** box at **1**. Go to part B in the next column.

**STEP 2** Work out your attributed foreign income from any controlled foreign company. Write this amount at **K** item 18. Do not show cents.

### PART B

The transferor trust measures may apply if, at any time, you directly or indirectly caused the transfer of property – including money – or services to a non-resident trust. A non-resident trust is a trust where the trustee was not an Australian resident, and the trust was not managed or controlled from Australia for all of the income year. Read chapter 2 in the *Foreign income return form guide* for more information.

### Did you, at any time, directly or indirectly cause the transfer of property – including money – or services to a non-resident trust?

**NO**  Print **X** in the **NO** box at **W** item 18 on page 10 of your tax return. Go to part C below.

**YES**  Read below.

### COMPLETING THIS PART

**STEP 1** Print **X** in the **YES** box at **W** item 18 on page 10 of your tax return.

**STEP 2** Work out your attributed foreign income from transferor trusts.

**STEP 3** Write the amount you worked out at step 2 at **B** item 18. Do not show cents.

**STEP 4** Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 18 on the top of a separate piece of paper. Include your name, address, tax file number, the name of the non-resident trust and its trustee or trustees, and the amount of any attributable income in relation to the trust. 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.

### PART C

The foreign investment fund (FIF) measures may apply to income and gains of foreign companies or trusts in which you have an interest, but which you do not control. Read the *Foreign investment funds guide* for more information.

A non-resident superannuation fund that is not employer-maintained is treated as a foreign investment fund. A foreign life assurance policy is a policy issued by a non-resident insurer.

## Did you have an interest in a foreign investment fund or a foreign life assurance policy?

**NO**  Print **X** in the **NO** box at **J** item **18** on page 10 of your tax return. Go to question **19**.

**YES**  Read on.

### ▶ COMPLETING THIS PART

**STEP 1** Print **X** in the **YES** box at **J** item **18** on page 10 of your tax return.

**STEP 2** Work out your attributed foreign income from any foreign investment fund or foreign life assurance policy.

**STEP 3** Write the amount of income you worked out at step 2 at **C** item **18**. Do not show cents.

**STEP 4** If you can claim any foreign tax credits in respect of attributed foreign income from a foreign investment fund or foreign life assurance policy, you will need to provide additional information. Print SCHEDULE OF ADDITIONAL

INFORMATION – ITEM 18 on the top of a separate piece of paper. Include your name, address, tax file number, the name of the fund or policy, the amount of attributable income in relation to the fund or policy and any foreign tax credits you can claim in respect of that 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.

### CHECK THAT YOU HAVE . . .

- written on your tax return your attributed foreign income from any controlled foreign company
- written on your tax return your attributed foreign income from transferor trusts
- written on your tax return your attributed foreign income from any foreign investment fund or foreign life assurance policy
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM 18, if you need to send us one.

## QUESTION 19

### FOREIGN SOURCE INCOME AND FOREIGN ASSETS OR PROPERTY

19

#### Did you:

- receive a foreign pension or annuity
- receive income from foreign employment
- receive a lump sum payment on termination of foreign employment
- receive a lump sum payment from a non-resident superannuation fund
- transfer money from a non-resident superannuation fund to a resident fund
- receive any other foreign source income including interest, dividends, royalties or rent
- at any time during 2006–07, own or have an interest in assets located outside Australia that had a total value of A\$50,000 or more?

#### ! NOTE

You receive income even if it is held overseas for you.

**NO**  Go to question **20**.

**YES**  Read below.

#### – STOP

Do not show at this item:

- a capital gain or capital loss from a foreign source – question **17 Capital gains** deals with these amounts
- a lump sum payment of your foreign pension that relates to an earlier year. Read **Lump sum payments in arrears** at question **22**.

#### YOU NEED TO KNOW

If you were an Australian resident and you received income from overseas, you must show your assessable foreign income here even if tax was taken out in the country from which the income came. Foreign income that is exempt from Australian tax may still be taken into account to work out the amount of tax you have to pay on your other income.

If you received a lump sum payment either on termination of your foreign employment or from a non-resident superannuation fund, phone the Superannuation Infoline (see the inside back cover). Some of these payments are taxable and some are exempt from Australian tax.

If you were an Australian resident you must show the following amount(s) at this item:

- an assessable dividend (or non-share dividend) from a New Zealand company and any attached Australian franking credits
- a supplementary dividend from a New Zealand company and any attached Australian franking credits
- an assessable distribution from a trust or partnership (or share of a partnership loss) that includes Australian franking credits attached to a dividend (or non-share dividend) from a New Zealand company.

For more information, see parts D and F of this question.

#### ! NOTE

A dividend from a New Zealand company may also carry New Zealand imputation credits. **An Australian resident cannot claim any New Zealand imputation credits.**

All foreign income, deductions and foreign tax paid must be converted to Australian dollars before you complete this item. More information on how to convert your foreign income, deductions and foreign tax paid is available on our website or you can phone the Personal Infoline (see the inside back cover) to get information about the exchange rates.

### ! NOTE

If you are a temporary resident the only foreign income you will need to show at this item is income that you earned from foreign employment while a temporary resident. Follow part B of this question to determine how much of this foreign employment income you should report. Refer to page 14 in *TaxPack 2007* for the definition of a temporary resident and details of the exemption.

### WHAT YOU MAY NEED

- Payslips; foreign tax assessments; and company, partnership and trust distribution advices
- Details of any expenses you incurred in earning your foreign income
- Details of any allowable foreign losses from previous years
- Notepaper to help you to work out the amounts you need to show on your tax return
- *You and your shares 2007*
- *How to claim a foreign tax credit 2007* (NAT 2338–6.2007)
- *Taxation Ruling TR 96/15 – Income tax: foreign tax credit system* (together with its addendum TR 96/15A2).

If you received income from foreign employment, you may need this to work out whether we consider you were continuously employed if you took a break in foreign employment. This is important in working out whether the income is exempt from tax.

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

### ! NOTE

Throughout this question you will need to work out the assessable and net taxable amounts of your foreign income. While both these amounts will be shown on your tax return, you will only be taxed on your net taxable amount. Divide your notepaper into two columns with the headings 'Assessable amount' and 'Net taxable amount'.

### PART A

#### Did you receive a foreign pension or annuity?

**NO**  Go to part B on the next page.

**YES**  Read below.

Most foreign pensions and annuities are taxable in Australia, even if tax was withheld from your payment by the country that paid you. Examples of foreign pensions and annuities that fall into this category are age and superannuation pensions paid from the United Kingdom, Italy, Germany, the Netherlands and Austria. If you are unsure whether your foreign pension or annuity is taxable, phone the Personal Infoline.

If the country paying your foreign pension or annuity took tax from your payment, and the foreign pension or annuity is also taxable in Australia, you may claim a foreign tax credit at this item if you were not entitled to seek a refund of the foreign tax from the country that paid you (see part G on page s25). This refund may follow under the terms of an agreement between Australia and that country to prevent double taxation. If you are unsure whether your foreign pension or annuity is subject to an agreement, phone the Personal Infoline.

For the future, if your foreign pension or annuity is paid from a country with which Australia has a double tax agreement you may be able to make arrangements not to have tax withheld from your pension income in the country of origin. Phone the Personal Infoline for more information.

### ! NOTE

We regularly receive information from foreign tax authorities under our tax treaties regarding foreign source income paid to (and the tax withheld from) Australian resident taxpayers. We are making increasing use of information-matching technology to verify the correctness of tax returns. Ensure that all information is fully and correctly declared on your tax return.

If your foreign pension or annuity is not taxable in Australia, do not show this income anywhere on your tax return, go to part B on the next page.

If it is taxable, read on.

**STEP 1** Work out the assessable amount of your foreign pension or annuity.

#### If foreign tax was not taken from your foreign pension or annuity

Write the amount of your foreign pension on your notepaper in the column for 'Assessable amount'.

#### If foreign tax was taken from your foreign pension or annuity

Add back the amount of foreign tax paid to the amount of foreign pension or annuity you received to get the full amount of your foreign pension or annuity. Write this amount on your notepaper in the column for 'Assessable amount'.

**STEP 2** Work out your net taxable foreign pension or annuity.

Take away any deductible expenses that you incurred in relation to your foreign pension or annuity from the amount you worked out at step 1 to get your net taxable foreign pension or annuity. Deductible expenses include expenses such as bank fees and phone calls to your fund. Write your net taxable foreign pension or annuity on your notepaper in the column for 'Net taxable amount'.

### ! NOTE

Debt deductions such as interest and borrowing costs are not deductible for the purpose of this calculation. If you incurred debt deductions in earning your foreign pension or annuity, see question **D15**.

If your foreign pension or annuity has a deductible amount of undeducted purchase price, you claim a deduction for this amount at item **D12**.

**STEP 3** List separately on your notepaper the net taxable amounts of foreign pensions and annuities with an undeducted purchase price (UPP) and without UPP.

If your foreign pension or annuity has or had a UPP, write the amount at **D** item **19**. Do not show cents.

If you received a foreign pension or annuity with no UPP and if part B does not apply to you, write the amount at **L** item **19**. Do not show cents. Print code letter **P** in the **TYPE** box  at the right of **L** item **19**. Go to part B below to find out if it applies to you.

If part B does not apply to you and you received no other foreign income, go to part E on page s24. Otherwise, read on.

## PART B

### Did you receive:

- **income from foreign employment**
- **a lump sum payment that was exempt from tax on termination of your foreign employment**
- **a lump sum payment that was exempt from tax from a non-resident superannuation fund?**

**NO**  Go to part C on the next page.

**YES**  Read below.

Foreign employment income is income from working overseas as an employee – such as salary, wages, commissions, bonuses or allowances.

Go to step 9 on the next page if you received only:

- a lump sum payment that was exempt from tax on termination of your foreign employment
- a lump sum payment that was exempt from tax from a non-resident superannuation fund.

Part D on the next page tells you what to do if your lump sum payment was taxable.

Otherwise, read on.

**STEP 1** Find out whether your income is exempt from Australian tax because of:

- a privileges and immunities agreement or a law covering persons connected with international organisations
- specific exemptions for the pay and allowances of members of the Australian Defence Force, related to your qualifying service in a declared operational zone.

Your employer should be able to tell you if either of these applies. If you need further help, phone the Personal Infoline.

If all your foreign employment income is exempt for either of these reasons, do not include this income anywhere on your tax return. Go to step 2 if you received a foreign pension or annuity. If all your foreign employment income is exempt for either of the above reasons and you did not receive a foreign pension or annuity, go to part C on the next page. Otherwise, go to step 3.

**STEP 2** If you wrote on your notepaper an amount in the 'Net taxable amount' column for a foreign pension or annuity which never had a UPP, write this amount at **L** item **19** on page 10 of your tax return. Do not show cents.

Print the code letter **P** in the **TYPE** box  at the right of **L**.

If you wrote on your notepaper an amount in the 'Net taxable amount' column for a foreign pension or annuity which has or had a UPP, write this amount at **D** item **19**. Do not show cents. Go to part C on the next page.

**STEP 3** Your foreign employment income may still be exempt from tax. Work through the rest of the steps to find out whether your foreign employment income is exempt from tax. Even if it is exempt, it is still taken into account to work out the tax on your other assessable income.

**STEP 4** Work out your assessable foreign employment income. This is your foreign employment income after any taxes taken from it are added back. It does not include any exempt income from step 1. Write this amount on your notepaper in the column for 'Assessable amount'.

**STEP 5** Work out the net taxable amount of your foreign employment income. This is your assessable foreign employment income less any deductible expenses you incurred in relation to earning that income.

Write your net taxable amount on your notepaper in the column for 'Net taxable amount'.

The types of expenses you may be able to deduct are discussed at questions **D1** to **D5** on pages 38–53 in *TaxPack 2007*.

### ! NOTE

Debt deductions, such as interest and borrowing costs, are not deductible for the purpose of this calculation. If you have incurred debt deductions in earning your foreign employment income, see question **D15**.

### EXAMPLE

Lachlan was employed in a foreign country from 15 October 2006 until 23 April 2007. During this period Lachlan earned A\$11,250 after he paid A\$3,750 in foreign tax and incurred deductible work-related expenses of A\$500 in relation to his foreign employment. After adding back the foreign taxes, Lachlan would have assessable foreign employment income of A\$15,000. After deducting his expenses, Lachlan would have net foreign employment income of A\$14,500.

**STEP 6** Did you:

- work on a project approved by Austrade
- pay, or are liable to pay, foreign tax on your foreign employment income, or
- receive income that was exempt from tax in the country where you worked because of:
  - a specific agreement or memorandum of understanding with the government of that country **and**
  - the operation of a double tax agreement?

If you have answered yes, go to step 7. If you have answered no to all the questions, go to step 8.

**STEP 7** Work out the period that you were continuously employed in the foreign country.

If you were absent from the foreign country at any time during this period, read the fact sheet *Exempt foreign employment income* to find out whether we consider you to have been continuously employed. If you were working on a project approved by Austrade, read the fact sheet *Foreign income while working on an approved overseas project*. You can find the fact sheets and other information



on foreign employment income on our website. If you need further help, phone the Personal Infoline.

If your period of continuous employment in a foreign country was 90 days or less, your foreign employment income is not exempt from tax. If it was more than 90 days, your foreign employment income will generally be exempt from tax. If you are unsure, phone the Personal Infoline. If your foreign employment income is not exempt from tax, go to step 8. Otherwise, read on.

If you wrote on your notepaper an amount in the 'Net taxable amount' column for a foreign pension or annuity which never had an undeducted purchase price (UPP), write this amount at **L** item **19** on page 10 of your tax return. Do not show cents. Print the code letter **P** in the **TYPE** box  at the right of **L**.

If you wrote on your notepaper an amount in the 'Net taxable amount' column for a foreign pension or annuity which has or had a UPP, write this amount at **D** item **19**. Do not show cents. Go to step 9.

**STEP 8** If you did not receive a foreign pension or annuity, write the amount from the 'Net taxable amount' column on your notepaper at **L** item **19** on page 10 of your tax return. Do not show cents. Go to part C in the next column.

If you did receive a net taxable foreign pension or annuity, on your notepaper add the amount in the 'Net taxable amount' column for any foreign pension or annuity which never had a UPP to your net taxable amount for foreign employment income. Write the total at **L** item **19** on page 10 of your tax return. Do not show cents. Do not print the code letter **P** in the **TYPE** box  at the right of **L**. Write the amount of any net taxable foreign pension or annuity which has or had a UPP at **D** item **19**. Do not show cents. Go to part C in the next column.

**STEP 9** Did you:

- receive a lump sum payment that was exempt from tax on termination of foreign employment
- receive a lump sum payment that was exempt from tax from a non-resident superannuation fund

in which the entitlement to the lump sum payment accrued entirely while you were a resident of Australia?

If you have answered yes, go to step 10. If you have answered no, go to part C in the next column.

**STEP 10** Add these amounts to any net foreign employment income that you worked out as exempt from tax at step 7 and write the total at **N** item **19** on page 10 of your tax return. Do not show cents. You cannot claim a foreign tax credit on this income.

### Foreign employment income paid in arrears

If your net foreign employment income that is exempt from tax includes an amount paid in arrears and you are liable for the Medicare levy surcharge (see question **M2**) you need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 19 on the top of a separate piece of paper and show the amount of the payment in arrears for each income year involved. 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 you did not need to lodge a tax return for the two most recent years that the payment related to, you will need to follow the instructions in the last paragraph under the heading **Lump sum payment in arrears** at question **22** on page s30.

## PART C

Did you:

- receive a lump sum payment from a non-resident superannuation fund that you have not already included at item 4 on your tax return, and/or
- transfer money out of a non-resident superannuation fund to a resident superannuation fund?

**NO**  Go to part D below.

**YES**  Read below.

Certain lump sum payments received by Australian residents from non-resident superannuation funds are taxable. This can include the direct transfer of benefits from a non-resident superannuation fund to a superannuation fund in Australia when you have not made an election that the amount be treated as a taxable contribution to the superannuation fund in Australia. This part does not apply to the transfer of amounts from one non-resident superannuation fund to another non-resident superannuation fund.

For more information, phone the Superannuation Infoline.

Determine the taxable amount(s) of any lump sum payment(s) you received from a foreign superannuation fund that has not been included at item 4 on your tax return. Also, determine the taxable amount(s) of any amount(s) transferred out of a non-resident superannuation fund to a resident superannuation fund (for which you have not made an election). Add the taxable amounts together and include the total (with any other amount from part D) at **M** item **19**. Do not show cents.

Read on.

## PART D

Did you receive any other foreign source income, including:

- interest
- modified passive income such as royalties, dividends or rent
- a lump sum payment on termination of your foreign employment that is taxable and not already included at item 4 on your tax return
- any other foreign income?

**NO**  Go to part E on the next page.

**YES**  Read below.

There are four categories of foreign income to consider here:

- interest income
- modified passive income – such as royalties, dividends or rent
- offshore banking income
- all other assessable foreign income.

You will need to work through the following three steps for each category of foreign income you received, other than a lump sum payment on termination of foreign employment (which is dealt with at step 3). You will need to work through the steps for each category because you can only deduct expenses you incurred in relation to a category of foreign income against foreign income of the same category.

If you have received dividends (including non-share dividends) from a New Zealand company, include those amounts in the calculation of your modified passive income.

Also include any amounts of supplementary dividends and any income that you received or became entitled to during the income year from a partnership or a trust that is attributable to dividend income (or non-share dividends) from a New Zealand company.

Do not include any amount referable to Australian franking credits from a New Zealand company that you received directly or indirectly through a trust or partnership. Reduce the income you received or became entitled to by that amount. If you had foreign tax (including New Zealand non-resident withholding tax) taken away from this income, add it back to the amount you received.

**STEP 1** For each category, work out the assessable amount of your foreign income. If you had foreign tax taken away from this income, add it back to the amount you received. Write this amount on your notepaper in the column for 'Assessable amount'.

**STEP 2** Take away from this assessable amount any deductible expenses incurred in relation to earning this category of foreign income.

#### NOTE

Debt deductions such as interest and borrowing costs are not deductible for the purposes of this calculation unless they are related to income earned through a permanent establishment in an overseas country. If you have incurred debt deductions in earning your foreign income under any of the four categories and the deductions are not attributable to an overseas permanent establishment, see question **D15**.

If you made a foreign loss, see **Foreign losses** below.

If you had allowable foreign losses in previous years for this category of income that you have not already offset, also take these away from the assessable amount of income.

If, after working through steps 1 and 2, you have not made a loss in a particular category of foreign income, then you may choose to use any tax losses of earlier income years incurred in deriving Australian income to offset that foreign income. This is explained further in part I on the next page.

Write the amount you have worked out on your notepaper in the column for 'Net taxable amount'.

**STEP 3** Once you have worked through steps 1 and 2 for each category of foreign income you earned, add together any amounts worked out in step 2 which are greater than zero and the taxable amount of any lump sum payment on termination of foreign employment that has not been included at item **4** on your tax return. Include the total (with any other amount from part C) at **M** item **19** on page 10 of your tax return. Do not show cents.

Go to part E in the next column.

#### Foreign losses

If, after working through steps 1 and 2, your deductible expenses incurred in relation to a category of foreign income exceed your foreign income for that category, you have made a foreign loss in that category equal to the excess. **You will need to keep a record of any losses you have incurred in each category.** These foreign

income losses cannot be deducted from Australian source assessable income and can only be carried forward to offset assessable foreign income in the same category derived in a later income year.

#### EXAMPLE

After working through steps 1 and 2, Colin had the following:

- foreign interest income A\$1,000
- foreign rent income of A\$2,000 and deductible expenses of A\$4,000, creating a loss of A\$2,000.

He will write **\$1,000** at **M** item **19** and \$3,000 on his notepaper in the column for 'Assessable amount'. Colin will need to keep a record of the \$2,000 rental income loss. This loss can only be used to offset modified passive income (including foreign rental income) derived in later years.

#### PART E

##### Working out your assessable foreign source income

Assessable foreign income is the total amount of any foreign income you earned which is not exempt from tax in Australia. If any foreign tax has been paid on this income it should have been added back to get the assessable amount.

Add up all the amounts you wrote on your notepaper under 'Assessable amount'. This is your total assessable foreign income. Write this amount at **E** item **19**. Do not show cents.

If you have Australian franking credits, go to part F below. If you are entitled to a foreign tax credit, go to part G on the next page. Otherwise, go to part H on the next page.

#### NOTE

Make sure the amount you have shown at **E** is your assessable foreign income – do not include any exempt foreign income.

#### PART F

##### Working out your Australian franking credits from a New Zealand company

**STEP 1** Add up all amounts of Australian franking credits from a New Zealand company that you are entitled to, whether directly by way of franked dividends (or franked non-share dividends) paid to you by the company, or indirectly through a trust or partnership.

Do not include here Australian franking credits you are not entitled to (for example, because the dividend or non-share dividend, or income from the trust or partnership is exempt, or you fail the holding period rule or trigger the related payments rule).

For more information, see the publication *You and your shares 2007*.

At part E you will have worked out supplementary dividends that are paid in connection with dividends paid by a New Zealand company with Australian franking credits attached (franked dividends). If you are entitled to a foreign tax credit because of the franked dividends, or because of their inclusion in your assessable income, the amount of

Australian franking credits you would otherwise be entitled to is reduced. The amount of the reduction is the amount of the supplementary dividends (or your share of the supplementary dividends if you received them through a trust or partnership).

**STEP 2** Write the amount of Australian franking credits from a New Zealand company you are entitled to at **F** item **19**. Do not show cents.

### **STOP**

Do not include in the amount at **F** item **19**:

- any Australian franking credits you received from an Australian company. Show these amounts at either item **11 Dividends** or item **12 Partnerships and trusts**
- any New Zealand imputation credits.

If you are entitled to a foreign tax credit, go to part G below. Otherwise, go to part H below.

## **PART G**

### **Working out your foreign tax credit**

If you have not shown exempt foreign employment income at **N** item **19**, go to step 1. If you have shown exempt foreign employment income at **N**, go to step 2.

**STEP 1** Read *How to claim a foreign tax credit 2007*. Work out the total foreign tax credit you can claim. Write the amount at **G** item **19**. Show cents. Go to part H below.

**STEP 2** You will not be able to work out your foreign tax credit. We will work it out for you.

Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 19 on the top of a separate piece of paper. Write your name, address, tax file number, each type and amount of foreign income you earned and any foreign tax you paid on that foreign income. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

Read below.

## **PART H**

### **At any time during 2006–07, did you own or have an interest in assets located outside Australia that had a total value of A\$50,000 or more?**

If your only asset or assets held overseas are covered under question **18**, your answer to this question is **NO**.

**NO**  Print **X** in the **NO** box at **P** item **19** on your tax return. Go to part I in the next column.

**YES**  Read below.

Your assets include any interest whether legal or beneficial and whether it was held directly or indirectly through one or more interposed entities.

### **! DEFINITION**

**Assets** include real estate, shares in companies or other entities, interests in partnerships or trusts, businesses, debentures, bonds, money or funds held in accounts or by other parties, loans to other parties and deposits. They also include intangible property such as trademarks, copyrights, patents, debtors or equitable choses in action.

Determine the value of your overseas assets by historical cost or market value, whichever was greater. Use the exchange rate at 30 June 2007 to convert the value of the assets to Australian dollars or, if you disposed of the assets during the year, use the exchange rate at the time of disposal.

Print **X** in the **YES** box at **P** item **19** if your overseas assets – tangible or intangible – were valued at A\$50,000 or more, even if you did not receive any income from those assets this year.

Read on.

## **PART I**

### **Australian tax losses of earlier income years**

If you choose to use Australian tax losses of earlier income years to reduce your foreign source income, read question **L1** in *TaxPack 2007* on pages 65–7 and reduce the foreign source income you show at item **19** by the amount of the Australian tax losses of earlier income years you are deducting.

### **CHECK THAT YOU HAVE . . .**

- written on your tax return the total amount of your assessable foreign source income, your net taxable foreign employment income, your taxable foreign pension or annuity and the total amount of your other foreign income
- written on your tax return your net foreign employment income that is exempt from tax
- written on your tax return the total amount of your foreign tax credits that you can claim or attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM 19, if you need to send us one
- kept your records with your other documents
- printed code letter **P** in the **TYPE** box  at the right of **L** item **19** if you received a foreign pension or annuity with no undeducted purchase price.

## QUESTION 20

# 20

### RENT

20

INCOME

#### In 2006–07:

- **did you earn rental income, or**
- **was your property available for rent?**

If you sold your property in 2006–07, capital gains tax may apply and you must read question 17. You will also need to read the *Guide to capital gains tax 2007*.

**NO**  Go to question 21.

**YES**  Read below.

#### **STOP**

Do not show at this item:

- a deduction for the decline in value of a low-value pool – show this at item **D6**
- foreign source rental income – that is, rental income from properties located outside Australia
- expenses incurred in earning rental income from properties located outside Australia.

Question 19 **Foreign source income and foreign assets or property** tells you about income such as rent from properties located outside Australia and how to take related expenses into account.

#### YOU NEED TO KNOW

You need to read the publication *Rental properties 2007* (NAT 1729–6.2007) before you can answer this question. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

#### Rental income

This is the full amount of money you earn when you rent out your property. You must include any bond money retained in place of rent or kept because of damage to the property requiring repairs. An insurance payout for lost rent or a reimbursement of any rental expenses you claim in 2006–07 or claimed in an earlier year must also be included as income.

#### Rental expenses

You can claim expenses relating to your rental property but only for the period your property was rented or available for rent – for example, advertised for rent.

Expenses could include advertising for tenants, bank charges, body corporate fees, borrowing expenses, council rates, decline in value of depreciating assets, gardening and lawn mowing, insurance, land tax, pest control, property agent fees or commissions, repairs and maintenance, stationery, telephone, water charges, and travel undertaken to inspect the property or to collect the rent.

If part of your property is used to earn rent, you can claim expenses relating to that part only. You will need to work out a reasonable basis to apportion the claim.

#### EXAMPLE

Gerard's private residence includes a second storey which he rented out. The second storey represents 30% of the total floor area of the house. Gerard also shared the laundry with his tenant. The laundry takes up 10% of the total floor area of the house. If half is a reasonable figure for use of the laundry by the tenant, Gerard can claim 35% of the expenses for the property – that is,  $30\% + (\frac{1}{2} \times 10\%) = 35\%$ .

*Taxation Ruling IT 2167 – Income tax: rental properties* will give you more details about apportionment.

#### Prepaid expenses

If you prepaid a rental property expense, such as insurance or interest on money borrowed, that covers a period of 12 months or less **and** the period ends on or before 30 June 2008, you can claim an immediate deduction. Otherwise, your deduction may have to be spread over two or more years under the prepayment rules if the expense is \$1,000 or more. See the publication *Deductions for prepaid expenses 2007*.

#### Co-ownership

If the title deed shows that you were a part owner of the property, include only your share of the rent and expenses on your tax return. For example, if you owned half of the property, you should show half of the rent and claim half of the deductible expenses for the property. *Rental properties 2007* provides further information on how to work out your share of the rent and expenses that you can claim.

#### Deductions for decline in value of depreciating assets

You can claim a deduction for the decline in value of certain items, known as depreciating assets, that you acquired as part of the purchase of your property or that you subsequently purchased for your property.

#### 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. Examples of depreciating assets are freestanding furniture, stoves, washing machines and television sets.

*Rental properties 2007* has a comprehensive list of depreciating assets found in residential rental properties.

The publications *Guide to depreciating assets 2007* and *Rental properties 2007* will help you understand the rules for working out your deduction for decline in value and other aspects of rental property ownership. *Guide to depreciating assets 2007* also contains details of the immediate deductions for 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 explains the low-value pool, to which you can allocate depreciating assets costing less than \$1,000 (low-cost assets) and depreciating assets written down to less than \$1,000 under the diminishing value method (low-value assets).

### ! NOTE

If you choose the low-value pool method to calculate the decline in value of low-cost and low-value assets, read question **D6** and claim your low-value pool deduction there.

### Capital works deductions

You may be able to claim a deduction for the construction costs of your property over a 25-year or 40-year period – called a capital works deduction.

You can claim a deduction if:

- construction began after 17 July 1985 and the property is used for residential accommodation
- construction began after 19 July 1982 and the property is not used for residential accommodation (for example, a shop), or
- construction began after 21 August 1979, the property is used to provide short-term accommodation for travellers and it meets certain other criteria.

A deduction may also be available for structural improvements made to parts of the property other than the building if work began after 26 February 1992. Examples include sealed driveways, fences and retaining walls.

The deduction does not apply until completion of the construction. The deduction is at the rate of 2.5% or 4% (adjusted for part-year claims) depending on the date the capital works began. *Rental properties 2007* will help you determine if you qualify and the appropriate rate.

### Thin capitalisation

If you were an Australian resident and you (or any associate entities) had certain overseas interests or you were a foreign resident, the thin capitalisation rules may

apply if your debt deductions, such as interest (combined with those of your associate entities) for 2006–07 were more than \$250,000. More information about thin capitalisation is available on our website.

### WHAT YOU MAY NEED

You will need details of:

- all rental income earned
- interest charged on money you borrowed for the rental property
- other expenses relating to your rental property
- any expenditure on capital works to your rental property.

You may also need the following publications:

- *Guide to depreciating assets 2007*
- *Deductions for prepaid expenses 2007*
- *Taxation Ruling IT 2167*.

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

### ▶ COMPLETING THIS ITEM

**STEP 1** Write your share of the total amount of gross rent at **P** item **20** on page 11 of your tax return. Do not show cents.

**STEP 2** Write your share of the interest expenses that can be claimed as a deduction at **Q** item **20**. Do not show cents.

**STEP 3** Write your share of the capital works deductions that can be claimed as a deduction at **F** item **20**. Do not show cents.

**STEP 4** Write your share of the other rental expenses that can be claimed as a deduction (except any low-value pool deduction) at **U** item **20**. Do not show cents.

**STEP 5** Add up the amounts at **Q**, **F** and **U** item **20**. Take away the total from the amount at **P** item **20**. This is your net rent. Write this amount at **Net rent** item **20**. Do not show cents.

**STEP 6** If your expenses are greater than your gross rent, you have made a rental loss. Print **L** in the **LOSS** box  at the right of **Net rent**.

### CHECK THAT YOU HAVE . . .

- shown on your tax return your gross rent, interest deductions, capital works deductions, other rental deductions and net rent
- shown only rental income and expenses from properties located in Australia
- printed **L** in the **LOSS** box  if your expenses are greater than your gross rent
- kept information to support your claims.

## QUESTION 21

### BONUSES FROM LIFE INSURANCE COMPANIES AND FRIENDLY SOCIETIES

# 21

21

INCOME

#### Did you receive a bonus because your life insurance policy or friendly society insurance bond matured, was partly or fully surrendered, terminated or forfeited?

Life insurance policies are issued by life insurance companies and friendly societies.

**NO**  Go to question 22.

**YES**  Read below.

#### STOP

Do not declare as income:

- any life insurance bonuses from policies that:
  - you started before 28 August 1982
  - matured due to the death of the person insured
  - you surrendered due to an accident, illness or other disability of the person insured
  - you surrendered due to severe financial hardship
  - are retirement savings accounts
- any benefits you received from a friendly society that are bonuses from income bonds. Include these amounts at item 22 **Other income**.

If you have received a statement detailing the bonus amount allocated to your continuing life insurance policy or friendly society bond but you have not actually received the bonus or directed how it is to be dealt with, do **not** include the bonus amount as income.

#### YOU NEED TO KNOW

You need to include a bonus amount at this item if all the following conditions apply:

- within 10 years from when the policy started, you have actually received the bonus amount or have directed how it is to be dealt with
- your life insurance policy or friendly society insurance bond matured, was partly or fully surrendered, terminated or forfeited
- the bonus amount is in addition to the capital amount that you have paid to the life insurance company or friendly society.

#### IMPORTANT

If, during the term of your policy or bond, you increased the amount of your premiums by more than 25% of the amount of premiums you paid in the previous policy year, your policy is taken to start at the beginning of the policy year in which you paid the increased premiums. This means that some or all of a bonus amount may need to be included in your assessable income.

You cannot claim a loss if your life insurance policy or friendly society insurance bond matured or was partly or fully surrendered, terminated or forfeited.

#### NOTE

Different rules apply to a bonus received from a policy that started on or after 28 August 1982 and before 8 December 1983. Generally such a bonus does not need to be included in assessable income unless the policy has been taken to start at a later date and the rules apply. If you are not sure if you need to include your bonus phone the Personal Infoline (see the inside back cover).

#### WHAT YOU MAY NEED

- Your life insurance policy
- Your friendly society policy
- Your life insurance bonus advice
- Your friendly society bonus advice

#### COMPLETING THIS ITEM

Write at **W** item 21 on page 11 of your tax return:

- the whole bonus amount you received in 2006–07 if you received it during the first eight years of the policy
- two-thirds of the bonus amount you received in 2006–07 if you received it during the ninth year of the policy, or
- one-third of the bonus amount you received in 2006–07 if you received it during the 10th year of the policy.

Do not show cents.

Do not include any bonus amount received after the 10th year of the policy.

#### CHECK THAT YOU HAVE . . .

- written on your tax return the correct bonus amount
- kept a copy of your policy document and bonus advice with your other records. Do not attach them to your tax return.

#### TAX OFFSET

You will get a tax offset equal to 30% of any bonus amounts included in your income. We will work out this tax offset for you.

# QUESTION 22

# 22

## OTHER INCOME

22

INCOME

### Did you receive any other income?

Other income includes:

- a non-qualifying component of an eligible termination payment (ETP)
- discounts on shares, stapled securities or rights acquired under an employee share scheme
- lump sum payments in arrears
- 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 activities as a special professional – author of a literary, dramatic, musical or artistic work, inventor, performing artist, production associate or active sportsperson. Amounts you have already included at item **1**, **2**, **12**, **13** or **14** may also have to be shown here as you may be entitled to a concessional rate of tax if you have certain amounts of professional income. You will not be taxed twice on these amounts
- reimbursements of tax-related expenses (including amounts imposed by the Tax Office as an interest charge) or election expenses which you have claimed as a deduction
- any assessable balancing adjustment when you stop holding a depreciating asset (for example, because of its disposal, loss or destruction) for which you have claimed a deduction for depreciation or decline in value in previous years. Your car is a depreciating asset
- income protection, sickness and accident policy payments made to you where premiums were deductible and the payment replaced income. Do not include payments made under a policy held by your employer which you have already shown at item **1** or **2**
- interest from infrastructure borrowings if you intend to claim a tax offset at item **T15**
- interest derived under the land transport facilities tax offset scheme
- gains derived on disposal or redemption of traditional securities that are assessable under section 26BB of the *Income Tax Assessment Act 1936*
- allowances or payments you received as a member of a local government council that you have not shown at item **1** or **2**
- other taxable allowances or payments you received from Centrelink that you have not shown at item **5** or **6**
- work-in-progress amounts assessable under section 15-50 of the *Income Tax Assessment Act 1997* (ITAA 1997) that you received and have not included at item **14 Net income or loss from business**.

**NO**  Go to **Total supplement income or loss** on page s32.

**YES**  Go to **Completing this item** on page s31.

For an explanation of many of these types of income, see **You need to know** below. If you have income not listed here that you are unsure about, visit our website or phone the Personal Infoline (see the inside back cover).

### STOP

Do not show at this item:

- foreign exchange losses
- rental income or losses
- business income or losses
- partnership income or losses, or
- capital gains or capital losses.

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

### YOU NEED TO KNOW

#### Non-qualifying component of an ETP

If there is an amount on your ETP payment summary that is called a non-qualifying component of an ETP, it is subject to tax at ordinary rates and you must include it at this item.

#### Discounts on shares, stapled securities or rights acquired under an employee share scheme

You may need to include as income at this item discounts (the difference between the market and acquisition prices) on shares, stapled securities or rights to acquire them (including options) that you received under an employee share scheme, whether issued in Australia or overseas. You can acquire a right at a discount even though its exercise price is the market value of the share or stapled security at the time the right was granted.

If your scheme meets certain conditions, tax may be deferred on the discount until a later year of income unless you elect to include the discount in the year you acquired the shares, stapled securities or rights. The prospectus for the share scheme or a letter from your employer should advise you of the Australian taxation implications of your employee shares, stapled securities or rights.

If you qualify as a temporary resident and acquire shares, stapled securities or rights under an employee share scheme, special rules may apply to calculate your discount. See the electronic publication *Foreign income exemption for temporary residents – employee share schemes*. It is available on our website.

See page 14 in *TaxPack 2007* for the definition of a temporary resident and details of the exemption.

➤ If you disposed of your employee share scheme shares, stapled securities or rights because of a corporate restructure or 100% takeover and received replacement shares, stapled securities or rights, special provisions may apply. See the electronic publication *Employee share schemes – rollover relief on a corporate restructure* for further information. It is available on our website.

For shares, stapled securities or rights to acquire either, it is important to keep a record of:

- the date you acquired them and the date you sold them (or the date you exercised the rights)
- the total number you purchased, exercised or sold
- the amount you paid or received
- the amount or percentage of the discount you received or other proof of the market price, and
- details of any election you have made to include any discount in the year of acquisition.

If a relative or other associate has acquired shares or stapled securities or obtained rights to acquire them as a result of your involvement in an employee share scheme, phone the Personal Infoline.

➤ The electronic publication *Employee share schemes – answers to frequently asked questions by employees* contains more information about calculating employee share scheme discounts. It is available on our website.

### Lump sum payments in arrears

These payments relate to an earlier income year or years and should normally be shown at 'E' on your *PAYG payment summary – individual non-business*.

The lump sum payments you received could be any of the following:

- back payments of salary or wages that accrued in a period more than 12 months before the date of payment
- salary or wages that accrued during a period of suspension and were paid to you on resuming duty
- superannuation, repatriation and social welfare pensions, allowances or payments, including those paid by foreign governments
- periodical worker's and accident compensation payments but not payments made to the owner of the policy
- Commonwealth education or training payments.

Include any of these payments in the amount you show at this item.

You may get a tax offset if you received certain lump sum payments in 2006–07. We will calculate the tax offset for you. You need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 22 on the top of a separate piece of paper and show the amount of the payment in arrears for each income year involved. 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 you did not need to lodge a tax return for the two most recent years that the payment related to, include on your schedule details of what your taxable income – including your lump sum payments in arrears – would have been had you lodged tax returns in those two years.

### Foreign exchange gains

Unless you carried on a business and have included all your foreign exchange gains (forex gains) in calculating your business net income or loss at item **14**, your forex gains must be shown at this item (except any foreign source forex gains that you have included at item **19**).

Under the forex measures, gains attributable to a fluctuation in a currency exchange rate or to an agreed exchange rate differing from an actual exchange rate are included in assessable income. The gains are assessable when they are realised. This is when you:

- dispose of foreign currency or a right thereto
- cease to have a right to receive or pay foreign currency, or
- cease to have an obligation to pay or receive foreign currency.

Some forex gains are not assessable, for example, forex gains of a private or domestic nature, or those relating to exempt income. In some cases, forex gains on the acquisition of capital or depreciating assets, or on the disposal of capital assets, are also not assessable. In these cases, the gains are integrated into or matched with the taxation treatment of the underlying asset.

In some circumstances, you may make an election that affects the realisation or treatment of a forex gain. These are set out on our website, together with more information about the forex measures and how to calculate your foreign exchange gains.

If you had a deductible foreign exchange loss, go to question **D15**.

### Royalties

If you were an Australian resident for tax purposes in 2006–07, include at this item income from royalties that has not been included at either item **14** or **19**.

### Bonus amounts distributed from friendly society income bonds

You must include at this item any bonus amounts distributed from a friendly society income bond. Your friendly society income bond distribution statement will advise you of the amount to include.

### Taxable scholarships, bursaries, grants and other educational awards

Some scholarships, bursaries, grants and awards – including education benefits provided under a friendly society scholarship plan – are taxable. If you are not sure about a payment, contact the organisation that paid you. If you then need more information, phone the Personal Infoline.

Include at this item any income from a scholarship, bursary, grant or other award that you have to pay tax on, unless you have already shown it at item **1** or **2**, or in calculating your business net income or loss shown at item **14**.

### Benefits or prizes from investment-related lotteries and some game-show winnings

You must include at this item the value of benefits or prizes you received from an investment-related lottery offered by an investment body such as a bank, building society or credit union. Prizes may include cash, low interest or interest-free loans, holidays or cars.



Do not include prizes won in ordinary lotteries – for example, lotto draws, caskets and raffles. Do not include prizes won in game shows unless you regularly receive appearance fees or game-show winnings.

### Income from activities as a special professional

If you are a special professional you must include your taxable professional income at this item.

A special professional is an author of a literary, dramatic, musical or artistic work, an inventor, a performing artist, a production associate or an active sports person. As a special professional, you may be entitled to a concessional rate of tax where your taxable income includes certain amounts of professional income which, when added to your other income, moves you into a higher tax bracket.

You are entitled to this concession in 2006–07 if:

- you were an Australian resident **and**
- you were a special professional **and**
- your taxable professional income was at least \$2,500 in the first year that this concession applied.

➤ You will need to read *Income averaging for special professionals 2007* (NAT 2475–6.2007) before you can complete this item. This publication explains how you work out your taxable professional income. It is available on our website or to find out how to get a printed copy, see the inside back cover.

### Reimbursements and recoupments of tax-related expenses or election expenses which you have claimed as a deduction

If you received a reimbursement or refund in 2006–07 of any tax-related expenses or election expenses which you have claimed, you must include the amount at this item – for example, if you claimed a deduction for filing fees for an Administrative Appeals Tribunal application in relation to a tax-related matter in 2005–06 and recouped those fees in 2006–07.

This question also applies to any remission of a Tax Office interest charge. If you claimed a deduction for an interest charge incurred in 2005–06 or earlier years and received a remission (a partial or full reduction) of that charge in 2006–07, you must include the amount of the remission at this item. Similarly, if you are claiming at item **D10** a deduction for an interest charge incurred during 2006–07, and some or all of it was remitted during the 2006–07 year, you must include the amount of the remission at this item. The same position applies to remissions of goods and services tax and pay as you go (PAYG) instalment underestimation charges.

### Assessable balancing adjustment

You must include at this item any assessable balancing adjustment when you stop holding a depreciating asset (for example, when it is sold, lost or destroyed) for which you have claimed a deduction for depreciation or decline in value in previous years. Refer to page 40 in *TaxPack 2007* to calculate any assessable balancing adjustment in respect of your car for which you have claimed car expenses.

### ! 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.

### Gains derived on disposal or redemption of traditional securities

The gains derived on disposal or redemption of traditional securities are assessable under section 26BB of the *Income Tax Assessment Act 1936*.

➤ For more information, see the section on **Sale or disposal of company bonds and convertible notes** in *You and your shares 2007*. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

### Other allowances and payments from Centrelink

You must include at this item any taxable allowances and payments from Centrelink that you have not already shown at item **5** or **6**.

### ➤ COMPLETING THIS ITEM

**STEP 1** From the list below, work out whether the income you received is a category 1 or category 2 type of income.

#### Types of income

##### Category 1

- The non-qualifying component of an eligible termination payment (ETP)
- Lump sum payments in arrears
- Foreign exchange gains
- Benefits or prizes from investment-related lotteries and some game-show winnings
- Reimbursements of tax-related expenses or election expenses
- Any assessable balancing adjustment when you stop holding a depreciating asset
- A gain on the disposal or the redemption of traditional securities that is assessable under section 26BB of the *Income Tax Assessment Act 1936*
- Discounts on shares, stapled securities or rights acquired under an employee share scheme except where the shares, stapled securities or rights were issued to you this year. (This exception is category 2 income if you are assessed on the discount this year.)
- Work-in-progress amounts assessable under section 15-50 of the *Income Tax Assessment Act 1997* (ITAA 1997)

##### Category 2

- Any income not described in category 1

This information is used in working out whether you have to pay PAYG instalments and, if so, your instalment rate.

If you have only one type of income in either category, print a description in the relevant **Type of income** category box(es) at item **22** on page 11 of your tax return.

If you received more than one type of either category of income, you will need to provide full details. Print **ADDITIONAL INFORMATION** in the relevant **Type of income** category box. Print **SCHEDULE OF ADDITIONAL INFORMATION – ITEM 22** on the top of a separate piece of paper. Include your name, address and tax file number. Show each type and amount of income you received within the category. 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** If you received lump sum payments in arrears, write the amount of any tax withheld from these payments at **E** item **22**. Do not show any tax withheld included elsewhere on your tax return.

**STEP 3** If you are a special professional, write the taxable professional income you received at **Z** item **22**. Do not show cents. We take this amount into account for income averaging.

**STEP 4** Add up all your category 1 income and write the total at **Y** item **22** on page 11 of your tax return. Do not show cents.

**STEP 5** Add up all your category 2 income, including the amount you wrote at **Z** unless you have already counted it in your answer to question **1, 2, 12, 13** or **14** and write this total at **V** item **22**. Do not show cents.

### CHECK THAT YOU HAVE . . .

- printed on your tax return your type of income
- written on your tax return the tax withheld from your lump sum payments in arrears
- written on your tax return your taxable professional income
- written on your tax return the total of your other income
- attached to page 3 of your tax return your signed **SCHEDULE OF ADDITIONAL INFORMATION – ITEM 22**, if you need to send us one.

## TOTAL SUPPLEMENT INCOME OR LOSS

**STEP 1** Add up all the income amounts in the right-hand column of items **12** to **22** on your tax return (supplementary section). Include any primary production and non-primary production deferred non-commercial business losses added back at item **15**.

**STEP 2** Add up all the loss amounts – if any – in the right-hand column of items **12, 13, 14, 16** and **20**.

**STEP 3** Take away the amount you worked out at step 2 from the total income amount you worked out at step 1. Your answer is your total supplement income or loss.

**STEP 4** Write your answer from step 3 at **TOTAL SUPPLEMENT INCOME OR LOSS** on page 11 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 SUPPLEMENT INCOME OR LOSS**.

**STEP 5** Transfer the amount you wrote at **TOTAL SUPPLEMENT INCOME OR LOSS** to **I** on page 2 of your tax return. If the amount was a loss, print **L** in the **LOSS** box  at the right of the amount.

**STEP 6** Go to page 35 in *TaxPack 2007* to calculate your **TOTAL INCOME OR LOSS** – then work through the **Deductions** section, starting on page 36 in *TaxPack 2007*.

### STOP

If you were 55 years or older on 30 June 2007, you may be entitled to the mature age worker tax offset. Certain income from items **12, 13, 14, 15, 16, 19** and **22** will be used to calculate your net income from working. You will need to show this at item **T13 Net income from working – supplementary section**. We will then calculate your mature age worker tax offset entitlement.

# Deductions

## QUESTION D11

### AUSTRALIAN FILM INDUSTRY INCENTIVES

# D11

#### Are you entitled to a deduction for investing in the Australian film industry?

You must have invested in a film that has a certificate from the Minister for Communications, Information Technology and the Arts, stating that it is a qualifying film or a film certified as an Australian film.

You cannot claim the cost of cinema tickets or expenses associated with attending a film festival as an Australian film industry incentive.

Do not claim subscriptions for shares in a film licensed investment company at this item. Claim them at item **D15**.

**NO**  Go to question **D12**.

**YES**  Read on.

#### WHAT YOU NEED

You need to read the publication *Australian film industry incentives 2007* (NAT 0954–6.2007 ) before you can answer this question. This publication is available on our website or to find out how to get a printed copy, see the inside back cover.

#### ▶ COMPLETING THIS ITEM

**STEP 1** Work out the amount you can claim using the publication *Australian film industry incentives 2007*.

**STEP 2** Write the amount you can claim at **G** item **D11** on page 11 of your tax return. Do not show cents.

## QUESTION D12

### DEDUCTIBLE AMOUNT OF UPP OF A FOREIGN PENSION OR ANNUITY

# D12

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

**NO**  Go to question **D13**.

**YES**  Read below.

#### YOU NEED TO KNOW

##### UPP of a foreign pension or annuity

If you showed income from a foreign pension or annuity at **D** item **19** on your tax return (supplementary section), you may be entitled to claim a deduction to reduce the taxable amount of the pension or annuity income if your pension or annuity has a UPP. Only some foreign pensions and annuities have a UPP.

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

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

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

#### ! CAUTION

If you are claiming a deduction at this item, check that you have shown your net foreign pension or annuity income at **D** item **19 Foreign source income and foreign assets or property** on your tax return (supplementary section).

#### British pensions

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

One method of calculating your deduction is to multiply your UK State pension (in Australian dollars) by 8%. We accept this method and it generally results in the maximum deduction you are entitled to. However, there is another method – the exact method. If you wish to find out about this method or you receive another type of British pension and you are not sure about a UPP entitlement, phone the Superannuation Infoline (see the inside back cover).

D11

DEDUCTIONS

D12

DEDUCTIONS

### Dutch pensions

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

### Italian pensions

If you received an Italian government pension, the Italian government authorities will send you an Article 10 letter (previously known as an Article 17 letter) each year giving you an estimate of the amount of pension income you will receive, and the amount that you contributed towards your pension. If you are unable to work out your deductible amount, you will need to complete the *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* (NAT 16543).

### Austrian pensions

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

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

### German pensions

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

### Pensions from another country

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

#### ! NOTE

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

#### ▶ COMPLETING THIS ITEM

Write the deductible amount of your UPP at **Y** item **D12** on page 11 of your tax return. Do not show cents.

If you do not know your deductible amount, leave **Y** item **D12** blank, and complete the *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* and provide the additional documentation required.

Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. Sign the *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* and attach it to page 3 of your tax return.

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

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

# QUESTION D13

# D13

## PERSONAL SUPERANNUATION CONTRIBUTIONS

D13

DEDUCTIONS

### Did you make personal superannuation contributions to a complying superannuation fund or a retirement savings account (RSA)?

**NO**  Go to question **D14**.

**YES**  You may be able to claim a deduction. Read below.

#### STOP

You cannot claim a deduction at this item for personal superannuation contributions if:

- you were entitled to a Super Co-contribution in respect of the contributions (see **You need to know** in the next column for an explanation of when you are entitled to a Super Co-contribution) **or**
- you were 70 years of age or over and the contributions were paid after the day that is 28 days after the end of the month in which you turned 70 years of age **or**
- you were under 18 years of age at the end of the income year and you did not receive any income from eligible employment or from carrying on a business (see **You need to know** in the next column for an explanation of when you are in eligible employment or carrying on a business).

You may be able to claim a deduction for personal contributions you made to a complying superannuation fund or RSA in 2006–07 if:

- you have written to your fund or RSA provider and advised them of the amount you intend to claim as a deduction **and**
- your fund or RSA provider has provided you with a **written acknowledgment** of your letter **and**
- any of the following apply to you:
  - you were fully self-employed and not working under contract principally for your labour
  - you were partly self-employed but none of the people you worked for provided superannuation support for you or was required to pay the superannuation guarantee charge
  - you were partly self-employed but your income (including exempt income) plus your total reportable fringe benefits amounts (shown at item **9** on your tax return) from the people who provided your superannuation support – or were required to pay the superannuation guarantee charge – was less than 10% of the sum of your total assessable income (see the note in the next column) and total reportable fringe benefits amounts. In working out your income from the people who provided you with superannuation support, add all of the income you received from your employers who were required to

provide superannuation support for you or pay the superannuation guarantee charge during any time in the year of income

- you did not receive and were not entitled to receive any employer superannuation support for the year of income. Situations where you might not be entitled to receive superannuation support, include, for example, where:
  - for the whole year, your work was wholly or principally of a private or domestic nature, and you worked for no more than 30 hours in any week in the year
  - you were under 18 years of age and worked part time (30 hours or less per week) for an employer for the whole year
  - you received salary or wages of less than \$450 per employer in every calendar month of 2006–07
  - you were not in eligible employment (for example, you were a full-time investor)
  - you were a religious practitioner and were not treated as an employee by your religious institution.

#### NOTE

Assessable income is the amount you wrote at **TOTAL INCOME OR LOSS** on page 2 of your tax return unless:

- you had a distribution from a partnership or trust, income or losses from rent or business (including personal services income), capital gains or capital losses or foreign source income, or
- you claimed a deductible amount for a pension or an annuity at item **D9** or **D12** on your tax return.

In either case, phone the Superannuation Infoline (see the inside back cover) for help in working out your assessable income.

#### YOU NEED TO KNOW

The deduction you claim can only reduce your taxable income to nil. It cannot add to or create a loss.

If you have reached 65 years of age, you can only make personal contributions if you meet certain conditions. You should check with your superannuation fund or RSA provider.

You were in **eligible employment** if you performed duties that resulted in you being treated as an employee for the purposes of the superannuation guarantee.

You were **carrying on a business** if you were engaged in any profession, trade, employment, vocation or calling other than being an employee.

You are not taken to have received **employer superannuation support** if you have received contributions from someone other than in connection with eligible employment – for example, if you have received superannuation contributions from your spouse.

Only complete this item if your superannuation fund or retirement savings account (RSA) provider has given you a written acknowledgment of your notice, advising them of the amount you intend to claim as a deduction.

### Superannuation contributions splitting

Complying superannuation funds and RSA providers may allow you to split your superannuation contributions with your spouse.

If you intend to lodge a notice of intention to claim a deduction for personal superannuation contributions with your fund, you must do it before you make your superannuation splitting application for those contributions.

A superannuation contributions splitting application can only be made to your fund or RSA provider:

- during the income year that follows the income year you made the contributions, or
- during the same income year you made the contributions if your entire benefit is to be rolled over or transferred before the end of that year.

Once an amount has been rolled over to your spouse as a consequence of a superannuation contributions splitting application, it is too late to claim a deduction for the related contribution.

### Government Super Co-contribution

You may be entitled to the Government Super Co-contribution if your total income (that is, your assessable income plus reportable fringe benefits) is less than \$58,000 and more than 10% of your total income is related to eligible employment. We will use the information on your income tax return and contribution information we receive from your superannuation fund or RSA provider to work out whether you are eligible. If you are, we will automatically calculate the co-contribution amount and deposit it into your superannuation account. You do not need to report your personal contributions at this item.

The Government Super Co-contribution will generally be paid directly into the superannuation account to which you made your personal superannuation contribution, providing the fund holding that account will accept the co-contribution.

If you wish to have your co-contribution paid into a particular superannuation fund, you can complete a superannuation fund nomination which is available on our website [www.ato.gov.au/super](http://www.ato.gov.au/super) or by phoning the Superannuation Infoline (see the inside back cover).

### ▶ COMPLETING THIS ITEM

If your personal superannuation contributions are higher than the amount your superannuation fund or RSA provider acknowledged, you must notify them. You must get a written acknowledgment from them before claiming the additional amount. If you have not received the notice from the fund before lodging your tax return, claim only the amount acknowledged initially and request an amended assessment claiming the additional amount, at a later stage.

**STEP 1** If you were 18 years or over on 30 June 2007, go to step 2. Otherwise, read on.

If you received income from carrying on a business or income from eligible employment, go to step 3. If not, you are not entitled to a deduction for personal superannuation contributions. Go to question **D14**.

**STEP 2** Did you reach 70 years of age before 1 June 2006? If yes, you are not eligible to claim a deduction for personal superannuation contributions for the 2006–07 year. Go to question **D14**.

Did you reach 70 years of age between 1 June 2006 and 31 May 2007 inclusive? If not, go to step 3. Otherwise, read on.

Add up all the contributions you made between 1 July 2006 and the 28th day of the month following your 70th birthday (inclusive). If the total is more than \$5,000, go to step 4. If it is \$5,000 or less, write the amount at **H** item **D13** on page 11 of your tax return. Do not show cents. Go to step 5.

**STEP 3** Add up your 2006–07 contributions and if the total is more than \$5,000, go to step 4. If it is \$5,000 or less, write the amount at **H** item **D13** on page 11 of your tax return. Do not show cents. Go to step 5.

**STEP 4** If your contributions total more than \$5,000, you can claim the **lesser** of:

- \$5,000 plus 75% of your contributions over \$5,000
- your age-based deduction limit. Your deduction claim is limited by your age when you made your last contribution for the year. If you were under 35 years at that time, your deduction limit is \$15,260; if aged 35 to 49 years, it is \$42,385; and if aged 50 to 70 years, it is \$105,113.

Write this amount at **H** item **D13** on page 11 of your tax return. Do not show cents.

**STEP 5** If you contributed to only one fund or RSA, print its full name, either its Australian business number (ABN) or tax file number (TFN), and your account number in the boxes at item **D13**. Remember, your fund or RSA provider must have given you an acknowledgment of your notice advising them of the amount you are claiming as a deduction.

#### ! NOTE

If the amount you wrote at **H** is lower than the amount your superannuation fund or RSA provider acknowledged, you must notify them.

If you contributed to more than one fund or RSA, print **ADDITIONAL INFORMATION** in the **Full name of fund** box at item **D13**. Add up the amounts being claimed as a deduction. Write your answer at **H** item **D13**. In the other boxes, provide details of the fund or RSA provider to which you made the largest contribution and from which you have received an acknowledgment letter.

On a separate piece of paper print SCHEDULE OF ADDITIONAL INFORMATION – ITEM D13. Include your name, address and tax file number. For each superannuation fund or retirement savings account (RSA) provider from which you have received an acknowledgment letter, provide the full name of that fund or RSA provider, the fund Australian business number (ABN) or tax file number (TFN) of that fund or RSA provider, your account number and the amount that you are claiming as a deduction.

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

If you need more information, phone the Superannuation Infoline (see the inside back cover).

## CHECK THAT YOU HAVE . . .

- kept your written acknowledgment(s) from your fund or RSA provider – we may ask to see them
- not exceeded the limit in step 4
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM D13, if you need to send us one.

D13

DEDUCTIONS

## QUESTION D14

### DEDUCTION FOR PROJECT POOL

# D14

#### Did you have capital expenditure directly connected with a project?

You may be able to claim a deduction at this item for certain capital expenditure allocated to a project pool for:

- a project which you operated in 2006–07 for a taxable purpose
- a project carried on or proposed to be carried on for a taxable purpose which was abandoned, sold or otherwise disposed of in 2006–07, before or after it started to operate.

**NO**  Go to question **D15**.

**YES**  Read below.

#### STOP

You cannot claim a deduction at this item for:


- private or domestic expenditure such as the cost of constructing a driveway at your home
- capital expenditure directly connected with a project undertaken in carrying on a business – for this expenditure, refer to item **P8 Reconciliation items** in *Business and professional items 2007*.

#### YOU NEED TO KNOW

Certain capital expenditure you incurred after 30 June 2001 which was directly connected with a project that you carried on (or proposed to carry on) for a taxable purpose can be allocated to a project pool and written off over the 'project life'. The expenditure must not otherwise be deductible or form part of the cost of a depreciating asset you hold or held.

Such capital expenditure, known as a 'project amount', is expenditure incurred:

- to create or upgrade community infrastructure for a community associated with the project – this expenditure must be paid (not just incurred) to be a project amount
- for site preparation for depreciating assets (other than in draining swamp or low-lying land or for clearing land for horticultural plants)
- for feasibility studies or environmental assessments for the project
- to obtain information associated with the project
- in seeking to obtain a right to intellectual property
- for ornamental trees or shrubs.

 If you are unsure if the capital expenditure you incurred qualifies as a project amount, see the publication *Guide to depreciating assets 2007*, available on our website or to find out how to get a printed copy, see the inside back cover.

Project amounts are allocated to a 'project pool'.

You spread your deduction for project amounts allocated to a project pool over the project life. The project life is the period from when the project starts to operate until when it stops operating. The project life is not determined by how long you intend to carry on the project. Factors outside your control, such as something inherent in the project like a legislative or environmental restriction that limits the project's operating period, are relevant to estimating the project life.

D14

DEDUCTIONS

If there is no finite project life, there is no project and therefore no deduction is available under these rules.

You start to deduct amounts for a project pool for the income year when the project starts to operate. So if you started to operate a project in the 2006–07 income year for a taxable purpose, a deduction is available for that year. The deduction is worked out on the value of the project pool at the end of 2006–07.

Use the worksheet below to calculate your deduction. The example given is based on a project amount of \$30,000 allocated to a project pool for a project with a project life of 35 years.

### WORKSHEET: Project pool deduction

	Example	You
Value of project pool at 30 June 2007. This is the closing pool value for the 2005–06 income year (if any) plus the sum of any project amounts allocated to the pool in 2006–07.	(a) \$30,000	\$
Your estimate of the project life (in years, including fractions of years)	(b) 35 years	
Divide (a) by (b).	(c) \$857	\$
Multiply (c) by 200%. This is your 2006–07 deduction.	(d) \$1,714	\$
<b>Note:</b>		
<ul style="list-style-type: none"> <li>■ Your deduction at (d) cannot be more than the amount at (a).</li> <li>■ If a project was operated in 2006–07 for purposes other than taxable purposes, your deduction at (d) must be reduced by a reasonable amount for the extent to which the project operated for such other purposes.</li> </ul>		

Where your project pool contains only project amounts incurred on or after 10 May 2006 and the project started to operate on or after that date, your deduction at (d) is calculated by multiplying (c) by 200%. A rate of 150% is instead used for that calculation for a project that started to operate before that date or a project that started to operate on or after that date where the project pool contains project amounts incurred before that date. You cannot use the higher rate if on or after 10 May 2006 you abandon, sell or otherwise dispose of an existing project and then restart operating it on or after that date just so deductions can be calculated using the higher rate.

### ! FOREIGN EXCHANGE RULES

The pool value can be subject to adjustments. An adjustment could happen under foreign exchange (forex) rules that apply to transactions conducted in foreign currency.

If during the income year you met or otherwise ceased to have an obligation to pay in a foreign currency a project amount which you allocated to a project pool, you might have derived a gain or incurred a loss under these rules. If the amount in foreign currency became due for payment within 12 months after the time you incurred it, usually the pool value will be reduced by any such gain (known as a forex gain) and it will be increased by any such loss (known as a forex loss).

If the forex gain exceeds the pool value, the pool value is reduced to zero and the residual gain is assessable income which you should include at item **22**. If you had previously elected that this treatment (known as ‘the 12-month rule’) should not apply, any gain will be assessable and should be included at item **22** and any loss will be deductible and should be included at item **D15**.

For more information about the forex rules, see question **22** or **D15**, or visit our website.

If, in the 2006–07 income year, you:

- recouped an amount of expenditure allocated to the project pool, or
- derived a capital amount in relation to a project amount or something on which a project amount was expended

the amount is assessable income and must be shown at item **22 Other income**.

If a project was abandoned, sold or otherwise disposed of in 2006–07 – whether or not the project had started to operate – you can claim a deduction for the 2005–06 closing pool value (if any) plus any project amounts allocated to the pool in the 2006–07 income year. Any amount you received for the abandonment, sale or other disposal is assessable income and must be shown at item **22**.

The closing pool value for 2006–07 is amount (a) less amount (d) [before any reduction in (d) for the extent to which the project was operated in 2006–07 for purposes other than taxable purposes] in the worksheet in the previous column. You will need that closing pool value to work out your deduction for project amounts for next year.

### ! 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.

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

### ➤ COMPLETING THIS ITEM

Work out your project pool deduction and write the amount at **D** item **D14** on page 11 of your tax return. Do not show cents.



# QUESTION D15

## OTHER DEDUCTIONS

# D15

D15

DEDUCTIONS

### Did you have any other expenses that you have not been able to claim as deductions at items D1 to D14 or elsewhere on your tax return?

**NO**  Go to **Total supplement deductions** on page s41.

**YES**  Read below.

#### STOP

Do not show at this item:

- expenses relating to your work as an employee
- expenses relating to income from carrying on a business as a sole trader (including personal services income)
- expenses relating to investment planning and advice involving shares, unit trusts and interest bearing deposits.

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

### YOU NEED TO KNOW

#### Expenses you may be entitled to claim


You may claim at this item:

- election expenses for local, territory, state or federal candidates
- income protection, sickness and accident insurance premiums
- foreign exchange losses
- debt deductions incurred in earning certain foreign non-assessable non-exempt income that are not disallowed under the thin capitalisation rules
- amounts deductible under section 40-880 of the *Income Tax Assessment Act 1997* (ITAA 1997) (five-year write-off for certain business-related capital expenditure) not claimed in full before you ceased business or before you stopped carrying on your business as an individual (for example, if you started to carry on your business through a company or in a partnership)
- deductions allowable for subscriptions for shares under the film licensed investment company (FLIC) scheme
- 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
- certain deductible capital expenditure not claimed in full prior to ceasing a primary production business where a deduction can be claimed in a subsequent year or years – for example, water conservation expenditure, which may be deducted over a three-year period

- non-capital losses incurred on the disposal or redemption of a traditional security which are deductible under section 70B of the *Income Tax Assessment Act 1936* (ITAA 1936) – for more information, see the section on **Sale or disposal of company bonds and convertible notes** in *You and your shares 2007*. This publication is available on our website or to find out how to get a printed copy, see the inside back cover
- interest incurred on money borrowed to invest under the land transport facilities tax offset scheme or infrastructure borrowings scheme
- debt deductions incurred in earning assessable income that are not disallowed under the thin capitalisation rules and have not been claimed elsewhere
- simplified tax system (STS) pool deductions (for depreciating assets you allocated to an STS pool in a prior year) that you cannot claim at item **P8** on the *Business and professional items schedule for individuals 2007* because you did not carry on a business in 2006–07 – for further information, see *The simplified tax system – a guide for tax agents and small businesses* (NAT 6459).

#### Election expenses

Election expenses include a candidate's costs of contesting an election at a local, territory, state or federal level of government. A deduction for local government body election expenses cannot exceed \$1,000 for each election contested, even if the expenditure is incurred in more than one year of income. Entertainment expenses only qualify as deductible election expenses in very restricted circumstances.

 For more information about deductions for election expenses, see *Taxation Ruling TR 1999/10 – Income tax: members of parliament – allowances, reimbursements, donations and gifts, benefits, deductions and recoupments* and *Taxation Ruling IT 2258 – Income tax: election expenses: deductibility of expenditure incurred and effect of public funding of elections*. These publications are available on our website or to find out how to get a printed copy, see the inside back cover.

#### NOTE

A reimbursement in 2006–07 of any election expenses that you have claimed as a deduction in 2006–07 or a previous year must be shown as income at item **22** on your tax return.

#### Income protection, sickness and accident insurance premiums

You can claim the cost of any premiums you paid for insurance against the loss of your income. You must include any payment you received under the policy for loss of your income at item **22** on your tax return.

You cannot claim a deduction for a premium or any part of a premium which you paid under a policy to compensate you for such things as physical injury. If it cannot be determined which part of the premium was paid for insurance against the loss of your income, then you cannot claim any deduction for the premium.

### Foreign exchange losses

You claim your Australian foreign source exchange losses (forex losses) at this item unless you carried on a business and included all your forex losses in calculating your business net income or loss at item **14**. Show any Australian assessable foreign exchange gains at item **22** on your tax return.

Forex losses are taken into account at item **19** on your tax return.

Losses attributable to a fluctuation in a currency exchange rate or to an agreed exchange rate differing from an actual exchange rate are brought to account when they are realised. This is when you:

- dispose of foreign currency, or a right thereto
- cease to have a right to receive or pay foreign currency, or
- cease to have an obligation to pay or receive foreign currency.

Some forex losses are not deductible – for example, forex losses of a private or domestic nature, or those relating to exempt income. In some cases, forex losses on the acquisition of capital or depreciating assets, or on disposal of capital assets, are also not deductible. In these cases the losses are integrated into or matched with the taxation treatment of the underlying asset.

In some circumstances, you may make an election that affects the realisation or treatment of a forex loss. These, together with more information about the measures and how to calculate your foreign exchange losses, are set out on our website.

### Debt deductions

A debt deduction is, broadly, an expense incurred in obtaining or maintaining a loan or other form of debt finance. Examples include interest, establishment fees, legal costs for preparing loan documents and fees charged by lending institutions for drawing on a loan facility.

If you were an Australian resident, you can claim debt deductions incurred in earning certain types of foreign non-assessable non-exempt income that were payments out of attributed income and attributed foreign investment fund income.

Debt deductions incurred in earning assessable income – for example, foreign source income that has been included at item **19** on your tax return – may be claimed at this item, if they have not been claimed elsewhere on your tax return.

You are not allowed to claim debt deductions disallowed under the thin capitalisation rules. Thin capitalisation rules may apply if:

- (a) you were an Australian resident and you (or any associate entities) had certain overseas interests **and** your debt deductions combined with those of your associate entities were more than \$250,000 for 2006–07, or
- (b) you were a foreign resident with operations or investments in Australia **and** your debt deductions against Australian assessable income combined with those of your associate entities were more than \$250,000 for 2006–07.

More information about thin capitalisation is available on our website.

### Section 40-880 deductions

This section allows you to claim a deduction for certain business-related capital expenditure over five income years.

For expenditure incurred before 1 July 2005, there are seven specific types of capital expenditure which you may be able to deduct. These include the costs incurred in ceasing to carry on your business and the costs of establishing your business structure or converting your business structure to another structure (for example, the cost of transferring the business assets to a partnership which continues the business).

For expenditure incurred on or after 1 July 2005, the law has been changed so that a deduction can now also be claimed for other types of capital expenditure, provided that a deduction for that expenditure is not denied, or the expenditure is not taken into account, under another provision in the tax law.

Claim a section 40-880 deduction at this item if:

- you incurred the relevant capital expenses before 1 July 2005 and, in a previous income year, you ceased business or you stopped carrying on your business as an individual (for example, if you started to carry on your business through a company or partnership) and you have not fully claimed your five-year write-off
- you incurred the relevant capital expense on or after 1 July 2005 and
  - the expenditure relates to a business that was proposed at the time the expense was incurred
  - the business commenced before 30 June 2007, and
  - you are carrying on the business through a company or trust
- you incurred the relevant capital expense on or after 1 July 2005 and the expenditure relates to a business which ceased in a previous income year and you carried on the business through a company or trust.

If you incurred relevant section 40-880 expenses on or after 1 July 2005 and you carried on the business as a sole trader or through a partnership, claim the amount at item **P8** on the *Business and professional items schedule for individuals 2007*.

If you incurred relevant section 40-880 expenses on or after 1 July 2005 but had not commenced the business by 30 June 2007, your deduction for this amount will be deferred until the year in which the business activity commences. The deferred amount(s) may be deducted in the year in which the activity commences.

#### NOTE

Refer to the fact sheet *Non-commercial losses: overview* (NAT 3379–5.2003) for more information on when you need to defer your section 40-880 deduction.

➤ For more information about section 40-880 deductions, see the *Guide to depreciating assets 2007*. This publication is available on our website or to get a printed copy, see the inside back cover.

**Film licensed investment company (FLIC) deductions**

You can claim a deduction for the purchase of shares in a FLIC during the period the FLIC is licensed to raise concessional share capital. The deduction is allowable for the income year in which the shares are fully paid and issued.

Deductions are available only for the income years ending 30 June 2006 and 30 June 2007.

**Net personal services income loss of a personal services entity that related to your personal services income**

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 to you or to a personal services entity (being a company, partnership or trust).

Where the payment was made to a personal services entity and that entity incurred a personal services income loss relating to your personal services income, you can claim a deduction for that loss.

➤ For more information about net personal services income losses, see the *Personal services income schedule 2007* (NAT 3421-6.2007). This publication is available on our website or to get a printed copy, see the inside back cover.

If you need help with these rules, phone the Business Infoline (see the inside back cover).

**United Medical Protection Limited (UMP) support payments**

You can claim a deduction for making UMP support payments. This deduction applies to you if you would not otherwise be entitled to a deduction for your payments – for example, if you have retired.

**➤ COMPLETING THIS ITEM****STEP 1 Election expenses**

Add up all your deductible election expenses. Write the total amount at **E** item **D15** on page 11 of your tax return. Do not show cents. If you have no other expenses, go to **Check that you have . . .** otherwise, read on.

**STEP 2 Other expenses**

Print the type of expense you are claiming in the **Description of claim** box at item **D15**. If you are claiming for more than one type of expense, print ADDITIONAL INFORMATION in the **Description of claim** box. On a separate piece of paper, print SCHEDULE OF ADDITIONAL INFORMATION – ITEM D15. Include your name, address and tax file number. Show the type and amount of each expense you are claiming. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return. Read on.

**STEP 3** Add up all the other expenses that you are claiming at this item – excluding election expenses.

**STEP 4** Write the amount from step 3 at **J** item **D15**. Do not show cents.

**CHECK THAT YOU HAVE . . .**

- written on your tax return the total amount of your deductible election expenses, if any
- printed on your tax return the type of other expenses you are claiming
- written on your tax return the total amount of all other expenses you are claiming
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM D15, if you need to send us one.

**TOTAL SUPPLEMENT DEDUCTIONS****Did you claim any deductions at items D11 to D15?**

**NO**  Go to step 4.

**YES**  Go to step 1.

**STEP 1** Add up all the deduction amounts in the right-hand column of items **D11** to **D15** on your tax return.

**STEP 2** Write the amount from step 1 at **TOTAL SUPPLEMENT DEDUCTIONS** on page 11 of your tax return. Do not show cents.

**STEP 3** Transfer the amount you wrote at **TOTAL SUPPLEMENT DEDUCTIONS** to **D** on page 3 of your tax return.

**STEP 4** Go to page 64 in *TaxPack 2007* to calculate your total deductions. Then work through the **Losses** section starting on page 65 in *TaxPack 2007*.

## QUESTION T8

### SUPERANNUATION CONTRIBUTIONS ON BEHALF OF YOUR SPOUSE

T8

TAX OFFSETS

**Did you make contributions to a complying superannuation fund or a retirement savings account (RSA) on behalf of your ‘non-working’ or ‘low income-earning’ spouse – married or de facto?**

**NO**  Go to question T9.

**YES**  You may be eligible for a tax offset. Read below.

An RSA is a special account offered by banks, building societies, credit unions, life insurance companies and prescribed financial institutions. It is used for retirement savings and is similar to a superannuation fund.

#### YOU NEED TO KNOW

You will be entitled to a tax offset of up to \$540 per year if:

- the contributions were not deductible to you **and**
- both you and your spouse were Australian residents when the contributions were made **and**
- at the time of making the contributions you and your spouse were not living separately and apart on a permanent basis **and**
- the sum of your spouse’s assessable income and total reportable fringe benefits amounts was less than \$13,800.

#### ! NOTE

If you had more than one spouse during the income year and you satisfy the conditions for the tax offset in relation to more than one spouse, the tax offset is the lesser of the sum of the tax offset entitlements for each spouse, or \$540.

#### ! NOTE

The tax offset for eligible spouse contributions cannot be claimed for superannuation contributions that you made to your own fund then split to your spouse.

For the purposes of this question, your spouse’s assessable income is the amount your spouse wrote at **TOTAL INCOME OR LOSS** on page 2 of their tax return, unless:

- they had a distribution from a partnership or trust, income or losses from rent or business (including personal services income), a capital gain or foreign source income, or
- they claimed a deductible amount for a pension or annuity at item **D9** or **D12** on their tax return.

In either case, phone the Superannuation Infoline (see the inside back cover) for help to work out your spouse’s assessable income before completing this item.

Your spouse’s reportable fringe benefits amounts are shown on their payment summaries.

The tax offset is calculated as 18% of the **lesser** of:

- \$3,000, reduced by \$1 for every \$1 that the sum of your spouse’s assessable income and total reportable fringe benefits amounts for the year was more than \$10,800
- the total of your contributions for your spouse for the year.

#### ▶ COMPLETING THIS ITEM

**STEP 1** Write the total of your contributions at **Contributions paid** item **T8** on page 12 of your tax return.

**STEP 2** If the sum of your spouse’s assessable income and total reportable fringe benefits amounts was \$10,800 or less, use **worksheet 1**.

If the sum of your spouse’s assessable income and total reportable fringe benefits amounts was more than \$10,800 but less than \$13,800, use **worksheet 2**.

#### WORKSHEET 1

Maximum spouse contributions eligible for the tax offset	(a)	\$3,000
Amount of contributions paid	(b)	\$
Write the lesser of (a) or (b).	(c)	\$
Multiply (c) by 18 and divide by 100.	(d)	\$

#### WORKSHEET 2

Maximum spouse contributions eligible for the tax offset	(a)	\$3,000
The sum of your spouse’s assessable income and total reportable fringe benefits amounts	(b)	\$
Base amount	(c)	\$10,800
Take (c) away from (b).	(d)	\$
Take (d) away from (a).	(e)	\$
Amount of contributions paid	(f)	\$
Write the lesser of (e) or (f).	(g)	\$
Multiply (g) by 18 and divide by 100.	(h)	\$

**STEP 3** The tax offset is the amount shown at (d) on **worksheet 1** or (h) on **worksheet 2**. Write this amount at **A** item **T8**. Do not show cents.

**STEP 4** Make sure you complete **Spouse details – married or de facto** on pages 6–7 of your tax return. Include your spouse’s taxable income at **O** and your spouse’s total reportable fringe benefits amounts at **S**.

See the definition of spouse on page 110 in *TaxPack 2007*.

#### ! NOTE

To work out your entitlement to this tax offset you would have used your spouse’s assessable income and reportable fringe benefits amounts. However, because we use taxable income to calculate many other entitlements, we ask you to record your spouse’s taxable income (not assessable income) at **Spouse details – married or de facto**.

# QUESTION T9

# T9

## ZONE OR OVERSEAS FORCES

T9

TAX OFFSETS

### Are you entitled to claim a zone tax offset or an overseas forces tax offset?

You may be able to claim a tax offset if you:

- lived or worked in a remote or isolated area of Australia, not including an offshore oil or gas rig, or
- served overseas as a member of the Australian Defence Force or a United Nations armed force.

**NO**  Go to question **T10**.

**YES**  Read below.

### YOU NEED TO KNOW

#### Zone tax offset

Remote areas are classed as either zone A or zone B. There are also special areas within these zones. If you do not know which zone your area is in, see pages s48–9.

To qualify for the tax offset, you must have lived or worked in a remote area – not necessarily continuously – for:

- 183 days or more during 2006–07, or
- 183 days or more during the period 1 July 2005 to 30 June 2007 – including at least one day in this income year – and you did not claim a zone tax offset in your 2006 tax return.

If you lived in a zone for less than 183 days in 2006–07, you may still be able to claim a tax offset as long as you lived in a zone for a continuous period of less than five years after 1 July 2001 and:

- you were unable to claim in the first year because you were there less than 183 days, and
- the total of the days you were there in the first year and in 2006–07 is 183 or more.

#### EXAMPLE

Gary lived in a remote area from 1 March 2002 to 30 September 2006 – a continuous period of less than five years. He couldn't claim a zone tax offset for the first year because he lived there for only 122 days. However, he could carry forward these unused days to 2006–07. He now adds the number of days from 1 March 2002 to 30 June 2002 (122 days) and the number of days from 1 July 2006 to 30 September 2006 (92 days). As the total (214 days) is '183 days or more' over the two income years, Gary can claim the tax offset on his 2007 tax return.

#### Overseas forces tax offset

You may be eligible for an overseas forces tax offset if you served in a specified overseas locality as a member of the Australian Defence Force or a United Nations armed force in 2006–07 and income relating to that service was not specifically exempt from tax. Periods of service for which your income was exempt foreign employment income are excluded in working out your eligibility for the tax offset.

Your employer will be able to advise you whether you served in a locality that qualifies for the overseas forces tax offset. You can also get the localities that qualify for the overseas forces tax offset by visiting our website or phoning the Personal Infoline (see the inside back cover).

To claim the full tax offset, you must have served in the overseas locality for 183 days or more in 2006–07. Unlike the zone tax offset, you cannot carry forward any unused days from previous years to make up 183 days. However, if your overseas service was less than 183 days, you may be able to claim part of the tax offset.

If you served in an overseas locality for less than 183 days, but the total number of days served in the overseas locality, when added to the number of days spent in one or more zones, is 183 days or more, you may still be entitled to claim the full overseas forces tax offset. If you served as a member of the Australian Defence Force, days spent in a zone must be defence force service.

#### ! IMPORTANT

If you qualify for both an overseas forces tax offset and a zone tax offset, you can claim only one of them. Claim the higher one.

### ▶ COMPLETING THIS ITEM

#### How to work out your tax offset if your circumstances were simple

**STEP 1** Your tax offset is the relevant amount in the table if:

- you lived or worked in only one zone or served in only one specified overseas locality for at least 183 days, as defined above **and**
- you are not eligible to claim any tax offsets at item **T11** (parent, spouse's parent or invalid relative tax offset) **and**
- you did not claim a child-housekeeper tax offset (part B of question **T1 Spouse, child-housekeeper or housekeeper tax offset**) or housekeeper tax offset (part C of question **T1**) **and**
- your circumstances are shown in the **Tax offset amounts** table below.

#### TAX OFFSET AMOUNTS

Your circumstances	Zone A	Zone B	Special area	Overseas forces
You were single with no dependent child or student for all of 2006–07.	\$338	\$57	\$1,173	\$338
You are able to claim the maximum spouse (without child) tax offset (\$1,655) at item <b>T1</b> .	\$1,166	\$388	\$2,001	\$1,166

If you cannot use the table on the previous page you will need to work through **How to work out your tax offset if your circumstances were more complex** below.

If you received a remote area allowance from Centrelink or the Department of Veterans' Affairs, or an equivalent amount was included in an exceptional circumstance relief payment or a payment of farm help income support (previously known as restart income support), you must reduce the amount of your zone tax offset by this allowance.

**STEP 2** Write your tax offset amount less any remote area allowance at **R** item **T9** on page 12 of your tax return. Do not show cents. Go to question **T10**.

### How to work out your tax offset if your circumstances were more complex

You can either use our zone or overseas forces tax offset calculator on our website to work out your tax offset, or read below.

The zone or overseas forces tax offset is made up of two amounts: the fixed amount and a percentage of a base amount. Use the information from **table A** below when you complete either **table J** on page s47 or **table K** on page s48.

**TABLE A**

	Fixed amount	Percentage of base amount
Zone A	\$338	50%
Zone B	\$57	20%
Special area	\$1,173	50%
Overseas forces	\$338	50%

If you had no spouse, no dependent child or student, and you are not claiming for dependants (such as parent, spouse's parent, invalid relative, child-housekeeper or housekeeper) at any other tax offset item you will not have a base amount. Go to **Final calculation** on page s47.

If you had a spouse or a dependent child or student, or you are entitled to any dependant tax offset, read on for instructions on how to work out your base amount.

#### Working out the base amount

The base amount is made up of tax offsets you may have claimed at other items on your tax return and notional tax offsets. A notional tax offset is an offset to which you would have been entitled if the tax offset was still allowable. As a result of the introduction of family tax benefit (FTB), you may have to recalculate some tax offsets that you claimed at other items on your tax return. FTB does not affect your entitlement to these notional tax offsets when calculating your zone or overseas tax offset.

Each of the tax offset components you work out will form part of your base amount at **table I** on page s47.

#### Parent, spouse's parent or invalid relative tax offset component

Only read this section if you are eligible to claim a parent, spouse's parent or invalid relative tax offset. If you are not eligible to claim that tax offset, go to **Notional tax offset for dependent children or students** in the next column.

If you are eligible to claim a parent, spouse's parent or invalid relative tax offset at item **T11** (see question **T11** on page s52), you will need to work out that amount then come back to this question. Write the amount you have claimed at item **T11** at (a) **table I** on page s47. Read on.

#### Notional tax offset for dependent children or students

##### Full-year claim

Your base amount will increase by the maximum amount shown in **table B** below for each student aged under 25 years on 30 June 2007 in full-time education at a school, college or university, and for each child under 21 years on 30 June 2007 who, for the whole of 2006–07:

- was treated as an Australian resident
- was maintained by you, and
- had a separate net income (SNI) – see pages 69–70 in *TaxPack 2007* – of less than \$286.

If you did not have any dependent children or students go to the **Spouse tax offset component** on the next page.

**TABLE B**

Dependant	Notional tax offset
Each student aged under 25 years	\$376
First non-student child aged under 21 years	\$376
Other non-student children aged under 21 years	\$282 for each child

If all of these requirements were met, add up the notional tax offset amount for each child or student and write the total at (c) **table I** on page s47.

If two or more people contributed to the maintenance of a dependent child, each person can only claim a proportion of the notional tax offset.

If the requirements were met for only part of the year, or your child's or student's SNI was \$286 or more, you may be able to claim a partial notional tax offset. Read on.

##### Part-year claim

You can claim only part of the notional tax offset for dependent children or students if:

- the child or student was treated as an Australian resident for only part of 2006–07
- the student was aged 21 years or older and was in full-time education for only part of 2006–07
- the child or student was maintained by you for only part of 2006–07
- the child was 21 years old at 30 June 2007 and not in full-time education, or
- the student was 25 years old at 30 June 2007.

Use **table C** on the next page to work out the reduced notional tax offset for each child or student.

**TABLE C**

Maximum notional tax offset for the child or student – from <b>table B</b>	(a)	\$
Number of days you maintained your child or student and your child or student remained a dependant	(b)	
Number of days in 2006–07	(c)	365
Divide (b) by (c).	(d)	
Multiply (d) by (a).	(e)	\$

If the separate net income (SNI) of your child or student was less than \$286, transfer amount (e) above to (c) **table I**.

If you had more than one eligible child or student and the SNI of each one was less than \$286, work out the amount for each child, add up all of the amounts and write the total at (c) **table I**.

*If SNI was \$286 or more*

If the child or student had an SNI equal to or greater than:

- \$1,786 for a student aged under 25 years or for the first child aged under 21 years who is not a student, or
- \$1,410 for any other child aged under 21 years who is not a student

you cannot claim any amount of notional tax offset for that child or student.

If your child's or student's SNI was \$286 or more but less than the limits shown, use **table D** to work out the notional tax offset.

**TABLE D**

Notional tax offset for the child or student – from <b>table B</b> or (e) <b>table C</b> for a part-year claim	(a)	\$
Your child's or student's SNI for the period you maintained them	(b)	\$
Income at which the notional tax offset begins to reduce	(c)	\$282
Take (c) away from (b).	(d)	\$
Divide (d) by 4 because your tax offset is reduced by \$1 for every \$4 of SNI over \$282. Do not show cents.	(e)	\$
Take (e) away from (a). Do not show cents.	(f)	\$

Transfer the amount at (f) above to (c) **table I**. If you had more than one eligible child or student, work out the amount for each child or student, add up all of the amounts and write the total at (c) **table I**.

**Spouse tax offset component**

If you claimed a spouse (without dependent child or student) tax offset at item **T1** (see part A question **T1**), write that amount at (b) **table I**. Go to *Child-housekeeper tax offset component* below.

Use **table E** to work out your notional spouse tax offset if either of the following applies to you:

- you had a spouse and you have written an amount of at least \$1 at (c) **table I** – notional tax offset for dependent children or students, or
- you were required to reduce your claim at item **T1** because you, or your spouse during any period they were your spouse, received family tax benefit (FTB) Part B.

**TABLE E**

Write your maximum notional dependent spouse tax offset. If you had a spouse for only part of the year, multiply the number of days in that part of the year by the daily rate.	(a)	\$	\$1,984 per year or \$5.44 per day
Your spouse's SNI – see pages 69–70 in <i>TaxPack 2007</i>	(b)	\$	
Income at which tax offset begins to reduce	(c)	\$282	
Take (c) away from (b).	(d)	\$	
Divide (d) by 4 because your tax offset is reduced by \$1 for every \$4 of SNI over \$282. Do not show cents.	(e)	\$	
Take (e) away from (a).	(f)	\$	

The amount at (f) is your notional spouse tax offset for zone or overseas forces tax offset purposes. Transfer this amount to (b) **table I**.

**Child-housekeeper tax offset component**

Only read this section if you claimed a child-housekeeper tax offset at item **T1** (see part B question **T1**).

If you claimed a child-housekeeper tax offset at item **T1** (see part B question **T1**) and you did not have to reduce your tax offset because you, or your spouse during any period they were your spouse, received FTB Part B, write your child-housekeeper tax offset at (d) **table I**.

If you were required to reduce your claim for child-housekeeper tax offset because of FTB Part B, use **table F** on the next page.

**TABLE F**

	COLUMN 1 <b>No other dependent child or student</b>	COLUMN 2 <b>Another dependent child or student</b>
	\$1,655 or \$4.53 per day	\$1,984 or \$5.44 per day
Write your maximum tax offset allowable. If you had a child-housekeeper for only part of the year, multiply the number of days in that part of the year by the daily rate from your column.	(a) \$	\$
Your child-housekeeper's separate net income – see pages 69–70 in <i>TaxPack 2007</i>	(b) \$	\$
Income at which tax offset begins to reduce	(c) \$282	\$282
Take (c) away from (b) and divide by 4.	(d) \$	\$
Take (d) away from (a).	(e) \$	\$

Transfer the amount at (e) above to (d) **table I**.

**Housekeeper tax offset**

Only read this section if you claimed a housekeeper tax offset at item **T1** (see part C question **T1**).

If you claimed a housekeeper tax offset at item **T1** (see part C question **T1**) and you did not have to reduce your tax offset because you, or your spouse during any period they were your spouse, received family tax benefit (FTB) Part B, write your housekeeper tax offset at (e) **table I**.

If you were required to reduce your claim for a housekeeper tax offset because of FTB Part B read on.

*Full-year claim*

If you were entitled to the housekeeper tax offset for the full year (ignoring FTB Part B) write:

- \$1,984 at (e) **table I** if you had a dependent child or student, or
- \$1,655 at (e) **table I** if you did **not** have a dependent child or student.

*Part-year claim*

If you had a housekeeper for part of the year use **table G** in the next column.

**TABLE G**

	No dependent child or student	With dependent child or student
Amount of tax offset	(a) \$4.53 per day	\$5.44 per day
Number of days you qualify for the housekeeper tax offset	(b)	
Multiply (a) by (b).	(c) \$	\$

Transfer the amount at (c) above to (e) **table I**.

**Notional sole parent tax offset component**

Only read this section if you were a sole parent at any time during the income year.

If you had sole care of a dependent child or student **and** you have written an amount of at least \$1 at (c) **table I** (notional tax offset for dependent children or students), you may also be eligible for a notional sole parent tax offset. Read on.

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. We do not consider you to have had sole care if you were living with a spouse – married or de facto – unless special circumstances exist.

*Special circumstances*

If you had a spouse – married or de facto – at any time during 2006–07, you are entitled to a sole parent tax offset only in special circumstances. Generally, for special circumstances to exist, you must have been financially responsible for the dependent child or student and have had sole care, without the support a spouse normally provides.

Examples of situations where special circumstances may arise:

- you were married at any time during 2006–07 but during the year you separated from or were deserted by your spouse, and for the period that you will claim the sole parent tax offset you were not in a de facto relationship
- your spouse was in prison for a sentence of at least 12 months
- your spouse was medically certified as being permanently mentally incapable of taking part in caring for your child or student.

If you are unsure whether special circumstances applied, phone the Personal Infoline (see the inside back cover).

*Shared or joint custody after divorce or separation*

There are times, after divorce or separation, where both parents share the custody of a child or student. If you can show that you had sole care of a dependent child or student for part of the year, you may be able to claim the notional tax offset for that part of the year. This means more than just having access visits with the child or student.



We consider you to have had sole care of the child for the part of the year up to the day the child turned 21 years of age or the student turned 25 years of age if the dependent child:

- was not receiving full-time education and turned 21 years of age during 2006–07, or
- was a full-time student and turned 25 years of age during 2006–07.

You are only entitled to claim the tax offset for that part of the year before the birthday.

If you had sole care of a child or student for the whole of 2006–07, write **\$1,554** at (f) **table I** and add up your base amount.

**NOTE**

If you were entitled to a spouse, housekeeper or child-housekeeper tax offset (see part A, B or C of question **T1**) for any period during the year, you cannot claim a notional sole parent tax offset for the same period. If your claim at item **T1** did not cover the whole year you will need to use the part-year claim **table H**.

**TABLE H**

**Notional sole parent tax offset – part-year claim**

Number of weeks you had sole care of a child and were not entitled to a tax offset at question <b>T1</b>	(a)	
Multiply (a) by \$29.88.	(b)	\$

Transfer the amount at (b) above to (f) **table I**.

**Your base amount**

**TABLE I**

**Use this table to work out your base amount.** These are the tax offset components for your dependants, if any.

Parent, spouse's parent or invalid relative – from item <b>T11</b>	(a)	\$
Spouse – from item <b>T1</b> (part A question <b>T1</b> ) or <b>table E</b>	(b)	\$
Notional tax offset for dependent children or students – from <b>table B</b> , <b>table C</b> or <b>table D</b>	(c)	\$
Child-housekeeper from item <b>T1</b> (part B question <b>T1</b> ) or <b>table F</b>	(d)	\$
Housekeeper – from item <b>T1</b> (part C question <b>T1</b> ) or <b>table G</b>	(e)	\$
Sole parent from <b>table H</b>	(f)	\$
Add up all of these amounts.	(g)	\$

The amount at (g) is your base amount.

Read on.

**Final calculation**

**Multiple locations**

If you lived or worked in more than one zone, special area or specified overseas locality, and you were in one of them for 183 days or more, check **table A**. If the fixed amount

for that zone is higher than for the other zones where you were, use that fixed amount and **table J** below to work out your tax offset. (This will give you the greatest benefit.)

Otherwise, go to category 2.

**EXAMPLE**

Neil lived in zone A for 190 days and in zone B for 40 days. **Table A** shows that the fixed amount for zone A is higher than the zone B amount. Neil simply uses the zone A amount because this will give him the greater benefit. He ignores the time he spent in zone B.

**Category 1**

You were in only one zone or served only in specified overseas localities for at least 183 days.

**STEP 1** Complete **table J**.

**TABLE J**

Your fixed amount – from <b>table A</b>	(a)	\$
Your base amount – from <b>table I</b>	(b)	\$
Multiply (b) by the percentage figure from <b>table A</b> .	(c)	\$
Add (a) and (c).	(d)	\$
Any remote area allowance you received	(e)	\$
Take (e) away from (d).	(f)	\$

If you are claiming an overseas forces tax offset, the amount you can claim is (d). If you are claiming a zone tax offset, the amount you can claim is (f).

**STEP 2** Write your zone or overseas forces tax offset amount at **R** item **T9** on your tax return. Do not show cents. Go to question **T10**.

**Category 2**

You lived or worked in more than one zone or you served in a specified overseas locality for less than 183 days OR you served in a specified overseas locality and you were in one or more zones for at least 183 days.

You claim for the number of days in each eligible place divided by 183, **to a maximum of 183 days for a year**. Start with your zone that has the highest fixed amount in **table A**. This will give you the greatest benefit.

**Example 1:** You spent 100 days in zone A and 120 days in zone B. You would claim  $100 \div 183$  days for zone A and  $83 \div 183$  days for zone B.

**Example 2:** You served 100 days in a specified overseas locality. You would claim  $100 \div 183$  days.

**Example 3:** You served 100 days in an overseas locality as a member of the defence forces and served a further 83 days or more in a zone. You would claim the full overseas forces tax offset.

**Example 4:** You served 100 days in an overseas locality and 185 days in a special area. As the special area in **table A** shows the highest fixed amount and you use up the maximum 183 days for this, you would simply claim the full special area amount and ignore the 100 days in an overseas locality.

**STEP 1** Use **table K** to work out your claim for each zone, special area or overseas locality you were in (as in the examples on the previous page).

**TABLE K**

Your fixed amount – from <b>table A</b>	(a)	\$
Your base amount – from <b>table I</b>	(b)	\$
Multiply (b) by the percentage figure from <b>table A</b> .	(c)	\$
Add (a) and (c).	(d)	\$
Number of days spent or served there	(e)	
Multiply (d) by (e).	(f)	\$
Divide (f) by 183. This is the amount you can claim.	(g)	\$

**STEP 2** Once you have worked out the amount you can claim for each place you were in, add up all the amounts and then use **table L** to work out your total tax offset.

**TABLE L**

Total of the amounts you have worked out for each zone – from (g) <b>table K</b>	(a)	\$
Any remote area allowance you received	(b)	\$
Take (b) away from (a).		
This is the amount you can claim.		\$

If you served in a specified overseas locality for less than 183 days, the amount from (g) **table K** is the overseas forces tax offset you can claim.

If you served in a specified overseas locality and you were in one or more zones for at least 183 days, the various amounts for each zone or locality are given at (g) **table K**. Add up all the amounts at (g) **table K** for each zone, special area or overseas locality. This is the overseas forces tax offset you can claim.

**STEP 3** Write your zone or overseas forces tax offset amount at **R** item **T9** on page 12 of your tax return. Do not show cents. Go to question **T10**.

**SELECTED LOCALITIES WITHIN THE ZONES AND SPECIAL AREAS**

**ZONE A**

Western Australia	Northern Territory
Bidyadanga (Lagrange)	Alice Springs*
Broome*	Batchelor
Carnarvon	Darwin
Dampier	Hermannsburg
Derby	Katherine*
Goldsworthy	Pine Creek
Karratha	Santa Teresa
Marble Bar	Tindal
Newman*	
Pannawonica	<b>Queensland</b>
Paraburdoo	Camooweal
Port Hedland*	Cloncurry
Roebourne	Mount Isa*
Shay Gap	
Tom Price*	
Wittenoom	

**ZONE B**

Western Australia	Queensland
Boulder	Airlie Beach
Coolgardie	Atherton
Esperance	Augathella
Kalgoorlie*	Ayr
Kambalda	Barcardine
Leonora	Blackall
Mullewa	Bowen
Norseman	Cairns
Northampton	Cardwell
Ravensthorpe	Charleville
Southern Cross	Charters Towers
	Clifton Beach
	Collinsville
<b>New South Wales</b>	Cunnamulla
Bourke	Greenvale
Brewarrina	Home Hill
Broken Hill	Ingham
Cobar	Innisfail
Collarenebri	Longreach
Lightning Ridge	Mackay
Menindee	Mareeba
Wilcannia	Mossman
	Port Douglas
<b>Tasmania</b>	Proserpine
Queenstown	Quilpie
Rosebery	Sarina
	Tambo
	Townsville
<b>South Australia</b>	Tully
Woomera	Winton

## SELECTED LOCALITIES WITHIN THE ZONES AND SPECIAL AREAS (continued)

### SPECIAL AREAS

Western Australia	Queensland
Balladonia	Boulia
Deakin	Burketown
Denham	Cooktown
Eucla	Doomadgee
Exmouth	Georgetown
Fitzroy Crossing	Helen Vale
Halls Creek	Hughenden
Kununurra	Julia Creek
Laverton	Karumba
Leinster	Kowanyama
Madura	Normanton
Meekatharra	Stamford
Mount Magnet	Thargomindah
Onslow	Weipa
Rawlinna	Windorah
Turkey Creek (Bow River)	
Wiluna	
Wyndham	
Northern Territory	South Australia
Alyangula	Amata Aboriginal Community
Angurugu	Coober Pedy
Borrooloola	Cook
Elliott	Innamincka
Galiwinku	Leigh Creek
Jabiru	Marree
Lajamanu/Hooker Creek	Nullarbor
Maningrida	Oodnadatta
Milikapiti	Penong
Milingimbi	Roxby Downs
Nguiu	Tarcoola
Ngukurr	
Nhulunbuy (Gove)	
Numbulwar	
Oenpelli	
Papunya	
Ramingining	
Tennant Creek	
Yirrkala	
Yuendumu	
Yulara	
Tasmania	New South Wales
Furneaux Group Islands	White Cliffs
King Island	
	Islands and Territories
	Australian Antarctic Territory
	Cocos (Keeling) Islands
	Heard Island
	Lord Howe Island
	Macquarie Island
	McDonald Islands
	Norfolk Island
	Palm Isles Group

\* Locations that are within 250 radial kilometres of these locations are also in the relevant zone.

There are also other locations that may be in a zone or special area. If you are unsure, phone the Personal Infoline (see the inside back cover).

## QUESTION T10

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

# T10

T10

TAX OFFSETS

#### Did you have net medical expenses over \$1,500 in 2006–07?

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

**NO**  Go to question **T11**.

**YES**  Read below.

#### YOU NEED TO KNOW

Net medical expenses are the medical expenses you have paid less any refunds you got, or could get, from Medicare or a private health fund.

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

#### ! NOTE

You can only claim medical expenses for those of your dependants who were **Australian residents for tax purposes** (see pages 11–12 in *TaxPack 2007* for an explanation of this).

The medical expenses must be for:

- you
- your spouse – married or de facto – regardless of their income (see the definition of spouse on page 110 in *TaxPack 2007*)
- your children who were aged under 21 years, including adopted and stepchildren, regardless of their income
- any other child aged under 21 years – not a student – who you maintained and whose separate net income (SNI) was less than \$1,786 for the first child and less than \$1,410 for the second child and any subsequent children
- a student aged under 25 years who you maintained and whose SNI was less than \$1,786
- a child-housekeeper but only if you can claim a tax offset for them at item **T1** on your tax return, or
- an invalid relative, parent or spouse's parent but only if you can claim a dependant tax offset at item **T11**.

You and your dependants must be Australian residents for tax purposes but you can claim medical expenses paid while travelling overseas. You may also be able to include the medical expenses of certain dependants who are waiting to migrate to Australia – see **Did you have dependants waiting to migrate to Australia?** on page 69 in *TaxPack 2007*.

You can claim expenses relating to an illness or operation paid to legally qualified doctors, nurses or chemists and public or private hospitals. However, expenses for some cosmetic operations are excluded.

➤ To find out which operations and dental services and treatment are cosmetic and whether you can claim your payments for them, visit our website [www.ato.gov.au](http://www.ato.gov.au) or phone the Personal Infoline (see the inside back cover).

Medical expenses which qualify for the tax offset also include payments:

- to dentists, orthodontists or registered dental mechanics
- to opticians or optometrists, including for the cost of prescription spectacles or contact lenses
- to a carer who looks after a person who is blind or permanently confined to a bed or wheelchair
- for therapeutic treatment under the direction of a doctor
- for medical aids prescribed by a doctor
- for artificial limbs or eyes and hearing aids
- for maintaining a properly trained dog for guiding or assisting people with a disability (but not for social therapy)
- for laser eye surgery
- for treatment under an in-vitro fertilisation program.

Expenses which **do not** qualify for the tax offset include payments made for:

- cosmetic operations for which a Medicare benefit is not payable
- dental services or treatment that are solely cosmetic
- therapeutic treatment not formally referred by a doctor – a mere suggestion or recommendation by a doctor to the patient is not enough for the treatment to qualify; the patient must be referred to a particular person for specific treatment
- chemist-type items – such as tablets for pain relief – purchased in retail outlets or health food stores
- inoculations for overseas travel
- non-prescribed vitamins or health foods
- travel or accommodation expenses associated with medical treatment
- contributions to a private health fund
- purchases from a chemist that are not related to an illness or operation
- life insurance medical examinations
- ambulance charges and subscriptions
- funeral expenses.

## Nursing home (residential aged care facility) expenses

You can claim payments made to nursing homes or hostels (not retirement homes) if:

- the payments were made to an approved care provider **and**
- the payments were made for residential aged care received by an approved recipient **and**
- the recipient was assessed as needing care at levels 1 to 7.

If the recipient was not assessed as needing care at levels 1 to 7 but is subsequently reassessed at one of these levels, you can claim a tax offset for payments made from the date the new classification took effect.

If you are not sure which level of care you (or the care recipient you are claiming the expense for) have been assessed as requiring, contact the nursing home or hostel.

Residential aged care payments can be for:

- daily fees
- income tested daily fees
- extra service fees
- accommodation charges, periodic payments of accommodation bonds or amounts drawn from accommodation bonds paid as a lump sum.

The tax offset does not cover the following payments:

- lump sum payments of accommodation bonds
- interest derived by care providers from the investment of accommodation bonds (because these are not payments for residential aged care)
- payments for people who were residents of a hostel before 1 October 1997 and who did not have a personal care subsidy or a respite care subsidy paid on their behalf at the personal care subsidy rate by the Commonwealth (unless they have subsequently been reassessed as requiring care at levels 1 to 7), or
- payments for people assessed as requiring level 8 care.

## WHAT YOU MAY NEED

- Details of the medical expenses you can claim
- Details of refunds you received, or are entitled to receive, from Medicare or a private health fund

To help you work out what you can claim for medical expenses you have paid in 2006–07, you can ask for an itemised statement from:

- Medicare
- your private health fund
- chemists where you had prescriptions filled.

Some of the items shown on these statements may not qualify for the tax offset. You will need to exclude these items from your claim.

## ▶ COMPLETING THIS ITEM

To work out your tax offset, you can use the net medical expenses tax offset calculator on our website or use the worksheet below.

### WORKSHEET

Add up all your allowable medical expenses.	(a) \$
Add up all the refunds of these expenses which you have received or are entitled to receive.	(b) \$
Take (b) away from (a). This is your net medical expenses amount.	(c) \$
Take \$1,500 away from (c).	(d) \$
If the amount at (d) is \$0 or less, you cannot claim a tax offset.	
Divide (d) by 5 (to get 20%). The amount at (e) is your medical expenses tax offset.	(e) \$

Write the amount of your medical expenses tax offset at **X** item **T10** on page 12 of your tax return. Do not show cents.

# QUESTION T11

# T11

## PARENT, SPOUSE'S PARENT OR INVALID RELATIVE

T11

TAX OFFSETS

### Did you maintain your parent, your spouse's parent or an invalid relative?

**NO**  Go to question **T12**.

**YES**  Read below.

### YOU NEED TO KNOW

If you maintained your parent, your spouse's parent or an invalid relative you may be entitled to a tax offset. Before you complete this item, you need to read **Dependants and separate net income** on pages 69–70 and the definition of spouse on page 110 in *TaxPack 2007*.

You cannot claim for a relative who lives overseas, or who is on a visit to Australia – they must be a resident for tax purposes.

To complete this item you need to know each dependant's separate net income (SNI).

Your tax offset is reduced if:

- your dependant's SNI was \$286 or more
- you maintained your dependant for only part of the year
- another person helped to maintain your dependant, or
- your dependant lived in Australia for only part of the year.

If none of these points applies to you in relation to your dependant, you can claim the maximum tax offset for that dependant.

Where another person or persons contributed to the maintenance of your dependant, you can claim part of the allowable tax offset, according to the extent of your contribution. For example, if you and another person contributed equally to the maintenance of your dependent parent, you can claim half of the allowable tax offset.

### ▶ COMPLETING THIS ITEM

To work out your dependant tax offset for a full year or part of the year, you can use the parent, spouse's parent or invalid relative tax offset calculator on our website, or follow the steps below. You need to follow the steps for each dependent parent, spouse's parent or invalid relative. You will need to add up all your tax offset amounts before writing the total on your tax return.

**STEP 1** If you used our calculator, go to step 4.

**STEP 2** If your dependant's SNI was \$285 or less and you maintained them for the whole year, you can claim the maximum tax offset – \$745 for each dependent invalid relative and \$1,489 for each dependent parent or spouse's parent. Go to step 4.

If your dependant's SNI was \$285 or less and you maintained them for part of the year, go to **worksheet 2**.

If your dependant's SNI was \$286 or more, read on.

**STEP 3** If your dependant's SNI for the year was \$286 or more and you maintained them for:

- the whole year, use **worksheet 1**
- part of the year, use **worksheet 2**.

### WORKSHEET 1

Your dependant's SNI	(a)	\$
Take \$282 away from (a).	(b)	\$
Divide (b) by 4.	(c)	\$
If the amount at (c) is \$745 or more for an invalid relative, or \$1,489 or more for a parent or spouse's parent, you cannot claim a tax offset for your dependant. Go to question <b>T12</b> .		
If the amount at (c) is less than \$745 for an invalid relative, or less than \$1,489 for a parent or spouse's parent, read on.		
Take (c) away from \$745 for an invalid relative, or from \$1,489 for a parent or spouse's parent.	(d)	\$

The amount at (d), if it is more than zero (0), is your dependant tax offset. Go to step 4.

### WORKSHEET 2

Work out the number of days in the year you maintained your dependant while they were an Australian resident.	(a)	
Multiply the number of days at (a) by the following daily rate:		
■ \$2.04 if you had an invalid relative		
■ \$4.08 if you had a parent or spouse's parent.	(b)	\$
If your dependant's SNI was \$285 or less, the amount at (b) is your dependant tax offset. Go to step 4. Otherwise, read on.		
If your dependant's SNI was \$286 or more during the period they were your dependant, write their SNI at (c).	(c)	\$
Take \$282 away from (c).	(d)	\$
Divide (d) by 4.	(e)	\$
Take away the amount at (e) from the amount at (b).	(f)	\$

The amount at (f), if it is more than zero (0), is your dependant tax offset. Go to step 4.

**STEP 4** Write your parent, spouse's parent or invalid relative tax offset at **B** item **T11** on page 12 of your tax return. Do not show cents.

## QUESTION T12

### LANDCARE AND WATER FACILITY

# T12

T12

TAX OFFSETS

#### Did you have any landcare and water facility tax offset brought forward from an earlier year that you can use this year?

**NO**  Go to question T13.

**YES**  Read below.

#### YOU NEED TO KNOW

This question only applies if your income tax liabilities from earlier years have not absorbed all of the excess or unused landcare and water facility tax offset available to you. The amount of your excess or unused tax offset is shown on your notice of assessment for the year ending 30 June 2006.

There is no limit to the number of years you can carry forward any balance of landcare and water facility tax offset.

#### Unused net exempt income

Your brought forward landcare and water facility tax offset has to be successively reduced by any unused net exempt income derived in the year the tax offset arose and any subsequent year – provided you had a taxable income in that year.

Unused net exempt income is any net exempt income left after deducting any tax losses of earlier income years from that year's net exempt income. Exempt income is explained on pages 13–14 in *TaxPack 2007*.

If you have unused net exempt income and you had taxable income this year you must reduce your brought forward landcare and water facility tax offset by 30 cents for every dollar of unused net exempt income.

If you do not have any unused net exempt income, go to **Completing this item** below. If you have unused net exempt income, phone the Business Infoline (see the inside back cover) for more information on how to calculate the brought forward landcare and water facility tax offset.

#### WHAT YOU NEED

Your notice of assessment for the year ending 30 June 2006

#### COMPLETING THIS ITEM

Write the amount of landcare and water facility tax offset brought forward at **T** item **T12** on page 12 of your tax return. Do not show cents.

# QUESTION T13

# T13

## NET INCOME FROM WORKING – SUPPLEMENTARY SECTION

T13

TAX OFFSETS

### Were you an Australian resident aged 55 years or older on 30 June 2007?

**NO**  Go to question T14.

**YES**  Read below.

### YOU NEED TO KNOW

If you were aged 55 years or older on 30 June 2007, were an Australian resident and received income from working, you may be eligible for the mature age worker tax offset. We will automatically calculate your mature age worker tax offset based on the information you provide on your tax return (including this item).

#### ! DEFINITION

Your mature age worker tax offset is based on your **net income 'from working'** which includes:

- income that is mainly a reward for your personal effort or skills less any related deductions, and
- income from a business that you carry on, less any related deductions.

### ➤ COMPLETING THIS ITEM

We will work out your net income from working from any items you completed on your tax return. However, we need you to work out your net income from working in relation to any items you completed on your tax return (supplementary section). To do this, complete the worksheet below.

### WORKSHEET

<b>STEP 1</b> Transfer the income amounts from the relevant items you have completed on your tax return (supplementary section) to the boxes below. If you had a loss, print <b>L</b> in the <b>Loss</b> box at the right.			
Net personal services income (PSI)	(A) item 13	\$	Loss
Net income or loss from business – primary production	(B) item 14	\$	
Net income or loss from business – non-primary production	(C) item 14	\$	
Deferred non-commercial business losses from primary production	(I) item 15	\$	
Deferred non-commercial business losses from non-primary production	(J) item 15	\$	
Net amount of farm management deposits and withdrawals	(E) item 16	\$	
Add up all the income amounts and deduct any loss amounts.	(a)	\$	

**STEP 2** Work out the following income amounts. For some people the amounts you show in the boxes below will only be part of the amounts you have shown on your tax return (supplementary section). If you had a loss, print **L** in the **Loss** box at the right.

From <b>N</b> item 12 – distributions from partnerships – primary production, but only the distributions relating to income from working from the partnership tax return. See the note below.	\$	Loss
From <b>O</b> item 12 – distributions from partnerships less foreign income – non-primary production, but only the distributions relating to income from working from the partnership tax return. See the note below.	\$	
From <b>L</b> item 19 – only your net foreign employment income (not foreign pension or annuity income)	\$	
From <b>V</b> item 22 – only the following income:		
■ income from activities as a special professional that you have not included at item 1, 2, 12, 13 or 14	\$	
■ income protection, sickness and accident policy payments	\$	
■ discounts on shares or rights received under an employee share scheme where the shares or rights were issued to you this year	\$	
■ allowances or payments received as a member of a local government council	\$	
Add up all the income amounts and deduct any loss amounts.	(b)	\$
<b>Total income</b> Add (a) from step 1 and (b) from step 2 above.	(c)	\$

#### ! NOTE

You will have to do the following calculation for each partnership and for each partnership within a partnership, and then transfer the amount to step 2 above.

From your *Partnership tax return 2007*:  
*add up*

- the amount at **Net income or loss from business S** item 5 **Business income and expenses**
- only the amount of income from working in any **Distribution from partnerships** at **A** and **B** item 8 **Partnerships and trusts**
- only the amount of income from working at **O** item 12 **Other Australian income**



less

- only the amount of any partnership (not trust) deductions related to income from working included in **Deductions relating to distribution in labels A and Z** at **S** item **8 Partnerships and trusts** and **Deductions relating to distribution in labels B and R** at **T** item **8 Partnerships and trusts**
- only the amount of any deduction related to income from working at **Q** item **15 Other deductions**.

**STEP 3** Transfer the deduction amounts from the relevant items you have completed on your tax return (supplementary section) to the boxes below.

Landcare operations and deduction for the decline in value of water facility	<b>(I</b> item <b>12)</b>	\$
Landcare operations expenses	<b>(J</b> item <b>12)</b>	\$
Add up all the deduction amounts.	<b>(d)</b>	\$

**STEP 4** Work out the following deduction amounts. For some people the amounts you show in the boxes below will only be part of the amounts you have shown on your tax return (supplementary section).

From **X** item **12** – the total deductions that relate to your share of primary production income or loss from a partnership (not from a trust), but only the deductions relating to the distribution of income from working from the partnership tax return

\$

From **Y** item **12** – the total deductions that relate to your share of non-primary production income or loss from a partnership (not from a trust), but only the deductions relating to the distribution of income from working from the partnership tax return

\$

From **J** item **D15** – only the following deductions:

- income protection, sickness and accident insurance premiums
- debt deductions incurred in earning assessable income from working
- section 40-880 deductions relating to 'income from working'
- net personal services income (PSI) loss of a personal services entity that related to your PSI

Add up all the deduction amounts. **(e)** \$

**Total deductions**

Add **(d)** from step 3 and **(e)** from step 4 above. **(f)** \$

**STEP 5** Calculate your net income from working (supplementary section) using **(c)** from step 2 and **(f)** from step 4.

If **(c)** is not a loss, then  $(c) - (f) = (g)$

If **(c)** is a loss then  $(c) + (f) = (g)$

The amount at **(g)** is your net income or loss from working (supplementary section).

**STEP 6** Write the amount at **(g)** at **M** item **T13** on page 12 of your tax return. If you had a loss, print **L** in the box  at the right of **M**. Even if you had a loss you may still be entitled to the mature age worker tax offset.

**DO YOU WANT TO WORK OUT YOUR MATURE AGE WORKER TAX OFFSET?**

You do not have to work out your mature age worker tax offset. We will work out your net income from working from the information you provide on your tax return (including this item).

If you do want to work out your mature age worker tax offset, go to page 124 in *TaxPack 2007*.

**CHECK THAT YOU HAVE . . .**

- written your net income from working – supplementary section at item **T13** even if the amount is **0**
- written your date of birth on page 1 of your tax return
- answered the Australian residency question on page 1 of your tax return.

# QUESTION T14

## ENTREPRENEURS TAX OFFSET

# T14

T14

TAX OFFSETS

### Were you in the simplified tax system (STS) or did you receive a distribution from a partnership or trust that was in the STS?

**NO**  Go to question T15.

**YES**  Read below.

### YOU NEED TO KNOW

We will automatically calculate your entrepreneurs tax offset based on information you provide at this item.

The **entrepreneurs tax offset** is a tax offset equal to 25% of the income tax liability attributable to the business income of a small business in the STS with an annual STS group turnover of \$50,000 or less.

The tax offset is phased out when the STS group turnover is over \$50,000, and ceases when the group turnover reaches \$75,000.

Your entitlement to the tax offset is based on your **net STS income** or your share of net STS income if you are a partner in a partnership or a beneficiary of a trust: see **Definitions** in the next column for an explanation of net STS income. You are not entitled to the tax offset if you have no STS net income.

The tax offset can only reduce the amount of tax you must pay this year. That is, any unused tax offset cannot be refunded to you, deferred to reduce your tax in a later income year or transferred to another taxpayer to reduce their tax.

You may be eligible for more than one tax offset. For example, if you were a sole trader who had elected to enter the STS and you were also a partner in a partnership that had elected to enter the STS, you may be entitled to a tax offset in respect of your income as a sole trader and also in respect of your share of the net STS income from the partnership.

Your entitlement to the entrepreneurs tax offset may be affected by the rules concerning the grouping of STS entities and the calculation of STS group turnover. In the example in the previous paragraph, if the partnership is grouped with you as a sole trader, your STS group turnover is relevant in determining your eligibility to a tax offset in relation to your sole trader business income. In addition, the STS group turnover of the partnership is relevant in determining your eligibility to a tax offset in relation to your share of the partnership's net STS income. See **Definitions** in the next column for an explanation of STS group turnover.

### DEFINITIONS

**Net STS income** is the amount by which your STS annual turnover exceeds your allowable deductions attributable to that STS turnover; or if you were a partner in a partnership or a beneficiary of a trust, the amount by which the entity's STS annual turnover exceeded the entity's allowable deductions attributable to that STS turnover.

**STS annual turnover** is the value of the business supplies you made, or the entity made (if you are a partner in a partnership or a beneficiary of a trust) during the year.

Unlike your STS group turnover, it does not include the value of business supplies made by any entities that you are grouped with.


The **value of business supplies** means the value of supplies made in the ordinary course of carrying on a business. Supplies include:

- the sale of goods
- the provision of services
- interest received on amounts deposited in business banking accounts, and
- holding of security deposits forfeited by customers.

For supplies that do not attract goods and services tax (GST), the value is simply the price. For supplies that do attract GST, the value is the price less the GST component.

The value of business supplies does not include amounts such as:

- rental income where rental activities do not form an ordinary part of the business
- amounts received from the sale of a capital asset (for example, the sale of a building used in the business)
- payments received under an insurance recovery, and
- the principal component of a loan repayment.

 For more information on the value of business supplies, phone the Business Infoline on **13 28 66** or see *Taxation Ruling TR 2002/11 – Income tax: simplified tax system eligibility – STS average turnover*.

**Allowable deductions attributable to STS annual turnover** are the allowable deductions that you or an entity can claim which specifically relate to that turnover. The allowable deductions attributable to STS annual turnover do not include:

- any tax losses from prior years
- superannuation contributions
- gifts or donations, or
- costs of managing your or the entity's tax affairs.

If your or the entity's simplified tax system (STS) pool includes assets which are used partly for business and partly for other income-producing activities, then the STS pool deduction will need to be apportioned on a reasonable basis.

**STS group turnover** is the sum of:

- the value of business supplies you or the entity (if you are a partner in a partnership or a beneficiary of a trust) made during the year, and
- the value of business supplies made during the year by entities that you or the entity are grouped with, even if you or the entity did not earn or receive any income from those entities.

STS group turnover does not include the value of business supplies made between you (or if you are a partner in a partnership or a beneficiary of a trust, the entity) and any businesses you (or the entity) are grouped with.

If you are not grouped with any other entities under the STS grouping rules, your STS group turnover will also be your STS annual turnover.

➤ For more information on the STS grouping rules, phone the Business Infoline on **13 28 66** or see *Taxation Ruling TR 2002/6 – Income tax: simplified tax system: eligibility – grouping rules* (\*STS affiliate, control of non fixed trusts).

### Business carried on for only part of the year

For the purposes of the entrepreneurs tax offset, if you have been in business for only part of the year, you don't need to use a reasonable estimate of what the STS annual turnover or STS group turnover would have been if you had been in business for the whole year. This is in contrast to what is required when calculating STS average turnover or STS group turnover for the purposes of determining eligibility for STS.

➤ For more information on the entrepreneurs tax offset, phone the Business Infoline on **13 28 66** or see our publication *The simplified tax system – a guide for tax agents and small business*.

### WHAT YOU MAY NEED

- Details of all the business supplies you made during the year
- Details of the deductions that you can claim which are attributable to the business supplies you made during the year
- Details of all business supplies made during the year by entities you were grouped with
- A statement or advice from the partnership or trust showing the following details:
  - the partnership's or trust's STS group turnover
  - your share of the net partnership's or trust's STS income

### PART A

**Did you carry on a business as a sole trader AND have you elected to enter or continue in the STS at item S1 on the *Business and professional items schedule for individuals 2007*?**

**NO**  Go to part B on the next page.

**YES**  Read below.

**STEP 1** Calculate your STS group turnover in relation to your sole trader activities.

**Is your STS group turnover less than \$75,000?**

**NO**  Go to part B on the next page.

**YES**  Read below.

**STEP 2** Use the worksheet below to calculate your net STS income as a sole trader.

#### ! NOTE

If you carry on more than one business as a sole trader, the value of the business supplies from each business is added together when calculating your STS annual turnover and your net STS income as a sole trader.

### WORKSHEET

Your STS annual turnover	\$
<i>less</i>	
The allowable deductions attributable to the STS annual turnover	\$
<b>Net STS income</b>	\$

**Is your net STS income as a sole trader greater than zero?**

**NO**  Go to part B on the next page.

**YES**  Read below.

**STEP 3** Write the amount of your net STS income at **N** item **T14**.

**STEP 4** Write the letter **S** (representing sole trader) in the **CODE** box at the right of **N** item **T14**.

**STEP 5** Write the amount of your STS group turnover at **K** item **T14** and proceed to part B on the next page.

! If you are eligible to claim more than one entrepreneurs tax offset, then you need to:

- complete a SCHEDULE OF ADDITIONAL INFORMATION – ITEM T14. Include your name, address, tax file number and the information requested in part B and/or part C
- print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return
- sign and attach your schedule to page 3 of your tax return.

**PART B**

**Did you receive a distribution from a partnership which was a simplified tax system (STS) taxpayer for the income year?**

**NO**  Go to part C in the next column.

**YES**  Read below.

**Is the STS group turnover of the partnership less than \$75,000?**

**NO**  Go to part C in the next column.

**YES**  Read below.

**Is your share of the net STS income of the partnership greater than zero?**

**NO**  Go to part C in the next column.

**YES**  Read below.

**STEP 1** Write the amount of your share of the net simplified tax system (STS) income at **N** item **T14**.

**!** **NOTE**

When completing **N** item **T14**, do not reduce your share of net STS income by any deductions that you are entitled to claim for income tax purposes.

**STEP 2** Write the letter **P** in the **CODE** box at the right of **N** item **T14**.

**STEP 3** Write the amount of the partnership's STS group turnover at **K** item **T14** and proceed to part C in the next column.

**PART C**

**Did you receive a distribution from a trust which was an STS taxpayer for the income year?**

**NO**  Go to question **T15**.

**YES**  Read below.

**Is the STS group turnover of the trust less than \$75,000?**

**NO**  Go to question **T15**.

**YES**  Read below.

**Is your share of the net STS income of the trust greater than zero?**

**NO**  Go to question **T15**.

**YES**  Read below.

**STEP 1** Write the amount of your share of the net STS income at **N** item **T14**.

**!** **NOTE**

When completing **N** item **T14**, do not reduce your share of net STS income by any deductions that you are entitled to claim for income tax purposes.

**STEP 2** Write the letter **T** in the **CODE** box at the right of **N** item **T14**.

**STEP 3** Write the amount of the trust's STS group turnover at **K** item **T14** and go to question **T15**.

**CHECK THAT YOU HAVE . . .**

- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM T14 if you need to send us one
- completed a *Business and professional items schedule for individuals 2007* including the **S1** section relating to STS elections if you are claiming a tax offset in respect of your activities as a sole trader (code **S**).

# QUESTION T15

# T15

## OTHER TAX OFFSETS

T15

TAX OFFSETS

**Were you entitled to a tax offset for interest from the land transport facilities tax offset scheme or infrastructure borrowings scheme or did you perform work or services in the Joint Petroleum Development Area (JPDA) of the Timor Sea?**

**NO**  Go to **Total supplement tax offsets** on the next page.

**YES**  Read below.

If you can claim more than one of the tax offsets listed above, you will need to add up all your tax offset amounts before writing the total on your tax return (supplementary section).

### PART A

**Were you entitled to a tax offset for interest from the land transport facilities tax offset scheme or infrastructure borrowings scheme?**

**NO**  Go to part B in the next column.

**YES**  Read below.

You may be able to claim a tax offset if:

- you derived any interest from the land transport facilities tax offset scheme, or
- you elected to have interest derived from your investment in infrastructure borrowings included as part of your assessable income.

You may be entitled to a tax offset of 30%.

#### ! NOTE

If your interest derived from the land transport facilities tax offset scheme is subject to an annual upper limit under an agreement between the lenders, the borrowers and the Minister for Transport and Regional Services, you cannot claim a tax offset for the part of your interest that exceeds that upper limit.

**STEP 1** Work out the amount of interest derived from the land transport facilities tax offset scheme for which you can claim a tax offset and any amount of interest you received from infrastructure borrowings.

**STEP 2** Multiply the amount from step 1 by 30, then divide by 100. This is your interest tax offset.

### PART B

**Did you receive income for work or services performed in the Joint Petroleum Development Area (JPDA) of the Timor Sea?**

**NO**  Go to **Completing this item** below.

**YES**  Read below.

You will need a copy of the *Timor Sea Treaty – Joint Petroleum Development Area instructions 2007* (NAT 8277), available on our website, to work out how to deal with your JPDA income. The instruction sheet will tell you how to complete your tax return so that you receive the correct assessment.

#### ! NOTE

A recent change to worksheet 2 in the *Timor Sea Treaty – Joint Petroleum Development Area instructions 2006* removed steps (l), (m) and (n). If you used an earlier version of that worksheet to complete your tax return for any year from 20 May 2002, you can now use the new version, and if you get a different value for your foreign tax credit shown at (r) on the worksheet you can lodge a request for an amendment for that year.

### ▶ COMPLETING THIS ITEM

**STEP 1** Add up all your tax offset amounts at this item. Write the total at **C** item **T15** on page 12 of your tax return. Do not show cents.

**STEP 2** Complete the **CLAIM TYPE** box  at the right of **C** item **T15** as follows:

- If you are claiming a JPDA tax offset under part B, print **H** in the **CLAIM TYPE** box.
- If you are claiming a tax offset under the land transport facilities tax offset scheme or infrastructure borrowings scheme under part A, print **I** in the **CLAIM TYPE** box.
- If you are claiming for more than one type of tax offset and code letters **H** and **I** both apply, choose the code letter that applies to the largest amount and print it in the **CLAIM TYPE** box.

## TOTAL SUPPLEMENT TAX OFFSETS

### Did you claim any tax offsets at items T8, T9, T10, T11, T12 and T15?

**NO**  Go to step 4.

**YES**  Go to step 1.

**STEP 1** Add up all the tax offset amounts in the right-hand column of items **T8, T9, T10, T11, T12** and **T15** on your tax return.

**STEP 2** Write the amount from step 1 at **TOTAL SUPPLEMENT TAX OFFSETS** on page 12 of your tax return. Do not show cents.

**STEP 3** Transfer the amount you wrote at **TOTAL SUPPLEMENT TAX OFFSETS** to **T** on page 4 of your tax return.

**STEP 4** Go to page 97 in *TaxPack 2007* to calculate your total tax offsets.

#### NOTE

We use the amount at item **T13** to work out your mature age worker tax offset entitlement. Do not include this amount at **TOTAL SUPPLEMENT TAX OFFSETS**.

# Adjustments

## QUESTION A3

# A3

### AMOUNT ON WHICH FAMILY TRUST DISTRIBUTION TAX HAS BEEN PAID

#### In 2006–07 did a trust, company or partnership distribute anything to you on which family trust distribution tax has been paid?

Distributions on which family trust distribution tax is payable may include:

- income or property from a trust or partnership
- dividends or property from a company
- the use of property owned by the trust, partnership or company for which you have not paid full value, such as the free use of a holiday house.

The trust, partnership or company should be able to tell you if family trust distribution tax has been paid on a distribution to you.

**NO**  Go to item **C1**.

**YES**  Read below.

#### YOU NEED TO KNOW

Family trust distribution tax is payable on any distribution made to a person outside a 'family group' by a trust which has elected to be a family trust or by a trust, partnership or company which has elected to be included in the family group of a family trust.

To the extent that family trust distribution tax has been paid on a distribution to you, the part of that distribution that is included in your assessable income is reduced proportionately. However, any part of the distribution that would have been included in your assessable income if family trust distribution tax had not been paid – reduced by any expenses that would have been deductible against it – is taken into account in determining your liability for the Medicare levy surcharge. This is the amount that should be shown at this item.

#### EXAMPLE

During 2006–07 the Jones family trust distributed \$1,000 to Anne-Marie. The Jones family trust had elected to be a family trust from before the time the distribution was made but, because Anne-Marie is not a member of the family group of the Jones family trust, family trust distribution tax is payable on the \$1,000 distribution. This was paid in full by the trustee of the Jones family trust.

As a result, Anne-Marie does not include in her assessable income any part of the \$1,000 distribution. Instead Anne-Marie shows at this item the \$1,000 distribution from the Jones family trust less any expenses that would have been deductible against it.

However, had family trust distribution tax not been paid, Anne-Marie would have had to include in her assessable income any part of the distribution that was assessable.

#### ▶ COMPLETING THIS ITEM

**STEP 1** Add up the amounts or value of all distributions to you by a trust, partnership or company during 2006–07 which would have been assessable income if family trust distribution tax had not been paid.

**STEP 2** Add up any expenses which you would have been able to claim as a deduction if the distributions had been included in your assessable income.

**STEP 3** Take away your step 2 amount, if any, from your step 1 amount.

**STEP 4** Write the amount from step 3 at **X** item **A3** on page 12 of your tax return. Do not show cents. If the amount from step 3 is zero or less than zero, do not write anything. You have finished this question.

A3

ADJUSTMENTS

# Credit for interest on tax paid

## QUESTION C1

# C1

### CREDIT FOR INTEREST ON EARLY PAYMENTS

**C1****CREDIT FOR INTEREST ON TAX PAID**

During 2006–07, did you make any of the following payments to the Tax Office more than 14 days before the due date:

- income tax (including Medicare levy) shown on your notice of assessment
- Higher Education Contribution Scheme (HECS) assessment debt shown on your notice of assessment
- Higher Education Loan Programme (HELP) compulsory repayment amount shown on your notice of assessment
- Student Financial Supplement Scheme (SFSS) assessment debt shown on your notice of assessment
- interest on distributions from non-resident trust estates
- shortfall interest charge
- an income tax penalty for the 1999–2000 and earlier income years
- a general interest charge for lodging a late income tax return for income years up to and including 1999–2000
- a general interest charge on the shortfall of tax relating to an amended assessment for income years up to and including 1999–2000.

**NO**  Go to the **Checklist** on the next page.

**YES**  Read below.

You can claim for interest on an early payment either by writing to the Tax Office for a direct payment or by completing this item. If you have already requested the direct payment of interest on your early payment, do not claim it at this item.

### YOU NEED TO KNOW

The following are not early payments:

- pay as you go (PAYG) withholding amounts including:
  - amounts withheld from interest, dividends and royalties
  - amounts withheld by payers including those withheld for HECS, HELP and SFSS
- PAYG instalments.

➤ For more information, read the publication *Interest on early payments and overpayments of tax 2007* (NAT 2277–6.2007) or chapter 82 of the *ATO Receivables Policy*, 'Interest on early payments'. The publication and policy are available on our website.

The interest you receive will need to be shown as income on your tax return for the year in which we paid or credited the interest to you.

The interest period starts on the date you made your payment or the issue date of your notice informing you of

the amount of tax, debt, interest or instalment, whichever is the later. The interest period ends on the due date for payment. For example, a notice of assessment issued to you on 19 September 2006 showed an amount of tax payable. If the amount was due on 21 November 2006 but you paid early, on 1 November 2006, the interest period would be 21 days – 1 November to 21 November.

The interest rate applying for each quarter of 2006–07 is shown below:

### INTEREST RATES FOR EARLY PAYMENTS CALCULATION

Period	Interest rate (% pa)
1 July 2006 to 30 September 2006	5.87
1 October 2006 to 31 December 2006	6.19
1 January 2007 to 31 March 2007	6.37
1 April 2007 to 30 June 2007	6.37

### WHAT YOU NEED

- Notification from the Tax Office showing the date of the notice, the amount owing and the due date
- Details of your date of payment, shown on your bank statement or receipt from the post office or the Tax Office. Allow three extra days if you posted your payment.

### ➤ COMPLETING THIS ITEM

If the early payment extends over two or more interest periods, you will need to do steps 1 to 4 for the number of days in each period.

**STEP 1** Work out by how many days your payment was early. This is the number of days from either the date you paid the amount or the issue date on your notice informing you of the amount of tax, debt, interest or instalment – whichever is the later – up to and including the date when the payment was due.

**STEP 2** Divide the number of days from step 1 by 365.

**STEP 3** Multiply the answer you got at step 2 by the amount of the payment.

**STEP 4** Multiply the answer from step 3 by the rate of interest for the period and divide by 100. For example, for the period 1 July 2006 to 30 September 2006, multiply by 5.87 and divide by 100.

**STEP 5** Add up the amounts for each period in step 4.

**STEP 6** If the amount from step 5 is equal to or greater than 50 cents, write the total at **Q** item **C1** on page 12 of your tax return. Show cents. If the amount is less than 50 cents, you cannot claim.

**STEP 7** You have now finished this question. Go to the **Checklist** on the next page.