

TAXpack 2002



○ You may also need
TaxPack 2002 supplement
SEE PAGE 7

○ Did you have a baby in 2001–02?
SEE PAGE 9

○ Lodge your tax return
by 31 October 2002

○ **www.ato.gov.au**

○ Choose **e-tax** for a faster refund
SEE PAGE 5



Commissioner's guarantee

The Commissioner offers you the following protections if you use *TaxPack 2002* properly:

- As a *TaxPack* user you will not be expected to know more than we have presented to you in *TaxPack* and its related publications.
- We have made every effort, including consultation with tax professionals outside the Australian Taxation Office, to make sure that *TaxPack* is accurate. Nevertheless, if something is misleading and you make a mistake as a result, we will not charge you a penalty or general interest charge (GIC) on any missing tax.
- If you use *TaxPack* properly and make an honest mistake, my staff, including my auditors, will accept that you have honestly described your tax affairs. We will not charge you a penalty, although we may ask you to pay GIC on any missing tax.

Naturally, if you don't use *TaxPack* properly when you prepare your tax return, you are not covered by these protections.



A handwritten signature in black ink that reads "Michael Carmody". The signature is written in a cursive style and is positioned above a horizontal line that serves as a separator.

Michael Carmody
Commissioner of Taxation

Using *TaxPack 2002* properly means you must:

- have on hand all your necessary documentation and records for the 2001–02 income year (1 July 2001 to 30 June 2002)
- read all the preliminary pages—they provide valuable information ranging from whether you need to lodge a tax return at all, to how you can get a faster refund
- read each question caption carefully and
 - if it does not apply to you, go to the next question
 - if it does apply to you, read the question carefully so that you provide the required details on your tax return
- make sure that you complete the Medicare levy surcharge question (M2). It applies to all taxpayers
- be aware of the Index at the back of *TaxPack*—it can help you to find information that is relevant to your circumstances
- use the checklist on page 107 before you lodge your tax return.

TaxPack 2002 has been prepared to help you complete your tax return correctly—see **Self-assessment—it's your responsibility** on page 8.

There is a *Taxpayers' Charter* which sets out your rights and obligations along with the service and other standards you can expect from us. For more information see page 114.

The logo for e-tax, featuring the word "e-tax" in a stylized, lowercase font. The "e" is larger and more prominent, with a circular graphic element around it. The logo is set against a background of a globe.

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Taxpayers may copy parts of *TaxPack 2002* and *TaxPack 2002 supplement* for their personal records.

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DO YOU HAVE TO LODGE A TAX RETURN?

information

There are a number of reasons, listed below, why you may have to lodge a tax return for the 2001–02 income year (1 July 2001 to 30 June 2002). **Check each reason in order—REASON 1 to OTHER REASONS.**

- If you find a reason that applies to your circumstances, you have to lodge. You do not have to read any further—proceed to page 4.
- If none of the reasons listed applies to you, go to page 3 to find out if you need to complete a *2002 non-lodgment advice*.

REASON 1

You paid tax during 2001–02.

You need to lodge if you were an Australian resident for tax purposes (see page 10) and any of the following applied to you:

- You had amounts of tax withheld from income you received or earned.
- You were required to lodge an activity statement under the Pay As You Go (PAYG) system and/or pay an instalment amount during the year, and that amount has not been fully refunded to you.
- You had amounts withheld from interest, because you did not quote your tax file number (TFN) or Australian Business Number (ABN) to the investment body.

REASON 2

You were eligible for the Senior Australians tax offset—you must meet all 4 conditions on page 81.

You need to lodge if your taxable income was more than the following relevant amount:

- if you were single, widowed or separated at any time during the year—\$20 000
- if you had a spouse but either of you lived in a nursing home or you had to live apart due to illness—\$18 883
- if you lived with your spouse for the full year—\$16 306.

REASON 3

You received a Commonwealth of Australia government pension, allowance or payment but you are not eligible for the Senior Australians tax offset.

You need to lodge if any of the following applied to you:

- You received an allowance or payment listed at question **5** on page 22 and you had other income and your taxable income was more than \$6883.
- You received a pension, allowance or payment listed at question **6** on page 23 AND your taxable income was more than the following relevant amount:
 - if you were single or widowed at any time during the year—\$16 570
 - if you had a spouse but either of you lived in a nursing home or you had to live apart due to illness—\$15 764
 - if you lived with your spouse for the full year—\$13 835.

REASON 4

You were not eligible for the Senior Australians tax offset and you did not receive a Commonwealth of Australia government pension, allowance or payment but you received or earned income.

You need to lodge if your taxable income exceeded the following amounts:

- \$6000 if you were an Australian resident for tax purposes for the full year
- \$643 if you were under 18 years of age at 30 June 2002 and your income was not salary or wages
- \$1 if you were a non-resident and you had income taxable in Australia—excluding income that has non-resident withholding tax withheld from it
- **Part-year tax-free threshold amount** If you stopped full-time education for the first time or you became or stopped being an Australian resident for tax purposes, you will have a part-year tax-free threshold which determines whether you have to lodge a tax return. Page 116 shows you how to work out this amount.

OTHER REASONS

You need to lodge if any of the following applied to you:

- You are the liable parent under a child support assessment.
- You have a reportable fringe benefits amount on your *PAYG payment summary—individual non business*.
- You are entitled to a tax offset at question **T4** on pages 87–90.
- You carried on a business.
- You made a loss or you can claim a loss you made in a previous year.
- You were entitled to a distribution from a trust, or you had an interest in a partnership AND the trust or partnership carried on a business of primary production.
- You were an Australian resident for tax purposes and you had exempt overseas employment income and \$1 or more of other income. Pages s20–4 in *TaxPack 2002 supplement* explain what is meant by exempt overseas employment income.
- You are a special professional covered by the income averaging provisions. These provisions apply to authors of literary, dramatic, musical or artistic works, inventors, performing artists, production associates and active sportspersons.
- You received income from dividends or distributions exceeding \$6000 (or \$416 if you were under 18 years of age at 30 June 2002) AND you had imputation credits or amounts withheld because you did not quote your TFN or ABN to the investment body.

Deceased estate

If you are looking after the estate of someone who died during 2001–02, consider the above points on their behalf and, if a tax return is not required, complete the *2002 non-lodgment advice* below and send it to the Australian Taxation Office. If a tax return is required, see page 11 for more information.

NOTE**Imputation credits**

If you have an imputation credit—shown on your dividend statement or your distribution statement from a managed fund for 2001–02—so long as you satisfy certain conditions you may be able to claim a refund of this imputation credit without lodging a tax return. The publication *Refund of imputation credits application and instructions for individuals* (NAT 4105—6.2002) has more information about the conditions that apply and how you can claim your imputation credit.

Baby bonus

If you are claiming the baby bonus for 2002 (see page 9) but you do not have to lodge a tax return, you can claim the baby bonus in one of 2 ways, without lodging a tax return:

- You can claim electronically using *e-tax*, which has a

separate baby bonus application—see page 5 for further information about *e-tax*.

- You can get the publication *2002 baby bonus instructions and claim* (NAT 6580—6.2002) and send your claim to the Australian Taxation Office (ATO).

If you are lodging a claim for **both** baby bonus and a refund of imputation credits, you must send the claims together to the ATO. You can use *e-tax* when lodging these claims together, but you will be required to complete a full tax return in the *e-tax* application.

The publications *Refund of imputation credits application and instructions for individuals* and *2002 baby bonus instructions and claim* are available on the ATO website at www.ato.gov.au. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

2002 non-lodgment advice

If you do not need to lodge a tax return, you will need to complete the form below and send it to the Australian Taxation Office (ATO) unless one of the following applied to you:

- You have previously sent us a tax return or non-lodgment advice, a form or a letter that told us that you do not need to lodge a tax return for all future years.
- Your only income was from an allowance or payment listed at question **5** on page 22 OR you received a pension, allowance or payment listed at question **6** on page 23 and your taxable income was less than the relevant amount in REASON 2 (if you are eligible for the Senior Australians tax offset) or REASON 3. (The agencies that pay these have provided information for us to determine that you do not need to lodge a tax return.)

**Your tax file number**

It is not an offence not to quote your tax file number (TFN). However, your TFN helps the ATO to correctly identify your tax records.

Your date of birth

Day Month Year

Your name

Title—for example, Mr, Mrs, Ms, Miss

Surname or family name

Given names

Your postal address

Suburb or town

State

Postcode

Country if not Australia

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

NO Read on.

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

Suburb or town

State

Postcode

Country if not Australia

Your telephone number during business hours—if it is convenient

Area code

Telephone number

Reason for not lodging a tax return

I will not have to lodge a tax return for 2002 because none of the reasons listed on page 2 applies.

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

I declare that the information I have given in this non-lodgment advice is true and correct.

Signature

Date

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

Use the pre-addressed envelope provided with *TaxPack* to send your non-lodgment advice to the ATO by 31 October 2002. See page 108 for more details.

NAT 2586—6.2002

 You can do it yourself using *TaxPack 2002*

Just follow the instructions and make sure you lodge your tax return by 31 October 2002.

 Use *e-tax* and lodge your income tax return over the Internet



e-tax will help you to prepare your income tax return easily, quickly and securely using the Internet. *e-tax* will ask you questions and complete your tax return based on your answers. Your tax refund or tax debt will then be calculated for you. Most tax returns lodged using *e-tax* are processed within 14 days. So, if you are eligible for a refund, you will receive it quickly. If you have a tax debt, you still have until 21 November to pay. Visit the Australian Taxation Office website at <www.ato.gov.au> and lodge your tax return using *e-tax*.

 Someone else can do it for you

FAMILY MEMBER OR FRIEND

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

TAX HELP COMMUNITY VOLUNTEERS

Tax Help is a network of community volunteers trained to help people prepare their tax returns or claims for a refund of imputation credits.

This free service is available for people on low incomes—including those who are also seniors, people from non-English speaking backgrounds, people with a disability, Aboriginal people, Torres Strait Islander people and students.

See page 14 in *TaxPack 2002* for more information.

REGISTERED TAX AGENTS

A registered tax agent can prepare and lodge your tax return for a tax deductible fee. A list of registered agents can be found at <www.tabd.gov.au> or you can check with the Tax Agents' Board on **1300 362 829**. If you did not go to a tax agent last year—or you will be going to a different tax agent this year—make sure that you see them before 31 October 2002.

Even if someone else—a family member, friend or tax agent—helps you to prepare your tax return, you are still legally responsible for the accuracy of the information. See **Self-assessment—it's your responsibility** on page 8.

SIGNING YOUR TAX RETURN

You must sign and date the *Taxpayer's declaration* on your tax return to confirm that it is true and correct. Someone else may sign your tax return on your behalf if they have authority to do so under a power of attorney.

CHOOSE *e-tax*—MOST REFUNDS IN LESS THAN 14 DAYS

e-tax—Australian Taxation Office easy tax return preparation and lodgment software



All you need is access to a computer and the Internet.

e-tax will take you through an on-screen interview, complete your tax return and give you an estimate of your personal income tax refund or tax debt. And most tax returns lodged using *e-tax* are processed within 14 days.

Last year over 280 000 taxpayers lodged their tax returns using *e-tax*.

What you need to know about *e-tax*:

e-tax is free.

e-tax is secure.

e-tax makes tax return completion easy.

Many of the calculations are done for you—automatically.

All the extra information you may need is built into the Help files.

What you need to do to find *e-tax*:

Just log on to <www.ato.gov.au>
and click on 'For Individuals' then select



www.ato.gov.au

Advice

You can ring the Australian Taxation Office

You can ring the Australian Taxation Office (ATO) if you need assistance with a question in *TaxPack*, including the supplement, or another matter concerning your tax affairs. (You may need to provide information to prove your identity—for example, your tax file number and details from a recent notice of assessment.) If you decide to ring us, please have your *TaxPack* or supplement handy. See the inside back cover of *TaxPack* for the right telephone number to ring.

If you would like to visit the ATO, ring for an appointment. Our telephone number and office locations are listed on page 125.

You can ask for a taxation ruling

If you have a complex enquiry about your tax affairs, you may want to ask for a private ruling.

To do this, complete an *Application for a private ruling for individuals* (NAT 4106—3.2001). To find out how to get this publication, see the inside back cover of *TaxPack*.

A private ruling relates only to your particular situation. Your tax return should reflect what the private ruling says. You may need to change your tax return if you lodge it before you receive your private ruling.

The ATO publishes on its website all private rulings issued. What we publish will not contain anything which could identify you. For more information, see the *Application for a private ruling for individuals*.

You can ask for a review of your private ruling if you disagree with it even if you have not yet received your assessment. Details of the review procedures are sent to you when the private ruling decision is made.

Binding Oral Advice

You can get an oral ruling from the ATO over the phone or in person on a simple tax enquiry that relates specifically to your own tax affairs. An oral ruling is binding on the ATO in much the same way as a private ruling. This service is called Binding Oral Advice.

Certain conditions apply. Your tax affairs must be simple in nature and you must be able to confirm your identity. Your tax file number and most recent notice of assessment will usually be sufficient proof of identity.

We will confirm your eligibility for Binding Oral Advice by asking you a series of questions to confirm that your enquiry and tax affairs are simple. If you receive Binding Oral Advice the ATO will provide you with a registration number for your ruling.

To get further information or to apply for Binding Oral Advice ring the Personal Tax Infoline on the inside back cover of *TaxPack*. Information on Binding Oral Advice is also available on the ATO website at <www.ato.gov.au>.

Product rulings

Is there a product ruling for a managed investment scheme you have invested in? The ATO website has more information about product rulings and lists of current product rulings on the aggressive tax planning website—log onto <www.ato.gov.au/atp>. A product ruling provides certainty for investors in the arrangement it relates to by confirming that the tax benefits set out in the product ruling are available, provided that the arrangement is carried out in accordance with the details provided by the applicant and described in the product ruling.

Publications

TaxPack referred publications

Because we can't cover everything in *TaxPack*, we will sometimes refer you to other publications that will help you to complete your tax return. Some publications are essential to complete some items. These publications are available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Tax returns

Additional copies are available from our Publications Distribution Service or the ATO—see the inside back cover of *TaxPack*.

TaxPack 2002 and TaxPack 2002 supplement



From 1 July to 31 October 2002 you can get additional copies from newsagencies displaying this logo. Copies are also available all year from ATOaccess sites.



TaxPack is divided into 2 parts:

- TaxPack 2002 with the 2002 tax return for individuals
- TaxPack 2002 supplement with the 2002 tax return for individuals (supplementary section).

The list below shows you the questions in *TaxPack 2002 supplement*. Please check to see if you need to use the supplement to complete your tax return.

TAXPACK 2002 SUPPLEMENT

Income

- 12 Partnerships and trusts
- 13 Personal services income*
- 14 Net income or loss from business*
- 15 Deferred non-commercial business losses*
- 16 Net farm management deposits or withdrawals
- 17 Capital gains or losses—for example, on disposal of assets*
- 18 Foreign entities
- 19 Foreign source income (including foreign source pension or annuity) and foreign assets or property
- 20 Rent
- 21 Bonuses from life insurance companies and friendly societies
- 22 Other income—not listed elsewhere

Deductions

- D12 Australian film industry incentives*
- D13 Deductible amount of undeducted purchase price of a foreign pension or annuity
- D14 Non-employer sponsored superannuation contributions—generally for the self-employed
- D15 Other deductions

Tax offsets

- T5 Superannuation contributions on behalf of your spouse
- T6 Zone or overseas forces
- T7 20% tax offset on net medical expenses over \$1250
- T8 Parent, spouse's parent or invalid relative
- T9 Landcare and water facility
- T10 Other tax offsets

Credit for interest on tax paid

- C1 Credit for interest on early payments—amount of interest

* This question has a related publication which you must read before you can complete the question. The details are explained at the relevant question.



If you have not received *TaxPack 2002 supplement* and need to use it, from 1 July to 31 October 2002 you can get a copy from newsagencies displaying this logo. Copies are also available all year from ATOaccess sites.



Does the capital gains tax question apply to you?

Some taxpayers may not be aware that question **17 Capital gains** applies to their circumstances. The following information is provided as a general guideline to help you decide if you need to complete question **17**.

Capital gains or losses

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

The most common CGT event happens if you dispose of an asset to someone else—for example, you sell it or give it away. CGT assets include land, shares in a company, units in a unit trust, contractual rights, options, foreign currency and goodwill.

Here are examples of other common CGT events:

- An asset you own is lost or destroyed.
- An asset (such as shares you own) is cancelled, surrendered or redeemed.
- A liquidator declares that shares you own are worthless.
- You received an amount in respect of a share or trust interest that was not income and was not for the disposal of the share or trust interest.
- You ceased to be a resident.

If you think you may need to complete question **17**, you will need *TaxPack 2002 supplement* **and** one of 2 publications:

- if you have invested only in shares, units in a unit trust or managed fund—*Personal investors guide to capital gains tax* (NAT 4152—6.2002)
- if you have other types of capital gains or losses—*Guide to capital gains tax* (NAT 4151—6.2002).

These publications explain how to work out your capital gains and capital losses. They are available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Remember, e-tax has a calculator that may help you to work out the amount of any capital gain or capital loss you may have made. See page 5 in *TaxPack 2002* for more information on e-tax.

TaxPack 2002 is a guide designed to help you complete your *2002 tax return for individuals* for the 2001–02 income year—from 1 July 2001 to 30 June 2002. You should have found 2 copies of the tax return and an envelope for lodgment enclosed with *TaxPack 2002*. If you need more copies of the tax return see page 6.

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

Self-assessment—it's your responsibility

Under our system of self-assessment the Australian Taxation Office (ATO) prepares *TaxPack*, *TaxPack supplement* and our other tax time publications to provide you with the information and guidance you need to complete your tax return. It is your responsibility to lodge a tax return that is signed, complete and correct. We then use the information on your tax return to issue your notice of assessment.

When you receive your notice of assessment, you may find that we have made some adjustments—for example, you may have made an error adding up your figures. However, we do not check everything in your tax return before issuing your notice of assessment.

The ATO may not initially adjust any claims you make in your tax return. We do not take responsibility for checking that your tax return details are correct—that is your responsibility.

At a later date we may check some of the details in your tax return more thoroughly—perhaps to review specific parts of your tax return or to conduct an audit. Under the law, the ATO is allowed a period of 4 years (depending on your circumstances—see **A shorter period of review**) where it can review a tax return and may increase or decrease the amount of tax payable. This period of review is extended to 6 years where tax avoidance is involved.

Please remember, even if someone else helps you to complete your tax return, you must sign the *Taxpayer's declaration* and you are responsible for the information provided in your tax return. Someone else may sign your tax return on your behalf if they have authority to do so under a power of attorney.

If, after lodging your tax return, you believe you have made a mistake see page 109 to find out what to do.

Lodge your tax return by 31 October 2002

You have from 1 July 2002 to 31 October 2002 to lodge your tax return, unless it is prepared by a registered tax agent.

Don't delay sending your tax return, even if you think you will owe tax. If you lodge your own tax return your tax is payable 21 days after your tax return is due for lodgment, irrespective of the date you are advised of the debt. The earliest due date for any 2001–02 personal income tax debt is 21 November 2002.

If you lodge your income tax return late, or not at all, any tax will be payable and general interest charge will be calculated from 21 November 2002. In addition a penalty for failure to lodge on time may be applied (see page 9).

If you cannot lodge by 31 October 2002

If you cannot lodge your tax return by this date due to circumstances beyond your control, contact us as soon as possible—and certainly before 31 October 2002—to find out if you can lodge at a later date. Ring our Personal Tax Infoline on the inside back cover of *TaxPack* or send a written request to the address that appeared on your *2001 notice of assessment*, if you have one, or to your nearest tax office (see page 125). Explain why you need to lodge late and suggest another date. We will consider your request and contact you.

The following explanations will not normally be accepted as reasons for allowing a late lodgment: a delay in receiving your payment summary, losing your payment summary, or being absent from Australia.

If you have not received your payment summary or you have lost it, see **You need to know** on page 13 for information on late or lost payment summaries.

A shorter period of review

You are eligible for a new 2-year shorter period of review if you are an Australian resident and have simple tax affairs. Eligibility is dependent on your circumstances each tax year. A shorter period of review will apply to you for the 2001–02 income year if you:

- only received income from salary or wages (other than from associates), pensions, benefits or allowances paid by the Government, interest (from financial institutions and government bodies), and dividends (from resident public listed companies)
- only were entitled to deductions for the cost of managing tax affairs, account keeping fees and cash gifts/donations.

You are still eligible for a shorter period of review if you hold a capital gains tax asset and did not dispose of it (resulting in a capital gain or loss) in the 2001–02 income year.

If you are eligible for the 2-year shorter period of review this means that:

- you only need to keep certain tax records for the 2-year period (see page 14)
- the 2-year period applies for the ATO to review and amend your assessment (see **Self-assessment—it's your responsibility**)
- you must make any objection or amendment request within the 2-year period (see page 112).

The ATO will advise you on your *2002 notice of assessment* if you qualify for the shorter period of review for 2001–02.



Baby bonus

If you or your spouse had a baby, or gained legal responsibility of a child aged under 5—for example, through adoption—after 30 June 2001, either of you may be entitled to the baby bonus. The baby bonus is a Commonwealth government initiative helping families who have had a baby. The baby bonus is based on the income of either you or your spouse (not a combined family income) and is paid whether or not you currently get any other family benefits. To find out if you are eligible and how to get the *2002 baby bonus instructions and claim* (NAT 6580—6.2002), see page 73.



Commonwealth of Australia government pensions and allowances

There is a new **VETERAN CODE** box at question **6**. To make sure you get your correct tax offset entitlement, you need to print a veteran code at this box if you or your spouse is a veteran, war widow or war widower.



Senior Australians tax offset

There are changes to widen the eligibility rules for this tax offset—see page 81 to check whether you are eligible. If you are eligible to claim this tax offset, you must complete question **T2**.



Low value pool deduction

Under new rules you can choose to combine or 'pool' most depreciating assets used to earn assessable income (assets costing \$300 or less for which you can claim an immediate deduction are excluded) with a cost or opening value of less than \$1000, for the purposes of working out your deduction for decline in value (this is the new term for depreciation). The deduction for decline in value of depreciating assets in a low-value pool is worked out using a diminishing value rate of 37.5 per cent (a rate of 18.75 per cent is used for low-cost assets allocated to the pool in a year of income). Read question **D7** to find out if you can claim this deduction and how to do so.



Deduction for project pool

This is a new deduction to allow a special tax write-off for certain capital expenditure (such as the cost of feasibility studies) directly related to a commercial project. Any such capital expenditure is added together or 'pooled' and can generally be claimed over the life of the project—once the project has started. Read question **D6** to find out if you can claim this new deduction and how to do so.



Dividends from listed investment companies

If you received dividends from a listed investment company (LIC) in 2001–02 which included a capital gain amount, you may be entitled to a tax deduction—see question **D8**.



Failure to lodge on time penalty

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

NOTE

If your tax return is incomplete—for example, if it is not signed or a payment summary is missing—we may send it back to you. Where that happens, we consider that your tax return has been lodged on the date it is returned to us complete.

Generally, we apply a penalty of \$110 for every 28 days (or part thereof) your tax return is overdue, to a maximum of \$550. We may apply the penalty even where there is no tax payable. However, our policy is not to apply a penalty where your tax return:

- is lodged voluntarily and
- does not result in any tax payable.

We **are** likely to apply the penalty if:

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

The penalty is **in addition** to any general interest charge (GIC) that may apply if you do not pay any tax owing by the due date.



Thin capitalisation

New thin capitalisation rules have been introduced and apply in 2001–02.

The new thin capitalisation rules apply to you if:

- you are an Australian resident and you, or any of your associate entities, are an Australian controller of a foreign entity, or carry on business overseas through a permanent establishment or
- you are a foreign resident and you carry on business in Australia through a permanent establishment or otherwise have Australian income producing assets.

However, the thin capitalisation rules do not apply to you if:

- your debt deductions (together with the debt deductions of your associate entities) do not exceed \$250 000 in 2001–02 or
- you are an Australian resident and the value of your Australian assets together with the Australian assets of your associates, is not less than 90 per cent of the value of the combined total assets.

If the thin capitalisation rules apply to you, the deductions that you can claim for costs incurred in obtaining and servicing debt finance (debt deductions) may be reduced. Refer to the publication *Guide to thin capitalisation* (NAT 4461—6.2002) and complete the *Thin capitalisation schedule 2002* (NAT 6458—6.2002). These publications are available on the Australian Taxation Office website at www.ato.gov.au. Go to 'Business Tax Reform' in the Tax Reform website.



The Australian Taxation Office (ATO) requires the information you provide on page 1 of your tax return to start processing your tax return. It is important that you complete this page accurately to avoid delays.

Many of the items on page 1 of your tax return relate to your personal details and need no explanation. But we have provided some additional information on the tax related items to help you complete them. If you need further help ring the Personal Tax Infoline on the inside back cover of *TaxPack*.



Your tax file number (TFN)

If you already have a tax file number, it will be on your last notice of assessment or your payment summary from your employer or other payer. If you do not have these documents, to find out your TFN ring the Personal Tax Infoline on the inside back cover of *TaxPack*. We will ask you to provide information confirming your identity and we will post your TFN to you—**we cannot provide TFNs over the phone**.

If you have changed your postal address and you want to find out your TFN, you can advise your new address details by telephone if you can provide information that confirms your identity. If you are unable to confirm your identity, write to us with your request and your new address. We will then post your TFN to you.

If you do not have a TFN, ring the Personal Tax Infoline on the inside back cover of *TaxPack* to get a *Tax file number application or enquiry* (NAT 1432—2.2002). With your application you will need to provide original, unaltered documents showing proof of your identity. You will find a list of appropriate proof of identity documents on the application.



Are you an Australian resident?

The tax rates that apply to your taxable income depend on whether or not you are an Australian resident. A higher rate of tax is applied to a non-resident's taxable income and non-residents are not entitled to a tax-free threshold. See page 116 for more information.

The standards the ATO uses to determine your residency status are not the same as those used by the Department of Immigration and Multicultural and Indigenous Affairs.

Generally, the ATO considers you to be an Australian resident for tax purposes if:

- you have always lived in Australia or you have come to Australia and live here or
- you have actually been in Australia for more than half of 2001–02—unless your usual home is overseas and you do not intend to live in Australia.

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

Overseas students coming to Australia to study who are enrolled in a course that is more than 6 months long are generally treated as Australian residents for tax purposes.

If you are visiting Australia on a working holiday, you will generally not be considered an Australian resident for tax purposes.

If you need help in deciding whether or not you are an Australian resident for tax purposes, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Important: If your residency status for tax purposes has changed during 2001–02, you will need to answer question **A2** on pages 103–4. We need this information to work out your tax-free threshold.



Will you need to lodge an Australian tax return in the future?

This may be your last tax return if:

- your annual taxable income in the future will be below the tax-free threshold, \$6000 for 2002–03, or

- your only source of income in the future will be a Commonwealth of Australia government pension or
- you become eligible for the Senior Australians tax offset in the income year 2002–03, and your taxable income is below the threshold for lodging a tax return—for eligibility and threshold levels for 2001–02, see page 2—or
- you are moving overseas permanently.



Deceased estate—are you lodging a tax return for someone who died during the year?

Page 2 in *TaxPack 2002* will tell you if a tax return is required.

If yes, prepare a final tax return for the income year up to the date of death.

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

Certain types of income received after the date of death may need to be shown in a trust tax return. If you have any questions, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.



Electronic funds transfer (EFT)

Direct refund

By using EFT the Australian Taxation Office can deposit your tax refund, family tax benefit and/or any baby bonus directly into the Australian bank, credit union or building society account of your choice. EFT gives you quicker access to your money. Direct refund is not available on the full range of accounts. If you are in doubt, check with your financial institution.

Important: Be careful to provide the correct account details—if you provide another person's account details by mistake, your refund will be sent to that account.

Print **X** in the **YES** box on page 1 of your tax return at the question **Do you want to use electronic funds transfer (EFT) this year for your tax refund or family tax benefit payment where applicable?** If you used EFT last year and the account details you provided are correct, there is no need to provide them again.

If you are providing details this year write the following information on your tax return:

- the bank state branch (BSB) number. This is a 6-digit number that identifies the financial institution. The BSB number can be found on an account statement or a cheque form. If you do not know the BSB number, or it has less than 6 digits or is for a credit union account, check with the financial institution. Do not include spaces, dashes or hyphens in the BSB number
- the account number as shown on the account records. An account statement, cheque book or other document from the financial institution will show this information. You cannot use an account number longer than 9 characters. Contact your financial institution if you need to check that an account is suitable for direct refund. Do not include spaces in the account number
- the account name—also called account title—as shown on the account records. Include a space between each word and between any initials in the account name. Do not print the account type—for example, savings, cheque, mortgage offset.

Direct debit

If you have a tax debt, your notice of assessment will show a due date for payment. If you want to pay using EFT direct debit, ring the EFT helpline **1800 802 308**.

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

NOTE

If you need any more information on using EFT for direct refund, ring the EFT helpline **1800 802 308**.

Exempt income is not included in your tax return as income. The most common types of exempt income you may have received are listed here. Some questions in *TaxPack* ask you to show your spouse's exempt income.

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

Exempt Commonwealth of Australia government pensions, allowances and payments

Pensions

- carer payment where both the carer and either the care receiver or all of the care receivers are under age pension age, or the carer is under age pension age and any of the care receivers has died
- disability support pension paid by Centrelink to a person who has not reached age pension age
- double orphan pension
- invalidity service pension where the veteran is under age pension age
- partner service pension where both the partner and the veteran are under age pension age and the veteran receives an invalidity service pension, or the veteran has died and received an invalidity service pension at the time of death
- Veterans' Affairs disability pension and allowances, war widow's and war widower's pension
- wife pension where both the recipient and partner are under age pension age or the recipient is under age pension age and the partner has died

Note: *Superannuation Act 1976* and *Defence Forces Retirement Benefits Act 1948* pensions and payments are taxable. Show them on your tax return at item **7**.

Education payments

- supplementary allowances for students paid under the Assistance for Isolated Children Scheme
- allowances for students under 16 years of age including those paid under ABSTUDY, austudy payment, youth allowance, Assistance for Isolated Children Scheme, Commonwealth secondary education assistance and the Veterans' Children Education Scheme
- Australian-American Educational Foundation grant
- Commonwealth scholarships or bursaries provided to foreign students

- Commonwealth secondary assistance other than that already referred to
- pensioner education supplement and fares allowance paid by Centrelink
- some scholarships and bursaries received by full-time students

Other payments

- aged persons savings bonus
- carer allowance paid under the *Social Security Act 1991*
- child care benefit
- disaster relief payment
- employment entry payment
- family tax benefit
- farm household support payments that have been converted to a grant
- lump sum pension bonus paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- maternity allowance
- maternity immunisation allowance
- mobility allowance paid under the *Social Security Act 1991*
- open employment incentive bonus
- payments from the Commonwealth under the incentives payments scheme relating to certain private health insurance policies
- pharmaceutical allowances paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- remote area allowance
- rent assistance
- self-funded retirees supplementary bonus
- telephone allowance paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- the \$300 one-off payment for Senior Australians announced in the 2001 Federal Budget
- Veterans' Affairs loss of earnings allowance

Exempt Defence Force and United Nations payments

- pay and allowances for Defence Force personnel and prescribed civilians who served with certain United Nations peacekeeping forces—your employer will advise you if an amount is exempt
- pay and allowances for part-time service in the Australian Naval, Army or Air Force Reserve
- some allowances paid to Defence Force personnel who served in prescribed overseas areas—your employer will advise you if an allowance is exempt

Other exempt payments

- amounts on which family trust distribution tax has been paid (see question **A3** on page 105)
- Japanese internment compensation payments made under the *Compensation (Japanese Internment) Act 2001* or the *Veterans' Entitlements Act 1986*.
- most child support or spouse maintenance payments
- Mortgage and Rent Relief Scheme payments

Note: If you received a Commonwealth of Australia government payment during 2001–02 and are unsure if it is exempt income, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

STOP

Do not show at this question:

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

Otherwise you may be taxed incorrectly.

Other questions deal with these matters.

Refer to the relevant topics in the Index.

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

Include payments for lost salary or wages paid under an accident or insurance policy or worker's compensation scheme from which tax has been withheld.

NO  Go to question 2.

YES  Read below.

IMPORTANT

- Group certificates are now payment summaries.
- A tax instalment deduction is now tax withheld.
- Salary, wages and bonuses etc. are payments received.
- Employers are payers.
- Employees are payees.

What you need

To complete this question you need your *PAYG payment summary—individual non business* or a letter or signed statement from your payer which shows:

- your gross income (in the 'Gross payments' box on your payment summary)
- total tax withheld AND
- your payer's Australian Business Number (ABN) or Withholder Payer Number (WPN).

You need to know

Late, lost or wrong payment summaries, letters or signed statements from your payer

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

If you are unable to get these documents from your payer, you will need to complete the statutory declaration which is available from the Australian Taxation Office and attach it to page 3 of your tax return. You will need a separate statutory declaration for each payer from whom you have no documents.

This statutory declaration identifies the categories of information you need to show in your tax return such as the period or periods covered by your missing documents during which payments were made, the names of your payers, the amounts of tax withheld and the amount of gross payments you earned.

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

NOTE

If you lodge your tax return without a payment summary, signed copy, letter or statement from your payer, or statutory declaration, showing the correct details, we will send your tax return back to you to lodge it again with the necessary documents attached.

Completing this question

Step 1 Print the occupation from which you earned most of your salary or wages included at this question in the **Your main salary and wage occupation** box at item **1** on your tax return.

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

- Step 3** Write the amount of tax withheld as shown on each payment summary, signed copy, letter or statement from your payer, or the statutory declaration you have completed, at the left of **C** to **G** item **1** on your tax return. Do not show cents.
- Step 4** Write the amount of gross payments shown on each payment summary, signed copy, letter or statement from your payer, or the statutory declaration you have completed, at **C** to **G** item **1** on your tax return. Do not show cents. If the gross payment is exempt from tax or is foreign employment income—shown at item **19** on your tax return (supplementary section)—show **0** as the gross payment.

Important If you have more than 5 payment summaries, signed copies, letters or statements from your payers, or statutory declarations, complete steps 2 to 4 in this question for your first 4 documents only. For your 5th and remaining documents leave the **Payer's Australian Business Number** box at the left of **G** blank, add up the tax withheld shown on your 5th and remaining documents and write the total at the left of **G** item **1** on your tax return. Do not show cents.

Add up the amounts of gross payments shown on your 5th and remaining documents and write the total at **G** item **1** on your tax return. Do not show cents.

Check that you have . . .

- printed on your tax return your occupation
- printed on your tax return the Australian Business Numbers or Withholder Payer Numbers of your payers
- written on your tax return the amounts of tax withheld
- written on your tax return the amounts of gross payments
- attached to page 3 of your tax return your 'Payee's Tax Return Copy' of all your payment summaries, signed copies, letters or statements from your payers, or the statutory declarations you have completed
- kept a copy of your payment summaries, signed copy, letter or statement from each payer. You need to keep these records:
 - for 5 years after the end of the income year or
 - if you are subject to a shorter period of review (see page 8)
 - for 2 years after the due date for payment if you had a taxable notice of assessment or
 - for 2 years from the 30th day after you received your notice advising you that no tax is payable.



ARE YOU ON A LOW INCOME? FREE HELP WITH YOUR TAX RETURN

If you want to complete your own tax return, application for a refund of imputation credits or baby bonus claim—and you are a low income earner—but think you may need some assistance, then Tax Help may be the answer.

Our network of community volunteers are trained and supported by the Australian Taxation Office to help you.

Tax Help is a free and confidential service. Many low income earners who use Tax Help are seniors, people from non-English speaking backgrounds, people with a disability, Aboriginal people, Torres Strait Islander people, and students.

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

There are Tax Help centres throughout Australia. If you want to visit one of the trained volunteers you need to make an appointment first. You need to bring a *TaxPack* and all relevant papers with you when you visit.

For more information, or to find out where your nearest Tax Help centre is, ring the Personal Tax Infoline on **13 2861**.



Do not show at this question:

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

Otherwise you may be taxed incorrectly. Other questions deal with these matters.

Refer to the relevant topics in the Index.

Did you receive any income from working—whether or not it is shown on a *PAYG payment summary—individual non business*—such as:

- allowances
- payments of salary, wages, commissions, bonuses etc., including income earned from part-time and casual jobs, from which tax was NOT withheld
- tips, gratuities and payments for your services
- consultation fees and honoraria—payments for voluntary services?

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

NO Go to question 3.

YES Read below.

IMPORTANT:

- Group certificates are now payment summaries.
- A tax instalment deduction is now tax withheld.
- Salary, wages and bonuses etc. are payments received.
- Employers are payers.
- Employees are payees.

What you need

- your *PAYG payment summary—individual non business*
- other details of your income.

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

You need to know

Allowances and earnings from your payer may include:

- car, travel or transport allowances even if they were paid in cash
- allowances for tools, clothing or laundry
- dirt, height, site, risk, meal or entertainment allowances
- allowances for qualifications—for example, a first aid certificate
- any reimbursement of car expenses—calculated by reference to the distance travelled by the car—which is an exempt car expense payment benefit for fringe benefits tax purposes.

Award transport payments

Award transport payments are allowances covering either transport expenses or car expense reimbursements which are paid under an industrial law or award that was in force on 29 October 1986.

These payments are assessable income and must be included at this question.

If you have incurred car or transport expenses associated with these payments, you may be able to claim a deduction at question **D1** or **D2**—see pages 38–46.

Deductions

You cannot automatically claim a deduction just because you got an allowance. Carefully read the Deductions section that starts on page 36.

Completing this question

Step 1 At the left of **K** item 2 on your tax return write the total amount of tax withheld from allowances, earnings and other salary and wage income. Do not show cents.

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

Step 2 Add up all your allowances, earnings and other salary and wage income. Do not include amounts listed in the stop box on page 15.

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

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

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

Check that you have . . .

-  written on your tax return the total amount of tax withheld from allowances, earnings and other salary and wage income
 -  written on your tax return the total amount of allowances, earnings and other salary and wage income required to be shown
 -  attached to page 3 of your tax return your 'Payee's Tax Return Copy' of all your payment summaries, signed copies, letters or statements from your payers.
-

STOP

Do not show at this question:

- approved early retirement scheme payments and bona fide redundancy payments shown as lump sum **D** on your payment summary. These amounts are often paid at the same time as an eligible termination payment (ETP). Lump sum **D** amounts are not taxed and are not shown as income at any question in your tax return. If you received an ETP, you should complete question **4 Eligible termination payments**
- lump sum payments in arrears shown as lump sum **E** on your payment summary. These amounts are dealt with in question **22 Other income** (*TaxPack 2002 supplement*).

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

NO  Go to question **4**.

YES  Read below.

What you need

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

What are the amounts at A and B?

The amount at **A** was paid to you:

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

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

Completing this question

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

Step 1 Add up the amounts of tax withheld on all your payment summaries, signed copies, letters or statements from your payers. Do not include any amounts already included at question **1** or **2**. Write the total at the left of **R** item **3** on your tax return. Do not show cents.

Step 2 Add up the amounts at **A** on all your payment summaries, signed copies, letters or statements from your payers. Write the total at **R** item **3** on your tax return. Do not show cents.

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

Step 1 Add up the amounts of tax withheld on all your payment summaries, signed copies, letters or statements from your payers. Do not include any amounts already included at question **1** or **2** or at step 1 above. Write the total at the left of **H** item **3** on your tax return. Do not show cents.

Step 2 Add up the amounts at **B** on all your payment summaries, signed copies, letters or statements from your payers. Then divide by 20 to work out 5 per cent of the amount.

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

Check that you have . . .

-  written on your tax return the amounts of tax withheld
-  written on your tax return the amounts of income
-  attached to page 3 of your tax return your 'Payee's Tax Return Copy' of all your payment summaries, signed copies, letters or statements from your payers.

Did you receive an eligible termination payment (ETP)?

If you have received a lump sum payment which fits the description of one of the payments set out below—particularly if an ETP payment summary accompanied your lump sum—it is likely to be an ETP.

If you have received a lump sum on termination of foreign employment or from a non-resident superannuation fund, you need to read question **19** in *TaxPack 2002 supplement*.

NO  Go to question **5**.

YES  Read below.

You need to know

NOTE On an ETP payment summary, your ETP is the assessable amount shown at 'Section 3 ETP cash payment details'.

NOTE You can also find more information in the publications *Eligible termination payments: an employees guide to lump sum payments from your employer* (NAT 2700—12.2001) and *Eligible termination payments: an individual's guide to lump sum superannuation payments* (NAT 2701A—9.2000). These publications are available on the ATO website at www.ato.gov.au. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

An ETP is:

- a lump sum paid to you by your employer when you retired or ceased employment, such as:
 - a payment in lieu of notice or a 'golden handshake'
 - a payment for unused sick leave or unused rostered days off
 - compensation for loss of a job or wrongful dismissal
 - a bona fide redundancy payment or an approved early retirement scheme payment that exceeded the tax-free threshold for such payments—currently \$5295 plus \$2648 for each complete year of service
 - a payment received because of invalidity
- a lump sum payment from a superannuation fund, an approved deposit fund, retirement savings account, a life assurance company or a registered organisation, such as:
 - payments received when you changed your superannuation pension or annuity into a lump sum
 - payments received when you made a withdrawal from an approved deposit fund
 - other payments, excluding a pension or annuity, from a superannuation fund
- a similar payment to those above, paid to you as the beneficiary of a person who has died—we call this a death benefit ETP. However, if the payments were made to you as the trustee of a deceased estate they must be shown in a trust tax return, not in your tax return for individuals
- a payment from the Australian Taxation Office (ATO) of amounts collected from an employer under the Superannuation Guarantee; or paid to the Superannuation Holding Accounts Reserve
- a payment from the sale of an active asset of a small business which would otherwise be an assessable capital gain—called the CGT exempt component.

If you are still unsure whether the payment you received is an ETP, ring the Superannuation Infoline on **13 1020** for assistance.

What if your ETP was 'rolled over'?

You roll over your ETP when you transfer a part or all of the ETP to a complying superannuation fund, retirement savings account or an approved deposit fund; or you use part or all of the ETP to buy an annuity. When you roll over some or all of your ETP, the tax payable on the rolled-over component is deferred until the benefit is received.

What you need

- your ETP payment summary. If you have lost it, you will need a letter or statement from your payer that shows all the details of your ETP. If you think the details on your ETP payment summary are wrong, contact the person who prepared it
- your *Reasonable benefit limit determination* if you have an excessive component. Your reasonable benefit limit (RBL) is the maximum amount of retirement and other employment termination benefits you can receive that are taxed at concessional—reduced—rates. In most cases, the payer of the ETP will have reported the payment to the ATO, and we will work out whether your benefit is within your RBL. The ATO will send you an RBL determination only if some or all of your benefits were above your RBL. We will work out the excessive component and adjust the other components of your ETP. These will also be shown on your RBL determination. You then use the information on the RBL determination instead of the related ETP payment summary.

If you are unsure whether you need a reasonable benefit limit (RBL) determination or if you have any enquiries regarding your RBL, you can ring the Superannuation Infoline on **13 1020** or write to: RBL Section, PO Box 2000, Moonee Ponds 3039.

Working out the assessable amount

Parts A, B and C below and the steps in **Completing this question** will show you how to work out your assessable amount. This is the amount to include at item **4** on your tax return. We work out the tax based on the components of your eligible termination payment (ETP) and it is therefore important that you attach your ETP payment summaries and RBL determinations to page 3 of your tax return.

If you lodge your tax return with ETP income at item **4** but without any ETP payment summary, we will send the tax return back to you and ask you to lodge it again with the document attached.

If you received more than one ETP, check parts A, B and C for each ETP. You may need to add totals before transferring them to your tax return.

PART A Did you roll over all of an ETP?

NO  Go to part B.

YES  Read below.

Your tax on this ETP will be deferred and you do not need to work out its assessable amount for 2001–02. If you have no other ETPs go to step 2 of **Completing this question** on page 20.

If you have other ETPs that you did not roll over in total, check parts B and C to see which applies to them.

PART B Were you aged 55 or over when you received an ETP that you did not roll over?

NO  Go to part C.

YES  Read below.

Low rate threshold

If you were aged 55 or over when you received your ETP and have a post-June 1983 component shown on your ETP payment summary, some or all of this portion of the ETP may be taxed at a lower rate—up to a lifetime limit called the low rate threshold (see the table on this page). The limit is indexed each year.

The low rate threshold applies to the total of all your post-June 1983 elements (taxed and untaxed) that you have received since 1 July 1988, provided you were 55 years or older at the time of receiving the ETP.

Once the limit has been used up, it cannot be used again in future years, though you may use any extra amounts added for annual indexation. If you exceed this limit you will pay tax on the amount in excess of the threshold at the rates set out in the table on page 21.

If you turned age 55 **on or after 1 July 1988** and you did not receive the benefit of the low rate threshold increased

by indexation, write to the Australian Taxation Office (ATO) stating your age at the time you received the ETP, the amount of the ETP, the amount of the post-June 1983 component and the name and address of the payer. Enclose copies of any ETP group certificates or payment summaries you received from the payer. The ATO will work out whether you are entitled to have the amount of tax on your ETP recalculated.

Low rate thresholds for 1988–89 to 2001–02

1988–89	\$60 000	(1996–97	\$86 495)
1989–90	\$64 500	1996–97	\$86 917
1990–91	\$68 628	(1997–98	\$90 474)
1991–92	\$73 776	1997–98	\$90 916
1992–93	\$76 949	(1998–99	\$93 731)
1993–94	\$77 796	1998–99	\$94 189
(1994–95	\$79 586)	(1999–2000	\$96 637)
1994–95	\$79 975	1999–2000	\$97 109
(1995–96	\$83 168)	(2000–01	\$100 696)
1995–96	\$83 574	2000–01	\$101 188
		2001–02	\$105 843

Note: The figures that appeared in *TaxPack* in previous years for the years 1994–95 to 2000–01 were incorrect owing to an error made in the calculation of the 1994–95 threshold. These figures are shown in brackets in the table above, with the correct figure for each year shown immediately after.

The ATO has put into effect a process of issuing amended assessments to those taxpayers who were adversely affected by this error.

PART C Did you receive a death benefit ETP—that is, a lump sum you received because of the death of another person?

NO  Go to **Completing this question** on the next page.

YES  Read below.

You need to know

You cannot roll over a death benefit ETP.

If you received a payment as trustee of a deceased estate, the following instructions do not apply to you. You must lodge a trust tax return for the deceased estate and follow the instructions for that return.

If a payment was made to a trustee of a deceased estate, the obligation to pay tax, if any, is with the trustee. If you received your payment as a distribution from a deceased estate, you do not have to take any further action in relation to that payment.

How death benefit ETPs are taxed

Payments made direct to a person other than as a trustee are taxed in different ways depending on whether the person was a dependant of the deceased and whether the payment was more than the deceased person's RBL.

Dependant of the deceased

A dependant of the deceased is a person who, at the time of death or the time the payment was made, was:

- a surviving spouse or de facto spouse
- a former spouse
- a child of the deceased who was under 18 years
- a person financially dependent on the deceased.

Ring the Superannuation Infoline on **13 1020** if you need to know what 'financially dependent' means.

If **you are a dependant** of the deceased, has the Australian Taxation Office (ATO) issued a reasonable benefit limit (RBL) determination showing an excessive component? If not, the death benefit eligible termination payment (ETP) is not taxable. You do not show it anywhere on your tax return.

If the ATO has issued an RBL determination, the part of the death benefit ETP that is not excessive is not taxable and is not shown anywhere on your tax return. The excessive component is taxable at 47% (plus Medicare levy). Go to step 3 in **Completing this question** in the next column.

If **you are NOT a dependant** of the deceased, and the ATO has not issued an RBL determination showing an excessive component, your death benefit ETP will be taxed as follows:

- payments from a taxed source—for example, a superannuation fund 15%
- payments from an untaxed source—for example, an employer payment, or an insurance payout through a superannuation fund 30%

In both cases, the Medicare levy will apply.

If the ATO has issued an RBL determination, the part of the death benefit ETP that is not excessive is taxed at the rates shown above. The excessive component is taxed at 47% (plus Medicare levy). Go to **Completing this question**.

Completing this question

You will find the necessary ETP components at 'Section 3 ETP cash payment details' on your ETP payment summary OR on any RBL determination.

If you have an ETP payment summary with a non-qualifying amount, ring the Superannuation Infoline on **13 1020** before completing this question.

Undeducted contributions, post-June 1994 invalidity components and CGT exempt components are exempt from tax and are not included in your assessable amount.

Step 1 Add the assessable amounts shown on your ETP payment summaries. If an RBL determination has been issued in respect of any of your ETP payment summaries, use the amended amounts in the RBL determination, not the amounts on the ETP payment summary. **Do not include the excessive component; refer to step 3.** Write the total at **1** item **4** on your tax return. Do not show cents.

Step 2 Write the total amount of tax withheld from all of your ETPs in the tax withheld column at item **4** on your tax return. Do not show cents. You will find this amount on your ETP payment summary. If an RBL determination was issued in respect of an ETP payment summary that shows tax withheld, you should also include these amounts.

However, if you have already included these withheld amounts at item **1** or **3** on your tax return, do not include them again here.

Step 3 If you have an RBL determination which shows an excessive component, write the amount of the excessive component at **N** item **4** on your tax return. This includes an RBL determination in respect of a death benefit ETP. Do not show cents.

Step 4 Attach your payee's tax return copy of any ETP payment summaries to page 3 of your tax return.

Check that you have . . .

-  written on your tax return the amount of all tax withheld
-  written on your tax return the total assessable amount of your ETPs and any excessive component
-  attached to page 3 of your tax return your 'Payee's Tax Return Copy', of any ETP payment summaries, letters or statements from your employer and any RBL determinations from the ATO
-  kept a copy of your ETP payment summaries, letters or statements from your employer. You need to keep these records for 5 years after the end of the income year.

HOW YOUR TAX IS WORKED OUT

We will work out your tax based on the individual components of your ETP. The tax rates applying to some common ETP components are explained below.

Concessional component and pre-July 1983 component—5 per cent of these components is included in your assessable income and taxed at your usual rate.

Post-June 1983 component—may be either a 'taxed element' or an 'untaxed element'. Some payments will have both elements present. 'Taxed element' means that the payer—usually a superannuation fund—has paid a contributions tax on this element. 'Untaxed element' means that the payment has not been subject to contributions tax. For this reason the elements are taxed differently as shown in the table on the next page.

Tax rates on post-June 1983 elements

These rates and thresholds do not apply to death benefit eligible termination payments (ETPs).

Age when received	Taxed element	Untaxed element
Under age 55	20%	30%
Age 55 or over		
– up to \$105 843	0%	15%
– excess over \$105 843	15%	30%

Any Medicare levy is added to these rates. A Medicare levy will not apply to a taxed element where the tax rate is zero.

The post-June 1983 component is initially included in your tax return as assessable income. You are then given a tax offset to ensure that the correct tax rates are applied. This may affect your entitlement to other tax offsets—for example, age pension and low income tax offsets.

Excessive component—the amount, if any, by which your ETP benefits have exceeded your reasonable benefit limit (RBL). In 2001–02, the lump sum RBL is \$529 373 and the pension RBL is \$1 058 742. You **may** be entitled to the pension RBL if you take more than half of:

- the value (for RBL purposes) of your benefits or
- your pension RBL

in the form of pensions or annuities that meet the pension RBL standards. **These are general rules only.** For further information see the publication *Reasonable benefit limits—which RBL will apply?* (NAT 6199). This publication is available on the Australian Taxation Office website at <www.ato.gov.au/super>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Changing the components of your ETP

It may be in your interest to ask the Australian Taxation Office (ATO) to change the components of your ETP if:

- you were in a superannuation fund but only received what you contributed with no interest added
- you were receiving a pension or annuity before 1 July 1983 and changed it into a lump sum
- you were in a 'self-employed superannuation fund' or one not supported by your employer and you made contributions before 19 August 1980
- the pre-July 1983 component shown on your ETP payment summary is less than the amount that you would have received if you had left your job or withdrawn from your superannuation fund at 30 June 1983.

Your superannuation fund can tell you if you meet any of these conditions. If you think you are entitled to have the components of your ETP changed, ring the Superannuation Infoline on **13 1020** for assistance.

Rolling over your ETP and 'contributions tax'

Where you roll over some or all of your ETP, the amount representing the post 30 June 1983 untaxed element attracts 'contributions tax' when rolled over to a complying superannuation fund.

NOTE

Any contributions tax required is paid by the superannuation fund.

TERMINATION PAYMENTS SURCHARGE

A termination payments surcharge will be payable if:

- your ETP was paid to you by your employer AND
- your adjusted taxable income (as calculated for surcharge purposes) exceeds \$85 242.

A death benefit ETP paid to you by the employer of the deceased person is not subject to the surcharge.

If your employer ETP was rolled over to a superannuation fund or retirement savings account (RSA), any surcharge will be paid by the fund or RSA. The ATO will work out whether the surcharge applies and will send a surcharge assessment to you, the fund or RSA if there is a surcharge liability.

The surcharge assessment will be sent after your income tax notice of assessment has been issued. This means that while you may have received a refund on your notice of assessment you may still have a surcharge liability.

NOTE

If you need further information on this question, ring the Superannuation Infoline on **13 1020**.

Did you receive:

- parenting payment (partnered)
- Newstart allowance
- youth allowance
- mature age allowance and you were granted the allowance on or after 1 July 1996
- partner allowance
- sickness allowance
- special benefit
- widow allowance
- austudy payment
- exceptional circumstances relief payment, restart income support or farm household support (by way of financial assistance)
- ABSTUDY living or dependent spouse allowance or payment under the Veterans' Children Education Scheme and you were 16 years or over
- Training for Employment Program allowance; New Enterprise Incentive Scheme allowance; textile, clothing and footwear special allowance; Green Corps training allowance; or other taxable Commonwealth education or training payments
- an income support component from a Community Development Employment Project (CDEP)—shown as 'CDEP Salary or Wages' on your PAYG payment summary—individual non business
- a CDEP scheme participant supplement?

Show your income from these payments here unless your payment was exempt. Check page 12 if you are not sure.

Do not show Student Financial Supplement Scheme amounts at this question. Do not show them anywhere on your tax return.

NO  Go to question 6.

YES  Read below.

What you need

- your PAYG payment summary—individual non business or
- a letter from the agency that paid your allowance or payment stating the amount that you received.

If you have not received these, or you have lost them, contact the agency that paid you.

Completing this question

- Step 1** Add up all the amounts of tax withheld as shown on your payment summaries. Write the total amount of tax withheld at the left of **A** item 5 on your tax return. Do not show cents.
- Step 2** Add up all the taxable amounts you received. Write the total amount at **A** item 5. Do not show cents. Attach your letter and/or your 'Payee's Tax Return Copy' of your payment summary to page 3 of your tax return.

You may be entitled to a tax offset on this income

If you received one or more of the payments listed above, you may be entitled to a beneficiary tax offset. You do not have to work out your tax offset. We work it out for you from the income you show at **A** item 5. If you want to work it out before you receive your notice of assessment, you can use the table on page 118.



Do not show at this question:

- Superannuation Act and Defence Forces Retirement Benefits Act **pensions** and payments
- **eligible termination payments**
- **foreign pensions.**

Otherwise you may be taxed incorrectly.

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

Did you receive a Commonwealth of Australia government:

- age pension
- bereavement allowance
- carer payment
- disability support pension and you have reached age pension age
- mature age allowance and you were granted the allowance before 1 July 1996
- mature age partner allowance
- parenting payment (single)
- widow B pension
- wife pension
- age service pension
- income support supplement
- invalidity service pension and you have reached age pension age
- partner service pension?

Show your income from these payments here unless your payment was exempt. Check page 12 if you are not sure.

NO Go to question 7.

YES Read below.

What you need

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

If you have not received these, or you have lost them, contact the agency that paid you.

Completing this question

Step 1 Add up all the amounts of tax withheld as shown on your payment summaries or letters. Write the total amount of tax withheld at the left of **B** item 6 on page 2 of your tax return. Do not show cents.

Step 2 Add up all the income you received. Write the total amount at **B** item 6 on page 2 of your tax return. Do not show cents. Read on.

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

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

We work out your tax offset entitlement based on:

- the tax offset code letter you print at item 6 on page 2 of your tax return

AND

- the veteran code letter you print at item 6 on page 2 of your tax return if you or your spouse is a veteran, war widow or war widower

AND

- the Senior Australians tax offset code letter you print at item **T2** on page 4 of your tax return if you are eligible for the Senior Australians tax offset (see page 81).

If you do not print the correct code letter(s) on your tax return, you may not receive your correct entitlement.

Step 3 Work through the **Tax offset code letters** table on the next page to select your tax offset code letter.

NOTE

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

Tax offset code letters**Standard circumstances**

If at any time during 2001–02 while you were receiving any of the payments listed on the previous page:

- | | |
|---|----------|
| • you were single, widowed or separated | S |
| • you and your spouse—married or de facto—lived together | P |
| • you and your spouse—married or de facto—had to live apart due to illness or either of you was in a nursing home | I |

Exceptional circumstance

If you are a social security recipient (Centrelink) and immediately BEFORE 12 March 1992:

- | | |
|--|----------|
| • you were receiving any of the payments listed on the previous page AND | |
| • you had a spouse—married or de facto—AND | |
| • your spouse was NOT receiving any of the payments listed on the previous page, any exempt pensions listed on page 12 or any of the first 9 listed allowances and payments at question 5 on page 22 AND | |
| • these conditions have applied continuously since then | S |

If you do not meet all these conditions, **Standard circumstances** above apply to you.

Where more than one code letter applies

- | | |
|---|----------|
| • If both I and P apply to you, use | I |
| • If S , I and P all apply to you, use | J |
| • If both S and I apply to you, use | J |
| • If both S and P apply to you, use | Q |

Step 4 Print your tax offset code letter in the **TAX OFFSET CODE** box at the right of **B** item 6 on page 2 of your tax return.

Step 5 If you or your spouse is a veteran, war widow or war widower (see **Definition** on page 81) read on. Otherwise, go to step 6.

From the following list select the veteran code that applies to your circumstances. If **all** of the codes apply, select **X**:

- | | |
|--|----------|
| • you are a veteran, war widow or war widower | V |
| • your spouse is a veteran, war widow or war widower | W |
| • you are a veteran, war widow or war widower AND your spouse is a veteran, war widow or war widower | X |

Print your veteran code in the **VETERAN CODE** box at **Y** item 6 on page 2 of your tax return.

Step 6 If your tax offset code (not veteran code) is **S** go to **Check that you have** in the next column. If your tax offset code is **P**, **Q**, **I** or **J** you must complete **Spouse details—married or de facto** on pages 6–7 of your tax return.

Provide relevant details including:

- your spouse's date of birth at **K**
- your spouse's taxable income at **O**—if this amount is zero, write '0'
- your spouse's share of trust income on which the trustee is assessed under section 98, if it is not already included in your spouse's taxable income, at **T**—if this amount is zero, write '0'
- your spouse's government pensions (listed on the previous page) at **P**—if this amount is zero, write '0'
- your spouse's exempt pension at **Q**—if this amount is zero, write '0'.

If both you and your spouse are eligible for the Senior Australians tax offset or pensioner tax offset and either of you do not fully use your tax offset, any unused tax offset may be available for transfer to the other person. By using the amounts you write on the spouse details section of your tax return we will work out if you are entitled to have the unused portion of your spouse's tax offset transferred to you. If an unused amount is available, we will make sure it is taken into account in working out your tax offset.

NOTE

In working out if there is any unused spouse's Senior Australians or pensioner tax offset available for transfer, your spouse's other credits and tax offsets are not taken into account.

Check that you have . . .

- ✔ written on your tax return the total amount of tax withheld and the total amount of income you received
- ✔ written on page 2 of your tax return your tax offset code letter and, if required, your veteran code
- ✔ if required, written at spouse details on your tax return your spouse's income and other details
- ✔ attached to page 3 of your tax return your letter and/or your 'Payee's Tax Return Copy' of all payment summaries
- ✔ if required, completed question **T2**.

DO YOU WANT TO WORK OUT YOUR TAX OFFSET?

You do not have to work out your tax offset. We will work it out for you from your taxable income details and your tax offset code letter. Make sure you print your code letter at the right of **B** item 6 on page 2 of your tax return.

If you do want to work out your tax offset, go to page 119.

Did you receive any income from an Australian:

- annuity
- superannuation or other pension not shown at question 6?

Do not show foreign pensions or foreign annuities at this question. Refer to the Index.

NO  Go to question 8.

YES  Read below.

NOTE

Superannuation funds and retirement savings account (RSA) providers can use tax file numbers (TFNs) to keep track of superannuation benefits. If you have not given your TFN to your fund or RSA provider, a greater rate of tax may be withheld from your benefit. You can ring or write to your fund or RSA provider and quote your TFN.

You need to know

Australian annuities and pensions include:

- superannuation and similar pensions and annuities paid to you by an Australian superannuation fund, RSA provider, registered organisation or life assurance company
- pensions paid by a fund established for the benefit of Commonwealth, State or Territory employees and their dependants—for example, ComSuper and VicSuper.

What you need

Your *PAYG payment summary—individual non business* or statement from your Australian annuity, superannuation, other pension fund or RSA provider—attach it to page 3 of your tax return. If you have not received your payment summary or statement, or you have lost it, contact your payer to obtain a copy.

Completing this question

- Step 1** Print the type of annuity or pension—for example 'annuity' or 'superannuation pension'—in the **Type** box at item 7 on your tax return. If you received more than one type, print the type that gave you the largest amount of income.
- Step 2** Add up all the tax withheld amounts as shown on your payment summaries and statements and write the total amount at the left of **J** item 7. Do not show cents. Do not include amounts already shown at items 1, 3 and 4.
- Step 3** Add up all the gross amounts shown on your payment summaries and statements and write the total amount at **J** item 7. Do not show cents.



Read the paragraphs next to this note. They contain important information.

Undeducted purchase price

If your annuity or pension has an undeducted purchase price, you may be able to claim the deductible amount of your undeducted purchase price at question **D10** on pages 60–1.

Senior Australians tax offset

You may be entitled to a Senior Australians tax offset. Read question **T2** on pages 82–3 to find out more about this tax offset.

Superannuation tax offset

You may be entitled to a tax offset for your annuity or pension. Read question **T3** on pages 84–6 to find out more about this tax offset.

Total tax withheld

Add up all the amounts in the tax withheld boxes at items **1** to **8** on your tax return. Write the total amount at **\$ TOTAL TAX WITHHELD** on your tax return. Go to question **9**.

Tax offsets and your tax withheld

If your tax offset or family tax benefit entitlements have changed since you last filled in a *Withholding declaration* (NAT 3093—7.2002) authorising your payer to vary the amount of tax withheld, you may need to fill in a new declaration. Contact your payer for more information. Pages 74–91 tell you about tax offsets. For more information about family tax benefit, see pages 69–72.

Additional tax withheld for the Higher Education Contribution Scheme and the Student Financial Supplement Scheme

If you have an accumulated Higher Education Contribution Scheme (HECS) debt, and/or an accumulated Student Financial Supplement Scheme debt, the additional tax withheld from your pay forms part of your normal tax withheld—shown on your payment summary—and is therefore already included in the total amount you show at **\$ TOTAL TAX WITHHELD** on your tax return. Page 115 shows you how we work out your tax.

NOTE

Pay As You Go (PAYG) instalment payments

If you were required to pay instalments of tax under the PAYG instalments system towards your end-of-year income tax liability, you do not need to show them anywhere on your tax return. These amounts will be automatically credited to your income tax assessment by the Australian Taxation Office to determine whether you are entitled to a refund of tax paid, or required to pay an additional amount of tax.



Do not show at this question:

amounts shown on a *PAYG payment summary—individual non business*. You should have already shown these amounts at question **1 Salary or wages** or question **2 Allowances, earnings, tips, director's fees etc.** if no tax has been withheld.

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

If you have received a *Payment summary—personal services attributed income*, your answer to this question is **YES** and you must complete item **8** on your tax return.

Where you have provided personal services for reward, and the payment for your services was made to you as a sole trader, your answer to this question is **NO**. In that case you must answer question **13** in *TaxPack 2002 supplement* and complete item **P1** in the *2002 business and professional items schedule* (NAT 2816—6.2002). These publications are available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

NO Go to question **9**.

YES Read below.

What you need

- your *Payment summary—personal services attributed income* showing the amount of personal services income attributed to you and the total amount of tax paid or withheld
- details of any other personal services income attributed to you.

You need to know

New rules for the income tax treatment of certain personal services income came into force on 1 July 2000.

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

Where the payment has been made to a personal services entity the income, less any deductions allowable from the income to the personal services entity, will be attributed to you unless:

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

If you need help in relation to these rules ring the Tax Reform Infoline on **13 2478** or visit the ATO website.

Completing this question

- Step 1** Write the total amount of tax paid or withheld from personal services income attributed to you at the left of item **8** on your tax return. Do not show cents. Do not show any tax withheld included elsewhere on your tax return.
- Step 2** Write the total amount of personal services income attributed to you at item **8** on your tax return. Do not show cents.

Check that you have . . .

- written on your tax return the amounts of tax paid or withheld
- written on your tax return the amounts of personal services income attributed to you
- attached to page 3 of your tax return your 'Payee's Tax Return Copy' of your payment summary.

Total tax withheld

Add up all the amounts in the tax withheld boxes at items **1** to **8** on your tax return. Write the total amount at **\$ TOTAL TAX WITHHELD** on your tax return. Go to question **9**.

Tax offsets and your tax withheld

If your tax offset or family tax benefit entitlements have changed since you last filled in a *Withholding declaration* (NAT 3093—7.2002) authorising your payer to vary the amount of tax withheld, you may need to fill in a new declaration. Contact your payer for more information. Pages 74–91 tell you about tax offsets. For more information about family tax benefit, see pages 69–72.

Additional tax withheld for the Higher Education Contribution Scheme and the Student Financial Supplement Scheme

If you have an accumulated Higher Education Contribution Scheme (HECS) debt, and/or an accumulated Student Financial Supplement Scheme debt, the additional tax withheld from your pay forms part of your normal tax withheld—shown on your payment summary—and is therefore already included in the total amount you show at **\$ TOTAL TAX WITHHELD** on your tax return. Page 115 shows you how we work out your tax.

NOTE

Pay As You Go (PAYG) instalment payments

If you were required to pay instalments of tax under the PAYG instalments system towards your end-of-year income tax liability, you do not need to show them anywhere on your tax return. These amounts will be automatically credited to your income tax assessment by the Australian Taxation Office to determine whether you are entitled to a refund of tax paid, or required to pay an additional amount of tax.

Do you have a reportable fringe benefits amount shown on a PAYG payment summary—individual non business?**NO**  Go to question **10**.**YES**  Read below.**What you need**

- your *PAYG payment summary—individual non business*

You need to know

You need to complete this question if you and/or an associate received certain fringe benefits from an employer and any payment summaries provided by your employer showed a reportable fringe benefits amount under that heading.

Your employer has to keep records of the value of any fringe benefits given to you and/or your associate, but only needs to show the fringe benefits on your payment summary if their taxable value exceeds \$1000 in the fringe benefits tax (FBT) year 1 April 2001 to 31 March 2002.

However, your employer has to gross-up the taxable value of the fringe benefits for reporting purposes to ensure their value is consistent with other forms of income on your payment summary. As you do not pay income tax on fringe benefits, the grossed-up taxable value of a benefit includes the amount of income tax that you would have paid, had you received cash salary rather than the fringe benefit. The highest marginal rate of income tax plus Medicare levy is used, so that a fringe benefit having a taxable value of \$1001 becomes a reportable fringe benefits amount of \$1943.

Therefore, if you have a reportable fringe benefits amount shown on your payment summary which is less than \$1943, you will need to check with your employer about the amount or the method of calculating the amount.

The total reportable fringe benefits amounts you show on your tax return are not included in your total income or loss amount and you do not pay income tax or Medicare levy on them.

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

- Medicare levy surcharge
- superannuation contributions surcharge
- termination payments surcharge
- deductions for superannuation contributions
- superannuation contributions tax offset
- Higher Education Contribution Scheme repayments
- child support obligations
- certain government benefits.

Completing this question

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

Step 2 Write the total at **W** item **9** on your tax return. Do not show cents.

NOTE

You can also find more information in the fact sheets *Changes to fringe benefits tax reporting arrangements—facts for employees* (NAT 2836—9.2000) and *Changes to fringe benefits tax reporting arrangements—impacts on income tests for employees 2001–2002* (NAT 3031—3.2002). These publications are available on the Australian Taxation Office website at www.ato.gov.au. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

STOP

Do not show at this question:

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

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

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

Include interest earned from financial institution accounts and term deposits—unless you are a non-resident and have paid non-resident withholding tax on that interest.

Include any interest you received from, or were credited with by, the Australian Taxation Office (ATO).

NO  Go to question 11.

YES  Read below.

Children's accounts

If you open or operate an account for a child and the funds in that account belong to you, or you spend or use the funds in the account as if they belong to you, you must include any interest from the account at this question. *Taxation Ruling IT 2486—Children's savings accounts* has more detail. This publication is available on the ATO website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Non-residents

Withholding tax paid by non-residents is a final tax. If you are not an Australian resident for tax purposes (see page 10), do not include interest at this question if withholding tax was deducted from the interest by your financial institution. However, if you have not paid withholding tax on any interest you earned, you need to show that interest at this question so that the ATO can work out the amount of withholding tax you have to pay on this interest. The ATO will advise you of this amount.

What you need

- your statement, passbook or other documentation from your financial institution or other source that shows 2001–02 income
- any ATO notice of assessment or amended assessment you received during 2001–02 that shows interest on early payments or interest on overpayments.

Completing this question

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

NOTE

Do not deduct account keeping fees, charges and Financial Institutions Duty from your gross interest amount. You may be able to claim these at item **D8 Interest and dividend deductions**.

If you are not the sole holder of an account, show only your share of interest. For any account where the account holders do not share equally in the interest, keep a record to show how you worked out your share.

The interest amount you show at this question must include any tax file number (TFN) amounts. These are amounts of tax withheld by the financial institution because you did not quote your TFN (or Australian Business Number) to the institution. They will be shown on your statement or other document as Commonwealth tax or TFN withholding tax.

Step 2 Write your gross interest at **L** item **10** on your tax return. Do not show cents.

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

Step 4 Write the answer from step 3 at **M** item **10**. Show cents. This amount will be credited to you on your notice of assessment.

STOP

Do not show at this question:

- dividend distributions from a **partnership** or **trust**—including a cash management trust, money market trust, mortgage trust, unit trust or managed fund such as a property trust, share trust, equity trust, growth trust, imputation trust, balanced trust or similar trust investment product
- dividends from foreign companies
- that part of a dividend or distribution on which **family trust distribution tax** has been paid.

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

**Don't leave it too late!**

Did you:

- purchase or inherit any shares
- receive any shares as part of a divorce settlement or as a gift?

If YES, start keeping records now. Incomplete records could mean paying more tax when you dispose of your shares. For further information about shares and other assets that attract capital gains tax and the records you need to keep, see the publication *Guide to capital gains tax* (NAT 4151—6.2002). This publication is available on the Australian Taxation Office (ATO) website at www.ato.gov.au. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

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

Do not claim dividend expenses here. Claim them at question **D8**.

If you carried on the business of trading in shares, include any dividend income and imputation credits at this question; if you have a profit or loss on the sale of shares, read question **14** in *TaxPack 2002 supplement*.

If you sold shares during the year, you must read question **17** in *TaxPack 2002 supplement* to see if you need to show a capital gain or loss.

If you were paid or credited with dividends from a foreign company, you must read question **19** in *TaxPack 2002 supplement*.

NO  Go to **INCOME FROM THE SUPPLEMENTARY SECTION** on page 34.

YES  Read below.

You need to know

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

- those directly paid to you
- dividends applied under a dividend reinvestment plan
- dividends which are otherwise dealt with on your behalf and
- bonus shares which qualify as dividends.

Dividends include distributions made by a corporate limited partnership. This is a partnership taxed in accordance with Division 5A of Part III of the *Income Tax Assessment Act 1936*. Dividends also include dividends paid to you by a listed investment company.

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

Example

Jessica received a dividend statement notifying her of a final dividend for the year ended 30 June 2001. The payment date shown on the dividend statement was 30 September 2001. Jessica must include the amount of the dividend as part of her assessable income for the year ended 30 June 2002—on her 2001–02 tax return.

Payments, benefits and loans to be treated as dividends—deemed dividends

If you are a shareholder (or an associate of a shareholder) of a private company and received payments or loans from the company or had debts forgiven by the company, the value of those payments, loans or debts forgiven are treated as deemed dividends (unless specifically excluded in the law).

Deemed dividends must be combined with any unfranked dividends you received and be included in your assessable income at **S** item **11** on your tax return. For more information, read the publication *You and your shares* (NAT 2632—6.2002). This publication is available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Returns on non-share equity interests

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

Non-residents

If you are not an Australian resident for tax purposes, do not include dividend income at this question if:

- the dividend was fully franked
- the dividend was not fully franked but withholding tax was withheld from the unfranked amount by the company that paid you the dividend.

If your dividends were not fully franked and you have not paid withholding tax on your dividends, you will need to include them at this question so that the Australian Taxation Office (ATO) can work out the amount of withholding tax you have to pay on these dividends. The ATO will advise you of this amount.

IMPUTATION SYSTEM

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

An amount equal to the imputation credits attached to the dividends is included in the assessable income of the shareholder, who is then entitled to a franking tax offset equal to the amount included in their income.

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

If any excess tax offset amount is left over after that, the ATO will refund that amount to the shareholder.

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

- that part of the dividend on which family trust distribution tax has been paid. (The company or corporate limited partnership that paid the dividend should tell you if family trust distribution tax has been paid on it.) These dividends are exempt income and the shareholder cannot claim the imputation credit
- a dividend which is included in a trust distribution on which ultimate beneficiary non-disclosure tax has been paid. (The trustee will let you know if a distribution fits this category.)
- dividends where the shareholder has engaged in franking credit trading and failed to satisfy the holding period rule or the related payments rule
- dividends to the extent that a franking tax offset is denied because the shareholder has exceeded the small shareholder franking tax offset ceiling contained in the franking credit trading rules
- dividends from a non-equity share which, although a share in legal form, is not treated as an equity interest, and so the dividends are not frankable. The publication *You and your shares* has more information on non-equity shares.

Franking credit trading—qualified persons

Measures have been introduced to curb the unintended usage of franking tax offsets by persons who do not effectively own the shares or who only briefly own the shares. These measures, known as the holding period rule and the related payments rule, provide that taxpayers must satisfy certain criteria before they qualify for franking tax offsets. In other words, only qualified persons are able to have the benefit of the imputation credits attached to their dividends. These measures address the issue of franking credit trading.

The holding period rule could affect you if you have bought shares on or after 1 July 1997 and sold the shares or entered into a risk diminution arrangement, such as a derivative transaction, within 45 days—90 days for certain preference shares—of buying your shares. The related payments rule could affect you if you were under an obligation to make a related payment with respect to a dividend under an arrangement entered into after 7.30 p.m. on 13 May 1997 and you did not hold your shares 'at risk' during a specified qualifying period.

NOTE

If you have an imputation credit but would otherwise not have to lodge a tax return, see the note relating to imputation credits on page 3. You may be able to use a shorter form included in the publication *Refund of imputation credits application and instructions for individuals* to claim your imputation credit.

If you have failed 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 imposes a maximum franking tax offset ceiling of \$5000 on all of your franking tax offset entitlements in a given year, whether received directly, or indirectly through a trust or partnership.

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

Unfranked dividends Unfranked dividends are paid by an Australian resident company that has not already paid Australian company tax. If the dividend is unfranked, you are not entitled to a franking tax offset. The unfranked dividend is taxed in the same way as your other income and must be included in your assessable income at **S** item **11** on your tax return. If you did not quote your tax file number (TFN) to your investment body for shares or units held, tax may have been withheld from any unfranked dividends at the highest marginal rate plus the Medicare levy, a total of 48.5 per cent.

If you had TFN amounts withheld from your unfranked dividends, these will be shown on your dividend statement. You can claim a credit for any TFN amounts withheld at **V** item **11** on your tax return. If you have received a refund of some or all of the TFN amounts withheld, you cannot claim a credit for these amounts.

Franked dividends If you received a franked dividend from a resident company you must include the dividend amount in your assessable income at **T** item **11**. Franked dividends can be either fully franked, meaning that the whole amount of the dividend carries imputation credit, or partly franked, meaning that only part of the amount of the dividend carries imputation credit.

Imputation credit You must also include any imputation credit in your assessable income at **U** item **11** on your tax return, so the correct amount of tax and Medicare levy can be calculated. Do not include any imputation credit for which you do not qualify for a franking tax offset because of the application of the holding period rule or the related payments rule or a breach of the small shareholder exemption (the franking credit trading measures described on page 31).

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

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

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

These should show:

- the amounts of unfranked and franked dividends you received
- the amounts of imputation credit—which the company has already worked out
- the TFN amounts withheld from unfranked dividends.

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

Show only your share of any dividends which were paid or credited to you. For example, if you owned the shares in joint names show only your portion of dividend income on your tax return.

Completing this question

- Step 1** Add up all unfranked dividend amounts—including any TFN amounts withheld—on your statements plus any deemed dividends. Write the total amount at **S** item **11** on your tax return. Do not show cents.
- Step 2** Add up all franked dividend amounts on your statements and any other franked dividends paid or credited to you. Write the total amount at **T** item **11**. Do not show cents.

- Step 3** Add up all allowable imputation credit amounts on your statements. Write the total amount at **U** item **11**. Do not show cents.
- Step 4** Add up any TFN amounts withheld which have not been refunded to you. Write the answer at **V** item **11**. Show cents. This amount will appear as a credit on your notice of assessment.

Example of how to show unfranked and franked dividends

In the following example, the imputation credits attached to dividends are class C credits from dividends franked at the company tax rate of 30 cents. Dividends can also be partly franked or unfranked. Your statement from the company, corporate unit trust, public trading trust or limited partnership will show the amount to which your dividends have been franked.

- Poh Lee received dividends from Coals Tyre Ltd. Fully franked dividends of \$70 and a \$30 imputation credit are shown on her dividend statement.
- Poh Lee was entitled to receive a dividend of \$100 from Telsbra Ltd and she did not quote her tax file number (TFN). Her statement showed a TFN amount of \$48.50 was withheld and she was paid \$51.50 as an unfranked dividend. The unfranked amount to be shown on her tax return is \$51.50 plus the TFN amount withheld of \$48.50, a total of \$100.
- Poh Lee received dividends from JT Corporate Unit Trust. \$50 in unfranked dividends, \$70 in franked dividends and a \$30 imputation credit are shown on her dividend statement.
- Poh Lee was entitled to receive a dividend of \$240 from SYF Pty Ltd and she did not quote her TFN. \$100 was unfranked and \$140 was fully franked. Her statement from the company showed a TFN amount of \$48.50 was withheld from the unfranked dividend and a payment of \$51.50 was made to her. The unfranked amount to be shown on her tax return is \$51.50 plus the TFN amount withheld of \$48.50, a total of \$100. She was also entitled to a franked dividend of \$140 and an imputation credit of \$60. No TFN amount is withheld from franked dividends.

Company or trust	Unfranked amount *	Franked amount	Imputation credit	TFN amounts withheld from dividends
a) Coals Tyre Ltd	\$0.00	\$70.00	\$30.00	\$0.00
b) Telsbra Ltd	\$100.00	\$0.00	\$0.00	\$48.50
c) JT CU Trust	\$50.00	\$70.00	\$30.00	\$0.00
d) SYF Pty Ltd	\$100.00	\$140.00	\$60.00	\$48.50
Total	S \$250.00	T \$280.00	U \$120.00	V \$97.00

* Unfranked amount includes both the amount received or credited and the TFN amount withheld. For additional examples, refer to the publication *You and your shares*.

Check that you have . . .

- written on your tax return the total unfranked amount
- written on your tax return the total franked amount
- written on your tax return the total allowable imputation credit amount
- written on your tax return the total TFN amount withheld from dividends
- kept your dividend statements with your other records.

Did you derive any of the following types of income?

- a specified payment including payment for tutorial services provided for the Aboriginal Tutorial Assistance Scheme of the Department of Education, Science and Training and payment for translation and interpretation services for the Translating and Interpreting Service of the Department of Immigration and Multicultural and Indigenous Affairs
- attributed foreign income
- bonuses from life insurance companies and friendly societies
- business income from which an amount was withheld because you did not quote your Australian Business Number
- capital gain or loss—for example, on disposal of assets
- deferred non-commercial business losses
- foreign entity distribution
- foreign source income—including foreign pensions and foreign employment income—and foreign assets or property
- income as an independent contractor under a labour hire agreement
- income from activities as a special professional—author of a literary, dramatic, musical or artistic work, an inventor, a performing artist, a production associate or an active sportsperson
- income or loss from business (including if you are self-employed)
- income under a Pay As You Go voluntary agreement
- income you earned as a non-employee taxi driver—for example, a driver operating under a standard bailment agreement with an owner/operator
- net farm management deposits or withdrawals
- other income not shown at items **1** to **11**, including:
 - a non-qualifying component of an eligible termination payment
 - allowances or payments you received as a member of a local government council that you have not already shown at item **1** or **2**
 - any assessable balancing adjustment from the disposal, loss or destruction of any depreciating asset, including your car, for which you have claimed a deduction for decline in value
 - benefits from an employee share scheme
 - benefits or prizes from investment-related lotteries
 - foreign exchange gains
 - gains from the disposal of traditional securities
 - interest from the land transport facilities tax offset scheme or infrastructure borrowings
 - jury attendance fees not already shown at item **1** or **2**

- lump sum payments in arrears
- payouts from sickness and accident insurance policies—other than those shown on your payment summary
- reimbursements of tax-related expenses or election expenses which you have claimed as a deduction
- royalties
- taxable scholarships, bursaries, grants or other educational awards
- partnership and trust distributions
- personal services income
- rent.

NO  Go to **Total income or loss** on page 35.

YES  You must complete the *2002 tax return for individuals* (supplementary section). Read below.

If you have personal services income, net income or loss from business or deferred non-commercial business losses you will need to read the publication *Business and professional items* (NAT 2543—6.2002) and complete the *2002 business and professional items schedule* and attach it to page 3 of your tax return.

Completing this item

Step 1 Complete the page 9 details on your tax return. Use *TaxPack 2002 supplement* to complete the Income section.

Step 2 Transfer the amount you wrote at **TOTAL SUPPLEMENT INCOME OR LOSS** on page 11 to **I** on page 2 of your tax return. If you made an overall loss, print **L** in the **LOSS** box beside that amount.

The supplementary section of the tax return is located in the back of *TaxPack 2002 supplement*. If you don't already have a copy of *TaxPack 2002 supplement*, from 1 July to 31 October 2002 you can get a copy from newsagencies displaying this logo. Copies are also available all year from ATOaccess sites.

Total income or loss

You have now reached the end of the Income section.

Before adding up your income amounts from items **1** to **11** and any amount at **I** on page 2 of your tax return, please note the following.

- The more common types of **exempt income** are listed at page 12 in *TaxPack 2002*.
Generally your exempt income is not included in your tax return.
- You must have shown all of your income for tax purposes—the *Taxpayer's declaration* on page 8 of your tax return will require you to sign that this is true. Pages 13–34 in *TaxPack 2002* give you the information you need to show the right amounts. If you still have income that you have not put at any item and it is not exempt income, you will need to go back through the Income section and include it.

If you are in any doubt, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Our audit activities include checking the income details you provide on your tax return with other sources—for example, your employer, your bank or the Commonwealth of Australia government agency that pays your pension, allowance or payment.

- If you have not been able to complete any of the income items because you do not have all the documents you need to work out the right amount—for example, a payment summary—do not complete this section yet.
- Remember that you have until 31 October 2002 to lodge your tax return, unless prepared by a registered tax agent. You should not lodge your tax return early if it is incomplete. If you think you will still be missing information on 31 October, ask the Australian Taxation Office if you can lodge at a later date. Page 8 in *TaxPack 2002* tells you how.

Completing this item

- Step 1** Add up all the income amounts in the right-hand column of items **1** to **11** and **I** on your tax return.
- Step 2** Take away any loss amount at **I** from the total income amount you worked out at step 1. Your answer is your total income or loss.
- Step 3** Write your answer from step 2 at **TOTAL INCOME OR LOSS** on your tax return. Do not show cents.

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

NOTE

If you are in business and have elected to enter the Simplified Tax System (STS), you can only claim most work related expenses when you have paid them.

NOTE

If your income comes from carrying on a business, claim your business expenses in the *2002 business and professional items schedule* (NAT 2543—6.2002). See questions **13 Personal services income (PSI)** and **14 Net income or loss from business** in *TaxPack 2002 supplement*.

You can claim deductions for work related expenses you incurred while performing your job. Generally, a work related expense is incurred when you have spent the money or paid by cheque or credit card. In some cases, you will have incurred a work related expense when you received a bill or invoice for the expense which you are liable for and must pay. Refer to *Taxation Ruling TR 97/7—Meaning of incurred* for more information about when an expense is incurred. This publication is available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

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

Basic rules to consider before you decide to make a claim:

- You must have incurred the expense in 2001–02.
- You cannot claim an expense which has been or will be reimbursed to you by your employer or any other person.
- You must have incurred the expense in the course of earning your assessable income and it must not be private, domestic or capital in nature. For example, the costs of normal travel to and from work or buying lunch each day are private. If you incurred an expense that was both work related and private or domestic, you can only claim a deduction for the work related portion of the expense.
- If you incurred an expense for services paid in advance, read **Advance expenditure** below to decide what part of the expense is allowable in 2001–02.
- You must be able to substantiate your claims with written evidence if the total claimed is greater than \$300.
- You need to be able to show how you worked out your claims if the total claimed is \$300 or less—you do not need written evidence.

Advance expenditure

You must follow the apportionment rules for advance expenditure if you prepay for a service costing \$1000 or more and the service extends for a period of more than 12 months or beyond 30 June 2003. Under these rules you may be entitled to claim only part of the expenditure this year and the remainder in future tax returns. If you incurred expenditure in a prior income year that has been apportioned under the advance expenditure rules and the prepaid service extended into the 2001–02 income year, you may claim the relevant portion of the expenditure in 2001–02. If you need to know more, refer to the publication *Deductions for prepaid expenses* (NAT 4170—6.2002). This publication is available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Allowances

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

Claims of more than \$300—records you need to keep

You must have written evidence to prove your claims for these expenses. If your total claims exceed \$300, keep written evidence to prove the total amount, not just the amount over \$300. The \$300 limit does not include claims for car, meal allowance, award transport payments allowance and travel allowance expenses. There are some exceptions to the written evidence rule—explained in the relevant questions.

Written evidence

Written evidence can be:

- a document from the supplier of the goods or services, showing:
 - the name of the supplier
 - the amount of the expense
 - the nature of the goods or services—if not shown, you may write this on the document before you lodge your tax return to keep with your records
 - the date the expense was incurred
 - the date of the document



Don't leave it too late!

Will your total claims for work related expenses exceed \$300 next year? If you are unsure, you may want to keep written evidence for your expenses—you will need it if you want to claim more than \$300.

How long you need to keep your records

NOTE

'Decline in value' is the new term for depreciation.

'Depreciating asset' is an asset with a limited effective life which declines in value over that life.

If the document does not show the payment date, you can use independent evidence to show the date the expense was incurred, such as a bank statement. A document from the supplier of the goods or services must be in English unless the expense was incurred outside Australia

- your *PAYG payment summary—individual non business*—for example, it may show your total union fees
- evidence you have recorded yourself:
 - for expenses of \$10 each or less and the total of these expenses is \$200 or less or
 - where you have been unable to obtain written evidence—for example, for toll or parking fees where you cannot get a receipt.

Your records must show the same details as a document from a supplier as described on the previous page.

You must keep your written evidence for 5 years from 31 October or, if you lodge later, for 5 years from the date you lodge your tax return. If at the end of this period you are in a dispute with the Australian Taxation Office (ATO) that relates to a work expense, you must keep the relevant records until the dispute is resolved.

For depreciating assets, you must keep records for the entire period over which you claim deductions for the decline in value of those assets. You must keep your records for a further 5 years from the date of your last claim. The 5 years start on 31 October or, if you lodge later, from the date you lodge your tax return. This period is extended if, when the 5 years end, you are in a dispute with the ATO that relates to a depreciating asset.

Example—Keeping records

Linda buys a computer for \$4000 in July 1998. Linda uses her computer for work 60 per cent of the time. She claimed 60 per cent of the decline in value on the cost of her computer over 4 years. Her last claim for a deduction for decline in value is in her 2001–02 tax return which she lodges on 15 October 2002.

She must keep her records until 31 October 2007. If at this time she is in a dispute with the ATO that relates to this claim, she must keep her records until the dispute is resolved.

If you have lost your records, or they have been destroyed, ring the Personal Tax Infoline on the inside back cover of *TaxPack* to find out what you can do.

Why you need to keep your records

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

Claims of \$300 or less

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

Questions D1 to D5 and D7 show you how to claim deductions for expenses that relate to your work as an employee.

Extra information for some occupations

The ATO provides summaries of tax rulings for 16 occupations:

- *Airline employees* (NAT 2331—6.2002)
- *Australian Defence Force members* (NAT 2321—6.2002)
- *Building workers* (NAT 2324—6.2002)
- *Cleaners* (NAT 2328—6.2002)
- *Factory workers* (NAT 2329—6.2002)
- *Hairdressers* (NAT 2320—6.2002)
- *Hospitality industry employees* (NAT 2326—6.2002)
- *Journalists* (NAT 2782—6.2002)
- *Lawyers* (NAT 2327—6.2002)
- *Nurses* (NAT 2319—6.2002)
- *Performing artists* (NAT 2325—6.2002)
- *Police officers* (NAT 2316—6.2002)
- *Real estate employees* (NAT 2323—6.2002)
- *Shop assistants* (NAT 2322—6.2002)
- *Teachers* (NAT 2317—6.2002)
- *Truck drivers* (NAT 2318—6.2002)

Your employer, trade union or association should have copies of this information. The publications are also available on the ATO website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

CAUTION

If you received a reimbursement for car expenses—worked out by reference to the distance travelled by the car—or an allowance for car expenses, you must show the amount of the reimbursement or allowance as income at item **1** or **2** on your tax return.

You need to know**Did you have any car expenses relating to your work as an employee?**

Do not include expenses for vehicles other than cars—for example, motorcycles, utility trucks or panel vans with a carrying capacity of 1 tonne or more, or any other vehicle with a carrying capacity of 9 or more passengers. Show them at item **D2**.

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

NO  Go to question **D2**.

YES  Read below.

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

You cannot claim at this question any expenses relating to a car owned or leased by someone else, including your employer or another member of your family. However, you are considered to be the owner or lessee of a car and eligible to claim expenses where a family or private arrangement makes you the owner or lessee even though you are not the registered owner. For example, a family car is given to you as a gift for your birthday. It is not registered in your name but you are the owner of the car, incur all associated expenses and use the car as your own.

If you own or lease a car or hire a car under a hire purchase agreement, you can use one of the 4 methods explained in this question to claim your work related car expenses. Depending on the method you choose, you will need to know or estimate your business kilometres. Business kilometres are the kilometres the car travelled in the course of using it for work related purposes.

Using your car for work

You cannot claim the cost of normal trips between home and work as the expense is private. The travel is private and cannot be claimed even if:

- you do minor tasks—for example, picking up the mail on the way to work or home
- you have to travel between home and work more than once a day
- you are 'on call'—for example, you are on stand-by duty and your employer contacts you at home to come into work
- there is no public transport near where you work
- you work outside normal business hours—for example, shift work or overtime
- your home is a place of business and you travel directly to a place of employment.

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

- you use your car because you have to carry bulky tools or equipment that you use for work—for example, an extension ladder or cello—and you cannot leave them at work
- your home is a base of employment—you start your work at home and travel to a workplace to continue the work or
- you have shifting places of employment—you regularly work at more than one site each day before returning home. *Taxation Ruling TR 95/34—Employees carrying out itinerant work*, has more information on travel expenses for employees who have shifting places of employment. This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You can claim the cost of using your car to travel directly between 2 separate places of employment—for example, when you have a 2nd job.

Example

Stephen is a clerk at a large department store who travels in his own car from his normal workplace to his 2nd job as a waiter. After finishing work as a waiter, he travels directly home. The cost of travel from his normal workplace to his 2nd job is an allowable deduction. However, Stephen cannot claim the cost of travelling from his 2nd job to his home.

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

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

Example

Janet is a clerk at a large department store in the city. She is required to attend a meeting at her employer's other store in the suburbs and travels in her own car to that store. As the meeting finishes late she travels directly home from the meeting.

Janet can claim the cost of the journey from the city store to the suburban store and from the alternate workplace to her home.

What you may need

- written evidence to show details of your car expenses—receipts, invoices or diary entries
- car logbook and odometer records
- *Guide to depreciating assets* (NAT 1996—6.2002)
- *Practice Statement PS 1999/2—Calculating car expense deductions where the car is jointly owned, jointly leased or jointly hired under a hire purchase agreement (but is not owned, leased or hired by a partnership)*

These publications are available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

CALCULATING YOUR DEDUCTION

You can use one of 4 methods summarised below to work out your car expenses.

METHOD 1—Cents per kilometre method

- Your claim is based on a set rate for each business kilometre.
- You are able to claim a maximum of 5000 business kilometres.
- You do not need written evidence.

METHOD 2—12 per cent of original value method

- Your claim is based on 12 per cent of the original value of the car.
- The value is subject to luxury car limits.
- Your car must have (or would have) travelled more than 5000 business kilometres.
- You do not need written evidence.

METHOD 3—One-third of actual expenses method

- Your claim is based on one-third of each car expense.
- Your car must have (or would have) travelled more than 5000 business kilometres.
- You need written evidence or odometer records for fuel and oil costs.
- You need written evidence for all other car expenses.

METHOD 4—Logbook method

- Your claim is based on the business use percentage of each car expense.

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

You can choose the method that gives you the largest deduction as long as you have the evidence required for that method.

NOTE

There are special rules for jointly owned cars. For example, where a car is owned by 2 people, each owning half, under METHOD 2 each joint owner would claim 6 per cent. *Practice Statement PS 1999/2* tells you more about these rules.

Deductions for decline in value

NOTE

'Decline in value' is the new term for depreciation.

If you are claiming a deduction for the decline in value of a car you should refer to the publication *Guide to depreciating assets* which contains details of how to work out deductions for decline in value and balancing adjustments for cars.

You can only claim a deduction for decline in value if you own the car or hire it under a hire purchase agreement and you use METHOD 3 or METHOD 4 to calculate your car expenses. If you lease a car that is not a luxury car, you cannot claim a deduction for its decline in value because you are not the owner of the car.

Some important things to remember when you are calculating your deduction for decline in value:

- The decline in value is worked out from the day you first use the car for any purpose, including a private purpose.
- You can only claim a deduction for decline in value in a year you use the car for work related purposes.
- You will need to apportion your deduction for decline in value where the car is used privately as well as for work related purposes or where you owned the car for part of the year.
- When calculating a deduction for the decline in value the cost of the car is limited to the luxury car limit. Luxury car limits are shown on page 41 METHOD 2.
- If you lease a luxury car special rules apply which require you to claim a deduction for its decline in value based on the luxury car limit—if you use METHOD 3 or METHOD 4. A car is considered to be a luxury car where the cost of the car—whether new or secondhand—at the time the lease begins is more than the luxury car limit applying for that year. Ring the Personal Tax Infoline on the inside back cover of *TaxPack* to find out what these special rules are.
- Low-value pool deductions
If you choose to use the low-value pooling method (see *Guide to depreciating assets*) to calculate the decline in value of your low-cost and low-value depreciating assets, your car expenses at **D1** under METHOD 3 and

METHOD 4 do not include an amount for the decline in value of a car used for work if it is included in the low-value pool. In those circumstances claim the deduction for decline in value of the low-value pool at **D7**.

- Simplified Tax System (STS)

If you are in business and are eligible to enter the STS and you have elected to do so at item **S1** in the *2002 business and professional items schedule*, you will need to calculate your work related deduction for decline in value or write-off using the STS rules (see *Guide to depreciating assets*). If you have chosen either METHOD 3 or METHOD 4 to calculate your work related car expenses, an amount for decline in value of your car used for work is not included at **D1**. Make your claim for decline in value at item **P8** in the *2002 business and professional items schedule*.

Was your car disposed of, lost or destroyed?

If so, a balancing adjustment may need to be made where you have claimed a deduction for the decline in value of the car and you have:

- switched between:
 - the one-third of actual expenses method or the logbook method AND
 - the cents per kilometre method or the 12 per cent of original value method or
- switched between the one-third of actual expenses method and the logbook method or
- used only the one-third of actual expenses method or the logbook method.

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

If you have a loss after making the calculation, claim the amount at this question. If you have a profit, include the amount as category 2 income at item **22** on your tax return (supplementary section). Refer to the Index for more information.

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

Award transport payments

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

Some changes made to the industrial law or award after that date are treated as if they had been made on that day. Your union or employer can tell you the 29 October 1986 amount.

Award transport payments are assessable and must be included as income on your tax return. If you have incurred transport expenses or work related car expenses associated with these payments, you may be able to claim a deduction:

- for transport expenses—under question **D2**
- for car expenses—under either this question or question **D2**.

If you choose to claim no more than the 29 October 1986 amount, claim these work related transport expenses or car expenses at question **D2**. You do not need written evidence.

If you also have a claim for any additional kilometres not covered by the award transport payment, you can make the claim at this question but you can only use METHOD 4—the logbook method—with written evidence or METHOD 1—the cents per kilometre method. Remember, any kilometres travelled that are covered by the award transport payment and claimed at question **D2** are not counted as business kilometres under either method but they are counted as part of the total kilometres travelled for METHOD 4. If you do not know how many business kilometres relate to your award transport payment you can make a reasonable estimate.

Alternatively, you may choose not to limit any part of your claim for work related car expenses to the 29 October 1986 amount of the award transport payment. If this is the case make the claim at this question—do not claim car expenses covered by your award transport payment at question **D2**. When making your car expense claim at this question you can use any of the 4 methods, and any work related kilometres travelled that are covered by the award transport payment are treated as business kilometres. You will need to satisfy the written evidence required by the particular method you select.

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

Example

Val travelled 22 000 kilometres in total during 2001–02. She received an award transport payment of \$2000 which, under her award, covered travel of 5000 work related kilometres. The award transport payment as at 29 October 1986 was \$1400. She also travelled an additional 6000 business kilometres that were not covered by her award transport payment.

Val has to show the \$2000 at item **2**. She can claim her car expenses in one of the following ways:

- only claim \$1400 at item **D2** or
- claim \$1400 at item **D2** and then use 5000 of her 6000 business kilometres towards a claim for total car expenses at item **D1** using the cents per kilometre method. See METHOD 1 on the next page or
- claim \$1400 at item **D2** and then use the 6000 business kilometres towards a claim for total car expenses using METHOD 4 on page 42 if she has written evidence. She divides the 6000 business kilometres by the 22 000 total kilometres to work out her business use percentage:

$$\frac{6000}{22\,000} \times 100 = 27\% \text{ or}$$
- not claim the \$1400 at item **D2** and treat the kilometres covered by the award transport payment as business kilometres. This gives her a total of 11 000 business kilometres towards a claim for total car expenses using METHOD 4 on page 42 if she has written evidence. She divides the 11 000 business kilometres by the 22 000 total kilometres to work out her business use percentage:

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

METHOD 1—Cents per kilometre method

You can use this method to claim a maximum of 5000 business kilometres per car even if you have travelled more than 5000 business kilometres. For example, if you travelled 5085 business kilometres and you want to use this method, you can only claim the cost of travelling 5000 kilometres. You cannot claim for the extra 85 kilometres. You do not need written evidence if you use this method but you may need to be able to show how you worked out your business kilometres.

Step 1 Multiply the total business kilometres travelled—a maximum of 5000 for each car—by the number of cents allowed for the engine capacity of your car. Divide your answer by 100 to work out the amount in dollars that you can claim.

This table shows you the rate per business kilometre to use in working out how much you can claim.

Rates per business kilometre		
Ordinary car engine capacity	Rotary engine car —engine capacity	Cents per— kilometre
1600cc (1.6 litre) or less	800cc (0.8 litre) or less	49.3 cents
1601cc–2600cc (1.601 litre–2.6 litre)	801cc–1300cc (0.801 litre–1.3 litre)	59 cents
2601cc (2.601 litre) and over	1301cc (1.301 litre) and over	60 cents

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

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

METHOD 2—12 per cent of original value method

You can use this method if you used your car to travel more than 5000 business kilometres in 2001–02. This method is also available if you would have used your car to travel more than 5000 business kilometres if you had used it for the whole of 2001–02.

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

If you bought the car, you can claim 12 per cent of the cost of the car. If you leased the car, you can claim 12 per cent of its market value at the time that you first leased it. The maximum deduction you can claim is 12 per cent of the luxury car limit in the year in which you first used or leased the car.

Luxury car limits for the last 10 years			
2001–02	\$55 134 (unchanged)	2000–01	\$55 134
1999–2000	\$55 134	1998–99	\$55 134
1997–98	\$55 134	1996–97	\$55 134
1995–96	\$52 912	1994–95	\$51 271
1993–94	\$48 415	1992–93	\$47 280

Step 1 Multiply the cost of the car or the luxury car limit, whichever is less, by 12 and divide the result by 100. This is the amount you can claim if you owned or leased your car for the whole of 2001–02 and used it for work during that year.

If you are using this method to claim a deduction for more than one car that belongs to you or you leased, work out the amount you can claim for each car. Add up the amounts you have worked out. If you owned or leased the car for the whole of 2001–02, go to step 3. Otherwise, read on.

Step 2 If you did not own or lease the car for the whole of 2001–02, you need to work out if you can use this method. First work out the number of days you owned or leased the car.

If you travelled 5000 business kilometres or less, multiply the number of business kilometres you travelled by 365 and divide the result by the number of days you owned or leased the car during 2001–02. This is considered to be the number of kilometres you would have travelled if you had used the car for the whole year.

If your answer is more than 5000 or you travelled more than 5000 business kilometres, you can use this method to claim your expenses. Go to **Working out the amount you can claim**. Otherwise, use METHOD 1 or 4.

Working out the amount you can claim

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

Example

Terry bought a car on 1 March 2002 for \$40 000 and he travelled 3600 kilometres for work between 1 March 2002 and 30 June 2002 (122 days).

Because he did not own the car for the full year, Terry needs to work out if he can use METHOD 2.

A As he travelled less than 5000 business kilometres, Terry multiplies the business kilometres he travelled by 365 and divides the result by the number of days he owned the car.

$$\frac{3600 \times 365}{122} = 10\,770$$

Because this is more than 5000 business kilometres, he is able to use this method.

B Terry follows the instructions in step 1 to get 12 per cent of the cost of the car.

$$\frac{\$40\,000 \times 12}{100} = \$4800$$

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

$$\frac{\$4800 \times 122}{365} = \$1605$$

This is the amount Terry can claim.

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

METHOD 3—One-third of actual expenses method

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

You can use this method if you used your car to travel more than 5000 business kilometres in 2001–02. This method is also available if you would have used your car to travel more than 5000 business kilometres if you had used it for the whole of 2001–02.

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

There are 2 ways to work out your fuel and oil costs:

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

Odometer records need to show the odometer readings of the car at the start and end of the period that you owned or leased the car during 2001–02. They should also show the car's engine capacity, make, model and registration number.

You may need to be able to show how you worked out your business kilometres and any reasonable estimate you made.

Example

Alison has made a reasonable estimate that she travelled 7000 business kilometres during 2001–02. She is able to use this method.

Her odometer records show she used the car to travel a total of 25 000 kilometres during 2001–02.

She also estimated that the car used 10 litres of fuel per 100 kilometres travelled, based on the manufacturer's guidelines, and the average fuel price for the period was 90 cents per litre.

Alison's fuel claim would be worked out like this:

25 000 km multiplied by 10 and divided by 100 = 2500

2500 multiplied by \$0.90 = \$2250

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

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

- Step 1** Add up your total expenses for fuel and oil, registration, insurance, interest, repairs and maintenance, the decline in value or lease payments and any other costs of running your car. See pages 39–40 to work out the amount to show here for decline in value.
- Step 2** Divide your total car expenses by 3. This is the amount you can claim.
- Step 3** Write the amount from step 2 at **A** item **D1** on your tax return. Do not show cents. Print the code letter **O** in the **CLAIM TYPE** box beside the amount.

METHOD 4—Logbook method

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

You must keep:

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

Business use percentage

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

From your records, work out the total kilometres travelled. Then work out how many were business kilometres. Divide the number of business kilometres by the total number of kilometres travelled. Multiply this amount by 100.

Example

At the end of the logbook period, Jordan's logbook shows that he travelled a total of 11 000 kilometres of which 6600 were business kilometres.

He divides 6600 by 11 000 and multiplies by 100.

Jordan's business use percentage is 60 per cent.

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

Did your car use change during 2001–02?

If it changed, make a reasonable estimate of what your business use percentage would have been for the whole of 2001–02, taking into account your logbook, odometer and other records, any variations in the pattern of use of your car and any changes in the number of cars you used in the course of earning your income.

Your logbook

Your logbook is valid for 5 years. If this is the first year you are using this method, you must have kept a logbook during 2001–02. The logbook must cover at least 12 continuous weeks. If you started to use your car for business purposes less than 12 weeks before the end of 2001–02, you are able to continue to keep a logbook into 2002–03 so that your logbook covers the required 12 weeks. If you want to use the logbook method for 2 or more cars, the logbook for each car must cover the same period.

If you have not kept a logbook since 1996–97, you must have kept a new logbook for 2001–02. If you did not keep a new logbook for 2001–02, you cannot use the logbook method. You must use another method.

Where you have kept a logbook for 2001–02 your logbook must contain the following information:

- when the logbook period begins and ends
- the car's odometer readings at the start and end of the logbook period
- the total number of kilometres that the car travelled during the logbook period
- the number of kilometres travelled for work activities based on journeys recorded in the logbook. If you make 2 or more in a row on the same day, they can be recorded as a single journey
- the business use percentage for the logbook period.

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

You also need a logbook if the Australian Taxation Office (ATO) told you in writing to keep one. The ATO does not supply logbooks. Preprinted logbooks are available from stationery suppliers or you can draw up your own.

Logbook entries for each journey

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

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

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

Odometer records

You must keep written odometer records for the period you owned or leased the car during 2001–02. You need to record:

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

Odometer records can be kept as part of your logbook if you kept one for 2001–02. If you did not keep a logbook in 2001–02, you need to have kept a separate record of the odometer readings and other details.

Working out your claim

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

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

There are 2 ways to work out your fuel and oil costs:

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

Example

Mark's odometer records show he used his car to travel a total of 7000 kilometres during 2001–02.

Based on the manufacturer's guidelines, he estimated that the car used 10 litres of fuel per 100 kilometres travelled and the average fuel price for the period was 90 cents per litre.

Mark's fuel claim would be worked out like this:

7000 km multiplied by 10 and divided by 100 = 700

700 multiplied by \$0.90 = \$630

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

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

- Step 1** Add up your total expenses for fuel and oil, registration, insurance, interest, repairs and maintenance, the decline in value or lease payments and any other costs of running your car. See pages 39–40 to work out the amount to show here for decline in value.
- Step 2** Using your business use percentage, work out the business portion of your total expenses from step 1. This is the amount you can claim.
- Step 3** Print the amount from step 2 at **A** item **D1** on your tax return. Do not show cents. Print the code letter **B** in the **CLAIM TYPE** box beside the amount.

CLAIMING UNDER MORE THAN ONE METHOD

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

Check that you have . . .

-  written on your tax return the amount of your claim for car expenses
-  printed the correct code letter in the **CLAIM TYPE** box beside the amount:
 - if you used METHOD 1—code **S**
 - if you used METHOD 2—code **T**
 - if you used METHOD 3—code **O**
 - if you used METHOD 4—code **B**
-  kept written evidence of your car expenses, where required. You need to keep it for 5 years from 31 October or, if you lodge later, for 5 years from the date you lodge your tax return. If at the end of this period you are in a dispute with the Australian Taxation Office that relates to this work expense, you must keep your records until the dispute is resolved.

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

Claim at this question expenses for vehicles other than cars—for example, motorcycles, utility trucks or panel vans with a carrying capacity of 1 tonne or more, or any other vehicle with a carrying capacity of 9 or more passengers.

Claim at this question any work related running costs you are entitled to that are associated with a car owned or leased by somebody else—a borrowed car.

NO  Go to question **D3**.

YES  Read below.

You need to know

You can claim travel expenses directly connected with your work. If your travel was partly private and partly for work, you can claim only the part that related to work. Travel expenses you may be able to claim include meals, accommodation and incidental expenses incurred while travelling overnight for work—for example, going to an interstate work conference. Generally, if your travel does not involve an overnight stay, you cannot claim for meals even if you received a travel allowance.

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

You cannot claim a deduction for any expenses you incur for the direct operation of a car that your employer provides, which at any time is used privately by you or your relatives, even if the expenses are work related. Examples of direct operation expenses are petrol, oil and repairs. Such expenses form part of the valuation of the car for fringe benefits tax purposes. However, you may be able to claim expenses—such as parking fees and bridge tolls—which are linked to the car but are not involved in its direct operation.

You cannot claim the cost of normal trips between home and work as the expense is private. The travel is private and cannot be claimed even if:

- you do minor tasks—for example, picking up the mail on the way to work or home
- you have to travel between home and work more than once a day
- you are 'on call'—for example, you are on stand-by duty and your employer contacts you at home to come into work
- there is no public transport near where you work
- you work outside normal business hours—for example, shift work or overtime
- your home is a place of business and you travel directly to a place of employment.

You can claim for the cost of trips undertaken between home and work where:

- you use your vehicle or have other travel expenses because you have to carry bulky tools or equipment that you use for work—for example, an extension ladder or cello—and you cannot leave them at work
- your home is a base of employment—you start your work at home and travel to a workplace to continue the work or
- you have shifting places of employment—you regularly work at more than one site each day before returning home. *Taxation Ruling TR 95/34—Employees carrying out itinerant work* has more information on travel expenses for employees who have shifting places of employment. This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You can claim the cost of travelling directly between 2 separate places of employment—for example, when you have a 2nd job.

Example

Sue is a clerk at a large department store who travels by bus from her normal workplace to her 2nd job as a waitress. After finishing work as a waitress, she travels directly home.

The cost of travel from her normal workplace to her 2nd job is an allowable deduction.

However, Sue cannot claim the cost of travelling from her 2nd job to her home.

You can claim the cost of travelling:

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

Example

Janet is a clerk at a large department store in the city. She travels by bus from her normal workplace to her employer's other store in the suburbs. She attends a meeting at this alternative workplace. After this meeting, she travels directly home by train.

Janet can claim the cost of each journey.

Records you need

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

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

The Australian Taxation Office (ATO) sets the reasonable allowance amount for your circumstances. Your employer or the ATO can tell you what the amount is.

TRAVEL EXPENSE RECORDS

	DOMESTIC TRAVEL		OVERSEAS TRAVEL	
	Written evidence	Travel diary	Written evidence	Travel diary
Where a travel allowance is not received:				
• travel less than 6 nights in a row	Yes	No	Yes	No
• travel 6 or more nights in a row	Yes	Yes	Yes	Yes
Where a travel allowance is received and the claim does not exceed the reasonable allowance amount:				
• travel less than 6 nights in a row	No	No	No*	No
• travel 6 or more nights in a row	No	No	No*	Yes**
Where a travel allowance is received and the claim exceeds the reasonable allowance amount:				
• travel less than 6 nights in a row	Yes	No	Yes	No
• travel 6 or more nights in a row	Yes	Yes	Yes	Yes**

A travel diary is a document which shows details of your activities. It must show the dates, places, times and duration of your activities and travel.

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

** Members of international air crews do not need to keep a travel diary if they limit their claim to the amount of the allowance received.

NOTE

You must have written evidence for the whole of your claim, not just the excess over the reasonable amount. Written evidence is explained on pages 36–7.

Car owned or leased by somebody else—a borrowed car

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

Award transport payments

Award transport payments are allowances covering either transport expenses or car expense reimbursements which are paid under an industrial law or award that was in force on 29 October 1986.

Some changes made to the industrial law or award after that date are treated as if they had been made on that day. Your union or employer can tell you the 29 October 1986 amount.

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

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

If you choose to claim more than the 29 October 1986 amount for work related transport expenses, make the claim at this question. You will need written evidence for the whole of the claim.

If you choose to claim more than the 29 October 1986 amount for work related car expenses or to claim for additional car expenses not covered by the award transport payment, make the claim at question **D1**.

Completing this question

- Step 1** Add up all your allowable travel expenses.
- Step 2** Write the total amount at **B** item **D2** on your tax return. Do not show cents.

Check that you have . . .

-  written on your tax return the amount of your claim for travel expenses
 -  kept written evidence of your travel expenses, where required. You need to keep it for 5 years from 31 October or, if you lodge later, for 5 years from the date you lodge your tax return. If at the end of this period you are in a dispute with the Australian Taxation Office that relates to this work expense, you must keep your records until the dispute is resolved.
-

Did you have any uniform, occupation specific clothing, protective clothing, laundry or dry cleaning expenses that relate to your work as an employee?**NO**  Go to question **D4**.**YES**  Read below.

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

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

You cannot claim the cost of purchasing or cleaning a plain uniform or everyday clothes that you bought to wear to work even if your employer tells you to wear them—for example, a bartender's black trousers and white shirt or a manager's suit or stockings. If you need more information about everyday clothing, read *Taxation Ruling TR 94/22—Deductibility of expenditure on conventional clothing*, *Taxation Ruling TR 97/12—Deductibility of expenses on clothing, uniform and footwear* and *Taxation Ruling TR 98/5—Calculating and claiming a deduction for laundry expenses*. These publications are available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

What you may need

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

You need to know

You cannot automatically claim a deduction just because you got a uniform, clothing, laundry or dry cleaning allowance from your employer. Carefully read the section **Claiming deductions for expenses that relate to your work as an employee** on pages 36–7 before claiming a deduction.

Work uniform

This is a work uniform—either compulsory or non-compulsory—that is unique and distinctive to your organisation.

Compulsory work uniform

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

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

If you need more information about work uniforms, read *Taxation Determination TD 1999/62—What are the criteria to be considered in deciding whether clothing items constitute a compulsory corporate uniform/wardrobe?* This publication is available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You may be able to claim for a single item of distinctive clothing, such as a jumper, where it is compulsory for you to wear it at work. Generally, clothing is distinctive where it has the employer's logo permanently attached and the clothing is not available to the public.

Non-compulsory work uniform

You cannot claim expenses incurred for non-compulsory work uniforms unless your employer has registered the design. Ask your employer for advice.

Shoes, socks and stockings can never form part of a non-compulsory work uniform.

Occupation specific clothing

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

Protective clothing

This is clothing that protects you from injury while you are working—for example, safety boots and fire resistant clothing—or clothing that you wear at work to protect your everyday clothes—for example, overalls, dust jackets and aprons. Heavy duty items such as jeans, drill trousers and drill shirts are not considered protective clothing.

Laundry expenses

The costs of washing, drying or ironing eligible work clothes, as described in this question, are laundry expenses which you can claim. They include laundromat expenses. You must have written evidence—for example, diary entries and receipts—for your laundry expenses if:

- the amount of your claim is greater than \$150 and
- your total claim for work expenses—other than car, meal allowance, award transport payments allowance and travel allowance expenses—exceeds \$300.

Dry cleaning expenses

You can claim the cost of dry cleaning eligible work clothes, as described in this question. If your total claim for work expenses exceeds \$300 you must have written evidence to substantiate your claim.

Completing this question

- Step 1** Work out the total cost of laundering your occupation specific clothing, protective clothing or work uniforms.

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

The Australian Taxation Office (ATO) considers that a reasonable basis for working out your laundry claim would be \$1 per load—if this includes washing, drying and ironing—if the load is made up only of the clothes described in this question, and 50 cents per load if other laundry items are included. If you choose a different basis to work out your claim, we may ask you to explain that basis.

- Step 2** Add up all your allowable clothing, laundry and dry cleaning expenses and write the total amount at **C** item **D3** on your tax return. Do not show cents.

- Step 3** Select the code letter that describes the majority of the clothing for which you are claiming:

- C** compulsory work uniform
- N** non-compulsory work uniform
- S** occupation specific clothing
- P** protective clothing

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

Check that you have . . .

-  written on your tax return the total amount of your uniform, occupation specific clothing, protective clothing, laundry and dry cleaning expenses
-  printed your code letter in the **CLAIM TYPE** box
-  kept written evidence to prove your claims, where required. You need to keep it for 5 years from 31 October or, if you lodge later, for 5 years from the date you lodge your tax return. If at the end of this period you are in a dispute with the ATO that relates to this work expense, you must keep your records until the dispute is resolved.



Do not show at this question:

- the cost of formal education courses provided by professional organisations
- the cost of attending seminars, education workshops or conferences that are connected to your work activities but do not relate to your course of education. Show these at **D5 Other work related expenses**
- amounts for decline in value of items included in a low-value pool. Show these at **D7 Low value pool deduction**
- amounts for decline in value of items if you are in business and have elected to enter the Simplified Tax System (STS). Show these at item **P8** in the *2002 business and professional items schedule*.

NOTE

'Decline in value' is the new term for depreciation. A 'depreciating asset' is an asset with a limited effective life which declines in value over that life.

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

NO Go to question **D5**.

YES Read below.

What you cannot claim

You cannot claim a deduction for Higher Education Contribution Scheme (HECS) payments, Financial Supplement Loan repayments or Open Learning Agency of Australia basic charges.

If you take out a loan under the Postgraduate Education Loans Scheme (PELS) for part or all of your tuition fees, you cannot claim a deduction for that amount or the loan repayments.

You cannot claim a deduction for self-education expenses against income you received from youth allowance, austudy payment, ABSTUDY or similar schemes providing payments in the nature of assistance.

What you may need

- written evidence from your supplier or educational institution
- written evidence or diary entries you made of any expenses relating to your self-education—for example, travel
- *Guide to depreciating assets* (NAT 1996—6.2002). This publication contains information about deductions for decline in value and balancing adjustments, and **immediate deductions** for certain depreciating assets whose cost (when added to the cost of other substantially identical assets or assets that make up a set) does not exceed \$300. It also explains the option to pool low-value depreciating assets for which you cannot claim an immediate deduction. If you choose this option, see question **D7 Low value pool deduction**. This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You need to know

You can only claim self-education expenses that relate to your work activities while you were studying. If your self-education was to help you get a new job, you cannot claim your expenses.

Self-education expenses are expenses related to a course of education provided by a school, college, university or other place of education. The course must be undertaken to gain a formal qualification for use in carrying on a profession, business or trade or in the course of employment.

If you are a part-time or full-time student, you may be able to claim the costs of self-education if there is a direct connection between your self-education and your work activities at the time the expense was incurred.

Taxation Ruling TR 98/9—Deductibility of self-education expenses provides additional information. This publication is available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

If your total claim for all work expenses is more than \$300, you may need to keep written evidence to prove your claim. Read pages 36–7 in *TaxPack 2002* for the written evidence rule.

The cost of meals is generally a private—and non-claimable—expense. However, if:

- you are participating in self-education directly connected to your current work AND
- that self-education requires you to be temporarily absent for one or more nights from your home

you may claim the cost of meals during that absence.

Allowable self-education expenses

You may be able to claim expenses such as textbooks, stationery, student union fees, course fees and the decline in value of your computer. If you did not use your computer solely for self-education purposes, you will need to apportion your deduction.

This means you divide the amount between private use and work related use. For example, if you use your computer 40 per cent of the time for deductible self-education and 60 per cent of the time for private purposes, then you can only claim 40 per cent of the decline in value.

You can claim expenses for travel between:

- home and your place of education
- your place of education and home
- work and your place of education
- your place of education and work.

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

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

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

\$250 reduction

In certain circumstances you may have to reduce your allowable self-education expenses by \$250. However, you may have other types of expenses—some of which are not allowable as a deduction (category E)—that can be offset against the \$250 before you have to reduce the amount you can claim for allowable expenses.

To work out your claim, first list your expenses under the following categories.

Category A

General expenses that are allowable as a deduction. They include textbooks, stationery, student union fees, course fees or car expenses (excluding amounts for decline in value) worked out under the logbook or one-third of actual expenses method.

In some cases you may need to reduce your category A expenses by \$250—see example 1 on page 51.

Category B

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

NOTE

Make your claim for the decline in value of a low-value pool (which includes assets used for self-education purposes) at **D7**. If you are in business and are eligible to enter the Simplified Tax System (STS) and you have elected to do so at item **S1** (in the *2002 business and professional items schedule*), you will need to calculate your work related deduction for decline in value or write-off using the STS rules, details of which are contained in *Guide to depreciating assets*. In that case, claim your work related deduction for decline in value at **P8** in the *2002 business and professional items schedule* contained in the publication *Business and professional items* (NAT 2543—6.2002). These publications are available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Category C

Repairs to items of equipment used for self-education purposes.

Category D

Car expenses related to your self-education activities which are claimed using the cents per kilometre or 12 per cent of original value method. See page 39 for information on these methods.

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

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

Category E

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

- travel expenses in respect of the last leg of each trip:
 - from home to your place of education and then to work or
 - from the workplace to your place of education and then home
- child care costs related to attendance at lectures or other self-education activities
- capital cost of items acquired in 2001–02 and used for self-education purposes—for example, a computer or desk.

Completing this question

Step 1 If you had any category A expenses, go to step 2. Otherwise, read on.

If you do not have any category A expenses, you do not have to reduce your claim. Add any category B, C and D amounts and write the total at **D** item **D4** on your tax return. Do not show cents. Go to step 6.

Step 2 If the total of your category C, D and E amounts is less than \$250, go to step 3. Otherwise, read on.

If the total of your category C, D and E amounts is \$250 or more you do not have to reduce your claim. Add any category A, B, C and D amounts and write the total at **D** item **D4** on your tax return. Do not show cents. Go to step 6.

- Step 3** Take away the total of any category C, D and E amounts from \$250.
- Step 4** Take your answer from step 3 away from your total category A amount. If this leaves you with zero or less, your category A amount is reduced to zero.
- Step 5** Add your step 4 amount—if any—to the total of your category B, C and D amounts. Write your answer at **D** item **D4** on your tax return. Do not show cents.
- Step 6** Select from the list below the code letter that best describes your self-education.
- K** There is a direct connection between the self-education and your current work activities because the study maintains or improves a skill or specific knowledge required for your current work activities.
- I** There is a direct connection between the self-education and your current work activities because you can show that the study leads to, or is likely to lead to, increased income from your current work activities.
- O** Other circumstances exist where there is a direct connection between your self-education and your current work activities.

Remember, self-education expenses are NOT allowable if your study is designed to:

- get you a job
- get you a new job—a different job to your current one—or
- get you income from a new income-earning activity.

- Step 7** Print your code letter (**K**, **I** or **O**) from step 6 in the **CLAIM TYPE** box at the right of **D** item **D4** on your tax return.

Examples of how to work out a claim

Example 1

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

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

Example 2

Allan is currently unemployed and gets a Newstart allowance. He went to a course to gain a 2nd qualification to help his job prospects.

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

Example 3

Sharon is a clerk in the public service who is studying gourmet cooking part time in order to become a chef.

Sharon cannot claim any self-education expenses as there is no direct connection between the expense and her current income source.

Example 4

Katelin studies full time at a university and receives austudy payment as her only source of income.

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

Example 5

Debra studied part time at a university and the course was directly related to her current employment. She travelled by bus from her work to university.

Her expenses		Category
Stationery	\$ 10	A
Textbooks	\$240	A
Course fees	\$200	A
Bus fares	\$150	A
Student union fees	\$150	A
Repair to home printer	\$ 70	C
Total allowable expenses	\$820	

Self-education expenses not allowable as a deduction

Child care costs	\$520	E
------------------	-------	---

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

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

Debra can claim \$820—her category A and C amounts.

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

Step 3 \$250 less \$70 (the category C amount) = \$180

Step 4 \$750 (category A amount) less \$180 (step 3 amount) = \$570

Step 5 \$570 (step 4 amount) plus \$70 (category C amount) = \$640

Debra could claim \$640.



Do not show at this question claims for:

- expenses not related to your work
- expenses from carrying on a business
- the cost of sickness and accident insurance premiums
- tax costs—such as tax agent fees
- decline in value of items included in a low-value pool. Show these at **D7 Low value pool deduction**
- decline in value of work related items if you are in business and have elected to enter the Simplified Tax System (STS). Show these at item **P8** on the *2002 business and professional items schedule*.

NOTE

'Decline in value' is the new term for depreciation.

A 'depreciating asset' is an asset with a limited effective life which declines in value over that life.

You need to know

Did you have:

- **Financial Institutions Duty (FID) charged on salary, wage, pension, allowance or payment income deposited into your bank, building society or credit union account**
- **debits tax charged on any outgoings from your account where the outgoing can be claimed as an allowable work related deduction**
- **any other expenses relating to your work as an employee?**

Other expenses include union fees, overtime meals, attending formal education courses provided by professional associations, seminars, conferences or education workshops, books, journals and trade magazines, tools and equipment, computers and software, telephone and home office expenses. Ring the Personal Tax Infoline on the inside back cover of *TaxPack* if you are not sure if an expense can be claimed.

You cannot claim the cost of entertainment, fines or penalties.

You cannot claim private expenses such as child care expenses or fees paid to social clubs.

NO Go to question **D6**.

YES Read below.

What you may need

- statements from your bank, building society or credit union
- written evidence from your supplier or association
- other written evidence or diary entries you made to record your expenses
- your *PAYG payment summary—individual non business*
- *Taxation Ruling TR 93/30—Deductions for home office expenses*
- *Practice Statement PS 2001/6—Home office expenses*
- *Guide to depreciating assets* (NAT 1996—6.2002). This publication contains information about deductions for decline in value and balancing adjustments, and **immediate deductions** for certain depreciating assets whose cost (when added to the cost of other substantially identical assets or assets that make up a set) does not exceed \$300. It also explains the option to pool low-value depreciating assets for which you cannot claim an immediate deduction. If you choose this option, see question **D7 Low value pool deduction**. This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Simplified Tax System (STS)

If you are in business and are eligible to enter the Simplified Tax System (STS) and you have elected to do so at item **S1** (in the *2002 business and professional items schedule*), you will need to calculate your work related deduction for decline in value or write-off using the STS rules, details of which are contained in the publication *Guide to depreciating assets*. In that case claim your work related deduction for decline in value at item **P8** of the *2002 business and professional items schedule* contained in the publication *Business and professional items* (NAT 2543—6.2002).

These publications are available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

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

If your total claim for all work expenses as an employee exceeds \$300, you may need to keep written evidence to prove your claim. Read pages 36–7 for the written evidence rule.

Financial Institutions Duty (FID), government duty tax (GDT) and debits tax

FID was abolished with effect from 1 July 2001. However, you may have been notified of FID in your bank, building society or credit union statements for the 2001–02 income

year on some deposits made to your account prior to 1 July 2001. You can claim these FID amounts as a deduction in 2001–02 where the deposit is part of your assessable income—for example, salary, wages, pensions, allowances or payments.

You can claim a deduction for that part of the GDT or debits tax charged on any outgoing from your account where the outgoing can be claimed as an allowable deduction—for example, work related expenses.

You can only claim your share of FID and debits tax charged on joint accounts. For example, if you hold an account jointly with one other person, you can only claim one half of the FID or debits tax charged on the account.

Union fees and subscriptions to associations

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

Overtime meals

You may be able to claim a deduction for overtime meal expenses you incurred if you received an overtime meal allowance from your employer which was paid under an industrial law, award or agreement. You can only claim the amount of expenditure you incurred. If your claim is more than \$18.90 per meal, you will need written evidence.

You can only claim for overtime meal expenses incurred on those occasions when you worked overtime and you received an overtime meal allowance payment for that overtime.

An amount for overtime meals that has been folded in as part of your normal salary or wages income is not considered to be an overtime meal allowance.

Amounts received as overtime meal allowance must be included as income at item **2** on your tax return.

Seminars, conferences or education workshops

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

Books, journals and professional libraries

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

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

Computers and software

You can claim a deduction for the work related proportion of the decline in value of computers. See the publication *Guide to depreciating assets* to work out your claim. If you use your computer for private purposes you must apportion your decline in value between work related and private use. 'Apportion' means you divide the amount

between private use and work related use. For example, if you use a computer 30 per cent of the time for work and 70 per cent of the time for non-work purposes, then you can only claim 30 per cent of the decline in value.

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

Telephone expenses

You can claim a deduction for the cost of work related telephone calls.

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

Home office expenses

You can claim the additional running expenses of a home office—for example, the decline in value of and repairs to your home office furniture and fittings, heating, cooling, lighting and cleaning. You can keep a diary to work out how much of your running expenses relate to doing work in your home office. Alternatively, you can use a fixed rate of 20 cents per hour for home office expenses for heating, cooling, lighting and the decline in value of furniture instead of keeping details of actual costs. For further information refer to *Practice Statement PS2001/6—Home office expenses*.

When you use your home office for work as an employee, note the time spent in your diary. Diary records are acceptable evidence of a connection between the use of a home office and your work. Keep diary records during a representative period and for a reasonable time—for example, at least 4 weeks.

For a complete explanation of the limited circumstances in which you may claim for occupancy expenses of your home, such as rates, rent, mortgage interest and insurance, refer to *Taxation Ruling TR 93/30—Deductions for home office expenses*.

Low-value pooling

If you choose the low-value pooling method to calculate the decline in value of low-cost and low-value depreciating assets, make your claim at question **D7**.

Other expenses

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

Completing this question

Step 1 Add up all the expenses that you can claim at this question.

Step 2 Write the total amount at **E** item **D5** on your tax return. Do not show cents.



Do not show at this question:

any amounts directly connected to a project you are carrying on as a business. Show the amounts at **I** item **P8** on the 2002 *business and professional items schedule*.

NOTE

A 'depreciating asset' is an asset with a limited effective life which declines in value over that life.

NOTE

If you are unsure if the capital expenditure you incurred qualifies as a project amount, refer to the publication *Guide to depreciating assets* (NAT 1996—6.2002). This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

NOTE

If in 2001–02 you recouped any of the expenditure allocated to the project pool, the amount recouped is assessable income and must be shown at question 22.

Did you have capital expenditure directly connected with a project?

You cannot claim a deduction at this question for private or domestic expenditure, such as the cost of constructing a driveway at your home.

You may be able to claim a deduction at this question for certain capital expenditure allocated to a project pool for a project which you either:

- carried on in 2001–02 to produce assessable income—but NOT as a business or
- proposed to carry on to earn assessable income but the project never began and was abandoned in 2001–02—for example, unsuccessful feasibility studies.

NO Go to question D7.

YES Read below.

You need to know

Certain capital expenditure you incurred after 30 June 2001 which is directly connected with a project that you carry on, or propose to carry on, to gain assessable income, can be written off over the life of the project using a pool. You may have more than one project pool. The expenditure must not be otherwise deductible or form part of the cost of a depreciating asset.

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

- creating or upgrading community infrastructure associated with the project
- site preparation for depreciating assets (other than to drain swamps or low-lying land or to clear land for horticultural plants and grapevines)
- feasibility studies or environmental assessments for the project
- obtaining information associated with the project
- seeking to obtain a right to intellectual property
- ornamental trees or shrubs.

Project amounts incurred are allocated to what is known as a 'project pool'. If you began to operate a project to produce assessable income in 2001–02, your deduction for a project pool starts in 2001–02. The deduction is worked out on the value of the project pool at the end of 2001–02. Use the WORKSHEET below to work out your deduction.

WORKSHEET

Value of project pool at 30 June 2002

For 2001–02, this is the sum of the project amounts you allocated to the pool in 2001–02.

(a) \$

Your estimate of the life of the project (in years)

(b) \$

Divide (a) by (b).

(c) \$

Multiply (c) by 150%—this is your 2001–02 deduction for project pool.

(d) \$

NOTE: If a project operated in 2001–02 for purposes other than earning assessable income, your deduction at (d) must be reduced by a reasonable amount for the extent to which the project operated for such purposes.

Closing pool value for 2001–02

This is amount (a) less amount (d) in the WORKSHEET. You will need the closing pool value for 2001–02 to work out your deduction for project pool next year.

Where a project is abandoned, sold or otherwise disposed of in 2001–02

In this case—whether or not the project had begun to operate—you can claim a deduction for the value of the project pool at that time. Any proceeds from the abandonment, sale or disposal of the project must be shown as assessable income at question 22.

Work out your project pool deduction and write the amount at **H** item **D6** on your tax return. Do not show cents.

NOTE

'Decline in value' is the new term for depreciation.

'Depreciating asset' is an asset with a limited effective life which declines in value over that life.

Have you allocated to a low-value pool assets used to earn assessable income?

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

- assets for which you have previously claimed deductions worked out using the prime cost method
- assets that cost \$300 or less for which you can claim an immediate deduction
- assets for which you can deduct amounts under the Simplified Tax System (STS)
- horticultural plants (including grapevines).

NO  Go to question **D8**.

YES  Read below.

You need to know

From 1 July 2001, you can allocate certain depreciating assets that cost less than \$1000 or that have declined in value below \$1000 (as at 1 July 2001) to what is known as a 'low-value pool'. You can claim a deduction for the decline in value of these assets, worked out by calculating the decline in value of the low-value pool.

If you have a low-value pool created before 1 July 2001, you must use its closing balance at 30 June 2001 in working out the decline in value of depreciating assets in the pool for 2001–02.

You can allocate to a low-value pool for 2001–02 the following types of depreciating assets:

- **low-cost assets**—that is, assets costing less than \$1000 and
- **low-value assets**—that is, assets that are not low-cost assets but that have declined in value below \$1000 (as at 1 July 2001) and for which you have previously claimed deductions worked out using the diminishing value method.

CLAIMING YOUR LOW-VALUE POOL DEDUCTION

You can only have one low-value pool.

You must claim your deduction:

- at item **P8** on the *2002 business and professional items schedule* if your low-value pool contains **only assets used in business** and not for any other income-producing purpose
- at this question **in all other cases**—this includes where your low-value pool contains assets used in relation to your work as an employee (questions **D1** to **D5**) or to gain rental income (question **20**).

WORKING OUT YOUR DEDUCTION

The deduction for the decline in value of depreciating assets in a low-value pool is worked out using a diminishing value rate of 37.5 per cent.

For the income year you first allocate a low-cost asset to the pool, your deduction is worked out at a rate of 18.75 per cent or half the pool rate. Halving the rate recognises that assets may be allocated to the pool throughout the income year and eliminates the need to make separate calculations for each asset based on the date it was allocated to the pool.

Taxable use percentage

When you allocate an asset to a low-value pool, you must make a reasonable estimate of the extent to which you will be using it for earning income—over its effective life (for a low-cost asset) or its remaining life (for a low-value asset).

This percentage is called the taxable use percentage—it is used to calculate the amount to be included in the pool for each asset, on which a deduction for decline in value is worked out.

How to calculate your low-value pool deduction

The worksheet on the next page shows you how to work out your low-value pool deduction. An example is presented and there is space left for your own calculations.

NOTE

If you choose to allocate a low-cost asset to a low-value pool for 2001–02, all low-cost assets you start to hold in 2001–02 or in future years must be allocated to that pool.

NOTE

You may need the publication *Guide to depreciating assets* (NAT 1996–6.2002). This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Example

Edward buys a printer for \$600 in 2001–02 and allocates it to a low-value pool. He estimates that the printer will be used 40 per cent of the time (over its effective life) for work purposes. Edward did not have a low-value pool in 2000–01.

In 2001–02 Edward also decided to allocate to the low-value pool a laptop computer for which he had previously claimed deductions worked out under the diminishing value method—its opening value (at 1 July 2001) was \$900 and it will be used only for work purposes.

WORKSHEET

	<i>Edward</i>	<i>You</i>
The closing balance of the pool for 2000–01	(a) <input type="text" value="\$0"/>	(a) <input type="text" value="\$"/>

If you did not have a low-value pool in 2000–01, write '0' at (a).

For each low-value asset allocated to the pool in 2001–02, multiply the opening value (at 1 July 2001) by the taxable use percentage. Add up the amounts and write the total at (b).	(b) <input type="text" value="\$900"/>	(b) <input type="text" value="\$"/>
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Add (a) and (b).	(c) <input type="text" value="\$900"/>	(c) <input type="text" value="\$"/>
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Multiply (c) by 37.5 per cent.	(d) <input type="text" value="\$337"/>	(d) <input type="text" value="\$"/>
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For each low-cost asset allocated to the pool in 2001–02, multiply the cost by the taxable use percentage.		
Add up the amounts and write the total at (e).	(e) <input type="text" value="\$240"/>	(e) <input type="text" value="\$"/>

(\$600 × 40%)

For each asset in the pool for which you incurred additional capital costs (such as improvements) in 2001–02, multiply the cost by the taxable use percentage. Add the amounts and write the total at (f).	(f) <input type="text" value="\$0"/>	(f) <input type="text" value="\$"/>
--	--------------------------------------	-------------------------------------

Add (e) and (f).	(g) <input type="text" value="\$240"/>	(g) <input type="text" value="\$"/>
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Multiply (g) by 18.75 per cent.	(h) <input type="text" value="\$45"/>	(h) <input type="text" value="\$"/>
---------------------------------	---------------------------------------	-------------------------------------

Add up the amounts at (d) and (h).	(i) <input type="text" value="\$382"/>	(i) <input type="text" value="\$"/>
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This is the total low-value pool deduction. Edward will show \$382 at **K** item **D7** on his tax return.

Completing this question

Write your total low-value pool deduction at **K** item **D7** on your tax return. Do not show cents.

Disposal of depreciating assets allocated to a low-value pool

If you dispose of an asset in a low-value pool in 2001–02, you need to reduce the closing pool balance for 2001–02 (see below) by the taxable use percentage of the asset's termination value. The asset's termination value is usually the proceeds from the asset's disposal. If this amount is more than the closing pool balance, the closing pool balance is reduced to nil and the excess needs to be included in your assessable income at question **22**.

Closing low-value pool balance for 2001–02

You will need to use the closing pool balance to calculate your low-value pool deduction for **next year**.

	<i>Edward</i>	<i>You</i>
Closing balance of the pool for 2000–01 (WORKSHEET amount (a))	<input type="text" value="\$0"/>	<input type="text" value="\$"/>
PLUS		
Amounts allocated to the pool in 2001–02 for:		
• low-value assets (WORKSHEET amount (b))	<input type="text" value="\$900"/>	<input type="text" value="\$"/>
• low-cost assets (WORKSHEET amount (e))	<input type="text" value="\$240"/>	<input type="text" value="\$"/>
• additional capital costs relating to pooled assets (WORKSHEET amount (f))	<input type="text" value="\$0"/>	<input type="text" value="\$"/>
LESS		
Total low-value pool deduction for decline in value (WORKSHEET amount (i))	<input type="text" value="\$382"/>	<input type="text" value="\$"/>
SUBTOTAL	<input type="text" value="\$758"/>	<input type="text" value="\$"/>
LESS		
Amounts relating to the disposal of assets in the low-value pool in 2001–02 (see Disposal of depreciating assets allocated to a low-value pool above)		
	<input type="text" value="\$0"/>	<input type="text" value="\$"/>
CLOSING POOL BALANCE 2001–02	<input type="text" value="\$758"/>	<input type="text" value="\$"/>

Keep a record of this amount for next year.



Do not show at this question:

- an amount for debits tax and FID on withdrawals relating to an account kept as an essential part of a business. Show this amount at **P8** on your *2002 business and professional items schedule*
- expenses incurred in earning foreign source interest or dividends. They may be taken into account in working out the amount you show at item **19** or, in the case of debt deductions, claimed at item **D15** on your tax return (supplementary section)
- expenses incurred in relation to:
 - a **partnership** or **trust** distribution
 - **rental income**
 - **business income tax costs**
 - the **land transport facilities tax offset scheme** or **infrastructure borrowings scheme**.

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

NOTE

If you have debt deductions, such as interest, your claims may be affected by new thin capitalisation rules. See **What's new this year?** on page 9.

NOTE

Dividends received from an LIC must be shown at question **11 Dividends**.

Did you have any expenses that you can claim as deductions against assessable interest and dividend income, such as:

- **Financial Institutions Duty (FID) or debits tax**
 - **account keeping fees or management fees**
 - **interest charged on money borrowed to purchase shares**
- or did you have a 'listed investment company (LIC) capital gain amount' included in a dividend received from an LIC?**

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

You cannot claim a deduction for expenses incurred in deriving exempt income such as an exempt dividend on which family trust distribution tax has been paid. Refer to page 12 and question **A3** on page 105 for further details.

NO Go to question **D9**.

YES Read below.

You need to know

FID and other taxes

State Governments charge FID and debits tax for operating certain types of accounts held with financial institutions such as banks, building societies and credit unions. If these were charged to your account, they will be shown on your statements or in your passbooks.

You can claim for FID charged on any deposit of assessable interest or dividend income paid into your account. You can claim that part of debits tax charged on payments from your account where the payment is for a deductible expense which is also claimed here.

Account keeping fees

Some financial institutions charge account keeping fees. You can claim for these fees where the account is held for investment purposes—for example, a term deposit. You will find these fees listed on your statements or in your passbooks.

If you are not the sole holder of an account you can only claim your share of charges or taxes on the account—for example, where you hold an equal share in an account with your spouse, you can only claim half of any allowable FID or debits tax paid on that account.

Other deductions

You can claim for ongoing management fees, retainers, interest incurred on money borrowed to purchase shares and other related investments and amounts paid for advice relating to changes in the mix of investment. If the money borrowed is used for both private and income producing purposes, then the interest must be apportioned between each purpose. Only that interest incurred for an income producing purpose is deductible.

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

Deduction you can claim for 50 per cent of an LIC capital gain amount

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

What you may need

- your bank or financial institution statements or passbooks
- your dividend statements including any LIC capital gain amount.

Step 1 Add up all your interest and dividend deductions and 50 per cent of any LIC capital gain amount.

Step 2 Write the total amount at **1** item **D8** on your tax return. Do not show cents.

NOTE

If you do not know whether you can claim a deduction, see if the information is on the receipt for your gift. If not, contact the organisation for confirmation. If you still do not know, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

What you may need

- your receipts for donations or contributions
- the purchase price and purchase date of any property donated
- your valuations by 2 or more approved valuers for any donations of property under the Cultural Gifts Program or to a body of the National Trust
- your valuation certificate from the Australian Valuation Office (AVO) for any donation of property valued at more than \$5000 (see below)
- a certificate of approval from the Minister for Communications, Information Technology and the Arts for a cultural bequest.

You need to know

- You cannot claim a deduction for a donation if you received something for it—for example, a pen, raffle ticket, dinner or a reduction in your child's school fees.
- If you made a donation to a school building fund and your receipt includes other payments, you can claim only that part which is the voluntary donation.
- The total amount you can claim for contributions to registered political parties is \$100.
- Under the general gift provisions you can claim a donation of property to an eligible organisation if it was purchased during the 12 months before the gift was made. You claim the lesser of either the price you paid for it or the market value of the property at the time of donation. This means that you cannot claim for property if you did not purchase it—for example, you inherited or won the property.
- You can also claim donations of property to certain funds, authorities and institutions if they are valued at more than \$5000. A valuation certificate must be obtained from the AVO for property you purchased more than 12 months before making the gift or for property you did not purchase—for example, where you inherited or won the property. However, if the property was purchased within 12 months before making the gift, the amount deductible is the lesser of the market value of the property at the time of donation and the amount paid for the property. For more information about property valuations contact the AVO by phone on **(02) 6229 3405**, by fax on **(02) 6230 5060** or by email **bryan.hurrell@avo.gov.au**.
- You can claim gifts made to specified private funds.
- You can elect to spread the deduction for gifts made under the Cultural Gifts Program, and environmental and heritage gifts (valued by the AVO), over 5 income years or less. The election must be lodged with the relevant department before you lodge your tax return.

For more information about the Cultural Gifts Program and the election contact the Department of Communications, Information Technology and the Arts by phone on **(02) 6271 1643**, by email **cgp.mail@dcita.gov.au** or visit its website at **<www.dcita.gov.au/cgp>**.

For more information about making gifts to environmental and heritage organisations and the election contact the Department of the Environment and Heritage by phone on **(02) 6274 1467** or by email **reo@ea.gov.au**.

Did you make a gift or donation of \$2 or more to:

- **an eligible organisation such as:**
 - certain organisations or charities which gave help in Australia
 - an approved overseas aid fund
 - a school building fund
 - an approved environmental or cultural organisation

which the Australian Taxation Office has endorsed as a deductible gift recipient or which is listed by name in the tax laws as gift deductible or

- **a registered political party**

or did you make an approved cultural bequest?

NO  Go to question **D10**.

YES  Read below.

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

Completing this question

- Step 1** Add up all the amounts of your eligible gifts and donations and write the total at **J** item **D9** on your tax return. Do not show cents.

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

Pensions from Centrelink and the Department of Veterans' Affairs shown at question **6** do not have a deductible amount.

To claim the deductible amount of a UPP on a foreign pension or annuity, complete item **D13** on your tax return (supplementary section).

NO  Go to question **D11**. **YES**  Read below.

You need to know

UPP of a pension or annuity

If you showed income from an Australian pension or annuity at item **7** on your tax return, you may be able to reduce the taxable amount of your pension or annuity income if it has a UPP.

Your pension or annuity may have a UPP if:

- you receive a superannuation pension and you could not claim a tax deduction for some or all of the personal contributions you made to your superannuation fund or retirement savings account provider in previous years
- you receive a pension or annuity that reverted to you on the death of another person
- you receive a pension or annuity that you bought with your own capital.

The UPP is the amount you contributed towards the purchase price of the pension or annuity for which you did not claim, and were not eligible to claim, a tax deduction. Each year, that part of your pension which represents a return to you of your personal contributions is deducted from your taxable pension income. This tax-free part is called the deductible amount of the UPP.

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

NOTE

If you need information or assistance with this question, ring the Superannuation Infoline on **13 1020**.

NOTE

If you have commuted any part of your pension into a lump sum, the deductible amount of UPP that you can claim must be recalculated.

If you do not know your deductible amount, go to **Schedule of additional information** on this page.

Completing this question

Write the deductible amount of your UPP at **L** item **D10** on your tax return. Do not show cents. This amount cannot be more than the pension or annuity to which it relates—the amount shown at item **7**.

If you have more than one Australian pension, write the total of all the deductible amounts of your UPP at **L** item **D10**.

You have finished this question. Go to **Check that you have** on the next page.

Schedule of additional information

If you do not know how much of your UPP you can claim—the deductible amount—your payer may be able to tell you. Otherwise, you will need to provide as an attachment the answers to the questions on the next page, so the Australian Taxation Office can work it out for you.

Usually, when you start to receive a pension, the pension provider will give you a copy of the details regarding your pension. In addition, each year your pension provider must give you a payment summary for the year, and most pension providers also supply additional information with the payment summary. You may find the answers to many of the following questions in that additional information.

Print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION D10 on the top of a separate piece of paper and tell us your name, address, tax file number and the answers to the following questions.

- 1 What is your date of birth?
- 2 On what date did your pension or annuity first become payable? This is the first day of the first payment period of the pension or annuity. (Check your original contract, information sheet, or contact your pension provider if you are unsure.)
- 3 What is the name of the provider or company paying your pension or annuity?
- 4 If you are receiving a superannuation pension:
 - (a) What amount did you personally contribute to your superannuation provider after 30 June 1983?
 - (b) For what part of this amount did you **not** get a tax deduction?
 - (c) Have you rolled over any CGT exempt amounts to your superannuation provider? What is the amount?
- 5 If you are receiving a superannuation pension from a provider which has not paid tax on the contributions it received—such as some government funds—or your superannuation pension started before 1 July 1994, what amounts did you personally contribute towards your superannuation before 1 July 1983, for which you did not claim, and were not entitled to claim, a tax deduction or rebate? The Australian Taxation Office can provide this figure if you do not have it—ring the Superannuation Infoline on **13 1020**.
- 6 If you are receiving an annuity or superannuation pension that you bought with one or more eligible termination payments (ETPs):
 - (a) What amounts of each component of the ETP did you roll over into the annuity or superannuation pension? (Your pension or annuity provider can give you this information.)
Examples are: undeducted contributions, CGT exempt amounts, concessional components, invalidity components, pre-July 1983 or post-June 1983 components.
 - (b) Did you buy the superannuation pension or annuity you are now receiving with funds obtained solely from rolling over a previous superannuation pension or annuity? If so, when did you first start to receive payments under the previous superannuation pension or annuity?

Note: This information is important if you bought a pension or annuity on or after 1 July 1994 and the purchase price of the pension or annuity was derived wholly from funds obtained by rolling over a previous pension or annuity which had a starting date earlier than 1 July 1994.

- 7 If you are receiving an annuity that you bought with money other than as described in question 6, how much did you pay for the annuity?
- 8 Is the period for which you will be receiving the pension or annuity fixed?
 - (a) If YES, how long is the period?
 - (b) If NO:
 - What are the conditions under which the payments are made?
 - Does your pension or annuity have a reversionary beneficiary—this is someone who will be entitled to receive all or part of your pension or annuity payments if you die? If so, what is the name and date of birth of this person?
 - If you are receiving your pension or annuity because it reverted to you upon the death of someone else, what is the name, date of birth and tax file number of the person who died?
On what date did the deceased person first receive the pension?
- 9 If someone else is now entitled to a share of your pension or annuity, what is the percentage to which they are entitled?
- 10 When the pension or annuity stops, will an agreed lump sum—often called the residual capital value—become payable? If so, how much is this lump sum?

If you have commuted (or partially commuted) your pension into a lump sum during the year, the answers to the above questions and the information in the ETP payment summary will be used to recalculate the deductible amount.

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.

Leave **L** item **D10** blank. You have now completed this question.

Check that you have . . .

-  written on your tax return the total deductible amount of the undeducted purchase price of all your Australian pensions and annuities, if you know it
-  attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION—QUESTION D10, if you need to send us one.

Did you have expenses:

- relating to managing your own tax affairs
- for lodging a claim for family tax benefit (FTB) through the tax system
- imposed by the Australian Taxation Office (ATO) as a general interest charge or as a penalty for underestimating a varied goods and services tax (GST) instalment
- for complying with your legal obligations relating to another person's tax affairs?

NO  Go to **DEDUCTIONS FROM THE SUPPLEMENTARY SECTION** on page 63.

YES  Read below.

You need to know**NOTE**

You can only claim fees to a registered tax agent, barrister or solicitor at this question if they were incurred in 2001–02. Generally, fees are incurred in the year in which they are paid.

Expenses for managing your own tax affairs include those relating to:

- preparing and lodging your tax return and activity statements—for example, buying tax reference material, lodging your tax return through a registered tax agent or the **TAXPACKEXPRESS** service, obtaining tax advice from a registered tax agent, barrister or solicitor, or dealing with the ATO about your tax affairs
- the cost of travel associated with obtaining tax advice—for example, the travel costs of attending a meeting with a recognised tax adviser
- appealing to the Administrative Appeals Tribunal or courts
- obtaining a valuation needed for a deductible gift of property.

Expenses for lodging an FTB tax claim include:

- getting advice from a recognised tax adviser and lodging an FTB tax claim with the ATO.

Expenses incurred as a general interest charge (GIC) or as a penalty for underestimating a varied GST instalment (GST underestimation penalty)

The ATO imposes a GIC on late payments of taxes and penalties, and where an amendment to your assessment results in an increase in your tax liability. If you have to, or have had to, pay a GIC or a GST underestimation penalty to the ATO in 2001–02, you can claim the expense at this question.

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

- complying with the Pay As You Go withholding obligations—for example, where you need to withhold tax from a payment to a supplier because the supplier did not quote an Australian Business Number
- providing information requested by the ATO about another taxpayer.

Completing this question

- Step 1** Add up the amounts of your expenses for managing your own tax affairs, expenses for lodging an FTB claim through the tax system, any GIC or GST underestimation penalty you have incurred and any expenses for complying with your legal obligations relating to another person's tax affairs.
- Step 2** Write the total amount at **M** item **D11** on your tax return. Do not show cents.

NOTE

If you are in business and have elected to enter the Simplified Tax System (STS), you can only claim for expenses at this question (other than expenses for lodging an FTB tax claim) when you have paid them.

NOTE

Tax shortfall and other administrative penalties for failing to meet your obligations are not deductible.

DEDUCTIONS FROM THE SUPPLEMENTARY SECTION



Read this question carefully—you may need to use *TaxPack 2002 supplement*.



The supplementary section of the tax return is located in the back of *TaxPack 2002 supplement*. If you don't already have a copy of *TaxPack 2002 supplement*, from 1 July to 31 October 2002 you can get a copy from newsagencies displaying this logo. Copies are also available all year from ATOaccess sites.

Can you claim any of the following types of deductions?

- Australian film industry incentives
- deductible amount of undeducted purchase price of a foreign pension or annuity
- deductible foreign exchange losses of a capital nature
- deductible expenses incurred but not claimed in full prior to ceasing a primary production business
- election expenses for political candidates
- interest incurred on money borrowed to invest under the land transport facilities tax offset scheme or infrastructure borrowings scheme
- insurance premiums paid for sickness and accident cover
- non-capital losses incurred upon the disposal or redemption of a traditional security
- non-employer sponsored superannuation contributions
- debt deductions incurred in earning certain foreign exempt income or in earning assessable income that have not been claimed elsewhere.

NO Go to **Total deductions** below.

YES You must complete the *2002 tax return for individuals* (supplementary section). Read below.

Completing this item

- Step 1** Complete the page 9 details in the supplementary section of your tax return—if you haven't already done so. Use *TaxPack 2002 supplement* to complete the Deductions section.
- Step 2** Transfer the amount you wrote at **TOTAL SUPPLEMENT DEDUCTIONS** on page 12 to **D** on page 3 of your tax return.

Total deductions

- Step 1** Add up all the deduction amounts in the right-hand column of items **D1** to **D11** and on your tax return. **D**
- Step 2** Write the amount from step 1 at **TOTAL DEDUCTIONS** on your tax return. Do not show cents. Read on.

Subtotal

TOTAL INCOME OR LOSS less TOTAL DEDUCTIONS

If you have an amount at **TOTAL DEDUCTIONS** on your tax return, take it away from the amount at **TOTAL INCOME OR LOSS** on page 2 of your tax return. Write the result at **SUBTOTAL**.

If the amount at **SUBTOTAL** is less than zero, print **L** in the **LOSS** box .

NOTE

If the amount at **TOTAL INCOME OR LOSS** is a loss, work out **SUBTOTAL** by increasing the amount of this loss (that is, by adding the amount at **TOTAL DEDUCTIONS** to it). Make sure you print **L** in the **LOSS** box.

Losses

TAX LOSSES OF EARLIER INCOME YEARS CLAIMED THIS INCOME YEAR

Question L1

L1

LOSSES



Do not show at this question:

- **deferred non-commercial business losses** from a prior year—show them at question **12 Partnerships and trusts** in *TaxPack 2002 supplement* for partnership activities or at item **P8** in the *2002 business and professional items schedule* for sole trader activities
- capital losses—these are explained in question **17 Capital gains** (*TaxPack 2002 supplement*)
- expenses and losses in relation to earning foreign source income—these are taken into account at question **19 Foreign source income and foreign assets or property**.

Do you have any tax losses of earlier income years that you can claim this year?

This question only applies to losses incurred in relation to earning income from Australian sources.

A tax loss occurs when the total of your allowable deductions for an income year—excluding tax losses of earlier income years—is greater than the total of your assessable income and your net exempt income. However, some deductions, such as gifts and superannuation contributions by eligible persons, are limited for this purpose and cannot be used either to create such a loss or to increase one.

You **cannot** claim a deduction for a tax loss of an earlier income year if your taxable income last year was greater than zero.

NO  Go to **Taxable income or loss** on page 66.

YES  Read below.

What you may need

- records of your tax losses of earlier income years
- your foreign source income statement.

You need to know

Primary production losses may have been made in any income year. Non-primary production losses can be deducted from income in 2001–02 only if they were made in 1989–90 or a later year. Non-primary production losses made in 1988–89 and earlier income years can no longer be deducted from income.

Where you have tax losses for more than one earlier income year you must, generally, fully deduct the loss from the earliest year before you deduct a loss, or part of a loss, from a later year. A tax loss can only be deducted to the extent that it has not already been deducted.

Before you can deduct tax losses of earlier income years you must reduce them by current year net exempt income. Then the balance of tax losses of earlier income years, up to the amount included at **SUBTOTAL**, must be taken away from your Australian source income included at **SUBTOTAL**.

For this question, net exempt income includes all your exempt income—including any exempt foreign employment income—but does not include such things as income derived by way of certain employment fringe benefits. To work out your net exempt income, if you are an Australian resident you can deduct any non-capital expenses you have incurred in earning your exempt income and any foreign tax paid on that income.

Effect of bankruptcy

If you have become bankrupt, or are released from any debts by the operation of an Act relating to bankruptcy, tax losses of earlier income years incurred before the day on which you became bankrupt or were released from the debts generally cannot be claimed as a deduction in any income year following the year you became bankrupt or you were released from debt. For further information, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Australian losses and foreign source income

You can choose to use some or all of your tax losses of earlier income years incurred in earning Australian source income to reduce your net foreign source income, as shown in the example on the next page.

NOTE

Your tax losses of earlier income years can only reduce your Australian source income to zero. If your tax losses of earlier income years are more than your Australian source income you will need to keep a record of the losses to claim next year.

Example

Peter owns a smallgoods business and has accumulated non-primary production tax losses of earlier income years of \$6000. All losses were made in 1989–90 and later years.

He has no exempt income but received \$1500 income from Germany. He has elected to use \$500 of his tax losses of earlier income years to reduce this foreign income.

Peter's total tax losses of earlier income years at the beginning of 2001–02 (a) \$6000

Peter's net exempt income for 2001–02 (b) nil

Take (b) away from (a)—this is the amount of losses available to Peter for 2001–02 (c) \$6000

The amount of tax losses of earlier income years Peter used to reduce net foreign source income (d) \$500

Peter will show the balance of the foreign source income of \$1000 at item **19**.

Take (d) away from (c)—this is the total tax losses of earlier income years available to Peter to reduce net Australian source income at **SUBTOTAL**. (e) \$5500

If Peter has at least \$5500 of net Australian source income at **SUBTOTAL** which he can reduce, Peter will show \$5500 at **Z** item **L1** on his tax return.

If you choose to use your tax losses of earlier income years in this way, you will need to provide additional information. Print **SCHEDULE OF ADDITIONAL INFORMATION—QUESTION L1** on the top of a separate piece of paper and explain your situation. Include your name, address, tax file number and the amount of tax losses of earlier income years you have used to reduce your net foreign source income. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

Completing this question

Step 1 Use the worksheet in the next column to work out your total tax losses of earlier income years. You must show your losses separately—as a primary production loss and a non-primary production loss.

WORKSHEET

	Primary production loss	Non-primary production loss
Total tax losses of earlier income years at the beginning of 2001–02*	(a) \$ <input type="text"/>	\$ <input type="text"/>
Net exempt income for 2001–02	(b) \$ <input type="text"/>	\$ <input type="text"/>
Take (b) away from (a)—this is the amount of losses available this year	(c) \$ <input type="text"/>	\$ <input type="text"/>
Amount of tax losses of earlier income years used to reduce net foreign source income	(d) \$ <input type="text"/>	\$ <input type="text"/>
Take (d) away from (c)— these are your total tax losses of earlier income years available to deduct from your net Australian source income this year at SUBTOTAL.	\$ <input type="text"/>	\$ <input type="text"/>

NOTE

Do not include at (a) any non-primary production losses made in 1988–89 and earlier income years.

Step 2 Write any tax losses of earlier income years from primary production from step 1 which you can deduct from your net Australian source income at **SUBTOTAL** at **F** item **L1** on your tax return. Do not show cents.

If your total tax losses of earlier income years from primary production from step 1 is greater than the amount you can deduct under step 2, you can carry forward the undeducted tax losses of earlier income years from primary production for deduction in future income years. Make sure you keep records of these amounts for future tax returns.

Step 3 Write any tax losses of earlier income years from non-primary production from step 1 which you can deduct from the remainder of your net Australian source income at **SUBTOTAL** at **Z** item **L1**. Do not show cents.

If your total tax losses of earlier income years from non-primary production from step 1 is greater than the amount you can deduct under step 3, you can carry forward the undeducted tax losses of earlier income years from non-primary production for deduction in future income years.

* If this includes a film loss, special deduction rules apply. Ring the Personal Tax Infoline on the inside back cover of *TaxPack* for further information.

Taxable income or loss

How you complete this item will depend on whether you completed **L1 Tax losses of earlier income years claimed this income year**.

If you have NOT completed L1

Transfer the amount you have shown at **SUBTOTAL** to **TAXABLE INCOME OR LOSS**. Do not show cents. If the amount at **TAXABLE INCOME OR LOSS** is less than zero, print **L** in the **LOSS** box .

NOTE

If the amount at **TAXABLE INCOME OR LOSS** is less than zero and you have printed **L** in the **LOSS** box, this amount may not be your tax loss that can be carried forward for next year. Adjustments may have to be made to limit certain deductions, to take into account any exempt income and to make other variations. Ring the Personal Tax Infoline on the inside back cover of *TaxPack* if you would like more information.

If you have completed L1

Where the amount at SUBTOTAL is a loss

You cannot deduct tax losses of earlier income years and you should not have completed item **L1**—keep a record of these amounts for next year.

Transfer the amount you have written at **SUBTOTAL** to **TAXABLE INCOME OR LOSS**. Do not show cents. Print **L** in the **LOSS** box .

Where the amount at SUBTOTAL is an income amount

Add the amounts at **F** and **Z** item **L1** and take the total away from the amount you have written at **SUBTOTAL**. Write the result at **TAXABLE INCOME OR LOSS** on your tax return. Do not show cents.

Tax offset for low income taxpayer

If you are an Australian resident for tax purposes and your taxable income is less than \$24 450, you may get a tax offset.

We will work out your tax offset and make sure it comes off your tax. The tax offset will be shown on your notice of assessment. Do not put anything about this tax offset on your tax return.

The maximum tax offset of \$150 applies if your taxable income is \$20 700 or less. This amount is reduced by 4 cents for each dollar over \$20 700.

Child support clients

You are not entitled to a tax deduction for any child support payments you make. The Child Support Agency may use your taxable income to make an assessment of child support.

The Child Support Agency will include your total reportable fringe benefits amounts, losses from rental properties and exempt foreign employment income when assessing child support liabilities.

**NOTE**

You can claim a dependant tax offset only if you were an Australian resident for tax purposes.

The purpose of this section is to give you important information about dependants and separate net income. Various questions in *TaxPack* will refer you to this information when you need it.

**Who is a dependant?**

A dependant can be:

- your spouse—married or de facto
- a student who is under 25 years and is a full-time student at school, college or university
- a child—including your spouse's child, adopted child, stepchild or exnuptial child who is under 16 years and is not a student
- a child-housekeeper—your child of any age who works full time keeping house for you
- an invalid relative—your child, brother or sister who is 16 years or over and gets a disability support pension or a special needs disability support pension or rehabilitation allowance, or who has a certificate of invalidity from a Commonwealth-approved doctor certifying a continuing inability to work
- your parents or spouse's parents.

A dependant needs to be an Australian resident for tax purposes (see page 10). For a spouse, student or child only, they will be treated as a resident if you have always lived in Australia or you came to live in Australia permanently—unless they have set up a permanent home outside Australia.

Overseas dependants

Your spouse and dependent children who are waiting to migrate to Australia are considered to be your dependants for tax offset purposes but they must migrate within 5 years from when you came to live in Australia permanently. We may ask you to provide evidence.

**What is maintaining a dependant?**

This means:

- you and the dependant resided together or
- you gave the dependant food, clothing and lodging or
- you helped them to pay for their living, medical and educational costs.

If you had a spouse for the whole year and your spouse worked for part of the year, you are still considered to have maintained your spouse—as a dependant—for the whole year.

You are considered to have maintained a dependant even if you were temporarily separated—for example, due to holidays. You are still considered to have maintained dependants who were overseas if they were away from Australia only for a short time.

If you maintained a dependant for only part of the year, you may need to adjust your claim.

**What is separate net income?**

Separate net income (SNI) is income and other specified amounts earned or received in 2001–02 by your dependant while you maintained them. SNI includes some amounts which are not included in the recipient's assessable income. SNI earned by your dependant may affect any claim you are entitled to. SNI includes:

- salary and wages
- pensions, including exempt pensions listed on page 12
- interest and dividend income—but not the imputation credit attached to franked dividends
- business, trust and rental income

- Veterans' Affairs and most Centrelink payments including parenting payment (partnered) and remote area allowance
- amounts included as assessable income under the capital gains tax provisions
- any maintenance payments your spouse received for their own support after divorce or separation—even though your spouse may not need to declare such income for tax purposes
- the maintenance or accommodation component of a scholarship paid by the Commonwealth or State except where that component is paid for helping to educate isolated children under 16.

Separate net income (SNI) does not include:

- certain Centrelink payments
 - child care benefit
 - family tax benefit
 - maternity allowance
 - maternity immunisation allowance
 - carer allowance (but note that carer payments ARE included in SNI)
 - aged person savings bonus
 - self-funded retirees supplementary bonus
 - the \$300 one-off payment for Senior Australians announced in the 2001 Federal Budget
- the Japanese internment compensation payments made under the *Compensation (Japanese Internment) Act 2001* or the *Veterans' Entitlements Act 1986*
- the value or amount of any non-government scholarship received in connection with the education of a dependent child or student
- the value or amount of any Commonwealth or State assistance provided for school fees, the purchase of textbooks or travelling expenses
- lump sum severance or retirement payments of a capital nature or as compensation payments for losing a job
- maintenance paid to your spouse for support of their dependent children
- any baby bonus
- amounts received under the incentive payments scheme relating to certain private health insurance policies.

In calculating SNI your dependant's income can be reduced by:

- any expenses which your dependant incurred in 2001–02 in earning their income and which they could claim as a deduction

- any amount your dependant could claim in 2001–02 for the deductible amount of undeducted purchase price of their pension or annuity at question **D10**, or question **D13** in *TaxPack 2002 supplement*
- net child care expenses incurred in 2001–02 by your dependant because they were working; that is, the amount paid by the dependant less any cash rebates—for example, child care benefit and rebates provided by an employer or union
- their expenses for travel during 2001–02 to and from child care—because they were working
- their expenses for travel during 2001–02 to and from work
- expenses your dependant incurred in 2001–02 in conducting a business activity that resulted in a deferred non-commercial business loss, even if they did not lodge a tax return.

If your dependant used the cents per kilometre method—described on page 41—to calculate work related car expenses, the 5000 kilometre limit does not apply for purposes of calculating the SNI of your dependant.

Your dependant does not need written evidence of expenses which reduce their SNI but they must be able to demonstrate that they actually incurred the relevant expenses.

Your dependant's SNI cannot be reduced by amounts paid by them for gifts, donations, tax agent fees, tax withheld, superannuation contributions, or any losses brought forward from 2000–01 or earlier years.



How much SNI can your dependant earn?

For some claims, the amount you may be entitled to will be affected by the SNI of your dependants. For example, tax offsets are reduced by \$1 for every \$4 of SNI over \$282 which your dependants earned in 2001–02. The amount of SNI your dependants can earn is explained at each question.

NOTE

Tax offsets and your tax withheld

If your tax offset entitlement has changed since you last filled in a *Withholding declaration* (NAT 3093—7.2002), you may need to fill in a new one. Contact your payer for more information.



NOTE

If you or your spouse had a baby or gained legal responsibility of a child aged under 5—for example, through adoption—after 30 June 2001, you may be entitled to the baby bonus as well as family tax benefit. Read page 73 for more information.

Family tax benefit (FTB) has 2 parts, Part A and Part B. Part A is designed to help with the cost of raising children. Part B is designed to give extra help to families with one main earner, including single parent families. You may be eligible for Part A or Part B, or both.

THE PURPOSE OF THIS INFORMATION SECTION

We have provided this information section so that you can decide:

- if you are eligible for FTB and
- if you are eligible, whether you should claim your FTB entitlement as a direct payment through the Family Assistance Office (FAO) or through the tax system—see CHOICES FOR CLAIMING FTB below.

IMPORTANT NOTE

If you or your spouse received FTB through fortnightly payments from the FAO (paid by Centrelink), you **only** need to read Part B—to find out if you are eligible to claim a tax offset at question T1. Your FTB payments would have included Part B if you satisfy the Part B eligibility tests—go straight to Part B on page 71.

If you need help ringing the FAO on **13 6150** between 8 a.m. and 8 p.m. (local time) Monday to Friday.

NOTE

If you or your spouse have already claimed or intend claiming a direct payment of FTB through the FAO you cannot claim FTB through the tax system for the same period.



CHOICES FOR CLAIMING FTB

You have 2 choices in the way you can claim an FTB entitlement.

1 As a direct payment—through the FAO

You can claim a fortnightly payment by lodging a direct payment FTB claim at any office of the FAO. You can also claim a direct payment lump sum for a past period through the FAO. The FAO is located within Centrelink, Medicare offices and ATOaccess sites. For further information ring the FAO on **13 6150** between 8 a.m. and 8 p.m. Monday to Friday.

When is it best to claim FTB as a direct payment?

- if you received any of the payments listed at questions 5 and 6 in *TaxPack 2002* on pages 22–4—you must claim through the FAO
- if you are entitled to rent assistance—rent assistance is not payable through the tax system
- if your family adjusted taxable income (see **Explanation of terms** on page 71–2) is below \$29 857—you may be entitled to a health care card.

2 Through the tax system

You can claim FTB as a lump sum, end-of-year entitlement through the tax system. You must complete a separate form, the *2002 family tax benefit (FTB) tax claim* (NAT 4117—6.2002) and then lodge it with your 2002 tax return. You will need the *Family tax benefit (FTB) tax claim instructions* (NAT 4108—6.2002) to help you complete your claim. These publications are available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You may have anticipated your end-of-year FTB entitlement through reduced amounts of Pay As You Go withholding or instalments. If you did so you must also complete and lodge an FTB tax claim with your tax return or you may end up with a tax debt.



ELIGIBILITY

To be eligible to claim FTB **you** must:

- be an Australian resident for social security purposes or the holder of an approved visa for the purposes of FTB. If you are unsure about your residency status visit the FAO or ring **13 6150**

NOTE

Having a tax file number does not mean you are an Australian resident for social security purposes.

- not have resided outside Australia for the whole of the period 1 July 1998 to 30 June 2002
- provide care to a dependent child
- care for the dependent child for a minimum of 10 per cent of the assessment period. For example, if you share the care with an ex-spouse over the entire income year you must have cared for the child for at least 37 days of that income year.

If you did not satisfy these eligibility criteria you cannot claim FTB. You do not need to continue reading this information section. Go to the baby bonus information on page 73.

Otherwise read on.

The **dependent child** must:

- be in your care and you must be responsible (whether alone or jointly with someone else) for their day-to-day care, welfare and development
- be an Australian resident or live with you
- not be your spouse
- not have resided outside Australia for the whole of the period 1 July 1998 to 30 June 2002
- have an adjusted taxable income of less than the income limit in the **Adjusted taxable income limits for a dependent child** table on the next page

- not receive (or someone on their behalf) any of the payments listed at questions **5** and **6** on pages 22–4
- if aged 16 or older, not receive payments under a prescribed educational scheme—see **Explanation of terms** on pages 71–2.

Part A is paid for each dependent child you care for where the dependent child is aged under 21, and for those dependent children aged 21 to under 25 who are studying full time.

Part B is paid for one child until the youngest child turns 16; or until the end of the calendar year in which the youngest child turns 18, provided that the child is studying full time.

A child that dies shortly after birth can still be a dependent child. A bereavement payment may apply in this case.

Adjusted taxable income limits for a dependent child

If your child's adjusted taxable income (ATI) in 2001–02 was equal to or greater than the income limits in the following table, they are not considered a dependent child and you cannot claim family tax benefit (FTB) for that child.

For more information about what is included in ATI see **Explanation of terms** on pages 71–2.

Age of child	Income limits
Under 5 years	No limit
5 to 15 years studying full time	No limit
5 to 15 years not studying full time	\$8079
Aged 16 to under 25	\$8079

If NONE of the children you care for satisfies the eligibility criteria, you cannot claim FTB. Go to the baby bonus information on page 73.

Otherwise read on.

How does your income affect your FTB entitlement?

Part A

The amount of Part A you receive depends on your family ATI. Your family ATI is the total of your and your spouse's ATI. Use the table below to determine your need to lodge an FTB tax claim.

When using the table, use the age of your dependent child or children at 30 June 2002.

If your dependent child turned 25 during the income year count the child in the NUMBER OF DEPENDENT CHILDREN AGED 18 TO UNDER 25 row.

In the table below:

If all your dependent children were aged under 18 years, find the column that shows the number of your dependent children aged under 18 years. Your income limit is the amount shaded **blue** in your column.

If all your dependent children were aged 18 to under 25 years, find the row that shows the number of your dependent children aged 18 to under 25 years. Your income limit is the amount shaded **pink** in your row.

If you have dependent children in both age brackets, find the column that shows the number of your dependent children aged under 18 and the row that shows the number of your dependent children aged 18 to under 25 years. Your income limit is the unshaded amount in both your column and your row.

If your family adjusted taxable income is equal to or more than the income limits in the table, you are not entitled to Part A, but you may be entitled to Part B. Read on.

Part A family adjusted taxable income limits

NUMBER OF DEPENDENT CHILDREN AGED UNDER 18 YEARS

NUMBER OF DEPENDENT CHILDREN AGED 18 TO UNDER 25 YEARS

	0	1	2	3	4	5	6
0		\$80 665	\$87 235	\$93 805	\$101 105	\$108 405	\$115 705
1	\$81 846	\$88 416	\$94 986	\$102 286	\$109 586	\$116 886	\$124 186
2	\$89 596	\$96 166	\$103 466	\$110 766	\$118 066	\$125 366	\$132 666
3	\$97 346	\$104 646	\$111 946	\$119 246	\$126 546	\$133 846	\$141 146
4	\$105 826	\$113 126	\$120 426	\$127 726	\$135 026	\$142 326	\$149 626
5	\$114 306	\$121 606	\$128 906	\$136 206	\$143 506	\$150 806	\$158 106
6	\$122 786	\$130 086	\$137 386	\$144 686	\$151 986	\$159 286	\$166 586

- If you had more than 6 children in an age group add \$7301 for each dependent child aged under 18 and add \$8481 for each other dependent child aged 18 to less than 25 years.
- Your income limit may also be increased by the multiple birth allowance if you had full care of triplets or greater aged under 6 years: for triplets add \$8931 and for quadruplets or greater add \$11 924.

NOTE

You may become or cease to be eligible for Part A during the income year where you gain the care of, or cease to care for, a dependent child or your marital status changes.

Example

If you had one dependent child aged under 18 years and no dependent children aged 18 to under 25, your income limit is \$80 665. If you had no dependent children aged under 18 years and 3 dependent children aged 18 to under 25, your income limit is \$97 346. If you have 3 dependent children aged under 18 years and 2 dependent children aged 18 to under 25, your income limit is \$110 766.

Are you eligible to claim Part A?

NO You may still be eligible for Part B. Read on.

YES If you want to claim through the tax system you will need to complete the *2002 family tax benefit (FTB) tax claim*. You may also be eligible for Part B. Read on.

UNSURE Visit the Family Assistance Office (FAO) or ring **13 6150**.

Part B

If you were a **single parent** at any time during the claim period your income will not affect your Part B entitlement for that time.

If you were a **member of a couple**, only the lower earner's adjusted taxable income is taken into account when determining entitlement to Part B. Use the table below to work out if you are entitled to Part B.

Age of youngest dependent child	Lower earner's income limit
Under 5 years	\$10 853
5 to 18 years*	\$8079

* If your youngest child was aged 16 to 18 at any time during the claim period you can only be entitled to Part B for that child if they were studying full time. If the child was 18 you will be entitled to Part B until 31 December of the year they turned 18.

If you have a shared care arrangement for any of your children, Part B is calculated for each eligible child and payment is based on the child with the highest rate.

When claiming a tax offset at **T1** your Part B entitlement is referred to as a full care rate if the payment is based on a full care child, and a shared care rate if the payment is based on a shared care child.

Are you eligible to claim Part B?

NO Go to the baby bonus information on page 73.

YES If you want to claim FTB through the tax system you will need to complete the *2002 family tax benefit (FTB) tax claim*.

UNSURE Visit the FAO or ring **13 6150**.

Explanation of terms

Below is an explanation of terms used in this information section. If you are still unsure about a term after reading the explanation, visit the FAO or ring **13 6150**.

Adjusted taxable income (ATI)

The components of adjusted taxable income are as follows:

ADD UP

Taxable income
Adjusted fringe benefits
Net rental property losses
Tax-free pensions or benefits
Target foreign income

DEDUCT

Deductible child maintenance expenditure

Each of these components is described in detail below.

Taxable income

This is the amount that you have written at **TAXABLE INCOME OR LOSS** on your *2002 tax return for individuals*. If you have a taxable loss the amount to be included in your calculation of adjusted taxable income is zero.

Adjusted fringe benefits

This is the reportable amount of fringe benefits grossed down.

Any reportable fringe benefits will appear on your payment summary. To gross down the reportable fringe benefits amount to get your adjusted fringe benefits use the following formula:

Adjusted fringe benefits = reportable fringe benefits amount × 51.5%

Net rental property losses

Net rental property losses are shown at **Net rent** item **20** on your tax return. Only include this amount if you have shown a rental loss—you will have printed **L** in the **LOSS** box at the right of **Net rent**. The value of any net property loss is counted as income for ATI purposes.

Tax-free pensions or benefits

These are the amounts of any of the following payments that you receive through:

- Centrelink
 - disability support pension paid to a person who is not old enough to receive the age pension
 - carer payment where both the carer and the person being cared for are not old enough to receive the age pension

- wife pension where both the recipient and spouse, if applicable, are not old enough to receive the age pension
- Department of Veterans' Affairs
 - invalidity service pension where the recipient is not old enough to receive the age pension
 - disability pension, war widow's and war widower's pension
 - partner service pension where both partners are under age pension age and the veteran receives an invalidity service pension, or the veteran has died and received an invalidity service pension at the time of death
 - income support supplement paid on the grounds of invalidity if the person has not reached age pension age.

Tax-free pensions or benefits do not include bereavement payment, pharmaceutical allowance, rent assistance or remote area allowance.

Target foreign income

Target foreign income is foreign income, in Australian dollars, from sources outside Australia. Do not include any amounts you have already included in your taxable income and any foreign income received in the form of a fringe benefit.

If you received amounts of target foreign income throughout the income year, use the exchange rate applicable on 1 July 2001 to convert foreign amounts to Australian dollars. You will find the applicable exchange rates on the family assistance website at <www.familyassist.gov.au> under 'How to calculate income' or you can visit the Family Assistance Office (FAO) or ring **13 6150**.

Deductible child maintenance expenditure

Deductible child maintenance expenditure is the amount of child maintenance (also known as child support) you pay to another person to maintain your natural or adopted child.

Assessment period

An assessment period is used to calculate your shared care percentage.

An assessment period begins on the latest of:

- the day on which the care of the dependent child starts to be shared OR
- the day on which care arrangements for the dependent child change OR
- 1 July in the income year being claimed for

AND ends on the earlier of:

- 30 June of the income year in which the period begins OR
- the day on which the care arrangements of the dependent child change.

The assessment period is not affected if there are short term absences (4 weeks or less) or minor variations to your shared care arrangements—for example, if a child who normally stays with your ex-spouse for a weekend does not do so because of illness.

Care

This means that you had responsibility for the day-to-day care, welfare and development of the child. Generally, day-to-day care includes physical care.

Full care

This means that you and/or your spouse care for your children for the whole assessment period and you are claiming on behalf of your family.

Prescribed educational scheme

A prescribed educational scheme is:

- the ABSTUDY schooling scheme or
- the ABSTUDY tertiary scheme or
- the Student Financial Supplement Scheme or
- the Veterans' Children Education Scheme or
- the Post-graduate Awards Scheme.

Shared care

This means that you and/or your spouse care for a child for some of the time during the assessment period and someone else—for example, your ex-spouse—cares for the child for the rest of the time such as weekends or school holidays. You can work out your shared care percentage as follows:

$$\frac{\text{Number of nights you and/or your spouse cared for the child in an assessment period}}{\text{Number of nights in the assessment period}} \times 100$$

The percentage can be different for different periods in a year if your pattern of care changes. If you need help to work out your shared care percentage, visit the FAO or ring **13 6150**.

Spouse

Your spouse is the person to whom you were married or with whom you lived in a de facto relationship at any time during the claim period, provided you were not living separately and apart on a permanent or indefinite basis. You may have had more than one spouse during the claim period.

Baby bonus

New
for
2002

Did you or your spouse have a baby or gain legal responsibility of a child aged under 5—for example, through adoption—after 30 June 2001?

NO  Go to **Tax offsets** on page 74.

YES  You may be entitled to the baby bonus. Read below.

What is the baby bonus?

The baby bonus is a Commonwealth government initiative helping families when they have a baby.

Who is it for?

If you had a baby, or you gained legal responsibility of a child aged under 5, after 30 June 2001, you could receive the baby bonus.

The baby bonus is paid whether or not you currently get any other family benefits. There is no upper limit on taxable income when getting the baby bonus.

How much will you get?

Many families will be entitled to an annual amount of \$500, although this will be less in the first year, calculated from the baby's date of birth (or the date you gained legal responsibility). Some families will be entitled to a higher amount.

How do you make a claim?

Your baby bonus claim and any enquiries are dealt with by the Australian Taxation Office (ATO).

If you are required to lodge a tax return, your claim must be lodged with your tax return. **If you are not required to lodge a tax return**, you can lodge your baby bonus claim on its own.

You have 3 choices to make a claim:

- Use *e-tax* and complete and lodge your claim over the Internet from the ATO website at www.ato.gov.au.
- Use the publication *2002 baby bonus instructions and claim* (NAT 6580—6.2002)—then post your claim with your tax return, if you lodge one, to the ATO.
- Go to a registered tax agent.

Your claim is lodged at the end of the income year—any time after 30 June 2002.

You may have received a copy of the publication *2002 baby bonus instructions and claim* with your copy of *TaxPack 2002*. If not, this publication is available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

CAUTION

Note for baby bonus claimants

If you are leaving *TaxPack* in order to complete your baby bonus claim, don't forget to come back to this page and read the rest of the *TaxPack* questions to complete your tax return.

Tax offsets

Tax offsets provide you with tax relief. They are not deductions and most will not give you a refund. Deductions are taken off your income to work out your taxable income. We work out the tax on your taxable income. The amount of this tax is then reduced by your tax offsets.

If your tax offsets are greater than the tax on your taxable income, they can only reduce the amount of tax you pay this year to zero. There are 4 exceptions:

- the 30% private health insurance rebate, where any excess is refunded to you
- the landcare and water facility tax offset, where any excess is carried forward and used to reduce a future tax liability
- the franking tax offset where any excess imputation credits on dividends you received are refunded to you (see question **11**)
- the baby bonus, where any excess is refunded to you.

Generally, tax offsets do not reduce your Medicare levy. Where you have excess refundable tax offsets available, these can be applied to reduce your tax, including Medicare levy.

Generally, being able to claim a tax offset depends on things like maintaining a dependant or living in a remote area—or on how much taxable income you earned.

NOTE

You will need to read **Dependants and separate net income** on pages 67–8 before answering this question.

Did you have a spouse—married or de facto—a child-housekeeper or a housekeeper?

NO  Go to question **T2**.

YES  Read below.

Did you have a dependent child or student for any part of the year?

NO  You are not eligible for family tax benefit (FTB) Part B. Go to part A below.

YES  You must have read pages 69–72 to work out if you are eligible for the family tax benefit (FTB) Part B before continuing with this question. Then go to **You need to know** below.

You need to know

If you, or your spouse during any period they were your spouse, were eligible for FTB Part B (see ELIGIBILITY on page 69) during 2001–02, you are only allowed to claim the tax offset at part A or part B of this question if the eligibility for FTB Part B was:

- for only part of the year—you may be able to claim a tax offset for the rest of the year
- at a rate based on a child you or your spouse shared the care of with someone else, such as a former spouse—you may be able to claim a tax offset for the periods when the child was not in the care of you or your spouse.

If neither circumstance applied to you, you will not be able to claim a tax offset at part A or part B of this question. Go to part C on page 79.

NOTE

You can only claim for a spouse (at part A) or a child-housekeeper (at part B) if they are **maintained by you**. This is explained on page 67.

PART A **Did you have a dependent spouse—married or de facto?**

NO  Go to part B.

YES  Read below.

You need to know

The maximum dependent spouse tax offset that you may be able to claim is \$1437.

You can claim a dependent spouse tax offset only if you are an Australian resident and only for the period your spouse was an Australian resident. Read **Are you an Australian resident?** on page 10 and **Who is a dependant?** on page 67 if you are unsure if your spouse is an Australian resident.

You are not eligible for a dependent spouse tax offset if the separate net income of your spouse was over \$6029. If you had the same spouse for the whole year and you or your spouse were entitled to FTB Part B for the whole year at the full care rate, you are not eligible for a dependent spouse tax offset. The full care rate applies if you did not share the care of any of your dependent children with someone other than your spouse for 10 per cent or more of the time during any part of the year.

If you are not eligible for a dependent spouse tax offset go to part B on page 77. Otherwise, read on.

Partial tax offset

You may be entitled to claim a partial tax offset if during 2001–02:

- your spouse became or ceased to be an Australian resident
- you married or entered into a de facto relationship
- you divorced or separated
- for part of the year neither you nor your spouse (during any period they were your spouse) were entitled to FTB Part B.
- you or your spouse (during any period they were your spouse) were entitled to FTB Part B based on a shared care rate.

WORKING OUT YOUR DEPENDENT SPOUSE TAX OFFSET

If you had the same spouse for the whole year and neither you nor your spouse were entitled to FTB Part B at ANY time during the year, write \$1437 at (c) step 1 in the table on the next page. This is your maximum available tax offset. Then go to step 2.

If you had a spouse for the whole year and you or your spouse were entitled to FTB Part B for only part of the year, multiply the number of days on which neither you nor your spouse were entitled to FTB Part B by \$3.94 (the daily rate). This will give you the part-year

Spouse for the whole year

NOTE

If you are claiming the spouse tax offset you also need to complete **Spouse details—married or de facto** on pages 6–7 of your tax return. You must also complete **Your spouse's name** on page 1 of your tax return.

component of your maximum available tax offset. Write the amount you calculated at (a) in the table below. If you were also entitled to FTB Part B shared care, go to **Shared care rate FTB Part B** below.

Spouse for part year

Work out how many days during the year you had a spouse. Then work out how many of these days neither you nor your spouse were entitled to FTB Part B. Multiply this number by \$3.94 (daily rate). This will give you the part-year component of your maximum available tax offset. Write the amount you calculated at (a) in the table below. If you were also entitled to FTB Part B shared care go to **Shared care rate FTB Part B** below.

Example 1

Tim and Rose were married on 1 October 2001. Rose had no separate net income (SNI) for the year. From 1 October 2001 they had full care of Tim's daughter Raelene. (Tim's former spouse had full care of Raelene before 1 October 2001.) Raelene left school at the end of 2001. She turned 16 on 30 April 2002. Therefore, Rose and Tim were only entitled to FTB Part B for Raelene from 1 October 2001 until 30 April 2002 (212 days). Tim had a spouse for 273 days during 2001–02. This means that Tim can claim a dependent spouse tax offset for 61 days (273 days minus 212 days).

Shared care rate FTB Part B

If you had a spouse for any period during the year, add up the number of days during that period that you or your spouse were entitled to FTB Part B based on a shared

care rate. Multiply the number of days by \$3.94 (the daily rate). Then multiply this result by 100 per cent **minus** the shared care percentage (see explanation on page 72). This will give you the shared care component of your maximum available tax offset. Write the amount you calculated at (b) in the table below.

Example 2

Pam and Dennis were married for the whole of 2001–02. Pam had no SNI for the year. They make an agreement with Pam's former spouse that they will start to share the care of Pam's son, Jason, from 1 October 2001. (Pam's former spouse had full care of Jason before 1 October 2001.) Jason is 16 and a full-time student. During the period 1 October 2001 to 30 June 2002 (273 days) their shared care percentage was 40 per cent. Therefore, Pam and Dennis were entitled to FTB Part B at a shared care rate for Jason for 273 days. Dennis had a spouse for 365 days during 2001–02. This means that Dennis works out his dependent spouse tax offset for:

- the period before they started sharing the care of Jason (1 July to 30 September)—92 days at the daily rate ((a) in the table below) PLUS
- the period they were entitled to FTB Part B at a shared care rate (1 October to 30 June)—273 days at the daily rate multiplied by 60 per cent (100 per cent minus the 40 per cent shared care percentage ((b) in the table below).

NOTE

If the shared care percentage changed during the year you will need to do this calculation for each period during the year that the percentage was different.

Work through the following table.

How to claim your dependent spouse tax offset

Part-year component of your maximum available tax offset	(a)	\$ <input type="text"/>
Shared care component of your maximum available tax offset	(b)	\$ <input type="text"/>
Step 1 Add up any amounts at (a) and (b) and write the total at (c). This is your maximum available tax offset (cannot be more than \$1437).	(c)	\$ <input type="text"/>
Step 2 If your spouse's SNI was less than \$286, write the amount from (c) at (h) step 6, then go to step 7. Otherwise, continue to step 3.		
Step 3 If your spouse's SNI was \$286 or more, write their SNI at (d).	(d)	\$ <input type="text"/>
Step 4 SNI at which the tax offset begins to reduce	(e)	\$282
Take (e) away from (d).	(f)	\$ <input type="text"/>
Step 5 Divide (f) by 4.	(g)	\$ <input type="text"/>
Step 6 Take (g) away from (c).	(h)	\$ <input type="text"/>
Step 7 If the amount at (h) is equal to or less than \$0, you cannot claim a tax offset; go to part B on page 77. If the amount at (h) is more than \$0, this is your allowable tax offset.		
Step 8 Write your allowable tax offset from (h) at P item T1 , or on a piece of notepaper if you are going to claim a child-housekeeper or housekeeper tax offset for another part of the year. Do not show cents.		
Step 9 Leave blank the CLAIM TYPE box <input type="checkbox"/> at the right of P item T1 .		
Step 10 Complete Spouse details—married or de facto on pages 6–7 of your tax return. Provide relevant details including your spouse's SNI at R . If your spouse did not have any SNI write '0'. You must also complete Your spouse's name on page 1 of your tax return.		

If you are going to claim a child-housekeeper or housekeeper tax offset, go to part B on page 77.
If not, go to **Check that you have** on page 80.

PART B Did you have a child-housekeeper?

NO  Go to part C.

YES  Read below.

You may be able to claim a child-housekeeper tax offset if your child, adopted child or stepchild kept house for you on a full-time basis. Keeping house means more than just child minding or performing domestic duties. It includes having some responsibility for the general running of the household.

You can claim a child-housekeeper tax offset only if you are an Australian resident and only for the period your child-housekeeper was an Australian resident. Read **Are you an Australian resident?** on page 10 and **Who is a dependant?** on page 67 if you are unsure if your child-housekeeper is an Australian resident.

You cannot claim a tax offset if the separate net income (SNI) of your child-housekeeper was:

- over \$6029 and you did not have another dependent child under 16 or student under 25
- over \$7177 and you did have another dependent child under 16 or student under 25.

You cannot claim a child-housekeeper tax offset for any period that:

- you lived with your spouse—married or de facto—or
- you were entitled to family tax benefit (FTB) Part B based on a full care rate.

You may be entitled to a child-housekeeper tax offset for any period that:

- you did not have a spouse—married or de facto—and
- you were not entitled to family tax benefit (FTB) Part B or were entitled to it based on a shared care rate.

Your tax offset does not increase if you had more than one dependent child or student other than your child-housekeeper.

WORKING OUT YOUR CHILD-HOUSEKEEPER TAX OFFSET

Child-housekeeper for the whole year

If you had a child-housekeeper for the whole year and you were not entitled to FTB Part B at ANY time during the year, write at (c) step 1 in the table on the next page \$1437 if you had no other dependent child or student (COLUMN 1) or \$1724 if you had another dependent child or student (COLUMN 2). This is your maximum available tax offset. Then go to step 2.

If you had a child-housekeeper for the whole year and you were entitled to FTB Part B for only PART of the year, multiply the number of days that you were NOT entitled to FTB Part B by the relevant daily rate from the table on the next page. This will give you the part-year component of your maximum available tax offset. Write the amount you calculated at (a) in the table on the next page. If you were also entitled to FTB Part B shared care go to **Shared care rate FTB Part B** below.

Child-housekeeper for part year

Work out the number of days during the year that you had a child-housekeeper. Then work out the number of these days you were NOT entitled to FTB Part B. Multiply this number by the daily rate in the relevant column in the table on the next page. This will give you the part-year component of your maximum available tax offset. Write the amount you calculated at (a) in the table. If you were also entitled to FTB Part B shared care go to **Shared care rate FTB Part B** below.

Shared care rate FTB Part B

If you were entitled to FTB Part B based on a shared care rate for any period of the year, add up the number of days during that period that you had a child-housekeeper. Multiply the number of days by the daily rate in the relevant column in the table on the next page. Then multiply this result by 100 per cent **minus** the shared care percentage (as in Example 2 on page 76). This will give you the shared care component of your maximum available tax offset. Write the amount you calculated at (b) in the table.

NOTE

If the shared care percentage changed during the year you will need to do this calculation for each period during the year that the percentage was different.

Work through the table on the next page.

How to claim your child-housekeeper tax offset

Use COLUMN 1 if you had a child-housekeeper and did not have another dependent child under 16 or student under 25.

Use COLUMN 2 if you had a child-housekeeper and another dependent child under 16 or student under 25 and the separate net income (SNI) of the dependent child or student was less than \$1786.

If the child or student was your dependant for only part of 2001–02, use the COLUMN 2 daily rate if their SNI was less than \$282 plus \$28.92 for each week you maintained them. Otherwise use the COLUMN 1 daily rate.

		COLUMN 1 <i>No other dependent child or student</i>	COLUMN 2 <i>Another dependent child or student</i>
		\$1437 for the whole year (maximum) or \$3.94 a day	\$1724 for the whole year (maximum) or \$4.72 a day
Part-year component of your maximum available tax offset	(a)	\$ <input type="text"/>	\$ <input type="text"/>
Shared care component of your maximum available tax offset	(b)	\$ <input type="text"/>	\$ <input type="text"/>
Step 1 Add up any amounts at (a) and (b) and write the total at (c) (cannot be more than \$1437 or \$1724).	(c)	\$ <input type="text"/>	\$ <input type="text"/>
Step 2 Write your child-housekeeper's SNI at V item T1 on your tax return. Do not show cents. If your child-housekeeper did not have any SNI write '0'. If your child-housekeeper's SNI was less than \$286, you will receive the full tax offset shown at (c) in your column. Go to step 7. Otherwise, go to step 3.			
Step 3 If your child-housekeeper's SNI for the year was \$286 or more, write the amount at (d). Do not show cents. Make sure you have also written this amount at V item T1 .			
	(d)	\$ <input type="text"/>	\$ <input type="text"/>
Step 4 SNI at which the tax offset begins to reduce	(e)	\$282	\$282
Take (e) away from (d).	(f)	\$ <input type="text"/>	\$ <input type="text"/>
Step 5 Divide (f) by 4.	(g)	\$ <input type="text"/>	\$ <input type="text"/>
Step 6 Take (g) away from (c).	(h)	\$ <input type="text"/>	\$ <input type="text"/>
If the amount at (h) is equal to or less than \$0 you cannot claim a tax offset; go to part C on page 79. If the amount at (h) is more than \$0, this is your allowable tax offset.			
Step 7 Write your allowable tax offset at P item T1 or add it to the amount you are claiming for spouse tax offset. If you are not going to claim a housekeeper tax offset for another part of the year at part C of this question, write the total at P item T1 . Do not show cents. If you are going to claim a housekeeper tax offset, write your tax offset entitlement so far on a piece of notepaper and go to part C. Otherwise, continue to step 8.			
Step 8 Print one of the following code letters in the CLAIM TYPE box <input type="checkbox"/> at the right of P item T1 :			
H —if you are claiming a child-housekeeper tax offset only			
C —if you are claiming a spouse tax offset for part of the year and a child-housekeeper tax offset for another part of the year.			

PART C Did you have a housekeeper?

NO  If you are claiming a tax offset at part A or part B, go to **Check that you have**. If not go to page 81.

YES  Read below.

You need to know

Keeping house means more than just childminding or performing domestic duties. It includes having some responsibility for the general running of the household. You cannot claim this tax offset if your housekeeper only keeps house part time.

You can claim a housekeeper tax offset only if you are an Australian resident. Read **Are you an Australian resident?** on page 10.

You cannot claim a housekeeper tax offset for any period you were eligible for a spouse tax offset. There is one exception—see **Where your spouse receives a disability support pension** in the next column. Generally, if you had a spouse you cannot claim a housekeeper tax offset—see the section PERIODS WHEN YOU HAD A SPOUSE in the next column.

You cannot claim a housekeeper tax offset for any period you were eligible for a child-housekeeper tax offset.

WORKING OUT YOUR HOUSEKEEPER TAX OFFSET

Read the information below to find out if you are eligible for the housekeeper tax offset. If you are not eligible but you are claiming a spouse or child-housekeeper tax offset (part A or B in this question) go to **Check that you have**. If you cannot claim any tax offset at this question, go to page 81.

PERIODS WHEN YOU DID NOT HAVE A SPOUSE

Eligibility criteria

You can claim a housekeeper tax offset for any period you did not have a spouse and your housekeeper worked full time keeping house in Australia for you and cared for:

- a child of yours under 16, irrespective of the child's separate net income (SNI) or
- any other child under 16 (including a student under 16) who was your dependant and whose SNI was less than \$1786 or
- your invalid relative who is your dependant (see page 67) and for whom you can claim a dependant tax offset—if you are unsure you will need to read question **T8** in *TaxPack 2002 supplement*.

If you do not meet these eligibility criteria you cannot claim a housekeeper tax offset. Otherwise read on.

You do NOT qualify for a housekeeper tax offset if you were entitled to full care family tax benefit (FTB) Part B for the whole income year. If you were not entitled to FTB Part B or you were entitled to FTB Part B for only part of the year or based on a shared care rate, work through the table on the next page.

PERIODS WHEN YOU HAD A SPOUSE

Generally you cannot claim a housekeeper tax offset for any period you had a spouse unless:

- your spouse received a disability support pension (or a rehabilitation allowance if, immediately before becoming eligible to receive that allowance, they were eligible to receive a disability support pension) or
- you otherwise qualify for a housekeeper tax offset—see **Eligibility criteria** in the previous column—and you are not entitled to a spouse tax offset, and special circumstances apply (see below).

Where your spouse receives a disability support pension (or rehabilitation allowance in the above circumstances)

- You are eligible to claim a housekeeper tax offset even if you have also claimed a spouse tax offset.
- You are eligible to claim a housekeeper tax offset even if you are also entitled to FTB Part B.

Work through the table on the next page.

Where special circumstances apply

Examples of special circumstances

- Your spouse deserted you and your children—and you are not living in a de facto relationship.
- You have a child with a severe mental disability who requires constant attention.
- Your spouse suffers from an extended mental illness and is medically certified as being unable to take part in the care of your children.

Even if you have special circumstances, you do NOT qualify for a housekeeper tax offset if the number of days on which either you or your spouse (during any period they were your spouse) were entitled to full care FTB Part B adds up to the whole year. If there were any days when neither you nor your spouse were entitled to full care FTB Part B, work through the table on the next page.

You will need to provide additional information about your special circumstances. Print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION T1 PART C on the top of a separate piece of paper and explain your situation. Include your name, address and tax file number. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

How to claim your housekeeper tax offset

	COLUMN 1	COLUMN 2
	<i>No dependent child or student</i>	<i>With a dependent child under 16 or a student under 25</i>
<p>Step 1 If you qualified for a housekeeper tax offset for the whole year and:</p> <ul style="list-style-type: none"> neither you, nor your spouse during any period they were your spouse, were entitled to family tax benefit (FTB) Part B at ANY time during the year or your spouse received a disability support pension for the whole year <p>write the appropriate amount from COLUMN 1 or 2 (\$1437 or \$1724) at (d) step 5, then follow the instructions in step 5.</p>	\$1437 for the whole year or \$3.94 a day	\$1724 for the whole year or \$4.72 a day
<p>Step 2 If you qualified for a housekeeper tax offset for the whole year, work out the number of days that:</p> <ul style="list-style-type: none"> neither you nor your spouse (during any period they were your spouse) were entitled to FTB Part B or either you or your spouse (during any period they were your spouse) were entitled to FTB Part B, but your spouse was receiving a disability support pension or rehabilitation allowance (see page 79). <p>Multiply this number by the daily rate (\$3.94 or \$4.72) and write the amount you calculated at (a), then go to step 4.</p>	(a) \$ <input type="text"/>	\$ <input type="text"/>
<p>Step 3 If you qualified for a housekeeper tax offset for only part of the year, work out the number of days during that part year that:</p> <ul style="list-style-type: none"> neither you nor your spouse (during any period they were your spouse) were entitled to FTB Part B or either you or your spouse (during any period they were your spouse) were entitled to FTB Part B, but your spouse was receiving a disability support pension or rehabilitation allowance (see page 79). <p>Multiply this number by the daily rate (\$3.94 or \$4.72) and write the amount you calculated at (b).</p>	(b) \$ <input type="text"/>	\$ <input type="text"/>
<p>Step 4 If—for any period during the year—you did NOT have a spouse receiving a disability support pension or rehabilitation allowance (see page 79) and you qualified for a housekeeper tax offset, add up the number of days during that period that you, or your spouse during any period they were your spouse, were entitled to FTB Part B based on a shared care rate. Multiply the number of days by the daily rate. Then multiply the result by 100 per cent minus the shared care percentage (as in Example 2 on page 76) and write the amount you calculated at (c).</p> <p>Note: If the shared care percentage changes during the year you will need to do this step for each period during the year that the percentage was different.</p>	(c) \$ <input type="text"/>	\$ <input type="text"/>
<p>Step 5 Add up any amounts at (a), (b) and (c) and write the total at (d). If you are also claiming a spouse or child-housekeeper tax offset, add the amount at (d) to the other amount on your notepaper. Write the amount at (d) or the total from your notepaper at P item T1. Print the letter C in the CLAIM TYPE box <input type="checkbox"/> at the right of P item T1 on your tax return if you are also claiming a spouse tax offset. If not, print the letter H.</p>	(d) \$ <input type="text"/>	\$ <input type="text"/>

Check that you have . . .

- worked out your child-housekeeper's separate net income (SNI), if required, and written the amount on your tax return
- written on your tax return your total tax offset
- printed on your tax return the correct code letter in the **CLAIM TYPE** box, if required
- completed **Spouse details—married or de facto**—including SNI, on pages 6–7 of your tax return and **Your spouse's name** on page 1 of your tax return
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION—QUESTION T1 PART C, if you need to send us one.



Eligibility for the Senior Australians tax offset depends on certain conditions. These conditions relate to such factors as age, income and eligibility for Commonwealth of Australia government pensions and similar payments.

You must meet conditions **1**, **2**, **3** AND **4**:

Condition **1**

On 30 June 2002 you were:

- a male aged 65 years or more or a female aged 62 years or more

OR

- a male veteran or war widower aged 60 years or more or a female veteran or war widow aged 57 years or more.

NOTE

A 'veteran' is a person who has eligible war service under the *Veterans' Entitlements Act 1986*. You are a veteran for the purposes of condition **1** if you are receiving a payment from the Department of Veterans' Affairs (DVA) as a veteran. Even if you do not receive a payment you are a veteran for the purposes of condition **1** if you were a member of Australia's Defence Force during a time of conflict. The following are examples, but not an exhaustive list, of the types of conflicts that qualify: Vietnam, the Gulf War, Cambodia, Somalia, Rwanda, Bougainville, East Timor, peacetime service (7 December 1972–7 April 1994), and a serving member with peacekeeping or hazardous service (including the various UN missions).

To be a 'war widow' or 'war widower' you must be receiving a war widows or war widowers pension from DVA or receive a foreign government pension of similar nature to the Australian war widows pension.

If you are unsure if you are a veteran or you qualify for the earlier veteran pension age, visit the DVA website at www.dva.gov.au or ring DVA on **13 3254**.

Condition **2**

You received a Commonwealth of Australia government age pension or a pension or allowance from DVA at any time during the 2001–02 income year

OR

you did not receive a Commonwealth of Australia government pension or similar payment because you did not make a claim, or because of the application of the income test or the assets test **AND**

- you were **not a veteran** and you satisfy **one** of the following:
 - you have been an Australian resident for either 10 continuous years, or more than 10 years, of which 5 years were continuous
 - you have a qualifying residence exemption (arrived as refugee or under special humanitarian program)
 - you are a woman who is widowed in Australia (at a time when both you and your late partner were Australian residents) and you have 104 weeks residence immediately prior to the claim for age pension

- you received a widow B pension, widow allowance, mature age allowance or partner allowance immediately before turning age pension age
- you would qualify under an International Social Security Agreement.

(If you need assistance in determining your eligibility for a social security or Centrelink pension only, ring Centrelink on **13 2300**; for all other enquiries relating to the Senior Australians tax offset ring the Australian Taxation Office directly on **13 2861**—Press 1.)

OR

- you are **a veteran** with eligible war service or a Commonwealth veteran, allied veteran or allied mariner with qualifying service who is eligible for, but not receiving, a payment from DVA. If you are not sure if you are eligible for a payment you can get further information from the DVA website or ring DVA.

NOTE

Condition **2** is based on extended eligibility criteria for the Senior Australians tax offset contained in the Taxation Laws Amendment Bill (No. 2) 2002 which Parliament is presently considering.

You should determine your condition **2** eligibility for this tax offset on the basis of the extended criteria. If Parliament does not put these changes into effect, we will inform taxpayers and amend any tax assessments affected. The Commissioner's guarantee will apply.

Condition **3**

You satisfy the income threshold that applies to you:

- You did not have a spouse—married or de facto—and your taxable income was **less than** \$37 840.
- You did have a spouse—married or de facto—and the combined taxable income of you and your spouse was **less than** \$58 244.
- you did have a spouse—married or de facto—and the combined taxable income of you and your spouse, where you 'had to live apart due to illness' or either of you was in a nursing home at any time in 2001–02, was **less than** \$70 406.

NOTE

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

Condition **4**

You were not in prison for the whole income year.

If you meet **all** the conditions described, you are eligible for the Senior Australians tax offset.

- Do you have to lodge a tax return? See page 2.
- Do you have to complete question **6**, step 3? See page 23.

You must also complete question **T2** on pages 82–3.

Are you eligible for the Senior Australians tax offset?

If you are unsure, page 81 provides information on eligibility for this tax offset. If you have a spouse, you will also need to work out if your spouse is eligible.

NO  Go to question **T3**.

YES  Read below.

Completing this question

- Step 1** Find the code letter that applies to your circumstances from the **Tax offset code letters** table below. This code letter tells us the amount of tax offset your entitlement will be based on.

DEFINITION

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

Tax offset code letters

If at any time during 2001–02, you were single, separated or widowed	A
If you and your spouse—married or de facto—'had to live apart due to illness' or either of you was in a nursing home at any time in 2001–02 and you are both eligible for the Senior Australians tax offset	B
If you and your spouse—married or de facto—'had to live apart due to illness' or either of you was in a nursing home at any time in 2001–02 but your spouse is not eligible for the Senior Australians tax offset	C
If you and your spouse—married or de facto—were living together and you are both eligible for the Senior Australians tax offset	D
If you and your spouse—married or de facto—were living together but your spouse is not eligible for the Senior Australians tax offset	E

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

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

Exceptions to this rule:

- If both **A** and **D** apply to you, and your spouse's taxable income was less than \$11 730, use **D** as this gives you the correct tax offset. (Include in your spouse's taxable income any net income of a trust estate to which your spouse is presently entitled and on which the trustee is assessed under section 98.)
- If both **A** and **E** apply to you, your spouse received a Commonwealth pension or allowance as listed at question **6** and your spouse's taxable income was less than \$9630, use **E** as this gives you the correct tax offset.
- If both **A** and **B** apply to you and your spouse's taxable income was less than \$16 883, use **B** as this gives you the correct tax offset. (Include in your spouse's taxable income any net income of a trust estate to which your spouse is presently entitled and on which the trustee is assessed under section 98.)
- If both **A** and **C** apply to you, your spouse received a Commonwealth pension or allowance listed at question **6** and your spouse's taxable income is less than \$14 136, use **C** as this gives you the correct tax offset.

- Step 2** Print your code letter from the table above in the **TAX OFFSET CODE** box at the right of **N** item **T2** on page 4 of your tax return.

NOTE

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

- Step 3** If you or your spouse is a veteran, war widow or war widower (see definition on page 81), read on. Otherwise go to step 4.

From the following list select the veteran code that applies to your circumstances. If all of the codes apply, select **X**:

- you are a veteran, war widow or war widower **V**
- your spouse is a veteran, war widow or war widower **W**
- you are a veteran, war widow or war widower AND your spouse is a veteran, war widow or war widower **X**

Print your veteran code in the **VETERAN CODE** box at **Y** item **6** on page 2 of your tax return.

NOTE

You may have already printed a code in the **VETERAN CODE** box at item **6** on page 2 of your tax return if you are a veteran and you completed item **6**.

Step 4 Have you used tax offset code (not veteran code) **B**, **C**, **D** or **E**? If so, you must complete **Spouse details—married or de facto** on pages 6–7 of your tax return. Provide relevant details **including**:

- your spouse's date of birth at **K**
- your spouse's taxable income at **O**—if this amount is zero, write '0'
- your spouse's share of trust income on which the trustee is assessed under section 98, if it is not already included in your spouse's taxable income, at **T**—if this amount is zero, write '0'
- your spouse's Commonwealth government pension income, at **P**—if this amount is zero, write '0'
- your spouse's exempt pension income, at **Q**—if this amount is zero, write '0'.

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

If you are eligible for the Senior Australians tax offset and your spouse is eligible for the Senior Australians or pensioner tax offset, and if either of you do not fully use your tax offset, any unused tax offset may be available for transfer to the other person. By using the amounts you write on the spouse details section of your tax return we will work out if you are entitled to have the unused portion of your spouse's tax offset transferred to you. If an unused amount is available, we will make sure it is taken into account in working out your tax offset.

NOTE

In working out if there is any unused spouse's Senior Australians or pensioner tax offset available for transfer, your spouse's other credits and tax offsets are not taken into account.

Example

Sonya is married to Russell and they have lived together for the whole income year. Russell—who is a veteran—has received a service pension. Sonya and Russell are both over pension age and their combined taxable income is less than \$58 244. They are both eligible for the Senior Australians tax offset. Sonya's taxable income is \$17 500 and Russell's is \$8300.

Sonya writes code letter **D** at **N** item **T2** on her tax return.

Sonya also writes veteran code letter **W** at **Y** item **6** on her tax return.

Sonya completes **Spouse details—married or de facto** on pages 6–7 of her tax return, so any tax offset that Russell does not use will be automatically transferred to Sonya to be taken into account when her tax offset is calculated. She also completes **Your spouse's name** on page 1 of her tax return.

Check that you have . . .

- ✔ written your tax offset code letter at **N** item **T2**
- ✔ if required, written your veteran code at **Y** item **6**
- ✔ written the relevant amounts at **O**, **T**, **P** and **Q** **Spouse details—married or de facto** on page 7 of your tax return
- ✔ written on page 1 of your tax return your date of birth and your spouse's name.

DO YOU WANT TO WORK OUT YOUR TAX OFFSET?

You do not have to work out your tax offset. We will work it out for you from your taxable income details and your tax offset code letter. Make sure you print your code letter at the right of **N** item **T2** on page 4 of your tax return.

If you do want to work out your tax offset, go to page 119.

NOTE

A tax offset reduces the amount of tax you have to pay—see page 74.



**Do not show at
this question:**

- deductible non-employer sponsored **superannuation contributions**
- **superannuation contributions** on behalf of your spouse.

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

Did you:

- **make contributions to a complying superannuation fund or retirement savings account (RSA) OR**
- **receive income—shown at item 7—from an Australian superannuation annuity or pension?**

NO Go to question T4.

YES Read below.

You need to know

There are 2 parts to this question:

Part A shows you how to record your personal undeducted superannuation contributions on your tax return and how to calculate the superannuation contributions tax offset.

Part B shows you how to calculate the superannuation annuity or pension tax offset.

PART A **Did you make personal contributions to a complying superannuation fund or RSA?**

If you do not know whether your superannuation fund or RSA provider is a complying organisation, contact your fund or provider.

NO Go to part B.

YES Read below.

You need to know

Personal undeducted superannuation contributions are contributions you made to a complying superannuation fund or RSA for which you have not claimed a deduction at item **D14** on your tax return (supplementary section). Item **D14** is where you would claim a deduction for personal superannuation contributions. This tax deduction is usually only available to self-employed people.

Undeducted contributions do not include contributions:

- made by your employer or
- made as part of a salary sacrifice or
- made on behalf of another person—for example, your spouse.

You can only claim the superannuation contributions tax offset if you are not eligible to claim a deduction for personal superannuation contributions (whether or not you do make such a claim). You would be eligible to claim a deduction if you did not receive any superannuation support from another person—for example, an employer during the year of income; or if your income from employment plus reportable fringe benefits was less than 10 per cent of your total assessable income plus reportable fringe benefits.

To continue with this question you need to know the sum of your assessable income and total reportable fringe benefits amounts.

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

- you have 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
- you claimed a deductible amount for a pension or annuity at item **D10** on your tax return or **D13** on your tax return (supplementary section).

If one or more of these applied to you, you must ring the Superannuation Infoline on **13 1020** for help in working out your assessable income before you continue.

Your **total reportable fringe benefits amounts** is the amount you wrote at item **9** on your tax return.

If the sum of your assessable income and total reportable fringe benefits amounts is below \$31 000, go to step 1.

If the sum of your assessable income and total reportable fringe benefits amounts is \$31 000 or more, and for 2001–02 you did not receive a superannuation annuity or pension, you cannot claim a tax offset at this question; go to question **T4**.

If the sum of your assessable income and total reportable fringe benefits amounts is \$31 000 or more, and you did receive a superannuation annuity or pension, go to part B.

Step 1 Write the amount of your personal undeducted superannuation contributions at **T** item **T3** on your tax return. Do not show cents. If you do not know the amount, contact your superannuation fund or RSA provider.

NOTE

If you have claimed, or are entitled to claim, a deduction for any personal superannuation contributions at item **D14** on your tax return (supplementary section) you are not entitled to claim a tax offset here. Go to part B.

Step 2 Complete WORKSHEET 1.

WORKSHEET 1

Your total 2001–02 contributions (the amount you have written at T from step 1)	(a)	\$
Maximum contributions for tax offset purposes	(b)	\$1000
Write the lesser of (a) or (b).	(c)	\$
Divide (c) by 10.	(d)	\$

If the sum of your assessable income and total reportable fringe benefits amounts is less than \$27 004, your tax offset is the amount at (d). Go to step 4.

If the sum of your assessable income and total reportable fringe benefits amounts is more than \$27 003 but less than \$31 000, go to step 3.

Step 3 Complete WORKSHEET 2.

WORKSHEET 2

Maximum contributions for tax offset purposes	(e)	\$1000
Write the sum of your total assessable income and total reportable fringe benefits amounts here.	(f)	\$
Threshold at which tax offset reduces	(g)	\$27 000
Take (g) away from (f).	(h)	\$
Divide (h) by 4.	(i)	\$
Take (i) away from (e).	(j)	\$
Divide (j) by 10.	(k)	\$

Your tax offset is whichever is the lesser of the amounts you worked out at (d) on WORKSHEET 1 or (k) on WORKSHEET 2.

Step 4 Write your superannuation contributions tax offset on some notepaper together with the letter **S**. Read on.

PART B ***Did you receive income from an Australian superannuation annuity or pension?***

If you showed income from an Australian annuity or pension at item **7** on your tax return, you may be entitled to a tax offset equal to 15 per cent of all or part of your taxable pension or annuity income.

NO  Go to **Completing this question**.

YES  Read below.

Before working out the tax offset, you will need to know the following about your pension or annuity:

- whether it qualifies for a tax offset; and how much of it is eligible for the tax offset. Contact your annuity or pension fund if you do not know either of these points
- the 'rebatable proportion'—this is the part of your pension or annuity that may be eligible for the pension tax offset. It may be 1, less than 1, or 0 and depends on the type and amount of your pension or annuity. The rebatable proportion is determined by the Australian Taxation Office by measuring your pension or annuity against your reasonable benefit limit (RBL). Your rebatable proportion will be 1 unless you are issued with an RBL stating otherwise. Ring the Superannuation Infoline on **13 1020** if you need assistance
- any deductible amount from item **D10**.

How to work out your pension or annuity tax offset

(a) Work through steps 1 to 3 if:

- you were 55 years of age before 1 July 2001
- you turned 55 on or after 1 July 2001 and your pension started on or after your 55th birthday
- you are receiving a death or disability pension at any age.

(b) Work through steps 4 to 11 if:

- you turned 55 years of age on or after 1 July 2001 and your pension started before your 55th birthday.

Step 1 Take away any deductible amount at item **D10** from that part of your annuity or pension which is eligible for a tax offset.

Step 2 Multiply the answer from step 1 by the rebatable proportion of your annuity or pension.

Step 3 Work out 15 per cent of the answer you got at step 2. This is your tax offset. Write your annuity or pension tax offset on your notepaper together with the letter **A**. Go to **Completing this question**.

Step 4 Work out the amount of your annuity or pension that was paid to you on or after your 55th birthday.

Step 5 Work out the number of days from your 55th birthday to 30 June 2002.

Step 6 Work out the number of days from the day your annuity or pension started, to 30 June 2002. If it started before 1 July 2001, use 365 days.

Step 7 Divide the number of days at step 5 by the number of days at step 6.

Step 8 Multiply any deductible amount (at item **D10**) by the answer you got at step 7.

Step 9 Take away the answer you got at step 8 from the answer at step 4.

Step 10 Multiply the answer you got at step 9 by the rebatable proportion of your annuity or pension. Your rebatable proportion will be 1 unless you are issued with a reasonable benefit limit determination stating otherwise.

Step 11 Work out 15 per cent of the answer you got at step 10. This is your annuity or pension tax offset. Write your tax offset on your notepaper together with the letter **A**. Read on.

Completing this question

Step 1 Add up any amounts on your notepaper that you are entitled to claim as a tax offset from part A and part B of this question. Write the total figure at **S** item **T3** on your tax return. Do not show cents.

Step 2 Print the appropriate code letter in the **CLAIM TYPE** box at the right of **S** item **T3**:

- S** if you are claiming the part A superannuation contributions tax offset only
- A** if you are claiming the annuity or pension tax offset only
- C** if you are claiming both.

Check that you have . . .

-  written on your tax return the total of your 2001–02 contributions
-  written on your tax return the total of the amounts that you are entitled to claim as a tax offset in parts A and B. Do not write the amount of pension you received
-  printed on your tax return the correct code letter in the **CLAIM TYPE** box.

Did you pay the premium, or did your employer pay the premium for you, for an appropriate private health insurance policy?

- NO**  Go to **TAX OFFSETS FROM THE SUPPLEMENTARY SECTION** on page 91.
- YES**  Read below.

Did you receive your full entitlement to the 30% private health insurance rebate from your health fund or Medicare?

- NO**  Read below.
- YES**  Go to **TAX OFFSETS FROM THE SUPPLEMENTARY SECTION** on page 91.

You need to know

The private health insurance rebate is 30% of the premium paid to a registered health fund for appropriate private health insurance cover. The rebate is not affected by your level of income.

The rebate can be claimed as:

- a reduction in your private health insurance premium through the health fund or
- a cash or cheque rebate from Medicare or
- a refundable tax offset at the end of the income year through your tax return or
- a combination of all options.

NOTE

If 2 people make payments for the same policy—for example, you make payments from a joint bank account—each person can claim 30% of the proportion they paid.

Are you eligible for the 30% private health insurance rebate?

You are eligible to claim the rebate if you have paid, or your employer has paid for you, the premium for an appropriate private health insurance policy. An ‘appropriate private health insurance policy’ is one provided by a registered health fund for hospital, ancillary—also known as Extras—or combined hospital and ancillary cover where every person covered by the policy is a person who is eligible to claim benefits under the Medicare system. Not all funds are registered. Check with your health fund if you are unsure.

NOTE

To find out if your health fund is a registered health fund, visit the Private Health Insurance Administration Council website at <www.phiac.gov.au>.

How the rebate works

The rebate is based on the premium you paid, or your employer has paid for you, for appropriate health insurance cover including payments made for cover for more than one income year—you work out your entitlement at 30% of the premium paid.

However, if the policy was one that was in existence during the 1998–99 income year and, before 1 January 1999, a person was eligible to apply for registration under the health insurance incentive scheme that operated until that date—the old incentive scheme—you may be able to claim more. You should compare the rebate that would have been available if the old incentive scheme was still operating, with that available under the present scheme, and claim the higher amount at this question.

The eligibility tests that applied for registration under the old incentive scheme are explained on pages 89–90.

Did you receive a private health insurance statement from your health fund?

Your health fund should have sent you a statement showing the premium you have paid. If you paid a premium for more than one policy, you should have received a statement for each policy.

If you did not receive a statement for one or more of your policies you should contact your health fund or, if you know the premium you paid and any premium reduction you received from your health fund, you can still work out your entitlement from the steps following.

Completing this question

If you have more than one policy you will need to work through the steps below for each policy.

What you may need

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

If you did not receive a statement you may also need:

- the amount of the premiums
- the number of days covered by private health insurance
- the amount of premium reduction received from your health fund.

NOTE

If you have a statement from all of the health funds you paid a premium to and the amounts at **G** on your statement(s) are '0' you have already received your full entitlement and you do not need to read any further in this question. Go to TAX OFFSETS FROM THE SUPPLEMENTARY SECTION on page 91.

Step 1 Where you have a statement for your policy

If you do not have a statement for any of your policies, go to step 2.

If you have a statement and:

- no person was eligible to apply for registration under the old incentive scheme, you can claim the 30% amount shown at **G** on your statement less any cash or cheque rebate you have received from Medicare for your private health insurance premium. Go to WORKSHEET 1
- a person was eligible to apply for registration under the old incentive scheme, you may have 2 **G** amounts—30% of premiums paid, and the rebate that would have been available under the old incentive scheme. You can claim the higher amount, less any cash or cheque rebate you have received from Medicare for your private health insurance. Go to WORKSHEET 1.

WORKSHEET 1

Amount shown at **G** on your statement (a) \$

Amount of any cash or cheque rebate you have received from Medicare for your private health insurance premium (b) \$

Take (b) away from (a). (c) \$

If you have only one policy and:

- (c) is '0' or a negative amount, you have already received your full entitlement. Go to TAX OFFSETS FROM THE SUPPLEMENTARY SECTION on page 91.
- you have an amount at (c), this is the tax offset that you are eligible to claim on your tax return. Do not include cents. Go to step 2.

If you have more than one policy and you have statements for all of them, add up the (c) amounts (ignoring any negative amounts). The total is the tax offset that you are eligible to claim. Do not include cents. Go to step 4.

If you also have a policy for which you do **not** have a statement, go to step 2.

Step 2 Where you do not have a statement

If you do not have a statement you need to use WORKSHEET 2 to help you calculate your tax offset entitlement. You should also use WORKSHEET 3 if a person was eligible to apply for registration under the old incentive scheme.

The example on page 89 will help you with the worksheets.

WORKSHEET 2—Calculating the 30% amount

Total premiums paid during the year for the policy * (d) \$

Multiply (d) by 30. (e) \$

Divide (e) by 100. (f) \$

Your premium reduction amount from your health fund—if any (g) \$

Take (g) away from (f). (h) \$

Amount of any cash or cheque rebate you have received from Medicare for your private health insurance premium (i) \$

Take (i) away from (h). (j) \$

* This is the total amount of premiums before any premium reduction or any cash or cheque rebate you have received from Medicare.

If you have only one policy and if no person was eligible to apply for registration under the old incentive scheme, the amount at (j) is what you are entitled to claim. If (j) is '0' or a negative amount you have already received your full entitlement. Go to TAX OFFSETS FROM THE SUPPLEMENTARY SECTION on page 91. Otherwise go to step 4.

If a person was eligible to apply for registration under the old incentive scheme, complete WORKSHEET 3 to find out if the rebate that would have been available under the old incentive scheme would have resulted in a higher tax offset.

WORKSHEET 3—Calculating the rebate under the old incentive scheme

Use the table below to work out the maximum annual rebate under the old incentive scheme.

MAXIMUM ANNUAL REBATE AMOUNT—OLD INCENTIVE SCHEME

Policy type	Hospital cover only	Ancillary cover only	Hospital and ancillary cover
Single	\$100	\$25	\$125
Couple	\$200	\$50	\$250
Family	\$350	\$100	\$450

Where you had only one type of cover during the year, write the maximum annual rebate for the type of cover under the old incentive scheme.

(k) \$

Multiply (k) by the number of days the premium provided this type of cover for.*

(l) \$

Divide (l) by 365.

(m) \$

If your type of cover changed during the year, repeat steps (k), (l) and (m) for each type of cover and add the answers together for a total figure at (m).

Take away from the total at (m) any amount at (g) in WORKSHEET 2.

(n) \$

Take away from (n) any amount at (i) in WORKSHEET 2.

(o) \$

* The number of days you use here relates to the policy, not the calendar or income year.

The amount at (o) is the rebate that would have been available under the old incentive scheme. You are eligible to claim amount (j) in WORKSHEET 2 or amount (o) in WORKSHEET 3—whichever is higher.

If you have only one policy the higher amount is the tax offset you are eligible to claim on your tax return. Go to step 4.

If you have more than one policy without a statement, work out the higher of the (j) or (o) amount (if you have an (o) amount) for each policy. Add those amounts together. This is the amount of tax offset you are eligible to claim.

If you have only policies for which you do not have a statement, go to step 4.

If you have a combination of policies with and without a statement, go to step 3.

Step 3 Where you have policies with and without a statement

Add the (c) amount(s) you have worked out at step 1 and the higher of the (j) or (o) amount(s) you have worked out from step 2 for each policy. This is the amount of tax offset that you are eligible to claim.

Step 4 Write at **G** item **T4** on your tax return the amount of tax offset that you are eligible to claim. Do not show cents. You must also complete **Private health insurance policy details**—see page 92 in *TaxPack 2002* for assistance.

You have now completed this question. Go to TAX OFFSETS FROM THE SUPPLEMENTARY SECTION on page 91.

Example of how to work out your tax offset entitlement

Scott has had a family policy for combined cover for himself, his wife Kylie, and their dependent child Carol since 1 July 1998. The annual premium was \$1200. On 1 July 2001, Scott paid a further premium to continue the policy for another year.

On 1 May 2002 Carol turned 25 and therefore no longer qualified as a dependent child.

Scott received a \$100 refund when the policy changed from a family policy to a couple policy. Scott satisfied all of the eligibility tests for registration under the old incentive scheme—see below—and did not receive a reduced premium or any cash or cheque rebate from Medicare.

Scott used WORKSHEET 2 to work out his 30% amount—\$330 (30% of \$1200 – \$100). Because he was eligible to apply for registration under the old incentive scheme he also used WORKSHEET 3 to work out the rebate he would have got under the old incentive scheme.

Referring to the MAXIMUM ANNUAL REBATE AMOUNT—OLD INCENTIVE SCHEME table Scott worked out his rebate amount for the time that Carol was a dependant (family policy)—1 July 2001 to 30 April 2002 (304 days)—and when she was not a dependant (couple policy)—1 May 2002 to 30 June 2002 (61 days).

During the time Carol was a dependant, Scott's rebate entitlement under the old incentive scheme would have been \$374.79. For the time Carol was not a dependant the rebate entitlement under the old incentive scheme would have been \$41.78. This gives Scott a total of \$416.57 under the old incentive scheme.

Scott's rebate under the old incentive scheme is higher than his 30% amount.

Scott will write \$416 at **G** item **T4** and complete **Private health insurance policy details** on his tax return.

The old incentive scheme

If the private health insurance policy is one that was in existence during 1998–99 and, before 1 January 1999, a person was registered or eligible to apply for registration under the Private Health Insurance Incentive Scheme (the old incentive scheme) that operated until that date, you may be entitled to a larger tax offset than one based on 30% of the premium you paid this income year. If the policy qualifies, you are entitled to compare the 2 amounts—the rebate that would have been available if the old incentive scheme was still operating, and the present tax offset based on 30% of the premium paid—and claim the higher amount.

Any person covered by the policy, other than a dependent child, could have registered, or been eligible to register, under the old incentive scheme. If the policy only covered dependent children, any one of their parents was eligible to register. However, the particular private health insurance policy had to be one:

- that was in existence before 1 January 1999 and provided appropriate private health insurance cover for 1998–99 and
- where the annual premium for 1998–99 was above the minimum premium threshold amount and
- where certain income tests were satisfied for 1998–99.

A policy provided appropriate private health insurance cover if it provided hospital cover or ancillary cover or both and the health fund annual premium during 1998–99 was not less than the relevant amount shown in the following table.

Minimum premium	
Hospital cover	Ancillary cover
1 person \$250	1 person \$125
2 or more \$500	2 or more \$250

Definitions

Single policy income test—A single policy covers one person only. If you had a single policy and you did not have a spouse at any time in 1998–99, the income test was satisfied if your 1998–99 taxable income was less than \$35 000.

If you did have a spouse at any time in 1998–99, the income test was satisfied if combined taxable income for 1998–99 was less than \$70 000.

Couple policy income test—A couple policy covers 2 adults only. These adults may be related—for example, spouse or sibling—or unrelated. For a couple policy, the income test was satisfied if combined taxable income for 1998–99 was less than \$70 000.

Family policy income test—A family policy can be:

- cover for one or more adults—related or unrelated—and at least one dependent child. This includes single parent families. The income test was satisfied if combined taxable income for 1998–99 was less than \$70 000 plus \$3000 for each dependent child after the first dependent child
- cover for 3 or more adults. The income test was satisfied if combined taxable income for 1998–99 was less than \$70 000
- cover for 2 or more dependent children only. The income test was satisfied if combined taxable income for 1998–99 was less than \$70 000 plus \$3000 for each dependent child after the first dependent child.

Combined taxable income—used in the income tests above—means:

- the sum of the taxable income of each adult covered by the policy and their spouse—married or de facto—if they had a spouse on 30 June 1999
- for a policy that covered only a dependent child or children, the sum of the taxable income of each parent or guardian and their spouses—married or de facto—if they had a spouse on 30 June 1999. This applies only to a parent or guardian who contributed to the payment of the premiums, or arranged for a third party, such as an employer, to contribute.

Taxable income of a person includes any share of net income of a trust estate to which the person was entitled, and on which a trustee of the trust estate is assessed under section 98 of the *Income Tax Assessment Act 1936*.

If you had a child who was not a dependent child—for example, an adult child, such as an employed 19-year-old who lived with you—AND that child was covered by the policy, then their 1998–99 income must also be included in the combined taxable income amount.

Income derived by any dependent children is not included in the combined taxable income amount.

Spouse—includes a de facto spouse but does not include a person from whom you are permanently separated.

Dependent child

A child was regarded as a dependant for the old incentive scheme if all of the following applied:

- The child was under the age of 18 years or a full-time student under the age of 25 years.
- The child was covered by the policy and the health fund that issued the policy accepted the child as a dependent child for the purposes of the policy.
- The child did not have a spouse—married or de facto.



Read this question carefully—you may need to use *TaxPack 2002 supplement*.



The supplementary section of the tax return is located in the back of *TaxPack 2002 supplement*. If you don't already have a copy of *TaxPack 2002 supplement*, from 1 July to 31 October 2002 you can get a copy from newsagencies displaying this logo. Copies are also available all year from ATOaccess sites.

Are you entitled to claim a tax offset for any of the following?

- heritage conservation work
- interest from government securities
- interest from the land transport facilities tax offset scheme or infrastructure borrowings scheme
- landcare and water facility
- living in a remote or isolated area of Australia
- maintenance of your parent, spouse's parent or invalid relative
- net medical expenses over \$1250
- serving overseas as a member of the Defence Force or a United Nations armed force
- superannuation contributions on behalf of your spouse

NO Go to **Total tax offsets**.

YES You must complete the *2002 tax return for individuals* (supplementary section). Read below.

Completing this item

- Step 1** Complete the page 9 details on the supplementary section of your tax return—if you haven't already. Use *TaxPack 2002 supplement* to complete the tax offsets section.
- Step 2** Transfer the amount you wrote at **TOTAL SUPPLEMENT TAX OFFSETS** on page 12 to **T** on page 4 of your tax return.

Total tax offsets

- Step 1** Add up all the tax offset amounts at items **T1** to **T4** and **T** in the right-hand column on your tax return.
- Step 2** Write the total amount at **U TOTAL TAX OFFSETS** on your tax return. Do not show cents. If you do not have any tax offsets, write '0'. Read on.

Tax offset for low income taxpayers

If you are an Australian resident for tax purposes and your taxable income is less than \$24 450, you may get a tax offset.

The maximum tax offset of \$150 applies if your taxable income is \$20 700 or less. This amount is reduced by 4 cents for each dollar over \$20 700.

We will work out your tax offset and make sure it comes off your tax. The tax offset will be shown on your notice of assessment. **Do not write anything about this tax offset on your tax return.**

CREDIT FOR INTEREST ON TAX PAID

Did you make a payment to the Australian Taxation Office more than 14 days before the due date for payment?

NO Go to **Private health insurance policy details**.

YES Read **Credit for interest on tax paid** on pages s56–7 in *TaxPack 2002 supplement*.

Adjustments

UNDER 18 EXCEPTED NET INCOME

Question A1

A1

ADJUSTMENTS



If you were under 18 years of age at 30 June 2002 you must complete this question.

Were you under 18 years of age at 30 June 2002?

NO Go to question **A2**. **YES** Read below.

Certain types of income received by individuals under 18 years of age may be taxed at higher rates. To ensure that you pay the correct amount of tax, read the following.

Did any of the following apply to you at 30 June 2002?

- You were working full time, or had worked full time for 3 months or more during 2001–02 (ignore any period of full-time work that was followed by full-time study) AND you had the intention both to work full time for the whole or most of 2002–03 and not to study full time before 1 July 2003.
- You were entitled to a disability support pension or a rehabilitation allowance, or someone received a carer allowance to care for you.
- You were permanently blind.
- You were disabled and were likely to suffer from that disability permanently or for an extended period.
- You were entitled to a double orphan pension and you received little or no financial support from your relatives.
- You were unable to work full time because of permanent mental or physical disability and you received little or no financial support from your relatives.

NO Go to step 1 below. **YES** Read below.

If you were in any of the above categories on 30 June 2002, all of your income will be taxed at ordinary rates.

Write '0' at **J** item **A1** on your tax return. Then print the code letter **A** in the **TYPE** box at the right of **J**. You have now completed this question. Go to question **A2**.

Step 1 Add up the following excepted income that you have shown on your tax return. Although you will be showing this income twice, you will not be taxed twice.

- employment income or income from your own business
- taxable pensions or payments from Centrelink or the Department of Veterans' Affairs
- a compensation, superannuation or pension fund benefit
- income from a deceased person's estate
- income from property transferred to you as a result of the death of another person or because of family breakdown, or to satisfy a claim for damages for an injury you suffered
- income from a partnership, in which you were an active partner
- net capital gains from the disposal of any of the property or investments referred to above
- income from investment of any of the amounts referred to above.

Step 2 Add up all your deductions that relate to the income from step 1. (See the Deductions section on pages 36–63.) Take away the total of those deductions from the total income from step 1.

Step 3 Write the amount from step 2 at **J** item **A1** on your tax return. Do not show cents. This is your excepted net income. If you do not have any of the income listed in step 1 or the amount from step 2 is zero, write '0' at **J** item **A1** on your tax return.

Step 4 If you are turning 18 years of age between 1 July 2002 and 30 June 2003, print **N** in the **TYPE** box at the right of **J** item **A1**. If not, print **M** in the **TYPE** box at the right of **J** item **A1**.

The amount you have shown at **J** item **A1** will be taxed at ordinary rates. A higher rate of tax will apply for your other income. For more information ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

NOTE

If you received a distribution from a trust, read question **12 Partnerships and trusts** in *TaxPack 2002 supplement*, on pages s2–6.

In 2001–02 did you:

- stop full-time education for the first time
- become an Australian resident
- stop being an Australian resident?

See page 10 for information on residency for tax purposes.

NO  Go to question **A3**.

YES  Read below.

The Australian Taxation Office uses the following information to work out your tax-free threshold. If more than one part applies to you, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

PART A Did you first stop full-time education in 2001–02?

NO  Go to part B.

YES  Read below.

You need to know

You stopped full-time education if:

- at any time during 2001–02 you were in a course of full-time education at a school, college, university or similar institution and
- you were not in a course of full-time education on 30 June 2002 and
- in the case where you stopped full-time education between 1 March 2002 and 30 June 2002, you did not begin another course of full-time education within 4 months of stopping the earlier one.

Your income is separated into these categories:

- salary or wages—which includes amounts you have shown at item **5**
- non-salary and wage income—for example, dividends, interest and rent
- earnings from your own business, as a partner in a partnership or as a beneficiary of a trust.

NOTE

If you had income from a business that you carried on alone, a partnership or a trust, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Step 1 Write the **number of months** from when you stopped full-time education to 30 June 2002—counting the month you stopped—at **N** item **A2** on your tax return. For example, if you stopped full-time education on 19 November 2001, the number of months you would show on your tax return would be 8 (November 2001 to June 2002).

Step 2 Work out your net income earned while you were a full-time student. The example on the next page shows you how to work out this amount. The amount is made up of:

- your net salary and wage income earned while you were a full-time student AND
- the proportion of your net non-salary and wage income for the year earned while you were a full-time student.

Calculate net non-salary and wage income separately.

Step 3 Write all of your net income earned while you were a full-time student at **O** item **A2**. Do not show cents.

Check that you have . . .

For part A



written the number of months from when you stopped being a full-time student



written all of your net income earned while a full-time student in 2001–02.

CAUTION

If your residency changed during 2001–02 and you showed income at item **5** or **6** on your tax return, you may not need to complete this question. Ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

PART A example

1 TAXPAYER WITH SALARY AND WAGE INCOME—Nicki was an Australian resident for all of 2001–02 and a full-time student for 95 days during 2001–02. During that period she also worked part time.

Nicki's income from salary and wages during her period of full-time study	\$750
Deductions relating to this salary and wage income Do not include tax taken out of salary and wage income.	\$90
Nicki's net salary and wage income—assessable income less deductions	\$660

2 TAXPAYER WITH NON-SALARY AND WAGE INCOME—Nicki also received non-salary and wage income from interest.

Non-salary and wage income Nicki earned during 2001–02	\$120
Deductions relating to this income	\$20
Nicki's net non-salary and wage income	\$100
The number of days during Nicki's study period	95
Multiply Nicki's net income by the number of days above—\$100 × 95.	\$9500
Number of days in 2001–02	365
Divide by the number of days in 2001–02—divide \$9500 by 365.	\$26
The \$26 is Nicki's net non-salary and wage income for the period of full-time study.	

Summary of example**AMOUNT TO BE SHOWN AT ITEM A2**

Net salary and wage income—see part 1 of example	\$660
Net non-salary and wage income—see part 2 of example	\$26
Amount Nicki needs to show at <input type="checkbox"/> item A2 on her tax return	\$686

PART B **Did you become an Australian resident in 2001–02?**

If you are unsure read **Are you an Australian resident?** on page 10.

NO Go to part C.

YES Read below.

- Step 1** Write the date you became an Australian resident for tax purposes in the **Date** box at item **A2** on your tax return.
- Step 2** Write the number of months that you lived in Australia in 2001–02—counting the month you started to live here—at **N** item **A2** on your tax return.

PART C **Did you stop being an Australian resident in 2001–02?**

If you are unsure read **Are you an Australian resident?** on page 10.

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

YES Read below.

- Step 1** Write the date you stopped being an Australian resident for tax purposes in the **Date** box at item **A2** on your tax return.
- Step 2** Write the number of months from 1 July 2001 to when you left Australia—counting the month you left Australia—at **N** item **A2** on your tax return.

Check that you have . . .

- For part B** written in the **Date** box the date you became an Australian resident
 written the number of months that you lived in Australia in 2001–02.
- For part C** written in the **Date** box the date you left Australia
 written the number of months from 1 July 2001 to when you left Australia.

Did a trust, company or partnership distribute anything to you for 2001–02 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 question **A4**.

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 and the superannuation contributions surcharge. This is the amount that should be shown at this question.

Example

During 2001–02 the Jones family trust distributed \$1000 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 \$1000 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 \$1000 distribution. Instead Anne-Marie shows at this question the \$1000 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 question

- Step 1** Add up the amounts or value of all distributions to you by a trust, partnership or company during 2001–02 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 your tax return. Do not show cents. If the amount from step 3 is zero or less than zero do not write anything on your tax return. You have finished this question.

Did you receive a distribution of income from a trust on which the trustee was liable for ultimate beneficiary non-disclosure tax?

The trustee should be able to tell you if ultimate beneficiary non-disclosure tax was payable on a distribution made to you.

- NO**  Go to **Checklist—tax return pages 1–8** on page 107. **YES**  Read below.

You need to know

Ultimate beneficiary non-disclosure tax is payable by the trustee of a closely held trust where net income of the trust is distributed to another trust and the trustee does not or cannot disclose to the Australian Taxation Office (ATO) the name and certain other details about the person or persons who are ultimately entitled to that income.

Any trust distribution you receive that has had ultimate beneficiary non-disclosure tax paid on it is not included in your assessable income and you do not pay income tax, Medicare levy or Medicare levy surcharge on it. However the distribution is taken into account in determining your liability for superannuation contributions surcharge. You must show the amount of this distribution on your tax return.

Any distribution that you show at this item on your tax return can be reduced by expenses you would have been able to claim as a deduction if the distribution had been included in your assessable income.

Example

During 2001–02, the Jones trust distributed \$1000 to the Smith trust. The Smith trust distributed the \$1000 to Elwin. The trustee of the Jones trust did not disclose to the ATO the name and tax file number of the person ultimately entitled to that distribution and therefore an ultimate beneficiary non-disclosure tax liability arose on the \$1000. The liability was paid in full by the trustee of the Jones trust. As a result Elwin does not include in his assessable income any part of the \$1000 distribution but he does show the \$1000 distribution—less any expenses that would have been deductible against it—at this question.

What you need

- a statement or advice from the trustee showing any distribution on which the trustee was liable for ultimate beneficiary non-disclosure tax
- details of any deductions you could have claimed against that distribution.

Completing this question

- Step 1** Add up all the trust distributions you received during 2001–02 on which the trustee paid ultimate beneficiary non-disclosure tax.
- Step 2** Add up any expenses which you would have been able to claim as a deduction for 2001–02 if the trust 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 **Z** item **A4** on your tax return. Do not show cents. If the amount from step 3 is zero or less than zero, do not write anything on your tax return. You have finished this question.

Private health insurance policy details

You need to know

The information on this page will help you complete **Private health insurance policy details** on page 4 of your tax return. You will need to complete this item if you claimed a tax offset at item **T4**. Question **M2 Medicare levy surcharge** on pages 98–101 in *TaxPack* may also direct you to complete this item.

If you received a statement from your registered health fund, your private health insurance policy details will be shown on the statement. If you did not receive a statement from your health fund, contact your fund. If you do not have a statement because your employer paid the premium for you, contact your fund or speak to the person who paid the premium.

NOTE

To find out if your health fund is a registered health fund, visit the Private Health Insurance Administration Council website at <www.phiac.gov.au>.

Completing this item

- Step 1** Print the identification (ID) code of your health fund at **B Health fund ID** on your tax return.
- Step 2** Print your private health insurance membership number at **C Membership number**.
- Step 3** In the **Type of cover box** print the code letter that describes the type of private health insurance cover you had.

NOTE

If you have used code letter **H** or **C** your liability for the Medicare levy surcharge may be reduced. Make sure you carefully read question **M2 Medicare levy surcharge** on pages 98–101 in *TaxPack*.

Type of cover

	Code letter
Ancillary cover—also known as Extras	A
Hospital cover	H
Combined hospital and ancillary cover	C

If you changed your type of cover during the year, print the code letter for the type of cover that gave you the highest level of cover. For example, if you had hospital cover and added ancillary cover during the year, use code letter **C**—for combined hospital and ancillary cover.

Did you have more than one policy during the year?

If you had up to 5 policies during 2001–02 you will need to complete steps 1 to 3 for each policy. If you had more than 5 policies during 2001–02, complete steps 1 to 3 for the first 5 policies, then on a separate piece of paper print SCHEDULE OF ADDITIONAL INFORMATION—PRIVATE HEALTH INSURANCE POLICY DETAILS. Tell us your name, address and tax file number, and list the ID code, membership number and type of cover for each of the other policies you held. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

Medicare levy

Medicare is the scheme which gives Australian residents access to health care.

To help fund the scheme, resident taxpayers are subject to a Medicare levy. Normally, your Medicare levy is calculated at 1.5 per cent of your taxable income. A variation to this calculation may occur in certain circumstances.

Generally, tax offsets do not reduce your Medicare levy. Where you have excess refundable tax offsets available, these can be applied to reduce your tax, including Medicare levy. (For more information on refundable tax offsets—for example, the 30% private health insurance rebate—see page 74.)

In some cases you may be exempt from the levy or it may be reduced—this is the subject of question **M1**. You only need to complete this question if you belong to an exemption category or you are able to claim a reduction based on family income. Read pages 94–7 to work out if you are eligible for the exemption or the reduction based on family income.

Individuals and families on higher incomes who do not have private patient hospital cover may have to pay the Medicare levy surcharge—this is the subject of question **M2**. This surcharge is in addition to the Medicare levy and is calculated at 1 per cent of your taxable income (including your total reportable fringe benefits). You will need to read pages 98–101 to see if you have to pay the surcharge.

QUESTION M2 IS COMPULSORY FOR ALL TAXPAYERS. If you do not complete item **M2** on your tax return you may be charged the full Medicare levy surcharge.

NOTE

For Medicare levy purposes, taxable income excludes any post-June 1983 elements of an eligible termination payment where the maximum tax rate is zero (see question 4 on pages 18–21). If you are unsure of the tax rate, ring the Superannuation Infoline on **13 1020** for assistance.

What you may need

You need to know

NOTE

Some of the amounts in the tables on pages 94 and 95 are contained in the Taxation Laws Amendment (Medicare Levy and Medicare Levy Surcharge) Bill 2002.

You need to know

NOTE

See **What is maintaining a dependant?** and **What is separate net income?** on pages 67–8.

Were you a low income earner or in one of the Medicare levy reduction or exemption categories?

Information to help you decide whether you are eligible for a Medicare levy reduction or exemption is given below.

NO  Go to question **M2**.

YES  Read below.

You need to know

Most Australians are liable to pay the Medicare levy.

The normal levy is 1.5 per cent of your taxable income; however, this may vary according to your circumstances. Your taxable income is usually the amount you wrote at **TAXABLE INCOME OR LOSS** on page 3 of your tax return.

- your 2001–02 taxable income
- the 2001–02 taxable income of your spouse—married or de facto—if you had a spouse on 30 June 2002. If your spouse died during 2001–02, you are considered to have had a spouse on 30 June 2002 for the purposes of calculating any Medicare levy reductions based on family income
- the number of your dependent children and students during 2001–02
- the number of days you, your spouse and dependent children and students were in an exemption category—see page 96.

PART A Low income earner

	<i>Relevant threshold amount</i>	<i>Phase-in limit</i>
If you are eligible for the Senior Australians tax offset (see page 81)	\$20 000	\$21 621
If you are eligible for the pensioner tax offset (see pages 23–4)	\$16 570	\$17 913
All other taxpayers	\$14 539	\$15 717

You do not need to complete this question if:

- your taxable income was at or below the relevant threshold amount. You do not have to pay the Medicare levy. Do not write anything at item **M1** on your tax return. Go to question **M2**
- your taxable income was more than the relevant threshold amount but equal to or less than the phase-in limit and you were not in either a Medicare levy reduction category based on family income—see part B on this page—or in one of the exemption categories on page 96. Your levy is reduced—calculated at 20 cents for every dollar above the relevant threshold amount but at or below the phase-in limit. Do not write anything at item **M1**. We will work out how much Medicare levy you have to pay. Go to question **M2**.

If the above points do not apply to you, read on.

PART B Medicare levy reductions based on family income

In part B, ‘dependent children and students’ means:

- any child under 16 you maintained who was not a full-time student and whose separate net income was less than \$1786 (for the first child) or \$1410 (for any additional child) and
- any full-time student under 25 you maintained whose separate net income was less than \$1786.

If you were not married on 30 June 2002, or were married but living separately and apart from your spouse, for any child or student to be included within the term ‘dependent children and students’, family tax benefit must have been payable to you in respect of that child or student for the whole or part of 2001–02 (see pages 69–72).

Part B categories

If your taxable income was above the relevant threshold amount in part A, you may still be eligible for a reduced levy based on your family income.

To be eligible for a reduced levy based on family income, you must have been in one of the following categories:

- You had a spouse—married or de facto—on 30 June 2002.
- Your spouse died during 2001–02.
- You are entitled to a child-housekeeper or housekeeper tax offset at item **T1** on your tax return or would be entitled if you were not eligible for the family tax benefit—see pages 69–72.
- You were a sole parent at any time during 2001–02—that is, you had sole care of any dependent children or students. This includes any child for whom you had sole care, not just your own child.

Sole care means that you alone had full responsibility, on a day-to-day basis, for the upbringing, welfare and maintenance of a child or student. You are not considered to have sole care if you are living with a spouse—married or de facto—unless special circumstances exist. Generally, for special circumstances to exist, you must be financially responsible for the dependent child or student and have sole care, without the support a spouse normally provides.

Examples of situations where special circumstances may arise:

- You were married at any time during 2001–02, but during the year you separated from or were deserted by your spouse, and for that period you were not in a de facto relationship.
- Your spouse was in prison for a sentence of at least 12 months.
- Your spouse is medically certified as being permanently mentally incapable of taking part in caring for the child or student.

If you are unsure of whether special circumstances apply ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Your family income is the combined taxable income for Medicare levy purposes (see the note at the top of page 94) of you and your spouse—if you had a spouse on 30 June 2002 or your spouse died during the year. Otherwise, it is your taxable income.

If you were in one of the part B categories above and your family income was less than or equal to the relevant lower income limit in the family income table in the next column that applies to your circumstances, you do not pay the levy. However, you still need to complete steps 1 and 2. Go to step 1.

If your family income was greater than the relevant lower income limit but less than or equal to the relevant upper income limit, you pay a reduced levy. Go to step 1.

If your family income is above the relevant upper income limit you do not qualify for a reduced levy. Go to MEDICARE LEVY EXEMPTION CATEGORIES on page 96.

There are 2 family income tables shown below. Use FAMILY INCOME TABLE 1 if you are eligible for the Senior Australians tax offset. Use FAMILY INCOME TABLE 2 in all other circumstances.

FAMILY INCOME TABLE 1—for taxpayers who are eligible for the Senior Australians tax offset

Number of dependent children and students during 2001–02	Lower income limit	Upper income limit
0	\$31 729	\$34 301
1	\$33 982	\$36 737
2	\$36 235	\$39 172
3	\$38 488	\$41 608
4	\$40 741	\$44 044

If you have more than 4 dependent children or students, you can extend this table. The lower income limit increases by \$2253 for each additional child or student and the upper income limit increases by \$2435 for each additional child or student.

FAMILY INCOME TABLE 2—for all other taxpayers

Number of dependent children and students during 2001–02	Lower income limit	Upper income limit
0	\$24 534	\$26 523
1	\$26 787	\$28 958
2	\$29 040	\$31 394
3	\$31 293	\$33 830
4	\$33 546	\$36 265

If you have more than 4 dependent children or students, you can extend this table. The lower income limit increases by \$2253 for each additional child or student and the upper income limit increases by \$2435 for each additional child or student.

To claim your reduced levy:

- Step 1** If you had a spouse at 30 June 2002 or your spouse died during the year, you must complete **Spouse details—married or de facto** on pages 6–7 of your tax return. You must also complete **Your spouse's name** on page 1 of your tax return. Where the taxable income of your spouse includes any post-June 1983 elements of an eligible termination payment where the maximum tax rate is zero, print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION M1 SPOUSE'S TAXABLE INCOME on a separate piece of paper and write this amount. Include your name, address and tax file number. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

- Step 2** Write the number of your dependent children and students at **Y** item **M1** on your tax return. If

you had none, write '0'. We will work out your reduced levy based on this information. If you wish to calculate the levy yourself, see pages 120–1.

NOTE

If you received any exempt foreign employment income a special formula is used to work out the amount of tax—including Medicare levy—you have to pay on your taxable income. You will not be able to work out your Medicare levy. We will work it out for you.

Read on to see if you are entitled to an exemption.

MEDICARE LEVY EXEMPTION CATEGORIES**You need to know**

You were in one of the exemption categories if:

- 1 you were a blind pensioner or you received the sickness allowance from Centrelink
- 2 you were entitled to full free medical treatment for all conditions under Defence Force arrangements or Veterans' Affairs Repatriation Health Card (Gold Card) or repatriation arrangements
- 3 you were not an Australian resident for tax purposes
- 4 you were a resident of Norfolk Island
- 5 you were a member of a diplomatic mission or consular post in Australia—or a member of such a person's family and you were living with them—you were not an Australian citizen and you do not ordinarily live in Australia
- 6 you have a certificate from the Levy Exemption Certification Unit of the Health Insurance Commission showing that you are not entitled to Medicare benefits. A letter from Medicare is not sufficient.

If you were not in one of these exemption categories, you are not entitled to an exemption. Go to question **M2**.

If you were in exemption category 3 or 4 for the whole income year you qualify for a full Medicare levy exemption regardless of whether or not you had dependants. Write '365' at **V** item **M1** on your tax return and go to question **M2**.

If you were in any other exemption category, you will need to complete part C or D.

You need to know

For parts C and D, 'dependant' means an Australian resident you maintained who was:

- your spouse
- a child of yours aged less than 16 years
- a child of yours aged 16 years or over but less than 25 years who was receiving full-time education at a school, college or university and whose separate net income was less than \$1786.

See **What is maintaining a dependant?** and **What is separate net income?** on pages 67–8.

If the parents of a child lived separately or apart for all or part of the income year and the child was a dependant of each of them, the child is treated as a dependant of each parent based on the percentage of family tax benefit

Part A that was paid or is payable for that child in respect of that period.

Example

Leanne is a member of the Defence Forces for the whole income year. She shares the care of Daniel with her ex-spouse and receives 14 per cent family tax benefit Part A based on the shared care arrangement. This means that Daniel is considered to be Leanne's dependant for Medicare levy exemption purposes for 51 days (14 per cent of 365) during the year.

PART C Full levy exemption for all or part of 2001–02**CATEGORY 1 OR 2**

You will qualify for a full exemption from the Medicare levy for a period in 2001–02 if you were in exemption category 1 or 2 in the previous column and you satisfied any of the following conditions during the whole of that period:

- You had no dependants for the period.
- All your dependants were also in one of the exemption categories.
- Your only dependant was your spouse who was not in an exemption category and has to pay the Medicare levy.
- You had dependent children who were not in an exemption category but they were also dependants of your spouse, who either:
 - has to pay the Medicare levy or
 - was in exemption category 1 or 2 and you have completed a **Family agreement** on page 97, declaring that your spouse will pay the half levy for your joint dependants.

To be eligible to complete a **Family agreement** it is a condition that both you and your spouse would, apart from your exempt category status, have to pay the Medicare levy.

If you do not meet any of these conditions, go to part D. If you meet any of the conditions, go to step 1.

CATEGORY 3 OR 4 FOR PART OF THE INCOME YEAR, OR CATEGORY 5 OR 6

If you were in exemption category 3 or 4 in the previous column for only part of 2001–02 or exemption category 5 or 6 for any period of 2001–02, you will qualify for a full Medicare levy exemption for that period if one of the following conditions applied:

- You had no dependants for that period.
- All your dependants were in an exemption category for that period.

If you do not meet either of these conditions you are not entitled to an exemption; go to question **M2**. If you meet either of these conditions, go to step 1.

To get a full levy exemption for a period:

Step 1 Write the total number of days that you and your dependants—if any—met the required conditions, at **V** item **M1** on your tax return.

If you were in more than one exemption category and the time you were in one exemption category overlaps with the time you were in another exemption category, only add up the number of days from the day you started in the first category to the last day you were in the last category.

Example: You were in category 1 for the period 1 August to 30 September and category 2 from 15 September to 1 November. The number of days from 1 August to 1 November is 93 days. You would show 93 days at **V** item **M1**.

Step 2 If you have completed **V** and you are in exemption category 6 print the letter **C** in the **CLAIM TYPE** box at the right of **V** item **M1**. Otherwise leave the box blank.

Step 3 If you did not have any dependent children or students during 2001–02, go to step 4. Otherwise, write the number of your dependent children and students during 2001–02 at **Y** item **M1**.

Step 4 If you had a spouse at any time during 2001–02 you must complete **Spouse details—married or de facto** on pages 6–7 of your tax return. You must also complete **Your spouse's name** on page 1 of your tax return.

Step 5 If the number of days you wrote at **V** is 365, you will not have to pay any Medicare levy. You have finished this question. Go to question **M2**.

If you were in exemption category 3, 4, 5 or 6, you have finished this question. Go to question **M2**.

If the number of days you wrote at **V** is less than 365, and you were in exemption category 1 or 2, you may qualify for a half levy exemption. Read on.

PART D Half levy exemption for all or part of 2001–02

You will qualify for a half exemption from the Medicare levy for a period in 2001–02 if you were in exemption category 1 or 2 on page 96 and you satisfied any of the following conditions during the whole of that period:

- You did not have a spouse but you had one or more dependants who were not in one of the exemption categories.
- You had a spouse—with or without dependent children for that period—who was not in an exemption category and who did not have to pay the Medicare levy because they were a low income earner (see part A).
- Your spouse was in exemption category 1 or 2 on page 96 and you had a child who was a dependant of both you and your spouse and the child was not in an exemption category. In this case, either you or your spouse can claim a full levy exemption at part C and the other can claim a half levy exemption at part D by completing a **Family agreement** in the next column.

If you do not meet one of these conditions, go to question **M2**.

To get a half levy exemption for a period:

Step 1 Write the total number of days that you and your dependants met the required conditions, at **W** item **M1** on your tax return.

If you were in both exemption categories and the time you were in one exemption category overlaps with the time you were in the other exemption category, only add up the number of days from the day you started in the first category to the last day you were in the 2nd category.

Example: You were in category 1 for the period 1 August to 30 September and category 2 from 15 September to 1 November. The number of days from 1 August to 1 November is 93 days. You would show 93 days at **W** item **M1**.

Step 2 If you did NOT have any dependent children or students during 2001–02, go to step 3. Otherwise, write the number of your dependent children and students during 2001–02 at **Y** item **M1**.

Step 3 If you had a spouse at any time during 2001–02, you must complete **Spouse details—married or de facto** on pages 6–7 of your tax return. You must also complete **Your spouse's name** on page 1 of your tax return.

Step 4 If you had a child who was a dependant of both you and your spouse and you are claiming a half levy exemption under part D, both you and your spouse will need to complete a **Family agreement** declaring that you will pay the half levy for your joint dependants.

Family agreement

We	Your name	<input type="text"/>
	Your spouse's name	<input type="text"/>
<i>hereby agree that the half Medicare levy payable in respect of our dependant or dependants for 2001–02 will be paid by</i>		
	Name of person claiming half exemption	<input type="text"/>
	Spouse's signature	<input type="text"/>
	Your signature	<input type="text"/>

NOTE

If you are claiming a full exemption from the Medicare levy at part C, you will need to keep this **Family agreement** with your tax records:

- for 5 years from the date you lodge your tax return or
- if you are subject to a shorter period of review (see page 8)
 - for 2 years after the due date for payment if you had a taxable notice of assessment or
 - for 2 years from the 30th day after you received your notice advising you that no tax is payable.

We will work out your exemption based on the information on your tax return. If you wish to calculate the exemption yourself, see pages 120–1. Otherwise, go to question **M2**.



THIS QUESTION IS COMPULSORY FOR ALL TAXPAYERS

For the whole of 2001–02 did you and all of your dependants (including your spouse)—if you had any—have private patient hospital cover?

The definition of private patient hospital cover is given below.

NO Print **X** in the **NO** box to the right of **E** item **M2** on your tax return. Read below.

YES Print **X** in the **YES** box to the right of **E** item **M2** on your tax return. Make sure you have completed **Private health insurance policy details**—see page 92 in *TaxPack 2002* for assistance. Go to question **A1** on page 102.

For the whole of 2001–02 were you:

- **a single person—without a dependent child or children—and your taxable income for Medicare levy surcharge (MLS) purposes was \$50 000 or less OR**
- **a member of a family—which may consist of a couple (married or de facto) with or without a dependent child or children; or a sole parent with a dependent child or children—and the combined taxable income for MLS purposes of you and your spouse (if you had one) was \$100 000 or less (plus \$1500 for each dependent child after the first, if you have children)?**

NO You may have to pay the surcharge. Print **X** in the relevant **NO** box at item **M2** on your tax return. Read below.

YES You do not have to pay the surcharge for any of the 365 days during the year. Print **X** in the relevant **YES** box at item **M2** on your tax return. Go to **Completing this question** on page 101.

You need to know

Individuals and families on higher incomes who do not have private patient hospital cover pay a Medicare levy surcharge based on an extra 1 per cent of their taxable income for any period during 2001–02 that they did not have this cover.

MLS is in addition to the 1.5 per cent Medicare levy.

For MLS purposes you will need to understand the following terms:

private patient hospital cover—generally is cover provided by an insurance policy issued by a registered fund for some or all hospital treatment provided in an Australian hospital or day hospital facility. However, if you take out an insurance policy for hospital cover after 24 May 2000 that contains an annual front-end deductible or excess of \$501 or more in the case of a single contributor and \$1001 or more for all other contributors, you will not be considered to have private patient hospital cover. The same applies to insurance policies for hospital cover with those high front-end deductibles or excess taken out before 24 May 2000 that cease to provide continuous cover after that date. If you make a payment to cover a shortfall in the cost of hospital treatment, other than the excess agreed in your policy, this is not a front-end deductible or excess. Your health fund should include details of the level of front-end deductible or excess that applies to your policy in the private health insurance statement that it sends you.

Travel insurance is not private patient hospital cover for MLS purposes. Private patient hospital cover does not include cover provided by an overseas or unregistered fund.

ancillary cover—is commonly known as ‘Extras’. Ancillary cover is NOT private patient hospital cover. It covers items such as optical, dental, physiotherapy or chiropractic treatment.

NOTE

See pages 98–9 for the definitions of ‘taxable income for MLS purposes’ and other relevant terms.

NOTE

To find out if your health fund is a registered health fund, visit the Private Health Insurance Administration Council website at www.phiac.gov.au.

spouse—married or de facto. If your spouse died during the year and you did not have another spouse before the end of the year, you are considered to have had a spouse until the end of 2001–02 and you retain the benefit of the family surcharge threshold. If you are living separately and apart from your spouse you are treated as not being married.

dependants—a dependant is an Australian resident, being:

- your spouse—even if they worked during 2001–02
- any of your children who were under 16 years of age
- any of your children aged 16 years and over but under 25 years of age who were full-time students.

For Medicare levy surcharge (MLS) purposes you need to have contributed to your dependant's maintenance. See

What is maintaining a dependant? on page 67.

family—you are considered to be a member of a family during any period of 2001–02 that you contributed to the maintenance of a dependant. Any parent (including a sole parent) who contributed to the maintenance of a dependent child or children is considered to be a member of a family.

taxable income for MLS purposes—is the total of:

- your taxable income AND
- your total reportable fringe benefits amounts at **W** item **9** on your tax return AND
- the net amount on which family trust distribution tax has been paid (see question **A3** page 105)

LESS

- any post-June 1983 elements of an eligible termination payment (ETP) where the maximum tax rate is zero. If you are unsure of the tax rate, you can ring the Superannuation Infoline on **13 1020** for assistance.

If you have any exempt foreign employment income and a taxable income of \$1 or more, you need to complete this question as if the exempt income was added to your taxable income.

The taxable income of your spouse for MLS purposes is the total of:

- your spouse's taxable income AND
- your spouse's total reportable fringe benefits amounts AND
- any share in the net income of a trust estate to which your spouse is presently entitled and on which the trustee of the trust is assessed under section 98 of the *Income Tax Assessment Act 1936*—and which has not been included in your spouse's taxable income AND
- the net amount on which family trust distribution tax has been paid which your spouse would have had to show as assessable income if that tax had not been paid

LESS

- any post-June 1983 elements of an ETP where the maximum tax rate is zero.

Will you have to pay the surcharge?

You will have to pay the surcharge for any period that you or any of your dependants did NOT have private patient hospital cover during 2001–02 AND you were:

- a single person with a taxable income for MLS purposes greater than \$50 000 or
- a member of a family and the combined taxable income for MLS purposes of you and your spouse (if you had one for the whole of 2001–02) was above the relevant family surcharge threshold shown in the table below.

Family surcharge threshold

Number of dependent children	Surcharge income threshold
0–1	\$100 000
2	\$101 500
3	\$103 000
4	\$104 500
More than 4 dependent children	\$104 500 plus \$1500 for each additional child

NOTE

If your spouse died during the year and you did not have another spouse before the end of the year, you are considered to have had a spouse until the end of the year and you retain the benefit of the family surcharge threshold.

If the combined taxable income for MLS purposes of you and your spouse was above the family surcharge threshold but your own taxable income for MLS purposes was at or below \$14 539 you are not liable for the surcharge. (This amount is contained in the Taxation Laws Amendment (Medicare Levy and Medicare Levy Surcharge) Bill 2002.) However, your spouse may still be liable.

It is possible that both the single and family surcharge thresholds applied to you at different periods during 2001–02.

If only one of the surcharge thresholds—single or family—applied to you for the whole of 2001–02 and

- your taxable income or combined taxable income for MLS purposes did not exceed the relevant threshold—you are not liable for the surcharge, for any of the 365 days during the year. Go to **Completing this question** on page 101
- your taxable income or combined taxable income for MLS purposes exceeded the relevant threshold and you were not in one of the exemption categories on page 96 or you did not have private patient hospital cover during 2001–02—you will have to pay the surcharge for the whole of 2001–02. Go to **Completing this question** on page 101. Otherwise, read on.

Which income threshold do you use if, during the year, you had a new spouse or separated from your spouse, or you became or ceased to be a sole parent?

To work out if you are liable for Medicare levy surcharge (MLS) for any period during 2001–02 that you were single—that is, you had no spouse and no dependent child or children—apply the single surcharge threshold of \$50 000 to your own taxable income for MLS purposes.

To work out if you are liable for MLS for any period during 2001–02 that you had a spouse or a dependent child or children, apply the family surcharge threshold of \$100 000 plus \$1500 for each dependent child after the first, to your own taxable income for MLS purposes. Example 2 may help you.

What if you are exempt from the Medicare levy?

Only read this section if you were exempt or partially exempt from the Medicare levy at any time during 2001–02—for example, you were a Defence Force member. For more information on the exemption categories for the Medicare levy, read page 96 in *TaxPack 2002*.

If you were in an exemption category for the whole of 2001–02 and you did not have any dependants; or if you had dependants and they also were all in an exemption category and/or they all had private patient hospital cover for the whole of 2001–02, you do not have to pay the surcharge for the full year—365 days. Go to **Completing this question** on page 101.

If the taxable income for MLS purposes of you and your spouse—if you had one for the whole year—was above the relevant surcharge threshold, you are liable for the surcharge for any period during 2001–02 that:

- you were not in an exemption category and did not have private patient hospital cover or
- one or more of your dependants were not in an exemption category and did not have private patient hospital cover.

What if you had private patient hospital cover for only part of the year?

Only read this section if you had private patient hospital cover for part of the year.

If you and your dependants—if any—were not in a Medicare levy exemption category at any time during 2001–02 and your taxable income or combined taxable income for MLS purposes was above the relevant threshold, you are liable for the surcharge for the number of days you or any of your dependants did not have private patient hospital cover during 2001–02. Examples 1 and 3 may help you work this out. Go to **Completing this question** on page 101.

Example 1—Part-year private patient hospital cover

Graeme is not married and in 2001–02 had a taxable income for MLS purposes of \$59 000. He was not in a Medicare levy exemption category at any time during the year.

Graeme took out private patient hospital cover on 15 December 2001.

Because Graeme's taxable income was above the single surcharge threshold of \$50 000 and he did not have private patient hospital cover for the full year he will have to pay MLS for the part of the year that he did not have private patient hospital cover.

Graeme will NOT have to pay the surcharge for the number of days he had private patient hospital cover—15 December 2001 to 30 June 2002—198 days.

Graeme will write the number of days in 2001–02 that he is NOT liable for the surcharge—198—at **A** item **M2** on his tax return and complete **Private health insurance policy details**.

Example 2—Spouse for part-year

Beth separated from Ashley on 12 October 2001 and stayed single. Neither Beth nor Ashley had any dependent children. Beth and Ashley were dependants of each other for MLS purposes only for the period they were together. For 2001–02, Ashley's taxable income for MLS purposes was \$45 000 and Beth's taxable income for MLS purposes was \$60 000. Beth and Ashley did not have private patient hospital cover at any time during 2001–02.

As they are considered to be a family for the period 1 July 2001 to 12 October 2001, they are each entitled to the family surcharge threshold of \$100 000 for this period. For the period 1 July 2001 to 12 October 2001, Beth is not liable for the surcharge as her taxable income for MLS purposes of \$60 000 was under the family surcharge threshold. Ashley is also not liable for the surcharge for this period as his taxable income for MLS purposes of \$45 000 was also under the family surcharge threshold.

For the period 13 October 2001 to 30 June 2002—261 days—the single person surcharge threshold of \$50 000 applies to both of them. For this period, Ashley is not liable for the surcharge because he had a taxable income for MLS purposes of \$45 000.

Ashley will write 365 at **A** item **M2** on his tax return.

Beth is liable to pay the surcharge for the period 13 October 2001 to 30 June 2002—261 days—because her taxable income for MLS purposes was \$60 000.

Beth will write the number of days in 2001–02 that she is NOT liable for the surcharge—104—at **A** item **M2** on her tax return.

Example 3—Part-year liability

Sue and Kevin are married. They have 3 dependent children. Sue, Kevin and their children were not in a Medicare levy exemption category at any time during the year. Sue and the children were covered by private patient hospital cover for the full income year. Kevin had his name added to the policy on 10 December 2001.

Sue and Kevin had a combined taxable income for Medicare levy surcharge (MLS) purposes of \$115 000. Because not everyone was covered for the full period 1 July 2001 to 9 December 2001, Sue and Kevin are both liable for the surcharge for this period—162 days. Sue and Kevin would both write the number of days in 2001–02 that they were NOT liable for the surcharge—203—at **A** item **M2** on their tax returns and complete **Private health insurance policy details**.

Completing this question**What you may need**

- your taxable income for MLS purposes
- your spouse's taxable income for MLS purposes, if you had a spouse for the whole of 2001–02
- the number of your dependent children during 2001–02
- the number of days you and all your dependants had private patient hospital cover during 2001–02
- your private health insurance policy details
- the number of days you do NOT have to pay the surcharge.

- Step 1** Write the number of days during 2001–02 that you do NOT have to pay the surcharge at **A** item **M2** on your tax return:
- If you have to pay the surcharge for the whole period 1 July 2001 to 30 June 2002 write '0' at **A**.
 - If for the whole period 1 July 2001 to 30 June 2002 you do NOT have to pay the surcharge write '365' at **A**.
 - If you have to pay the surcharge for part of the period 1 July 2001 to 30 June 2002 write the number of days you do NOT have to pay the surcharge at **A**.

If you had a dependent child during 2001–02 go to step 2. Otherwise, go to step 3.

- Step 2** Write the number of your dependent children during 2001–02 at **D** item **M2** on your tax return.

- Step 3** If you had a spouse during 2001–02 and you and all of your dependants were not covered by private patient hospital cover for the full year, complete **Spouse details—married or de facto** on pages 6–7 of your tax return.

If you had a spouse for **all** of 2001–02 include:

- your spouse's taxable income, at **O***
- your spouse's share of trust income on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936* and which has not been included in your spouse's taxable income, at **T***
- the net amount of any distributions to your spouse on which family trust distribution tax has been paid which your spouse would have had to show as assessable income if that tax had not been paid, at **U***
- your spouse's total reportable fringe benefits amounts, at **S**.*

* If you cannot find out your spouse's exact taxable income for MLS purposes, you may make a reasonable estimate.

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

- Step 4** If you had private patient hospital cover during the year you must complete **Private health insurance policy details**—see page 92 in *TaxPack 2002* for assistance.

You have now completed this question. Go to question **A1**.

DO YOU WANT TO WORK OUT YOUR SURCHARGE?

You do not have to work out your MLS. We will work it out based on the information you provide. If you would like to work it out for your records, see page 122.

NOTE

If you received any exempt foreign employment income, a special formula is used to work out the amount of tax—including MLS—you have to pay on your taxable income. You will not be able to calculate your MLS. We will do this calculation for you.



Use this checklist to make sure your tax return is complete before you lodge it with the Australian Taxation Office (ATO). To avoid any delay in processing please use the pre-addressed envelope provided with your *TaxPack*. If you don't have a pre-addressed envelope see page 108 for the address to use.

Check that you have . . .

- ✔ written your tax file number
- ✔ filled in all your personal details—including your spouse's name (if you had a spouse)
- ✔ filled in the appropriate details for electronic funds transfer if you want to have your refund paid directly into a financial institution account
- ✔ filled in the code boxes—if you were asked to do so—at items **6, I, TOTAL INCOME OR LOSS, D1, D3, D4, SUBTOTAL, TAXABLE INCOME OR LOSS, T1, T2, T3, M1 and A1**
- ✔ completed item **M2**—this is compulsory for all taxpayers
- ✔ if required, completed pages 9–12 of the tax return and worked through the checklist on page s58 in *TaxPack 2002 supplement*
- ✔ written totals at:
TOTAL TAX WITHHELD
TOTAL INCOME OR LOSS
TOTAL DEDUCTIONS
SUBTOTAL
TAXABLE INCOME OR LOSS
TOTAL TAX OFFSETS
- ✔ attached to page 3 of your tax return copies of:
 - all payment summaries, including any ETP payment summaries
 - all statements or letters from your payers that detail income and tax withheld
 - any statutory declarations required
 - all statements or letters of pensions, allowances or payments
 - all letters, statements or RBL determinations relating to eligible termination payments
 - other attachments as instructed by any section or question in *TaxPack 2002*
- ✔ completed **Spouse details—married or de facto** if you were required to
- ✔ if you have consented to offset part or all of your spouse's family tax benefit (FTB) overpayment against your tax refund, completed your spouse's details and provided your signature on page 8 of your tax return

- ✔ read **Self-assessment—it's your responsibility** on page 8
- ✔ read, completed, signed and dated the *Taxpayer's declaration*
- ✔ if required, attached pages 9–12 (supplementary section) of your tax return to page 8
- ✔ if you are claiming the baby bonus this year, attached your *2002 baby bonus claim* to the back of your tax return
- ✔ if you are claiming FTB at the same time you lodge your tax return, attached your 2002 FTB tax claim to the back of your tax return
- ✔ kept copies of your tax return, all attachments and relevant papers for your own records.

When can you expect your notice of assessment?

Our current standard for processing tax returns posted to the ATO is 6 weeks. If you lodged an *e-tax* tax return over the Internet or if you lodged your tax return through the **TAXPACKEXPRESS** service, our standard processing time is 2 weeks.

However, if you receive a family tax benefit payment from the Family Assistance Office, or claim it from the ATO, your *e-tax* or **TAXPACKEXPRESS** tax return may take longer than normal to process. This is necessary to make sure that family tax benefits are paid correctly.

If you sent your tax return by ordinary post please wait 7 weeks before ringing to check on our progress with your tax return. If you lodged over the Internet or used the **TAXPACKEXPRESS** service, please wait 3 weeks.

After that time you can ring **13 2865** between 8 a.m. and 6 p.m. When you ring we will ask you to provide your tax file number and other information to confirm your identity—for example, details from a recent notice of assessment.

Write the date you lodged your tax return here:

Add the appropriate time (7 weeks or 3 weeks) to work out when to expect your notice of assessment:

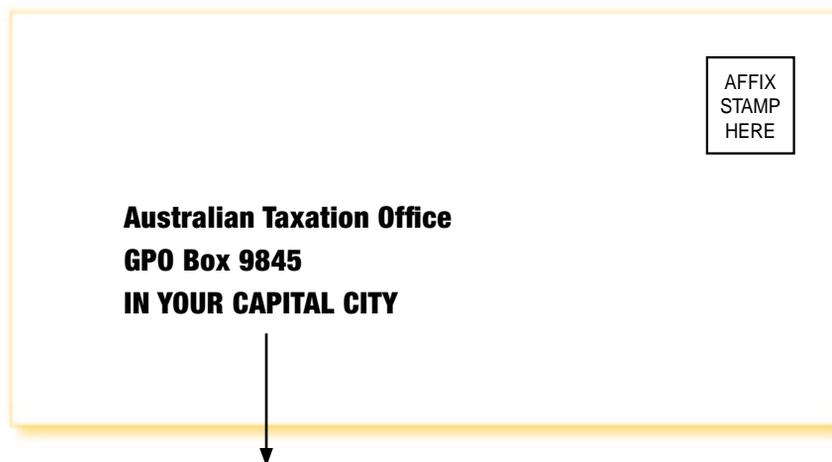
NOTE

Instead of posting your tax return directly to the ATO you can use Australia Post **TAXPACKEXPRESS** for a fast tax refund. Through this service Australia Post will process your tax return and lodge it electronically with the ATO. The ATO will issue your refund and notice of assessment in around 14 days. The fee of \$21.50 is tax deductible in your next year's tax return. For more information see the brochure that came with *TaxPack* or pick up a brochure and free lodgment envelope from your nearest post office (do not use the ATO addressed envelope enclosed with *TaxPack*).

To make sure your tax return is processed as quickly as possible, use the pre-addressed envelope enclosed with your copy of *TaxPack*. The address shown on the pre-addressed envelope is the official lodgment address. If you post your tax return to an address other than this, you may experience delays.

The envelope is only for lodgment of your tax return (and its attachments) and/or non-lodgment advice. You must send other correspondence to Australian Taxation Office (ATO) locations listed on page 125.

If you did not receive an envelope with your *TaxPack* or you have misplaced it, please post your tax return in a business size envelope to:



NOTE

The address must appear on your envelope as shown. Do not replace the words **IN YOUR CAPITAL CITY** with the name of your capital city. Because of a special agreement with Australia Post there is no need for you to include the name of your capital city or a postcode.



Lodging from overseas

If you are lodging from outside Australia, choose *e-tax* and lodge your tax return over the Internet—most tax returns lodged using *e-tax* are processed within 14 days. Visit the ATO website at <www.ato.gov.au>.

Alternatively, use the pre-addressed envelope with the following alteration:

Cross out **IN YOUR CAPITAL CITY** and replace with
MELBOURNE VIC 3001
AUSTRALIA

It would also assist us if you would cross out the bar code above the address.

NOTE

Before you lodge your tax return, make sure you have read **Self-assessment—it's your responsibility** on page 8.





If you realise that you did not include something on your tax return that you should have, or there is some other error on your tax return, you need to correct it as soon as possible by requesting an amendment.

To request an amendment write a letter to the Australian Taxation Office.

In your letter provide your name, address, telephone number and tax file number and information about what you want to amend. Include:

- the year shown on the tax return you want to amend—for example, 1999
- the tax return item number and description affected by the change
- the amount of income or deductions to be added or taken away
- the amount of tax offsets to be increased or decreased
- the relevant claim type code—if applicable to the item being changed
- an explanation of why you made the mistake
- a signed and dated declaration as follows: 'I declare that all the information I have given in this letter, including any attachments, is true and correct.'

If, after lodging your tax return, you voluntarily tell us that you made a mistake and an amendment will result in your paying more tax, the amount of penalty that may otherwise have been imposed will, in most cases, be reduced.

However, if you have used *TaxPack* properly, as defined on the inside front cover, and have made an honest mistake (for example, you transposed an amount incorrectly onto your tax return), you will not be charged a penalty, although you may have to pay a general interest charge on any shortfall of tax. Our decision will be based on your particular circumstances that you explain in your letter.

If you made the mistake because something in *TaxPack* was misleading, you will not be charged any penalty or general interest charge on any shortfall of tax.

It is very important that your letter provides an explanation of why you made the mistake so that we can assess any penalties or general interest charge correctly.

Penalties will not be raised if the amendment reduces the tax assessed—for example, where you increase your deductions or tax offsets.

Make sure you sign and date the declaration in your letter, and attach any group certificates, payment summaries or additional information if applicable to the item being changed. Post your letter and attachments to your nearest tax office—addresses are shown on page 125 in *TaxPack*. Keep a copy of your letter for your records. Do not send in another tax return unless we ask you to.

Example of a letter requesting an amendment

Greg Citizen
1/15 Rabbitohs Rd
Leaguesville 1234
Tax file number: 123 456 789
Phone: (01) 2345 6789

Dear Deputy Commissioner of Taxation

Please amend my 2002 tax return. My employer sent me a letter advising me that my payment summary was incorrect. Please increase my income at question 1 by \$1450 and also increase my tax withheld by \$368. A copy of the letter is attached.

I declare that all the information I have given in this letter, including any attachments, is true and correct.

Greg Citizen

20 September 2002

NOTE

For the example, Greg would send his letter and attachment to his nearest tax office as shown on page 125.

How do you know how much you have to pay?

Your notice of assessment will tell you how much tax you have to pay, if any, and when you must pay to avoid being charged general interest charge (GIC) for late payment.

When do you pay your tax debt?

You must lodge your income tax return by 31 October 2002, unless you have been given a deferral of time to lodge, or it is being prepared by a registered tax agent.

If you lodge your tax return on time, any tax payable will be due either:

- 21 days after you receive your notice of assessment, or
- 21 days after your tax return was due to be lodged whichever is the later.
- If you prepare your own tax return and it is lodged by 31 October 2002, any tax payable will be due no earlier than 21 November 2002.
- If you have contacted the Australian Taxation Office (ATO) and been given a deferral of time to lodge your tax return, any tax payable will be due no earlier than 21 days after the deferred date for lodgment.

If you do not lodge your tax return on time, the law treats your tax as being payable 21 days after your tax return was due for lodgment, irrespective of the date you are advised of the debt.

A GIC will accrue on any amount that is not paid by the due date for payment.

Where do you pay your tax debt?

The ATO cannot accept payments at ATOaccess sites. The methods for payment are set out on the back of your notice of assessment. If you need more information, ring the cash management helpline on FREECALL **1800 815 886**.

Please note, the ATO does not accept payment by credit card.

What if you don't agree with your assessment?

You must pay your tax debt on time even if you have lodged an objection or asked for an amendment. If the objection is decided in your favour, you will receive a refund of the amount you have overpaid plus interest.

What if you cannot pay your tax debt on time?

If you cannot pay your tax debt on time, you should contact us via email at debtpayment@ato.gov.au or ring the debt collection helpline on **13 2550** and explain your reasons.

In some circumstances you will need to provide written details of your financial position, including a statement of your assets and liabilities and details of your income and expenditure.

The ATO will also want to know what steps you have taken to obtain funds to pay your debt and what steps you are taking to make sure you meet future tax debts on time. You may be given extra time to pay, depending on your particular circumstances.

If we allow you to pay your tax debt late, you are required by law to pay interest in the form of a GIC. The GIC is tax deductible in the income year that it was incurred. The law also provides for remission of the GIC in limited circumstances. This means that the Commissioner of Taxation may excuse you from all or part of the GIC. Ring the debt collection helpline for further information.

What if payment will cause you serious hardship?

Serious hardship exists when you are unable to provide food, accommodation, clothing, medical treatment, education or other necessities for you or your family or other people for whom you are responsible.

You can apply to the Tax Relief Board for a release from payment of your tax debt. The ATO can give you further information and an application—ring the debt collection helpline on **13 2550**.

The Tax Relief Board will consider your application and decide whether to grant you a release. With some larger debts you may need to appear before the Administrative Appeals Tribunal before the board can consider the matter. Even if you lodge an application for release, action may still be taken to recover your unpaid tax debt.

NOTE

For all other general account enquiries ring the Personal Tax Infoline on the inside back cover of *TaxPack*.



What is your notice of assessment?

The notice of assessment that the Australian Taxation Office (ATO) sends to you is an itemised account of the amount of tax you owe on your taxable income, taking into account any tax offsets you are entitled to. Your notice also contains other details which are not part of the assessment such as the amount of credit for tax you have already paid through the year.

When you receive your notice of assessment check it to make sure that everything appears correct.

Unless you are using electronic funds transfer, the bottom section of your notice of assessment will be either your refund cheque or, if you owe tax, your payment advice.

Please note that if you have any other outstanding tax debts, child support or Centrelink debts or family tax benefit debts, these may be deducted from any refund you are entitled to. Where this happens, we will provide you with details.

NOTE

Even though the ATO may not initially adjust the claims you make in your tax return, and issue you with a notice of assessment, your tax return may be subject to further review. Under the law, the ATO is allowed a period of 4 years (depending on your circumstances—see **A shorter period of review** on page 8) where it can review a tax return and may increase or decrease the amount of tax payable. The period of review is extended to 6 years where tax avoidance is involved (see **Self-assessment—it's your responsibility** on page 8).



Reserve Bank of Australia

If you receive a refund cheque with your notice of assessment all details on the cheque are provided to the Reserve Bank of Australia to assist in clearing your refund.



Family tax benefit (FTB) and your notice of assessment

If you lodged an FTB tax claim with your tax return your notice of assessment will include information about your FTB entitlement or, if the Family Assistance Office (FAO) was unable to process your entitlement in time, it will contain advice to that effect.

If you received FTB directly from the FAO—for example, as a fortnightly payment—your notice of assessment may include information about your reconciliation outcome.

Reconciliation

When your actual family income is known the FAO will make sure you have been paid the right amount of FTB. If you and your spouse lodge a tax return the ATO will send your actual income details to the FAO for calculation of your correct entitlement. The FAO will compare what you received based on your estimate of family income, with your final FTB entitlement.

If you were paid less FTB than you are entitled to, your FTB payment will be 'topped up'. The top-up will be included in your assessment or, where that is not possible, the FAO will pay it to you directly.

If you have been paid too much FTB, the FAO will recover any amount you should not have received. A tax refund—yours or your spouse's if they gave consent—can be used to recover these amounts directly.

If you received FTB directly from the FAO but your notice of assessment does not show an FTB reconciliation outcome, do not be alarmed. The reason may be that the FAO was unable to reconcile your FTB payment by the time the ATO issued your notice of assessment—for example, your spouse has not lodged their tax return. If you have an FTB overpayment or are entitled to a 'top up' the FAO will contact you directly.

If you are unsure about an FTB amount or message that appears on your notice of assessment, visit the FAO or ring on **13 6150**.



How long do you have to wait for your notice of assessment?

Our current standard for processing tax returns posted to the ATO is 6 weeks. If you lodged an *e-tax* tax return over the Internet or if you lodged your tax return through the **TAXPACKEXPRESS** service, our standard processing time is 2 weeks.

However, if you receive a family tax benefit payment from the Family Assistance Office, or claim it from the ATO, your *e-tax* or **TAXPACKEXPRESS** tax return may take longer than normal to process. This is necessary to make sure that family tax benefits are paid correctly.

If you sent your tax return by ordinary post please wait 7 weeks before ringing to check on our progress with your tax return. If you lodged over the Internet or used the **TAXPACKEXPRESS** service please wait 3 weeks.

After that time you can ring **13 2865** between 8 a.m. and 6 p.m. When you ring we will ask you to provide your tax file number (TFN) and other information to confirm your identity—for example, details from a recent notice of assessment.



Asking about your assessment

It's quicker by phone

When you ring we will ask you to provide your TFN and other information to confirm your identity—for example, details from a recent notice of assessment.

If you want a representative to be able to ring on your behalf, you must provide written authorisation beforehand to the ATO. Your representative will need to quote this authorisation and also provide information to prove their identity.

This requirement is to protect your privacy.

If you write

Quote your tax file number (TFN), your full name and your address. Please provide your telephone number if it is convenient. Remember to sign the letter.

**Can you get your refund before 6 weeks?**

The Australian Taxation Office (ATO) may be able to help you get a quicker refund if you are experiencing serious financial hardship. Serious hardship exists when you are unable to provide food, accommodation, clothing, medical treatment, education or other necessities for you or your family or other people for whom you are responsible.

Ring the Personal Tax Infoline on the inside back cover of *TaxPack* before you lodge your tax return, to find out if you are eligible for this quicker service. Have on hand your tax return, TFN, pension or benefit statement, payment summaries, and other papers that show you are in severe financial hardship.

**What if you think your assessment is wrong?**

Check all the details from your notice of assessment with those in your tax return. If you still think there is a problem, ring the Personal Tax Infoline on the inside back cover of *TaxPack* for help. You will need your notice of assessment and, if possible, a copy of your tax return.

**What if you still think your assessment is wrong?**

You can write to the ATO and request an amendment—see **If you made a mistake on your tax return** on page 109—or you can object to your assessment.

If you object to your assessment, you have a formal right to appeal against our decision on your objection if you disagree with it. If you request an amendment, you do not have any formal right to appeal. If your objection or request for an amendment is successful you have a right to receive interest on any overpaid tax. You cannot use the **TAXPACKEXPRESS** service or *e-tax 2002* to lodge your objection.

When writing to the ATO to object to your assessment, make sure you:

- include your TFN and the year of the assessment
- include your address and, if convenient, give your daytime telephone number so we can contact you to talk about your letter if necessary
- use the word **object** if you are objecting and give full details of what you think is wrong
- include a copy of your notice of assessment and copies of any relevant papers or documents such as receipts
- use the words **ATO error** in your letter—if you believe this is so
- include the following declaration in your objection letter: 'I declare that all the information I have given in this letter, including any attachments, is true and correct.'
- sign and date the declaration
- keep a copy of your letter for your records.

Post your letter to:

Commissioner of Taxation
Personal Tax I & C
PO Box 47
Albury NSW 2641

Do not send us another tax return for this income year unless we ask you to.

Is there any time limit for you to request an amendment or lodge an objection?

Your amendment request must be lodged within 4 years of the due day for payment (or 2 years if you meet the shorter period of review requirements).

For 2001–02, if a due date for payment is not specified on your notice of assessment and

- you lodge your tax return by 31 October 2002, the amendment request must be lodged within 4 years (or 2 years if you meet the shorter period of review requirements) of the later of 21 November 2002 or 21 days after you receive your notice of assessment
- you do not lodge your tax return by 31 October 2002, the amendment request must be lodged within 4 years of 21 November 2002 (or 2 years if you meet the shorter period of review requirements).

Your objection must be lodged within:

- 4 years of the date of service of your notice of assessment or
- 2 years if you are subject to a shorter period of review (see page 8 in *TaxPack*)

If you wish to object to an assessment which has already been amended, you need to do so by:

- 60 days from the date of service of the notice of amended assessment or
- 4 years (or 2 years if you meet the shorter period of review requirements) after the date of service of the notice of the original assessment which has been amended

—whichever is later.

If your objection is not lodged within the above time limits, you may request an extension of time to lodge your objection. You must request the extension in writing with your objection, giving the reasons why the objection is late. If your extension request is refused, you may apply to the Administrative Appeals Tribunal (AAT) for a review of the decision.

**How will you know what the ATO decides?**

The ATO will either write to you or send you a notice of amended assessment or both.

**What can you do then?**

If you are still not satisfied with the ATO's decision on your objection, you have the right to appeal to the AAT, which includes the Small Taxation Claims Tribunal, or the Federal Court.

If we do not allow your objection in full, we will tell you what to do if you want to appeal when we send you our decision.



How does the Australian Taxation Office (ATO) protect your tax information?

Taxation Acts have secrecy provisions that prohibit any officer of the ATO or any other government department from accessing, recording or disclosing anyone's tax information except in performing their duties. A person can be fined up to \$10 000 and sentenced to 2 years in prison for breaking these provisions.

In addition, the *Privacy Act 1988* protects personal information held by federal government agencies. It also protects tax file numbers, no matter who holds them.

Can the ATO give your information to anyone?

The ATO can give your information to some government agencies which are named in law. This is usually to check eligibility for government benefits, for law enforcement purposes or for collecting statistics. Any further use of your information by these agencies is also controlled by law. ATO officers can also disclose your information to these and other agencies in performing their duties.

Otherwise, the ATO can give personal information only to you or to someone who can show that they have your permission to act for you.

What about Child Support Agency (CSA) clients?

Information you give may be used by the CSA in assessing or collecting child support.

Who can ask you for your tax file number (TFN)?

Only certain people and organisations can ask you for your TFN. These include employers, some federal government agencies, trustees for superannuation funds, payers under the Pay As You Go (PAYG) system, higher education institutions, the CSA and investment bodies such as banks. You do not have to give your TFN but there may be consequences if you do not. For example, if you are applying for a pension and you do not give your TFN, you may not be paid the pension.

Do you need more information?

If you need more information about how the tax laws protect your personal information, or have any concerns about how the ATO has handled your personal information, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

If you are unable to resolve your concerns with the ATO about how the ATO has handled your personal information, you can contact the Privacy Commissioner's Office by ringing the privacy hotline **1300 363 992** for the cost of a local call (calls from mobile phones are charged at mobile rates) or by visiting the Privacy Commissioner's website at www.privacy.gov.au.

FREEDOM OF INFORMATION

The *Freedom of Information (FOI) Act 1982* gives you the right to see your tax return and other documents—for example, public rulings and determinations, group certificates, payment summaries and notices of assessment. In some circumstances this information may be provided free of charge, but usually there is a charge to cover the time and expense involved in getting the information for you. We suggest you make enquiries by phone before you ask for information under the FOI Act. Ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Please keep copies of your tax returns, as a request for a copy from the ATO may involve a charge.

It is important that you are aware of your rights and obligations when dealing with the Australian Taxation Office (ATO).

These are explained in the *Taxpayers' Charter*, along with the service and other standards you can expect from the ATO.

When we make a decision about your tax affairs, we will tell you about your rights and obligations in relation to that decision. We will also give you contact details in case you have any queries or need more information.

The publications *Taxpayers' Charter* (NAT 2547—7.99) and *Taxpayers' Charter summary* (NAT 2548—7.99) are available on the ATO website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

YOUR RIGHT TO COMPLAIN

information

If you are dissatisfied with a particular decision, service or action of the Australian Taxation Office (ATO), you have the right to complain, as set out in the *Taxpayers' Charter*.

The ATO recommends that you:

- first, try to sort it out with the tax officer you have been dealing with (or ring the number you have been given)
- if you are not satisfied, talk to the tax officer's manager
- if you are still not satisfied, ring the ATO's complaints line **13 2870**.

You can also make a complaint by writing to Complaints, Australian Taxation Office, at Locked Bag 3120, Melbourne 3001 or send a FREEFAX on **1800 060 063**.



The Commonwealth Ombudsman

If you are not satisfied with the ATO's decisions or actions, you can raise the matter with the Commonwealth Ombudsman's Special Tax Adviser. Before looking into a matter, the Special Tax Adviser may request that a complainant approach the ATO's complaints area.

The Commonwealth Ombudsman's office can investigate most complaints relating to tax administration and may recommend that the ATO provides a solution or remedy to your problem. Investigations are independent, private, informal and free of charge.

Ring the Commonwealth Ombudsman's office on the National Complaints Line **1300 362 072** or visit your nearest Commonwealth Ombudsman's office (located in all Australian capital cities). You can also visit the Commonwealth Ombudsman's website at <www.ombudsman.gov.au> or write to:

The Special Tax Adviser
Commonwealth Ombudsman
GPO Box 442
Canberra ACT 2601



The Privacy Commissioner

The Privacy Commissioner receives complaints under the *Privacy Act 1988* and tax file number guidelines. You can contact the Privacy Commissioner by ringing the privacy hotline on **1300 363 992** or by writing to the Privacy Commissioner, GPO Box 5218, Sydney 1042.



INCOME

You show this amount at **TOTAL INCOME OR LOSS** on your tax return.

minus

ALLOWABLE DEDUCTIONS

You show this amount at **TOTAL DEDUCTIONS** on your tax return. You may also show an amount at **L1**.

equals

TAXABLE INCOME

You show this amount at **TAXABLE INCOME OR LOSS** on your tax return.
We use this total to work out **TAX ON TAXABLE INCOME**. If you want to work it out, see pages 116–18.

TAX ON TAXABLE INCOME

minus

TAX OFFSETS

You show most tax offsets at **TOTAL TAX OFFSETS** on your tax return. If you are entitled to a low income, Senior Australians, beneficiary or pensioner tax offset, we work it out for you. If you want to work it out, see pages 118–19. Any refundable tax offsets are included in the amount for tax credits and refundable tax offsets below.

equals

NET TAX PAYABLE

plus

HECS AND SFSS LIABILITY

If you have a Higher Education Contribution Scheme (HECS) debt or Student Financial Supplement Scheme (SFSS) debt, we work out your repayment. If you want to work it out, see page 123.

plus

MEDICARE LEVY AND SURCHARGE

We work these out from items **M1** and **M2** on your tax return. If you want to work them out see pages 120–2.

minus

TAX CREDITS AND REFUNDABLE TAX OFFSETS

We work these out from any amounts of tax you paid during the year (which have not been credited or refunded) and any refundable tax offsets such as baby bonus, any amount shown at **T4** and any imputation credit from item **11** or **12**.

equals

REFUND OR AMOUNT OWING

We show this on your notice of assesment. Your entitlement to a refund may be affected by any outstanding liabilities to the Australian Taxation Office or Child Support Agency. These amounts will appear on your notice of assesment as 'Other amounts payable'. An entitlement, top-up or overpayment relating to family tax benefit may also affect your refund or amount owing.

You do not have to work out your tax refund or tax debt. We will work it out from the information you provide in your tax return and advise you of the result in your notice of assessment.

If you do want to work out your tax refund or tax debt for your own purposes, we show you how on the following pages.

There are some situations where we cannot show you how to work out your tax refund or tax debt because the nature of the calculation is too complex to explain in *TaxPack*.

These situations include where you:

- had income subject to capital gains tax
- had an eligible termination payment
- are entitled to use your spouse's unused pensioner or Senior Australians tax offset
- had a lump sum payment in arrears
- had a lump sum payment because you retired or finished working in a job
- were under 18 years and earned more than \$643 in interest, dividends or other investment income
- received credit for any tax paid by a trustee
- had a family tax benefit tax claim
- had exempt foreign employment income
- had income that was subject to averaging
- had film industry investment deductions.

Working out your tax refund or tax debt

To do this you need to work out:

- your tax-free threshold
- the tax on your taxable income
- your beneficiary tax offset, if any
- your pensioner or Senior Australians tax offset, if any
- your low income tax offset, if any
- your Medicare levy, if any
- your Medicare levy surcharge, if any
- your Higher Education Contribution Scheme compulsory repayment, if any
- your Student Financial Supplement Scheme compulsory repayment, if any
- your baby bonus, if any—see pages 6–7 of your *2002 baby bonus instructions and claim*.

When you have worked out all these components the FINAL WORKSHEET on page 124 shows you how to calculate your tax refund or tax debt.

Tax-free threshold

To work out the tax on your taxable income you need to know your tax-free threshold. This is the amount of income you can earn before tax must be paid.

For most people the tax-free threshold is \$6000.

A lower amount—part-year tax-free threshold—may apply if you answered YES to question **A2**. Question **A2** applies if you:

- stopped full-time education for the first time in 2001–02
- became an Australian resident during 2001–02
- stopped being an Australian resident during 2001–02.

If category (ii) or (iii) applies to you and you showed income at item **5** or **6** on your tax return, you may not have a part-year tax-free threshold—ring the Personal Tax Infoline on the inside back cover of *TaxPack* for help.

If more than one category applies to you, ring the Personal Tax Infoline on the inside back cover of *TaxPack* for help.

Otherwise, work out if you have a part-year tax-free threshold. The following steps will help you to do this.

(i)—You stopped full-time education for the first time in 2001–02

Step 1 Work out the number of months in 2001–02 that you were not in full-time education. Include the month that you stopped full-time education.

Step 2 Multiply the number of months by \$500.

Step 3 Add the amount you wrote at **O** item **A2** on your tax return to your step 2 amount.

Step 4 If the amount you worked out at step 3 is less than \$6000, the amount you worked out is your part-year tax-free threshold. If the total is \$6000 or more your tax-free threshold is \$6000.

(ii) and (iii)—You became or stopped being an Australian resident during 2001–02

Step 1 Work out the number of months in 2001–02 that you lived in Australia. Include the month that you started to live here or stopped living here.

Step 2 Multiply the number of months by \$500. The result is your part-year tax-free threshold.

If you were a non-resident for the full year you are not entitled to a tax-free threshold.

Tax on taxable income

To work out the tax on your taxable income follow the table on the next page that applies to you.

If you were a resident for the full year you are entitled to a \$6000 tax-free threshold; use TABLE 1.

If you were a non-resident for the full year you are not entitled to a tax-free threshold; use TABLE 2.

TABLE 1—Resident for full year

Taxable income	Tax on this income
\$1–\$6000	Nil
\$6001–\$20 000	17 cents for each \$1 over \$6000
\$20 001–\$50 000	\$2380 + 30 cents for each \$1 over \$20 000
\$50 001–\$60 000	\$11 380 + 42 cents for each \$1 over \$50 000
\$60 001 and over	\$15 580 + 47 cents for each \$1 over \$60 000

Note: To work out your tax, identify the income amount less than but nearest your taxable income and the tax on that income, and use at (b) and (c). Tax on: \$6000 is nil
\$20 000 is \$2380
\$50 000 is \$11 380
\$60 000 is \$15 580

Example

Copy taxable income from **TAXABLE INCOME OR LOSS** on your tax return. (a)

Amount in *Taxable income* column less than but nearest your taxable income (b)

Tax on (b) (c)

Tax on remaining income: Take (b) away from (a). (d)
Tax rate applied to (d) (e)

Multiply (d) by (e). (f)

Tax on your taxable income Add (c) and (f).

Go to **Working out your tax—TABLE 1 or 2.**

TABLE 2—Non-resident for full year

Taxable income	Tax on this income
\$1–\$20 000	29 cents for each \$1
\$20 001–\$50 000	\$5800 + 30 cents for each \$1 over \$20 000
\$50 001–\$60 000	\$14 800 + 42 cents for each \$1 over \$50 000
\$60 001 and over	\$19 000 + 47 cents for each \$1 over \$60 000

Note: To work out your tax, identify the income amount less than but nearest your taxable income and the tax on that income, and use at (b) and (c). Tax on: \$20 000 is \$5800
\$50 000 is \$14 800
\$60 000 is \$19 000

Example

Copy taxable income from **TAXABLE INCOME OR LOSS** on your tax return. (a)

Amount in *Taxable income* column less than but nearest your taxable income (b)

Tax on (b) (c)

Tax on remaining income: Take (b) away from (a). (d)
Tax rate applied to (d) (e)

Multiply (d) by (e). (f)

Tax on your taxable income Add (c) and (f).

Read on to work out your tax.

Working out your tax—TABLE 1 or 2

Calculate your tax here.

Copy taxable income from **TAXABLE INCOME OR LOSS** on your tax return. (a)

Amount in *Taxable income* column less than but nearest your taxable income (b)

Tax on (b) (c)

Tax on remaining income: Take (b) away from (a). (d)
Tax rate applied to (d) (e)

Multiply (d) by (e). (f)

Tax on your taxable income Add (c) and (f).

Where tax-free threshold is adjusted

Use **TABLE 3** or **TABLE 4** on the next page if you have a part-year threshold.

Your tax-free threshold (**T**) is the amount you worked out on page 116.

Write your tax-free threshold here. = **T**

Use **TABLE 3** if your taxable income is \$20 000 or less.
Use **TABLE 4** if your taxable income is over \$20 000.

TABLE 3—Taxable income of \$20 000 or less

Taxable income	Tax on this income
\$1– T	Nil
T –\$20 000	17 cents for each \$1 over T

Working out your tax

Copy taxable income from **TAXABLE INCOME OR LOSS** on your tax return. (a)

T = (b)

Take (b) away from (a). (c)

Tax on your taxable income Multiply (c) by tax rate of 17 cents (0.17).

TABLE 4—Taxable income over \$20 000

In this table you will first need to work out **S**.

$S = (\$20\,000 \text{ minus } T) \times 0.17 = \$$ Transfer the amount to **S** in Working out your tax below.
S is the tax you would pay on \$20 000.

Taxable income	Tax on this income
\$20 000–\$50 000	S + 30 cents for each \$1 over \$20 000
\$50 001–\$60 000	S + \$9000 + 42 cents for each \$1 over \$50 000
\$60 001 and over	S + \$13 200 + 47 cents for each \$1 over \$60 000

Note: To work out your tax, identify the income amount less than but nearest your taxable income and the tax on that income, and use at (b), (c) and (d).
 Tax on: \$20 000 is **S**
 \$50 000 is **S** + \$9000
 \$60 000 is **S** + \$13 200

Example

Assume **T** = \$5000
 $S = (\$20\,000 - \$5000) \times 0.17 = \$2550.00$

Copy taxable income from **TAXABLE INCOME OR LOSS** on your tax return. (a)

Amount in *Taxable income* column less than but nearest your taxable income (b) **S** = (c)

Tax on (b) (d)

Take (b) away from (a). (e)

Tax on remaining income Tax rate applied to (e) (f)

Multiply (e) by (f). (g)

Tax on your taxable income
 Add (c), (d) and (g).

Working out your tax

Copy taxable income from **TAXABLE INCOME OR LOSS** on your tax return. (a)

Amount in *Taxable income* column less than but nearest your taxable income (b) **S** = (c)

Tax on (b) (d)

Take (b) away from (a). (e)

Tax on remaining income Tax rate applied to (d) (f)

Multiply (e) by (f). (g)

Tax on your taxable income
 Add (c), (d) and (g).

Beneficiary tax offset (from question 5)

How to work out your tax offset

Total amount of allowance or payment you received—from **A** item **5** on your tax return (a)

Take \$6000 away from (a)—or, if your tax-free threshold is lower than \$6000, take that lower amount from (a) to work out (b). (b)

Multiply (b) by 17 and divide by 100. (c)

This is your tax offset on income up to \$20 000. If the amount you have shown at (a) is more than \$20 000, you are entitled to an additional 13 per cent tax offset on the excess.

Do not write your tax offset anywhere on your tax return.

Low income tax offset

If your taxable income is \$24 450 or more, you are not entitled to the tax offset.

If your taxable income is \$20 700 or less, you are entitled to the maximum tax offset of \$150. The tax offset reduces by 4 cents for each dollar of taxable income over \$20 700.

Use the worksheet to work out your tax offset if your taxable income is more than \$20 700 but less than \$24 450.

WORKSHEET

Maximum tax offset (a)

Write your taxable income here. (b)

Threshold at which tax offset reduces (c)

Take (c) away from (b). (d)

Divide (d) by 100. (e)

Multiply (e) by 4. (f)

Take (f) away from (a). (g)

The amount at (g) is the tax offset you are entitled to. You can use the amount at (g) when you work out your tax refund or tax debt on page 124.

Do not write the amount at (g) anywhere on your tax return. We will work out your low income tax offset and make sure it reduces your tax.

Pensioner or Senior Australians tax offset (from question 6 or T2)

If you want to work out your tax offset, you need to know your taxable income. This is the amount you showed at **TAXABLE INCOME OR LOSS** on page 3 of your tax return.

There are 2 tax offset thresholds tables—table A applies to the Senior Australians tax offset, table B to the pensioner tax offset.

If you have a spouse and your taxable income is more than the relevant amounts in COLUMN 2 of table A or table B—whichever applies to you—you may still get a tax offset because of a transfer of the unused portion of your spouse's Senior Australians or pensioner tax offset.

If you are eligible for a pensioner tax offset you will not be able to work out your tax offset if:

- you used tax offset code letter **S, Q, I** or **J** and you received more than \$10 701 pension income

- you used tax offset code letter **P** and you received more than \$8931 pension income.

Refer to note 2 in table B below for more information.

Do not write your tax offset amount anywhere on your tax return.

Step 1 Find the tax offset code letter that applies to you in the relevant tax offset thresholds table (A or B) below. This is the code letter you showed at either item **6** or item **T2**.

Step 2 You may get up to the full tax offset shown in COLUMN 3 if your taxable income is equal to or less than the amount in COLUMN 1 for your tax offset code letter. If your taxable income is more than the amount in COLUMN 1 and less than the amount in COLUMN 2, use the **How to work out your tax offset table** below.

TABLE A—Senior Australians tax offset thresholds

Your pensioner code letter	Your Senior Australians code letter	COLUMN 1 You may get up to the full tax offset if your taxable income is equal to or less than this amount	COLUMN 2 You will not get a tax offset if your taxable income is equal to or more than this amount ¹	COLUMN 3 Maximum tax offset
S, Q*, J*	A	\$20 000	\$37 840	\$2230
I*	B*, C*	\$18 883	\$35 203	\$2040
P*	D*, E*	\$16 306	\$29 122	\$1602

¹ For the code letters with an asterisk (*) you may still get a tax offset because of a transfer of the unused portion of your spouse's pensioner or Senior Australians tax offset. We will work it out for you.

TABLE B—Pensioner tax offset thresholds

Your pensioner code letter	COLUMN 1 You may get up to the full tax offset if your taxable income is equal to or less than this amount	COLUMN 2 You will not get a tax offset if your taxable income is equal to or more than this amount ¹	COLUMN 3 Maximum tax offset ²
S, Q*, J*	\$16 059	\$29 739	\$1710
I*	\$15 253	\$27 837	\$1573
P*	\$13 324	\$23 284	\$1245

¹ For the code letters with an asterisk (*) you may still get a tax offset because of a transfer of the unused portion of your spouse's pensioner or Senior Australians tax offset. We will work it out for you.

² If

- you used **S, Q, I** or **J** and your pension is more than \$10 701 or
- you used **P** and your pension is more than \$8931

your maximum tax offset may be higher than the amount in COLUMN 3, and you may still get a tax offset if your taxable income is more than the amount in COLUMN 2. We will work it out for you.

How to work out your tax offset

Your taxable income	(a)	\$	<input type="text"/>
Income amount from COLUMN 1	(b)	\$	<input type="text"/>
Take (b) away from (a).	(c)	\$	<input type="text"/>
Your maximum tax offset from COLUMN 3	(d)	\$	<input type="text"/>
Divide (c) by 8.	(e)	\$	<input type="text"/>
Take (e) from (d).		\$	<input type="text"/>

This is your tax offset.

The tax offset you work out here will not include any unused portion of your spouse's Senior Australians or pensioner tax offset that we may transfer to you.

Do not write your tax offset amount anywhere on your tax return.

Medicare levy (from question M1)

If you want to work out your Medicare levy before you receive your notice of assessment, you can follow the steps below.

For the purposes of working out your Medicare levy, including any reduction or exemption, the taxable income of you and your spouse excludes the amount of any post-June 1983 component of an eligible termination payment on which the maximum tax rate is zero.

Note: If you had exempt foreign employment income you will not be able to work out your Medicare levy. We will do this when working out the amount of tax (including Medicare levy) you have to pay on your other income.

Step 1 Work out your basic levy

- If you are eligible for the Senior Australians tax offset—see page 81—and your taxable income is \$20 001 or more but less than \$21 622, your levy is 20 cents for every dollar above \$20 000. If it is more than \$21 621, your levy is 1.5% of your taxable income.
- If you are eligible for the pensioner tax offset—see page 23—and your taxable income is \$16 571 or more but less than \$17 914, your levy is 20 cents for every dollar above \$16 570. If it is more than \$17 913, your levy is 1.5% of your taxable income.
- In all other circumstances, if your taxable income is \$14 540 or more but less than \$15 718, your levy is 20 cents for every dollar above \$14 539. If it is more than \$15 717, your levy is 1.5% of your taxable income.

For example: If you are not eligible for the Senior Australians tax offset or the pensioner tax offset, the levy you pay on a taxable income of \$15 000 is \$92.20.

$$(\$15\,000 - \$14\,539) \times \frac{20}{100} = \$92.20$$

Step 2 Did you claim for a reduction or exemption at question **M1**? If not, your Medicare levy is the amount you worked out at step 1. If you are claiming a reduction or exemption, read on.

Step 3 If you only completed part B of question **M1**, go to step 4.

If you completed part B and either of or both parts C and D, go to step 4.

If you completed part C, part D or both, go to step 6.

Step 4 Work out your family income

If you had a spouse on 30 June 2002 or your spouse died during 2001–02, your family income is the combined taxable income of you and your spouse.

If you did not have a spouse on 30 June 2002 but you were eligible for a reduced levy based on family income, your family income is your taxable income.

Refer to the following tables. Use FAMILY INCOME TABLE 1 if you are eligible for the Senior Australians tax offset and use FAMILY INCOME TABLE 2 in all other circumstances. If your family income is less than or equal to your relevant lower income limit for the number of dependent children and students you had, you do not pay a levy. If your family income is greater than your relevant lower income limit but less than or equal to your relevant upper income limit, you pay a reduced levy.

FAMILY INCOME TABLE 1—for taxpayers who are eligible for the Senior Australians tax offset

<i>Number of dependent children and students during 2001–02</i>	<i>Lower income limit</i>	<i>Upper income limit</i>
0	\$31 729	\$34 301
1	\$33 982	\$36 737
2	\$36 235	\$39 172
3	\$38 488	\$41 608
4	\$40 741	\$44 044

If you have more than 4 dependent children or students, you can extend this table. The lower income limit increases by \$2253 for each additional child or student and the upper income limit increases by \$2435 for each additional child or student.

FAMILY INCOME TABLE 2—for all other taxpayers

<i>Number of dependent children and students during 2001–02</i>	<i>Lower income limit</i>	<i>Upper income limit</i>
0	\$24 534	\$26 523
1	\$26 787	\$28 958
2	\$29 040	\$31 394
3	\$31 293	\$33 830
4	\$33 546	\$36 265

If you have more than 4 dependent children or students, you can extend this table. The lower income limit increases by \$2253 for each additional child or student and the upper income limit increases by \$2435 for each additional child or student.

The tables on the next page show you how to work out the amount of Medicare levy you pay. An example is presented and there is space left for your own calculations.

Example: Trevor, who is not eligible for the Senior Australians tax offset, has 2 dependent children and had a spouse on 30 June 2002. His taxable income is \$15 800 and his spouse's taxable income is \$14 800—a family income of \$30 600. This is between his family income limits (see FAMILY INCOME TABLE 2).

Step 5 Work out your family reduction amount. You need to do this in 2 parts.

Part 1

	Trevor	You
Family income	(a) \$30 600	(a) \$
Lower limit from step 4	(b) \$29 040	(b) \$
Take (b) away from (a).	(c) \$1560	(c) \$
Multiply (b) by 1.5 and divide by 100.	(d) \$435.60	(d) \$
Multiply (c) by 18.5 and divide by 100.	(e) \$288.60	(e) \$
Take (e) away from (d) to get your family reduction amount.	(f) \$147	(f) \$

If your spouse's taxable income is less than \$14 540, go to step 6. If it is \$14 540 or more, you will share the reduction amount as shown below.

Part 2

	Trevor	You
Family reduction amount from (f)	(g) \$147	(g) \$
Taxable income	(h) \$15 800	(h) \$
Multiply (g) by (h).	(i) \$2 322 600	(i) \$
Family income	(j) \$30 600	(j) \$
Divide (i) by (j) to get your share of the family reduction amount.	(k) \$75.90	(k) \$

Your family reduction amount is unlikely to be more than your basic levy. If it is, the difference is taken off the levy your spouse pays. Similarly, any excess family reduction amount your spouse has may be transferred to you.

Example: The basic levy Trevor's spouse would pay is:

$$(\$14\,800 - \$14\,539) \times \frac{20}{100} = \$52.20$$

As it is less than Trevor's spouse's share of the family reduction amount of \$71.10 (\$147 - \$75.90), the balance of \$18.90 (\$71.10 - \$52.20) can be transferred to Trevor.

Transfer of any excess from spouse

	Trevor	You
Excess family reduction amount transferred from Trevor's spouse	(l) \$18.90	(l) \$
Add (k) and (l) to get your share of the family reduction amount.	(m) \$94.80	(m) \$

Step 6

Net basic levy

	Trevor	You
Basic levy from step 1	(n) \$237	(n) \$
Family reduction amount if applicable—from (f), (k) or (m)	(o) \$94.80	(o) \$
Take (o) away from (n) to get net basic levy.	(p) \$142.20	(p) \$

If you did not complete either part C or part D of question **M1**, the amount of levy you have to pay is (p). If you completed one or both of these parts, read on.

Step 7 How much of your net basic levy (p) do you pay?

Full exemption

Number of days at V item M1 on your tax return, if any	(q)	
Net basic levy at (p)	(r)	\$
Multiply (q) by (r).	(s)	\$
Divide (s) by 365.	(t)	\$

Half exemption

Number of days at W item M1 on your tax return, if any	(u)	
Net basic levy at (p)	(v)	\$
Multiply (u) by (v).	(w)	\$
Divide (w) by 365.	(x)	\$
Divide (x) by 2.	(y)	\$

Your exemption amount

Add (t) to (y) to get your exemption amount.	(z)	\$
--	-----	----

The amount of Medicare levy you pay, if any, is your net basic levy at (p) less any exemption amount at (z).

Medicare levy surcharge (from question M2)

You do not have to work out the amount of Medicare levy surcharge you will pay. We will work it out from the information you provide on your tax return. We will tell you the result on your notice of assessment. If you do want to work it out before you receive your notice of assessment, follow the steps below.

Working out your Medicare levy surcharge

Your taxable income from TAXABLE INCOME OR LOSS on your tax return	(a)	\$	<input type="text"/>
Add to (a) any amount you have shown at item 9 on your tax return.	(b)	\$	<input type="text"/>
Add to (b) any amount you have shown at item A3 on your tax return.	(c)	\$	<input type="text"/>
Take away from (c) any post-June 1983 component of an eligible termination payment where the maximum tax rate is zero.	(d)	\$	<input type="text"/>
Divide (d) by 100 to get 1 per cent.	(e)	\$	<input type="text"/>

If you have to pay the surcharge for the **WHOLE** year, the amount you have to pay is (e). If you have to pay the surcharge for **PART** of the year, continue with the steps below.

Number of days at A item M2 on your tax return	(f)	\$	<input type="text"/>
Take (f) away from 365.	(g)	\$	<input type="text"/>
Multiply (e) by (g).	(h)	\$	<input type="text"/>
Divide (h) by 365.	(i)	\$	<input type="text"/>

The amount of the surcharge you have to pay is (i).

NOTE

If you had exempt foreign employment income you will not be able to work out your Medicare levy surcharge. We will do this when working out the amount of tax (including the surcharge) you have to pay on your other income.

Higher Education Contribution Scheme compulsory repayment

You do not have to repay any money towards your accumulated Higher Education Contribution Scheme (HECS) debt* if:

- you are entitled to a reduction of \$1 or more from the Medicare levy due to low family income. Question **M1** part B on pages 94–5 shows you how to work out if you qualify for a reduction OR
- your HECS repayment income is less than \$23 242. HECS repayment income is your taxable income plus total reportable fringe benefits amounts at item **9** on your tax return plus any net rental losses at item **20** on your tax return.

Step 1 Read the following table to find out the rate that applies to you.

HECS repayment income	Repayment rate % of HECS repayment income
Below \$23 242	Nil
\$23 242–\$24 510	3%
\$24 511–\$26 412	3.5%
\$26 413–\$30 638	4%
\$30 639–\$36 977	4.5%
\$36 978–\$38 921	5%
\$38 922–\$41 837	5.5%
\$41 838 and above	6%

Step 2 Multiply your HECS repayment income by the rate from step 1. The result is your compulsory HECS repayment which will be shown on your notice of assessment at **X**. If the balance of your accumulated HECS debt is less than the calculated amount, you only pay the balance.

Use this amount when working out your tax refund or tax debt on page 124. Do not write this amount anywhere on your tax return.

For more information about repaying your HECS debt, refer to the publication *Repaying your HECS debt* (NAT 3913—5.2001). This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

* Your accumulated HECS debt may include HECS semester debts, Postgraduate Education Loans Scheme (PELS) semester debts and Open Learning Deferred Payment Scheme (OLDPS) semester debts. Only one compulsory HECS repayment will be calculated in this assessment based on your accumulated HECS debt.

Student Financial Supplement Scheme (SFSS) compulsory repayment

Only Financial Supplement loans taken out in any of the years from 1993 to 1997 are subject to compulsory repayment through the taxation system in the 2001–02 income year.

You do not have to repay any money towards your accumulated Financial Supplement debt if your taxable income is less than \$32 918.

Your taxable income is the amount you show at **TAXABLE INCOME OR LOSS** on page 3 of your tax return.

Step 1 Read the following table to find out the rate that applies to you.

Taxable income	Repayment rate % of taxable income
Below \$32 918	Nil
\$32 918–\$37 407	2%
\$37 408–\$52 372	3%
\$52 373 and above	4%

Step 2 Multiply your taxable income by the rate from step 1.

The result is your compulsory Financial Supplement repayment which will be shown on your notice of assessment at **R**. If the balance of your accumulated Financial Supplement debt is less than the calculated amount, you only pay the balance.

Use this amount when working out your tax refund or tax debt on page 124. Do not write this amount anywhere on your tax return.

For more information about repaying your Financial Supplement loans taken out in any of the years from 1993 to 1997, refer to the publication *How to repay Financial Supplement Loans* (NAT 2789—8.2000). This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.



Final worksheet

Items marked with * appear on the supplementary section of the tax return and do not apply if you did not need to complete that section.

Complete all the steps. If any of the amounts listed do not apply to you, write '0' in the appropriate box.

Step 1 Tax on taxable income

Transfer the amount of tax you worked out on pages 116–17. **A**

Step 2 Tax offsets

Total tax offsets claimed on page 4 of your tax return—do not include your 30% private health insurance tax offset (**G** item **T4** on your tax return)—this is shown at step 9

Senior Australians, pension or beneficiary tax offset from pages 118–19. If you have more than one, use the one that gives you the most.

Tax offset on life assurance bonuses from question 21* in *TaxPack 2002 supplement*

Low income tax offset from page 118

Add up all your tax offsets. **B**

Step 3 Tax payable

Take **B** away from **A**. If the result is less than zero write '0' here. **C**

Step 4 Medicare levy and Medicare levy surcharge

Medicare levy from pages 120–1

Medicare levy surcharge from page 122

Add up your Medicare levy related amounts. **D**

Step 5 Total tax payable

Add **C** and **D**. **E**

Step 6 Foreign tax credits

Foreign tax credits—amount at **O** item **19*** on your tax return **F**

Take **F** away from **E**. (If the result is less than zero write '0' here.) **G**

Step 7 HECS repayments and SFSS repayments

HECS repayments from page 123

SFSS repayments from page 123

Add up your HECS and SFSS repayments. **H**

Step 8 Add **G** and **H**. **I**

Step 9 Credits and refundable tax offsets

Pay As You Go (PAYG) instalments

Total credits from payment summaries—amount at:

\$ item **TOTAL TAX WITHHELD** on your tax return

E item **22*** on your tax return

Credits from tax withheld—amounts at:

P item **12*** on your tax return

G + H + J item **13*** on your tax return

D + W + F item **14*** on your tax return

Credits from tax file number amounts—amounts at:

M item **10** on your tax return

V item **11** on your tax return

R item **12*** on your tax return

Credit for interest on early payments—amount at:

L item **C1*** on your tax return

30% private health insurance tax offset—amount at:

G item **T4** on your tax return

Franking tax offset (imputation credit)—amounts at:

U item **11** on your tax return

Q item **12*** on your tax return

Baby bonus—amount you worked out on pages 6–7 of your *2002 baby bonus instructions and claim*

Add up your credits and refundable tax offsets. **J**

Step 10 Net tax payable
Take **J** away from **I**. **K**

If **K** is negative (less than zero), this is the amount of **refund due to you**—excluding any other tax debts or child support payments. If **K** is positive (more than zero), this is the amount of **tax you have to pay**.



**Lodge your tax
return at the address
on page 108.**

Below are our street addresses, and mailing addresses for correspondence. Please send correspondence to the office shown on your last notice of assessment, if you have one; otherwise send it to the nearest tax office.

If you have an enquiry, we can usually assist you faster by telephone. See the inside back cover of *TaxPack* for a list of our telephone infoline services.

If you prefer to make your enquiry in person, we request that you make an appointment by telephone. The number to ring for an appointment is 13 2861.

NOTE

The Australian Taxation Office (ATO) cannot accept payments at ATOaccess sites. The methods for payment of tax debts are set out on the back of your notice of assessment.

ATO access sites

Victoria

Casselden Place

2 Lonsdale Street Melbourne
PO Box 9990 Moonee Ponds 3039

Cheltenham

4A, 4-10 Jamieson Street
Cheltenham
PO Box 9990 Dandenong 3175

Dandenong

14 Mason Street Dandenong
PO Box 9990 Dandenong 3175

Geelong

92-100 Brougham Street Geelong
PO Box 9990 Geelong 3220

Western Australia

Northbridge

45 Francis Street Northbridge
GPO Box 9990 Perth 6848

Northern Territory

Alice Springs

Jock Nelson Centre
16 Hartley Street Alice Springs
GPO Box 800 Adelaide 5001

Darwin

Cnr Mitchell & Briggs Streets Darwin
GPO Box 800 Adelaide 5001

Tasmania

Hobart

200 Collins Street Hobart
GPO Box 9990 Hobart 7001

Australian Capital Territory

Canberra

Ground floor Ethos House
28-36 Ainslie Avenue Canberra
GPO Box 9990 Canberra 2601

Queensland

Brisbane

280 Adelaide Street Brisbane
GPO Box 9990 Brisbane 4001

Townsville

Stanley Place
235 Stanley Street Townsville
PO Box 9990 Townsville 4810

Upper Mt Gravatt

2233 Logan Road
Upper Mt Gravatt
(entry via Macgregor Street)
PO Box 9990 Upper Mt Gravatt 4122

South Australia

Adelaide

91 Waymouth Street Adelaide
GPO Box 800 Adelaide 5001

New South Wales

Albury

567 Smollett Street Albury
PO Box 9990 Albury 2640

Chatswood

Shop 43 Lemon Grove
Shopping Centre
441 Victoria Avenue Chatswood
GPO Box 9990 Sydney 2001

Hurstville

1st Floor MacMahon Plaza
14-16 Woodville Street Hurstville
PO Box 9990 Hurstville 2220

Newcastle

266 King Street Newcastle
PO Box 9990 Newcastle 2300

Sydney

100 Market Street Sydney
GPO Box 9990 Sydney 2001

Parramatta

Commonwealth Offices
Ground Floor
2-12 Macquarie Street Parramatta
PO Box 422 Parramatta 2123

Wollongong

93-99 Burelli Street Wollongong
PO Box 9990 Wollongong 2500

Other ATO mailing addresses

Box Hill ATO

PO Box 9990 Box Hill 3128

Chermside ATO

PO Box 9990 Chermside 4032

Moonee Ponds ATO

PO Box 9990 Moonee Ponds 3039

Penrith ATO

PO Box 1400 Penrith 2740

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Publications

PUBLICATIONS, TAXATION RULINGS, PRACTICE STATEMENTS, FORMS AND THE TAXPAYERS' CHARTER

To get publications referred to in *TaxPack 2002* you have **3** options:

- 1 Visit our website—for publications, taxation rulings, practice statements and the Taxpayers' Charter—at <www.ato.gov.au>.**
- 2 Ring our Publications Distribution Service—for all referred publications, including forms.**

From July to the end of October, this service operates from 8 a.m. to at least 10 p.m. Monday to Friday and from 10 a.m. to 5 p.m. on weekends—Australian Eastern Standard Time. From November to June, the normal operating hours of the distribution service are 9 a.m. to 7 p.m. weekdays. Before you ring, check to see if there are other publications you may need—this will save you time and help us. For each publication you order please quote the full title and NAT number, if any, printed in *TaxPack*.

This distribution service is not run by Australian Taxation Office (ATO) staff. Your tax questions cannot be answered on this telephone number. Ring the Publications Distribution Service on **1300 720 092** for the cost of a local call. Calls from mobile phones are charged at mobile rates.

- 3 Visit an ATO office—see page 125 for our street addresses.**

Infoclines

IF YOU HAVE AN ENQUIRY ABOUT YOUR TAX, RING THE RELEVANT INFOLINE BELOW

Our infoclines are open Monday to Friday 8 a.m. to 6 p.m. except where otherwise indicated. Our automated self-help services are available 24 hours per day every day. You can ring any **13** number for the cost of a local call. Calls from mobile phones are charged at mobile rates. Make sure you have *TaxPack* handy when you ring.

To ring an ATO infocline from outside Australia ring the International Access Code +61+ the infocline, between the hours of 8 a.m. and 6 p.m. Australian Eastern Standard Time. Calls will be charged at the rate relevant to that country.

If you require access to ATO records you will be asked to provide your tax file number or details from your last notice of assessment to confirm proof of identity.

Personal Tax Infocline **13 2861**

Ring between 8 a.m. and 6 p.m.

To ensure that your call is directed to the person who is best trained to answer your enquiry, select from the following options:

- If you are retired or planning to retire—Press **1**
- Family tax benefit and baby bonus—Press **2**
- Tax file number—Press **3 then 1**
- Pay As You Go, including activity statements—Press **3 then 2**
- Higher Education Contribution Scheme and Student Financial Supplement Scheme—Press **3 then 3**
- Account balance or replacement cheque—Press **3 then 4**
- Preparation of an e-tax tax return—Press **4 then 1**
- General income tax, lodgment, *TaxPack* and notice of assessment—Press **4 then 2**
- *TaxPack supplement*, capital gains, rental income, foreign income—Press **4 then 3**

Binding Oral Advice **13 2861**

Superannuation **13 1020**

TaxPack 2002 questions **4, D10, T3** and *TaxPack 2002 supplement* questions **19, D13, D14** and **T5**.

A Fax from Tax **13 2860**

If you have access to a fax machine use *A Fax from Tax* for quick and easy access to information. The service operates around-the-clock and will provide you with information on personal taxation—including information on the Higher Education Contribution Scheme and the Student Financial Supplement Scheme.

National Aboriginal and Islander Resource Centre **13 1030**

The centre specialises in helping Indigenous clients and can assist with a wide range of tax matters.

Refunds—ATO Personal Direct **13 2865**

This automated self-help service is available 24 hours per day, every day, for you to check the progress of your tax return. You will need your tax file number.

If you sent your tax return by ordinary post please wait 7 weeks before ringing.

If you lodged an e-tax tax return over the Internet or you used the **TAXPACKEXPRESS** service please wait 3 weeks before ringing.

People with a hearing, speech or vision impairment

People with a hearing or speech impairment and with access to appropriate TTY or modem equipment can communicate with a tax officer through the National Relay Service on **13 3677** and quote one of the infoclines listed on this page.

People with a vision impairment may be able to use *TaxTape 2002* or *TaxDisk 2002*—check the outside back cover of *TaxPack* for more information.

You can find a list of ATO infoclines in your White Pages.
Visit the ATO website at <www.ato.gov.au>.

If you do not speak English and need help from the Australian Taxation Office, ring the Translating and Interpreting Service (TIS) on 13 1450. TIS staff can assist with translating and interpreting in over 100 languages. Ask them to set up a 3-way conversation between you, an interpreter and a tax officer.



If you want to complete your own tax return or your claim for a refund of imputation credits but think you may need some assistance, then Tax Help may be the answer.

Our network of community volunteers are trained and supported by the Australian Taxation Office to help taxpayers.

Tax Help is a free and confidential service for people on low incomes.

See page 14 in *TaxPack 2002* for more information—including the phone number to ring for Tax Help.

ASSISTANCE FOR PEOPLE WITH A PRINT DISABILITY

The following tax time products are available free of charge from the Royal Blind Society—on FREECALL 1800 644 885—for people who are blind or vision impaired:

TaxTape 2002

TaxTape 2002 supplement

TaxDisk 2002 (includes supplement)

