

Individual tax return instructions –tax agents

What's new?

- Business tax reform
- Capital gains tax
 - changes
 - worksheets
- General interest charge
- Income tax deductions for GST-related expenditure

Foreword

The *Individual tax return 2000 instructions—tax agents* is a publication developed by the Australian Taxation Office (ATO) to help you complete tax returns on behalf of individual taxpayers. As far as possible, the format follows the *Individual tax return 2000—tax agents*, and the *Business and professional items schedule 2000—tax agents*.

The instructions provide codes and other basic information to assist with completing *Individual tax return 2000—tax agents*, and the *Business and professional items schedule 2000—tax agents*. Throughout this publication the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997* are referred to by the abbreviations ITAA 1936 and ITAA 1997 respectively.

The information does not set out to cover the relevant provisions of the law relating to the items on the tax return, and you may wish to consult other ATO publications, tax rulings or legislation on specific subjects. A list of tax office locations can be found on page 67 and lodgment addresses can be found at page 66.

It is of critical importance that tax agents give particular attention to the reporting of information at the appropriate label. In an environment where both the ATO and tax agents are making ever increasing use of computer technology to assist in tax return preparation and assessment processing, information not provided at the correct label could result in unnecessary costs to tax agents, their clients and the ATO.

In response to requests for assistance these instructions now include an 'Item reference table' on labelling. Refer to page 61.

Please complete the survey included in these instructions on the next page and return it to the ATO. The survey gives you the opportunity to say if the *Individual tax return 2000 instructions—tax agents* meet your needs and to suggest improvements for future years.

We'd like to hear from you!

Please use this form to comment on the *Individual tax return
2000 instructions—tax agents*

1. Do the instructions meet your needs? YES/NO
If no, please specify what additional information would be useful.

2. What parts of the publication were most/least useful and why?

3. Do you think the information could be presented better? YES/NO
If yes, what alternative presentation would be more useful?

Any other comments you would like to make:

Thank you for taking the time to complete this questionnaire. Please send your responses by 31 December 2000 to:

Australian Taxation Office
Attention: Assistant Director
Return Form Development
Public Assistance Branch
PO Box 900
CIVIC SQUARE ACT 2608



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* Instructional material is not supplied for these items. They are listed to assist in locating them in the *Individual tax return 2000—Tax agents*.

What's new?

Business tax reform—changes

As part of business tax reform there have been significant changes to depreciation and prepayment rules. However these may not affect small business taxpayers in this income year.

Changes to prepayment rules

A prepayment is a payment you made in this income year for things that will be done for you, or provided to you, in a future income year. There have been changes to the rules about when you can claim a deduction for some prepayments you incurred after 11.45 a.m. AEST on 21 September 1999.

Affected prepayments can now only be deducted in an income year to the extent that the payment for the item purchased was in that income year.

The following prepayments are not affected by the change (and will be treated in the same way as they would have been before the changes were made):

- any prepayment that is not incurred in carrying on a business
- any prepayment incurred by a small business taxpayer (For a definition of small business taxpayer see page 5.)
- any prepayment incurred after 11.45 a.m. AEST on 21 September 1999 but in accordance with a contractual obligation that existed **before** that time to make that prepayment, but only if you cannot unilaterally escape that obligation
- any prepayment that is excluded expenditure—that is, an amount below \$1000, an amount required to be incurred by law, or an amount of salary or wages.

Note: There is a transitional rule for affected prepayments incurred in the income year that includes 21 September 1999 that would previously have been immediately deductible within the 13-month rule. This will usually be in the 1999–2000 income year but may be different if you have a substituted accounting period.

Such prepayments can be divided into 2 parts:

- part 1 relating to something to be done within the same income year
- part 2 relating something to be done in future income years.

The first part is deductible in the same income year. Under the changes, the second part would only be deductible in future years but the transitional rule allows you to deduct 80 per cent of that part in the first income year and the remaining 20 per cent in the next income year.

Changes are also proposed which would broadly cover prepayments made in relation to a tax shelter arrangement.

Conditions to retain access to accelerated rates of depreciation

The following conditions must be met to retain access to accelerated rates of depreciation:

- The entity must be a small business taxpayer for the income year that includes the time when the entity first used the plant or first had it installed ready for use.
- At least 50 per cent of the plant's intended use must be in carrying on a business for the purpose of producing assessable income.

Neither of the following conditions can apply:

- It could reasonably be expected that, because of the plant's use—whether or not with other assets—the entity would not be a small business taxpayer for the next income year or either of the next 2 income years after that.
- The plant is being, or is intended to be, predominantly leased. This does not include a hire purchase agreement or short-term hire agreement.

Note: Accelerated depreciation will not be available to a small business if that item of plant is part of the start-up of a major business or major expansion of an existing business.

Depreciation (capital allowances)

Several measures in the *New Business Tax System (Capital Allowance) Act 1999* relating to the depreciation system apply from 11.45 a.m. AEST on 21 September 1999. These measures generally do not affect small business taxpayers who satisfy certain conditions—see **Small business taxpayers** on page 5. The changes are:

- the removal of accelerated depreciation for depreciable assets acquired after 11.45 a.m. AEST on 21 September 1999 except for small business taxpayers satisfying certain conditions
- the accelerated depreciation system being replaced with a system where depreciation rates are fixed by reference to the effective life of the asset
- the introduction of the ability to reassess the effective life of depreciable assets acquired after 11.45 a.m. AEST on 21 September 1999
- the removal of the option to offset any assessable balancing adjustment amount against replacement plant for disposals occurring after 11.45 a.m. AEST on 21 September 1999 for all taxpayers except small business taxpayers
- the introduction of the option to offset any assessable balancing adjustment amount against replacement plant for certain involuntary disposals occurring after 11.45 a.m. AEST on 21 September 1999
- the removal of depreciable assets from the CGT regime for disposals occurring after 11.45 a.m. AEST on 21 September 1999 and treating any gains or losses as an additional balancing adjustment

- the introduction of depreciation deductions for the cost of an indefeasible right to use (IRU) an international telecommunications submarine cable system. The measures apply to expenditure incurred after 11.45 a.m. AEST on 21 September 1999 on IRUs over new cables.

For more information refer to the publication *Guide to depreciation*. To find out how to get a copy see the inside back cover.

Franking credit trading—holding period and related payment rules

Under new legislation contained in Division 1A of Part III of ITAA 1936, which was enacted during 1999–2000, new rules apply to stop franking credit trading and misuse of the intercorporate dividend rebate. The main effect of these provisions is the introduction of:

- a holding period rule which, subject to certain exceptions, requires taxpayers to hold shares at risk for more than 45 days (or 90 days for preference shares) before qualifying for a franking benefit or intercorporate dividend rebate and
- a related payments rule which requires taxpayers who are under an obligation to make a related payment in relation to a dividend to hold the relevant shares at risk for more than 45 days (or 90 days for preference shares) during the relevant qualification period before qualifying for a franking benefit or intercorporate dividend rebate.

Broadly stated, a taxpayer must satisfy both the holding period and related payments rules in order to be treated as a qualified person in relation to a dividend. A taxpayer that is a qualified person is entitled to a franking credit, franking rebate or intercorporate dividend rebate. If a taxpayer fails the holding period rule and the related payments rule does not apply to them, they may still be entitled to a franking rebate if they qualify for the small shareholder exemption. The small shareholder exemption imposes a maximum franking rebate ceiling on all their franking rebate entitlements in a given year. In 1998–99 the ceiling was \$2000 but under proposed legislation it is to increase.

The holding period rule applies to shares and interests in shares acquired on or after 1 July 1997, unless the taxpayer had become contractually obliged to acquire the shares before 7.30 p.m. AEST on 13 May 1997.

The related payments rule applies to arrangements entered into on or after 7.30 p.m. AEST on 13 May 1997. Shares or interests in shares acquired before that time are caught under the rule if the arrangement is entered into after 7.30 p.m. AEST on 13 May 1997. Special rules apply for beneficiaries of certain trusts. These rules apply to:

- shares or interests in shares which were acquired by a trust (other than a widely held public share trading trust) after 3 p.m. AEST on 31 December 1997; and

- widely held public share trading trusts established after 3 p.m. AEST on 31 December 1997.

General interest charge

On 1 July 1999 the penalty arrangements for late payment and other obligations were rationalised and simplified pursuant to the *Taxation Laws Amendment Act (No. 3) 1999*.

This has been done by the introduction of a uniform, tax deductible general interest charge (GIC). The GIC is a penalty that is levied on outstanding amounts due to the ATO.

Section 8AAD of the *Taxation Administration Act 1953* determines the rate of the charge. It is based on the relevant 13-week Treasury Note rate plus 8 percentage points. The daily rate can be calculated by dividing this sum by the number of days in a calendar year.

In 1999–2000, the daily compounding rate will only be applied to PAYE, PPS, RPS and sales tax.

For all other taxes, the Commissioner of Taxation will exercise his discretion to apply an annual simple interest rate.

The GIC is updated quarterly (refer table below).

| Quarter | GIC annual rate (simple interest) | GIC daily rate (compounding) |
|--------------|-----------------------------------|------------------------------|
| Jul–Sep 1999 | 12.72 % | 0.0348493 % |
| Oct–Dec 1999 | 12.73 % | 0.0348767 % |
| Jan–Mar 2000 | 13.08 % | 0.0357377 % |

Gifts and donations

From 1 July 2000, gifts and donations made to an organisation are only tax deductible to the donor when the organisation is endorsed by the ATO as a deductible gift recipient (DGR), or specifically named in the income tax law. All receipts for gifts issued by a DGR should include its Australian Business Number and the name of the gift fund, and state that the receipt is for a gift. DGR status will be shown on the Australian Business Register. This will enable members of the public to check whether their gifts and donations are being made to a DGR—and hence are tax deductible.

GST components excluded from income and deductions

From 1 July 2000, goods and services tax (GST) will be payable on taxable supplies. Entities that are registered for GST purposes will be entitled to input tax credits for their creditable acquisitions.

For income tax purposes, GST will be excluded from assessable income and exempt income and from amounts received or receivable that are taken into account in calculating income and deductions. Outgoings will be reduced by the amount of input tax credit entitlement. These rules apply only if you are registered for GST purposes.

In accordance with the *A New Tax System (Goods and Services Transition) Act 1999*, GST may be payable in relation to income derived before 1 July 2000, and input tax credit entitlements may arise in relation to outgoing incurred before that date.

Income derived before 1 July 2000 must exclude the GST payable (relating to that income) that is attributable to the first GST tax period after that date. Similarly, outgoing incurred before 1 July 2000 must be reduced by the amount of input tax credit entitlement (relating to those outgoing) that is attributable to the first GST tax period after that date.

GST Direct Assistance Certificates

To assist in the implementation of GST, a \$200 Direct Assistance Certificate is provided to businesses that have a turnover of less than \$10 million and register for the GST before 31 May 2000. The face value of a GST Direct Assistance Certificate (\$200) will not be assessable income of the recipient. Legislation to ensure these certificates will be exempt from income tax is scheduled to be introduced into Parliament in the Taxation Laws Amendment Bill (No. 6) 2000.

The certificate can be used to purchase:

- computer hardware and software products prior to 30 June 2000
- training services and financial or accounting advice prior to 31 October 2000 that may assist in preparing for the GST.

A number of suppliers of these products have been registered and approved for this purpose by the GST Start-up Assistance Office.

If a small business person uses the certificate to pay for computer hardware or software to be used for the purposes of producing assessable income, they are entitled to a deduction for depreciation. The amount of the deduction is based on the cost of the item, which is generally the cost of the item to the business. Using the certificate to pay for the item will not affect the cost of the item to the business. For example, if the business buys a computer for \$2000 and pays for it with a certificate for \$200 and cash of \$1800, the cost of the item to the business is \$2000 and depreciation will be calculated on that amount. New measures affecting deductions for GST-related expenditure are detailed below.

Hire purchase and limited recourse finance arrangements

The Government intends to rectify an anomaly in the capital allowance provisions in relation to property acquired under hire purchase or limited recourse finance arrangements. Proposed amendments to legislation were introduced into Parliament in 1998 and have been reintroduced in Taxation Laws Amendment Bill (No. 5) 1999.

The broad impact of the proposed amendments is as follows:

- New Division 240 of ITAA 1997 would treat hire purchase and instalment sales as the equivalent of a sale of property by the financier/hire purchase company (**the notional seller**) to the hire purchaser (**the notional buyer**). The sale would be treated as being financed by a loan from the notional seller to the notional buyer, at a sale price of either the agreed cost or value, or the property's arm's length value. This would apply to hire purchase transactions entered into after 27 February 1998.
- Owners of property who transfer title to the property merely by way of security under a chattel mortgage or other charge over the property would continue to be treated as owners for the purposes of capital allowances.
- New Division 243 of ITAA 1997 would ensure that deductions for capital allowances, such as depreciation, would not exceed the total actual capital expenditure where that expenditure is financed or refinanced wholly or partly by limited recourse debt (including hire purchase).

Division 243 would apply where :

- the limited recourse debt is terminated but has not been paid in full by the debtor and
- because the debt has not been paid in full, the capital allowance deductions allowed for the expenditure exceed the deductions that would be allowable if the unpaid amount of the debt was not counted as capital expenditure of the taxpayer. Special rules apply in working out whether the debt has been fully paid.

Proposed Division 243 would apply to limited recourse arrangements, which terminate after 27 February 1998.

Income tax deductions for GST-related expenditure

A deduction is allowable for expenditure of a revenue nature that businesses may incur in gearing up for GST. Revenue expenditure that qualifies for an immediate deduction would include new stationery, professional advice on complying with GST obligations and training and hiring of staff.

An immediate deduction for the cost of plant or software acquired or upgraded to prepare for the commencement of GST is also allowable if:

- the taxpayer incurs the expenditure between 1 July 1999 and 30 June 2000
- the taxpayer is carrying on a business that has an annual turnover of not more than \$10 million
- the taxpayer uses the new plant or software or has it installed ready for use during the period 1 July 1999 to 30 June 2000
- one of the reasons the plant was acquired or upgraded was to prepare for the commencement of GST and
- the business is registered for GST immediately before 1 July 2000.

For example:

- A business taxpayer has cash registers that cannot comply with GST requirements. The taxpayer acquires new cash registers on 30 April 2000 so that they can provide customers with the information required for GST purposes. The cost of the new cash registers is immediately deductible.
- A taxpayer who already has a computerised system buys new software and upgrades existing software during the 1999–2000 income year to be able to comply with GST and PAYG obligations. The taxpayer's existing computer hardware is not capable of operating the new software in an efficient way and a new computer is acquired in April 2000. The cost of the new software, the upgraded software and the computer is immediately deductible.

Lease assignments

The Government announced in *Treasurer's Press Release No. 10* of 22 February 1999 that it intended to address any exploitation of deficiencies in the current business tax system in relation to assignment of leases or interests in leased plant.

The new rules are included in new Division 45 of ITAA 1997 and will apply to plant, which has been used principally for leasing, or an interest in such plant, disposed of on or after 22 February 1999.

A lease assignment is an arrangement entered into by the lessor which avoids tax that would be payable in the later period of a lease of depreciable plant when the lease begins to generate positive taxable income. The proposed measure will ensure that all forms of consideration received in connection with a lease assignment are included in the assignor's assessable income.

The new rules will include in the lessor's assessable income any excess of the money consideration and value of other benefits obtained from disposing of the plant or an interest in the plant, over the plant's written down value or the relevant proportion thereof. Where a lessor disposes of rights under the lease of the plant without disposing of the plant itself, the lessor's assessable income will include the money consideration for the disposal plus the value of other benefits obtained as a result of the disposal.

Penalty for failure to notify

A failure to notify (FTN) penalty applies when the taxpayer fails to notify the ATO of the amount of tax instalments deducted during a quarter. The FTN penalty is calculated at a rate of 8 per cent per annum of the amount not notified. To avoid this penalty you should notify the ATO of the amount due to be paid even if the taxpayer cannot pay the full amount by the due date.

If the taxpayer is unable to make the payment contact us on **13 2866** before the due date to notify the amount of the tax instalments deducted for the period and negotiate a payment arrangement.

Philanthropy

On 26 March 1999 a proposal was announced to implement the Government's response to the report on philanthropy in Australia by the Business and Community Partnerships Working Group on Taxation Reform. TLA (No. 2) 2000 contains these measures which encourage taxpayers to donate to certain funds, authorities and institutions. The amendments which apply from 1 July 1999 include:

- deductions are allowable for gifts of property to certain funds, authorities and institutions made on or after 1 July 1999 where the value of property exceeds \$5000. The relevant funds, authorities and institutions include charities, approved overseas aid funds, school building funds and cultural organisations
- deductions are allowable for donations made to prescribed private funds. These funds will be listed in the *Income Tax Assessment Regulations* once approval has been obtained
- taxpayers who make gifts under the Cultural Gifts Program may choose to apportion the deduction over a maximum of 5 income years. An election must be lodged with the Secretary of the Department of Communications, Information Technology and the Arts who administers the Cultural Gifts Program. For more information about the Cultural Gifts Program and the election contact the Department of Communications, Information Technology and the Arts by:
phone—(02) 6271 1642
email—cgp.mail@dcita.gov.au
Internet—www.dcita.gov.au
- taxpayers who make gifts to environmental organisations may choose to apportion the deduction over a maximum of 5 years. An election must be lodged with the Secretary of the Department of Environment and Heritage. For more information about making gifts to environmental organisations and the election contact the Department of Environment and Heritage by:
phone—(02) 6274 1467
email—reo@ea.gov.au
- taxpayers who make heritage gifts may choose to apportion the deduction over a maximum of 5 years. An election must be lodged with the Secretary of the Department of Environment and Heritage. For more information about making gifts to environmental organisations and the election contact the Department of Environment and Heritage by:
phone—(02) 6274 1467
email—reo@ea.gov.au
- an exemption from CGT applies for testamentary gifts of property to certain funds, authorities and institutions, and to political parties, independent candidates and members unless the property is reacquired for less than market value by the estate, a beneficiary of the estate or an associate and
- an exemption from CGT applies for gifts of property under the Cultural Gifts Program unless the property is reacquired for less than the market value by the donor or an associate.

For more information refer to the *Guide to capital gains tax*. To find out how to get a copy see the inside back cover.

Political donations

The Government has proposed legislation to allow deductions of between \$2 and \$1500 for contributions to registered political parties and gifts to independent candidates and Members of Parliament. See item **D7—Gifts or donations** on page 18 of these instructions.

Proposed changes effective 1 July 2000

On 11 November 1999 the Treasurer announced, in *Treasurer's Press Release No. 74 of 1999*, integrity measures to contribute to the fairness and equity of the tax system.

These measures include:

- limiting the extent to which non-commercial losses can be offset against other income and
- restricting the ability of individuals to reduce tax by diverting the income they earn from personal services to an entity (a company, trust or partnership).

Both measures will commence on 1 July 2000.

However, at the time of preparing these instructions, legislation had not been introduced into Parliament.

Reportable fringe benefits

The Government has introduced fringe benefits tax (FBT) changes from 1 April 1999, as part of its tax reform package *A New Tax System*. These changes require employers to keep records of the taxable value of certain fringe benefits provided to each employee. Where the total taxable value of the fringe benefits for an employee exceeds \$1000 in an FBT year, the employer is required to report the grossed-up amount on the employee's group certificate.

The amount reported on group certificates will not be included in assessable (or taxable) income or affect the amount of standard Medicare levy payable.

The total will, however, be used to determine deductions and rebates for personal superannuation contributions, liability to superannuation contributions surcharge, termination payments surcharge and Medicare levy surcharge, entitlement to income tested government benefits and concessions, child support obligations and Higher Education Contribution Scheme (HECS) repayments.

Income tax is not paid on reportable fringe benefits.

Small business roll-over relief and retirement exemption

The small business roll-over relief and retirement exemption will apply to land and buildings integral to an entity's business even when they are owned by an entity different to the one operating the business. These measures were announced by the Federal Government on 13 August 1998 and are to be effective for such disposals of land and buildings after that date. At the date of publishing these instructions, legislation to give effect to this announcement had not been enacted by Parliament.

Small business taxpayers

The following measures, that apply from 11.45 a.m. AEST on 21 September 1999, are interim measures pending the introduction of a 'Simplified Tax System' for small business taxpayers, which is to commence on 1 July 2001. At the time of printing legislation for the Simplified Tax System had not been introduced into Parliament.

The key features of the Simplified Tax System are:

- cash accounting rather than accruals
- a simplified depreciation system
- a simplified treatment of trading stock.

For the period 21 September 1999 to 30 June 2001, small business taxpayers who meet certain eligibility requirements will retain the following:

- accelerated depreciation for plant and equipment used in their business activities, when certain conditions are met—see page 1
- immediate deduction for plant costing \$300 or less
- balancing adjustment offsetting
- continued access to the 13-month rule for prepayments other than prepayments in relation to tax shelter arrangements—see **Changes to prepayment rules** on page 1.

Definition of a small business taxpayer

A small business taxpayer is a taxpayer who carries on a business during the income year and either:

- the taxpayer's average turnover for the year is less than \$1 million or
- where the taxpayer chooses to recalculate their average turnover for an income year before 2001–02 based on a reasonable estimate, it is less than \$1 million.

Average turnover

A taxpayer's average turnover for an income year is the average of the taxpayer's group turnovers for the year and the preceding 2 years if any. Taxpayers can only average the years in which they carry on a business, except where they are winding up a business. For example, if a taxpayer has carried on a business for the current and previous year only, the taxpayer would average only those 2 years.

A taxpayer is taken to be carrying on a business in a year if the taxpayer is winding up a business they formerly carried on and the taxpayer was a small business taxpayer at the time that they stopped carrying on the business.

Group turnover

To determine average turnover a small business taxpayer's turnover will be grouped with the entities it controls or is controlled by. These grouping measures are based on those that apply under the CGT roll-over relief for small business. A taxpayer's group turnover for an income year is the sum of the values of all supplies of goods and services that the taxpayer and its controlling or controlled entities made during the year to third parties in the ordinary course of carrying on a business, exclusive of GST payable on supplies.

Capital gains tax—legislative changes

In *Treasurer's Press Release No. 58 of 1999* issued on 21 September 1999 several capital gains measures were announced as part of the New Business Tax System. Legislation to give effect to these measures received Royal Assent on 10 December 1999.

The New Business Tax System (Capital Gains Tax) Act 1999 inserted the following measures into the *Income Tax Assessment Act 1997* (ITAA 1997):

General CGT discount

If an individual makes a capital gain from a CGT event happening after the 'start time' to a CGT asset acquired after that time, the individual may be eligible for the CGT discount in Division 115 of ITAA 1997. The CGT discount means that 50 per cent of the discount capital gain (calculated without any indexation of the cost base), after it has been reduced by current year capital losses and prior year net capital losses, is included in assessable income. The CGT asset must have been acquired at least 12 months before the CGT event giving rise to the capital gain. There are also rules to prevent circumvention of the 12-month requirement.

For a CGT event happening after the start time to a CGT asset acquired at or before that time and owned for at least 12 months, an individual may choose to claim the CGT discount. In working out the net capital gain for the year of income, the capital gain (after applying capital losses) is reduced by 50 per cent. Both current year capital losses and prior year net capital losses must be applied to reduce current year capital gains before applying the CGT discount. Certain CGT events, such as where new assets are created, do not qualify for the CGT discount. These are CGT events D1, D2, D3, E9, F1, F2, F5, H2, J2, J3 and K1. The CGT discount is applied before any of the small business CGT concessions.

Limiting indexation of the cost base of capital gains tax assets

Indexation is not available for capital gains tax (CGT) assets acquired after 11.45 a.m. by legal time in the ACT on 21 September 1999 (the start time). For CGT events happening after that time to CGT assets acquired at or before that time, the individual may choose indexation frozen as at 30 September 1999 or the general CGT discount. If a CGT asset is acquired at or before the start time and further expenditure is incurred in relation to that asset after that time, indexation of that part of the cost base is not available. Neither indexation nor the CGT discount is available if the CGT asset was owned for less than 12 months. If the CGT asset is acquired after the start time only the CGT discount is available.

Removal of CGT averaging

With effect from the 1999–2000 income year, the *New Business Tax System (Income Tax Rates) Act (No. 2) 1999* removes the CGT averaging concession.

In the 1999–2000 income year, transitional measures in the Act provide a reduction to basic income tax liability if you had made a capital gain from a CGT event happening between 1 July 1999 and the start time. It ensures, as far as practicable, that the income tax payable in relation to capital gains from CGT events before the start time is the same as it would have been if capital gains tax averaging had not been removed.

Removal of plant from the CGT regime

The New Business Tax System (Capital Allowances) Act 1999 amends ITAA 1997 to remove plant from the CGT regime and include in assessable income under the depreciation provisions in Division 42 of ITAA 1997 the excess of disposal proceeds over the cost base of the plant, indexed to 30 September 1999. It also provides for a balancing charge offset for involuntary disposals of plant to replace the current CGT roll-over relief for such disposals.

The amendments apply to balancing adjustment events (such as the disposal of plant) occurring after the start time.

In *Treasurer's Press Release No. 74 of 1999* issued on 11 November 1999 further measures were announced but at the time of printing legislation had not been introduced into Parliament to implement them. These measures are:

Involuntary disposal roll-overs

The existing law will be amended to extend the scope of what is defined as an involuntary disposal for capital gains tax roll-over purposes and will establish the same treatment for a compulsory acquisition by a private acquirer as for a public acquirer if the former has recourse to a statutory power. The amendment will not, however, apply to compulsory acquisitions of minority interests under the Corporations Law. Roll-over will also apply if a landowner whose land is compulsorily subject to a mining lease sells the land to the mining company and acquires a replacement asset, if the mining operation would significantly affect the landowner's use of the land. The measure is intended to apply to involuntary disposals after 1.00 p.m. Australian eastern daylight saving time on 11 November 1999.

Roll-over provisions for entities

Measures will be introduced to provide ongoing relief for roll-overs, with effect from 1 July 2001, into companies and fixed trusts. Ongoing relief will be provided for the transfer of all assets, or the transfer of an entire business, from an individual, partnership or joint venture of individuals to a company or fixed trust. The underlying economic interests in the assets or business must remain unchanged and the tax values of the assets immediately after the transfer is completed must be the same as before the transfer. This measure will commence on 1 July 2001.

Scrip for scrip roll-over

New subdivision 124-M of ITAA 1997 provides, with effect from 10 December 1999, for a CGT roll-over—that is, deferral of any capital gain, when certain interests in companies and trusts are exchanged for interests in another entity, typically as the result of a takeover. This roll-over allows the capital gains liability otherwise arising on the disposal of the original interests to be deferred until a CGT event happens to the replacement interests. *Treasurer's Press Release No. 87 of 1999* issued on 10 December 1999 announced that legislation to give effect to cost base rules for assets acquired by an interposed entity from the exchanging taxpayer in a takeover or merger will be introduced as soon as possible following consultation. A further announcement will also be made following a review of some other aspects of the scrip for scrip roll-over provisions.

Small business CGT concessions

There are 4 small business CGT concessions now contained in Division 152 of ITAA 1997 which may apply to CGT events that happen after the start time if certain conditions are satisfied. These are:

- the small business 15-year exemption
- the small business 50 per cent active asset reduction
- the small business retirement exemption and
- the small business roll-over.

For more information refer to the publication *Small business capital gains tax concessions*. In most cases the small business 15-year exemption will not apply to CGT events that happen before 20 September 2000. The small business 50 per cent active asset reduction may apply to all CGT assets that are active assets (including goodwill of a business) and replaces the 50 per cent concession previously available in section 118-250 of ITAA 1997 for goodwill of a business. The previous small business roll-over and retirement exemption provisions and 50 per cent goodwill concession (Division 123, subdivision 118-F and section 118-250 of ITAA 1997 respectively) continue to apply to CGT events happening before the start time.

Non-tax reform legislative changes

The *New Business Tax System (Integrity and Other Measures) Act 1999* inserted the following measures into ITAA 1997.

Taxation Laws Amendment Bill (No. 11) 1999, if enacted by Parliament as introduced, will correct unintended consequences made by the rewrite of the CGT provisions from the *Income Tax Assessment Act 1936* (ITAA 1936) into ITAA 1997 by the Tax Law Improvement Project. The corrections will apply to assessments for the 1998–99 and later income years and are the second instalment of corrections after those contained in *Taxation Laws Amendment Act (No. 4) 1999*.

Taxation Laws Amendment Act (No. 4) 1999, which received Royal Assent on 16 July 1999, inserted a rewrite of the capital gains tax rules about:

- CGT asset register entries that eliminate the need for business taxpayers to keep source documents after 5 years
- the small business retirement exemption and the small business rollover provisions.

The Act also inserted a provision to exempt any capital gain made as a result of reimbursements or payments of expenses under the M4/M5 Cashback Scheme for tolls paid on the M4 and M5 toll roads.

Bonuses for older Australians

If the taxpayer is 55 years of age or older and their taxable income in either 1998–99 or 1999–2000 was less than \$30 000, they may be entitled to the bonuses for older Australians. They will need to apply for the bonuses using a special claim form. In May and June this year, claim forms were posted to people who may be eligible.

If the taxpayer is claiming the bonuses for older Australians and they made contributions to a superannuation fund during 1999–2000 they may also need to complete item **R4—Superannuation contributions, annuity and pension** on their tax return to make sure that their claim is processed correctly.

Deductible expenditure and cost base

For most assets acquired after 7.30 p.m. on 13 May 1997, the cost base is reduced by the amount of any expenditure that is deductible. The cost base is not reduced if the deduction is reversed by an amount being included in the taxpayer's assessable income or an amount that would be included, apart from a provision of the *Income Tax Assessment Act* which provides relief from including a balancing charge in the taxpayer's assessable income.

If the taxpayer acquired land or a building before 13 May 1997, but incurred expenditure after 13 May 1997 which section 160P of ITAA 1936 would have treated as a separate asset from the land or building, the cost base is not reduced by the amount of deductible expenditure as long as the taxpayer incurred the expenditure before 1 July 2000—for example, land acquired before 13 May 1997 where expenditure is incurred before 1 July 2000 by constructing a rental property on the land.

The cost base is also reduced where the taxpayer claims a heritage conservation rebate or landcare and water facility rebate—rather than a tax deduction—for expenditure incurred on or after 12 November 1998.

These changes to the law are contained in the *Taxation Laws Amendment Act (No. 2) 1998* (Act No. 16 of 1999) which received Royal Assent on 8 April 1999.

Demutualisation of mutual entities other than insurance companies

The *Taxation Laws Amendment (Demutualisation of Non-Insurance Mutual Entities) Act 1999*, which received Royal Assent on 16 July 1999, introduced a generic taxation framework applying to demutualisations of mutual non-insurance organisations completed on or after 12 May 1998. Features of the new framework include:

- its application to a demutualisation that occurs under one of 3 specified methods
- a requirement that the interests of members in the mutual organisation be extinguished in exchange for ordinary shares
- a need for broad continuity of beneficial interest to be maintained
- the deferral of any capital gains tax liability until the disposal of the demutualisation shares or interests in them and
- the establishing, for CGT purposes, of the date and cost of acquisition of shares acquired by former members as part of the demutualisation process.

Incorrect adjustments to personal superannuation contributions rebate

The ATO has discovered an anomaly in the calculation of the personal superannuation contribution rebate for a small number of taxpayers. It occurs when there is a profit and loss from the same partnership, which involves both primary production and non-primary production. See page 31 of these instructions for further details.

Managed investment schemes

Eligible managed investment schemes and their members are provided relief from any unintended taxation consequences caused by changing the scheme's 2-tier manager and trustee structure to a single responsible entity structure as required under the *Managed Investments Act 1998*, effective 1 July 1998. Managed investment schemes that change their structure to become a registered scheme in accordance with the *Managed Investments Act 1998*, and members of such schemes, may be eligible for capital gains tax relief. Refer to *Taxation Laws Amendment Act (No. 7) 1999*, which received Royal Assent on 22 September 1999, and *Taxation Laws Amendment Bill (No. 10) 1999*.

Taxi drivers

The ATO has designed a special taxi driver takings and expenses summary form to help taxpayers keep proper records of their earnings and expenses if they operate a taxi. The form should be filled in at the end of each shift and taxpayers should keep receipts to support their expenses. The form records the driver's name and:

- the shift details—that is, date, day/shift (day or night), operator's name and the kilometres travelled during the shift

- gross earnings—cash, credit and total
- expenses—pay-in, fuel/wash costs, other expenses (by description and amount), and total expenses and
- net expenses, shown in the final column.

Although the form is not compulsory, the ATO recommends its use within the industry. Taxi driving earnings and expenses should be recorded in the *Business and professional items schedule 2000—tax agents*. The credit for any tax credit vouchers that have been purchased should be recorded at item **C1—Income tax credit vouchers** on page 10 of the tax return.

Ultimate beneficiary non-disclosure tax

As part of its tax reform package, the Government announced that trustees of closely held trusts will be required to disclose to the Commissioner of Taxation the identity of ultimate beneficiaries presently entitled to net income and tax-preferred amounts to which a trustee beneficiary is presently entitled. The disclosure must be made within a specified period after the end of the relevant income year.

These requirements apply to present entitlements created after 4.00 p.m. on 13 August 1998.

Where the trustee of a closely held trust does not correctly identify the ultimate beneficiaries of net income within the specified period, tax—referred to as ultimate beneficiary non-disclosure tax (UBNT)—is imposed on that part of the net income of the trust at the top marginal rate plus Medicare levy. Tax is imposed at the same rate if there is no such ultimate beneficiary of that part of the net income. Where the trustee does not disclose the ultimate beneficiaries of tax-preferred amounts, tax is not imposed, but there may be offences under the *Taxation Administration Act 1953*.

If an individual receives a distribution from a closely held trust on which UBNT has been paid, that income comprises exempt income for the individual.

However, this exempt income is taken into consideration for purposes of the superannuation contributions surcharge. Refer to item **A4—Amount on which ultimate beneficiary non-disclosure tax was payable** on page 29 of these instructions.

Y2K software depreciation

Under the *Taxation Laws Amendment (Software Depreciation) Act 1999*, taxpayers may depreciate or claim a deduction for certain expenditure incurred to ensure year 2000 compliance of their computers. See page 18 of these instructions.

Residency

Note: An overseas visitor who is in Australia on a working holiday will not, generally, be regarded as an Australian resident for tax purposes.

If the taxpayer's residency status for tax purposes has changed during 1999–2000, item **A2—Part-year tax-free threshold** on page 6 of the tax return will also need to be completed. We need this information to work out the taxpayer's tax-free threshold. *Taxation Ruling TR 1998/17—Income tax: residency status of individuals entering Australia* provides more information about residency.

Deceased estate

If you are lodging a tax return for a taxpayer who died during 1999–2000, 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 **Final** in the **Final tax return** box.

Attachments to the tax return

If an item has specified that further information is required, a separate piece of paper headed **SCHEDULE OF ADDITIONAL INFORMATION** should be attached. Provide the taxpayer's name, tax file number (TFN) and any required details on this schedule. Ensure the taxpayer signs the schedule. Print **Y** in the **Have you included any attachments—other than group certificates and income tax credit vouchers?** box on page 1 of the tax return and attach the additional information to the top left hand corner of page 3.

Personal details

Please carefully complete the personal information items.

Title

Titles of up to 15 characters can be used in the space provided. A list of preferred abbreviations for the most common titles can be found in the **Titles** section of the publication *Keying names and addresses*.

Name

If any part of the taxpayer's name has changed since the last tax return was lodged, print the previous surname only.

Address

Address details are required to be in a specific format. There are 4 lines available for details in the address block. Print the street number and name on the first 2 lines and the details of suburb or town, State and postcode in the spaces provided on the 3rd line. If the taxpayer's postal address is in a country other than Australia, include the name of the country on the 4th line. Otherwise, leave this space blank.

Date of birth

Complete all the details of the taxpayer's date of birth—day, month and year—to avoid delays in the processing of the tax return.

Daytime telephone number

Write a telephone number on which the taxpayer can be contacted during business hours.

Electronic funds transfer (EFT)

Direct refund

This allows the ATO to deposit the taxpayer's tax refund directly into a bank, credit union or building society account of their choice using EFT—for example, a tax agent's account.

Important—Care should be taken when completing EFT details as payment of any refund will be made to the account specified.

If EFT is not required

If the taxpayer does not want to use EFT, or wishes to cancel their existing EFT authority, simply print **N** in the **Do you want to use EFT for your refund this year?** box.

To use direct refund

To use direct refund print **Y** in the **Do you want to use EFT for your refund this year?** box.

If the taxpayer received a direct refund last year and the account details provided are correct there is no need to provide them again.

If the taxpayer did not use EFT last year or the account details are different this year complete the following.

- Write the bank state branch (BSB) number in the **BSB number** box. This 6-digit number identifies the financial institution. Do not include spaces, dashes or hyphens in the number.
- Write the account number in the **Account number** box. You cannot use an account number with more than 9 characters. Do not include spaces in the account number.
- Print the account name, as shown in the account records, in the **Account name** box. Do not print the account type—for example, savings, cheque or mortgage offset. Please include spaces between each word and between initials in the account name. Joint accounts are acceptable. The account name should not exceed 32 characters.

Direct debit

This allows the taxpayer to pay their tax directly from their account using electronic funds transfer (EFT). A taxpayer can provide separate account details for direct debit and direct refund. However, an account for direct debit must be in the taxpayer's name. Joint accounts are acceptable as long as the taxpayer's name is one of the account names.

To use direct debit

If the taxpayer wants to use direct debit for the first time they must complete and sign a *Direct debit request* and send it to the ATO. The amount to be debited from the account and the date the payment is to be made must also be provided. Allow at least 10 working days for processing.

If the taxpayer used EFT last year and the account details provided are correct **there is no need to make another request**. The notice of assessment will display a message that the tax debt will be debited from the taxpayer's nominated account on the due date.

If the taxpayer's account details have changed they will need to complete and sign a new *Direct debit request* if they want to use direct debit successfully this year.

There is no provision for a direct debit election on the tax return. The *Direct debit request* is available in the EFT direct debit and direct refund chapter of the *Tax agent portfolio*. The request is also available as part of electronic lodgment service software packages.

A *Direct debit request* remains in force until it is cancelled. Cancellations must be received 5 business days before the payment date.

Declaration

The taxpayer must sign and date the taxpayer's declaration at the bottom of page 1 and the tax agent must complete and sign the tax agent's certificate at the top of page 2.

When completing the tax agent's certificate, the contact name is the name of the person who is the first point of contact in your firm for queries relating to the tax return. Where the tax agent's reference number is less than 8 digits, please include leading zeros.

Income

Include amounts written on group certificates, or statements of benefit and allowance, at items 1 to 8. Do not include amounts shown on income tax credit vouchers purchased for the taxpayer except where the taxpayer is part of the staff of an embassy. In that case amounts shown on income tax credit vouchers are to be shown at item 2—**Allowances, earnings, tips, director's fees, etc.**

Note: Ensure that you have all of the taxpayer's group certificates and statements of benefit or allowance before lodging the tax return.

1 Gross salary or wages shown on group certificates—labels X and C to G

Main salary or wage occupation—label X

Include an accurate description of the taxpayer's main salary or wage income earning activity and the appropriate 4-digit code from the publication *Salary or wage occupation codes 2000*. **Please do not use last year's code without checking this publication.**

Gross salary or wages—labels C to G

If the taxpayer has more than 5 group certificates, add the tax instalments deducted and gross income from the 5th and remaining group certificates and write the income totals at label G, item 1, and tax instalments deducted at the left of label G, item 1. Ensure you attach all group certificates to page 3 of the tax return.

Note:

- Ensure that all group certificates and statements of benefit and allowance have been received and included by the taxpayer before lodging their tax return.
- Do not show foreign employment income at this item. Show it, if required, at item 16—**Foreign source income and foreign assets or property**.
- Do not show income tax credit vouchers at this item. Show them, as appropriate, at items 2—**Allowances, earnings, tips, directors fees, etc.**, 11—**Partnerships and trusts** and C1—**Income tax credit vouchers**.
- Do not show reportable fringe benefits amounts provided in respect of the taxpayer's employment at this item—show them at item 8—**Total reportable fringe benefits amounts**.

2 Allowances, earnings, tips, director's fees, etc.—label K

Include at this item all assessable salary or wages—within the meaning of subsection 221A (1) of ITAA 1936—derived by the taxpayer during 1999–2000 other than:

- salary and wages shown at item 1—**Gross salary or wages shown on group certificates**
- lump sum payments required to be shown at item 3—**Lump sum payments**

- eligible termination payments (ETPs) required to be shown at item 4—**Eligible termination payments**, OR
- amounts required to be shown at item 19—**Other income**, including 'eligible income' within the meaning of subsection 159ZR (1) of ITAA 1936, non-qualifying components of ETPs, and proceeds from sickness and accident insurance policies not shown on a group certificate.

Do not show total reportable fringe benefits amounts provided in respect of the taxpayer's employment at item 2; show them at item 8—**Total reportable fringe benefit amounts**.

Do not show any income derived by the taxpayer from foreign employment at item 2. Show it, if required, at item 16—**Foreign source income and foreign assets or property**.

Do not show any income derived by the taxpayer as a non-employee taxi driver—for example, one operating under a standard bailment agreement with an owner/operator—at item 2. This income should be included in the *Business and professional items schedule 2000—tax agents*.

For taxpayers who are embassy staff, show at label K, item 2, any salary or wages from which tax instalments have not been deducted, and show in the 'Tax instalments deducted' box at the left of label K the total amount of any tax paid by the purchase of income tax credit vouchers.

Do not show, at this item, any income derived as a partner in a partnership nor any income—including commission income—derived because the taxpayer was self-employed.

3 Lump sum payments—labels R and H

Show at label R the total of all amounts shown at A in the lump sum payments box on the taxpayer's group certificates, letters and statements.

Show at label H 5 per cent of the total of all amounts at B in the lump sum payments box on the taxpayer's group certificates, letters and statements.

Show the total tax instalments deducted from the amounts shown at A and B at the left of labels R and H, respectively, if not already shown at item 1 or 2.

4 Eligible termination payments—labels I and N

The assessable amount shown at Section 3, 'ETP cash payment details', on ETP group certificates, is the taxable amount to be shown at label I. If the ATO has advised the taxpayer that they have exceeded the relevant reasonable benefit limits, the ETP components shown on that ATO advice must be used.

5 Youth allowance, Newstart, sickness allowance or special benefit, austudy payment or other educational or training allowances or payments — label A

This includes:

- youth allowance
- additional parenting payment (partnered)
- exceptional circumstances relief payment, restart income support, farm household support (by way of financial assistance)
- Newstart allowance
- mature age allowance and the taxpayer started to receive the allowance on or after 1 July 1996
- partner allowance
- sickness allowance
- special benefit
- widow allowance
- austudy payment
- ABSTUDY living or dependent spouse allowance or payment under the Veterans' Children Education Scheme and the taxpayer was 16 years or over

Note: If the taxpayer received ABSTUDY before December 1999 and continued to receive it in 2000, the taxpayer will get 2 group certificates from Centrelink. The taxpayer will need to have both group certificates before they can complete this item.

- an income support component from a Community Development Employment Project (CDEP) — shown as 'CDEP Salary or Wages' on the taxpayer's group certificate
- 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.

Under proposed legislation a CDEP Scheme Participant Supplement paid by Centrelink will be shown at this item.

Beneficiary rebate

If the taxpayer received one or more of the payments listed above, they may be entitled to a beneficiary rebate. We work out the taxpayer's rebate from the information you provide at this item, using the following formulas:

If the taxpayer's benefit is \$20 700 or less:

$$\text{the rebate} = (\text{benefit} - \text{tax-free threshold}) \times 20\%$$

If the taxpayer's benefit is more than \$20 700:

$$\text{the rebate} = (\text{benefit} - \text{tax-free threshold}) \times 20\% + (\text{benefit} - \$20\,700) \times 14\%$$

Tax-free threshold is defined in Regulation 148 of the Income Tax Regulations. If the taxpayer has changed residency status for tax purposes or finished full-time education for the first time during 1999–2000, complete item **A2 — Part-year tax-free threshold** on page 6 of the tax return to ensure the taxpayer receives the correct beneficiary rebate entitlement.

6 Commonwealth of Australia government pensions and allowances — label B

This includes:

- age pension
- bereavement allowance
- carer payment
- disability support pension and the taxpayer has reached age pension age
- mature age allowance and the taxpayer started to receive the allowance before 1 July 1996
- mature age partner allowance
- parenting payment (single)
- widow B pension
- wife pension
- age service pension
- carer service pension
- income support supplement
- invalidity service pension and the taxpayer has reached age pension age
- partner service pension

Note: All government pensioners have been sent a leaflet with their group certificate explaining the lodgment rules. Their income test is now based on assessable income, not taxable income. The income thresholds have been increased to take account of the low income rebate.

If the taxpayer received a Centrelink payment and chose during the year to change the day on which they regularly received their payment, the ATO will send the taxpayer (or may have already done so) information about a change in their rebate threshold. This information will include a rebate code which they should use instead of the rebate codes listed on page 13 of these instructions.

If the circumstances above do not apply to the taxpayer:

Select the appropriate code letter from the table on the next page to match the conditions that applied during 1999–2000 while the taxpayer was receiving these pensions or allowances. Note that there are 2 columns to select from this year: column 1 is for use by persons who receive their pension or allowance from Centrelink, unless otherwise advised, and column 2 is for use by persons who receive their pension or allowance from the Department of Veterans' Affairs (DVA). This change is necessary for rebate purposes to accommodate taxpayers who received 27 instead of 26 fortnightly payments during the income year. It is important that the correct column is used, as this will allow the correct rebate to be calculated.

| Rebate description | Column 1 Centrelink | Column 2 Veterans' Affairs |
|--|------------------------|----------------------------------|
| If at any time during 1999–2000 while the taxpayer was receiving the Commonwealth of Australia government pension or allowance listed at item 6 the taxpayer was: | | |
| • single or widowed | S | B |
| • separated | S | B |
| • a sole parent | S | B |
| • married or had a de facto spouse and their spouse did NOT receive any of the Commonwealth of Australia government pensions or allowances listed at item 6 or any exempt social security or Department of Veterans' Affairs pension and, if the taxpayer is a social security recipient, the taxpayer started to receive their pension or allowance before 12 March 1992 and the taxpayer has been receiving it continuously since then | S | B |
| If the taxpayer was married or had a de facto spouse and their spouse did not receive any of the Commonwealth of Australia government pensions or allowances listed at item 6 or any exempt social security or Department of Veterans' Affairs pension, and the taxpayer started to receive their pension or allowance on or after 12 March 1992 AND the taxpayer and their spouse had to live apart due to illness OR either of them was in a nursing home at any time during 1999–2000 | H | C |
| If a taxpayer lived with a spouse—married or de facto—and their spouse did NOT receive any of the Commonwealth of Australia government pensions or allowances listed at item 6 or any exempt social security or Department of Veterans' Affairs pension and the taxpayer started to receive their pension on or after 12 March 1992 | Q | D |
| If the taxpayer and their spouse—married or de facto—both received a Commonwealth of Australia government pension or allowance listed at item 6, or the taxpayer received such a pension and their spouse received any exempt social security or Department of Veterans' Affairs pension AND they had to live apart due to illness OR either was in a nursing home at any time during 1999–2000 | A | E |
| If the taxpayer and their spouse—married or de facto—lived together and both received a Commonwealth of Australia government pension or allowance listed at item 6, or the taxpayer received such a pension and their spouse received any exempt social security or Department of Veterans' Affairs pension at any time during 1999–2000 | M | F |

'Had to live apart due to illness' is a term relating to the payment of pensions. If you are unsure if the taxpayer was paid the pension at a higher rate because he or she was separated from their spouse due to illness, check with Centrelink.

If more than one code letter applies to the taxpayer, use the letter that appears first in the following order: **S A H M Q** if the taxpayer is a Centrelink client, or **B E C F D** if the taxpayer is a Department of Veterans' Affairs (DVA) client. For example, if the taxpayer is a Centrelink client and both code letters **S** and **H** apply to the taxpayer, use **S**.

Exceptions to these rules

- If **S** and **M** apply to the taxpayer, and their spouse's notional taxable income was less than \$8410 if they were a Centrelink client, or \$8805 if they were a DVA client, use code letter **M** as this will give the taxpayer the correct rebate.
- If **S** and **A** apply to the taxpayer, and their spouse's notional taxable income was less than \$11 570 if they were a Centrelink client, or \$12 020 if they were a DVA

client, use code letter **A** as this will give the taxpayer the correct rebate.

- If **B** and **F** apply to the taxpayer, and their spouse's notional taxable income was less than \$8735 if they were a DVA client, or \$8340 if they were a Centrelink client, use code letter **F** as this will give the taxpayer the correct rebate.
- If **B** and **E** apply to the taxpayer, and their spouse's notional taxable income was less than \$12 005 if they were a DVA client, or \$11 555 if they were a Centrelink client, use code letter **E** as this will give the taxpayer the correct rebate.

If the taxpayer had a spouse during 1999–2000 complete **Spouse details—married or de facto** on page 7 of the tax return including labels **O** and **Q**. Also show the source of the spouse's pension or allowance, or exempt pension in the source code box at the right of label **O**. If the spouse was a Centrelink client print **P**, if a DVA client print **V** and complete **Your spouse's name** on page 1 of the tax return.

The rebate thresholds relating to the rebate code letters for this item are:

Rebate thresholds

| | COLUMN 1 | COLUMN 2* | COLUMN 3 |
|-----------------------------------|---|---|----------------|
| The taxpayer's rebate code letter | Taxpayer may get up to the full rebate if their taxable income is equal to or less than this amount | Taxpayer will not get a rebate if their taxable income is equal to or more than this amount | Maximum rebate |
| S | \$12 190 | \$23 054 | \$1358 |
| A*, H | \$11 880 | \$22 248 | \$1296 |
| M*, Q | \$10 300 | \$18 140 | \$980 |
| B | \$12 655 | \$24 263 | \$1451 |
| C, E* | \$12 330 | \$23 418 | \$1386 |
| D, F* | \$10 695 | \$19 167 | \$1059 |

* If code letters marked with an asterisk are used, the taxpayer may still be entitled to a rebate because of a transfer of the unused portion of the taxpayer's spouse's pensioner rebate.

7 Other Australian pensions or annuities— including superannuation pensions—label J

Print the type of pension or annuity in the **Type** box at item 7. Show total gross income derived by the taxpayer from the pension or annuity at label J, item 7. Show the total tax instalments deducted from the pension or annuity—as shown on the group certificate or statement which the taxpayer obtained from the annuity, superannuation fund, pension fund or retirement savings account (RSA) provider—at the left of label J, item 7. Do not show pension or annuity income from a foreign annuity or pension fund at this item. Show it at item 16—**Foreign source income and foreign assets or property**.

8 Total reportable fringe benefits amounts

From 1 April 1999, employers are required to keep records that show the taxable value of certain fringe benefits provided to each employee (and their associates such as spouse and children). If the total taxable value of fringe benefits for an employee in a fringe benefits tax (FBT) year exceeds \$1000, the total grossed-up amount is reported on the employee's group certificate for the corresponding income year.

Reporting of fringe benefits amounts on group certificates applies from the 1999–2000 income year. Therefore, benefits received during the 1999–2000 FBT year (1 April 1999 to 31 March 2000) would be reported on a group certificate for the 1999–2000 income year (1 July 1999 to 30 June 2000).

If 2 or more employees share a fringe benefit, the employer needs to work out the portion of the taxable value that reasonably reflects the amount of the benefit provided to each employee. To do this, the employer should take into account all relevant information such as the usage of the benefit by each employee.

An agreement between an employee and an employer relating to a reasonable method of apportionment may be used to allocate the taxable value of a benefit between employees.

The new arrangements will enhance the fairness and equity of the taxation and social welfare systems. Government income tests will now take into account the fringe benefits people receive. The information that is reported on group certificates will be used for the following income tests:

- Medicare levy surcharge
- superannuation contributions surcharge
- termination payments surcharge
- deductions for personal superannuation contributions
- rebate for contributions to spouse's superannuation
- rebate for personal superannuation contributions
- HECS repayments
- child support obligations, and
- entitlement to certain income tested government benefits.

Fringe benefits excluded from the group certificate reporting arrangements are:

- car parking benefits (other than car parking expense payment benefits)
- entertainment by way of food or drink and benefits associated with that entertainment such as travel and accommodation
- hiring or leasing entertainment facilities such as corporate boxes
- remote area housing fringe benefits and certain other benefits associated with remote area housing such as residential fuel and rental payments
- freight costs for food provided to employees living in a remote area, and
- costs of occasional travel to a major Australian population centre by employees and their families living in a remote area.

The Government has announced that certain housing and other fringe benefits provided to Australian Defence Force personnel will also be excluded from the reporting requirements.

The above fringe benefits will, however, still be subject to FBT.

Benefits which are exempt from FBT (other than those discussed in the next paragraph) do not need to be included when calculating the amount of fringe benefits received by the taxpayer. Some examples of exempt benefits are mobile phones used primarily for work and minor benefits such as small Christmas presents.

Some benefits that are exempt from FBT may still need to be reported on group certificates. These are benefits that are exempt only because they are provided to:

- certain live-in residential care workers where the employer is a government body, religious institution or a non-profit company or
- employees of public benevolent institutions, including government employees who work in public hospitals.

9 Gross interest—labels L and M

Show gross assessable interest income derived by the taxpayer from Australian sources at label L, item 9. Show any TFN amounts deducted from that income at label M, item 9. Account keeping fees, charges and Financial Institutions Duty should not be shown at label M. You may be able to claim these amounts at item **D6—Interest and dividend deductions**.

If the taxpayer had a joint account and they quoted their individual TFN to the financial institution, show the taxpayer's share of interest at item 9. If the taxpayer quoted a partnership or trust TFN to the financial institution, any interest derived becomes part of the net income of the partnership or trust. Show the taxpayer's share of the net income of the partnership or trust at item **11—Partnerships and trusts**.

Do not include at item 9 distributions of interest the taxpayer received, or was entitled to receive, from a partnership or trust—including a cash management, money market, mortgage, property, unit or any similar trust investment product. Show these amounts at item **11—Partnerships and trusts**.

Do not show any interest income derived by the taxpayer from any foreign source at item 9. Show it at item **16—Foreign source income and foreign assets or property**.

10 Dividends—labels S, T, U and V

Show at label S, item 10, the total of gross unfranked dividends paid or credited to the taxpayer and any other unfranked amounts—such as amounts arising because a taxpayer failed the holding period and related payments rules in Division 1A of Part IIIA of ITAA 1936—which will be treated as having been paid or credited to the taxpayer, other than dividends paid or credited to a non-resident taxpayer from which withholding tax has been deducted.

Note: To the extent that family trust distribution tax has been paid on a dividend paid or credited to the taxpayer by a company which has made an interposed entity election, the dividend is excluded from the assessable income of the taxpayer under section 271-105 of ITAA 1936 and a credit or rebate cannot be claimed for any imputation credit attached to the exempt portion of the dividend. Do not show any amount of a dividend which is exempt under section 271-105 of ITAA 1936 at labels S or T, item 10, and do not show any section 160AQT of ITAA 1936 gross-up amount relating to the exempt portion of the dividend at label U, item 10.

Include at these labels distributions from a corporate limited partnership taxed in accordance with Division 5A of Part III of ITAA 1936.

Do not include at these labels any dividends that the taxpayer received, or was entitled to receive, that are part of a distribution of income from a partnership or trust—including a cash management, money market, mortgage, property, unit or any similar trust investment product. Show these amounts at item **11**

—Partnerships and trusts.

If the taxpayer is a shareholder, or an associate of a shareholder, of a private company and received payments from the company or loans from the company or a trustee (where company has present entitlement) or had debts forgiven by the company, the amounts (subject to distributable surplus) of those payments, loans not repaid or debts forgiven should be returned as an unfranked dividend unless they are specifically excluded under the provisions of Division 7A of Part III of ITAA 1936.

Show the total of gross franked dividends paid or credited to the taxpayer at label T, item 10, other than franked dividends paid or credited to a non-resident taxpayer.

Show at label U, item 10, the total of the section 160AQT of ITAA 1936 gross-up amounts for the franked dividends shown at label T which the taxpayer is entitled to claim as a franking rebate.

If the taxpayer purchased their shares in joint names show only their portion of dividend income in the appropriate dividend labels.

A taxpayer's entitlement to a franking rebate may be affected by the holding period rule and related payments rule. The relevant provisions generally operate from 1 July 1997—although in some cases they apply from 13 May 1997. For details of the operation of the legislation restricting the claiming of franking rebates and credits, see **What's new?** on page 2 of these instructions, Division 1A of Part IIIA of ITAA 1936 and the publication *You and your shares* which is available from the ATO.

I Total supplementary section income or loss

If the taxpayer derived any assessable income that is not covered by items 1 to 10, or the taxpayer incurred any loss which can be claimed in the supplementary section of the tax return, the supplementary section must be completed.

If the supplementary section has to be completed, transfer the amount from **TOTAL SUPPLEMENTARY SECTION INCOME OR LOSS** to item I, page 3 on the tax return.

Total income or loss

If an overall loss was calculated for this item, print the letter L in the small box at the right of this label.

Deductions

Depreciable property—proposed legislative change

The Government has announced that it will amend the law to adjust taxable income, where net deductions for the cost of depreciable property financed under hire purchase or limited recourse finance arrangements exceed the total actual expenditure, when the financing arrangement is terminated. The measures apply to hire purchase and limited recourse debt arrangements that terminated after 27 February 1998. See **What's new?** on page 3 of these instructions.

Employee deductions—items D1 to D5

The ATO has released special information on work related expenses for 16 occupations: airline employees, Australian Defence Force members, employee building workers, employee cleaners, employee lawyers, factory workers, hairdressers, hospitality industry employees, nurses, employee performing artists, police officers, real estate employees, employee shop assistants, teachers, employee journalists and employee truck drivers. Rulings, including occupational rulings summaries, are available on the ATO's Internet site—**ATOassist**—at the following address: www.ato.gov.au You may also obtain a copy of the rulings from the Freedom of Information Unit in your State (South Australia and Tasmania, ring Box Hill in Victoria).

D1 Work related car expenses—label A

This label is for deductible work related car expenses for a car that the taxpayer owned, leased or hired under a hire purchase agreement. Do not include expenses for vehicles other than cars, such as 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 these at item D2—**Work related travel expenses**. Do not include car expenses covered by award transport payments if the claim is no more than the amount payable under the award as at 29 October 1986. Show these at item D2. Do not include 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 expenses at item D2.

Schedule 2E of ITAA 1936 provides for leases of luxury cars to be treated as notional sale and loan transactions. A proportion of the finance charge for the notional loan is allowable as a deduction to the lessee to the extent that the lease payments made would have been deductible. As the lessee is taken to be the owner of the car, the lessee is the person entitled to any deduction for depreciation in accordance with the rules applying to owners of luxury cars.

There are special rules for jointly owned cars. For example, where a car is owned by 2 people—each owning half—under METHOD 2—12 per cent of original value method, each joint owner would claim 6 per cent. For more information about these rules refer to *Practice statement 1992/2*.

Print the code letter that relates to the largest portion of the claim in the **Claim type** box at the right of label A.

| Description | Code letter |
|-----------------------------------|-------------|
| Cents per kilometre | S |
| 12 per cent of the original value | T |
| One-third of actual expenses | O |
| Logbook | B |

Changes to the depreciation system may affect the amount of work related car expense. See **What's new?** on page 1 or refer to the publication *Guide to depreciation*. Claim at item D1 any deductible balancing adjustment loss arising from the disposal, loss or destruction of the taxpayer's car for which car expenses were claimed. Show any assessable balancing adjustment profit that arises in the same way at label V, item 19—**Other income** in the supplementary section. *Taxation Ruling TR 2000/6—Substantiation rules: calculation of balancing adjustment for cars* and the publication *Guide to depreciation* show how to calculate a balancing adjustment from the disposal, loss or destruction of a car for which car expenses were claimed.

The calculation of balancing adjustments for cars is not affected by the depreciation changes that applied from 11.45 a.m. on 21 September 1999.

D2 Work related travel expenses—label B

This label is for deductible travel expenses such as meals; accommodation and incidental expenses; air, bus, and train, tram and taxi fares; bridge and road tolls; parking and car hire fees. It is also for those deductible car expenses not covered by item D1—

Work related car expenses—for example, car expenses covered by an award transport payment, where the claim is no more than the amount payable under the award as at 29 October 1986, and any work related running costs associated with vehicles other than cars or a car owned or leased by somebody else—a borrowed car.

A taxpayer cannot claim a deduction for any expenses incurred for the direct operation of a car that their employer provides, which is at any time used by them or their relatives, even if the expenses are work related. However, a taxpayer 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.

D3 Work related uniform, occupation specific or protective clothing, laundry and dry cleaning expenses—label C

Claim at label C, item D3, deductible expenses incurred by the taxpayer in buying, renting, repairing, laundering or dry cleaning occupation specific clothing, protective clothing and work uniforms. Refer to *Taxation Ruling TR 94/22—Deductibility of expenditure on conventional clothing*, *Taxation Ruling TR 97/12—Deductibility of expenses on clothing, uniform and footwear*, *Taxation Ruling TR 98/5—Calculating and claiming a deduction for laundry expenses* and *Taxation Determination TD 1999/62—What are the criteria to be considered in deciding whether clothing items constitute a compulsory corporate uniform/wardrobe*. Print the code letter that relates to the largest portion of the claim in the **Claim type** box at the right of label C.

| Description | Code letter |
|------------------------------|-------------|
| Compulsory work uniform | C |
| Non-compulsory work uniform | N |
| Occupation specific clothing | S |
| Protective clothing | P |

D4 Work related self-education expenses—label D

This item is only for deductible self-education expenses related to an educational course provided by a school, college, university or other place of education.

Select from the list in the next column the code letter that best describes the taxpayer's deductible self-education expenses and print the code letter in the **Claim type** box at the right of label D, item D4.

There is a direct connection between the self-education and the taxpayer's current work activities because the study maintains or improves a skill or specific knowledge required for their current work activities. * K

There is a direct connection between the self-education and the taxpayer's current work activities because they can show that the study leads to, or is likely to lead to, increased income from their current work activities. * I

Other circumstances exist where there is a direct connection between the taxpayer's self-education and their current work activities. * O

* The term 'current work activities' refers to the work activities of the taxpayer at the time they incurred the relevant self-education expenses.

Self-education expenses are **NOT** allowable if the taxpayer's study is designed to:

- get the taxpayer a job
- get the taxpayer a new job—a different job to their current one OR
- get the taxpayer income from a new income earning activity.

Self-education expenses are not deductible against income received from youth allowance, austudy payment, ABSTUDY or similar schemes providing payments in the nature of assistance. For more information on self-education expenses, refer to *Taxation Ruling TR 98/9—Deductibility of self-education expenses*. For more information on depreciation refer to *Guide to depreciation* which contains details of changes to depreciation calculations, small item write-offs and balancing adjustments that apply to items acquired on or after 21 September 1999.

D5 Other work related expenses—label E

This item may include claims for union fees, subscriptions to associations, overtime meals, attending formal education courses provided by professional associations, seminars, conferences or education workshops that are sufficiently connected to current work activities; books, journals and trade magazines; tools and equipment; telephone, computers and software; depreciation expenses and home office expenses.

Note:

- Financial Institutions Duty (FID) charged on salary, wage, pension, allowance or payment income deposited into the taxpayer's bank, building society or credit union account can be claimed at this item.
- Where a taxpayer has been charged debits tax or government duty tax (GDT) on any payments debited from their account to fund expenses which the taxpayer claimed as deductions at items D1 to D5, the taxpayer can claim the debits tax at label E, item D5. If only a proportion of the payment on which debits tax was imposed was used to fund

such expenses, then only the same proportion of the debits tax can be claimed at this item.

- A deduction for overtime meal expenses can only be claimed for meal expenses actually incurred when overtime is worked and where an overtime meal allowance is received under an industrial law, award or agreement. An amount for overtime meals that has been folded in as part of normal salary or wages income is not considered to be an overtime meal allowance. The meal allowances must be shown as assessable income. Written evidence is required for claims of more than \$16.20 per meal. A deduction of \$16.20 per meal is not automatically allowable.
- Computer software: Costs incurred in acquiring, developing or commissioning computer software is depreciable over 2 1/2 years on a prime cost basis of 40 per cent per year. An immediate deduction is allowable for costs incurred on software purchases of \$300 or less, provided the total cost of identical software does not exceed \$300 in an income year. Claims must be apportioned between work related and private use for the period the taxpayer owned the software during the year. However, if the costs incurred in acquiring, developing or commissioning computer software (including upgrades) were for the principal purpose of ensuring year 2000 compliance, and those costs were incurred before 1 January 2000, an immediate deduction is allowable. Refer to *Taxation Ruling TR98/13—Deductibility of year 2000 (millennium bug) expenses*.
- Deductions for income protection insurance premiums should be claimed at item **D14—Other deductions**.
- For more information on home office expenses, refer to *Taxation Ruling TR 93/30—Deductions for home office expenses*. A fixed rate of 20 cents per hour may be used for home office expenses for heating, cooling, lighting and depreciation of furniture instead of keeping details of actual costs. Refer to *Practice statement 1999/4—Home office expenses*.
- Changes to the depreciation system may affect the amount of other work related expenses. Refer to **What's new?** on page 1 and refer to the publication *Guide to depreciation*.

D6 Interest and dividend deductions—label I

Do not show at item **D6** expenses incurred in relation to the following:

- costs of managing tax affairs—show at item **D9—Cost of managing tax affairs**
- a partnership or trust distribution—show at item **11—Partnerships and trusts**
- business income—show at item **12—Net income or loss from business**
- foreign source interest or dividends—show at item **16—Foreign source income and foreign assets or property**
- rental income—show at item **17—Rent**
- the land transport facilities tax rebate scheme or

infrastructure borrowings scheme—show at item **D14—Other deductions**.

If funds are borrowed for both private and income producing purposes, then the interest on the borrowings must be apportioned. Only interest incurred for an income producing purpose is deductible. Deductions are not allowable for expenses incurred in deriving an amount that has been excluded from assessable income because family trust distribution tax has been paid on it.

Claim FID imposed on the deposit of assessable interest and dividend income of the taxpayer at this item. Where FID was imposed partly in relation to the deposit of assessable interest and dividend income of the taxpayer and partly in relation to the deposit of other amounts, then only the proportion of FID imposed in relation to the former can be claimed at label **I**, item **D6**.

Where a taxpayer has been charged debits tax or GDT on payments from their account to fund expenses incurred in earning assessable interest or dividends—expenses that the taxpayer is claiming at this item—the taxpayer can also claim the debits tax at this item. If only a proportion of the payment on which debits tax was imposed was used to fund such expenses, then only the same proportion of the debits tax can be claimed at this item.

A taxpayer cannot claim a deduction for any loss or outgoing incurred in deriving exempt income, such as expenses incurred in relation to deriving a dividend that is exempt under section 271-105 of ITAA 1936. Refer to Schedule 2F of ITAA 1936.

D7 Gifts or donations—label J

If the claim at this item includes an amount for a cultural bequest and this is the final individual tax return for a deceased person, print the code letter **C** in the **Claim type** box at the right of label **J**. Otherwise leave the box blank.

Parliament is presently considering changes to the law with respect to the deductibility of gifts or donations. These changes, which may apply this income year, are:

- to allow tax deductible contributions—including membership subscriptions—up to a maximum level of \$1500 to registered political parties
- to allow tax deductible gifts—also up to a maximum level of \$1500—to independent candidates or independent Members of Parliament
- to allow deductions for gifts of property valued at more than \$5000 made to certain funds, authorities and institutions regardless of when or how the property was acquired. Where the property relates to a gift or contribution to a political party or independent candidate or independent Member of Parliament, the deduction is to be limited to \$1500
- to allow deductions for gifts made to specified private funds

- to allow taxpayers to elect to spread the deduction for gifts made under the Cultural Gifts Program over 5 income years or less
 - to allow CGT exemption for gifts of property made under the Cultural Gifts Program and testamentary gifts of property to gift deductible organisations.
- Refer to the Taxation Laws Amendment (Political Donations) Bill 1999 and Taxation Laws Amendment Bill (No. 8) 1999.

D8 Deductible amount of undeducted purchase price of an Australian pension or annuity—label L

The deductible amount that taxpayers can claim under section 27H of ITAA 1936 is claimed at label L. This amount must not exceed the pension or annuity to which it relates, shown at label J, item 7.

D9 Cost of managing tax affairs—label M

Only expenses incurred by the taxpayer which are deductible under section 25-5 of ITAA 1997 can be claimed at this item. Claims include managing the taxpayer's own tax affairs or complying with legal obligations relating to another person's tax affairs. Managing the taxpayer's own tax affairs includes:

- expenses relating to preparing and lodging the taxpayer's tax return—for example, buying tax reference material, lodging through the **TAXPACKEXPRESS** service, obtaining tax advice from a registered tax agent, barrister or solicitor, or dealing with the ATO. It also includes the cost of travel associated with obtaining tax advice—for example, the travel costs of attending a meeting with the taxpayer's professional tax adviser
- appealing to the Administrative Appeals Tribunal or courts
- paying interest to the ATO because:
 - the taxpayer paid their income tax late
 - an amendment to an assessment for 1992–93 or later included an amount of interest.

Note: Additional tax payable by the taxpayer on a tax shortfall and any other tax penalties are not deductible.

- obtaining a valuation for a gift of property donated under the Cultural Gifts Program.

Costs of complying with legal obligations relating to another person's tax affairs include:

- complying with the prescribed payments system—for example, the cost of reporting to the ATO payments made to a builder
- supplying information requested by the ATO about another taxpayer.

D Total supplementary section deductions

If the taxpayer can claim any deductions other than those that can be claimed at items D1 to D9 and D10, the supplementary section of the tax return must be completed.

If the supplementary section is required to be completed, transfer the amount from **TOTAL SUPPLEMENTARY SECTION DEDUCTIONS** to item D on page 3 of the tax return.

Total deductions

To work out the **TOTAL DEDUCTIONS**, excluding tax losses of earlier income years, add the amounts shown for items D1 to D. After this has been done subtract **TOTAL DEDUCTIONS** from **TOTAL INCOME OR LOSS** above the deductions area on page 3 of the tax return. The amount that you calculated should be shown in the **SUBTOTAL** amount box. If a loss was made, print the letter L in the small box at the right of the amount box.

D10 Tax losses of earlier income years deducted this year—labels F and Z

Print at label F, item D10, the amount of the whole or part of allowable tax losses from earlier income years from a business of primary production which the taxpayer can deduct this income year under Division 36 of ITAA 1997.

Print at label Z, item D10, the amount of the whole or part of allowable tax losses of earlier income years, other than from a business of primary production, which the taxpayer can deduct this income year under Division 36 of ITAA 1997. Special rules apply to film losses—refer to Subdivision 375-G of ITAA 1997.

Note: The taxpayer cannot claim tax losses of earlier income years if their taxable income last year was greater than zero.

Deductions and losses that relate to foreign source income are subject to the quarantining rules contained in sections 79D and 160AFD of ITAA 1936 and cannot be deducted at this item. See page 40 of these instructions, item 16—**Foreign source income and foreign assets or property**, in relation to how foreign income deductions or losses may affect the amounts—if any—shown at labels L, D and M, item 16.

If the taxpayer elects under section 79DA of ITAA 1936 to deduct the whole or part of allowable losses of earlier income years from foreign source income, attach to page 3 of the tax return a **SCHEDULE OF ADDITIONAL INFORMATION—item D10**. This should show the taxpayer's name, address, TFN and each amount and year in which the taxpayer elects to deduct tax losses of earlier income years from their foreign source income. Ensure the taxpayer signs the schedule.

Non-primary production losses can be deducted in 1999–2000 only if they were made in 1989–90 or a later year. Non-primary production losses made in 1988–89 and earlier years can no longer be deducted.

Note: Ensure that accurate records are maintained of losses of earlier income years, which include any amendments requested that might increase or decrease the loss of earlier income years.

Taxable income or loss

Subtract any item D10—**Tax losses of earlier income years deducted this year** amounts from amount shown to the right of the subtotal amount above.

Rebates/tax offsets

Low income

A low income rebate may apply if the taxpayer's taxable income is less than \$24 450. The maximum rebate of \$150 applies if taxable income is \$20 700 or less. This amount is reduced by 4 cents for each dollar over \$20 700. The ATO will automatically apply this rebate, and it will be shown as a rebate on the taxpayer's notice of assessment.

R1 Spouse—married or de facto—child-housekeeper or housekeeper—labels P, V and W

To claim the spouse rebate **Spouse details—married or de facto** on page 7 of the tax return must be completed, including label R (the amount of the taxpayer's spouse's separate net income for 1999–2000). **Your spouse's name** on page 1 of the tax return must also be completed.

Write at label P, item R1, the total amount of rebate the taxpayer is entitled to claim in 1999–2000 for a dependent spouse or a child-housekeeper under section 159J of ITAA 1936 or for a full-time housekeeper under section 159L of ITAA 1936.

Print the applicable rebate code letter in the **Claim type** box at the right of label P.

| Rebate | Code letter |
|---|-------------|
| The taxpayer claimed a rebate for their spouse and they or their spouse received the basic parenting payment (partnered) | P |
| The taxpayer claimed a rebate for their spouse, they had a dependent child, and they or their spouse did not receive the basic parenting payment (partnered) | D |
| The taxpayer claimed a rebate for their spouse for part of the year and also claimed a rebate for a child-housekeeper or housekeeper for another part of the year | C |
| The taxpayer claimed a rebate only for a child-housekeeper or housekeeper | H |

Note: If both D and C, or P and C apply, use C.

If the taxpayer has a spouse, the general rule is that a housekeeper rebate is not available. However, if the taxpayer otherwise qualifies for a housekeeper rebate and they are not entitled to a spouse rebate the fact that the taxpayer has a spouse may be overlooked in special circumstances. If you consider that special circumstances apply, attach to page 3 of the tax return a **SCHEDULE OF ADDITIONAL INFORMATION—item R1** with the taxpayer's name, address, tax file number and an explanation of the taxpayer's situation. Ensure the taxpayer signs the schedule.

Basic parenting payment (partnered)—label W

Include at label W, item R1, amounts of basic parenting payment (partnered) paid to the taxpayer or the taxpayer's spouse.

Note: Label W should not include any additional parenting payment (partnered) paid to the taxpayer or the taxpayer's spouse nor any remote area allowances. Amounts of additional parenting payment (partnered) and remote area allowance should be included in the separate net income of the taxpayer's spouse, shown at label R of **Spouse details—married or de facto** on page 7 of the tax return.

R2 Sole parent—label Q

Write at label Q, item R2, the amount of rebate the taxpayer is entitled to claim in 1999–2000 under section 159K of ITAA 1936.

Note: If the taxpayer had a spouse—married or de facto—at any time during 1999–2000 and special circumstances apply to the taxpayer, print C in the **Claim type** box at the right of label Q, item R2, and attach to page 3 of the tax return a **SCHEDULE OF ADDITIONAL INFORMATION—item R2** with the taxpayer's name, address, TFN and an explanation of the taxpayer's situation. Ensure the taxpayer signs the schedule. For more detailed information on what constitutes special circumstances, refer to *Taxation Ruling IT 253—Sole parent rebate in circumstances of mental or physical incapacity or imprisonment*, *Taxation Ruling IT 254—Sole parent rebate for part of a year that a divorced or separated parent has access to child* and *Taxation Ruling IT 2337—Sole parent rebate*.

R3 Low income aged persons—label N

A low income aged persons rebate may apply if the taxpayer was of age pension age on 30 June 2000. Age pension age is 65 years or more for a male and 61.5 years or more for a female.

To be eligible for this rebate, the taxpayer must meet the requirements of section 160AAAA of ITAA 1936, namely:

- The taxpayer must not have received a Commonwealth of Australia government pension, allowance or payment during 1999–2000.
- The taxpayer must have been an Australian resident for age pension purposes—generally at least 10 years.
- The taxpayer must not be eligible to claim a beneficiary or pensioner rebate at item 5 or 6.

- The taxpayer satisfies the income test that applies to them:
 - the taxpayer did not have a spouse—married or de facto—and the taxpayer's taxable income was less than \$23 054
 - the taxpayer did have a spouse—married or de facto—and the taxable income of the taxpayer and their spouse was less than \$36 280
 - the taxpayer did have a spouse—married or de facto—but the taxpayer and their spouse had to live apart indefinitely due to illness or infirmity of either or both of them or either of them was in a nursing home at any time in 1999–2000 and the taxable income of the taxpayer and their spouse was less than \$44 496.

If the taxpayer had a spouse in 1999–2000, **Spouse details—married or de facto** on page 7 of the tax return must be completed, including label O —**Spouse's 1999–2000 taxable income** and label T —**Spouse's share of trust income on which the trustee is assessed under section 98 of ITAA 1936 and which has not been included in spouse's taxable income.** Your spouse's name on page 1 of the tax return must also be completed.

If the taxpayer was in prison for the whole of 1999–2000, they cannot claim this rebate.

Select the code letter that applies to the taxpayer's circumstances from the rebate code letters table below and print the code letter at label N, item R3.

If more than one code letter applies to the taxpayer, use the letter that appears first in the following order:

A, B, C, D, E. For example, if both B and D apply, use B.

Exceptions to this rule

- If both A and D apply and the taxpayer's spouse's taxable income and any net income of a trust estate to which the taxpayer's spouse is presently entitled and on which the trustee is assessed under section 98 was less than \$8195, use D as this gives the correct rebate.
- If both A and B apply and the taxpayer's spouse's taxable income and any net income of a trust estate to which the taxpayer's spouse is presently entitled and on which the trustee is assessed under section 98 was less than \$11 275, use B as this gives the correct rebate.

| Rebate description | Code letter |
|---|-------------|
| If at any time during 1999–2000, the taxpayer was: <ul style="list-style-type: none"> • single or widowed • separated • a sole parent | A A A |
| If the taxpayer and their spouse—married or de facto—'had to live apart due to illness' or either of them was in a nursing home at any time in 1999–2000 and they are both eligible for this rebate | B |
| If the taxpayer and their spouse—married or de facto—'had to live apart due to illness' or either of them was in a nursing home at any time in 1999–2000 but the taxpayer's spouse is ineligible to claim this rebate due to the conditions above | C |
| If the taxpayer and their spouse—married or de facto—were living together and they are both eligible for this rebate | D |
| If the taxpayer and their spouse—married or de facto—were living together but the taxpayer's spouse is ineligible to claim this rebate due to the conditions above | E |

'Had to live apart due to illness' is a term used to describe a situation where the living expenses of a taxpayer and their spouse—married or de facto—are increased because they are unable to live together in a matrimonial home due to the indefinitely continuing illness or infirmity of either or both of them.

If you have used B, C, D or E, you must write the taxpayer's spouse's 1999–2000 taxable income at label O, **Spouse details—married or de facto** on page 7 of the tax return. Show at label T the taxpayer's share of trust income on which the trustee is assessed under section 98 if it is not already included in the taxpayer's spouse's taxable income.

If both the taxpayer and their spouse have a combined taxable income of less than double the figures shown in COLUMN 2 of the rebate thresholds table on the next page, the taxpayer may be able to get any unused portion of their spouse's rebate.

The rebate thresholds for the rebate code letters for this item are shown on below.

Rebate thresholds

| Taxpayer's code letter | Column 1 Taxpayer may get up to the full rebate if their taxable income is equal to or less than this amount | Column 2 Taxpayer will not get a rebate if their taxable income is equal to or more than this amount | Column 3 Maximum |
|------------------------|---|---|---------------------|
| A | \$12 190 | \$23 054 | \$1358 |
| B | \$11 880 | \$22 248 | \$1296 |
| C | \$11 880 | \$22 248 | \$1296 |
| D | \$10 300 | \$18 140 | \$ 980 |
| E | \$10 300 | \$18 140 | \$ 980 |

If **B** or **D** applies to the taxpayer the amount in **Column 3** could be increased or reduced because of the rebate transfer between the taxpayer and their spouse—married or de facto.

Note: While certain eligibility tests are based on combined taxable income, a taxpayer's rebate amount—excluding any transfer of spouse's unused rebate—is calculated using the taxpayer's taxable income and the income limits set out in the **Rebate thresholds** table above.

R4 Superannuation contributions, annuity and pension—labels S and T

Write at label T, item R4, the amount of personal undeducted superannuation contributions made by the taxpayer to a complying superannuation fund or retirement savings account. This item must be completed if the taxpayer is claiming the bonuses for older Australians. The ATO will use this information to calculate the bonuses.

Personal undeducted superannuation contributions are contributions made by the taxpayer to a complying superannuation fund or RSA that they do not claim as a tax deduction at item D13—

Non-employer sponsored superannuation contributions. They do not include contributions made on behalf of another person or contributions made by an employer—including contributions made as part of a salary sacrifice. They do not include superannuation contributions made by the taxpayer on behalf of a spouse—refer to item R6—

Superannuation contributions on behalf of your spouse on page 10 of the tax return (supplementary section).

Write at label S, item R4, the amount of rebate the taxpayer is entitled to claim as a superannuation contributions rebate under section 159SZ of ITAA 1936 or as a superannuation pension or annuity rebate under sections 159SM of ITAA 1936 and 159SU of ITAA 1936.

If claiming the superannuation contributions rebate, the taxpayer must have completed label T, item R4. There is no entitlement to this rebate if the taxpayer's assessable income and total reportable fringe benefits amounts exceed \$31 000.

The taxpayer will only be able to claim a superannuation pension or annuity rebate if the taxpayer shows income from the pension or annuity at item 7—**Other Australian pensions or annuities—including superannuation pensions.**

Print the appropriate rebate code letter in the **Claim type** box at the right of label S.

| Rebate | Code letter |
|---|-------------|
| Superannuation pension or annuity rebate | A |
| Superannuation contributions rebate | S |
| Both the superannuation contributions rebate and the superannuation pension or annuity rebate | C |

R5 30% private health insurance—label G

The 30% private health insurance rebate is 30% of the premium paid to a registered health fund for appropriate private health insurance cover. The rebate can be claimed as:

- a reduction in the private health insurance premium through the health fund OR
- a cash or cheque rebate from Medicare for the taxpayer's private health insurance OR
- a fully refundable rebate at the end of the income year through the tax return OR
- a combination of all options.

If the taxpayer received their full entitlement from their health fund or Medicare they cannot claim the rebate in their tax return.

Eligibility

To be eligible to claim the rebate the taxpayer must have paid, or the taxpayer's employer must have paid as a fringe benefit, the premium for an appropriate private health insurance policy where everyone covered by the policy is eligible for benefits under the Medicare system. This includes payments made for cover for more than one income year. The taxpayer must not have claimed their full entitlement through any other method. If 2 people make payments for the same policy—for example, the taxpayer makes payments from a joint bank account—each person can claim a proportion of the rebate.

Appropriate private health insurance

Appropriate private health insurance is either hospital cover, ancillary cover or combined hospital and ancillary cover, provided by a registered health fund carrying on a health insurance business within the meaning of section 67 of the *National Health Act 1953*.

The ‘no disadvantage test’

The rebate is on the premium for appropriate health insurance cover. Under this rebate the entitlement is 30% of the premium paid. However, if the policy was in existence during the 1998–99 income year and, before 1 January 1999, a person was eligible to apply for registration under the private health insurance incentive scheme that operated until that date—the old incentive scheme—the rebate could be more.

A taxpayer meeting these conditions may compare the rebate they would have received under the old incentive scheme with the present scheme based on 30% of the premium paid, and claim the higher amount.

Refundable rebate

If claimed through the tax return the private health insurance rebate is a refundable rebate. The full rebate is passed on to the taxpayer by refunding any amount by which the rebate exceeds the tax assessed.

Calculating the taxpayer’s entitlement

The amount of the taxpayer’s entitlement depends on whether or not a person was registered, or entitled to be registered, under the *Private Health Insurance Incentives Act 1997*—the old incentive scheme.

A person was entitled to be registered for the old incentive scheme if they satisfied the eligibility criteria before 1 January 1999—refer to Subdivisions 61-G and 61H of ITAA 1997.

If a person was not registered or entitled to be registered under the old incentive scheme, the rebate is 30% of the premium paid.

If a person was registered or entitled to be registered under the old incentive scheme the rebate is the greater of:

- 30% of the premium paid, or
- the rebate that would have been available under the old incentive scheme.

The maximum annual rebate amount that was available under the old incentive scheme was:

| | Hospital cover only | Ancillary cover only | Hospital and ancillary |
|--------|---------------------|----------------------|------------------------|
| Single | \$100 | \$25 | \$125 |
| Couple | \$200 | \$50 | \$250 |
| Family | \$350 | \$100 | \$450 |

Completing the item

Print at label **G**, item **R5**, the amount of rebate the taxpayer is entitled to claim under Subdivision 61H of ITAA 1997.

The taxpayer’s private health insurance policy details must be provided on page **4** of the tax return. Refer to **Private health insurance policy details** below on this page of these instructions.

R Total supplementary section rebates/tax offsets

If the taxpayer can claim any rebates/tax offsets other than those that can be claimed at items **R1** to **R6**, the supplementary section must be completed.

If the supplementary section is required to be completed, transfer the amount from **TOTAL SUPPLEMENTARY SECTION REBATES/TAX OFFSETS** to item **R** on the tax return.

Private health insurance policy details — labels B and C

If items **R5—30% private health insurance** or item **M2—Medicare levy surcharge** asked the taxpayer to complete this section, or the taxpayer made premium payments for private health insurance but not in the capacity of an employer, the details of the policy must be provided at **Private health insurance policy details** on page **4** of the tax return.

Private health insurance details are shown on the statement the taxpayer receives from the registered health fund.

Print at label **B** the appropriate health fund ID. Write at label **C** the membership number for each policy. Print the appropriate type of cover code letter (as below) in the **Type** box at the right of label **C**.

| Type of cover | Code letter |
|---|-------------|
| Ancillary cover only—also known as Extras | A |
| Hospital cover only | H |
| Combined ancillary and hospital cover | C |

If the taxpayer changed cover during the year, but did not change the membership number, print the code letter for the highest level of cover that the taxpayer had at any time during the year.

If the taxpayer held more than 4 policies attach to page **3** of the tax return a **SCHEDULE OF ADDITIONAL INFORMATION—Private health insurance policy details**, with the taxpayer’s name and address, TFN, health fund ID, membership number and the code letter for type of cover, for each policy. Ensure the taxpayer signs the schedule.

Medicare levy related items

M1 Medicare levy reduction or exemption—labels Y, V and W

For 1999–2000, the levy is 1.5 per cent of the taxpayer's taxable income.

Medicare levy reduction based on family income

The taxpayer may be eligible to claim a reduced Medicare levy under section 8 of the *Medicare Levy Act 1986* if the taxpayer:

- is entitled to claim a child-housekeeper or a housekeeper rebate at **R1** or a sole parent rebate at item **R2** or had a spouse on 30 June 2000 AND
- satisfied the relevant family income test set out in the table below.

| Number of dependent children and students | Lower limit | Upper limit |
|---|-------------|-------------|
| 0 | \$22 865 | \$24 718 |
| 1 | \$24 965 | \$26 989 |
| 2 | \$27 065 | \$29 259 |
| 3 | \$29 165 | \$31 529 |
| 4 | \$31 265 | \$33 799 |
| 5 | \$33 365 | \$36 069 |

For each additional dependent child or student, add \$2100 to the lower limit and \$2270 to the upper limit.

If the taxpayer claims a Medicare levy reduction based on family income and the taxpayer had a spouse—married or de facto—during 1999–2000, **Spouse details—married or de facto** on page 7 of the tax return and **Your spouse's name** on page 1 of the tax return must be completed.

If a Medicare levy reduction based on family income is being claimed by the taxpayer, write at label Y, item **M1** the number of dependent children and students of the taxpayer for whom in 1999–2000 the taxpayer would be entitled—but for subsection 159J (1A) of ITAA 1936—to claim a dependent rebate under section 159J of ITAA 1936.

Medicare levy exemption categories

Refer to page 28 of these instructions.

Print at label V, item **M1**, the number of days in 1999–2000 the taxpayer is entitled to a full Medicare levy exemption under section 251T of ITAA 1936.

Print at label W, item **M1**, the number of days in 1999–2000 the taxpayer is entitled to a half Medicare levy exemption under subsection 251U (3) of ITAA 1936.

Print at label Y, item **M1**, the number of dependent children and students of the taxpayer—within the meaning of section 251R of ITAA 1936—during 1999–2000.

If the taxpayer is claiming a full or half Medicare levy exemption and the taxpayer had a married or de facto spouse during 1999–2000 **Spouse details—married or de facto** on page 7 of the tax return and **Your spouse's name** on page 1 of the tax return must be completed.

If label V has been completed and the taxpayer has a certificate from the Levy Exemption Certification Unit of the Health Insurance Commission showing that the taxpayer was not entitled to Medicare benefits, print the letter C in the **Claim type** box at the right of label V, item **M1**.

To calculate the taxpayer's full or half Medicare levy exemption or reduction use the Medicare levy calculation worksheet on page 27 of these instructions.

M2 Medicare levy surcharge—labels E, A and D THIS ITEM IS COMPULSORY FOR ALL TAXPAYERS

The Medicare levy surcharge (MLS) is an additional amount of Medicare levy imposed on certain taxpayers. It is equal to 1 per cent of the taxpayer's taxable income (imposed under the *Medicare Levy Act 1986*) and 1 per cent of the taxpayer's total reportable fringe benefits amounts (imposed under the A New Tax System (*Medicare Levy Surcharge—Fringe Benefits*) Act 1999). A taxpayer will be liable for MLS if:

- either of the following conditions applies:
 - they are not a prescribed person and they did not have the required private patient hospital cover for themselves and all of their dependants (if any), during the whole of 1999–2000 OR
 - they are a prescribed person—for example, a Defence Force member—and, subject to **List B—Full exemption** on page 28 of these instructions, they had a dependant who was not a prescribed person and who did not have the required private patient hospital cover during the whole of 1999–2000 AND
- they meet the applicable income test below:
 - if the taxpayer had no dependants during 1999–2000, the taxable income for MLS purposes of the taxpayer exceeded \$50 000 OR
 - if the taxpayer had dependants during 1999–2000, the sum of the taxable income for MLS purposes of the taxpayer and their spouse—if they had one—exceeded \$100 000 plus \$1500 for each dependent child after the first, and their own taxable income was \$13 551 or more.

If the taxpayer is liable for MLS but one of the conditions above applied to them for only part of 1999–2000, the taxpayer will be liable for MLS for the number of days during 1999–2000 on which the condition applied to them.

Spouse

Includes a de facto spouse of the taxpayer but does not include a person who is living separately and apart from the taxpayer.

Private patient hospital cover

Generally, private patient hospital cover is cover provided by an insurance policy issued by a registered fund that covers some or all hospital treatment provided in an Australian hospital or day hospital facility. Travel insurance is not private patient hospital cover for MLS purposes. The Private Health Insurance Administration Council (PHIAC) can advise the taxpayer if an overseas health fund is a registered fund. Some health funds are not required to be registered and PHIAC can also advise taxpayers if a policy they have with an unregistered organisation provides private patient hospital cover.

Ancillary or Extras cover

Ancillary or Extras cover is not private patient hospital cover.

Dependants for MLS purposes

Dependants must be Australian residents whose maintenance the taxpayer contributed to.

A dependant is:

- the taxpayer's spouse
- any of the taxpayer's children who are under 16 years of age
- any of the taxpayer's children aged 16 years and over but under 25 years of age who were full-time students.

Prescribed person

A person within the meaning of subsection 251U (1) of ITAA 1936.

Taxable income for MLS purposes

A taxpayer's taxable income for MLS purposes is the total of:

- the taxpayer's taxable income AND
- the taxpayer's total reportable fringe benefits amounts AND
- any amount which would have been included in the taxpayer's income if the exemption under section 271-105 of ITAA 1936 for amounts on which family trust distribution tax has been paid were ignored (see *Medicare Levy Consequential Amendment (Trust Loss) Act 1998*). Any such amount must be shown at item **A3—Amount on which family trust distribution tax has been paid**. See page 29 of these instructions BUT
- does not include a component of an eligible termination payment that is rebatable under section 159SA of ITAA 1936, to ensure a zero rate of tax.

Note: Where a taxpayer derives exempt foreign employment income under section 23AF and/or section 23AG, MLS forms part of the notional gross tax that is used to calculate the tax payable on other income where the

taxpayer meets the applicable income threshold tests. Therefore, for the purposes of completing item **M2** any exempt employment foreign income should be added to taxable income for MLS purposes when applying the relevant threshold tests.

The taxable income of the taxpayer's spouse for MLS purposes is the total of:

- the taxpayer's spouse's taxable income AND
- the spouse's total reportable fringe benefits amounts AND
- any share in the net income of a trust estate to which the spouse is presently entitled and on which a trustee is assessed under section 98 of ITAA 1936 and which has not been included in the spouse's taxable income AND
- any amount which would have been included in the taxpayer's spouse's taxable income if the exemption under section 271-105 of ITAA 1936 for amounts on which family trust distribution tax has been paid were ignored (see *Medicare Levy Consequential Amendment (Trust Loss) Act 1998*).

Part-year dependants

If the taxpayer's spouse died during 1999–2000, and the taxpayer does not have a new spouse before the end of 1999–2000, the taxpayer is taken to have had a spouse from the date of death until the end of 1999–2000 and the taxpayer retains the benefit of the family surcharge threshold.

If the taxpayer had a spouse for only part of 1999–2000, a special income test applies to the taxpayer as follows:

- for the period during 1999–2000 when the taxpayer did have a spouse, the taxpayer's taxable income for MLS purposes for the whole year (not including the taxable income for MLS purposes of the taxpayer's spouse) must not have exceeded \$100 000 plus \$1500 for each dependent child after the first, during that period AND
- for the period during 1999–2000 when the taxpayer did not have a spouse, the taxpayer's taxable income for MLS purposes for the whole year must not have exceeded \$50 000 if the taxpayer did not have dependent children during that period, or have exceeded \$100 000 plus \$1500 for each dependent child after the first, if the taxpayer did have dependent children during that period.

If the taxpayer did not have a spouse—married or de facto—and had a dependant for only part of 1999–2000 the income tests apply to the taxpayer as follows:

- for the period during 1999–2000 when the taxpayer did have a dependent child the taxpayer's taxable income for MLS purposes for the whole year must not have exceeded \$100 000 plus \$1500 for each dependent child after the first, AND
- for the period during 1999–2000 when the taxpayer did not have a dependent child, the taxpayer's taxable income for MLS purposes for the whole year must not have exceeded \$50 000.

Completing the item

If the taxpayer had private patient hospital cover for the taxpayer and all their dependants including their spouse—if any—for the whole period 1 July 1999 to 30 June 2000, print **Y** for yes at label **E**, item **M2**, and complete **Private health insurance policy details** on page 4 of the tax return.

If the taxpayer **did not** have private patient hospital cover for the taxpayer and all their dependants including their spouse—if any—for the whole period 1 July 1999 to 30 June 2000, print **N** for no at label **E**, item **M2**. If **N** is printed at label **E**, write the number of days for which the taxpayer is **not** liable for MLS at label **A**, item **M2**. If the taxpayer is not liable for MLS for the whole of 1999–2000 write **366** at label **A**.

If **N** is printed at label **E**, and the taxpayer had a spouse during 1999–2000, complete **Spouse details—married or de facto** on page 7 of the tax return and **Your spouse's name** on page 1 of the tax return. If the taxpayer had a spouse for all of 1999–2000 complete labels **O**, **T**, **U** and **S**.

Write at label **D**, item **M2**, the maximum number of dependants of the taxpayer, other than the taxpayer's spouse, during 1999–2000.

Private patient hospital cover policy details for the taxpayer and their dependants must be provided on page 4 of the tax return. See **Private health insurance policy details** on page 23 of these instructions.

Medicare levy calculation worksheet 2000

Note: This worksheet cannot be used for Defence Force members. Exemption categories and lists A, B and C are explained on page 28 of these instructions.

1 Basic levy

If the taxable income is:

- \$13 550 or less, the Medicare levy is nil
- more than \$13 550 but below \$14 649, the Medicare levy is 20 cents for every dollar above \$13 550
- \$14 649 or more, the Medicare levy is 1.5 per cent of the taxable income.

2 Family reduction amount—applies for list A only

Family income:

- Where a taxpayer falls in the first dot point category of list A on page 28 of these instructions, the family income is the taxpayer's income plus the spouse's taxable income.
- Where the taxpayer falls into the second dot point category of list A on page 28 of these instructions, the family income is the taxpayer's own income.

If the family income is:

- less than or equal to the lower limit—from the table on page 24 of these instructions—the taxpayer and spouse do not pay a levy
- greater than the lower limit and equal to or less than the upper limit, work through steps 1 and 2 below to calculate the family reduction amount.

To calculate the family reduction amount

Step 1

| | |
|-------------------------|-----------|
| Family income | A \$..... |
| Lower limit | B \$..... |
| A minus B | C \$..... |
| 1.5% of B | D \$..... |
| 18.5% of C | E \$..... |
| D minus E = | |
| Family reduction amount | F \$..... |

Note: If the taxable income for the spouse is \$13 550 or less, step 2 is not necessary.

Step 2

| | |
|---|-----------|
| Family reduction amount from F | G \$..... |
| Taxable income | H \$..... |
| Multiply G by H. | I \$..... |
| Family income | J \$..... |
| Divide I by J = Share of the family reduction amount | K \$..... |
| The family reduction amount is unlikely to be more than the basic levy the taxpayer must pay. If it is, the difference will be taken off the levy the spouse must pay. Similarly, any excess family reduction amount the spouse has may be transferred to the taxpayer. Show this at L below. | |
| Excess family reduction amount transferred from the spouse | L \$..... |
| Add K and L = Share of the family reduction amount | M \$..... |

3 Net basic levy

| | |
|---|-----------|
| Basic levy from section 1, on this page | N \$..... |
| Family reduction amount from F, K or M | O \$..... |
| N minus O = Net basic levy | P \$..... |

Note: If there is no exemption adjustment go to section 5.

4 Exemption adjustment

Full exemption—applies for list B only. Refer to page 28 of these instructions.

| | |
|--|-----------|
| Net basic levy from P above | Q \$..... |
| The number of days shown at V, item M1, on the tax return* | R |
| Multiply Q by R. | S \$..... |
| Divide S by 366. | T \$..... |

Half exemption—applies for list C only. See page 28 of these instructions.

| | |
|---|-----------|
| Net basic levy from P above | U \$..... |
| The number of days shown at M1, label W, on the tax return* | V |
| Multiply U by V. | W \$..... |
| Divide W by 366. | X \$..... |
| Divide X by 2. | Y \$..... |
| Add T and Y = | |
| Exemption adjustment | Z \$..... |

***Note:** If completing this calculation for trust tax returns, use Medicare label C from the tax return to determine the number of days of full exemption. Use Medicare label D from the tax return to determine the number of days of half exemption.

5 Medicare levy surcharge—if applicable—see page 24 of these instructions

Step 1

| | |
|---------------------------------|------------|
| Taxable income for MLS purposes | AA \$..... |
| Multiply AA by 1% | BB \$..... |

If the taxpayer has to pay the surcharge for the **WHOLE** year, the amount the taxpayer has to pay is **BB**. If the taxpayer has to pay the surcharge for **PART** of the year, continue with step 2 below.

Step 2

| | |
|---|------------|
| The number of days shown at label A, item M2, on the tax return | CC |
| Subtract CC from 366. | DD |
| Divide DD by 366. | EE |
| Multiply BB by EE = | |
| Surcharge amount | FF \$..... |

6 Levy to be paid

| | |
|------------------------------|------------|
| Net basic levy—P above | P \$..... |
| Exemption adjustment—Z above | Z \$..... |
| Surcharge amount—FF above | FF \$..... |
| P minus Z plus FF = | |
| TOTAL LEVY PAYABLE | \$..... |

Exemption categories

- 1 The taxpayer was a blind pensioner or received the sickness allowance from Centrelink.
- 2 The taxpayer was 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 The taxpayer was not an Australian resident for taxation purposes.
- 4 The taxpayer was a resident of Norfolk Island.
- 5 The taxpayer was a member of a diplomatic mission or consular post in Australia, or the taxpayer was a member of such person's family, was living with them, was not an Australian citizen and they did not ordinarily live in Australia.
- 6 The taxpayer has a certificate from the Levy Exemption Certification Unit of the Health Insurance Commission showing the taxpayer as being not entitled to Medicare benefits. A letter from Medicare is not sufficient.

Note: If the taxpayer was in more than one exemption category and the time overlaps between the categories, add the number of days from the day they started in the first category to the last day they were in the second.

List A—Family reduction

Exemptions or reductions based on income—family reduction amount—apply if:

- the taxpayer had a spouse—married or de facto—on 30 June 2000, or the spouse died during the year. If the spouse died during the year, the taxpayer is taken to have had a spouse on 30 June 2000 for the purposes of calculating any Medicare levy reductions based on family income
- the taxpayer did not have a spouse on 30 June 2000 but was entitled to a rebate as a sole parent or for a housekeeper or child-housekeeper.

List B—Full exemption

If the taxpayer was in exemption category 3 or 4 the taxpayer qualifies for a full Medicare levy exemption for the whole of the income year regardless of whether or not they had dependants.

Full 1.5 per cent levy exemption applies for any period in 1999–2000 if the taxpayer was in exemption category 1 or 2 and one or more of the following conditions applied for that period:

- The taxpayer had no dependants.
- All the taxpayer's dependants were also in an exemption category.
- The only dependant was the taxpayer's spouse, who was liable to pay the Medicare levy.

- The taxpayer had dependent children who were not in an exemption category but they were also dependants of the taxpayer's spouse, who either has to pay the Medicare levy or was in exemption category 1 or 2 and the taxpayer has completed a FAMILY AGREEMENT declaring that their spouse will pay the half levy for their joint dependants.

To be eligible to complete a FAMILY AGREEMENT it is a condition that both the taxpayer and their spouse would, apart from their exempt category status, have to pay the Medicare levy.

If the taxpayer was in exemption category 3 or 4 for part only of 1999–2000 or exemption category 5 or 6 for any period of 1999–2000 the full 1.5 per cent levy exemption applies if one or more of the following conditions applied for that period:

- The taxpayer had no dependants.
- All their dependants were in an exemption category.

List C—Half exemption

Half 1.5 per cent levy exemption applies for any period in 1999–2000 if the taxpayer was in exemption category 1 or 2 and one or more of the following conditions applied for that period:

- The taxpayer did not have a spouse but had one or more dependants who were eligible to receive Medicare benefits.
- The taxpayer's spouse was not in an exemption category for that period and the spouse was not liable to pay the Medicare levy because of the low income earner threshold.
- The taxpayer's spouse was also in exemption category 1 or 2 but there was a dependant of both the taxpayer and their spouse who was not in an exemption category. In this case either the taxpayer or their spouse can, by completing a FAMILY AGREEMENT, claim a full exemption—list B—with the other claiming a half exemption—list C.

Adjustments

A1 Under 18 excepted net income—label J

This is a compulsory label for taxpayers who were under 18 years of age on 30 June 2000. Completion of the label will ensure the correct calculation of any tax payable due to Division 6AA of ITAA 1936.

Show any excepted assessable income less any deductions related to excepted assessable income at label J, item A1.

If the taxpayer is an excepted person or a prescribed person with no excepted income, write '0' at label J, item A1.

Print the appropriate code letter from the following table in the **Type** box at the right of label J, item A1.

| | Code letter |
|--|-------------|
| Excepted person | A |
| Person under 18 years at 30 June 2000 | M |
| Person who will be 18 years in 2000–01 | N |

If both code letters M and N apply, print the letter N.

A2 Part-year tax-free threshold—labels N and O

This item is only completed if the taxpayer ceased full-time education for the first time in 1999–2000, within the meaning of section 17 of the *Income Tax Rates Act 1986* (ITRA 1986), or the taxpayer, not being an eligible pensioner, ceased to be or became an Australian resident for tax purposes during 1999–2000.

Write the number of months at label N, item A2, that the taxpayer:

- was not in full-time education, including the month in which the taxpayer ceased full-time education OR
- was an Australian resident, including the month in which the taxpayer became or ceased to be a resident.

Write the date to the left of label N that the taxpayer ceased to be a resident or became a resident.

If the taxpayer ceased full-time education for the first time in 1999–2000, write the net pre-workforce income of the taxpayer within the meaning of section 19 ITRA 1986 at label O, item A2, of the tax return.

A3 Amount on which family trust distribution tax has been paid—label X

Show here any amount that would be included in the taxable income of the taxpayer for the 1999–2000 income year if the operation of section 271-105 of ITAA 1936 were ignored. Under legislation contained in Schedule 2F of ITAA 1936, a trust may choose to make a family trust election and a trust, company or partnership may choose to make an interposed entity election.

A consequence of making a family trust election or an interposed entity election is that under Division 271 of ITAA 1936 a special tax called family trust

distribution (FTD) tax, is payable at 48.5 per cent by the relevant trust, company or partnership on any conferral of present entitlement to, or distribution of, income or capital of the trust, company or partnership, respectively, to persons who are not members of the family group of the individual specified in the relevant election within the meaning of s272-90 of ITAA 1997.

To the extent that that part of the FTD tax has been paid on a conferral of present entitlement to, or distribution of, income or capital of a trust, company or partnership that would otherwise be assessable to a person, the income or capital is excluded from the person's assessable income. Refer to section 271-105 of ITAA 1936.

However, any part of the distribution that would have been included in the taxpayer's assessable income if FTD tax had not been paid is reduced by any expenses that would have been deductible against it.

Any losses or outgoings incurred in deriving an amount which is excluded from assessable income under section 271-105 of ITAA 1936 are not deductible and a credit or rebate cannot be claimed for any imputation credit attached to a dividend which is exempt income by reason of section 271-105 of the ITAA 1936.

However, the exemption of an amount under section 271-105 of ITAA 1936 is ignored for the purpose of determining the liability of an individual for the Medicare levy surcharge and the superannuation contributions surcharge. Refer to the *Medicare Levy Consequential Amendment (Trust Loss) Act 1998* and items 33 and 34 of Schedule 1 to the *Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998*, respectively.

A4 Amount on which ultimate beneficiary non-disclosure tax was payable

Show here any amount that would be included in the taxable income of the taxpayer for 1999–2000 if the operation of sections 102UK and 102UM of ITAA 1936 were ignored. Under paragraphs 102UK(2)(b) and 102UM(2)(b), where a trustee of a closely held trust is subject to ultimate beneficiary non-disclosure tax on the share of net income of the trust, the trustee beneficiary and any other person presently entitled to a part of that share of the net income are not required to include that amount within their assessable income. However, this amount is nevertheless treated as though it were not exempt income when calculating the taxpayer's taxable income for the purpose of determining the liability of the taxpayer for the superannuation contributions surcharge. Any distribution that is shown at this item on the tax return can be reduced by expenses the taxpayer would have been able to claim as a deduction if the distribution had been included in their assessable income.

A5 Family tax assistance—labels A to I

If the taxpayer is an Australian resident and is eligible for family tax assistance under Division 5 of Part II of ITRA 1986, complete item **A5** on page 6 of the tax return. If the taxpayer completes item **A5** and had a spouse during 1999–2000, also complete **Spouse details—married or de facto** on page 7 of the tax return and **Your spouse's name** on page 1 of the tax return.

Write the name and date of birth of each dependant of the taxpayer during 1999–2000 within the meaning of sections 20K, 20L, 20M, 20N and 20P of ITRA 1986 in the **Given name of FTA dependant** and **Date of birth** boxes. If section 20L of ITRA 1986 applies to the taxpayer in respect of a dependant, show the number of nights during 1999–2000 the child was the dependant of the taxpayer during the 'allocation period' under section 20L of ITRA 1986, at label **C** (if there is only one allocation period within the meaning of section 20L of ITRA 1986 in 1999–2000) or at label **E** (if there is more than one allocation period within the meaning of section 20L of ITRA 1986 in 1999–2000). Unless label **E** is completed, write at label **B** the number of nights the child was the dependant of the taxpayer during 1999–2000 excluding any night during any allocation period within the meaning of section 20L of ITRA 1986. If label **E** is completed, label **E** must show the number of nights the child was the dependant of the taxpayer during 1999–2000, including during every allocation period within the meaning of section 20L of ITRA 1986. If a number is written at label **C**, write the number of nights at label **D** the child was the dependant of another person or persons, during the allocation period.

Note: If label **B**, **C** or **D** is completed for a dependant of the taxpayer, label **E** must be left blank. If label **E** is completed for a dependant of the taxpayer labels **B**, **C** and **D** must be left blank.

Write at label **F**, item **A5**, the maximum number of dependants that the taxpayer had at any one point of time during 1999–2000. Write at label **G**, item **A5**, the number of nights in 1999–2000 the taxpayer provided care for a dependant who was under the age of 5 years at the time. If the taxpayer provided care for more than one dependant under 5 during 1999–2000, do not count the same night more than once.

Write at label **H**, item **A5**, the amount of family tax payment Part A benefit received by the taxpayer, their spouse or another person residing with the taxpayer for the dependants for whom the taxpayer is claiming FTA.

Write at label **I**, item **A5**, the amount of family tax payment Part B benefit received by the taxpayer, their spouse or another person residing with the taxpayer for the dependants of the taxpayer.

Family tax assistance—income ceilings

Dependant income ceilings for section 20K of ITRA 1986

| Age of dependant | Taxable income ceiling |
|--|------------------------|
| Dependant under 16 and in full-time education at any time between 1 July 1999 and 30 June 2000 | No limit |
| Dependant under 16 and not in full-time education at any time between 1 July 1999 and 30 June 2000 | \$6685 |
| Dependant 16 or 17 years and in full-time secondary education | \$7045* |

* In working out these limits exclude income from youth allowance paid to full-time students, ABSTUDY, Veterans' Children Education Scheme or Assistance for Isolated Children Scheme.

Family income ceiling for section 20C of ITRA 1986—Part A benefit

| Number of dependants | Taxable income ceiling |
|--------------------------------|---|
| 1 | \$70 000 |
| 2 | \$73 000 |
| 3 | \$76 000 |
| 4 | \$79 000 |
| more than 4 dependent children | \$79 000 plus \$3000 for each dependent child after the 4th |

Main earner's income ceiling for section 20D of ITRA 1986—Part B benefit

| Number of dependants | Taxable income ceiling |
|--------------------------------|---|
| 1 | \$65 000 |
| 2 | \$68 000 |
| 3 | \$71 000 |
| 4 | \$74 000 |
| more than 4 dependent children | \$74 000 plus \$3000 for each dependent child after the 4th |

Main earner's spouse's income ceiling for section 20D of ITRA 1986—Part B benefit

The taxable income ceiling is \$4651.

Spouse details—married or de facto—labels J to R

Complete labels J to R where requested to do so.

Income

11 Partnerships and trusts—labels N to A

If the taxpayer has a joint account and they have quoted their individual tax file number (TFN) to the financial institution, show the taxpayer's share of interest at item **9—Gross interest**. If the taxpayer quoted a partnership or trust TFN to the financial institution, any interest derived becomes part of the net income of the partnership or trust. Show the taxpayer's share of the net income of the partnership or trust at this item.

If the taxpayer is presently entitled to income of a non-resident trust or the taxpayer is claiming a credit for tax paid or payable by the trustee under subsection 98A(2) or subsection 100(2) of ITAA 1936, you will need to provide more information. Attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION—*item 11*, with the taxpayer's name and address, TFN, name of the trust and of the trustee, the taxpayer's share of net income of the trust and any credits to which the taxpayer is entitled under subsections 98A(2) or 100(2) of ITAA 1936. Ensure the taxpayer signs the schedule.

Any amount described as 'attributed foreign income' or any other 'foreign source income' on the taxpayer's distribution statement from the trust or partnership is not shown at this item. Show these amounts at item **15—Foreign entities** or item **16—Foreign source income and foreign assets or property**.

Partnerships

Show at label **N** or **O** amounts of net income of a partnership which are assessable to the taxpayer for 1999–2000 under subsection 92(1) of ITAA 1936 (referred to below as 'partnership income') and any deduction allowable to the taxpayer for 1999–2000 under subsection 92(2) of ITAA 1936 (referred to below as 'a partnership loss'), less any attributed foreign income or foreign source income of the partnership on which the taxpayer is assessed—which must be included at item **15** or **16**.

Include at label **N** the whole or part of partnership income or a partnership loss which is assessable primary production income or a relevant primary production deduction of the taxpayer within the meaning of Division 392 of ITAA 1997. If the amount shown at label **N** is a loss, print **L** in the small box at the right of label **N**.

Include at label **O** the whole or part of partnership income or a partnership loss which is not shown at label **N**. If the taxpayer was a partner in a partnership, include any salary and wage income derived by the taxpayer from the partnership at label **O**. If the amount shown at label **O** is a loss, print **L** in the small box at the right of label **O**.

Note: To the extent that family trust distribution tax has been paid on income or capital of a partnership to which the taxpayer is presently entitled or which has been distributed to the taxpayer, the income or capital is excluded from the assessable income of the taxpayer under section 271-105 of ITAA 1936 and should not be included at label **N** or **O**.

Do not show income from a corporate limited partnership at this item—show it at item **10—Dividends**.

Incorrect adjustment to personal superannuation contributions rebate

If a taxpayer:

- is making a claim for the personal superannuation contributions rebate
 - has a partnership profit distribution at the non-primary production label as well as a loss at the primary production label—or vice versa—AND
 - the profit and loss relate to the same partnership
- then the ATO systems may adjust the claim incorrectly.

When lodging returns for taxpayers in this situation, attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION—*item 11* with the taxpayer's name, address and TFN, and indicate that both the profit distribution and the loss are from the same partnership. The ATO will then calculate the correct personal superannuation contributions rebate manually. Ensure the taxpayer signs the schedule.

Trusts

Show at label **L** or **U** any share of net income of a trust or trusts on which the taxpayer is assessable for 1999–2000 (referred to below as 'trust income'), less the following amounts (if any):

- attributed foreign income or any other foreign source income of the trust on which the taxpayer is assessable—which must be shown at items **15—Foreign entities** or **16—Foreign source income and foreign assets or property**.
- the whole or part of a net capital gain of the trust on which the taxpayer is assessable—which must be included at item **14—Capital gains**.

Include at label **L** the whole or part of trust income which is 'assessable primary production income' or a 'relevant primary production deduction' within the meaning of Division 392 of ITAA 1997.

Include at label **U** the whole or parts of trust income that is not shown at label **L**.

Include at this label distributions from any trust investment product, such as a cash management trust, money market trust, mortgage trust, property trust, or unit trust. Do not show distributions from an equity investment in an entity that is treated as a company for tax purposes—that is, a public trading trust or a corporate unit trust. These are shown at item **10—Dividends**.

Note: To the extent that family trust distribution tax has been paid on income or capital of a trust to which the taxpayer is presently entitled or which has been distributed to the taxpayer, the income or capital is excluded from the assessable income of the taxpayer under section 271-105 of ITAA 1936 and should not be included at labels **L** or **U**.

A loss from a trust cannot be included in the amount shown at either label **L** or label **U** unless it forms part of an overall amount of net income of the trust on which the taxpayer is assessable.

Where the taxpayer is presently entitled to income of a trust which is carrying on a business of primary production in Australia within the meaning of Division 392 of ITAA 1997 and the taxpayer:

- does not have a primary production income or loss amount shown at label **L** or **N**, item **11**, and
- does not have a primary production income or loss amount shown at label **B**, item **12**—**Net income or loss from business**

then you must write '0' at label **L**, item **11**, and print **L** in the small box at the right of the label. This will ensure that the taxpayer is subject to the averaging provisions for primary producers. Refer to *Taxation Ruling TR 95/29—Applicability of averaging provisions to beneficiaries of trust estates carrying on a business of primary production*.

Trust codes

Print the trust code letter from **Table 1** below which best describes the type of trust from which an amount is shown at label **L** or **U**. Descriptions of the type of trusts listed in **Table 1** are contained in **Table 2**. If the amount shown at label **L** or **U** is from more than one type of trust, print the code letter for the type of trust from which the greatest amount is included in the amount shown at label **L** or **U**. If the amount at label **L** or **U** is a loss you must use the code letter **L**.

Note: With some electronic lodgment service tax return software packages, a loss is not indicated by printing the code letter **L** but by some other means—such as keying a negative sign before the relevant figure. With these packages, indicate a loss at label **L** or **U** in the prescribed manner.

Table 1

| Code letter | Description |
|-------------|---|
| L | Loss |
| D | Deceased estate |
| F | Fixed trust—other than a fixed unit trust or a public unit trust described in U , P or Q |
| H | Hybrid trust |
| S | Discretionary trust—where the main source of income of the trust is from service and/or management activities |
| T | Discretionary trust—where the main source of income of the trust is from trading activities |
| I | Discretionary trust—where the main source of income of the trust is from investment activities |
| M | Cash management unit trust |
| U | Fixed unit trust—other than a public unit trust described in P or Q |
| P | Public unit trust—listed, other than a cash management unit trust |
| Q | Public unit trust—unlisted, other than a cash management unit trust |

If from more than one type of trust print the code letter for the trust type with the largest amount of distribution.

Table 2

| Type of trust | Description |
|----------------------------|--|
| Fixed trust | A trust in which persons have fixed entitlements as defined in section 272-5 of ITAA 1936) to all of the income and capital of the trust at all times during the income year. |
| Hybrid trust | A trust which is not a fixed trust but in which person(s) have fixed entitlements (as defined in section 272-5 of ITAA 1936) to income or capital of the trust during the income year. |
| Discretionary trust | A trust which is neither a fixed trust nor a hybrid trust and under which person(s) benefit from income or capital of the trust upon the exercise of a discretion by person(s), usually the trustee. |
| Fixed unit trust | A fixed trust in which interests in the income and capital of the trust are represented by units. |
| Public unit trust | A fixed unit trust that is a widely held unit (as defined in section 272-105 of ITAA 1936) at all times during the income year. |
| Public unit trust—listed | A public unit trust in which any of its units were listed for quotation in the official list of a stock exchange in Australia or elsewhere during the income year. |
| Public unit trust—unlisted | A public unit trust in which none of its units were listed for quotation in the official list of a stock exchange in Australia or elsewhere during the income year. |

Deductions—labels I and X

Claim at label I any expenditure incurred by the taxpayer on landcare operations or water conservation/conveying that is deductible under Subdivisions 387-A and 387-B of ITAA 1997. The amount at label I must relate directly to assessable primary production income derived by the taxpayer under Division 5 of Part III of ITAA 1936 and the expenditure must not have been claimed by any partnership.

If the taxpayer is a partner in a partnership that incurred expenditure that is deductible under Subdivisions 387-A and/or 387-B of ITAA 1997, the taxpayer may be able to claim a rebate at item **R10—Landcare and water facility** instead of an expense at label I, item 11. See page 44 of these instructions.

If the taxpayer is a beneficiary in a trust that incurred eligible landcare operations and/or water conservation/conveying expenses, only the trust can claim deductions or rebates for that expenditure.

Claim at label X any other deductible expenses incurred by the taxpayer—less any expenses shown at label I, item 11, or claimed at **R10**—which relate directly to assessable primary production income derived by the taxpayer under Division 5 or Division 6 of Part III of ITAA 1936.

Deductions—labels J and Y

Claim at label J any expenditure incurred by the taxpayer on landcare operations expenses that are deductible under Subdivision 387-A of ITAA 1997—other than expenses shown at label I. The amount at label J must relate directly to assessable income derived by the taxpayer under Division 5, Part III of ITAA 1936 and the expenditure must not have been claimed by any partnership.

If the taxpayer is a partner in a partnership that incurred expenditure that is deductible under Subdivisions 387-A and 387-B of ITAA 1997, the taxpayer may be able to claim a rebate at item **R10** instead of an expense at label J. See page 44 of these instructions. If the taxpayer is a beneficiary in a trust that incurred eligible landcare operations and/or water conservation/conveying expenses, only the trust can claim deductions or rebates for that expenditure.

Claim at label Y any other deductible expenses incurred by the taxpayer which relate directly to assessable income derived by the taxpayer under Division 5 or Division 6, Part III of ITAA 1936—other than:

- expenses shown at label I, item 11
- expenses shown at label X, item 11
- expenses shown at label J, item 11
- expenses used in calculating a rebate at **R10—Landcare and water facility**
- expenses incurred in deriving net capital gains of the trust on which the taxpayer is assessable AND

- expenses incurred in deriving attributed foreign income or other foreign source income of the trust on which the taxpayer is assessable.

Note: The taxpayer cannot claim a deduction for any loss or outgoing incurred in deriving exempt income, such as expenses incurred in relation to deriving income from a trust or partnership that is exempt under section 271-105 of ITAA 1936.

Special professionals

If an amount shown at label O or U includes an amount of assessable professional income within the meaning of section 405-20 of ITAA 1997 from activities as an author of a literary, dramatic, musical or artistic work, inventor, performing artist, production associate or an active sportsperson, this income less amounts that reasonably relate to the assessable professional income must also be shown at **Taxable professional income**, label Z, item 19—**Other income** on page 9 in the supplementary section of the tax return.

Share of credits from income

Share of prescribed payments system (PPS) credit—label P

If a partnership or trust distribution was made to the taxpayer that includes PPS income, show the share of any PPS credit for tax deducted at label P.

Share of reportable payments system (RPS) credit—label Z

If a partnership or trust distribution was made to the taxpayer, which includes RPS income, show the share of any RPS credit for tax deducted at label Z.

Share of imputation credit from franked dividends—label Q

Write at label Q the amount of any franking rebates that the taxpayer is entitled to claim through a partnership or trust under section 160AQX or section 160AQZ of ITAA 1936.

Note: The taxpayer cannot claim a franking rebate for a franked dividend that was excluded from the assessable income of the partnership or trust that was paid or credited the dividend under section 271-105 of ITAA 1936.

A taxpayer's entitlement to a franking rebate may be affected by measures that have been introduced to curb the unintended usage of franking rebates 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, generally operate from 1 July 1997 and in some cases from 13 May 1997. See **What's new?** on page 2 of these instructions. For details of the operation of this legislation refer to the *Taxation Laws Amendment Act (No.2) 1999* and the publication *You and your shares* which is available from the ATO.

Income tax credit vouchers relating to partnership or trust distributions—label A

This is the amount of income tax credit vouchers purchased for the taxpayer to offset tax on net income from a partnership or a trust which is included in the amount shown at labels N, L, O and U.

12 Net income or loss from business—labels B and C

If the taxpayer carries on a business or is self-employed, including a taxi driver under a standard bailment agreement with an owner/operator, the *Business and professional items schedule 2000—tax agents* must be completed and attached to page 3 of the tax return.

If the taxpayer is registered for GST purposes, the net income or loss excludes any GST payable relating to income derived in 1999–2000. Expenses incurred in 1999–2000 are reduced by amounts of input tax credit entitlements attributable to the first GST tax period after 1 July 2000.

Use the *Business and professional items schedule 2000—tax agents* to calculate the net income or loss if you carry on a business.

Note: The list below shows where to put certain types of income and expense in the tax return:

- gross interest—show at item 9—**Gross interest**
- dividends and imputation credits—show at item 10—**Dividends**
- interest and dividend expenses—show at item D6—**Interest and dividend deductions**
- business income from partnerships and trusts—show at item 11—**Partnerships and trusts**
- net income equalisation and/or farm management withdrawals or deposits—show at item 13—**Net income equalisation and/or farm management deposits or withdrawals**
- net capital gains—show at item 14—**Capital gains**
- attributed foreign income—show at item 15—**Foreign entities**
- other foreign source income—show at item 16—**Foreign source income and foreign assets or property**
- expenses and losses incurred in relation to deriving foreign source income—take them into account as required in determining the amounts you show at item 16—**Foreign source income and foreign assets or property**
- gross rental income or similar income—such as agistment fees or hire fees—show at item 17—**Rent**
- rental expenses—show at item 17—**Rent**.

Transfer to labels B and C any amounts shown, respectively, at labels Y and Z, item P6, of the *Business and professional items schedule 2000—tax agents*. If the amount at label B or C is a loss, print L in the small box at the right of the appropriate label. Payments of tax on income shown at this item by income tax credit vouchers must be shown at item C1—**Income tax credit vouchers**.

If the taxpayer carried on a business as an author of a literary, dramatic, musical or artistic work, inventor, performing artist, production associate or an active sports person, assessable professional income less amounts that reasonably relate to the assessable professional income must also be shown at **Taxable professional income**, label Z, item 19—**Other income**.

Prescribed payments system (PPS) credit—label D

You must complete **Gross prescribed payments system income**, label D, item P6, in the *Business and professional items schedule 2000—tax agents* if the taxpayer is claiming a PPS credit at label D, item 12.

In order to claim a PPS credit at label D, item 12, the taxpayer must have:

- declared gross PPS income derived at label D, item P6 AND
- had tax deducted by payers in relation to that PPS income at label D, item P6.

Do not include the taxpayer's share of PPS credits distributed from a partnership or trust at label D, item 12. Include that credit at label P **Share of prescribed payments system credit**, item 11—**Partnerships and trusts**.

If the taxpayer had tax deducted under the prescribed payments system during the year ended 30 June 2000, the taxpayer should have received duplicate copies of PPS payment summaries. Payers are required to send the payment summary to the taxpayer by 14 July 2000. Show the total amount of tax deducted, as shown on the payment summaries, at label D, item 12.

If the taxpayer did not receive or has lost their copy of the payment summary, contact the payer and request a signed photocopy of the payer's copy or a letter setting out the details previously shown in the missing payment summary.

Reportable payments system (RPS) credit—label W

You must complete **Gross reportable payments system income** labels E and/or F, item P6, in the *Business and professional items schedule 2000—tax agents* if the taxpayer is claiming an RPS credit at label W, item 12.

In order to claim a RPS credit at label W, item 12, the taxpayer must have:

- declared gross RPS income derived at labels E and/or F, item P6 AND
- had tax deducted by payers in relation to that RPS income at labels E and/or F, item P6.

Do not include the taxpayer's share of RPS credits distributed from a partnership or trust at label W, item 12.

Include that credit at label Z **Share of reportable payments system credit**, item 11—**Partnerships and trusts**.

If the taxpayer had tax deducted under the reportable payments system during the year ended 30 June 2000, the taxpayer should have received a receipt from the payer indicating the amount deducted. The total amount of tax deducted is to be included at label **W**, item **12**.

If the taxpayer did not receive or has lost their copy of the receipt, contact the payer and request a signed photocopy of the payer's copy or a letter setting out the details previously shown in the missing receipt.

13 Net income equalisation and/or farm management deposits or withdrawals—labels E and F

If the amount of deposits is greater than the amount of withdrawals, print **L** in the small box at the right of label **E**.

Note: Farm Management Bonds are a part of the income equalisation scheme. A deduction for any deposits to the Farm Management Deposits Scheme cannot be claimed if the taxpayer's taxable non-primary production income for 1999–2000 is more than \$50 000.

14 Capital gains—labels H, G, X, R, W, S, T, V and Z

Note: 'Start time' refers to 11.45 a.m. by legal time in the ACT on 21 September 1999.

A taxpayer makes a capital gain or loss for the income year if a CGT event happens. There is a wide range of CGT events. Most CGT events involve a CGT asset. Some happen often and affect many different taxpayers—for example, CGT event A1 happens when a taxpayer disposes of a CGT asset. Other CGT events are rare and affect only a few taxpayers. Some CGT events are concerned directly with capital receipts and do not involve a CGT asset—for example, when a taxpayer enters into an agreement not to work in a particular industry for a period of time in return for a capital receipt.

An Australian resident makes a capital gain, generally speaking, if a CGT event happens to any of its worldwide CGT assets.

A non-resident taxpayer makes a capital gain or loss only if a CGT event happens to a CGT asset that has the necessary connection with Australia or CGT events D1 or E9 apply—which are, respectively, about creating contractual or other rights and creating a trust over future property. A non-resident makes a capital gain or loss from CGT event D1 and E9 only if the requirements of section 136-15 of ITAA 1997 are satisfied. There are also rules dealing with what happens when a non-resident becomes a resident.

A taxpayer makes a capital gain in relation to a CGT event if the capital proceeds from the CGT event exceed the taxpayer's cost base (or, for some CGT events, some other amount) for the event.

The elements of the cost base are indexed only if the taxpayer has owned the CGT asset for at least 12 months. (There are some exceptions—for example, assets acquired from a deceased estate.)

Note: Indexation is not available for CGT assets acquired after the start time or for expenditure in relation to CGT assets after the start time. For CGT events happening after that time to a taxpayer's assets acquired at or before that time, indexation is frozen as at 30 September 1999. For CGT events happening after the start time an individual taxpayer may be eligible for the CGT discount. See **What's new?** on page 6 of these instructions for more information.

An exception (most are in Division 104 of ITAA 1997) or exemption may apply to allow the taxpayer to reduce the capital gain or loss or disregard it.

In general, the taxpayer acquires a CGT asset when the taxpayer becomes its owner. Any capital gain or loss is disregarded if the taxpayer became its owner before 20 September 1985. However, if a capital improvement is made after 19 September 1985 to an asset acquired on or before that date, the improvement may be treated as a separate CGT asset. See **Property acquired before 20 September 1985** below.

Use the capital gains worksheets on pages 52–9 to calculate capital gains and losses. The ATO publication *Guide to capital gains tax* provides more information on how to calculate capital gains and losses.

Note: A capital gain a taxpayer makes from a CGT event is reduced if an amount has already been included in assessable income as a result of the CGT event, under a provision of the income tax legislation other than the capital gains tax provisions.

Property acquired before 20 September 1985

Any profit from the sale of any property acquired before 20 September 1985 must be included in your assessable income if:

- the profit arose from the carrying on or carrying out of a profit making undertaking or plan or
- the property was acquired for profit making by sale.

The *Business and professional items schedule 2000—tax agents* should be completed showing the gross amount received at **Other business income** and expenses at **All other expenses**. The net profit or loss should be transferred to label **C**, item **11**—

Partnerships and trusts.

The ATO has issued a number of taxation rulings and taxation determinations setting out the views of the ATO on the interpretation and application of the law as it relates to transactions involving property—for example, *Taxation Ruling TR 92/3*.

Total current year capital gains—label H

Show at this label the figure at **F13** of the capital gains worksheet on page 58. Select the code letter from the list below that best describes the CGT asset involved in the CGT event. Print the code letter in the **Type** box at the right of label H. If the taxpayer made capital gains in more than one category, print the code letter for the category with the largest amount of capital gain.

| CGT asset | Code letter |
|--|-------------|
| Shares | S |
| Units in unit trusts | U |
| Real estate | R |
| Collectables | A |
| Personal use assets | P |
| Equipment and plant including trucks | E |
| Goodwill on the sale of a business | G |
| Trust distributions | T |
| Other assets or where the CGT event does not involve a CGT asset | O |
| Instalment Receipts | I |

Note: Code letter E does not apply for a CGT event in relation to plant that happens after the start time.

A taxpayer's share of any net capital gain from a trust estate should be included at this label. Do not include this amount as a distribution from the trust at item **11—Partnerships and trusts**. There are special rules if the trust's net capital gain was reduced by the CGT discount and/or has been reduced because of the application of the small business 50 per cent active asset reduction by the trustee. These rules ensure that any capital losses are applied appropriately and the taxpayer claims the CGT discount correctly.

If the taxpayer receives from a trust estate a share of any net capital gain made by the trust estate and the net capital gain has been reduced by 50 per cent under either the CGT discount or the small business 50 per cent active asset reduction, but not both, the taxpayer must 'gross up' by multiplying their share of the net capital gain amount by 2. If the taxpayer receives from a trust estate a share of any net capital gain made by the trust estate and the net capital gain has been reduced by 50 per cent under both the CGT discount and the small business 50 per cent active asset reduction, the taxpayer is to 'gross up' by multiplying their share of the net capital gain amount by 4. Refer to Subdivision 115-C of ITAA 1997.

The taxpayer may also receive payments from the trustee out of the discount amount and/or an active asset reduction amount. These payments are 'tax-deferred amounts'. If the trust estate is a unit trust or a fixed trust and the tax-deferred amount exceeds the cost base of the units or fixed interests in

the trust, the taxpayer makes a capital gain equal to the excess.

Note: The amount at label **H** includes any amounts rolled over under the capital gains tax small business roll-over provisions in Division 123 or Subdivision 152-E of ITAA 1997 or which are exempt under the small business retirement exemption provisions in subdivisions 118-F or 152-D of ITAA 1997. It also includes capital gains prior to the application of the CGT discount (Division 115) and the small business 50 per cent active asset reduction (subdivision 152-B).

Special rules apply to collectables and personal use assets. If the taxpayer makes a capital gain from a collectable, it is disregarded if the collectable was acquired for \$500 or less. A capital gain or loss the taxpayer makes from an interest in a collectable is only disregarded if the market value of the asset was \$500 or less when the interest was acquired. A capital gain the taxpayer makes from a personal use asset, or part of a personal use asset, is disregarded if the taxpayer acquired it for \$10 000 or less.

Total current year capital losses applied—label G

Show at this label the **Current year capital losses applied** from the capital gains worksheet on page 57. Show at label **G** the sum of E1 and F20. The amount includes capital losses applied in calculating a small business roll-over amount. Only show, at label **G**, the appropriate amount of capital losses that are applied against the taxpayer's **Total current year capital gains**, label **H**. The amount shown at label **G** cannot exceed the amount shown at label **H**. If label **H** is blank, do not complete label **G**.

The taxpayer may choose the order in which capital gains are reduced by current year capital losses.

A capital loss is made if a CGT event happens and the taxpayer's reduced cost base for the CGT event exceeds the capital amounts the taxpayer receives, or is entitled to receive, from the event. The reduced cost base is not indexed for inflation.

A capital loss the taxpayer makes from a collectable is disregarded if it is acquired for \$500 or less.

A capital loss made on a collectable in the income year can only be used to reduce capital gains from other collectables—section 108-10 of ITAA 1997. Only include at this label the amount of any current year capital losses from collectables that the taxpayer is using this year to reduce capital gains from collectables.

A capital loss from a personal use asset is disregarded—section 108-20 of ITAA 1997—that is, it is not even used to reduce capital gains from other personal use assets.

Any capital losses not applied can be carried forward to a later income year and applied against capital gains in that year.

Select the code letter from the list below which best describes the CGT asset or assets to which the CGT event happened. Print the code letter in the **Type** box at the right of label **G**. If the taxpayer made a capital loss from more than one CGT event, print the code letter for the largest amount of capital loss.

| CGT asset | Code letter |
|--|-------------|
| Shares | S |
| Units in unit trusts | U |
| Real estate | R |
| Collectables | A |
| Equipment and plant including trucks | E |
| Goodwill on the sale of business | G |
| Other CGT assets or where the CGT event does not involve a CGT asset | O |
| Instalment Receipts | I |

Note: Code letter **E** does not apply for a CGT event in relation to plant that happens after the start time.

Prior year net capital losses applied—label X

Show at this label the sum of D1, E2 and F30 from the capital gains worksheets on pages 56–8. The amount includes prior year net capital losses applied in calculating a small business roll-over amount or retirement exemption amount. The amount shown at this label cannot exceed label **H Total current year capital gains** minus label **G Total current year capital losses applied**. If label **H** is blank or equals label **G**, do not complete label **X**.

Prior year net capital losses are applied in the order in which they were made. Any unused prior year net capital loss made on a collectable can only be applied to reduce capital gains from other collectables. Only include at label **X** any prior year net capital losses from collectables applied against current year capital gains from collectables.

A capital loss from a personal use asset is disregarded—that is, it is not even used to reduce capital gains from other personal use assets.

Capital losses may be reduced by the commercial debt forgiveness provisions under section 102-30, Item 3 of ITAA 1997 and Schedule 2C of ITAA 1936.

Net capital gain—label W

This is the amount at F37 on the worksheet.

To work out the net capital gain, any discount capital gains (after applying current year capital losses and prior year net capital losses) should first be reduced by the discount percentage. Any remaining capital gains that qualify for any of the small business concessions in Subdivision 152-C, 152-D and 152-E of ITAA 1997 may be further reduced.

Pre-announcement net capital gain amount—label V and Modified net capital gain amount—label Z

The information at labels **V** and **Z** is required to work out the CGT averaging reduction, which can reduce the tax otherwise payable on some assessments. The labels need to be completed when assessments are affected by the removal of CGT averaging in 1999–2000, and part of the taxpayer's net capital gain is attributable to CGT events that happened between 1 July 1999 and 11.45 a.m. by legal time in the Australian Capital Territory on 21 September 1999 (the 'start time').

The *New Business Tax System (Income Tax Rates) Act (No. 2) 1999* (the Act) amended the *Income Tax Rates Act 1986* to remove the CGT averaging concession from 1999–2000. In that year only, transitional measures provide a reduction to basic income tax liability. The reduction reduces additional tax from the removal of CGT averaging, to the extent that it relates to CGT events happening up until the start time. The explanatory memorandum to the Act describes how the reduction is worked out and gives several examples.

The reduction is calculated by the ATO from information in the return, including the information at labels **V** and **Z**. Do not complete labels **V** and **Z** unless there may be a reduction entitlement in the assessment, or unless the reduction may increase the rebate on eligible termination payments and lump sums under section 159SA of ITAA 1936. In some circumstances, you will need to include a schedule of additional information in the return.

If, after reading these instructions and making any further enquiries, you are still unsure whether the taxpayer qualifies for the reduction (or the benefit of the reduction through a section 159SA rebate) you may still complete labels **V** and **Z** as explained below. The ATO will work out whether or not there will be any benefit. If you need further information, contact the ATO.

Conditions for the reduction

The reduction can only apply to taxpayers who would have been entitled to the CGT averaging concession had it not been removed. These are:

- individuals
- trustees, for assessments under sections 98 and 99 of ITAA 1936 which apply individual stepped tax rates

For individuals, the 1999–2000 taxable income must include a net capital gain.

There must be a capital gain (that is not disregarded) from a CGT event that happened in 1999–2000 before the start time. This does not include capital gains that have been entirely disregarded, but can include a gain against which losses have applied under the

small business CGT concessions, even if some or all of the remainder was then disregarded. It could also include a gain arising from a trust in which the taxpayer is a beneficiary.

The pre-announcement net capital gain amount at label **V** must be greater than zero. See below for information on how to calculate it.

The gross adjustment amount (additional tax from the removal of averaging) must be more than zero. It may not exceed zero if the taxpayer's taxable income, apart from any net capital gain (or for some taxpayers 'average income' or a 'reduced notional income') exceeds the top individual marginal rate threshold. Where all of the net capital gain is subject to the Division 6AA tax rates applying to certain children's income there will be no reduction in that assessment, because the CGT averaging concession would not have been available under the previous law.

Rebate for lump sums and eligible termination payments (ETPs)

If the taxpayer's taxable income includes an amount rebatable under section 159SA (the rebatable component of certain lump sum and ETPs), and apart from this payment being included there may have been additional tax from the removal of CGT averaging, you should complete labels **V** and **Z**. Even if there is no direct entitlement to the averaging reduction, it may increase the rebate.

Information from trusts

If the taxpayer is a trust beneficiary, and their net capital gain is to some extent attributable to the trust's net capital gain, they may need certain information from the trust to complete labels **V** and **Z**—see below. For further information refer to the CGT label **J** and **K** commentary in the *Partnership and trust tax returns 2000 instructions*.

When a trustee is assessed under section 98 of ITAA 1936, and an amount is shown at label **S**, item 11 — **Partnerships and trusts** in the beneficiary's return (share of credit for tax paid by the trustee), any CGT averaging reduction allowed in the trustee assessment must be taken into account.

Completing labels V and Z

Notional net capital gain

Note: The notional net capital gain is worked out as a step in calculating the amounts at labels **V** and **Z**. **Do not show this amount on the tax return.**

Firstly, calculate the notional net capital gain. This is used instead of the actual net capital gain in working out the additional tax from the removal of the CGT averaging concession. It is the amount that would have been the net capital gain if the changes to the tax law from 21 September 1999 involving frozen indexation, the CGT discount and the new small

business CGT concessions had not been made.

In the notional net capital gain, capital gains made throughout 1999–2000 are worked out using the indexation rules applying in the first part of the year, and without the CGT discount rules. For example, a discount capital gain made in December 1999 is recalculated to include (where otherwise allowable) indexation in the cost base. The indexation is worked out using the index number for the December 1999 quarter. The gain is not reduced by the discount percentage. Capital losses, and capital gains made up to the start time, will not need to be recalculated.

If the taxpayer's taxable income includes a share of the net income of a trust, and that share is to some extent attributable to the net capital gain included in the taxpayer's taxable income, ignore any capital gain taken to arise under subdivision 115-C of ITAA 1997 when you work out the taxpayer's notional net capital gain. Instead, include a proportion of the notional net capital gain of the trust. The proportion you include is the same as the proportion of the trust's net capital gain attributable to the taxpayer's share of the trust's net income.

For example, if this is one half of the trust's net capital gain, include one half of the trust's notional net capital gain in the taxpayer's notional net capital gain. This assumes that the trust's notional net capital gain is less than its notional net income. Otherwise, a smaller amount would be included.

Finally, the notional net capital gain is also worked out as though the former small business CGT concessions in subdivisions 118-C and 118-F (the goodwill and small business retirement exemptions) and Division 123 (the small business roll-over) applied for the whole year, and the new measures in Division 152 ITAA 97 had not been enacted.

The concession notionally applied must be such that it would have been available in the actual circumstances.

Modified net capital gain amount—label Z (work out label Z before label V)

The modified net capital gain amount is the notional net capital gain PLUS the amount of prior year net capital losses applied shown at label **X** (current year capital losses shown at label **G** are not added back).

Where the taxpayer is a minor (see item **A1**), in working out the modified net capital gain amount you also exclude any part of the notional net capital gain which is eligible assessable income under Division 6AA of Part III of ITAA 1936 (including in respect of any share of the notional net capital gain of a trust). In these situations, you will need to include a schedule of additional information with the return—see below.

The modified net capital gain amount should include the part of any capital gain that has been offset by current and/or prior year capital losses before the

application of any actual (or notional) small business CGT concessions, less the current year capital losses applied against them. The prior year net capital losses applied in this way are added back at this step along with any other prior year losses.

Pre-announcement net capital gain amount—label V

The pre-announcement net capital gain amount at label V is the modified net capital gain amount at label Z, to the extent that it relates to CGT events that happened up to the start time (pre-announcement CGT events). Capital losses and capital gains for later CGT events are ignored. In the case of minors subject to Division 6AA, the amount at label V will not include any eligible assessable income because it will already have been excluded in completing label Z.

If the taxpayer's notional net capital gain includes some of the notional net capital gain of a trust, and a proportion of it relates to pre-announcement CGT events in that trust, the same proportion is included in the taxpayer's pre-announcement net capital gain amount. For example, if one-third of the taxpayer's share of the trust's notional net capital gain is attributable to pre-announcement CGT events in the trust, include one-third in your taxpayer's pre-announcement net capital gain amount. However, in the case of minors subject to Div 6AA, this amount should only be included to the extent that it is excepted trust income.

How the reduction is calculated

The CGT averaging reduction is worked out by:

- calculating the additional tax from the removal of averaging and
- reducing what would otherwise be the basic income tax liability by a percentage of the additional tax.

The additional tax is worked out by comparing tax with, and without, CGT averaging on a notional taxable income, which uses a notional net capital gain (see above) instead of the taxpayer's actual net capital gain. The percentage capital gain adjustment percentage reflects the extent to which the net capital gain relates to pre-announcement CGT events, and otherwise would have been subject to CGT averaging.

For more information refer to the ATO publication *Guide to capital gains tax*.

Circumstances when additional information is needed

Net capital gains of minors

If the taxpayer was under 18 at 30 June 2000 and they have made a net capital gain, they will not be entitled to the CGT averaging reduction unless they are an excepted person, or all or part of their net capital gain is excepted income. Refer to question A1 on page 29 of these instructions.

If **only part** of the taxpayer's net capital gain is excepted income, complete labels V and Z as shown

above. In addition, prepare an attachment headed **SCHEDULE OF ADDITIONAL INFORMATION: CGT averaging reduction—partly excepted income**. Explain the taxpayer's circumstances, including the following details:

- the amount of the net capital gain which is considered to be excepted income, and why
- the amount you subtracted in working out the taxpayer's modified net capital gain amount at label Z because it is not excepted income, and details of how it was worked out and
- details of how you worked out the taxpayer's pre-announcement net capital gain amount at label V.

You must also include the information and follow the procedures required by the instructions for tax return attachments on page 9 of these instructions.

Net capital losses carried forward—label R

Show at this label the amount from F33 of the capital gains worksheet, being current year capital losses and/or prior year net capital losses that have not been applied to offset capital gains.

There should not be an amount at label R if there is an amount at label W.

Do not include net capital losses made from personal use assets. Keep a note of any net capital loss made from collectables and not applied this year to reduce a capital gain from collectables. This amount can only be applied in future years to reduce capital gains made from collectables.

Do not include net capital losses which have been applied in calculating a capital gains tax small business net roll-over amount under former Division 123 of ITAA 1997 or retirement exemption amount under Subdivision 118-F of ITAA 1997.

Capital losses may be reduced by the commercial debt forgiveness provisions under section 102-30 of ITAA 1997 and Schedule 2C of ITAA 1936.

Capital gains tax small business roll-over amount—label S

Show at this label the amount of capital gain that has been rolled over under either former Division 123 of ITAA 1997 or Subdivision 152-E of ITAA 1997 in respect of the small business capital gains tax roll-over relief. This will be the sum of C3 and E3 from the capital gains worksheet.

Capital gains tax small business retirement exemption amount—label T

A company or trust, which the taxpayer controls, may have claimed an exemption from capital gains tax under the small business retirement exemption laws. If the taxpayer received an ETP from a company or trust which has claimed the exemption, and all or part of the ETP includes a CGT component, you must show the amount of the CGT component at label T. If the taxpayer carries on business as a sole trader or partnership and has claimed the CGT small business retirement exemption, show the exempt amount at label T.

Include at label **T** both amounts eligible for the retirement exemption under either the former Subdivision 118-F of ITAA 1997 or Subdivision 152-D of ITAA 1997. This is the sum of C4 and D2.

For further information regarding the small business roll-over or small business retirement exemption refer to the ATO publication, *Capital gains tax concessions for small business*.

Capital gains tax record keeping

It is important to keep accurate records from the date of acquisition of any CGT asset from which the taxpayer has made or might make a capital gain or loss if a CGT event happens to it—for example, a disposal of the asset.

Failure to keep such records could result in:

- extra expense to reconstruct the cost base of the asset when a CGT event happens to it and
- more tax being paid.

The taxpayer must keep records of every act, transaction, event or circumstance that can reasonably be expected to be relevant to working out whether the taxpayer has made a capital gain or capital loss from a CGT event. It does not matter whether the CGT event has happened or may happen in the future.

The taxpayer must keep records in English—or readily convertible to English. The records must show the nature of the act, transaction, event or circumstance and the day when it happened or arose. In the case of an act the records must show who did it and in the case of a transaction who were the parties to it.

The taxpayer must retain the records for 5 years after it becomes certain that no CGT event—or no further CGT event—can happen such that the records could reasonably be expected to be relevant to working out whether the taxpayer has made a capital gain or loss from the event.

Note: The law (section 121-35 of ITAA 1997) now allows taxpayers to:

- continue to follow the record keeping requirements above or
- transfer the information contained in the records to a CGT asset register or
- adopt a combination of both methods.

For further information regarding asset registers refer to the ATO publication *CGT asset register: a new way of keeping records*.

15 Foreign entities—labels I, A, J, K, B and C

The taxpayer needs to answer the following questions.

Is the taxpayer an Australian resident for tax purposes who:

- had either a direct or indirect interest in a controlled foreign company (CFC)

- at any time, directly or indirectly caused the transfer of property—including money—or services to a non-resident trust
- had, or continues to have, an interest in a foreign investment fund (FIF) or a foreign life assurance policy (FLP)?

You may need the publications *Foreign income return form guide*, *Foreign tax credit guide* and *Foreign investment fund guide* which are available from the ATO, to complete this item.

If the taxpayer answers yes to the second of the above questions, you will need to provide more information. Attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION—*item 15* with the taxpayer's name, address, TFN, name of trust and its trustee or trustees, date of transfer, and the amount of any attributable income in relation to the trust. Ensure the taxpayer signs the schedule.

Include the taxpayer's answers to the 3 questions above at labels **I, A and J**, item 15. Include the income relevant to these questions at labels **K, B and C**, item 15. If the taxpayer is entitled to claim any foreign tax credits in respect of income shown at label **C**, attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION—*item 15* with the taxpayer's name, address and TFN, the name of the FIF and/or FLP, the amount of attributable income in relation to each FIF and/or FLP and the amount of foreign tax credits claimed by the taxpayer in respect of the attributable income of each FIF and/or FLP. Ensure the taxpayer signs the schedule.

16 Foreign source income and foreign assets or property—labels E, L, D, M, N, O and S

Show at label **E**, item 16, the gross amount of assessable income derived by the taxpayer from foreign sources, including any foreign tax paid on that income, other than income shown at labels **K, B and C**, item 15—**Foreign entities**. Do not include any income derived by the taxpayer that is exempt from tax at this label. The amount to be shown at label **E** reflects the gross foreign income, while the amounts at labels **L, D and M** reflect the income shown at label **E** net of deductions allowable to the taxpayer.

Show at label **L**, item 16, the following amounts:

- any assessable foreign income (including any foreign tax paid on that income) derived by the taxpayer from foreign employment, including lump sum payments, less any deductions allowable to the taxpayer against that income AND
- any foreign pension or annuity income of the taxpayer which has never had an undeducted purchase price (including any foreign tax paid on that income) less any deductions allowable to the taxpayer against that income.

Do not include at label **E** or **L** any amount which is eligible income within the meaning of section 159ZR of ITAA 1936—lump sum payments in arrears. Include it instead at item 19—**Other income**.

If the amount shown at label L includes pension or annuity income which never had an undeducted purchase price, print the code letter P in the **Type** box at label L, item 16.

Show at label D, item 16, any foreign pension or annuity income of the taxpayer that has or had an undeducted purchase price (including any foreign tax paid on that income) **less** any deductions allowable to the taxpayer against that income.

If a taxpayer receives a foreign pension that is taxable in Australia, they may have made a prepayment of tax payable on that pension income by purchasing income tax credit vouchers from the ATO. Amounts of tax paid by the purchase of income tax credit vouchers should be included at item C1—**Income tax credit vouchers**.

Show at label M, item 16, all assessable income of the taxpayer from foreign sources including foreign source income of a partnership or trust which is assessed to the taxpayer (including any foreign tax paid on that income) other than income required to be shown at label L or D, item 16, **less** any deductions allowable to the taxpayer against that income **less** any allowable foreign losses from previous years for each category of income that have not already been offset.

Note: Losses and other expenses relating to foreign source income cannot be deducted against Australian source income and are quarantined to the class of foreign source income to which they relate. Refer to sections 79D and 160AFD of ITAA 1936.

Show at label N, item 16, any income derived by the taxpayer from foreign employment, including lump sum payments, which is exempt from tax under section 23AF or section 23AG of ITAA 1936.

Claim at label O, item 16, any foreign tax credits which the taxpayer is entitled to claim under section 160AF of ITAA 1936.

Print Y at label \$, item 16, if the taxpayer held at any time during 1999–2000 overseas assets—tangible or intangible—valued at AUD \$50 000 or more, even if the taxpayer did not receive any income from that property or funds this year. Otherwise print N.

These assets include any interest whether legal or beneficial and whether it was held directly or indirectly through one or more interposed entities. The term ‘assets’ includes real property, shares in companies or other entities, interests in partnerships or trusts, business assets, debentures, bonds, money or funds held in accounts or by other parties, loans and deposits. It also includes intangible property such as trademarks, copyrights, patents, debtors or equitable choses in action. An interest in an asset also includes certain entitlements to acquire an FIF under section 483 of ITAA 1936.

Determine the value of these assets by historical cost or market value, whichever is greater. Use the exchange rate at 30 June 2000 to convert the value of the property or funds to Australian dollars or, if the property was disposed of during the year, use the exchange rate at the time of disposal.

17 Rent—labels P, Q, F and U

For more information on rental income and deductions in relation to rental income refer to the publications *Rental properties* and *Guide to depreciation* and taxation rulings IT 2167—*Rental properties: non-economic rental, holiday home, share of residence, etc. cases, family trust cases*, TR 97/25—*Property development: deduction for capital expenditure on construction of income producing capital works including buildings and structural improvements*, TR 98/22—*The consequences for taxpayers entering into certain linked or split loan facilities*, TR 1999/D3—*Deductibility of interest on moneys drawn down under line of credit facilities and redraw facilities* and TR 97/23—*Deductions for repairs*.

Some tax agents will need to complete a rental property schedule that will be delivered to taxpayers as part of a separate package.

Note:

- Do not show foreign source rental income that is rental income from properties located outside Australia at this item and do not claim expenses in relation to foreign source rental income at this item. Show foreign source income at item 16—**Foreign source income and foreign assets or property**.
- Rental expenses incurred by the taxpayer in relation to a rental property will have to be apportioned if the property was not available to produce assessable rental income for the whole of the income year—for example, during periods when the taxpayer occupied the property as a holiday house.

Show at label P, item 17, the amount of total gross assessable rental income—including income of a similar kind such as agistment fees and hiring fees—derived by the taxpayer.

Show at label Q, item 17, the amount of any deductible interest expenses incurred by the taxpayer in producing assessable rental income.

Show at label F, item 17, the amount of any deductions allowable to the taxpayer under Division 43 of ITAA 1997 in relation to the taxpayer’s rental property or properties.

Show at label U, item 17, the amount of any other deductible expenses incurred by the taxpayer in producing assessable rental income.

Net rent

Where the total of amounts shown at labels Q, F and U is greater than gross rent shown at label P, print the letter L in the small box at the right of the **Net rent** label.

18 Bonuses from life insurance companies and friendly societies—label W

Print the appropriate code letter in the **Claim type** box at the right of label W.

| Description | Code letter |
|-------------------------------------|-------------|
| Bonus from a life insurance company | A |
| Bonus from a friendly society | F |
| Bonus from both types of policies | C |

Note: If the taxpayer is assessable on bonuses from both types of policies, details of the policies and the amount of bonus from each policy should be printed on a SCHEDULE OF ADDITIONAL INFORMATION—*item 18* with the taxpayer's name, address and TFN. Attach the schedule to page 3 of the tax return. Ensure the taxpayer signs the schedule.

19 Other income—labels Y, V, E and Z

Show at this item all assessable income of the taxpayer that was not shown at items 1 to 18.

Label Y—category 1

Show at label Y, item 19, the total amount of assessable income derived by the taxpayer of the following kinds:

- reimbursements of tax-related expenses and election expenses which were deducted by the taxpayer
- lump sum payments in arrears—except for lump sum payments in arrears required to be shown at label V. Refer to the first dot point of category 2 on this page of these instructions
- allowances or payments to members of local council not shown at item 1 or item 2 on the tax return.

Print the type of income you have shown at label Y in the **Type of income—category 1** box at the left of label Y. If more than one type of income is included at label Y, attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION—*item 19—category 1 income*, setting out the taxpayer's name, address, TFN, details of each type of category 1 income and the amount of each type of income. Ensure the taxpayer signs the schedule.

Label V—category 2

Show at label V, item 19, the total amount of assessable income derived by the taxpayer of the following kinds:

- lump sum payments in arrears of Australian pensions or annuities referred to at item 7—**Other Australian pensions or annuities—including superannuation pensions** on page 2 of the tax return and foreign pensions or annuities that have or had an undeducted purchase price
- a non-qualifying component of an eligible termination payment
- foreign exchange gains
- benefits from an employee share scheme
- royalties
- taxable scholarships, bursaries, grants or other educational awards unless already shown at item 1 or 2
- benefits or prizes from investment-related lotteries
- assessable professional income within the meaning of section 405-20 of ITAA 1997 of a special professional—author of a literary, dramatic, musical or artistic work, inventor, performing artist, production associate or an active sports person. Do not show at label V any amount of assessable professional income that you have already included at items 1, 2, 11 and 12. Show at label Z, **Taxable professional income** the assessable professional income less amounts that reasonably relate to the assessable professional income
- balancing adjustment profit from the disposal, loss or destruction of the taxpayer's car for which car expenses were claimed—refer to *Taxation Ruling IT 2493—Substantiation rules: calculation of balancing adjustment* and the ATO publication *Guide to depreciation*
- payments under a sickness or accident insurance policy, except for payments already shown at item 1 or 2
- interest from infrastructure borrowings if the taxpayer intends to claim a rebate at item R11—**Other rebates/tax offsets**
- rebatable interest derived under the land transport facilities tax rebate scheme
- gains on disposal or redemption of traditional securities under section 26BB of ITAA 1936
- jury duty fees unless the taxpayer has to pay the fees to the taxpayer's employer because the taxpayer received their normal employment income whilst they were on jury duty
- any other assessable income.

Print the type of income you have shown at label V in the **Type of income—category 2** box at the left of label V. If more than one type of income is included at label V, attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION—*item 19—category 2 income*, setting out the taxpayer's name, address, TFN, details of each type of category 2 income and the amount of each type of income. Ensure the taxpayer signs the schedule.

Do not show at this item:

- partnership income or losses—show at item **11—Partnerships and trusts**
- capital gains or losses— show at item **14—Capital gains**
- rental income or losses— show at item **17—Rent**
- foreign exchange losses— show at item **D14—Other deductions**
- business income or losses—refer to the *Business and professional items schedule 2000—tax agents*

Note: If a payment of tax was made on any of this income by purchasing income tax credit vouchers during 1999–2000, include these credits at label **K**, item **C1—Income tax vouchers** on page **10** of the tax return.

If the taxpayer received lump sum payments in arrears write the amount of any tax instalments deducted from those payments at label **E**, item **19—Other income**. Do not show any tax instalments included elsewhere on the taxpayer's tax return.

Deductions

D11 Australian film industry incentives—label G

Claim at label **G**, item **D11**, any deduction that the taxpayer is entitled to claim under Division 10BA of ITAA 1936. Do not claim at this item subscriptions for shares in a company licensed to invest in Australian films under the Film Licensed Investment Company (FLIC) Scheme. Claim them at item **D14—Other deductions**.

Note: Certain product rulings may apply to deductions claimed for film industry incentive expenditure.

D12 Deductible amount of undeducted purchase price of foreign pension or annuity—label Y

Claim at label **Y**, item **D12**, the amount which the taxpayer can claim as a deduction under section 27H of ITAA 1936 in relation to a foreign pension or annuity, income from which the taxpayer showed at label **D**, item **16—Foreign source income and foreign assets or property**.

D13 Non-employer sponsored superannuation contributions—label H

Claim at label **H**, item **D13**, the amount that the taxpayer can claim as a deduction under section 82AAT of ITAA 1936.

The taxpayer cannot claim a deduction for contributions to a complying superannuation fund or retirement savings account (RSA) under section 82AAT of ITAA 1936 unless:

- the taxpayer wrote to tell the fund or RSA provider the amount intended to be claimed as a deduction **AND**
- the fund acknowledged the letter in writing.

If the taxpayer is claiming a tax deduction for personal superannuation contributions made to more than one provider, attach to page **3** of the tax return a **SCHEDULE OF ADDITIONAL INFORMATION—item D13** with the taxpayer's name, address, TFN and the following details for each superannuation fund or RSA provider from which the taxpayer received an acknowledgment notice:

- full name of the fund or RSA
- the taxpayer's policy number
- the amount which the taxpayer is claiming as a deduction.

If the taxpayer is claiming a deduction for contributions to only one provider write the full name of the fund or RSA and the taxpayer's policy number in the boxes to the left of label **H**, item **D13**. Ensure the taxpayer signs the schedule.

Note: A taxpayer's total reportable fringe benefits amounts are taken into account for the 1999–2000 income year.

D14 Other deductions—labels E and J

Claim at label **E**, item **D14**, the amount of election expenses that the taxpayer can claim under sections 25-60 and 25-70 of ITAA 1997 or section 74A of ITAA 1936.

Claim at label **J**, item **D14**, the total of any amounts that the taxpayer can deduct under the income tax law in 1999–2000 other than the following:

- election expenses required to be claimed at label **E**, item **D14**
- amounts required to be claimed at items **D1** to **D13**
- amounts required to be claimed at labels **I**, **X**, **J** and **Y**, item **11—Partnerships and trusts**
- amounts claimed in calculating a net income or loss from the taxpayer's business shown at item **12—Net income or loss from business**
- income equalisation and/or farm management deposits required to be taken into account in calculating the amount shown at label **E**, item **13—Net income equalisation and/or farm management deposits or withdrawals**
- foreign income deductions or losses within the meaning of section 79D and section 160AFD of ITAA 1936
- amounts required to be claimed at labels **Q**, **F** and **U**, item **17—Rent**.

If an amount is claimed at label **J**, item **D14**, print a description of the expense claimed in the **Description of claim** box at item **D14**. If the amount claimed at label **J**, item **D14**, includes more than one kind of expense, attach to page **3** of the tax return a **SCHEDULE OF ADDITIONAL INFORMATION—item D14** with the taxpayer's name, address, TFN and details of each type of expense claimed, including the amount claimed. Ensure the taxpayer signs the schedule.

Expenses that the taxpayer may be entitled to claim at this item include:

- election expenses for local, Territory, State or Commonwealth candidates
- deductible expenses incurred but not claimed in full prior to ceasing a primary production business where a balance is claimable in a subsequent year(s)—for example, water conservation expenditure, which is allowable as a deduction over a 3-year period
- non-capital losses incurred upon the disposal or redemption of a traditional security, which are deductible under section 70B of ITAA 1936
- sickness and accident insurance premiums
- foreign exchange losses deductible under Division 20 of ITAA 1997
- deductions allowable under Subdivision 375-H of ITAA 1997, for subscriptions for shares in a company licensed to invest in Australian films under the FLIC Scheme
- interest incurred on money borrowed to invest under the land transport facilities tax rebate scheme or infrastructure borrowings scheme.

Note: Do not show at item **D14** deductions for:

- superannuation contributions, pension or annuity rebate—claim at label **S**, item **R4—Superannuation contributions, annuity and pension**
- expenses relating to investment planning and advice involving shares, unit trusts and interest bearing deposits—claim at **D6—Interest and dividend deductions**
- Financial Institutions Duty (FID) on salary and wages—claim at **D5—Other work related expenses**
- FID on investments—claim at **D6—Interest and dividend deductions**
- expenses incurred in earning foreign source income—refer to item **16—Foreign source income and foreign assets or property**.

Rebates/tax offsets

R6 Superannuation contributions on behalf of your spouse—label A

To claim this rebate complete **Spouse details—married or de facto** including labels **S** and **O**, on page 7 of the tax return and **Your spouse's name** on page 1 of the tax return.

Write at **Contributions paid**, item **R6**, the total of eligible spouse contributions within the meaning of section 159TC of ITAA 1936 made by the taxpayer during 1999–2000.

Write at label **A**, item **R6**, the amount of the rebate to which the taxpayer is entitled under sections 159T and 159TA of ITAA 1936. If the taxpayer made contributions to a complying superannuation fund or RSA on behalf of their non-working or low income earning spouse a rebate of up to \$540 will be available where:

- the contributions are not deductible to the taxpayer AND
- both the taxpayer and their spouse were Australian

- residents when the contributions were made AND
- the sum of the taxpayer's spouse's assessable income and total reportable fringe benefits amounts is less than \$13 800 AND

- the contributions were made at a time when the taxpayer and their spouse were not living separately and apart on a permanent basis.

Except where the taxpayer qualifies for the rebate in respect of more than one spouse, the rebate is calculated as 18 per cent of the lesser of:

- \$3000 reduced by \$1 for every \$1 of the amount—if any—by which the taxpayer's spouse's assessable income and total reportable fringe benefits amounts for the year exceeded \$10 800 AND
- the total of the eligible spouse contributions that the taxpayer made in relation to their spouse for the year.

Where the taxpayer had more than one spouse during the year, the rebates for each spouse are calculated and added together. The maximum rebate available remains at \$540.

R7 Zone or overseas forces—label R

Write at label **R**, item **R7**, the total amount of any rebates to which the taxpayer is entitled under section 79A, section 79B or section 23AB of ITAA 1936.

R8 20% rebate on net medical expenses over \$1250—label X

Write at label **X**, item **R8**, the amount of any rebate to which the taxpayer is entitled under section 159P of ITAA 1936. The rebate is 20 per cent of the net medical expenses over \$1250.

R9 Parent, spouse's parent or invalid relative—label B

Write at label **B**, item **R9**, the amount of any rebate to which the taxpayer is entitled under section 159J of ITAA 1936 for the taxpayer's invalid relative or parent, or spouse's parent.

R10 Landcare and water facility—labels M and T

The landcare and water facility tax offset is a 34 cents in the dollar tax offset, and is an alternative to the deductions currently available under the following subdivisions of ITAA 1997:

- Subdivision 387-A for expenditure incurred on landcare operations by a taxpayer carrying on a business of primary production or a taxpayer carrying on any business using rural land—except a business of mining or quarrying
- Subdivision 387-B for expenditure incurred on facilities to conserve or convey water by a taxpayer carrying on a business of primary production.

Deductions for these types of expenditure are still available but taxpayers are able to choose the tax offset instead, subject to eligibility outlined below.

The landcare and water facility tax offset operates in a similar way to the relevant deductions, in that expenditure on landcare operations can be claimed as a tax offset in the year incurred and expenditure on facilities to conserve or convey water can be claimed as a tax offset over 3 years.

Date of effect

The landcare and water facility tax offset is available for expenditure incurred after the start of 1997–98 and before the end of 2000–01.

Eligibility

To be eligible to claim the tax offset a taxpayer's taxable income must be \$20 700 or less, after notionally deducting the amount that could have been claimed for eligible expenditure if the taxpayer had not chosen the tax offset. The taxpayer must also:

- be a primary producer or
- for the purposes of the landcare operations part of the rebate, be carrying on a business using rural land (other than a business of mining or quarrying).

Note: Only primary producers are entitled to claim the water facility part of this tax offset.

Limits to the amount of tax offset that can be claimed

The tax offset is available for up to a maximum eligible expenditure of \$5000 for landcare operations and \$5000 of eligible expenditure for facilities to conserve or convey water. Expenses in excess of \$5000 may be claimed as a deduction. This means the maximum tax offset for landcare operations in one year is \$1700 (\$5000 x 34 cents) and the maximum tax offset for facilities to conserve or convey water in one year is \$567 (1/3 of \$5000 x 34 cents).

Completing the item

Write at label **M**, item **R10**, the amount of tax offset the taxpayer is claiming under Division 388 of ITAA 1997.

Write the appropriate code letter in the **Claim type** box at the right of label **M**.

| Type of expenditure | Code letter |
|---|-------------|
| Landcare operations only | C |
| Water facilities only | W |
| Both landcare operations and water facilities | B |

Note: If the taxpayer incurred expenditure on facilities to conserve or convey water in prior years and still has a one-third tax offset available, add the amount at label **M**.

Landcare and water facility tax offset brought forward from prior years—label T

A taxpayer must work out their unused landcare and water facility tax offset for the years 1997–98 and/or 1998–99. This amount is then reduced by net exempt income (if any) in accordance with sections 65-30 and 65-35 of ITAA 1997. Every dollar of net exempt income reduces the brought forward tax offset by 34 cents.

Write at label **T**, item **R10**, the amount of brought forward landcare and water facility tax offset available to the taxpayer. This label only applies if the taxpayer's income tax liability from the prior year did not absorb all of the landcare and water facility tax offset.

R11 Other rebates/tax offset—label C

Write at label **C**, item **R11**, the total amount of any rebates/tax offsets to which the taxpayer is entitled under section 159UQ (heritage conservation rebate), section 159GZZZZG (infrastructure borrowings rebate) or section 160AB (interest on government securities) of ITAA 1936 or Division 396 of ITAA 1997 (land transport facilities tax rebate).

If the taxpayer has chosen under Division 16L of ITAA 1936 to have any interest from their investment in infrastructure borrowings included as part of their assessable income, or they have rebatable interest under Division 396 of ITAA 1997 they may be entitled to a rebate of up to 36 cents in the dollar of that interest. Where the taxpayer's rebatable interest under Division 396 of ITAA 1997 is subject to an annual upper limit, as specified in the agreement between the lender(s), the borrower and the Minister for Transport and Regional Services, the taxpayer cannot claim a rebate for any part of rebatable interest that exceeds that upper limit.

If applicable, print code letter **H** for heritage conservation or **I** for land transport facilities/infrastructure borrowings in the **Claim type** box at the right of label **C**. If not applicable, leave the box blank.

If a rebate/tax offset is claimed for heritage conservation and land transport facilities/infrastructure borrowings, print the code letter that relates to the largest portion of the claim.

Other credits for tax paid

C1 Income tax credit vouchers—label K

Attach income tax credit vouchers purchased for the taxpayer to page **3** of the tax return.

Notes:

- Taxi drivers should show at label **K**, item **C1**, the total of income tax credit vouchers purchased.
- Do not show at this item tax paid through the purchase of income tax credit vouchers for taxpayers that are embassy staff. Show it instead at item **2—Allowances, earnings, tips, director's fees, etc.**, together with the salary and wage income of the taxpayer.
- Do not show at this item tax paid by the taxpayer in respect of net income of a partnership or trust by purchasing income tax credit vouchers. Show it instead at label **A**, item **11—Partnerships and trusts**.
- If the taxpayer has lost any of the income tax credit vouchers purchased, they will need to complete a statutory declaration, available from any tax office. Attach this declaration to page **3** of the tax return.

C2 Credit for interest on early payments—label L

Show at label L, item C2, the amount of interest which is payable by the Commissioner to the taxpayer under section 8A of the *Taxation (Interest on Overpayments and Early Payments) Act 1983*, including interest for payment by the taxpayer of any of the following liabilities more than 14 days before the due date for payment:

- income tax (including Medicare levy)
- assessed Higher Education Contribution Scheme debt shown on the taxpayer's notice of assessment
- Student Financial Supplement Scheme debts shown on the taxpayer's notice of assessment
- interest on distributions from non-resident trust estates payable under section 102AAM of ITAA 1936
- income tax penalties
- an income tax general interest charge relating to a late return or an amended assessment
- provisional tax
- instalments of provisional tax

For more information about interest on early payments, refer to the publication *Interest on early payments and overpayments of income tax*, which is available from the ATO.

Note: When calculating early payment interest credit:

- The interest period commences on the later of the date the taxpayer made the payment or the issue date of the notice informing the taxpayer of the amount of the tax, debt interest or instalment.
- The interest period ends on the due date for payment.
- The interest rate applying for each quarter of 1999–2000 is shown below.

Interest rates for early payments calculation

| Period | Interest rate |
|------------------------------------|---------------|
| 1 July 1999 to 30 September 1999 | 4.72% |
| 1 October 1999 to 31 December 1999 | 4.73% |
| 1 January-2000 to 31 March 2000 | 5.08% |
| 1 April 2000 to 30 June 2000 | 5.65% |

Business and professional items schedule 2000—tax agents

To complete items P1 to P14 please refer to the following for full descriptions of every item. The publications *Guide to depreciation and Information for primary producers—2000* and the *Business industry codes 2000* may also assist with completing these items.

P1 Description of main business activity—label A

The taxpayer's main business activity is the business activity from which the business derives the greatest gross income. Please ensure you give a full description—for example, beef cattle breeder, vegetable grower, clothing manufacturer, confectionery wholesaler or electrical goods retailer. **Do not** use general descriptions such as farmer, manufacturer or wholesaler.

Write the appropriate 5-digit industry code that corresponds with the main business activity of the taxpayer's business. These codes can be obtained from the publication *Business industry codes 2000*—refer to this publication before coding. Please ensure that all leading zeros are included at label A.

P2 Status of your business—labels B1, B2 and B3

If the taxpayer received income from more than one business in 1999–2000, print **X** at label B1.

If the taxpayer ceased business during 1999–2000, print **X** at label B2.

If the taxpayer commenced a new business during 1999–2000, print **X** at label B3.

If more than one option applies, only print the first applicable option. For example, if the taxpayer has ceased business and commenced business during the year of income, only print **X** at label B2, **Ceased business**.

P3 Business name of main business

The business name does not have to be a registered name. The business name of the main business activity should be consistent from year to year, except in the year of a name change or when it is no longer the main business. If the business name is legally changed, the ATO should be advised in writing at the time of change. The current business name should be shown on the tax return.

P4 Business address of main business

This is the address where most of the taxpayer's main business decisions are made.

P5 Did you sell any goods or services using the Internet?—label Q

If the answer to this question is yes, print **Y** at label Q. If the answer is no, print **N** at label Q.

The answer to this question should be yes if the taxpayer has an Internet presence and one or more of the following apply:

- The taxpayer accepts orders for goods and/or services using the Internet.
- The taxpayer accepts payment for goods and/or services using the Internet.
- The taxpayer fulfils orders using the Internet.

The answer to this question should be no if the taxpayer does not have an Internet presence, or the taxpayer does have an Internet presence and ALL of the following apply:

- The taxpayer does not accept orders using the Internet.
- The taxpayer does not accept payment using the Internet.
- The taxpayer does not fulfil orders using the Internet.

Terms explained

Internet presence

An Internet presence is any one or more of the following:

- the use of a web page/site for commercial purposes
- the use of Internet email for commercial purposes
- the use of Internet news groups for commercial purposes
- the use of any other Internet technology for commercial purposes—for example, banner advertising on a web page not maintained by the taxpayer.

Accepting orders through the Internet

Accepting orders using the Internet includes the following:

- orders received using a form on a web page
- orders received using email
- orders received by other means delivered using the Internet.

It does not include orders received by postal mail, facsimile, telephone or in person as a result of advertising on the Internet.

Accepting payment using the Internet

Accepting payment using the Internet includes:

- acceptance of electronic cash, or similar Internet payment technologies, as payment for goods or services
- acceptance of credit card, charge card, or other payment card details received using the Internet by means of web page forms, email or other.

It does not include acceptance of credit card, charge card, or other payment card details received by postal mail, facsimile, telephone or in person. This is regardless of whether the goods or services were offered, ordered or delivered using the Internet.

Fulfilling orders using the Internet

Fulfilling orders using the Internet includes:

- provision of Internet access and related services—such as email, web page hosting, web site development
- provision of access to Internet services
- delivery of software and/or digitised goods—such as music or news articles—using the Internet—for example, by email, downloading from a web page or using a file transfer protocol site.

It does not include providing digitised goods and software on floppy disk or other medium, delivered by conventional postal services.

Hours taken to prepare and complete this schedule—label S

The ATO is committed to reducing the costs involved for businesses in complying with their taxation obligations. Your voluntary response on behalf of your client will help us to monitor these costs as closely as possible.

Completing the item

When completing this item you should consider the time rounded up to the nearest hour that your client spent compiling the information that has enabled you to complete the form.

The answer should relate only to the time **your client** spent compiling the information, including the time of any unpaid helpers and employees. You should not include the time you spent. Please consult with your client to obtain a reliable estimate.

P6 Business income and expenses—labels D to T

Business income includes income derived by a non-employee taxi driver—for example, a driver operating under a standard bailment agreement with an owner/operator—at label J, in the income section, item P6.

Where applicable, GST payable is excluded from income and expenses are reduced by amounts of input tax credit entitlements—see **What's new?** on page 2 of these instructions.

Total business income—labels D to J

The list below shows where you should put certain types of assessable income in the return:

- gross interest—show as required at item 9—**Gross interest** on page 3 on the tax return
- dividends and section 160AQT of ITAA 1936 gross-up amounts—show as required at item 10—**Dividends**
- income equalisation and/or farm management withdrawals—show as required at item 13—**Net income equalisation and/or farm management deposits or withdrawals**
- net capital gains—show as required at item 14—**Capital gains**
- attributed foreign income—show as required at item 15—**Foreign entities**
- foreign source income—show as required at item 16—**Foreign source income and foreign assets or property**
- gross rental or similar income, such as agistment fees or hire fees—show as required at item 17—**Rent**.

If the amount to be shown as **Other business income** at labels I or J or the **Totals** label was a loss, print L in the small box at the right of the label.

Gross prescribed payments system (PPS) income—label D

Include at label D all gross income derived directly by the taxpayer to which the prescribed payments system applies. Do not include any income distributed from partnerships or trusts. Gross PPS income is the total PPS income derived including any amounts of tax deducted.

Note: This label must be completed if PPS credit is shown at label D, item 12—**Net income or loss from business** on page 8 in the supplementary section of the tax return.

The gross PPS income and any related credits are to be declared in the tax return for the individual taxpayer that actually derived the income—that is, under the TFN as shown on the payment summaries.

Gross reportable payments system (RPS) income—labels E and F

Include at labels E and/or F all gross income derived directly by the taxpayer to which the reportable payments system applies. Do not include any income distributed from partnerships or trusts. Gross RPS income at label E is the total derived from primary production including any amounts of tax deducted. Gross RPS income at label F is the total RPS income derived from non-primary production including any amounts of tax deducted.

Note: This label must be completed if RPS credit is shown at label **W**, item **12—Net income or loss from business** on page 8 in the supplementary section of the tax return.

The gross RPS income and any related credits are to be declared in the tax return for the individual taxpayer that actually derived the income—that is, under the TFN shown on the payment summaries.

Assessable government industry payments—labels G and H

If this amount includes a diesel fuel rebate, print the letter **D** in the **Type** box at the right of the appropriate label.

Generally, government grants, rebates, bounties and subsidies are included in the taxpayer's assessable income if they are received in, or in relation to, the carrying on of a business. This generally includes payments of a capital nature. However, payments relating to the commencement or cessation of a business may not be assessable.

Show at these labels payments from all government sources which are assessable income—for example, export incentive grants, diesel fuel rebate, employee subsidies, bounties, drought relief and Medicare payments to medical practices.

Expenses—labels K to T

Do not include the following expenses at these labels:

- expenses relating to interest and dividend income—claim deductible expenses at item **D6—Interest and dividend deductions** on the tax return
- income equalisation and/or farm management deposits—take them into account as required at item **13—Net income equalisation and/or farm equalisation deposits or withdrawals**
- expenses and losses relating to foreign source income—take them into account as required at item **16—Foreign source income and foreign assets or property**
- rental expenses—claim deductible expenses at item **17—Rent**.

This section is divided into a 3-column worksheet—primary production, non-primary production and totals.

All items that relate to the taxpayer's business or businesses must be completed.

If any of the amounts shown at **Cost of sales** are negative and/or the amounts shown at **Total expenses**, including labels **S** and **T**, are negative, print **L** in the small box at the right of the applicable label.

Print the appropriate code letter, as described below, in the small boxes at the right of label **M Closing stock** and label **N Motor vehicle expenses**.

Closing stock—label M

Print in the **Type** box at the right of label **M** the appropriate code letter from the following table representing the largest proportion of the closing stock amount.

| Valuation method | Code letter |
|----------------------|-------------|
| Cost | C |
| Market selling value | M |
| Replacement price | R |

Motor vehicle expenses—label N

Print in the **Type** box at the right of label **N** the appropriate code letter from the following table that relates to the largest portion of the motor vehicle expenses amount shown at label **N**.

| Description | Code letter |
|---|-------------|
| Cents per kilometre | S |
| 12 per cent of the original value | T |
| One-third of actual expense | O |
| Logbook | B |
| Expenses of certain other vehicles: <ul style="list-style-type: none"> • motorcycles and similar vehicles • taxis taken on hire • utility trucks or panel vans with a carrying capacity of 1 tonne or more • other vehicles with a carrying capacity of 1 tonne or more or 9 or more passengers | N |

Reconciliation items—labels U to H

Show at the labels for **Drought investment allowance** the expenses deductible under Division 2 of Part XII of ITAA 1936.

Show at the labels for **Environmental impact assessment and environmental protection expenses** the expenses deductible under Division 400 of ITAA 1997.

Any recoupment of those expenses which is assessable under Division 20 of ITAA 1997 should be shown as an income reconciliation adjustment.

Show at the labels for **Landcare operations and water conservation/conveying expenses** the reconciliation amount representing deductions under Subdivisions 387-A or 387-B of ITAA 1997.

Income reconciliation adjustments—label X

Show at this label the net income related reconciliation adjustment. The amounts to be included here fall into 2 classes that will either increase or reduce the net adjustment:

- **income add backs**—amounts not included as income in the profit and loss statement but which form part of assessable income for tax purposes, including timing adjustments. These items increase the total amount shown at this label
- **income subtractions**—amounts that were included as income in the profit and loss statement but which are not assessable income for tax purposes, including timing adjustments. These items reduce the total amount shown at this label.

Where the income subtractions exceed the income add backs, the total is a negative amount. In this case you should print L in the small box at the right of this label.

Refer to the appendix on page 60 of these instructions for examples of necessary reconciliation adjustments.

Expense reconciliation adjustments—label H

Show at this label the net amount for expense related reconciliation adjustments. The amounts to be included here will also increase or reduce the net adjustment:

- **expense add backs**—amounts that were included as expenses in the profit and loss statement but which are not allowable deductions for tax purposes, including timing adjustments. These items increase the total amount shown at this label
- **expense subtractions**—amounts not included as expenses in the profit and loss statement but which are allowable deductions for income tax purposes, including timing adjustments. These items reduce the total amount shown at this label. Do not make any adjustment for the drought investment allowance at this label. The drought investment allowance deduction should be shown at label U, **Drought investment allowance**.

Where the expense subtractions exceed the expense add backs, the total is a negative amount. In this case you should print L in the small box at the right of this label.

Refer to the appendix on page 60 of these instructions for examples of necessary reconciliation adjustments.

Net income or loss from business—labels Y, Z and Total

If a loss was made for any of the labels for **Net income or loss from business**, print L in the small box at the right of the applicable label.

Note: The amounts at labels Y and Z should be transferred to labels B and C, item 12—**Net income or loss from business** on page 8 in the supplementary section of the tax return.

Other business and professional items**P9 Total salary and wage expenses—label G**

From the list below, find the letter that matches the description of the expense component where salary or wages have been wholly or predominantly reported. Print the letter in the **Type** box at the right of the amount at label G **Total salary and wage expenses**, item P9.

| Where reported | Code letter |
|---|-------------|
| All included in the expense component Cost of sales | C |
| All included in the expense component All other expenses | A |
| All included in the expense components Cost of sales and All other expenses | B |
| Other than Cost of sales and/or All other expenses | O |

P13 Prescribed payments system income—net of expenses—label K

Complete this label where an amount has been entered at label D, **Gross prescribed payments system income**, item P6—**Business income and expenses**. Show at this label the gross amount of PPS income as shown at label D, item P6, less any allowable deductions related to earning that income. If the allowable deductions relate to both PPS and non-PPS income the amount should be apportioned.

Note: PPS credits for tax deducted are not allowable deductions. PPS credits should be shown at either label D, item 12—**Net income or loss from business**, or label P, item 11—**Partnerships and trusts** in the supplementary section of the tax return.

If the PPS income net of expenses is a negative figure—that is, a loss—print L in the small box at the right of label K.

P14 Trading stock election

The value of the trading stock may be less than the value of:

- cost
- market selling value
- replacement price.

If this is due to obsolescence or other special circumstances, you must notify the ATO that the taxpayer has elected to use the lower valuation. To do this, print Y at this item.

Worksheet 1 Depreciation

For more information refer to the *Guide to depreciation*. To find out how to get a copy see the inside back cover. This worksheet has been reduced in size to fit this page.

[illegible]

Part A—Gain or loss from collectables

For information on completing this form refer to the *Guide to capital gains tax*. To find out how to get a copy see the inside back cover.
Note: If a collectable was acquired for \$500 or less, any capital gain or loss is disregarded.

Description of collectable

| Date of acquisition | | | Date of CGT event | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|--|-------|------|-------------------|-------|------|--------|---|--------------------|--------------------------------|------------------------|---|---------------------------|
| Day | Month | Year | Day | Month | Year | Amount | Amounts to be deducted ² for cost base | Net amount (1 – 2) | Indexation factor ³ | Cost base (3 x 4) | Amounts to be deducted for reduced cost base ² | Reduced cost base (1 – 6) |
| Elements of the cost base or reduced cost base | | | | | | | | | | | | |
| Acquisition or purchase cost of the collectable ¹ | | | | | | | | | | | | |
| Incidental costs to acquire the collectable | | | | | | | | | | | | |
| Incidental costs that relate to the CGT event | | | | | | | | | | | | |
| Capital expenditure to increase the collectable's value that is reflected in the state or nature of the collectable at the time of the CGT event | | | | | | | | | | | | |
| Balancing adjustments that relate to the collectable ⁴ | | | | | | | | | | | | |
| Capital costs to establish, preserve or defend title to, or a right over, the collectable | | | | | | | | | | | | |
| | | | | | | | | | | Cost base ⁵ | | |
| | | | | | | | | | | Reduced cost base | | |

Capital gain calculation

Capital proceeds⁶ \$ _____
Less: cost base⁵ \$ _____
Less: forgiveness of commercial debts⁷ \$ _____
Capital gain \$ _____

Repeat the calculation above for every collectable that is the subject of a CGT event.

Total current year capital gains from collectables for which the CGT discount is chosen

Total current year capital gains from other collectables

Total current year capital losses from collectables that are applied against capital gains from collectables for which the CGT discount is chosen

Total current year capital losses from collectables not so applied

Total prior year net capital losses from collectables applied against capital gains from collectables for which the CGT discount is chosen

Total prior year net capital losses from collectables not so applied

1. Money the taxpayer paid or is required to pay and the market value of any property the trust estate gave or is required to give—worked out at the time of acquisition.

2. Exclude expenditure recouped or that the taxpayer has deducted or can deduct. There are some exceptions—for example, amounts included in assessable income. In some cases, reductions should be made before indexing—for example, recouped expenditure; in others, after indexing—for example, depreciation deductions.

3. Indexation is not available after 11.45 a.m., by legal time in the Australian Capital Territory, on 21 September 1999 (the start time)—refer to the **What's new?** section of these instructions for more information. The indexation factor is not used if the CGT asset was held for 12 months or less. There are some exceptions—for example, with roll-overs and assets from deceased estates. Indexation is also not relevant to reduced cost base.

4. Any amount which was included in the taxpayer's assessable income because of a balancing adjustment for the asset or which would have been included except for sections 42-285 or 42-290 of the ITAA 1997 or subsection 59(2A) or (2D) of the ITAA 1936.

5. Non-capital costs of ownership do not form part of the cost base for collectables.

6. Money and the market value of any property the taxpayer has received, or is entitled to receive, in respect of the CGT event happening. Modifications and special rules may apply to change the capital proceeds for certain CGT events. If the capital proceeds are greater than the cost base, a capital gain is made. If the capital proceeds are less than the reduced cost base, a capital loss is made. If the capital proceeds are between cost base—or if applicable the cost base after indexation—and reduced cost base, neither a capital gain nor a capital loss is made.

7. The cost base or reduced cost base of a reducible CGT asset may be reduced by the residual forgiven amount under the provisions of Division 245 in Schedule 2C Forgivenness of commercial debts, ITAA 1936. The residual forgiven amount is defined in subsection 245-165(1) in schedule 2C of the ITAA 1936.

Part B—Gain from personal use assets (PUA)

Note: If the PUA was acquired for \$10 000 or less, any capital gain is disregarded. A capital loss the taxpayer made from a PUA is disregarded.

Description of PUA

Date of acquisition

| | | |
|-----|-------|------|
| Day | Month | Year |
| | | |

Date of CGT event

| | | |
|-----|-------|------|
| Day | Month | Year |
| | | |

Elements of the cost base

| | 1 | 2 | 3 | 4 | 5 |
|--|--------|---|--------------------|--------------------------------|-------------------|
| | Amount | Amounts to be deducted for cost base ² | Net amount (1 - 2) | Indexation factor ³ | Cost base (3 x 4) |
| Acquisition or purchase cost of the PUA ¹ | | | | | |
| Incidental costs to acquire the PUA | | | | | |
| Incidental costs that relate to the CGT event | | | | | |
| Capital expenditure to increase the PUA's value that is reflected in the state or nature of the PUA at the time of the CGT event | | | | | |
| Capital costs to establish, preserve or defend title to, or a right over, the PUA | | | | | |
| | | | | Cost base ⁴ | |

Capital gain calculation

Capital proceeds ⁵ \$ _____

Less: cost base ⁴ \$ _____

Capital gain \$ _____

Repeat the calculation above for every PUA that is the subject of a CGT event.

Total current year capital gains from personal use assets for which the CGT discount is chosen \$ _____ **B1**

Total current year capital gains from other personal use assets \$ _____ **B2**

1. Money the taxpayer paid or is required to pay, and the market value of any property the trust estate gave or is required to give—worked out at the time of acquisition.
2. Exclude expenditure recouped or that the taxpayer has deducted or can deduct. There are some exceptions—for example, amounts included in assessable income. In some cases reductions should be made before indexing—for example, recouped expenditure; in others, after indexing—for example, depreciation deductions.
3. Indexation is not available after the start time—refer to the **What's new?** section of these instructions for more information. The indexation factor is not used if the taxpayer held the PUA for 12 months or less. There are some exceptions—for example, with roll-overs and assets from deceased estates.
4. Non-capital costs of ownership do not form part of the cost base of PUAs.
5. Money and the market value of any property the taxpayer has received, or is entitled to receive, in respect of the CGT event happening. If capital proceeds are greater than the cost base, a capital gain is made.

Part C—Gain or loss from other CGT assets

Description of CGT asset

| Date of acquisition | Date of CGT event | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|--|-------------------|-------|------|------------------|---|---|--------------------------|---|---|---|
| | Day | Month | Year | | | | | | | |
| Elements of the cost base or reduced cost base | | | | | | | | | | |
| Acquisition or purchase cost of the other CGT asset ¹ | | | | | | | | | | |
| Incidental costs to acquire the other CGT asset | | | | | | | | | | |
| Incidental costs that relate to the other CGT event | | | | | | | | | | |
| Non-capital costs of ownership of the other CGT asset ⁴ | | | | | | | | | | |
| Balancing adjustments that relate to the other CGT asset ⁵ | | | | | | | | | | |
| Capital expenditure to increase the other asset's value that is reflected in the state or nature of the CGT asset at the time of the CGT event | | | | | | | | | | |
| Capital costs to establish, preserve or defend title to, or a right over, the other CGT asset | | | | | | | | | | |
| | | | | Cost base | | | Reduced cost base | | | |

Capital gain calculation

Capital proceeds⁶ \$ _____

Less: cost base \$ _____

Less: forgiveness of commercial debts⁷ \$ _____

Capital gain⁸

\$ _____

\$ _____

Capital loss calculation

Capital proceeds⁶ \$ _____

Less: reduced cost base \$ _____

Less: forgiveness of commercial debts⁷ \$ _____

Capital loss

\$ _____

\$ _____

Repeat the calculation above for each other CGT asset that is the subject of a CGT event.

Total current year capital gains from other CGT assets for which either the CGT discount is chosen or which qualify for the small business 50% active asset reduction⁹ \$ _____ C1

Total current year capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction⁷ \$ _____ C2

Amount of current year capital gain for which the small business roll-over is chosen¹⁰ \$ _____ C3

Amount of current year capital gain for which the small business retirement exemption is chosen^{10, 11} \$ _____ C4

Remaining current year capital gains from other CGT assets \$ _____ C5

Total current year capital losses from other CGT assets applied against capital gains from other CGT assets for which the CGT discount is chosen or which qualify for the small business 50% active asset reduction \$ _____ C6

Total current year capital losses from other CGT assets applied against capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction \$ _____ C7

Total current year capital losses from other CGT assets not so applied \$ _____ C8

Total prior year net capital losses from other CGT assets applied against capital gains from other CGT assets for which the CGT discount is chosen or which qualify for the small business 50% active asset reduction \$ _____ C9

Total prior year net capital losses from other CGT assets applied against capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction \$ _____ C10

Total prior year net capital losses from other CGT assets not so applied \$ _____ C11

If the taxpayer is claiming capital gains tax small business retirement exemption (Subdivision 118-F ITAA 1997) or capital gains tax small business roll-over relief (Division 123 ITAA 1997) for CGT events that happen before the start time go to Part D or E.

1. Money the taxpayer paid or is required to pay and the market value of any property the taxpayer gave or is required to give—worked out at the time of acquisition. Modifications and special rules may apply to this element of the cost base—for example, market value substitution rule. Special rules may also apply if a capital gain is made when a later change occurs to a replacement asset under CGT small business roll-over provisions in Division 123 or Subdivision 152-E of ITAA 1997.
2. Exclude expenditure recouped or that the taxpayer has deducted or can deduct. There are some exceptions eg amounts included in assessable income. In some cases, reductions should be made before indexing—for example, recouped expenditure; in others, after indexing—for example, depreciation deductions.
3. Indexation is not available after the start time—refer to the **What's new?** section of these instructions for more information. The indexation factor is not used if the CGT asset was held for 12 months or less. There are some exceptions—for example, with roll-overs and assets from deceased estates. Indexation is not available for non-capital costs of ownership. It is also not relevant to reduced cost base.
4. Non-capital costs of ownership include interest on borrowed money, rates and land tax, and the cost of repairing or maintaining the other CGT asset. They are included in the cost base provided the other CGT asset was acquired after 20 August 1991.
5. Any amount which was included in the taxpayer's assessable income because of a balancing adjustment for the other CGT asset or which would have been included except for sections 42-285 or 42-290 of the ITAA 1997 or subsection 59(2A) or (2D) of the ITAA 1936.
6. Money and the market value of any property the taxpayer has received, or is entitled to receive in respect of the CGT event happening. Modifications and special rules may apply to change the capital proceeds for certain CGT events. Special rules apply if a capital gain is made when a later change occurs to a replacement asset under CGT small business roll-over provisions in Division 123 or Subdivision 152-E of ITAA 1997. If the capital proceeds are greater than the cost base, a capital gain is made. If the capital proceeds are less than the reduced cost base, a capital loss is made. If the capital proceeds are between cost base—or if applicable the cost base after indexation—and reduced cost base neither a capital gain nor a capital loss is made.
7. The cost base or reduced cost base of a reducible CGT asset may be reduced by the residual forgiven amount under the provisions of Division 245 in Schedule 2C 'Forgiveness of commercial debts', ITAA 1936. The residual forgiven amount is defined in subsection 245-165(1) in schedule 2C of ITAA 1936.
8. If, before the start time, a capital gain attributable to goodwill is made on a change in the ownership of a business or an interest in a business, or that business or interest ends, half the capital gain is disregarded if the requirements of subdivision 118-C of ITAA 1997 are satisfied (**Note:** Subdivision 118C has now been repealed as from the start time)
9. An individual taxpayer may qualify for the CGT discount or the small business 50% active asset reduction of any capital gain made from a CGT event happening to an active asset after the start time, or both. Certain conditions must be satisfied—see Division 115 and Subdivision 152-C ITAA 1997. Write at **C1** and **C2** the amount of current year capital gains before applying the CGT discount and/or the small business 50% active asset reduction.
10. The taxpayer may also qualify for the small business retirement exemption or the small business roll-over in respect of the capital gain remaining after the small business 50% active asset reduction is made. Certain conditions must be satisfied—see Subdivisions 152-D and 152-E ITAA 1997. Write at **C3** the amount of capital gains remaining after the small business 50% active asset reduction for which small business roll-over is chosen. Write the amount at **C4**, the amount of capital gains after the small business 50% active asset reduction for which small business retirement exemption is chosen.
11. **Note:** If a trust estate or company which an individual controls claims the small business retirement exemption and the individual received an eligible termination payment (ETP) from the trust estate or company, and all or part of the ETP includes a CGT exempt component, the individual must show the amount of the CGT exempt component in their *Individual tax return 2000*—tax agents at label **T**, item **14**.

Part D—Capital gains tax small business retirement exemption

Note 1: Use **Part D** only for CGT events that happen before 11.45 a.m. by legal time in the Australian Capital Territory, 21 September 1999 (the start time) for which the small business retirement exemption contained in subdivision 118-F of ITAA 1997 which has been repealed as from the start time is claimed. For CGT events that happen after this time use **Part C** and **Part F**.

Note 2: The exemption in subdivision 118-F of ITAA 1997 is limited to capital gains made on active business assets. Rules for this exemption are contained in that subdivision.

| | 1 | 2 | 3 |
|------------------------------------|---------------------------------------|--|--|
| Active business asset ¹ | Capital gain as calculated for part C | Prior year net capital losses applied ² | CGT small business retirement exemption amount ³ (1 – 2) |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | Totals | D1 | D2 |

Prior year net capital losses applied \$ _____ D1

Transfer the amount at D1 to Part F.

Capital gains tax small business retirement exemption amount \$ _____ D2

1. List each active business asset for which you are claiming CGT small business retirement exemption. Do not list any personal use assets or collectables.
2. A capital gain on the disposal of an asset is reduced by unrecouped prior year net capital losses incurred after 1994–95 before it is counted as a CGT small business retirement exemption amount. Unrecouped prior year net capital losses are applied in the order in which they were incurred.
3. This amount may be a lesser amount if the taxpayer so elects. The reasonable benefits limit of the controller of a trust estate, may be relevant in choosing a lesser amount. A \$500 000 CGT retirement exemption limit also applies to this exemption for each controller.
4. Transfer the amount at D2 plus any amount at C4 to Label T, item 14 of the *Individual tax return 2000—tax agents*.

Note: A trust estate or company which an individual controls may have claimed the capital gains tax (CGT) small business retirement exemption. If the individual received an eligible termination payment (ETP) from the trust estate or company, and all or part of the ETP includes a CGT exempt component, the individual must show the amount of the CGT exempt component in their *Individual tax return 2000—tax agents* at label T, item 14.

Part F—Calculation of net capital gain**Current year capital gains**

| | |
|---|------------|
| Current year capital gains from collectables for which the CGT discount is chosen (A1) ¹ | F1 |
| Current year capital gains from other collectables (A2) | F2 |
| Current year capital gains from personal use assets for which the CGT discount is chosen (B1) ¹ | F3 |
| Current year capital gains from other personal use assets (B2) | F4 |
| Current year capital gains from other CGT assets for which either the CGT discount is chosen (C1) or which qualify for the small business 50% active asset reduction ¹ | F5 |
| Current year capital gains from other CGT assets for which both the CGT discount is chosen (C2) and which qualify for the small business 50% active asset reduction ¹ | F6 |
| Remaining current year capital gains from other CGT assets ² (C5) | F7 |
| Share of any net capital gains from collectables received from a trust estate which has been reduced by the discount percentage—multiplied by 2 ³ | F8 |
| Share of any other net capital gains from collectables received from a trust estate | F9 |
| Share of any other net capital gains received from a trust estate which has been reduced by the discount percentage or the small business 50% active asset reduction—multiplied by 2 ³ | F10 |
| Share of any other net capital gains received from a trust estate which has been reduced by both the discount percentage and the small business 50% active asset reduction—multiplied by 4 ³ | F11 |
| Share of any other net capital gains received from a trust estate which has not been reduced by either the discount percentage or the small business 50% active asset reduction | F12 |
| Total current year capital gains (F1 to F12) | F13 |

Current year capital losses

| | |
|---|------------|
| Current year capital losses from collectables that are applied against capital gains from collectables for which the CGT discount is chosen (A3) | F14 |
| Current year capital losses from collectables that are not applied against capital gains from collectables for which the CGT discount is chosen (A4) | F15 |
| Current year capital losses from other CGT assets that are applied against capital gains from other CGT assets for which the CGT discount is chosen or which qualify for the small business 50% active asset reduction (C6) | F16 |
| Current year capital losses from other CGT assets that are applied against capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction (C7) | F17 |
| Current year capital losses from other CGT assets that are not applied against capital gains from other CGT assets for which the CGT discount is chosen nor which qualify for the small business 50% active asset reduction (C8) less current year capital losses applied in calculating the capital gains tax small business roll over amount (E1) | F18 |
| Total current year capital losses available to be applied (F14 to F18) | F19 |
| Current year capital losses applied against current year capital gains ⁴ | F20 |
| Unapplied current year capital losses from collectables ⁵ | F21 |
| Unapplied current year capital losses from other CGT assets ⁶ | F22 |
| Current year capital gains after applying current year capital losses (F13–F20) ⁷ | F23 |

Prior year net capital losses

| | |
|---|------------|
| Prior year net capital losses from collectables (A5)—less any adjustment to prior year net capital losses for commercial debts forgiven ⁸ that are applied against capital gains from collectables for which the CGT discount is chosen | F24 |
| Prior year net capital losses from collectables (A6)—less any adjustment to prior year net capital losses for commercial debts forgiven ⁸ that are not applied against capital gains from collectables for which the CGT discount is chosen | F25 |
| Prior year net capital losses from other CGT assets available to be applied (C9)—less any adjustment to prior year net capital losses for commercial debts forgiven ⁸ —that are applied against capital gains from other CGT assets for which the CGT discount is chosen or which qualify for the small business 50% active asset reduction | F26 |
| Prior year net capital losses from other CGT assets available to be applied (C10)—less any adjustment to prior year net capital losses for commercial debts forgiven ⁸ —that are applied against capital gains from other CGT assets for which both the CGT discount is chosen and which qualify for the small business 50% active asset reduction | F27 |
| Prior year net capital losses from other CGT assets available to be applied (C11)—less: (i) prior year net capital losses applied in calculating a capital gains tax small business retirement exemption amount (D1) (ii) prior year net capital losses applied in calculating a capital gains tax small business roll-over amount (E2) (iii) any adjustment to prior year net capital losses for commercial debts forgiven ⁸ that are not applied against capital gains from other CGT assets for which the CGT discount is chosen nor which qualify for the small business 50% active asset reduction | F28 |
| Total prior year net capital losses available to be applied (F24 to F28) | F29 |
| Prior year net capital losses applied against current year capital gains ⁹ | F30 |
| Unapplied prior year net capital losses from collectables ¹⁰ | F31 |
| Unapplied prior year net capital losses from other CGT assets ¹¹ | F32 |

Total unapplied net capital losses to be carried forward

| | | |
|--|--|-----|
| Total unapplied current year capital losses and unapplied prior year net capital losses (F21+F22+F31+F32) | | F33 |
| Current year capital gains after capital losses | | |
| Current year capital gains after applying capital losses ¹² (F23–F30) | | F34 |
| CGT discount and small business concessions | | |
| Current year capital gains after applying capital losses and after the CGT discount and the small business 50% active asset reduction (if applicable) ¹³ F34–(((F1+F3+F5+F8+F10)–(F14+F16+F24+F26)) × one-half) + (((F6+F11)–(F17+F27)) × three-quarters)) | | F35 |
| Capital gains for which the small business retirement exemption or small business roll-over is chosen ¹⁴ | | F36 |
| Net capital gain | | |
| Net capital gain ¹⁵ (F35–F36) | | F37 |

NOTES

- (1) A taxpayer may qualify for the CGT discount only for CGT events that happen after the start time. The taxpayer may choose the CGT discount, for CGT assets acquired at or before that time, if certain conditions are satisfied. For CGT assets acquired after that time the CGT discount applies if the conditions are satisfied. Refer to the **What's new?** section of these instructions for more information.
- (2) Also include at **F7** capital gains made from CGT events—for example, CGT events **D1** or **H2**, that are concerned directly with capital receipts and do not involve a CGT asset.
- (3) Although a taxpayer may be eligible for the CGT discount, capital losses must be applied to reduce capital gains before applying the CGT discount and therefore it is necessary to 'gross up', by multiplying by 2, the share of any net capital gains received from a trust estate that has been reduced (by the trust estate) by the CGT discount. As well although a taxpayer may be eligible for the small business 50% active asset reduction it is also necessary to 'gross up', by multiplying by 2, the share of any net capital gains received from a trust estate that has been reduced (by the trust estate) by the small business 50% active asset reduction and, by multiplying by 4, the share of any net capital gains received from a trust estate that has been reduced (by the trust estate) by both the small business 50% active asset reduction and the CGT discount (see Subdivision 115-C ITAA 1997).
- (4) This amount cannot exceed the amount at **F13**. If **F13** is zero, there should be no amount at **F20**. Current year capital losses from collectables can only be applied against current year capital gains from collectables (**F1** and **F2**) and any share of net capital gains (grossed up if the trust estate has applied the discount percentage) from collectables received from a trust estate (**F8** and **F9**).
- (5) This amount can be carried forward to reduce capital gains from collectables in future years.
- (6) There should be no amount at **F23** if there is an amount at **F22**.
- (7) There should be no amount at **F22** if there is an amount at **F23**. The amount at **F23** may be further reduced by prior year net capital losses.
- (8) Prior year net capital losses are to be reduced by the residual forgiven amount as defined in section 245-125 of Schedule 2C 'Forgiveness of commercial debts', ITAA 1936.
- (9) This amount cannot exceed the amount shown at **F23**. If **F23** is zero do not complete **F30**. Prior year net capital losses that arose from collectables can only be applied against current year capital gains from collectables (**F1** and **F2**) and any share of net capital gains (grossed up if the trust estate has applied the discount percentage) from collectables received from a trust estate (**F8** and **F9**).
- (10) This amount can be carried forward to reduce capital gains from collectables in future years.
- (11) There should be no amount at **F34** if there is an amount at **F32**.
- (12) There should be no amount at **F32** if there is an amount at **F34**.
- (13) If either the CGT discount or the small business 50% active asset reduction, but not both, applies to a capital gain, after being reduced by any losses applied against it, is reduced by 50%. If both the CGT discount and the small business 50% active asset reduction applies, the capital gain, after being reduced by any losses applied against it, is reduced by 75% (i.e. 50% then 50% of the remainder).
- (14) If certain conditions are satisfied a taxpayer may choose the small business retirement exemption or small business roll-over and disregard all or part of the capital gain remaining after the small business 50% active asset reduction (see Subdivisions 152-D and 152-E ITAA 1997). For CGT events that happen before the start time for which a taxpayer chooses the small business retirement exemption or small business roll-over contained in Subdivision 118-F and Division 123 ITAA 1997 respectively, that part of the capital gain that is disregarded is also excluded.
- (15) The amount at **F37** will not equal **F13–(F20+F30)**—that is, the net capital gain (return form label **W**) will not equal return form labels **H–(G+X)** if there are capital gains for which the CGT discount is chosen and/or which qualify for the small business 50% active asset reduction.

Transfer the following information to item 14 on the *Individual tax return 2000—tax agents*.

- Transfer the amount at **F13** to label **H**
- Transfer the sum of **E1** and **F20** to label **G**
- Transfer the sum of **D1**, **E2** and **F30** to label **X**
- Transfer the amount at **F37** to label **W**
- Transfer the sum of **F31** and **F32** to label **R** being the total of net capital losses to be carried forward to future years
- Transfer the sum of **C3** and **E3** to label **S**
- Transfer the sum of **C4** and **D2** to label **T**.

Appendix—Reconciliation adjustments

Income reconciliation adjustments

Income add backs: Income not shown in the accounts which is assessable income for tax purposes:

- 1 assessable balancing adjustment charge on sale of fixed assets
- 2 other assessable income not included in profit and loss statement

Income subtractions: Income shown in the accounts which is not assessable income:

- 3 profit on sale of fixed assets shown in the accounts
- 4 other income shown in the profit and loss statement that is not assessable for income tax purposes—for example, gross exempt income

Note: You need to subtract the total of items 3 and 4 from the total of items 1 and 2 to work out the net income reconciliation adjustment. The amount calculated is to be shown at label **X** on the *Business and professional items schedule 2000—tax agents*.

The net total of the primary production and non-primary production income reconciliation adjustments must agree with the amount shown at label **X** **Income reconciliation adjustments**.

Where the net total is a negative amount, print **L** in the small box at the right of label **X**.

Expense reconciliation adjustments

Expense add backs: Expenses shown in the accounts which are not tax deductible:

- 5 depreciation charged in accounts
- 6 loss on sale of fixed assets shown in accounts
- 7 other items not allowable as a deduction:
 - capital expenditure
 - additions to provisions and reserves
 - income tax expense
 - expenses relating to exempt income
 - other non-deductible expenses

Expense subtractions: Items not shown as expenses which are deductible for tax purposes:

- 8 Depreciation deducted for tax purposes
- 9 Tax loss on disposal of depreciable assets
- 10 Other deductible items for tax purposes

Note: You need to subtract the total of items 8, 9 and 10 from the total of items 5, 6 and 7 to work out the net expense reconciliation adjustment. The amount calculated is to be shown at label **H**—**Expense reconciliation adjustments**.

The net total of the primary production and non-primary production expense reconciliation adjustments must agree with the amount shown at label **H**.

Where the net total is a negative amount, print **L** in the small box at the right of label **H**.

Item reference table

A quick reference guide to show which item each type of income, deduction and rebate should be reported. At the bottom of the page is a guide to which part of the form the items will be found.

| A | Item | | Item | |
|---|--------|---|-----------|--|
| ABSTUDY | 5 | Drought investment allowance | P6 | |
| Accident and sickness insurance | | Environmental protection | P6 | |
| Group certificate income with tax instalments deducted | 1 | Gross prescribed payments system income | P6 | |
| Group certificate income without tax instalments deducted | 2 | Gross reportable payments system income | P6 | |
| Income not shown on a group certificate | 19 | Income | 12 & P6 | |
| Premiums not shown on a group certificate | D14 | Interest | P6 | |
| Account keeping fees—investments | D6 | Kilometres | P6 | |
| Additional parenting allowance (partnered) | 5 | Landcare operations | P6 | |
| Age pension | 6 | Lease expenses | P6 | |
| Age service pension | 6 | Motor vehicle expenses | P6 | |
| Aged persons—low income rebate | R3 | Opening stock | P6 | |
| Allowances or benefits from employment | 2 | Other business and professional items | P7 to P14 | |
| Amount on which ultimate beneficiary non-disclosure tax was payable | A4 | Payments to related entities | P10 | |
| Annual leave—unused | 3 | Prescribed payments system | | |
| Annuity income | | Credit | 12 | |
| Australian | 7 | Gross income | P6 | |
| Foreign | 16 | Net income | P13 | |
| Annuity rebate | R4 | Purchases and other costs | P6 | |
| Assets outside Australia | 16 | Reconciliation adjustments | P6 | |
| Attributed foreign income | 15 | Rent expenses | P6 | |
| Distributed from a partnership or trust | 11 | Repairs and maintenance | P6 | |
| Australian film industry incentives | D11 | Reportable payments system (RPS) | | |
| Australian resident | Page 1 | Credit | 12 | |
| Commonwealth of Australia government | | Income | P6 | |
| Benefits and allowances | 5 | Superannuation expenses | P6 | |
| Pensions or allowances | 6 | Total salary and wage expenses | P9 | |
| Austudy payment | 5 | Trade creditors | P8 | |
| Averaging income of performing artists etc. | 19 | Trade debtors | P7 | |
| Award transport payments | 2 | Trading stock election | P14 | |
| Deductions for car expenses | D1 | Water conservation/conveying expenses | P6 | |
| Deductions for travel expenses other than car | D2 | | | |
| Awards—educational | 19 | C | | |
| B | | Capital gains or losses | 14 | |
| Basic parenting payment | R1 | Foreign exchange gains | 19 | |
| Beneficiary | | Foreign exchange losses | D14 | |
| Distribution from partnership or trust | 11 | Car expenses | | |
| Benefits and allowances from employment | 2 | Business | P6 | |
| Bereavement allowance | 6 | Work related | D1 | |
| Bonuses | 2 | Carer payment | 6 | |
| Bonuses from life insurance | 18 | Carer service pension | 6 | |
| Building write-off—special | 17 | Cash management trust | 11 | |
| Bursaries | 19 | CDEP wage—proposed legislation | 5 | |
| Business | | Charity—donations | D7 | |
| Assessable government industry payments | P6 | Child | | |
| Bad debts | P6 | Housekeeper rebate | R1 | |
| Closing stock | P6 | Under 18 excepted net income | A1 | |
| Contractor, sub-cont. and commission | P6 | Clothing expenses—work related | D3 | |
| Cost of sales | P6 | Commission | | |
| Depreciable assets purchased | P11 | Employment income | 2 | |
| Depreciable assets sold | P12 | Self-employed | 12 | |
| Depreciation expenses | P6 | Computer expenses—work related | D5 | |
| | | Commonwealth education payment | 5 | |
| | | Commonwealth training payment | 5 | |
| | | Community Development Employment Project (CDEP) wage—proposed legislation | 5 | |

| | Item | | Item |
|---|----------------|---|---------------------------------|
| Contributions | | Director's fees | 2 |
| Superannuation funds | R4 | Disability support pension | 6 |
| Retirement savings accounts | R4 | Discretionary trust | 11 |
| Controlled foreign company | 15 | Dividends | 10 |
| Corporate limited partnership dividends | 10 | Dividends—foreign companies | 16 |
| Cost of managing tax affairs | D9 | Domestic travel—work related | D2 |
| Credit for interest on early payment | C2 | Donations | |
| Credit vouchers—tax—to offset tax on income earned by embassy staff | 2 | Charity | D7 |
| Other | C1 | Overseas aid fund | D7 |
| Partnerships and trusts | 10 | Registered political party | D7 |
| Taxi drivers | C1 | Dry cleaning—work related | D3 |
| Cultural bequest | D7 | E | |
| Cultural organisations—donations to | D7 | Early payment interest credit | C2 |
| D | | Earnings, tips and honoraria | 2 |
| Debits tax | | Education first stopped | A2 |
| On allowable deductions | D5 | Educational grants | 19 |
| On investments | D6 | Election expenses | D14 |
| Deductions | | Electronic funds transfer | page 1 |
| Account keeping fees—investments | D6 | Eligible termination payment | 4 |
| ATO interest expenses | D9 | Death benefit | 4 |
| Books | D5 | Excessive component | 4 |
| Car expenses—work related | D1 | Foreign | 16 |
| Computer expenses—work related | D5 | Non-resident superannuation fund | 16 |
| Conferences | D5 | Embassy staff—income | 2 |
| Donations | D7 | Employee share acquisition schemes | 19 |
| Dry cleaning—work related | D3 | Excepted net income—under 18 | A1 |
| Education workshops | D5 | Exceptional circumstances relief payment | 5 |
| Election expenses | D14 | Expenses | |
| Film industry incentives—Australian | D11 | Car | D1 |
| Film licensed investment company | D14 | Financial Institutions Duty on investments | D6 |
| Financial Institutions Duty on investment | D6 | Financial Institutions Duty on wages | D5 |
| Financial Institutions Duty on wages | D5 | Home office | D5 |
| Gifts to approved charities | D7 | Income protection insurance | D14 |
| Home office expenses | D5 | Laundry | D3 |
| Infrastructure borrowings | D14 | Motorcycle travel | D2 |
| Journals and trade magazines | D5 | Self-education | D4 |
| Land transport facilities tax rebate scheme | D14 | Travel—work related | D2 |
| Management fees on investments | D6 | Uniform or protective clothing | D3 |
| Other | D14 | Union fees | D5 |
| Overtime meals | D5 | Work related expenses | D1 to D5 |
| Prior year allowable losses | D10 | F | |
| Repairs to car—work related | D1 | Family tax assistance | A5 |
| Repairs to work related uniform | D3 | Family trust distribution tax | A3 |
| Self-education expenses | D4 | Fares | D2 |
| Seminars—work related | D5 | Farm household support | 5 |
| Sickness and accident insurance premiums | D14 | Farm Management Bonds | 13 |
| Software expenses—work related | D5 | Farm management deposits/withdrawals | 13 |
| Special building write-off—rental | 17 | FID | see Financial Institutions Duty |
| Superannuation | D13 | File number | see tax file number |
| Tax agent fees | D9 | Film industry incentives | D11 |
| Telephone—work related | D5 | Film licensed investment company deductions | D14 |
| Tools and equipment | D5 | Final return | page 1 |
| Travel expenses other than car expenses | D2 | Financial Institutions Duty on investments | D6 |
| Undeducted purchase price | | Financial Institutions Duty on wages | D5 |
| Australian pension or annuity | D8 | Fixed trust | 11 |
| Foreign pension or annuity | D12 | Fixed unit trust | 11 |
| Union fees | D5 | Foreign | |
| Deemed dividends | 10 | Annuity | 16 |
| De facto spouse | Spouse details | Dividends | 16 |
| Dependant—family tax assistance | A5 | | |
| Depreciation | | | |
| Business | P6 | | |
| Self-education | D4 | | |
| Work related | D5 | | |
| Direct refund | page 1 | | |

| | Item | | Item |
|---|--------------------|--|-------------------------|
| Employment | 16 | Income protection insurance | D14 |
| Exchange gains | 19 | Income support supplement | 6 |
| Exchange losses | D14 | Income tax credit vouchers | see tax credit vouchers |
| Interest | 15 | Infrastructure borrowings | |
| Life assurance policy | 15 | Deduction | D14 |
| Non-resident trust | 15 | Rebate | R12 |
| Pension | 16 | Rebatable interest income | 19 |
| Prior year losses | 16 | Interest | |
| Salary and wages | 16 | Australian | 9 |
| Tax credit | 16 | Australian Taxation Office—income | 9 |
| Trust | 15 | Australian Taxation Office—deduction | D9 |
| Undeducted purch. price pension or annuity | D12 | Cash management trust | 11 |
| Foreign investment fund | 15 | Deductions | D6 |
| Foreign life insurance policy | 15 | Early payment interest credit | C2 |
| Foreign tax credits | 16 | Expense on loan for shares etc. | D6 |
| Franked dividends | 10 | Financial institutions | 9 |
| Friendly society bonus | 18 | Foreign | 16 |
| G | | Overseas | 16 |
| Gifts | D7 | Rental income | 17 |
| Goodwill—capital gain on | 14 | Internet | P5 |
| Government duty tax on investments | D6 | Invalid relative rebate | R10 |
| Government duty tax on wages | D5 | Invalidity service pension | 6 |
| Government securities interest—rebate | R12 | Investment planning | D6 |
| Grants—educational | 19 | Investment related lottery income | 19 |
| Gratuities | 2 | Isolated areas rebate | R8 |
| Green Corps training allowance | 5 | J | |
| Gross salary and wages | | Journal expenses | D5 |
| Allowances | 2 | L | |
| With tax instalments deducted | 1 | Land transport facilities rebate scheme | |
| Without tax instalments deducted | 2 | Deduction | D14 |
| H | | Rebatable interest income | 19 |
| Health insurance 30% rebate | R6 | Rebate | R12 |
| Health insurance initiative rebate | R5 | Landcare operations deduction—business | P6 |
| Heritage conservation rebate | R12 | Landcare operations deduction—partnerships | 11 |
| Home office expenses | D5 | Landcare and water facility rebate | R11 |
| Honoraria | 2 | Laundry expenses | D3 |
| Housekeeper rebate | R1 | Life assurance bonus | 18 |
| Hybrid trust | 11 | Listed property trust | 11 |
| I | | Long service leave—unused | 3 |
| Imputation credit | | Losses—prior year | D10 |
| Dividends | 10 | Lottery prizes—investment related | 19 |
| Partnership or trust | 11 | Low income aged persons rebate | R3 |
| Income | | Lump sum payments | |
| Author of a literary, musical or artistic work, | | In arrears | 19 |
| inventor, performing artist, production | | Non-resident superannuation fund | 16 |
| associate or sportsperson | 19 | Unused annual leave | 3 |
| Business | 12 | Unused long service leave | 3 |
| Business—overseas | 16 | Termination—foreign employer | 16 |
| Child under 18 | A1 | M | |
| Dividends—foreign companies | 16 | Management fees—on investments | D6 |
| Employment—derived outside Australia | 16 | Management fees—on rental property | 17 |
| Equalisation deposits scheme | 13 | Managing tax affairs | D9 |
| Foreign | see foreign income | Mature age allowance | |
| Overseas | 16 | First received before 1/7/96 | 6 |
| Prescribed payments system—business | P6 | First received on or after 1/7/96 | 5 |
| Rental | 17 | Mature age partner allowance | 6 |
| Reportable payments system—business | P6 | Medical expenses rebate | R9 |
| Salary and wages | | | |
| With tax instalments deducted | 1 | | |
| Without tax instalments deducted | 2 | | |
| Support supplement | 6 | | |
| Income equalisation deposit or withdrawal | 13 | | |

| | Item | | Item |
|---------------------------------------|----------------|---|--------|
| Medicare levy | | Prescribed payments system (PPS) | |
| Exemption | M1 | Business—gross PPS income | P6 |
| Reduction | M1 | Business—net PPS income | P13 |
| Surcharge | M2 | Business—PPS credit | 12 |
| Minors | A1 | Partnerships—PPS credit | 11 |
| Motor vehicle expenses | | Primary production | |
| Business | P6 | Business | 12 |
| Work related | D1 | Income equalisation deposits scheme | 13 |
| | | Partnership or trust | 11 |
| N | | Prior year allowable losses | D10 |
| New Enterprise Incentive Scheme | 5 | Private health insurance rebate to 31/12/98 | R5 |
| Newstart allowance | 5 | Private health insurance rebate from 1/1/99 | R6 |
| Non-primary production | | Prizes—investment related lotteries | 19 |
| Business | 12 | Pro rata tax-free threshold | A2 |
| Partnership and trust | 11 | Professional associations | D5 |
| Non-qualifying ETP payment | 19 | Professional journals | D5 |
| Non-resident | page 1 | Property transferred overseas | 15 |
| Non-resident trust | 15 | Protective clothing expenses | D3 |
| Reduced tax-free threshold | A2 | Public trading trust dividends | 10 |
| Notional taxable income | Spouse details | Public unit trust | 11 |
| O | | R | |
| Occupation specific clothing | D3 | Real estate | |
| Offset | see rebates | Capital gain or loss on sale | 14 |
| Other deductions | D14 | Rental | 17 |
| Other income | 19 | Rebates | |
| Overseas | | Child-housekeeper | R1 |
| Business income | 16 | Government securities | R12 |
| Dependants | R1 | Heritage conservation | R12 |
| Forces rebate | R8 | Housekeeper | R1 |
| Income | 16 | Infrastructure borrowings | R12 |
| Pension, annuity and employment | 16 | Invalid relative | R10 |
| Rent | 16 | Land transport facilities | R12 |
| Travel—work related | D2 | Landcare and water facility | R11 |
| Overtime meals | D5 | Low income aged persons | R3 |
| P | | Medical expenses | R9 |
| Parent or parent-in-law rebate | R10 | Overseas forces | R8 |
| Parenting payment—single | 6 | Parent or parent-in-law | R10 |
| Partner allowance | 5 | Private health insurance 30% | R5 |
| Partner service pension | 6 | Sole parent | R2 |
| Partnerships | 11 | Spouse | R1 |
| Attributed foreign income | 11 | Superannuation | R4 |
| Income tax credit vouchers | 11 | Contributions on behalf of your spouse | R6 |
| Prescribed payments system credit | 11 | Zone | R7 |
| Part-year tax-free threshold | A2 | Redundancy payment | 4 |
| Pension | | Refund—direct | page 1 |
| Age | 6 | Remote area allowance—reduces zone rebate | R7 |
| Age service | 6 | Rent—overseas | 16 |
| Annuity or superannuation | 7 | Rental income and expenses | 17 |
| Annuity rebate | R4 | Overseas | 16 |
| Commonwealth of Australia government | 6 | Special building write-off | 17 |
| Carer service | 6 | Reportable payments system (RPS) | |
| Disability support | 6 | Business—RPS credit | 12 |
| Foreign | 16 | Business—gross RPS income | P6 |
| Invalidity service | 6 | Partnerships—RPS credit | 11 |
| Undeducted purchase price | | Resident of Australia | page 1 |
| Australian | D8 | Restart income support | 5 |
| Foreign | D12 | Retirement savings accounts contributions | R4 |
| Widow B | 6 | Royalties | 19 |
| Wife | 6 | S | |
| Personal details | page 1 | Salary and wages—foreign | 16 |
| Personal superannuation contributions | D13 | | |
| Political party donation | D7 | | |

| | Item | | Item |
|--|-------------------------|--|------|
| Salary and wages—with tax deducted | 1 | Total reportable fringe benefits amounts | 8 |
| Salary and wages—without tax deducted | 2 | Trade magazines | D5 |
| Salary paid to partner | 11 | Transport expenses | |
| Scholarships | 19 | Business | P6 |
| Self-education expenses | D4 | Car—work related | D1 |
| Seminars—work related | D5 | Other—work related | D2 |
| Separate net income | Spouse details | Travel expenses—work related | D2 |
| Service pension—age | 6 | Trusts | |
| Share acquisition scheme—employee | 19 | Attributed foreign income | 11 |
| Shares—dividends | 10 | Distribution | 11 |
| Sickness allowance | 5 | Listed property | 11 |
| Sickness and accident insurance premiums | D14 | Non-resident | 15 |
| Sickness and accident policy—income | | U | |
| Group certificate with tax deducted | 1 | Undeducted purch price of pension or annuity | |
| Group certificate without tax deducted | 2 | Australian | D8 |
| Not shown on a group certificate | 19 | Foreign | D12 |
| SkillShare | 5 | Under 18 excepted net income | A1 |
| SNI | see Separate net income | Unfranked dividend | 10 |
| Software expenses—work related | D5 | Uniform—work related | D3 |
| Sole parent rebate | R2 | Union fees | D5 |
| Special benefit | 5 | Unit trust—fixed or public | 11 |
| Special building write-off—rental | 17 | Unused annual leave | 3 |
| Spouse details | Spouse details | Unused long service leave | 3 |
| Spouse superannuation contributions | R7 | V | |
| Spouse rebate | R1 | Veterans' Affairs pensions | 6 |
| Statement of termination payment | 4 | Veterans' Children Education Scheme | 5 |
| Superannuation | | W | |
| Australian—pension | 7 | Wages | |
| Contributions on behalf of your spouse | R7 | With tax instalments deducted | 1 |
| Deduction | D13 | Without tax instalments deducted | 2 |
| Foreign pension | 16 | Water conservation deduction | |
| Non-employer sponsored contributions | D13 | After primary production has ceased | D14 |
| Rebate | R4 | Business | P6 |
| T | | Partnerships and trusts | 11 |
| Tax agent fees | D9 | Water facility rebate | R10 |
| Tax credit—foreign | 16 | Widow allowance | 5 |
| Tax credit vouchers | | Widow B pension | 6 |
| Embassy staff | 2 | Wife pension | 6 |
| Other | C1 | Withholding tax | |
| Partnership or trust | 11 | Dividends | 10 |
| Taxi drivers | C1 | Interest | 9 |
| Taxable income | items 1 to 18 | Work related expenses | |
| Taxi drivers | C1 | Car | D1 |
| Tax early payments—credit for interest | C2 | Dry cleaning | D3 |
| Tax file number | | Laundry | D3 |
| Credits from partnerships or trusts | 11 | Other | D5 |
| Tax withheld on dividends | 10 | Protective clothing | D3 |
| Tax withheld on interest | 9 | Self-education | D4 |
| Tax offsets | see Rebates | Travel—other than car | D2 |
| Taxable professional income | 19 | Uniform | D3 |
| Taxi drivers | 12 | Y | |
| Telephone expenses—work related | D5 | Youth allowance | 5 |
| Textile, clothing & footwear special allowance | 5 | Z | |
| Thresholds—pro rata tax-free | A2 | Zone rebate | R7 |
| Tools and equipment | | | |
| business | P6 | | |
| work related | D5 | | |

Lodgment addresses

To ensure the timely processing of tax returns, use the address shown below for your State or Territory.

If you use an address other than this you may experience delays. Please use a business size envelope when lodging the taxpayer's tax return.

Do not send any correspondence which does not relate to the tax return to any of the addresses listed below. Such correspondence should be sent to the addresses on the next page.

Lodgment addresses

New South Wales and Australian Capital Territory

Australian Taxation Office

GPO Box 9845
Sydney NSW 2001

Victoria

Australian Taxation Office

GPO Box 9845
Melbourne VIC 3001

Queensland

Australian Taxation Office

GPO Box 9845
Brisbane QLD 4001

South Australia and Northern Territory

Australian Taxation Office

GPO Box 9845
Adelaide SA 5001

Western Australia

Australian Taxation Office

GPO Box 9845
Perth WA 6848

Tasmania

Australian Taxation Office

GPO Box 9845
Hobart TAS 7001

THESE ADDRESSES ARE FOR LODGMENT OF TAX RETURNS ONLY.

All other correspondence must be sent to the addresses on the next page.

Australian Taxation Office Locations

Below are our street addresses, and mailing addresses for other correspondence. Please send correspondence to the office shown on the taxpayer's last notice of assessment, if they have one; otherwise send it to the nearest tax office. If you have an enquiry, we can usually assist you faster by telephone. The inside back cover of these instructions lists our telephone helpline services.

If you prefer to make your enquiry in person, we request that you make an appointment by phone. Please phone 13 2861 in all states excluding the Northern Territory; phone (08) 8958 4111 for Alice Springs and (08) 8943 9000 for Darwin.

New South Wales

Albury

567 Smollett Street Albury
PO Box 9990 Albury 2640

Bankstown

ATOaccess
2 Meredith Street Bankstown
Private Bag 8000 Bankstown 1888
Phone 13 2861 for an appointment

Chatswood

ATOaccess
Shop 43 Lemon Grove
Shopping Centre
441 Victoria Avenue Chatswood
GPO Box 9990 Sydney 2001

Hurstville

ATOaccess
1st Floor MacMahon Plaza
14–16 Woodville Street Hurstville
PO Box 9990 Hurstville 2220

Newcastle

266 King Street Newcastle
PO Box 9990 Newcastle 2300

Parramatta

Commonwealth Offices
2–12 Macquarie Street Parramatta
PO Box 422 Parramatta 2123

Penrith

121–125 Henry Street Penrith
PO Box 1400 Penrith 2740

Sydney

100 Market Street Sydney
GPO Box 9990 Sydney 2001

Wollongong

93–99 Burelli Street Wollongong
PO Box 9990 Wollongong 2500

South Australia

Adelaide

91 Waymouth Street Adelaide
GPO Box 800 Adelaide 5001

Queensland

Brisbane

ATOaccess 280 Adelaide Street Brisbane
GPO Box 9996 Brisbane 4001

Chermside

ATOaccess
766 Gympie Road Chermside
PO Box 9990 Chermside 4032

Townsville

ATOaccess
Stanley Place 235 Stanley Street
Townsville
PO Box 9990 Townsville 4810

Upper Mt Gravatt

2221–2233 Logan Road
Upper Mt Gravatt
PO Box 9990 Upper Mt Gravatt 4122

Australian Capital Territory

Canberra

ATOaccess
Ground Floor Ethos House
28–36 Ainslie Avenue Canberra
GPO Box 9990 Canberra 2601

Tasmania

Hobart

200 Collins Street Hobart
GPO Box 9990 Hobart 7001

Western Australia

Cannington

48–54 Grose Avenue Cannington
PO Box 9990 Cannington 6987

Northbridge

45 Francis Street Northbridge
GPO Box 9990 Perth 6848

Victoria

Box Hill

990 Whitehorse Road Box Hill
PO Box 9990 Box Hill 3128

Casselden Pk

2 Lonsdale Street Melbourne
PO Box 9990 Moonee Ponds 3039

Cheltenham

ATOaccess
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

Moonee Ponds

6 Gladstone Street Moonee Ponds
PO Box 9990 Moonee Ponds 3039

Northern Territory

Alice Springs

ATOaccess
Jock Nelson Centre
16 Hartley Street Alice Springs
GPO Box 2650 Adelaide SA 5001
Phone (08) 8958 4111 for an appointment.

Darwin

ATOaccess
Cnr Mitchell & Briggs Streets Darwin
GPO Box 2650 Adelaide SA 5001
Phone (08) 8943 9000 for an appointment

Your helplines for further information

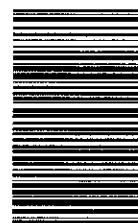
Publications, taxation rulings, forms and enquiries are available through the following services:

Tax agents please use the following numbers:

- **Business tax reform infoline—13 7286**
This service operates from 8 a.m. to 6 p.m. Mon–Fri.
- **Publications distribution service by fax—1300 361 462**
If you have a query on your order status, phone 1300 362 883.

Non tax agents please use the following numbers:

- **Business tax reform infoline—13 2478**
This service operates from 8 a.m. to 6 p.m. Mon–Fri.
The Internet site at www.taxreform.ato.gov.au gives access to business tax reform information 24 hours a day, every day.
Phone this number if you need information on the ABN or how to apply for one. For assistance in completing an application, phone 13 2866.
- **Publications distribution service—1300 720 092**
From July until the end of October, this service operates from 8 a.m. to at least 10 p.m. on weekdays and from 10 a.m. to 5 p.m. on weekends—AEST.
Before you phone, check to see if there are other publications you may need—this will save you time and help us.
This distribution service is not run by Australian Taxation Office (ATO) staff. Your tax questions cannot be answered on this number.
- **Internet site—ATOassist**
The Internet site at www.ato.gov.au gives access to ATO publications and general information on tax matters, 24 hours a day, every day.
- **a FAX from TAX—13 2860**
If you have access to a fax machine, tax information is available 24 hours a day, every day. When you phone, follow the instructions to obtain a list of available documents.
- **Lodgment enquiries—13 2863**
If you are unsure whether you need to lodge a tax return or you want to know where or when to lodge a tax return.
- **Superannuation enquiries—13 1020**
For assistance with all your superannuation enquiries
- **Small business—13 2866**
Notify the ATO of the amount of tax instalments deducted from employees every quarter to avoid a penalty for failure to notify, even if you cannot pay the full amount by the due date. Phone this number also for information on the general interest charge.
- **Debt collection—13 1142**
If you cannot pay your tax debt contact the ATO on this number to avoid action being taken to recover the debt.
- **General enquiries—13 2861**
This helpline is for tax questions on topics other than those already described, including business industry codes. Please have your instruction guide and tax return handy when you phone.
- **Translating and interpreting service—13 1450**
If you do not speak English and need help on tax matters, this service sets up a 3-way conversation between you, an interpreter and a tax officer.
- **Hearing or speech impairment—13 2544**
If you have access to appropriate TTY or modem equipment, contact the Australian Communication Exchange National Relay Service. You will need to quote one of the helplines listed on this page. The relay service will then connect you with a tax officer.
For information on business tax reform, phone 1300 130 478.



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