Australian Taxation Office
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Individual tax return —tax agents instructions

2001

What’s new?

- Changes to Capital Gains Tax
- Non-commercial losses
- Alienation of Personal services income
- Prepayments
- Refund of excess imputation credits
- Simplified Tax System

NAT 2413—3.2001

Foreword

The *Individual tax return 2001 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 2001—tax agents*.

The instructions provide codes and other basic information to assist with completing *Individual tax return 2001—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.
The lodgment address can be found at page 53 with tax office locations on page 54.

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.

Contents

Information update—Federal Budget

Important tax changes were announced in this year's Federal Budget. The people affected by the changes include Senior Australians and Commonwealth taxable pension, allowance or payment recipients. The changes provide for increased tax offsets and Medicare levy thresholds and mean that some people may not have to lodge a tax return for 2000–01.

The purpose of this update is to provide basic information to assist tax agents in completing the *Individual tax return 2001—tax agents*. There is no change to the tax return itself and this update should be read in conjunction with the rest of these instructions.

Important new terms

Senior Australian

'Senior Australian' includes pensioners and self-funded retirees. For tax purposes, the taxpayer is a Senior Australian if on 30 June 2001:

A they were a man aged 65 years or more OR a woman aged 61.5 years or more OR
they were a man aged 60 years or more OR a woman aged 56.5 years or more and they are a veteran receiving a service pension or a war widow or widower receiving an income support supplement from the Department of Veterans' Affairs

AND

B they have been an Australian resident for 10 years OR they have a residence exemption for age pension purposes—for example, they have been an Australian resident for less than 10 years but they are a refugee

AND

C they have not been in prison for the whole of 2000–01 (1 July 2000 to 30 June 2001).

Senior Australians tax offset

This is the new term for the low income aged person tax offset and the pensioner tax offset for people of age pension age.

Note: This tax offset is only available to Senior Australians who meet the new income tests as follows:

If the taxpayer

• was single at any time during the year	$37 840
• had a spouse but either the taxpayer or their spouse lived in a nursing home or they had to live apart due to illness	$70 404
• lived with their spouse for the full year	$58 244

Senior Australians

For 2000–01, increases in the tax offset levels and the Medicare levy threshold mean that Senior Australians who are entitled to a Senior Australians tax offset will not have to pay tax or Medicare levy unless their income was more than the amounts shown in the table below.

If the taxpayer	Income tax threshold	Medicare levy threshold
—was single at any time during the year	$20 000	$20 000
—had a spouse but either the taxpayer or their spouse lived in a nursing home or they had to live apart due to illness	$18 882	$20 000
—lived with their spouse for the full year	$16 306	$20 000

The Medicare levy family income threshold has been increased from $23 299 to $31 729. This threshold is increased by $2140 for each dependant.

New tax offset threshold tables

There are now 2 tax offset threshold tables—table A applies to the Senior Australians tax offset, table B to the pensioner tax offset for Commonwealth taxable pension, allowance or payment recipients who are below age pension age.

Table A

Senior Australians tax offset thresholds

Pensioner code letter	Senior Australians code letter	**COLUMN 1** Taxpayer may get up to the full tax offset if their taxable income is equal to or less than this amount	**COLUMN 2** Taxpayer will not get a tax offset if their taxable income is equal to or more than this amount[1]	**COLUMN 3** Maximum tax offset
S, **Q***, **J***	**A**	$20 000	$37 840	$2230
I*	**B***, **C***	$18 882	$35 202	$2040
P*	**D***, **E***	$16 306	$29 122	$1602

1 For the code letters with an asterisk the taxpayer may still get a tax offset because of a transfer of the unused portion of their spouse's pensioner or Senior Australians tax offset. The ATO will work it out.

Table B

Pensioner tax offset thresholds

Pensioner code letter	**COLUMN 1** Taxpayer may get up to the full tax offset if their taxable income is equal to or less than this amount	**COLUMN 2** Taxpayer will not get a tax offset if their taxable income is equal to or more than this amount[1]	**COLUMN 3** Maximum tax offset[2]
S, **Q***, **J***	$15 459	$28 323	$1608
I*	$14 653	$26 421	$1471
P*	$12 795	$22 035	$1155

1 For the code letters with an asterisk the taxpayer may still get a tax offset because of a transfer of the unused portion of their spouse's pensioner or Senior Australians tax offset. The ATO will work it out.

2 If the taxpayer
- used S, Q, I or J and their pension is more than $10 258 OR
- used P and their pension is more than $8561

their maximum tax offset may be higher than the amount in COLUMN 3, and they may still get a tax offset if their taxable income is more than the amount in COLUMN 2. The ATO will work it out.

Completing the *Individual tax return—tax agents*

Follow these instructions to ensure that taxpayers receive their correct entitlements, including tax offset amounts and Medicare levy reduction, if applicable.

Senior Australians

- Print the appropriate tax offset code at label **N** item T2 if the taxpayer is a self-funded Senior Australian. Use the tax offset code table at page 18 and the new 'income test' amounts shown in the Note at page (i) in working out the appropriate code.
  Where the taxpayer's spouse was a Senior Australian, whether or not the spouse received a Commonwealth taxable pension, allowance or payment, use code **B** or **D**, as appropriate.
  Where the taxpayer's spouse received a Commonwealth taxable pension, allowance or payment and was below age pension age, use code **C** or **E** as appropriate.
  The ATO will work out the amount of any entitlement.
- If the taxpayer received an assessable age or service pension or other payment required to be shown at label **B** item 6 on page 2 of the tax return, the appropriate tax offset code must be inserted, as normal. The ATO will work out the amount of any entitlement.
- Complete the income details section at **Spouse details**—**married or de facto** on page 5 of the tax return, in particular at labels **O**, **T**, **P** and **Q**.
  (This is a change to the instructions on the tax return.)
- Show the number of dependent children and students, if any, at label **Y** item M1 on page 4 of the tax return if the taxpayer is entitled to a Medicare levy reduction based on family income.

Make sure that the following details are completed on the tax return:

- the taxpayer's date of birth on page 1.
- the name of the taxpayer's spouse (or de facto) on page 1.

Recipients of a Commonwealth taxable pension, allowance or payment who are below age pension age

The low income threshold for the Medicare levy has been increased from $13 807 to $15 970.

- Complete item 6 on page 2 of the tax return. The ATO will work out the amount of any entitlement to a pensioner tax offset (see table B on the previous page).
- Complete the income details section at **Spouse details**—**married or de facto** on page 5 of the tax return, in particular at labels **O**, **T**, **P** and **Q**.
  (This is a change to the instructions on the tax return.)
- Print the name of the taxpayer's spouse (or de facto) on page 1 of the tax return.
- Use the new low income threshold of $15 970 when working through the Medicare levy question (M1).

Information

New schedules

- Complete only ONE copy of the appropriate schedule.
- Attach all completed schedules to the tax return.

Capital gains tax (CGT) schedule

A new *Capital gains tax (CGT) schedule* has been introduced for the 2000–01 and later income years.

All individuals—including sole traders and partners in partnerships—who have one or more CGT events happen during the income year, and who are lodging their tax return through the electronic lodgment service (ELS), must also complete a CGT schedule if

- their total current year capital gains for the income year are greater than $10 000
- their total current year capital losses for the income year are greater than $10 000.

The publication *Personal investors guide to capital gains tax* is designed for individual investors who have made a capital gain or capital loss in the 2000–01 income year from shares, units in a unit trust or managed funds.

The publication *Guide to capital gains tax* is designed for CGT events not covered by the *Personal investors guide to capital gains tax* and will assist taxpayers to meet their CGT obligations by outlining the essential steps involved in calculating their net capital gain for the income year. It also includes:

- aspects of CGT law that may apply to the individual—for example, record keeping requirements
- a capital gain or loss worksheet for calculating a capital gain or capital loss for each CGT event
- a CGT summary worksheet for calculating the individual's net capital gain or net capital loss for the income year
- the *Capital gains tax (CGT) schedule*, where applicable—for example, ELS or *e-tax*.

To find out how to obtain a copy of these publications, see the inside back cover.

Depreciation schedule

As a consequence of the number of legislative changes to the depreciation of plant, which took effect on 21 September 1999 and 1 July 2000, the new *Depreciation schedule* has been introduced for the 2000–01 income year. Do not complete a *Depreciation schedule* if the taxpayer is a small business taxpayer (see the definition of a small business taxpayer on page 48).

If the taxpayer is not a small business taxpayer and an amount greater than $1000 has been included at label **M**—**Depreciation expenses**, item P8 on page 10 of their tax return then complete a *Depreciation schedule* and attach it to the tax return.

Some of the labels on **Worksheet 1—Depreciation** on page 51 and **Worksheet 2**—**Low-value pool** on page 52 require you to simply transfer amounts directly to the appropriate labels on the *Depreciation schedule*.

For more information on how to complete the worksheets refer to the publication *Guide to depreciation*. For more information on how to complete the *Depreciation schedule* refer to the publication *Depreciation schedule instructions*. To find out how to obtain a copy of these publications, see the inside back cover.

Individual PAYG payment summary schedule

Where amounts are reported:

- in the supplementary section of the tax return at item 13, labels **G**, **H** or **J** or item 14, labels **D**, **W**, **F** or
- in the business and professional items section of the tax return at item Pl, labels **G**, **H** or **I** or item P8, labels **C**, **D**, **E**, **F**, **N** or **O**

an *Individual PAYG payment summary schedule* must be completed. To find out how to obtain a copy, see the inside back cover.

Complete the schedule using details from the following types of payment summaries:

- *Payment summary—voluntary agreement*
- *Payment summary—withholding where ABN not quoted*
- *Payment summary—labour hire and other specified payments*

Note: For 2000–01, the only payment summaries which should be submitted with taxpayers' tax returns are the *PAYG payment summary—individual non business* and the *Payment summary—personal services attributed income*.

How to complete the Individual PAYG payment summary schedule

Step 1

Write the TFN and name of the taxpayer in the appropriate boxes at the top of the schedule.

Step 2

Nature of income—Print **X** as applicable in the **Business income** or **Personal services income** boxes.

Note: Where the taxpayer has both business income and personal services income you will need to complete 2 separate schedules.

Step 3

For each payment summary transfer the following information onto the schedule:

- look at the payment summary carefully to determine its type and complete the **Type** box, using the following key:

> **V** = voluntary agreement
> **S** = labour hire or other specified payments
> **N** = withholding where ABN not quoted
> **A** = attributed personal services income

- the payer's Australian Business Number (ABN) or Withholding Payer Number (WPN) and the payer's name in the appropriate boxes
- the total tax withheld in the **Tax withheld** box
- the gross payments in the **Gross payment** box.

Send the completed *Individual PAYG payment summary schedule* with the taxpayer's return to the ATO.

Note: Payers are required to report to the Australian Taxation Office (ATO) details of payments where amounts of tax have been withheld. This information will be cross-checked with the taxpayer's tax return to ensure that the correct amount of income has been declared and the correct amount of tax withheld.

Information matching

The ATO is making increasing use of information matching technology to verify the correctness of tax returns. Ensure that all information is fully and correctly declared on your clients' tax returns. Where possible, each tax return should fully itemise all investment income, rather than including the income in gross business income or profit and loss statements. Failure to do so could result in your client's receiving an income discrepancy query letter from the ATO.

Note: Ensure that you have not quoted an individual TFN to a financial institution for any income you intend to declare in a company tax return, or vice versa.

In particular, the ATO will be checking the following in the 2000–01 tax returns:

- distributions from partnerships and trusts—see pages 28–30
- income and credits for withholding where an ABN has not been quoted—against information provided to the ATO by payers—see page 31
- total salary and wages—against information provided to the ATO by payers—see page 5
- the amount of prior year losses claimed—against the amounts of losses carried forward in tax returns of earlier years—see page 13
- dividend income—see pages 8–9.

Individual tax return 2001—tax agents—page 1 items

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 2000–01, item A2—**Part-year tax-free threshold** on page 4 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 2000–01, 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 PAYG payment summaries?** 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

Show 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—for example, a tax agent's account. If a family tax benefit (FTB) claim cannot be processed at the same time as the tax return and the Family Assistance Office (FAO) is required to make the FTB payment, a cheque will be sent to the address you have provided.

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 this year for your tax refund or family tax benefit payment where applicable?** box.

To use direct refund

To use direct refund print **Y** in the **Do you want to use EFT this year for your tax refund or family tax benefit payment where applicable?** 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:

- Print 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.
- Print 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. Include spaces between each word and between initials in the account name. Joint accounts are acceptable. The account name must exceed 32 characters.

Direct debit

This allows the taxpayer to pay their tax directly from their account. 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* (DDR) 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 DDR.

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

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

Individual tax return 2001—tax agents—pages 2–5

Income

Note: Ensure that you have all of the taxpayer's payment summaries before lodging the tax return.

1 Gross salary or wages

Main salary or wage occupation

Show at label **X** 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*. To find out how to obtain a copy, see the inside back cover. **Please do not use last year's code without checking this publication**.

Gross salary or wages

If the taxpayer has more than 5 copies of the *PAYG payment summary—individual non-business*, add the tax withheld in whole dollars and gross payment in whole dollars from the 5th and remaining payment summaries and print the payment totals at label **G**, and tax withheld at the left of label **G**. Do not complete the **Payer's Australian Business Number** box at label **G** where the amounts shown at this label are an amalgamation of amounts from 2 or more payment summaries. Ensure that you attach all copies of the *PAYG Payment summary—individual non business* to page 3 of the tax return.

Note:

- Ensure that all copies of the *PAYG Payment summary—individual non business* and signed copies of payment summaries, letters or statements have been received and included by the taxpayer before lodging their tax return.
- Do not show amounts shown on any payment summary other than the *PAYG payment summary—individual non business*.
- Do not show at this item amounts in the 'Other income' box on the *PAYG payment summary—individual non business*. If this is exempt income, you will not need to show that amount in the taxpayer's tax return.
- Do not show foreign employment income at this item. Show it, if required, at item 19.
- Do not show reportable fringe benefits amounts provided in respect of the taxpayer's employment at this item—show them at item 9.

2 Allowances, earnings, tips, director's fees, etc.

Show at label **K** all allowances, earnings, tips and director's fees derived by the taxpayer during 2000–01 other than:

- gross payments shown on a *PAYG payment summary—individual non business* already shown at item 1
- amounts in the other income box on a *PAYG payment summary—individual non business*. If this is exempt income, you will not need to show that amount in the taxpayer's tax return
- amounts shown on payment summaries other than the *PAYG payment summary—individual non business*
- 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**
- amounts required to be shown at item 22—**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 payment summary
- total reportable fringe benefits amounts provided in respect of the taxpayer's employment required to be shown at item 9—**Total reportable fringe benefit amounts**
- income derived by the taxpayer from foreign employment. Show this, if required, at item 19—**Foreign source income and foreign assets or property**
- income derived by the taxpayer as a non-employee taxi driver—for example, one operating under a standard bailment agreement with an owner/operator—required to be shown at item P1 or P8
- income derived as a partner in a partnership or any income—including commission income—derived because the taxpayer was self-employed. Show this income at item 12—**Partnerships and trusts**.

3 Lump sum payments

Show at label **R** the total of all amounts shown at A in the **Lump sum payments** box on the taxpayer's *PAYG payment summary—individual non business*, 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 *PAYG payment summary—individual non business*, letters and statements.

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

4 Eligible termination payments

The assessable amount shown at Section 3, 'ETP cash payment details', on any ETP payment summary 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 (RBLs), the ETP components shown on that ATO advice must be used.

5 Commonwealth of Australia government allowances and payments like Newstart, youth allowance and austudy payment

This includes:

- parenting payment (partnered)
- Newstart allowance
- youth 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
- exceptional circumstances relief payment, restart income support, farm household support (by way of financial assistance)
- ABSTUDY living or dependent spouse allowance or payment under the Veterans' Children Education Scheme and the taxpayer was 16 years or over training for Employment Program allowance, New Enterprise Incentive Scheme allowance, textile clothing and footwear special allowance, Green Corps training allowance or other taxable Commonwealth education or training payments
- an income support component from a Community Development Employment Project (CDEP)—shown as 'CDEP Salary or Wages' on the *PAYG payment summary—individual non business*
- a CDEP scheme participant supplement.

Beneficiary tax offset

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

- If the taxpayer's benefit is $20 000 or less:
  the tax offset = (benefit – tax-free threshold) x 17 %
- If the taxpayer's benefit is more than $20 000:
  the tax offset = (benefit – tax-free threshold) x 17 % + (benefit – $20 000) x 13%

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 2000–01, complete item A2—**Part-year tax-free threshold** on page 4 of the tax return to ensure that the taxpayer receives the correct beneficiary tax offset entitlement.

6 Commonwealth of Australia government pensions and allowances

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
- income support supplement
- invalidity service pension and the taxpayer has reached age pension age
- partner service pension.

Select the appropriate tax offset code letter from the table below to match the conditions that applied during 2000–01 while the taxpayer was receiving these pensions or allowances.

Tax offset code letters

Standard circumstances

If at any time during 2000–01—while the taxpayer received a Commonwealth of Australia government pension or allowance listed at item 6—the taxpayer:

- was single or widowed **S**
- was separated **S**
- and their spouse—married or de facto —lived together **P**
- and their spouse—married or de facto —had to live apart due to illness or either of them was in a nursing home **I**

Exceptional circumstance

If the taxpayer was a social security recipient (Centrelink)—and immediately BEFORE 12 March 1992— the taxpayer:

- received a Commonwealth of Australia government pension or allowance listed at item 6 AND
- had a spouse—married or de facto AND
- the spouse was NOT receiving any of the Commonwealth of Australia government pensions or allowances listed at item 6, any exempt pensions listed on page 9 in *TaxPack 2001* or any of the first 9 listed allowances and payments at item 5 AND
- these conditions have applied continuously since then **S**

If taxpayer does not meet **all** these conditions, **Standard circumstances** apply.

Where more than one code letter applies:

- If both **I** and **P** apply to the taxpayer, use **I**
- If **S**, **I** and **P** all apply to the taxpayer, use **J**
- If both **S** and I apply to the taxpayer, use **J**
- If both **S** and **P** apply to the taxpayer, use **Q**

'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 they were separated from their spouse due to illness, check with Centrelink or the Department of Veterans' Affairs.

If the taxpayer had a spouse during 2000–01 and:

– used tax offset codes **P**, **Q**, **I** or **J** and
– their spouse received a Commonwealth of Australia pension or allowance listed at item 6, or exempt pension income and
– on 30 June 2001 the taxpayer was not getting any Commonwealth of Australia benefits or allowances listed at item 5

complete **Spouse details—married or de facto** on page 5 of the tax return including labels **O**, **Q** and **P**. Also complete **Your spouse's name** on page 1 of the tax return.

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

Tax offset thresholds

The taxpayer's tax offset code letter	**COLUMN 1** Taxpayer may get up to the full tax offset if their taxable income is equal to or less than this amount	**COLUMN 2*** Taxpayer will not get a tax offset if their taxable income is equal to or more than this amount [1]	**COLUMN 3** Maximum tax offset [2]

Do not use this table.
See the information update—Federal Budget at the front of these instructions.

transfer of the unused portion of the taxpayer's spouse's pensioner tax offset.

[2] If the taxpayer used:
– **S**, **Q** or **J** and their pension or allowance is more than $10 258 or
– **I** and their pension or allowance is more than $12 702 or
– **P** and their pension or allowance is more than $8561
their maximum tax offset may be higher than the amount in COLUMN 3, and the taxpayer may still be entitled to a tax offset even if taxable income is more than the amount in COLUMN 2.

7 Other Australian pensions or annuities

Print the type of pension or annuity in the **Type** box. Show at label **J** total gross income derived by the taxpayer from the pension or annuity. Show the total tax withheld from the pension or annuity—as shown on the *PAYG payment summary—individual non business* which the taxpayer obtained from the annuity, superannuation fund, pension fund or retirement savings account (RSA) provider—at the left of label **J**. Do not show pension or annuity income from a foreign annuity or pension fund at this item. Show this at item 19—**Foreign source income and foreign assets or property**.

8 Attributed personal services income

Show at label **O** amounts on any *Payment summary—personal services attributed income*. Attach copies of these payment summaries to page 3 of the tax return.

9 Total reportable fringe benefits amounts

This item must be completed if an employee and/or associate of that employee received certain fringe benefits from an employer and any payment summaries provided by that employer showed a reportable fringe benefits amount under that heading.

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 *PAYG payment summary—individual non business* for the corresponding income year.

Therefore, benefits received during the 2000–01 FBT year (1 April 2000 to 31 March 2001) would be reported on a *PAYG payment summary—individual non business* for the 2000–01 income year (1 July 2000 to 30 June 2001).

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 the employees who shared that fringe benefit and the employer relating to a reasonable method of apportionment may be used in certain circumstances to allocate the taxable value of a benefit between those employees.

Government income tests will now take into account the fringe benefits people receive. The information that is reported on a *PAYG payment summary—individual non business* will be used for the following income tests:

- Medicare levy surcharge
- superannuation contributions surcharge
- termination payments surcharge
- deductions for personal superannuation contributions
- tax offset for personal superannuation contributions
- HECS repayments
- child support obligations and
- entitlement to certain income tested government benefits.

Fringe benefits excluded from the payment summary 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
- certain 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
- costs of occasional travel to a major Australian population centre by employees and their families living in a remote area
- housing subsidies and certain other allowances provided to members of the Australian Defence Force
- emergency and essential health care costs (that are not covered by Medicare) incurred by Australian resident employees while working overseas
- certain components of Commonwealth overseas living allowances which represent reasonable compensation for the additional cost of living at an overseas post and
- use of a marked emergency services vehicle for travel between home and work.

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 employee. Examples of exempt benefits include mobile phones used primarily for work and, in limited circumstances, certain minor benefits of less than $100 in value.

Some benefits that are exempt from FBT may still need to be reported on a *PAYG payment summary—individual non business*. 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, public hospitals, private not-for-profit hospitals and including government employees who work in public and private not-for-profit hospitals.

For more information refer to the publication *Fringe benefits tax: a guide for employers*. To find out how to obtain a copy, see the inside back cover.

10 Gross interest

Show at label **L** gross assessable interest income derived by the taxpayer from Australian sources.

Show at label **M** any TFN amounts withheld from that income. Account keeping fees, charges and Financial Institutions Duty (FID) 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 10. 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 12—**Partnerships and trusts**.

Do not include at item 10 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 12—**Partnerships and trusts**.

Do not show any interest income derived by the taxpayer from any foreign source at this item. Show this at item 19—**Foreign source income and foreign assets or property**.

Note: The ATO may check the amount shown at this item with its own records—for more information see **Information matching** on page 2.

11 Dividends

Show at label **S** 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 IIIAA 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 tax has been withheld.

Note:

- To the extent that family trust distribution (FTD) 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 Schedule 2F to ITAA 1936 and a credit or tax offset cannot be claimed for any imputation credit attached to the exempt portion of the dividend. Do not show at label **S** or **T** any amount of a dividend which is exempt under section 271-105 of Schedule 2F to ITAA 1936 and do not show at label **U** any section 160AQT of ITAA 1936 gross-up amount relating to the exempt portion of the dividend.
- The ATO may check the amounts shown at labels **S**, **T** and **U** with its own records—for more information see **Information matching** on page 2.

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 12—**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 at label **T** the total of gross franked dividends paid or credited to the taxpayer other than franked dividends paid or credited to a non-resident taxpayer.

Show at label **U** 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 tax offset. However, show **nil** at label **U** if the taxpayer is not a *qualified person* as defined in section 160APHD of ITAA 1936 (even if the taxpayer's dividend statement shows an imputation credit amount).

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

I Total supplementary section income or loss

If the taxpayer derived any assessable income that is not covered by items 1 to 11, 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 1 on page 2 of 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

Work related deductions—items D1 to D5

The ATO has released special information on work related expenses for 16 occupations: airline employees, Australian Defence Force members, building workers, cleaners, lawyers, factory workers, hairdressers, hospitality industry employees, nurses, performing artists, police officers, real estate employees, shop assistants, teachers, journalists and truck drivers. Rulings, including occupational rulings summaries, are available on the ATO Internet site—*ATOassist*—at **www.ato.gov.au**

D1 Work related car expenses

Show at label **A** 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 to 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 PS 1999/2*.

Additional information on the 4 methods for calculating car expenses is contained in the following fact sheets:

- *Calculating car expenses*
- *Keeping records and logbooks*
- *Car expenses—cents per kilometre method*
- *Car expenses—12 per cent of original value method*
- *Car expenses—one-third of the actual expenses method.*

These documents can be obtained from the ATO internet site, ATO*assist* at **www.ato.gov.au** and from *a FAX from TAX*.

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 expenses. For more information about this topic refer to the publication *What's new?* or refer to the publication *Guide to depreciation*. See also *Taxation Ruling TR2000/6—Substantiation rules: calculation of balancing adjustments for cars.* To find out how to obtain a copy of these publications see the inside back cover. The calculation of balancing adjustments for cars is not affected by the depreciation changes that applied from 11.45 a.m. Australian Eastern Standard Time by legal time in the Australian Capital Territory (AEST) on 21 September 1999.

D2 Work related travel expenses

Show at label **B** deductible travel expenses such as meals; accommodation and incidental expenses while travelling overnight for work; air, bus, and train, tram and taxi fares; bridge and road tolls; parking and car hire fees. This item 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

Show at label **C** 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

Show at label **D** only deductible self-education expenses related to an educational course provided by a school, college, university or other place of education.

Select from the list below 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**.

	Code letter
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 **cannot** be deducted 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 cannot be deducted 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 the publication *Guide to depreciation* which contains details of changes to depreciation calculations, small item write-offs and balancing adjustments. It also explains the option to pool low-value items of plant. This option allows you to treat plant items costing less than $1000 under the diminishing value method as a single item of plant which is then depreciated under the diminishing value method based on a 4 year effective life.

D5 Other work related expenses

Show at label **E** 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:

- Changes to the depreciation system may affect claims for depreciation. For more information refer to the publication *Guide to depreciation*. To find out how to obtain a copy, see the inside back cover.
- 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**. 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 $17.90 per meal. A deduction of $17.90 per meal is not automatically allowable.
- Computer software: Costs incurred in acquiring, developing or commissioning computer software is depreciable. See the publication *Guide to depreciation* to work out the taxpayer's claim. Claims must be apportioned between work related and private use for the period the taxpayer owned the software during the year.
- Deductions for income protection insurance premiums should be claimed at item D13—**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 PS 2001/6—Home office expenses*.
- If the taxpayer's low value items of plant relate solely to salary and wage income, and you choose to use the low-value pooling method of claiming depreciation, make your claim for a deduction here. For more information about low-value pooling refer to the publication *Guide to depreciation.*

Deductions—items D6 to D9

D6 Interest and dividend deductions

Do not show at label **I** 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 12—**Partnerships and trusts**
- business income—show at item 14—**Net income or loss from business**
- foreign source interest or dividends—show at item 19—**Foreign source income and foreign assets or property**
- rental income—show at item 20—**Rent**
- the land transport facilities tax offset scheme or infrastructure borrowings scheme—show at item D13—**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 FTD 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**.

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

Changes were introduced to the law with respect to the deductibility of gifts or donations. The changes, which apply in the 2000–01 income year, allow:

- deductions for gifts made to specified private funds
- taxpayers to claim gifts of property valued at more than $5000 made to certain funds, authorities and institutions. A valuation certificate must be obtained from the Australian Valuation Office (AVO) for property purchased more than 12 months before the gift was made or for property which was not purchased—for example, where a taxpayer inherited or won the property. However if the property was purchased within 12 months before making the gift, the amount deductible is the lesser of the market value of the property at the time of donation and the amount paid for the property. For more information about property valuations contact the AVO by phone on **(02) 6216 8157**, by fax on **(02) 6216 8106** or by email: **bryan.hurrell@avo.gov.au**
- taxpayers to elect to spread the deduction for gifts made under the Cultural Gifts Program, and environmental and heritage gifts, over 5 income years or less. The election must be lodged with the relevant department before the return is lodged. For more information about the Cultural Gifts Program and the election contact the Department of Communications, Information Technology and the Arts by phone on **(02) 6271 1643**, email **cgp.mail@dcita.gov.au** or visit the Internet site **www.dcita.gov.au**

For more information about making gifts to environmental and heritage organisations and the election contact the Department of the Environment and Heritage by phone on **(02) 6274 1467**, or email **reo@ea.gov.au**

You can check whether an organisation has been endorsed by searching the Australian Business Register at **www.business.gov.au** or by phoning the Business tax reform infoline on **13 2478**.

For more information refer to publications such as *GiftPack* at **www.taxreform.ato.gov.au** or by phoning **13 2478**.

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

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

D9 Cost of managing tax affairs

Show at label **M** only expenses incurred by the taxpayer which are deductible under sections 25-5 and 25-7 of ITAA 1997. Claims include expenses relating to:

- preparing and lodging the taxpayer's tax return and activity statements—for example, buying tax reference material, lodging through the ***TAX****PACK****EXPRESS*** 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
- obtaining a valuation for a gift of property donated under the Cultural Gifts Program or for certain gifts valued by the Australian Valuation Office at more than $5000
- getting advice in relation to a claim for family tax benefit (FTB) if the advice is provided by a recognised tax adviser and the claim is for FTB through the taxation system.
- complying with the former prescribed payments system (PPS)—for example, the cost of reporting to the ATO payments made to a builder
- complying with the Pay as you go (PAYG) withholding obligations—for example, where you need to withhold tax from a payment to a supplier because the supplier did not quote an Australian Business Number (ABN)
- supplying information requested by the ATO about another taxpayer.

Claims may also include expenses incurred as a general interest charge.

Note: A tax shortfall and any other administrative penalties for failing to meet tax obligations are not deductible.

D Total supplementary section deductions

If the taxpayer can claim any deductions other than those that can be claimed at items D1 to D9, 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 **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 the amount at **TOTAL INCOME OR LOSS** (on page 2 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 box at the right of the amount box.

Losses

L1 Tax losses of earlier income years claimed this year

Show at label **F** 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.

Show at label **Z** 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 36, item 19—**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 item 19.

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 L1. This should show the taxpayer's name, address, tax file number (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 that the taxpayer signs the schedule.

Non-primary production losses can be deducted in 2000–01 only if they were made in the 1989–90 or a later income year. Non-primary production losses made in 1988–89 and earlier income years can no longer be deducted.

Note: Ensure that accurate records are maintained of tax 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 item L1 amounts from the amount shown at **SUBTOTAL**.

Tax offsets

Information—Family tax benefit

The Australian Government has changed the way it provides assistance to families.

In previous years eligible taxpayers were able to claim assistance in their tax return through family tax assistance, dependent spouse rebate with a child, and the sole parent rebate.

On 1 July 2000 the Government introduced family tax benefit (FTB) which replaces these payments. Some social security payments were also replaced: family allowance, basic parenting payment, guardian allowance and family tax payment Part A and Part B.

FTB has 2 parts, Part A and Part B. Part A is designed to help with the cost of raising children. Part B is designed to give extra help to families with one main earner, including single parent families. Your client may be eligible for Part A or Part B, or both.

The purpose of this information section

We have provided this information section so that you can decide:

- if the taxpayer is eligible for FTB and
- if the taxpayer is eligible, whether they should claim their FTB entitlement as a direct payment through the Family Assistance Office (FAO) or through the tax system—see **Choices for claiming FTB** on page 16.

If you already know that the taxpayer is eligible for FTB because they or their spouse received fortnightly payments from the FAO (paid by Centrelink), this section will help you work out if their payments included Part B. Their FTB payments would have included Part B if they satisfy the tests described under **Part B** on page 17. You need to know this to find out if the taxpayer is eligible to claim a tax offset at item T1.

Explanation of terms

On the next page is an explanation of terms used in this information section.

Adjusted taxable income

The components of adjusted taxable income (ATI) are as follows:

Add up

- taxable income
- adjusted fringe benefits
- net rental property losses
- tax-free pensions or benefits
- target foreign income

Deduct

- 50 per cent of child maintenance expenditure

Each of these components is described in detail below.

Taxable income

This is the amount that you have written at **TAXABLE INCOME OR LOSS** on the taxpayer's tax return. If the taxpayer has a taxable loss, the amount to be included in your calculation of adjusted taxable income is zero.

Adjusted fringe benefits

This is the reportable amount of fringe benefits grossed down. Any reportable fringe benefits will appear on the taxpayer's payment summary. To gross down the reportable fringe benefits amount to get the adjusted fringe benefits, use the following formula:

Adjusted fringe benefits	= reportable fringe benefits amount x 51.5%

Net rental property losses

Net rental property losses are shown at item 20, **Net rent** on the tax return. Only include this amount if you have shown a rental loss—you will have printed **L** in the box at the right of **Net rent**.

Tax-free pensions or benefits

These are the amounts of any of the following payments received through:

- Centrelink
  - – disability support pension paid to a person who is not old enough to receive the age pension
  - – carer payment where both the carer and the person being cared for are not old enough to receive the age pension
  - – wife pension where both the recipient and spouse, if applicable, are not old enough to receive the age pension
- Department of Veterans' Affairs
  - – invalidity service pension where the recipient is not old enough to receive the age pension
  - – disability pension, war widow's and war widower's pension
  - – partner service pension where both partners are under age pension age and the veteran receives an invalidity service pension, or the veteran has died and received an invalidity service pension at the time of death
  - – income support supplement paid on the grounds of invalidity if the person has not reached age pension age.

Tax-free pensions or benefits do not include bereavement payment, pharmaceutical allowance, rent assistance or remote area allowance.

Target foreign income

Target foreign income is foreign income, in Australian dollars, from sources outside Australia. Do not include any amounts the taxpayer has already included in their taxable income and any foreign income received in the form of a fringe benefit.

If the taxpayer received amounts of target foreign income throughout the income year, use the exchange rate applicable on 1 July 2000 to convert foreign amounts to Australian dollars. You will find the applicable exchange rates on the family assistance Internet site at **www.familyassist.gov.au** under 'How to calculate income'.

Child maintenance expenditure

Child maintenance expenditure is the amount of child maintenance (also known as child support) the taxpayer pays to another person to maintain their natural or adopted child. In working out their ATI you deduct 50 per cent of the child maintenance they paid from the total of all the other amounts making up their ATI.

Assessment period

An assessment period is used to calculate your client's shared care percentage.

An assessment period begins on the latest of:

- the day on which the care of the dependent child starts to be shared OR
- the day on which care arrangements for the dependent child change OR
- 1 July in the income year being claimed for

AND ends on the earlier of:

- 30 June of the income year in which the period begins OR
- the day on which the care arrangements of the dependent child change.

The assessment period is not affected if there are short-term absences (4 weeks or less) or minor variations to your shared care arrangements—for example, if a sick child does not stay with a contact parent for a weekend.

Care

This means the taxpayer and/or their spouse had responsibility for the day-to-day care, welfare and development of the child. Generally, day-to-day care includes physical care.

Claim period
A claim period is the period for which the taxpayer and/or their spouse are claiming family tax benefit (FTB) through the tax system.

Family adjusted taxable income
This is the sum of the taxpayer's and their spouse's ATI if they had a spouse.

Full care
This means that the taxpayer and/or their spouse care for their children for the whole assessment period and they are claiming on behalf of their family.

Income support payment
Income support payments are all of the payment types that are listed at items 5 and 6 on pages 6–7.

Prescribed educational scheme
A prescribed educational scheme is:
- the ABSTUDY schooling scheme
- the ABSTUDY tertiary scheme
- the Student Financial Supplement Scheme
- the Veterans' Children Education Scheme or
- the Post-graduate Awards Scheme.

Shared care
This means that the taxpayer and/or their spouse care for a child for some of the time during the assessment period and someone other than their current spouse—for example, their ex-spouse—cares for the child for the rest of the time such as weekends or school holidays.

You can work out their **shared care percentages** as follows:

$$\frac{\text{Number of nights your client and/or their spouse cared for the child in an assessment period}}{\text{Number of nights in the assessment period}} \times 100$$

The percentage can be different for different periods in a year if their pattern of care changes.

Spouse
The taxpayer's spouse is the person to whom the taxpayer was married or with whom they lived in a de facto relationship at any time during the claim period, provided they were not living separately and apart on a permanent or indefinite basis. The taxpayer may have had more than one spouse during the claim period—for example, they were married at the beginning of the claim period, then separated, then lived with a new spouse at the end of the claim period.

Eligibility

To be eligible to claim FTB **the taxpayer** must:
- be an Australian resident for social security purposes or the holder of an approved visa for the purposes of FTB. If you are unsure about their residency status phone the Family Assistance Office on **13 6150**
- not reside outside Australia for longer than 3 years
- provide care to a dependent child
- care for the dependent child for a minimum of 10 per cent of the assessment period, if the taxpayer shares the care of a dependent child with another person who is not their spouse. For example, if the taxpayer shares the care over a full income year they must have cared for the child for at least 37 nights of that income year.

The dependent child must:
- be in the taxpayer's care and the taxpayer must be responsible (whether alone or jointly with someone else) for the child's day-to-day care, welfare and development
- be an Australian resident or live with the taxpayer
- not be the taxpayer's spouse
- not reside outside Australia for longer than 3 years
- have an adjusted taxable income of less than the income limit in the **Adjusted taxable income limits for a dependent child** table below.

The child is not a dependent child if they—or someone on their behalf—receive a social security pension or benefit or a payment under a labour market program. If the child is aged 16 or older, in addition to the above they cannot receive payments under a prescribed educational scheme.

Part A is paid for each dependent child the taxpayer cares for where the dependent child is under 21, and for those dependent children aged 21 to under 25 who are in full-time study.

Part B is paid for one child until the youngest child turns 16; or until the end of the calendar year in which the youngest child turns 18, provided that the child is studying full time and does not receive certain social security or educational payments.

A child that dies shortly after birth can still be a dependent child. A bereavement payment may apply in this case.

Adjusted taxable income limits for a dependent child

If the child's adjusted taxable income (ATI) in 2000–01 was equal to or greater than the income limits in the following table, they are not considered a dependent child and the taxpayer cannot claim family tax benefit (FTB) for that child.

Age of child	Income limits
Under 5 years	No limit
5 to 15 years studying full time	No limit
5 to 15 years not studying full time	$7663
Aged 16 to under 25	$7663

Choices for claiming FTB

The taxpayer has 2 choices in the way they can claim an FTB entitlement.

1 As a direct payment—through the FAO

The taxpayer can claim a fortnightly payment by lodging a direct payment FTB claim at any office of the FAO. They can also claim a direct payment lump sum for a past period through the FAO.

When is it best to claim FTB as a direct payment?

- If the taxpayer is receiving an income support payment—see page 15—they must claim FTB through the FAO.
- If the taxpayer wants to claim a lump sum FTB payment before the end of the income year to which it relates—they **must** claim FTB through the FAO.
- If the taxpayer is entitled to rent assistance—rent assistance is not payable through the tax system.
- If the taxpayer's family ATI is below $28 200—they may be entitled to a health care card.

If the taxpayer chooses the direct payment method they will need to lodge their direct payment claim with the FAO, if they have not already done so. The FAO is located within Centrelink, Medicare offices and ATO*access* and enquiry sites. For further information phone the Family Assistance Office on **13 6150** between 8 a.m. and 8 p.m. Monday to Friday.

Note: If the taxpayer or their spouse have already claimed or intend claiming a direct payment of FTB through the FAO they cannot claim FTB through the tax system for the same period.

2 Through the tax system

The taxpayer can claim FTB as a lump sum, end-of-year entitlement through the tax system.

The taxpayer can claim FTB through the tax system—**but they cannot claim it as part of their tax return**. They must complete a separate form, the *Family tax benefit (FTB) tax claim* and lodge it with their tax return. You will need to read the *Family tax benefit (FTB) tax claim instructions* before you complete their FTB tax claim. To find out how to obtain a copy of these publications, see the inside back cover.

The taxpayer may have anticipated their end-of-year FTB entitlement through reduced amounts of withholding. If they did so they must also complete and lodge an FTB tax claim with their tax return.

How does the taxpayer's income affect their FTB entitlement?

Part A

The amount of Part A the taxpayer receives depends on their family ATI—that is, the total of their ATI and their spouse's ATI.

If at any time during the income year their family ATI is less than the Part A family adjusted taxable income limits in the table on page 17, they are entitled to Part A.

When using the table, use the age of the taxpayer's dependent child or children at 30 June 2001.

If a dependent child turned 25 during the income year, count the child in the **NUMBER OF CHILDREN AGED 18 TO UNDER 25** row.

- If all their dependent children were under 18 years, *go to* step 1.
- If all their dependent children were aged 18 to under 25, *go to* step 2.
- If they have dependent children in both age brackets, *go to* step 3.

Step 1

In the table on the next page, find the column that shows the number of the taxpayer's dependent children under 18 years. Their income limit is the amount in the blue box in that column. *Go to* step 4.

Step 2

In the table on the next page, find the row that shows the number of the taxpayer's dependent children aged 18 to under 25. Their income limit is the amount in the pink box in that row. *Go to* step 4.

Step 3

If the taxpayer has dependent children in both age brackets, their income limit is the amount in the unshaded box in both that column and row.

Step 4

If the taxpayer's family income is equal to or more than the income limits in the table, they are not entitled to Part A, but may be entitled to Part B. Read on.

Example

If the taxpayer had one dependent child under 18 years and no dependent children aged 18 to under 25, their income limit is $76 249. If they had no dependent children under 18 years and 3 dependent children aged 18 to under 25, their income limit is $92 067. If they had 3 dependent children under 18 years and 2 dependent children aged 18 to under 25, their income limit is $104 844.

Part A family adjusted taxable income limits

	NUMBER OF DEPENDENT CHILDREN UNDER 18 YEARS							
		0	1	2	3	4	5	6
	0		$76 249	$82 497	$88 746	$95 688	$102 630	$109 572
Number of dependent children aged 18 to under 25	1	$77 356	$83 605	$89 853	$96 795	$103 737	$110 679	$117 621
	2	$84 712	$90 960	$97 902	$104 844	$111 786	$118 728	$125 670
	3	$92 067	$99 009	$105 951	$112 893	$119 835	$126 777	$133 719
	4	$100 117	$107 059	$114 001	$120 943	$127 885	$134 827	$141 769
	5	$108 166	$115 108	$122 050	$128 992	$135 934	$142 876	$149 818
	6	$116 215	$123 157	$130 099	$137 041	$143 983	$150 925	$157 867

- If the taxpayer had more than 6 children in an age group add $6943 for each dependent child under 18 and add $8050 for each other dependent child aged 18 to less than 25 years.
- The taxpayer's income limit may also be increased by the multiple birth allowance if they had full care of triplets or greater, aged under 6 years: for triplets add $8444 and for quadruplets or greater add $11 267.

Part B

If the taxpayer was a single parent at any time during the claim period their income will not affect their Part B entitlement for that time.

If the taxpayer is a member of a couple, only the lower earner's adjusted taxable income is taken into account when determining entitlement to Part B.

Use the table below to work out if they are entitled to Part B.

Age of youngest dependent child	Lower earner's income limit
Under 5 years	$10 291
5 to 18 years*	$ 7 663

* If the taxpayer's youngest child was aged 16 to 18 at any time during the claim period they can only be entitled to Part B for that child if the child was studying full time. If the child was 18 the taxpayer will be entitled to Part B until 31 December of the year they turned 18.

T1 Spouse (without dependent child or student), child-housekeeper or housekeeper

Note: The dependent spouse (with child) tax offset no longer applies from 2000–01, having been incorporated into family tax benefit (FTB) Part B. The dependent spouse (without child) tax offset applies to periods that the taxpayer or their spouse, while their spouse, were not entitled to FTB Part B and to periods that the taxpayer or their spouse, while their spouse, were entitled to FTB Part B at a shared care rate.

To claim the dependent spouse (without dependent child or student) tax offset **Spouse details—married or de facto** on page 5 of the tax return must be completed, including label **R** (the amount of the taxpayer's spouse's separate net income for 2000–01).

Your spouse's name on page 1 of the tax return must also be completed.

Show at label **P** the total amount of tax offset the taxpayer is entitled to claim in 2000–01 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 tax offset code letter in the **Claim type** box at the right of label **P**.

Tax offset letter	Code
The taxpayer claimed a dependent spouse (without dependent child or student) tax offset	Leave blank
The taxpayer claimed a dependent spouse (without dependent child or student) tax offset for part of the year and also claimed a tax offset for a child-housekeeper or housekeeper for another part of the year	**C**
The taxpayer claimed a tax offset only for a child-housekeeper or housekeeper	**H**

If the taxpayer has a spouse, the general rule is that a housekeeper tax offset is not available. However, if the taxpayer otherwise qualifies for a housekeeper tax offset and they are not entitled to a spouse tax offset 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 T1 with the taxpayer's name, address, tax file number and an explanation of the taxpayer's situation. Ensure that the taxpayer signs the schedule.

T2 Low income aged persons

A low income aged persons tax offset may apply if the taxpayer was of age pension age on 30 June 2001. 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 tax offset, the taxpayer must meet the requirements of section 160AAAA of ITAA 1936:

- The taxpayer must not have received a Commonwealth of Australia government pension, allowance or payment listed at item 5 or 6 during 2000–01.
- The taxpayer must have been an Australian resident for age pension purposes—generally at least 10 years.
- 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 $28 323.
  - The taxpayer did have a spouse—married or de facto—and the taxable income of the taxpayer and their spouse was less than $44 070.
  - 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 2000–01 and the taxable income of the taxpayer and their spouse was less than $52 842.

If the taxpayer had a spouse in 2000–01, **Spouse details—married or de facto** on page 5 of the tax return must be completed, including **Spouse's 2000–01 taxable income**, label **O** and **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**, label **T**. **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 2000–01, they cannot claim this tax offset.

Select the code letter that applies to the taxpayer's circumstances from the tax offset code letters table below and print the code letter at label **N**.

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 of ITAA 1936 was less than $10 130, use **D** as this gives the correct tax offset
- 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 $13 848, use **B** as this gives the correct tax offset.

Tax offset description	Code letter
If at any time during 2000–01, the taxpayer was:	
• single or widowed	**A**
• separated	**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 2000–01 and they are both eligible for this tax offset	**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 2000–01 but the taxpayer's spouse is ineligible to claim this tax offset	**C**
If the taxpayer and their spouse—married or de facto—were living together and they are both eligible for this tax offset	**D**
If the taxpayer and their spouse—married or de facto—were living together but the taxpayer's spouse is ineligible to claim this tax offset	**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 print the taxpayer's spouse's 2000–01 taxable income at label **O**, **Spouse details—married or de facto** on page 5 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 tax offset thresholds table on page 19, the taxpayer may be able to get any unused portion of their spouse's tax offset.

Tax offset thresholds

	Column 1	Column 2	Column 3
Taxpayer's	Taxpayer may	Taxpayer will not	Maximum

Do not use this table. See Table A in the information update—Federal Budget at the front of these instructions.

D	$12 795	$22 035	$1155
E	$12 795	$22 035	$1155

If **B** or **D** applies to the taxpayer the amount in Column 3 could be increased or reduced because of the tax offset 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 tax offset amount—excluding any transfer of spouse's unused tax offset—is calculated using the taxpayer's taxable income and the income limits set out in the **Tax offset thresholds** table above.

T3 Superannuation contributions, annuity and pension

The superannuation contributions tax offset is not available to any person who is an eligible person as defined in subsection 82AAS(2) of ITAA 1936. If the taxpayer is entitled to claim a deduction for any personal contributions under item D12—**Non-employer sponsored superannuation contributions** (whether or not they do so) they cannot claim the superannuation contributions tax offset.

Show at label **T** the amount of personal undeducted superannuation contributions made by the taxpayer to a complying superannuation fund or retirement savings account (RSA).

For item T3 purposes, personal undeducted superannuation contributions are contributions made by the taxpayer to a complying superannuation fund or RSA. 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 T5—**Superannuation contributions on behalf of your spouse** on page 8 of the tax return.

There is no entitlement to this tax offset if the taxpayer's assessable income plus total reportable fringe benefit amounts exceed $31 000.

If claiming the superannuation contributions tax offset, you must complete label **T** at this item.

Show at label **S** the amount of tax offset the taxpayer is entitled to claim as a superannuation contributions tax offset under section 159SZ of ITAA 1936 or as a superannuation pension or annuity tax offset under sections 159SM and 159SU of ITAA 1936.

The taxpayer will only be able to claim a superannuation pension or annuity tax offset if there is pension or annuity income shown at item 7—**Other Australian pensions or annuities—including superannuation pensions**.

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

Tax offset	Code letter
Superannuation pension or annuity tax offset	**A**
Superannuation contributions tax offset	**S**
Both the superannuation contributions tax offset and the superannuation pension or annuity tax offset	**C**

Additional information required concerning some partnership distributions

If the taxpayer has a partnership profit distribution at the non-primary production label **O** item 12 as well as a loss at the primary production label **N**—or vice versa—AND the profit and loss relate to the same partnership, you need to attach additional information so that the superannuation contributions tax offset can be correctly calculated. Attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION—ITEM T3 with the taxpayer's name, address and TFN, and indicate that both the profit distribution and the loss are from the same partnership. Ensure the taxpayer signs the schedule.

This will ensure that the tax offset is correctly calculated.

T4 30% private health insurance

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 refundable tax offset 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 tax offset

If claimed through the tax return, the private health insurance rebate is a refundable tax offset. The full rebate is passed on to the taxpayer by refunding any amount by which the tax offset 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 not 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** the amount of tax offset the taxpayer is entitled to claim under Subdivision 61-H 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.

T Total supplementary section tax offsets

If the taxpayer can claim any tax offsets other than those that can be claimed at items T1 to T4, the supplementary section must be completed.

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

Private health insurance policy details

If item T4—**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.

Show at label **B** the appropriate health fund ID.

Show 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, tax file number, health fund ID, membership number and the code letter for type of cover, for each policy. Ensure that the taxpayer signs the schedule.

Medicare levy related items

M1 Medicare levy reduction or exemption

For 2000–01, 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:

- had a spouse on 30 June 2001
- had a spouse who died during 2000–01
- is entitled to a child-housekeeper or housekeeper tax offset at item T1 or would be entitled if they were not eligible for the family tax benefit, or
- is notionally entitled to a sole parent tax offset in respect of any part of 2000–01.

  Note: The sole parent tax offset does not apply for the 2000–01 and subsequent years and has been replaced by the family tax benefit

  AND
- satisfied the relevant family income test set out in the table below.

Number of dependent children and students	Lower limit	Upper limit
0	$23 299	$25 188
1	$25 439	$27 501
2	$27 579	$29 815
3	$29 719	$32 128
4	$31 859	$34 442
5	$33 999	$36 755

For each additional dependent child or student, add $2140 to the lower limit and $2313 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 2000–01, complete **Spouse details—married or de facto** on page 5 of the tax return and **Your spouse's name** on page 1 of the tax return.

If a Medicare levy reduction based on family income is being claimed by the taxpayer, show at label **Y** the number of dependent children and students of the taxpayer for whom in 2000–01 the taxpayer would be entitled—but for subsection 159J (1A) of ITAA 1936—to claim a dependent tax offset under section 159J of ITAA 1936.

Medicare levy exemption categories—see page 25 of these instructions

Show at label **Y** the number of dependent children and students of the taxpayer—within the meaning of section 251R of ITAA 1936—during 2000–01.

Show at label **V** the number of days in 2000–01 the taxpayer is entitled to a full Medicare exemption under section 251T of ITAA 1936.

Show at label **W** the number of days in 2000–01 the taxpayer is entitled to a half Medicare exemption under subsection 251U (3) of ITAA 1936.

If the taxpayer is claiming a full or half Medicare levy exemption and the taxpayer had a married or de facto spouse during 2000–01 complete **Spouse details—married or de facto** on page 5 of the tax return and **Your spouse's name** on page 1 of the tax return.

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**.

To calculate the taxpayer's full or half Medicare levy exemption or reduction use the Medicare levy calculation worksheet on page 23.

M2 Medicare levy surcharge (MLS)

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 2000–01 or
  - they are a prescribed person—for example, a Defence Force member—and, subject to **List B—Full exemption** on page 25 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 2000–01 and

- they exceed the applicable income test below:
  – if the taxpayer is a single person and had no dependants during 2000–01, the sum of the taxpayer's taxable income and reportable fringe benefits exceeds $50 000 or
  – if the taxpayer is a single person with dependants during 2000–01, the sum of the taxpayer's taxable income and total reportable fringe benefits exceeds $100 000 plus $1500 for each dependent child after the first or
  – if the taxpayer is married during 2000–01, the sum of the taxable income and total reportable fringe benefits of the taxpayer and their spouse exceeds $100 000 plus $1500 for each dependent child (if any) after the first, and their own taxable income was $13 808 or more.

If the taxpayer is liable for MLS but one of the conditions above applied to them for only part of 2000–01, the taxpayer will be liable for MLS for the number of days during 2000–01 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. However, if the taxpayer takes out an insurance policy for hospital cover after 24 May 2000 that contains an annual front-end deductible or excess of $501 or more in the case of a single contributor and $1001 or more for all other contributors, that taxpayer will not be taken to be providing private patient hospital cover. The same applies to insurance policies for hospital cover with those annual front-end deductibles or excess taken out before 24 May 2000 that cease to provide continuous cover after that date.

Note: A co-payment, which is an out-of-pocket expense dependent on the cost of hospital treatment, is not a front-end deductible expense.

Travel insurance is **not** private patient hospital cover for MLS purposes.

Private patient hospital cover does not include cover provided by an overseas or unregistered fund.

Ancillary 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
- any amount which would have been included in the taxpayer's income if the exemption under section 271-105 of Schedule 2F to ITAA 1936 for amounts on which family trust distribution tax has been paid were ignored (refer to the *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 26 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 sections 23AF and/or 23AG of ITAA 1936, 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 taxpayer's spouse's total reportable fringe benefits amounts
- any share in the net income of a trust 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 Schedule 2F to ITAA 1936 for amounts on which family trust distribution tax has been paid were ignored (see the *Medicare Levy Consequential Amendment (Trust Loss) Act 1998*).

Part-year dependants

If the taxpayer's spouse died during 2000–01, and the taxpayer does not have a new spouse before the end of 2000–01, the taxpayer is taken to have had a spouse from the date of death until the end of 2000–01 and the taxpayer retains the benefit of the family surcharge threshold.

If the taxpayer had a spouse for only part of 2000–01, a special income test applies to the taxpayer as follows:

- for the period during 2000–01 when the taxpayer did have a spouse, the sum of the taxpayer's taxable income and reportable fringe benefits 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 2000–01 when the taxpayer did not have a spouse, the sum of the taxpayer's taxable income and reportable fringe benefits 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 2000–01 the income tests apply to the taxpayer as follows:

- for the period during 2000–01 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 2000–01 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, as defined, for the taxpayer and all their dependants including their spouse—if any—for the whole period 1 July 2000 to 30 June 2001, print **Y** for yes at label **E** and complete **Private health insurance policy details** on page 4 of the tax return.

If the taxpayer did not have private patient hospital cover, as defined, for the taxpayer and all their dependants including their spouse—if any—for the whole period 1 July 2000 to 30 June 2001, print **N** for no at label **E**.

If **N** is printed at label **E**, show the number of days for which the taxpayer is not liable for MLS at label **A**. If the taxpayer is not liable for MLS for the whole of 2000–01 write **365** at label **A**.

If **N** is printed at label **E**, and the taxpayer had a spouse during 2000–01, complete **Spouse details—married or de facto** on page 5 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 2000–01 complete labels **O**, **T**, **U** and **S**.

Show at label **D** the maximum number of dependants of the taxpayer, other than the taxpayer's spouse, during 2000–01.

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 20.

Medicare levy calculation worksheet 2001

Note: This worksheet cannot be used for Defence Force members. Exemption categories and lists A, B and C are explained on page 25.

1 Basic levy

If the taxable income is:

- $13 807 or less, the Medicare levy is nil
- more than $13 807 but below $14 927, the Medicare levy is 20 cents for every dollar above $13 807
- $14 927 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 25, 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 25, 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 21—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 on page 24 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 $13 807 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 page 23	**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—see page 25.

Net basic levy from **P** above	**Q**	$............
The number of days shown at item M1, label **V** on the tax return*	**R**	....
Multiply **Q** by **R**	**S**	$............
Divide **S** by 365	**T**	$............

Half exemption—applies for list C only—see page 25.

Net basic levy from **P** above	**U**	$............
The number of days shown at item M1, label **W** on the tax return*	**V**	....
Multiply **U** by **V**	**W**	$............
Divide **W** by 365	**X**	$............
Divide **X** by 2	**Y**	$............
Add **T** and **Y** = Exemption adjustment	**Z**	$............

***Note**: If completing this calculation for a *Trust tax return*, 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 21

Step 1

Taxable income for MLS purposes	**AA**	$............
Total reportable fringe benefits	**AB**	$............
Multiply **AA** and **AB** 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 item M2, label **A** on the tax return	**CC**	....
Subtract **CC** from 365	**DD**	....
Divide **DD** by 365	**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 2001, 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 2001 for the purposes of calculating any Medicare levy reductions based on family income
- the taxpayer did not have a spouse on 30 June 2001 but was entitled to a tax offset for a housekeeper or child-housekeeper or would be entitled if they did not qualify for family tax benefit
- the taxpayer is notionally entitled to a sole parent tax offset in respect of the whole or part of 2000–01.

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 2000–01 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 and the taxpayer's spouse have completed a FAMILY AGREEMENT declaring that the 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 2000–01 or exemption category 5 or 6 for any period of 2000–01, 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 2000–01 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 was not in one of the exemption categories.
- 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** is a compulsory label for taxpayers who were under 18 years of age on 30 June 2001. Completion of the label will ensure the correct calculation of any tax payable due to Division 6AA of ITAA 1936.

Show at label **J** any excepted assessable income less any deductions related to excepted assessable income. (Include any net capital gain that should be included in excepted income at this label as well as at item 17.)

If the taxpayer is an excepted person or a prescribed person with no excepted income, print **0** (zero) at label **J**.

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

	Code letter
Excepted person	**A**
Person under 18 years at 30 June 2001	**M**
Person who will be 18 years in 2001–02	**N**

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

A2 Part-year tax-free threshold

This item is only completed if the taxpayer ceased full-time education for the first time in 2000–01, 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 2000–01.

If the taxpayer ceased full-time education for the first time in 2000–01, show:

- at label **N** the number of months that the taxpayer was not in full-time education in 2000–01—including the month in which the taxpayer ceased full-time education—when the taxpayer was also an Australian resident at some time during the month AND
- at label **O**, whichever is the lesser of:
  - the net pre-workforce income of the taxpayer within the meaning of section 19 of ITRA 1986, and
  - the result of multiplying $500 by the number of months that the taxpayer was an Australian resident in 2000–01—including the month the taxpayer became a resident—before the month the taxpayer ceased full-time education.

If the taxpayer did not cease full-time education for the first time in 2000–01, show:

- to the left of label **N** the date that the taxpayer ceased to be a resident or became a resident AND
- at label **N**, the number of months that the taxpayer was an Australian resident, including the month in which the taxpayer became or ceased to be a resident.

A3 Amount on which family trust distribution tax has been paid

Show at label **X** any amount that would be included in the taxable income of the taxpayer for the 2000–01 income year if the operation of section 271-105 of Schedule 2F to ITAA 1936 was ignored. Under legislation contained in Schedule 2F to 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 Schedule 2F to 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 section 272-90 of Schedule 2F to ITAA 1936.

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 Schedule 2F to ITAA 1936.

However, the exemption of an amount under section 271-105 of Schedule 2F to 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. 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.

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

Show at label **Z** any amount that would be included in the taxable income of the taxpayer for 2000–01 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.

Supplementary section 2001—tax agents

Income

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

- gross interest—show at item 10—**Gross interest**
- dividends and imputation credits—show at item 11—**Dividends**
- interest and dividend expenses—show at item D6—**Interest and dividend deductions**
- business income from partnerships and trusts—show at item 12—**Partnerships and trusts**
- net personal services income—show at item 13—**Personal services income**
- net income or loss from a business—show at item 14—**Net income or loss from business**
- deferred non-commercial business losses—show at item 15—**Deferred non-commercial business losses**
- farm management withdrawals or deposits—show at item 16—**Net farm management deposits or withdrawals**
- net capital gain (including foreign source capital gain)—show at item 17—**Capital gains**
- attributed foreign income—show at item 18—**Foreign entities**
- other foreign source income—show at item 19—**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 19—**Foreign source income and foreign assets or property**
- gross rental income or similar income—such as agistment fees or hire fees—show at item 20—**Rent**
- rental expenses—show at item 20—**Rent**.

12 Partnerships and trusts

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 10—**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.

A SCHEDULE OF ADDITIONAL INFORMATION is required, if:

- the taxpayer is presently entitled to income of a non-resident trust or
- the taxpayer is a non-resident beneficiary claiming a credit for tax paid by the trustee under subsection 98A(2) of ITAA 1936 or
- the taxpayer is a beneficiary claiming a credit for tax payable by the trustee under subsection 100(2) of ITAA 1936.

Attach the above schedule to page 3 of the tax return, ensuring it contains the following:

- taxpayer's name, address and tax file number
- the name of the trust and the trustee, the TFN if known and
- the taxpayer's share of the net assessable income of the trust, and any credits to which the taxpayer is entitled under subsection 98A(2) or 100(2) of ITAA 1936.

It should be noted that, when claiming a credit under subsection 98A(2), the trustee must have paid the trust assessment in respect of the non-resident before the credit can be allowed.

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 18—**Foreign entities** or item 19—**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 2000–01 under subsection 92(1) of ITAA 1936 (referred to below as 'partnership income') and any deduction allowable to the taxpayer for 2000–01 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 items 18 or 19.

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 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 box at the right of label **O**.

If you have printed **L** in the box at the right of label **N** or **O**, you also need to complete item P9—**Business loss activity details** on page 48 of the return form. Even if you do not need to print **L** in either box, you need to complete item P9 if the amount of net distribution shown includes a loss the taxpayer has made from a business activity carried on in partnership with others. For example, the taxpayer may be a member of 2 partnerships, where there is a net distribution from one which is not a loss, and from the other there is a (lesser) net distribution which is a loss, resulting in no overall loss being shown. Appropriate details relating to the net distribution which is a loss, where it is a loss from a business activity, need to be shown at item P9. If the loss is to be deferred, item 15—**Deferred non-commercial business losses** will also need to be completed—see page 33.

Note: An individual taxpayer's entitlement to offset a loss from a business activity conducted either as a sole trader or a partner in a partnership will be subject to measures that have been introduced to restrict the use of losses from non-commercial business activities to reduce other income.

These restrictions are new in Division 35 of the ITAA 1997, which operates from 1 July 2000. For more information on deferred non-commercial business losses refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Information on these restrictions is also available in fact sheet format at our Internet site at **taxreform.ato.gov.au** or by phoning the Business tax reform infoline on **1300 137 619**.

To the extent that family trust distribution (FTD) 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 Schedule 2F to ITAA 1936 and should not be included at label **N** or label **O**.

Where the trustee of a closely held trust is subject to ultimate beneficiary non-disclosure tax (UBNT) on a share of net income of the closely held trust, the trustee beneficiary (and as a result any partnership to which that share of income may pass to the ultimate beneficiary) will not be required to include that share of net income in their own assessable income.

Do not show income from a corporate limited partnership at this item—show it at item 11—**Dividends**.

Trusts

Show at label **L** or **U** any share of net income of a trust or trusts on which the taxpayer is assessable for 2000–01 (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 item 18 or 19
- the whole or part of a net capital gain (including foreign source capital gain) of the trust on which the taxpayer is assessable—which must be included at item 17—**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 11—**Dividends**.

Note: To the extent that FTD 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 Schedule 2F to ITAA 1936 and should not be included at label **L** or **U**.

Where the trustee of a closely held trust is subject to UBNT on a share of net income of the closely held trust, the trustee beneficiary (and as a result, any company or ultimate beneficiary) will not be required to include that share of net income in their own assessable income.

A tax 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 item 12, label **L** or **N** and
- does not have a primary production income or loss amount shown at item 14—**Net income or loss from business**

then you must print **0** (zero) at item 12, label **L** and print **L** in the box at the right of label **L**. 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** on this page. 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	Tax 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

Table 2
Type of trust

Fixed trust

A trust in which persons have fixed entitlements (as defined in section 272-5 of Schedule 2F to 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 Schedule 2F to 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 on 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 trust (as defined in section 272-105 of Schedule 2F to 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 was 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 tax offset at item T9—**Landcare and water facility** instead of an expense at item 12, label **I**. See page 40. 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 tax offsets for that expenditure.

Show at label **X** any other deductible expenses incurred by the taxpayer—less any expenses shown at item 12, label **I** or claimed at T9—which relate directly to assessable primary production income derived by the taxpayer under Division 5 or Division 6 of Part III of ITAA 1936. If the taxpayer carried on a business through the partnership or trust and the taxpayer has prepaid any expenses, the amount that can be claimed by the taxpayer at label **X** may be affected by the new prepayment provisions. For more information see the instructions for completing item P10 in the business and professional items section of the tax return and refer to the publications *What's new?* and *Deductions for prepaid expenses—individuals.* To find out how to obtain a copy of these publications, see the inside back cover.

Deductions—labels T and Y

Show 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 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 Subdivision 387-A of ITAA 1997, the taxpayer may be able to claim a tax offset at item T9 instead of an expense at label **J**. See page 40 of these instructions. If the taxpayer is a beneficiary in a trust that incurred eligible landcare operations expenses, only the trust can claim deductions or tax offsets for that expenditure.

Show 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 of Part III of ITAA 1936—other than expenses:

- shown at item 12, label **I**
- shown at item 12, label **X**
- shown at item 12, label **J**
- used in calculating a tax offset at T9—**Landcare and water facility**
- incurred in deriving net capital gains of the trust on which the taxpayer is assessable AND
- incurred in deriving attributed foreign income or other foreign source income of the trust on which the taxpayer is assessable.

Note: If the taxpayer carried on a business through the partnership or trust and the taxpayer has prepaid any expenses, the amount that can be claimed by the taxpayer at label **Y** may be affected by the new prepayment provisions. For more information see pages 48–9.

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 Schedule 2F to ITAA 1936 or where UBNT was paid on that share of net income by the trustee of a closely held trust.

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 expenses that reasonably relate to the assessable professional income must also be shown at item 22—**Other income** on page 8 in the tax return.

Share of credits from income

Share of credit for tax withheld where Australian Business Number not quoted

If a partnership or trust distribution was made to the taxpayer, show at label **P** the share of any credit where tax has been withheld for failure to quote an Australian Business Number.

Share of imputation credit from franked dividends

Show at label **Q** the amount of any franking tax offsets that the taxpayer is entitled to claim through a partnership or trust under section 160AQX or section 160AQZ of ITAA 1936. The taxpayer and the partnership or trustee must be qualified persons in relation to the particular dividend. (See **Note**: *Qualified person* below). The taxpayer cannot claim a franking tax offset for a franked dividend that was excluded from the assessable income of the partnership or trust under section 271-105 of Schedule 2F to ITAA 1936 or where UBNT was paid on that share of net income by the trustee of a closely held trust.

Note: *Qualified person*

A taxpayer must satisfy both the holding period rule and related payments rules contained in Division 1A of Part IIIA of ITAA 1936 to be a qualified person in relation to a dividend. For details of the operation of the legislation restricting the claiming of franking tax offsets and credits, refer to Division 1A of Part IIIAA of ITAA 1936 and **Franking credit trading—holding period and related payments rules** in the publications *What's new?* and *You and your shares*. To find out how to obtain a copy of these publications, see the inside back cover.

13 Personal services income received as a sole trader

Personal services income (PSI) is income that is mainly a reward for an individual's personal efforts or skills. If the taxpayer is receiving PSI as a sole trader, item P1 on page 9 of the tax return must be completed before completing this item.

Net personal services income

Transfer to label **A** the amount calculated at item P1—**Personal services income**, label **M** on page 9 of the tax return. If the taxpayer made a loss, print **L** in the box at the right of label **A**. If you have printed **L**, item P9—**Business loss activity details** on page 11 of the tax return should also be completed.

Note: Before completing the tax withheld labels of item 13, ensure the *Individual PAYG payment summary schedule* has been completed. See page 1 to find out how the schedule should be completed.

Tax withheld—voluntary agreement

Add up all amounts from the schedule at the tax withheld boxes with a corresponding **V** in the **Type** box.

Show at label **G** the total amount of tax withheld under voluntary agreements in respect of PSI. Do not include cents.

Note: Where an amount of tax withheld is reported at label **G** the corresponding gross payments must be included at item P1—**Part B**, label **G**.

Tax withheld where ABN not quoted

Add up all amounts from the schedule at the tax withheld boxes with a corresponding **N** in the **Type** box.

Show at label **H** the total amount of tax withheld where an ABN has not been quoted in respect of PSI.

Note: Where an amount of tax withheld is reported at label **H** the corresponding gross payment must be included at item P1—**Part B**, label **H**.

Tax withheld—labour hire or other specified payments

Add up all amounts from the schedule at the tax withheld boxes with a corresponding **S** in the **Type** box.

Show at label **J** the total amount of tax withheld from labour hire or other specified payments in respect of PSI. Do not include cents.

Note: Where an amount of tax withheld is reported at label **J** the corresponding gross payments must be included at item P1—**Part B**, label **I**.

14 Net income or loss from business

Ensure that you have completed item P1 if the taxpayer derived PSI as a sole trader. PSI is income that is mainly a reward for an individual's personal efforts or skills. Where net PSI is shown at item 13 do not include the PSI or claim deductions relating to that income at item 14.

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 section of the tax return must be completed.

Goods and services tax (GST) is payable by entities that are registered, or required to be registered, for GST. Where GST is payable in relation to income, the GST should be excluded from the income derived. Input tax credit entitlements that arise in relation to losses or outgoings should be excluded from the deductions. Include in assessable income any special petroleum credits received or other special credit entitlement attributed to a tax period during the income year under the indirect tax transition legislation. Some GST adjustments may be included in assessable income or allowed as deductions. For more information on this item, refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Use the business and professional items section to calculate the net income or loss if the taxpayer carries on a business.

Transfer to labels **B** and **C** any amounts shown respectively at item P8, labels **Y** and **Z** on page 10 of the tax return. If the amount at label **B** or **C** is a loss, print **L** in the box at the right of the appropriate label.

If you have printed **L** in either box, you also need to complete item P9—**Business loss activity details** on page 11 of the tax return. Even if you do not need to print **L** in either box, you need to complete item P9 if the amounts shown include a loss the taxpayer has made from a business activity. For example, the taxpayer's business may be made up of 2 separate and distinct business activities, one of which produces a profit for tax purposes, and the other a (lesser) loss for tax purposes. Appropriate details relating to the loss made from this business activity need to be shown at item P9. If the loss is to be deferred, item 15—**Deferred non-commercial business losses** will also need to be completed (see page 33 of these instructions).

Note: An individual taxpayer's entitlement to offset a loss from a business activity conducted either as a sole trader or a partner in a partnership will be subject to measures that have been introduced to restrict the use of losses from non-commercial business activities to reduce other income.

These restrictions are new in Division 35 of the ITAA 1997, which operates from 1 July 2000. For more information on deferred non-commercial business losses refer to the publication *What's new*? To find out how to obtain a copy, see the inside back cover. Information on these restrictions is also available in fact sheet format at our Internet site at **taxreform.ato.gov.au** or by phoning the Business tax reform infoline on **1300 137 619**.

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 sportsperson, assessable professional income less amounts that reasonably relate to the assessable professional income must also be shown at item 22 in the tax return.

Note: Before completing the tax withheld labels of item 14, ensure the *Individual PAYG payment summary schedule* has been completed. Tax withheld amounts shown at item 14, labels **D** and **F** MUST be shown in whole dollars only—do not show cents. See page 1 to find out how the schedule should be completed.

Tax withheld—voluntary agreement

Add up all amounts from the schedule at the tax withheld boxes with a corresponding **V** in the **Type** box.

Show at label **D** the total amount of tax withheld under voluntary agreements. Do not include cents.

Note: Where an amount of tax withheld is reported at label **D** the corresponding gross payments must be declared at item P8—**Business income and expenses** at either label **E** or label **F**. Tax withheld amounts shown at item 14, labels **D** and **F** MUST be shown in whole dollars only—do not show cents.

Tax withheld where Australian Business Number not quoted

Add up all amounts from the schedule at the tax withheld boxes with a corresponding **N** in the **Type** box.

Show at label **W** the total amount of tax withheld where an ABN was not quoted.

Note: Where an amount of tax withheld is reported at label **W** the corresponding gross payment must be declared at item P8—**Business income and expenses** at either label **C** or label **D**.

Tax withheld—labour hire or other specified payments

Add up all amounts from the schedule at the tax withheld boxes with a corresponding **S** in the **Type** box.

Show at label **F** the total amount of tax withheld from labour hire or other specified payments. Do not include cents.

Note: Where an amount of tax withheld is reported at label **F** the corresponding gross payments must be declared at item P8—**Business income and expenses** at either label **N** or label **O**.

15 Deferred non-commercial business losses

From 1 July 2000 new Division 35 of ITAA 1997 applies so that a loss made by an individual taxpayer from a business activity can only be offset against other income where either:

- an exception applies
- one of 4 tests is satisfied or
- if one of the tests is not satisfied, the Commissioner exercises his discretion to allow the taxpayer to claim the loss.

The term 'loss' here means the excess of the taxpayer's otherwise allowable deductions attributable to carrying on the business activity over any assessable income from that activity.

Note: This item is where you show the amount of business losses that are affected by Division 35, and which cannot be taken into account in the calculation of the taxpayer's taxable income for the current year. Including an amount(s) at this item means that the taxpayer's taxable income will be increased by the amount(s) shown. It is important therefore that the amounts making up the loss(es) in question are included elsewhere—for example, at item 12 or item 14. Otherwise the taxpayer's taxable income will be overstated.

Exceptions

If the taxpayer operates a *primary production* business or a *professional arts* business and their assessable income for this year (except net capital gain) from other sources—that do not relate to that activity—is less than $40 000, Division 35 will not apply to them and they can claim their business activity loss this year.

A professional arts business is a business carried on as

- an author of a literary, dramatic, musical or artistic work or
- a performing artist or
- a production associate.

Division 35 also does not apply to activities that do not constitute carrying on a business—for example, the receipt of passive investment income.

Losses arising from activities that are a private recreational pursuit or hobby, or where there is no likelihood of profit, will generally not be deductible.

The 4 tests

In broad terms, an individual taxpayer making a loss from a business activity will also not be affected by Division 35 if their activity satisfies at least one of the following 4 tests:

- There is assessable income of at least $20 000 from the business activity for this income year.
- The particular business activity has produced a profit for tax in 3 out of the past 5 years—this period includes 2000–01.
- Value of real property assets (excluding any private dwelling) used on a continuing basis in carrying on the business activity is at least $500 000.
- The value of certain other assets (except cars, motorcycles and similar vehicles) used on a continuing basis in carrying on the business activity is at least $100 000.

Commissioner's discretion

In limited circumstances, the Commissioner can exercise his discretion to allow a loss from a business activity to be taken into account in the year it arises, even though none of the 4 tests is satisfied, where either:

- the business activity has been affected by special circumstances outside of the control of the operators of the activity, such as natural disasters, where the activity would have satisfied one of the tests if it were not for the special circumstances OR
- the business activity is in the start-up phase and, for this reason, none of the 4 tests has yet been satisfied, but there is an objective expectation that it will eventually do so within a period that is commercially viable for the industry concerned. 'Commercial viability' is measured against independent industry standards.

A taxpayer should apply to the ATO in writing for advice on whether the Commissioner will exercise this discretion.

Deferred losses from partnership distributions

Show at label **F** the amount of any loss made from carrying on a business activity as a partner in a partnership, that must be deferred because of Division 35.

Note: Special rules apply to determine whether a business activity carried on by an individual taxpayer in partnership with others satisfies any of the 4 tests. More information on this is contained in the fact sheet *Non-commercial losses: partnerships*. This and other fact sheets dealing with losses from non-commercial business activities are available from the ATO Internet site at **taxreform.ato.gov.au** or by phoning the Business tax reform infoline on **1300 137 619**.

Deferred losses from sole trader activities

Show at label **G** the amount of any loss made from carrying on a business activity as a sole trader, that must be deferred because of Division 35.

Total deferred losses

Show at label **H** the sum of labels **F** and **G**.

Important

Item P9 in the business and professional items section on page 11 must be completed for the 3 largest loss activities. See item P9 on page 48 before you complete item 15.

16 Net farm management deposits or withdrawals

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

Note: The Farm Management Deposit Scheme has replaced the Income Equalisation Deposits 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 2000–01 is more than $50 000.

17 Capital gains

Note: When working out the cost base, reduced cost base or capital proceeds, special rules apply to GST adjustments. For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Did you have a CGT event during the year?

An individual makes a capital gain or capital loss if certain events or transactions (called CGT events) happen. Most commonly, CGT events happen to an individual's CGT assets—for example, the disposal of a CGT asset—but some CGT events can happen without involving a CGT asset. An individual may also receive a distribution of a capital gain from a trust or managed fund.

For more information about CGT events refer to the publications *Guide to capital gains* and *Personal investors guide to capital gains tax*. To find out how to obtain a copy, see the inside back cover. These publications are also available on the ATO Internet site at **www.ato.gov.au**

If the answer is yes—that is, the individual has had a CGT event happen during the income year including distribution of a capital gain from a trust—print 'yes' at label **G**. The individual may also need to complete a *Capital gains tax (CGT) schedule* (CGT schedule) and include it with their tax return for the year.

All individuals—including sole traders and partners in partnerships—that have one or more CGT events happen during the income year, and are lodging their tax return through the electronic lodgment service (ELS) or *e-tax*, must **also** complete a CGT schedule if:

- the total current year capital gains for the income year are greater than $10 000
- the total current year capital losses for the income year are greater than $10 000.

Even if an individual is not required to complete and lodge a CGT schedule for the year, but they have a CGT event happen, they still need to determine their net capital gain for the year and complete relevant CGT labels on their tax return.

The publication *Personal investors guide to capital gains tax* is designed for individual investors who have made a capital gain or capital loss in the 2000–01 income year from shares, units in a unit trust or managed fund.

The publication *Guide to capital gains tax* is designed for CGT events not covered by the *Personal investors guide to capital gains tax* and will assist taxpayers to meet their CGT obligations by outlining the essential steps involved in calculating their net capital gain for the income year. It also includes:

- aspects of CGT law that may apply to the individual—for example, record keeping requirements
- a Capital gain or loss worksheet for calculating a capital gain or capital loss for each CGT event
- a CGT summary worksheet for calculating the individual's net capital gain or net capital loss for the income year
- the *Capital gains tax (CGT) schedule*, where applicable—for example, ELS or *e-tax*.

To find out how to obtain a copy of these publications, see the inside back cover.

Total current year capital gains

The individual's total current year capital gains is the total capital gains they made for the income year. This amount does not include capital losses made during the year nor capital losses carried forward from previous years and includes capital gain before any discount is applied, and 'grossed up' distributed gains from a trust or fund.

Transfer calculated amounts from the CGT summary worksheet to the CGT schedule and, as required, to label **H**.

Net capital gain

The net capital gain is the total of current year capital gains less any current year capital losses, less prior capital losses carried forward from previous years and applied this year and after any CGT discount or small business concession is applied. The result is shown at label **A**.

For more information about small business concessions refer to the publication *Capital gains tax concessions for small business*. To find out how to obtain a copy of this publication, see the inside back cover.

Net capital losses carried forward to later income years

Where the individual's capital losses including carry forward losses exceed the current year capital gains any unapplied capital losses may be carried forward for future income years.

Show at label **V** the total of any unapplied net capital losses from collectables and unapplied net capital losses from all other CGT assets and events.

18 Foreign entities

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 to refer to the publications *Foreign income return form guide*, *How to claim a foreign tax credit* and *Foreign investment funds guide* to complete this item. To find out how to obtain a copy of these publications, see the inside back cover.

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 18 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**, **W** and **J**.

Include the income relevant to these questions at labels **K**, **B** and **C**.

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 18 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 that the taxpayer signs the schedule.

19 Foreign source income and foreign assets or property

Show at label **E** 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 item 18—**Foreign entities**, labels **K**, **B** and **C**. Do not include at label **E** any foreign source capital gains or capital losses. These are taken into account in calculating the amount at item 17—**Capital gains**.

Note: In referring to 'foreign source capital gains' it should be noted that an Australian resident makes a capital gain if a CGT event happens to any of their worldwide CGT assets. An individual who is not an Australian resident makes a capital gain, generally speaking, if their CGT asset has the necessary connection with Australia just before the CGT event happens.

Do not include at label **E** 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** 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 this instead at item 22—**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**.

Show at label **D** 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.

Show at label **M** 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** **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.

Do not include at label **M** any foreign source capital gains or capital losses. These are taken into account in calculating the amount at item 17—**Capital gains**.

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** 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.

Show at label **O** any foreign tax credits which the taxpayer is entitled to claim under section 160AF of ITAA 1936 (including foreign tax credits relating to foreign sourced capital gains).

Print **Y** at label **P** if the taxpayer held at any time during 2000–01 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 2001 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.

20 Rent

For more information on rental income and deductions in relation to rental income refer to the publications *Rental properties*, *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 taxation consequences for taxpayers entering into certain* *linked or split loan facilities*, *TD 99/42—Do principles set out in TR 98/22 apply to line of credit facilities?*, *TR 2000/2—Deductibility of interest on moneys drawn down under line of credit facilities and redraw facilities* and *TR 97/23—Deductions for repairs*. To find out how to obtain a copy of these publications, see the inside back cover.

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

Note:

- Do not show at this item foreign source rental income that is rental income from properties located outside Australia and expenses in relation to foreign source rental income. Show foreign source income at item 19—**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** 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. Include all forms of consideration in excess of the depreciated value of plant used principally for leasing received by a lessor in connection with the disposal of the plant, including the disposal of rights under the lease of the plant on or after 22 February 1999, assessable under Division 45 of ITAA 1997.

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

Show at label **F** the amount of any capital works 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** the amount of any other deductible expenses incurred by the taxpayer in producing assessable rental income.

If the taxpayer's low-value items of plant relate solely to rental income and they choose to use the low-value pooling method of claiming depreciation include their claim at label **U**.

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 box at the right of the **Net rent** label.

21 Bonuses from life insurance companies and friendly societies

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

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's assessable income includes 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 21 with the taxpayer's name, address and TFN. Attach the schedule to page 3 of the tax return. Ensure that the taxpayer signs the schedule.

22 Other income

Show at this item all assessable income of the taxpayer that was not shown at items 1 to 21.

Category 1—label Y

Show at label **Y** 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—label V** below
- allowances or payments to members of local council not shown at either item 1 or 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 22—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 that the taxpayer signs the schedule.

Category 2—label V

Show at label **V** 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, 2, 13 or 14
- 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 sportsperson. Do not show at label **V** any amount of assessable professional income that you have already included at items 1, 2, 12, 13 and 14. Show at label **Z** the assessable professional income less amounts that reasonably relate to the assessable professional income
- balancing adjustment profit from the disposal, loss or destruction of any item of plant, including the taxpayer's car for which depreciation was claimed—refer to *Taxation Ruling TR2000/6—Substantiation rules: calculation of balancing adjustment for cars* and the 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 tax offset at item T10—**Other tax offsets**
- rebatable interest derived under the land transport facilities tax offset 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 their employer or other payer because the taxpayer received their normal work payments 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 22—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 that the taxpayer signs the schedule.

Do not show at this item:
- partnership income or losses—show at item 12—**Partnerships and trusts**
- net capital gains or capital losses (including foreign source capital gains)—show at item 17—**Capital gains**
- rental income or losses—show at item 20—**Rent**
- foreign exchange losses—show at item D13—**Other deductions**
- business income or losses—refer to the business and professional items section of the tax return.

If the taxpayer received lump sum payments in arrears write the amount of any tax withheld in whole dollars from those payments at item 22, label **E**. Do not show any tax withheld that was included elsewhere on the taxpayer's tax return.

Deductions

D10 Australian film industry incentives

Claim at label **G** any deduction that the taxpayer is entitled to claim under Division 10BA of ITAA 1936.

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

D11 Deductible amount of undeducted purchase price of a foreign pension or annuity

Show at label **Y** 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 item 19—**Foreign source income and foreign assets or property**.

D12 Non-employer sponsored superannuation contributions

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

If the taxpayer is claiming a deduction for contributions to a complying superannuation fund or retirement savings account (RSA) under section 82AAT of ITAA 1936, they must have written to the fund or RSA provider advising them of the amount intended to be claimed as a deduction and the fund must have 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 D12 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.

Ensure that the taxpayer signs the schedule.

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**.

Note: In deciding whether a taxpayer is substantially self-employed for subsection 82AAS(3) of ITAA 1936 purposes, their total reportable fringe benefits amounts are taken into account.

D13 Other deductions

Claim at label **E** 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. This includes election expenses for local, Territory, State or Commonwealth candidates. A deduction for local government body election expenses cannot exceed $1000 for each election contested, even if the expenditure is incurred in more than one year of income.

Show at label **J** the total of any other amounts that the taxpayer can deduct under the income tax law in 2000–01.

If an amount is claimed at label **J** print a description of the expense claimed in the **Description of claim** box. If the amount claimed at label **J** includes more than one kind of expense, attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION—ITEM D13 with the taxpayer's name, address, TFN and details of each type of expense claimed, including the amount claimed. Ensure that the taxpayer signs the schedule.

Expenses that the taxpayer may be entitled to claim at label **J** include:

- deductible expenses incurred but not claimed in full before 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 on the disposal or redemption of a traditional security, which are deductible under section 70B of ITAA 1936
- sickness and accident insurance premiums where the policy provides for periodic benefits of an income nature
- foreign exchange losses deductible under Division 20 of ITAA 1997
- interest incurred on money borrowed to invest under the land transport facilities tax offset scheme or infrastructure borrowings scheme.

Note: Do not show at item D13 deductions for:

- amounts required to be claimed at items D1 to D12
- amounts required to be claimed at item 12—**Partnerships and trusts**
- amounts claimed in calculating a net income or loss from personal services—shown at item 13—**Personal services income**
- amounts claimed in calculating a net income or loss from the taxpayer's business shown at item 14—**Net income or loss from business**
- farm management deposits required to be taken into account in calculating the amount shown at item 16—**Net 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 item 20—**Rent**
- superannuation contributions, pension or annuity tax offset—claim at item T3—**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 19—**Foreign source income and foreign assets or property**.

Tax offsets

T5 Superannuation contributions on behalf of your spouse

To claim this tax offset at label **A**, complete labels **J** and **K** of **Spouse details—married or de facto** on page 5 of the tax return; and provide **Your spouse's name** on page 1 of the tax return.

Show at **Contributions paid** the total of eligible spouse contributions within the meaning of section 159TC of ITAA 1936 made by the taxpayer during 2000–01.

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

- the contributions are not deductible to the taxpayer and
- both the taxpayer and their spouse are Australian residents when the contributions were made and

- the sum of the spouse's assessable income and total reportable fringe benefits amounts is less than $13 800 and
- the contributions are 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 tax offset in respect of more than one spouse, the tax offset 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 spouse's assessable income and total reportable fringe benefits amounts for the year exceed $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 has more than one spouse during the year, the tax offsets for each spouse are calculated and added together. The maximum tax offset available remains at $540.

T6 Zone or overseas forces

Show at label **R** the total amount of any tax offsets to which the taxpayer is entitled under section 79A, section 79B or section 23AB of ITAA 1936. There are additional notional tax offsets this year for spouse with dependent child, sole parent, housekeeper and child-housekeeper as a result of the introduction of family tax benefit.

T7 20% tax offset on net medical expenses over $1250

Show at label **X** the amount of any tax offset to which the taxpayer is entitled under section 159P of ITAA 1936. The tax offset is 20 per cent of the net medical expenses over $1250.

T8 Parent, spouse's parent or invalid relative

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

T9 Landcare and water facility

The landcare and water facility tax offset is a 30 cents in the dollar tax offset, and is available under subdivision 388-A of ITAA 1997 as 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 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 $20 000 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 tax offset, 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 $1500 ($5000 x 30 cents). The maximum tax offset for facilities to conserve or convey water in one year is $500 (1/3 of $5000 x 30 cents) but this may be increased by one-third offsets available in respect of expenditure incurred in the 2 previous years.

Completing the item

Show at label **M** the amount of tax offset the taxpayer is claiming under Subdivision 388-A of ITAA 1997.

Print 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 the 2 previous years and still has a one-third tax offset available, include the amount at label **M** (calculated at the rate of 30 cents in the dollar).
- You cannot choose a tax offset for expenditure incurred after the 2000–01 income year.

Landcare and water facility tax offset brought forward from earlier income years

A taxpayer must work out their unused landcare and water facility tax offset for the years 1997–98, 1998–99 and/or 1999–2000. 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.

Show at label **T** 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 earlier income year did not absorb all of the landcare and water facility tax offset.

T10 Other tax offsets

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

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 tax offset of up to 34 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 tax offset for any part of rebatable interest that exceeds that upper limit.

If applicable, print code letter **H** for heritage conversation 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 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.

Credit for interest on tax paid

C1 Credit for interest on early payments

Show at label **L** 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*. This includes interest on payments made more than 14 days before the due date in respect of any of the following:

- income tax (including Medicare levy) shown on the taxpayer's notice of assessment
- 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 or an instalment of provisional tax for an earlier income year.

For more information about interest on early payments, refer to the publication *Interest on early payments and overpayments of tax*. To find out how to obtain a copy, see the inside back cover.

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 2000–01 is:

Period	Interest rate
1 July 2000 to 30 September 2000	6.00%
1 October 2000 to 31 December 2000	5.86%
1 January 2001 to 31 March 2001	5.86%
1 April 2001 to 30 June 2001	5.86%

Business and professional items section

P1 Personal services income (PSI)

Note: Do not complete item P1 if PSI is gained as an employee or if the PSI was not earned directly by the taxpayer. If there is attributed PSI to the taxpayer from a company, trust or partnership then refer to item 8—**Attributed personal services income** on page 7 of these instructions.

PSI is income earned by a taxpayer which is mainly a reward for their personal efforts or skills.

Examples of PSI:

- income of a medical practitioner in a sole practice
- income payable under a contract which is wholly or principally for the labour or services of a person
- income derived by a professional sportsperson or entertainer from the exercise of professional skills. This does not include income from endorsement by the person of a sponsor's products
- income derived by consultants from the exercise of personal expertise.

PSI does not include income which is paid mainly for the:

- sale or supply of goods or granting a right to use property or
- use of an asset.

If the taxpayer has earned PSI and they are not conducting a personal services business, there will be limitations on the deductions they can claim from their income. The taxpayer is taken to be conducting a personal services business if:

- **80 per cent or more** of their PSI is from one client (and the client's associates) and they have obtained a personal services business determination from the Commissioner or
- **less than 80 per cent** of their PSI is from each client (and the client's associates) and they have satisfied at least one of the 3 personal services business tests.

They are also taken to be conducting a personal services business for the 2000–01 and 2001–02 income years if they made a valid *Prescribed payments system (PPS) payee declaration* that was received by the Commissioner of Taxation on or before 13 April 2000.

Completing part A of this item

The purpose of the following questions is to determine whether there may be limitations on the deductions the taxpayer can claim that are related to their PSI. They will not be subject to limitations on deductions if they are specifically excluded from the new measure or they are carrying on a personal services business.

Did you have a PPS payee declaration that was in force and received by the Commissioner as at 13 April 2000?

The taxpayer is specifically excluded from the measure if they made a valid *PPS payee declaration* that was received by the Commissioner of Taxation on or before 13 April 2000. A *PPS payee declaration* is valid if they have provided it to a payer and the payer has acted in accordance with that declaration. This is a temporary exclusion for the 2000–01 and 2001–02 income years only. At label **B** item P1 print **X** in the **YES** box if the taxpayer has made a valid *PPS payee declaration*; otherwise print **X** in the **NO** box.

If the answer was yes, go straight to item P2; otherwise read on.

Did you receive 80% or more of your PSI from one source and have a personal services business determination(s) that was in force for the whole of the period you earned PSI?

If 80% or more of the PSI comes from only one client the taxpayer is not taken to be carrying on a personal services business unless they have obtained a personal services business determination from the Commissioner. At label **C** item P1, print **X** in the **YES** box if 80% or more of the PSI came from only one client and the taxpayer had a personal services business determination; print **X** in the **NO** box if less than 80% of the PSI came from each client.

If the answer was yes, go straight to item P2; otherwise continue with the personal services business tests.

Personal services business tests

The purpose of the personal services business tests is to determine whether a taxpayer is carrying on a personal services business. If they received less than 80% of their PSI from each client, they must self-assess to determine if they satisfy at least one of the 3 business tests.

The tests are:

- the unrelated clients test
- the employment test
- the business premises test.

Unrelated clients test

To satisfy the unrelated clients test the taxpayer must gain income from providing services to 2 or more clients who are unrelated to them or to each other. Separate government departments are deemed not to be related for the purposes of this test. The taxpayer's services must be provided as a direct result of their offering their services to the public or a section of the public—for example, by advertising to the public but not by simply registering with a labour hire firm or placement agency.

If this test is satisfied print **X** in the box at item P1, label **D1**.

Employment test

To satisfy the employment test the taxpayer must engage one or more entities who together perform at least 20% by market value of their principal work.

An entity can be an individual, company, partnership or trust but entities other than individuals cannot be taken into account if they are associated with the taxpayer.

As a general rule, the taxpayer's principal work is the work that is central to meeting their obligations under agreements between themselves and their client. Activities which are not central to the work being performed, such as bookkeeping or banking, would not be part of the principal work.

The taxpayer will also satisfy the employment test if they have an apprentice for at least half the year. This means someone in a genuine apprenticeship. Research and other assistants do not qualify. The taxpayer can have one or more apprentices working for them at different non-consecutive periods.

If this test is satisfied print **X** in the box at item P1, label **E1**.

Business premises test

This test will be satisfied if the taxpayer maintained and used business premises at all times during the income year:

- at which the taxpayer mainly conducted the activities producing their PSI
- of which they had exclusive use
- that are physically separate from any premises used by them or an associate for private purposes
- that are physically separate from any premises used by the entity or an associate to which they are providing personal services.

The same business premises do not have to be used for the whole year, but business premises must be used and maintained at all times during the year.

If this test is satisfied print **X** in the box at item P1, label **F1**.

If you printed **X** at **D1**, **E1** or **F1**, go to item P2; otherwise proceed to **Part B** of item P1.

Completing part B of this item

Part B of item P1 must be completed if the taxpayer is:

- not excluded from the measure for 2000–01 and 2001–02
- not holding a personal services determination from the Commissioner of Taxation or
- not able to satisfy at least one of the 3 personal services business tests.

The purpose of **Part B** is:

- to determine the amount of PSI received as a sole trader
- to determine the amount and type of expenses that can be deducted from this income and
- to determine net PSI.

Income

Note: Where amounts are reported at labels **G**, **H** or **I** the *Individual PAYG payment summary schedule* must be completed. See page 1 to find out how to complete the schedule.

PSI—voluntary agreement

Show at label **G** the total amount of PSI received that was subject to a voluntary agreement for tax to be withheld. This information can be obtained from the completed *Individual PAYG payment summary schedule*.

Note: This label must be completed if an amount was reported at item 13, label **G**.

PSI—gross payments where ABN not quoted

Show at label **H** the total amount of PSI received that was subject to tax withheld because the ABN was not quoted or was incorrectly quoted when the personal services were provided. This information can be obtained from the completed *Individual PAYG payment summary schedule*.

Note: This label must be completed if an amount was reported at item 13, label **H**.

PSI—labour hire or other specified payments

Show at label **I** the total amount of PSI received that was from labour hire or other specified payments. This information can be obtained from the completed *Individual PAYG payment summary schedule*.

Note: This label must be completed if an amount was reported at item 13, label **J**.

PSI—other

Show at label **J** all other personal services income the taxpayer received.

Expenses

Total amount of deductions for payments to associates for principal work

Show at label **K** the total amount of payments made to associates.

Payments to associates for work performed cannot be deducted unless the work performed by the associate forms part of the principal work from which the taxpayer receives their PSI. This also includes superannuation contributions made on behalf of the associate.

However, the superannuation contribution is limited to the amount the taxpayer would have to contribute for the benefit of the associate to avoid an individual guarantee shortfall for that associate, as defined by section 19 of the *Superannuation Guarantee (Administration) Act 1992*.

Total amount of other deductions against PSI
Show at label **L** the total amount of all other expenses.

Note: An amount that relates to gaining or producing PSI is not deductible if it could not be deducted if the income to the taxpayer was payable as an employee.

The general rule however, does not prevent the following amounts from being deductible where they relate to gaining PSI and would otherwise be deductible:

- expenses associated with gaining work—for example, advertising expenses, tendering and quoting for work expenses
- the cost of insuring against the loss of income or income earning capacity—for example, sickness, accident and disability insurance
- the cost of insuring against liability arising from the taxpayer's acts or omissions in the course of earning income—for example, public liability and professional indemnity insurance
- expenses associated with engaging an entity that is not the taxpayer's associate—associate includes your spouse or de facto spouse and certain other relatives, partners, trustees and companies
- expenses associated with engaging an associate to perform work that forms part of the taxpayer's principal work—principal work does not include related activities such as bookkeeping or banking
- cost of contributing to a fund to obtain superannuation benefits for the taxpayer or for their dependants in the event of the taxpayer's death
- costs associated with complying with the taxpayer's obligations under a worker's compensation law
- expenses incurred in meeting obligations, or exercising rights under the GST law.

The taxpayer cannot deduct an amount of rent, mortgage interest, rates or land tax for their residence or their associate's residence to the extent that it relates to gaining their PSI. However, they can deduct a proportion of running expenses such as heating and lighting for using a room in their house as a home office or study.

Net PSI
To calculate net PSI at label **M** add the amounts at labels **G**, **H**, **I** and **J** then subtract the amounts at labels **K** and **L**. Transfer this amount to item 13, label **A**, on page 6 of the tax return.

P2 Description of main business activity

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.

Show at label **A** 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*—refer to this publication before coding.
To find out how to obtain a copy, see the inside back cover. Please ensure that all leading zeros are included at label **A**.

P3 Number of business activities

If the taxpayer carries on 2 or more separate and distinct business activities write the number of these activities at label **B**. This number should not be less than the number of business activities for which loss activity details are shown at item P9 on page 11 of the tax return.

P4 Status of your business

If the taxpayer ceased their main business during 2000–01, print **X** at label **C1**.

If the taxpayer commenced a new business during 2000–01, print **X** at label **C2**.

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 **C1—Ceased business**.

P5 Business name of main business and Australian Business Number (ABN)

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.

P6 Business address of main business

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

P7 Did you sell any goods or services using the Internet?

Print **Y** for yes at label **Q** if, in deriving income, one or more of the following applied:

- The taxpayer used the Internet to receive orders for goods and/or services—for example, the taxpayer received orders by email or a web page form (rather than by conventional post, telephone or facsimile).
- The taxpayer used the Internet to receive payment for goods and/or services—for example the taxpayer received:
  - credit card or charge card details by email or web page form (rather than by conventional post, telephone or facsimile)
  - digital cash.
- The taxpayer used the Internet to deliver goods and/or services—for example the taxpayer:
  - used email, the World Wide Web or FTP (file transfer protocol) to deliver digitised music, news articles or software (rather than conventional post to deliver software on floppy disc)
  - used email to give financial advice and received a commission in connection with this advice
  - advertised on the Internet, goods or services of other businesses for a fee
  - hosted websites or provided access to the Internet.

If not, print **N** for no at label **Q**:

For example the taxpayer only used the Internet to:

- advertise their goods or services
- to give support to their customers
- buy their stock.

P8 Business income and expenses

Ensure that you have completed item P1 if the taxpayer derived PSI as a sole trader. Where net PSI is shown at item P1, label **M**, do not include the PSI or claim deductions relating to that income at item P8.

GST is payable by entities that are registered, or required to be registered, for GST. Where GST is payable in relation to income, the GST should be excluded from the income derived. Input tax credit entitlements that arise in relation to outgoings should be excluded from the deductions. Payments of GST to the ATO (in accordance with Division 33 of GST Act) are not deductible under section 27-15 of ITAA 1936. Include in assessable income any special petroleum credit received or other special credit entitlement attributed to a tax period during the income year under the indirect tax transition legislation. Some GST adjustments may be included in assessable income or allowed as deductions.

For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Except for the values of opening and closing stock—which are to be shown at tax values—the amounts to be included in the income and expense section of item P8 are amounts derived from the taxpayer's accounting system or financial statements. Any adjustments to these amounts for tax purposes should be made at label **H—Expense reconciliation adjustments** in the **Reconciliation items**.

Total business income

Business income and expenses is divided into 3 columns:

Primary production—showing relevant amounts of income and expenses from primary production

Non-primary production—showing relevant amounts of income and expenses from non-primary production.

Totals—showing the total of the 2 previous columns.

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 box at the right of the label.

Gross payments where Australian Business Number not quoted

Show at label **C** and/or label **D** all gross payments (other than personal services income included at item P1) where tax was withheld because the taxpayer did not quote an Australian Business Number. Print the total of labels **C** and **D** in the adjacent totals box.

Where any amounts are reported at label **C** and/or label **D** the *Individual PAYG payment summary schedule* must be completed. See page 1 to find out how the schedule should be completed.

Note: These labels must be completed if tax withheld where Australian Business Number not quoted is reported at item 14, label **W**, on page 6 of the tax return.

Gross payments—voluntary agreement

Show at labels **E** and/or **F** gross payments (other than personal services income shown at item P1) to the taxpayer which were subject to withholding under a voluntary agreement to withhold tax. Print the total of labels **E** and **F** in the adjacent totals box.

Where any amounts are reported at labels **E** and/or **F** the *Individual PAYG payment summary schedule* will need to be completed. See page 1 to find out how the schedule should be completed.

Note: These labels must be completed if tax withheld under a voluntary agreement is reported at item 14, label **D**, on page 6 of the tax return.

Gross payments—labour hire or other specified payments

Include at label **O** all gross labour hire or other specified payments (other than personal services income shown at item P1). Copy the amount at label **O** to the adjacent totals box.

Where any amounts are reported at label **O** the *Individual PAYG payment summary schedule* must be completed. See page 1 to find out how the schedule should be completed.

Note: This label must be completed if tax withheld from labour hire or other specified payments is reported at item 14, label **F**, on page 6 of the tax return.

Assessable government industry payments

If this amount includes a diesel fuel rebate and/or a diesel and alternative fuels grant, print **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, diesel and alternative fuels grants, fuel sales grant, product stewardship (oil) benefit, employee subsidies, bounties, drought relief and Medicare payments to medical practices.

Other business income

Show at labels **I** and **J** all other business income received by the taxpayer. If the taxpayer claimed a special credit for wholesale sales tax include this amount labels **I** and **J**.

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

Expenses

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
- farm management deposits—take them into account at item 16—**Net farm management deposits or withdrawals**
- expenses and losses relating to foreign source income—take them into account at item 18—**Foreign source income and foreign assets or property**
- rental expenses—claim deductible expenses at item 20—**Rent**
- expenses relating to personal services income shown at item P1—take them into account at item P1.

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 the taxpayer has prepaid any expenses, the amount that can be claimed may be affected by the new prepayment provisions. For more information on this item, refer to the instructions for completing item P10 and the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

Any adjustments should be made at label **H—Expense reconciliation adjustments** in the **Reconciliation items**.

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.

Closing stock

Print in the **Type** box at the right of label **M—Closing stock** 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**

If the taxpayer is registered for GST, the value of closing stock should not include an amount equal to the input tax credit that would arise if the taxpayer had acquired the item solely for business purposes at the end of the income year. Input tax credits do not arise for some items of trading stock, such as shares.

Depreciation expenses

The taxpayer does not complete a *Depreciation schedule* if they are a small business taxpayer (see the definition of a small business taxpayer on page 48). If the taxpayer is not a small business taxpayer and you have included an amount greater than $1000 at label **M—Depreciation expenses**, you will need to complete and attach a *Depreciation schedule*. For more information refer to the publication *Depreciation schedule instructions*. To find out how to obtain a copy, see the inside back cover.

Motor vehicle expenses

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: • 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

Show at the labels for **Drought investment allowance** the deduction allowable 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

Show at label **X** 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 print **L** in the box at the right of this label.

Refer to the Appendix on page 50 of these instructions for examples of necessary reconciliation adjustments.

Expense reconciliation adjustments

Show at label **H** 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 **Drought investment allowance**, label **U**.

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

Refer to the Appendix on page 50 of these instructions for examples of necessary reconciliation adjustments.

Net income or loss from business

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

Note: The amounts at labels **Y** and **Z** should be transferred to item 14—**Net income or loss from business** labels **B** and **C** on page 6 in the tax return.

P9 Business loss activity details

Activity 1

Describe the taxpayer's business activity which produces the largest loss and print this description at label **D**. If the taxpayer's business activity is the result of an investment in a tax effective arrangement, print the product number (if any) and the name of the project at label **D**. Show the Industry code for this activity at label **E**.

Print either **P** (loss from business activity carried on in partnership) or **S** (loss from business activity carried on as sole trader) at label **F**, as appropriate.

If the loss is from a business activity which satisfies one of the 4 tests in Division 35 of the ITAA 1997, Division 35 does not apply because of one of the exceptions, or the taxpayer has advice that the Commissioner will exercise his discretion to prevent the loss being deferred under Division 35, use the most appropriate code from the following list:

	Code
If there is at least assessable income of $20 000 from the business activity	**1**
If profits for tax purposes have been made from the business activity in 3 out of the past 5 years—this period includes 2000–01	**2**
If the value of real property assets (excluding any private dwelling) used on a continuing basis in carrying on the business activity is at least $500 000	**3**
If the value of certain other assets (except cars, motorcycles or similar vehicles) used on a continuing basis in carrying on the business activity is at least $100 000	**4**
If the Commissioner has indicated his discretion will be exercised to mean the loss need not be deferred	**5**
If the loss is from a business activity carried on by the taxpayer that is a professional arts business* and their assessable income (excluding any net capital gain) from sources not related to that activity is less than $40 000	**6**
If the loss is from a business activity carried on by the taxpayer that is a primary production business and their assessable income (excluding any net capital gain) from sources not related to that activity is less than $40 000	**7**
If the loss is required to be deferred under Division 35	**8**

***** A professional arts business is a business the taxpayer carries on as:
- an author of a literary, dramatic, musical or artistic work
- a performing artist or
- a production associate.

Show the amount of the loss from the activity at label **H**.

Note: If Division 35 applies to defer the loss the amount of this loss should then form part of the total amount of deferred non-commercial business losses shown at item 15 on page 7 of the tax return.

Activity 2 and Activity 3

Complete the remaining labels in accordance with the instructions above, for the second and third largest losses (if applicable).

P10 13 month prepaid expenses

The rules that allow immediate deductibility for expenditure incurred in respect of things to be done within 13 months of the expenditure being incurred have changed. For many businesses, the deduction for most prepaid expenses incurred after 11.45 a.m. AEST 21 September 1999 must be apportioned over the period which the prepayment covers. This is consistent with the treatment of prepayments for periods exceeding 13 months. Transitional rules apply to reduce the initial impact of this measure.

Note: These transitional rules do not apply to prepaid expenses apportionable under tax shelter arrangements.

If the taxpayer is a small business taxpayer or if the prepaid expenses was not incurred in carrying on a business, the taxpayer will not be affected by the new prepaid expenses measure and the prepaid expense will be treated in the same way as it was before the changes were made (subject to the tax shelter rules).

Subdivision 960-Q of ITAA 1997 defines **a small business taxpayer** as 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, having not met this requirement
- the taxpayer chooses to recalculate their average turnover for an income year before the 2001–02 income year and it is less than $1 million.

For more information refer to the publication *What's new?* To find out how to obtain a copy, see the inside back cover.

The new prepaid expenses measure applies where:
- the prepayment was made after 11.45 a.m. AEST on 21 September 1999 and was not made under a contract entered into before that time (that a taxpayer cannot avoid by their own actions)
- the prepayment was for things to be done within 13 months of the expenditure being incurred and would not be wholly done in the income year in which the amount was incurred (the expenditure year)
- the prepayment was $1000 or more, and was not an amount of salary or wages or an amount required to be incurred by a law or a court order

- the prepayment was made in carrying on a business
- the taxpayer was not a small business taxpayer and
- the prepayment was was not apportionable under tax shelter rules.

Taxpayers who do not have prepaid expenses affected by this measure print **N** at label **A**. In this case, there is no requirement to complete labels **B** and **C** as prepaid expenses will be treated in the same way as they would have been before the changes were made (subject to the new tax shelter rules—see below).

Taxpayers who do have prepaid expenses affected by this measure print **Y** at label **A** and must complete both labels **B** and **C**. A separate publication is available from the ATO to assist you with completing these labels—see below. Taxpayers with a substituted accounting period (SAP) should phone the Personal Tax Infoline on **13 2861**.

Prepaid expenses and tax shelter arrangements

If a taxpayer made a prepayment after 1.00 p.m. by legal time in the Australian Capital Territory on 11 November 1999 for something that was not wholly done in the year of income in which the expense was incurred and:

- the taxpayer's allowable deductions attributable to the agreement for the 2000–01 income year exceed their assessable income attributable to the agreement for that year
- the taxpayer does not have day-to-day control over the operation of the agreement and
- at least one of the following is met:
  - more than one taxpayer participates as an investor in the agreement or
  - the manager, arranger or promoter of the agreement, or an associate, carries out similar activities for other taxpayers

then the taxpayer is likely to be in a tax shelter arrangement. If the taxpayer has prepaid expenses under such an agreement for a thing to be done within 13 months the taxpayer cannot deduct all of the expense in this income year. Instead the taxpayer must deduct the amount over the period in which the benefits from the prepayment are provided (eligible service period). A number of exclusions to the tax shelter measure apply.

Note: An agreement covered by the tax shelter measure includes all related activities including those that give rise to deductions, or assessable income.

For more information on the new prepayments and tax shelters measures refer to the publication *Deductions for prepaid expenses—individuals*. To find out how to obtain a copy, see the inside back cover. Otherwise, phone the Personal Tax Infoline on **13 2861**.

Other business and professional items

P13 Total salary and wage expenses

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**.

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**

P17 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.

Hours taken to prepare and complete the business and professional items section

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

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

The answer should relate to the time both you and the taxpayer spent in compiling the information. This includes the time spent by another person whose assistance was obtained in doing this—such as an employee of the business. Include your time and a reliable estimate of their time.

Appendix 1 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: Subtract the total of items 3 and 4 from the total of items 1 and 2 to calculate the net income reconciliation adjustment. The amount calculated is to be shown at item P8 label **X Income reconciliation adjustments**.

The net total of the primary production and non-primary production income reconciliation adjustments must agree with the amount shown at label **X**.

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: Subtract the total of items 8, 9 and 10 from the total of items 5, 6 and 7 to calculate the net expense reconciliation adjustment. The amount calculated is shown at item P8, 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 box at the right of label **H.**

Consent to use part or all of your 2001 tax refund to repay your spouse's family tax benefit (FTB) overpayment

Only complete the FTB claimant's details if:

- the taxpayer was the spouse of an FTB claimant on 30 June 2001 and their income was taken into account in the claim AND
- the taxpayer's spouse has given the taxpayer authority to quote their customer reference number (CRN) on the taxpayer's tax return AND
- the taxpayer's spouse expects to have an FTB overpayment for 2001 AND
- the taxpayer expects to receive a tax refund for 2001 AND
- the taxpayer consents to use part or all of their tax refund to repay their spouse's FTB overpayment.

Taxpayer's declaration

The taxpayer must sign and date the taxpayer's declaration in the middle of page 12 and the tax agent must complete and sign the tax agent's certificate at the bottom of page 12 of the tax return.

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, include leading zeros.

Worksheet 1 Depreciation

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

Primary production only ☐ Non-primary production only ☐

Date of addition or adjustment	Description of each unit	Adjustments		Cost of plant less adjustments	Opening written down value	Opening undeducted cost	Disposals				Depreciation				Closing written down value	Closing undeducted cost	
		Details	Amount				Date	Termination value	Balancing adjustments: Assessable income	Balancing adjustments: Deductible	Percentage rate or effective life		Prime cost	Diminishing value			
															K		Totals
								Totals							Totals		
								Loss relief offsets against other plant			Deduct for private use				Deduct for private use		
								Amount to be returned as income (Do not deduct from depreciation)	G	H	Amount to be claimed as a deduction (Do not include in Total depreciation)		I	J	Subtotals		

Total depreciation

Worksheet 2 Low-value pool

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

Primary production only ☐ Non-primary production only ☐

1 Description of low-value plant (LVP)	**2** Opening undeducted cost of LVP	**3** Assessable income use (%)	**4** Reduced cost of LVP (2 x 3)	**5** Description of low-cost plant (LCP)	**6** Cost of LCP	Adjustment **7** Details	Adjustment **8** Amount	**9** Adjusted cost (6 – 8)	**10** Assessable income use (%)	**11** Reduced cost of LCP (9 x 10)	Balancing adjustments **12** Termination value (TV)	Balancing adjustments **13** Assessable income use (%)	Balancing adjustments **14** Reduced TV (12 x 13)

Subtotal ▶ **O**

Add opening balance of low-value pool ▶ **B** 0*

Sum of **O** and **B** ▶ **C**

C x 37.5% ▶ **D**

*Opening balance of low-value pool for 2000–01 is zero.

Total ▶ **N**

Subtotal ▶ **E**

E x 18.75% ▶ **F**

Depreciation deducted (**F** + **D**) ▶ **G**

Closing balance of low-value pool (**C** + **E** – **G** – **H**) ▶ **P**

Note: If amount at **P** is negative, include that amount in your assessable income as a balancing adjustment.

Sum of reduced termination values ▶ **H**

This will be the low-value pool opening balance for the next tax year.

Lodgment address

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 the address below.

Such correspondence should be sent to the addresses on the next page.

THIS ADDRESS IS FOR LODGMENT OF TAX RETURNS ONLY.
All other correspondence must be sent to the addresses on the next page.

Affix stamp here

Australian Taxation Office
GPO Box 9845
IN YOUR CAPITAL CITY

Note: The address must appear as shown. Do not replace the words 'IN YOUR CAPITAL CITY' with the name of your capital city. Because of a special agreement with Australia Post there is no need for you to include the name of your capital city or a post code.

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 lists the telephone helpline services.

If you prefer to make your enquiry in person, we request that make an appointment by phoning the Personal Tax Infoline on **13 2861**.

New South Wales

Albury
567 Smollett Street
Albury
PO Box 9990 Albury 2640

Bankstown
ATO*access*
2 Meredith Street
Bankstown
PO Box 9990 Hurstville 2220

Chatswood
ATO*access*
Shop 43 Lemon Grove
Shopping Centre
441 Victoria Avenue
Chatswood
PO Box 9990 Hurstville 2220

Hurstville
ATO*access*
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
ATO*access*
Ground floor
Commonwealth Offices
2–12 Macquarie Street
Parramatta
PO Box 9990 Newcastle 2300

Penrith
121–125 Henry Street
Penrith
PO Box 9990 Penrith 2740

Sydney
100 Market Street
Sydney
PO Box 9990 Hurstville 2220

Wollongong
93–99 Burelli Street
Wollongong
PO Box 9990 Penrith 2740

Queensland

Brisbane
ATO*access*
280 Adelaide Street
Brisbane
PO Box 9990 Chermside 4032

Chermside
ATO*access*
766 Gympie Road
Chermside
PO Box 9990 Chermside 4032

Townsville
ATO*access*
Stanley Place
235 Stanley Street
Townsville
PO Box 9990 Townsville 4810

Upper Mt Gravatt
2221–2233 Logan Road
Upper Mt Gravatt
PO Box 9990 Chermside 4032

Australian Capital Territory

Canberra
ATO*access*
Ground floor Ethos House
28–36 Ainslie Avenue
Canberra
PO Box 9990 Penrith 2740

Tasmania

Hobart
200 Collins Street
Hobart
GPO Box 9990 Hobart 7001

Western Australia

Northbridge
45 Francis Street
Northbridge
GPO Box 9990 Perth 6848

Cannington
48-54 Grose Avenue
Cannington
GPO Box 9990 Perth 6848

Victoria

Box Hill
990 Whitehorse Road
Box Hill
PO Box 9990 Box Hill 3128

Casselden Place
2 Lonsdale Street
Melbourne
PO Box 9990 Dandenong 3175

Cheltenham
ATO*access*
4A, 4–10 Jamieson Street
Cheltenham
PO Box 9990 Albury 2640

Dandenong
14 Mason Street
Dandenong
PO Box 9990 Dandenong 3175

Geelong
92–100 Brougham Street
Geelong
PO Box 9990 Albury 2640

Moonee Ponds
6 Gladstone Street
Moonee Ponds
PO Box 9990 Dandenong 3175

Northern Territory

Alice Springs
ATO*access*
Jock Nelson Centre
16 Hartley Street
Alice Springs
GPO Box 800 Adelaide 5001

Darwin
ATO*access*
Cnr Mitchell & Briggs Streets
Darwin
GPO Box 800 Adelaide 5001

South Australia

Adelaide
91 Waymouth Street
Adelaide
GPO Box 800 Adelaide 5001

Your Helplines for further information

Publications, taxation rulings, forms and enquiries are available through the following services:

Tax agents please use the following numbers:

ATOPOS web address **www.iOrder.com.au/ato**
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:

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 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.

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.

Superannuation enquiries—13 1020

For assistance with all your superannuation enquiries.

General business including payment and lodgment—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.
If you are unsure whether you need to lodge a return or you want to know where or when to lodge a return.
If you need information on the ABN, how to apply for one or assistance in completing an application.

Small business receivables management—13 1142

If you cannot pay your tax debt contact the ATO on, this number to avoid action being taken to recover the debt.

Personal Tax Infoline—13 2861

This helpline is for tax questions on topics other than those already described.

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 3677

If you have access to appropriate TTY or modem equipment, contact the Australian Communication Exchange National Relay Service on **1300 130 478**. You will need to quote one of the helplines listed on this page. The relay service will then connect you with a tax officer.