INDIVIDUALS	RETIREES	GUIDE	NAT 2596—6.2004
SEGMENT	AUDIENCE	FORMAT	PRODUCT ID

Australian Government
Australian Taxation Office

Retirees TaxPack 2004

To help you prepare and lodge your tax return

Lodge your tax return by 31 October 2004

Can you use *Retirees TaxPack 2004?*
see page 2

Looking for another way to do your tax?
You don't need to use *Retirees TaxPack 2004* if you have access to the internet—for a fast, secure and easy way to do your tax, use e-tax, available 7 days a week at **www.ato.gov.au**

Commissioner's guarantee

THE COMMISSIONER OFFERS YOU THE FOLLOWING PROTECTIONS IF YOU USE *RETIREES TAXPACK 2004* PROPERLY:

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

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

USING *RETIREES TAXPACK 2004* PROPERLY MEANS YOU MUST:

- have on hand all your necessary documentation and records for the 2003–04 income year (1 July 2003 to 30 June 2004)
- read all the preliminary pages—they provide valuable information ranging from whether you need to lodge a tax return at all, to how you can get a faster refund
- read each question caption carefully and
  - if it does not apply to you, go to the next question
  - if it does apply to you, read the question carefully so that you provide the required details on your tax return
- make sure that you complete the Medicare levy surcharge item **27**. It applies to all taxpayers
- be aware of the Index at the back of *Retirees TaxPack*—it can help you to find information that is relevant to your circumstances, and
- use the checklist on page 78 before you lodge your tax return.

Retirees TaxPack 2004 has been prepared to help you complete your tax return correctly—see **Self-assessment—it's your responsibility** on page 10.

We have a charter which sets out your rights and obligations along with the service and other standards you can expect from us. For more information see **Dealing with the Tax Office** on page 85.

Michael Carmody

Michael Carmody Commissioner of Taxation

CONTENTS

DATES TO REMEMBER

- **2003–04 income year**—1 July 2003 to 30 June 2004
- **31 October 2004**—date for lodgment of your **tax return**, unless you have been given a deferral of time to lodge your tax return or it is prepared by a registered tax agent. However, as 31 October 2004 falls on a Sunday, you may lodge your tax return on 1 November 2004 without incurring a penalty.
- **22 November 2004**—the earliest date any tax payable will be due.

If your tax return is lodged on time, any tax payable will be due on the later of 21 days after you receive your notice of assessment or 21 days after your tax return was due to be lodged.

Produced and published by TaxTime Publishing, Tax Office. Printed by PMP Limited.

Distribution coordinated by PMP Distribution and effected by PMP Distribution, Australia Post and Gordon & Gotch Limited.

Thanks to the staff of the Tax Office, tax professionals and members of the community who contributed to *Retirees TaxPack 2004*.

INFORMATION
YOU NEED TO KNOW

- *Retirees TaxPack 2004* is a guide to help you complete your *2004 tax return for retirees*.
- Extra copies of *Retirees TaxPack 2004* are available only from Tax Office locations or phone the Personal Tax Infoline (see the inside back cover).
- There are two copies of the *2004 tax return for retirees* at the back of this publication. An envelope for lodgment is also provided.
- Please note that the *2004 tax return for retirees* cannot be lodged electronically through e-tax or through the ***TAX****PACK****EXPRESS*** service at a post office. However, if you wish to lodge electronically, you can use e-tax to prepare and lodge the *2004 tax return for individuals*.

CAN YOU USE *RETIREES TAXPACK 2004*?

To be able to use *Retirees TaxPack 2004* to fill in your tax return, you must meet **ALL** of the following conditions.

CONDITION 1

You were an Australian resident for tax purposes from 1 July 2003 to 30 June 2004. You are an Australian resident for tax purposes if:

- you have always lived in Australia or you have come to Australia and live here permanently, or
- you have actually been in Australia for more than half of 2003–04, unless your usual home is overseas and you do not intend to live in Australia.

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

If you need help in deciding whether or not you are an Australian resident for tax purposes, phone the Personal Tax Infoline (see the inside back cover).

CONDITION 2

You had no dependants other than a spouse during the period 1 July 2003 to 30 June 2004.

CONDITION 3

All of your tax affairs are covered by the questions listed in *Retirees TaxPack 2004* on page 6, and none of your tax affairs are covered by the questions listed on page 7.

CONDITION 4

None of the following applied to you:

- You received a distribution of a capital gain from a trust including a managed investment fund in 2003–04.
- You received distributions from a corporate limited partnership or deemed dividends from a private company.
- You had a foreign pension or annuity from which tax has been taken and for which you want to claim a foreign tax credit.
- You had a foreign pension or annuity in relation to which you have incurred interest or other debt deductions for which you wish to claim a deduction.
- You had a lump sum foreign pension payment for an earlier year.
- You had exempt overseas employment income and $1 or more of other income.
- You paid foreign tax on a foreign capital gain.

OTHER WAYS TO LODGE

If you do not meet all of the above conditions, you cannot use *Retirees TaxPack 2004*, because the shortened material does not cover all of your tax affairs. You need to use either:

- e-tax to prepare and lodge the *2004 tax return for individuals* electronically, available at **www.ato.gov.au** (see pages 8 and 9 for more information), or
- *TaxPack 2004*—and you may need *TaxPack 2004 supplement* (see page 7 for more information).

  From 1 July to 31 October 2004 you can get copies of *TaxPack 2004* and *TaxPack 2004 supplement* from most newsagencies. Copies are also available from our Publications Distribution Service (see the inside back cover) and from Tax Office locations all year.

Even if you meet all the conditions required to use *Retirees TaxPack 2004*, you may not need to lodge a tax return. Check the next page to see whether you need to lodge a tax return.

DO YOU NEED TO LODGE A 2004 TAX RETURN?

There are a number of reasons, listed below, why you may have to lodge a tax return for the 2003–04 income year (1 July 2003 to 30 June 2004).

Check each reason in order—REASON 1 to OTHER REASONS.

- If you find a reason that applies to your circumstances, you have to lodge. You do not have to read any further—go to page 5.
- If none of the reasons listed applies to you, go to page 4 to find out if you need to complete a *2004 non-lodgment advice*.

REASONS WHY YOU NEED TO LODGE A TAX RETURN

REASON 1

You were eligible for the Senior Australians tax offset. If you are unsure, pages 51–2 provide information on eligibility for this tax offset.

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

- if you were single, widowed or separated at any time during the year—$20,500
- if you had a spouse but either of you lived in a nursing home or you had to live apart due to illness—$19,383
- if you lived with your spouse for the full year—$16,806.

REASON 2

You received a Commonwealth of Australia government pension, allowance or payment listed at question 1 on page 14 but you are not eligible for the Senior Australians tax offset.

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

- if you were single or widowed at any time during the year—$18,141
- if you had a spouse but either of you lived in a nursing home or you had to live apart due to illness—$17,282
- if you lived with your spouse for the full year—$15,176.

REASON 3

Reason 1 and Reason 2 do not apply, but you received or earned income.

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

- $6,000 if you were an Australian resident for tax purposes for the full year.

OTHER REASONS

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

- You had amounts of tax withheld from income you received or earned.
- You were required to lodge an activity statement under the pay as you go (PAYG) system and/or pay an instalment amount during the year.
- You have a reportable fringe benefits amount on your *PAYG payment summary—individual non business*.
- You are entitled to a 30% private health insurance tax offset at question **23** on pages 61–3.
- You wish to receive the Super Co-contribution on personal contributions you made to a complying superannuation fund or retirement savings account.
- You received income from dividends or distributions exceeding $6,000 AND you had franking credits (formerly called 'imputation credits') or amounts withheld because you did not quote your tax file number or Australian business number to the investment body.

  If you have a franking credit shown on your dividend statement or your distribution statement from a managed fund for 2003–04—so long as you satisfy certain conditions you may be able to claim a refund of this franking credit without lodging a tax return.

  The publication *Refund of franking credits instructions and application for individuals* (NAT 4105—6.2004) has more information about the conditions that apply and how you can claim your franking credit. This publication is available on the Tax Office website at **www.ato.gov.au** Or to find out how to get a printed copy, see the inside back cover.

Deceased estate

If you are looking after the estate of someone who died during 2003–04, consider the above points on their behalf and, if a tax return is not required, complete the *2004 non-lodgment advice* on the next page and send it to the Tax Office. If a tax return is required, see page 12 for more information.

INFORMATION

Australian Government
Australian Taxation Office

2004 non-lodgment advice

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

- You have previously sent us a tax return or non-lodgment advice, a form or a letter that told us that you do not need to lodge a tax return for all future years.
- Your only income was from a Commonwealth of Australia government pension, allowance or payment listed at question **1** on page 14 and your taxable income was less than the relevant amount in REASON 1 (if you are eligible for the Senior Australians tax offset) or REASON 2. (The agencies that pay these have provided information for us to determine that you do not need to lodge a tax return.)

Your tax file number

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

Your date of birth

DAY MONTH YEAR

Your name

Title—for example, Mr, Mrs, Ms, Miss

Surname or family name

Given names

Your postal address

Suburb or town

State Postcode Country if not Australia

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

NO Read on.

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

Suburb or town

State Postcode Country if not Australia

Your daytime telephone number—if it is convenient

Area code Telephone number

Reason for not lodging a tax return

I will not have to lodge a tax return for 2004 because none of the reasons listed on page 3 apply.

I will not have to lodge a tax return for future years because: (Please print)

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

Signature Date

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

Use the pre-addressed envelope provided with *Retirees TaxPack 2004* to send your non-lodgment advice to the Tax Office by 31 October 2004. See page 79 for more details.

CUT ALONG DOTTED LINE TO REMOVE

INFORMATION
YOU DO NOT HAVE TO PAY TAX ON THIS EXEMPT INCOME

Exempt income is not included on your tax return as income. These payments are not shown as 'taxable' on your payment summary. The most common types of exempt income are listed here.

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

EXEMPT COMMONWEALTH OF AUSTRALIA GOVERNMENT PENSIONS, ALLOWANCES AND PAYMENTS

Pensions

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

> **NOTE**
>
> *Superannuation Act 1976* and *Defence Forces Retirement Benefits Act 1948* pensions and payments are taxable. Show them on your tax return at item **2**.
>
> Lump sum bereavement payments received as part of any of the above payments are exempt only up to the tax-free amount. Phone the Personal Tax Infoline (see inside back cover) to find out how much of a lump sum bereavement payment is exempt.

Other payments

- carer allowance paid under the *Social Security Act 1991*
- disaster relief payment
- language, literacy and numeracy supplement
- Super Co-contribution
- lump sum pension bonus paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- payments from the Commonwealth under the incentives payments scheme relating to certain private health insurance policies
- pensioner education supplement and fares allowance paid by Centrelink
- pharmaceutical allowances paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- remote area allowance
- rent assistance
- phone allowance paid under the *Social Security Act 1991* or the *Veterans' Entitlements Act 1986*
- Veterans' Affairs loss of earnings allowance

OTHER EXEMPT PAYMENTS

- spouse maintenance payments
- Mortgage and Rent Relief Scheme payments
- Japanese internment compensation payments made under the *Compensation (Japanese Internment) Act 2001* or the *Veterans' Entitlements Act 1986*
- most pensions, annuities and allowances relating to persecution during the Second World War
- compensation payments received under the German Forced Labour Compensation Programme (GFLCP)
- certain annuities and lump sums which are paid to an injured person under a structured settlement

> **NOTE**
>
> If you received a Commonwealth of Australia government payment during 2003–04 and are unsure if it is exempt income, phone the Personal Tax Infoline (see the inside back cover).

INFORMATION

WHAT'S IN *RETIREES TAXPACK 2004*

You can use *Retirees TaxPack 2004* to fill in your tax return if the questions in *Retirees TaxPack 2004* are the only questions that apply to you.

INCOME

1 Commonwealth of Australia government pensions and allowances
2 Other Australian pensions or annuities—including superannuation pensions
3 Foreign source pension or annuity income
4 Salary, wages, allowances, earnings etc
5 Total tax withheld
6 Total reportable fringe benefits amounts
7 Gross interest
8 Dividends—NOT including distributions made by a corporate limited partnership and deemed dividends from a private company
9 Capital gains—NOT including distributions of capital gains by a trust or managed investment fund

DEDUCTIONS

11 Subscriptions
12 Interest and dividend deductions
13 Gifts or donations
14 Deductible amount of undeducted purchase price of an Australian pension or annuity
15 Deductible amount of undeducted purchase price of a foreign pension or annuity
16 Cost of managing tax affairs

TAX OFFSETS

19 Spouse—married or de facto
20 Senior Australians (includes age pensioners, service pensioners and self-funded retirees)
21 Pensioner **NEW**
22 Superannuation annuity and pension
23 30% private health insurance
24 20% tax offset on net medical expenses over the threshold amount

PRIVATE HEALTH INSURANCE POLICY DETAILS

MEDICARE LEVY RELATED ITEMS

26 Medicare levy reduction or exemption
27 Medicare levy surcharge—**this item is compulsory for all taxpayers.**

> **IMPORTANT**
> If you are claiming family tax benefit through the tax system or the baby bonus, **you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.**

DOES THE CAPITAL GAINS TAX QUESTION APPLY TO YOU?

Some taxpayers may not be aware that question **9 Capital gains** may apply to their circumstances. The following information is provided as a general guideline to help you decide if you need to complete item **9**.

Capital gains or capital losses

The most common capital gains tax (CGT) event happens if you dispose of an asset to someone else—for example, you sell it or give it away. CGT assets include real estate (such as a rental property or holiday home), shares in a company, collectables (such as antiques or jewellery) and assets that are used or kept mainly for your personal use or enjoyment (such as furniture, electrical goods and household items).

Here are examples of other common CGT events:

- An asset you own was lost or destroyed.
- An asset (such as shares you own) was cancelled, surrendered or redeemed.
- A liquidator declared that shares you own were worthless.
- You received an amount in respect of a share that was not income and was not for the disposal of the share.

If you think you need to complete item **9**, you will need one of two publications:

- if you have invested only in shares—*Personal investors guide to capital gains tax* (NAT 4152—6.2004), or
- if you have other types of capital gains or capital losses —*Guide to capital gains tax* (NAT 4151—6.2004).

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

> **NOTE**
> Remember, e-tax can help you decide if you have a capital gain or capital loss. It also has a calculator to help you work out the amount of any capital gain or capital loss. For more information on using e-tax to complete and lodge your tax return electronically, see pages 8 and 9 or visit the Tax Office website.

INFORMATION

WHAT ARE YOUR CHOICES FOR DOING YOUR TAX RETURN?

YOU CAN DO YOUR TAX RETURN YOURSELF USING *RETIREES TAXPACK 2004*.

Just proceed through this guide and follow the instructions. Make sure you lodge your tax return by 31 October 2004. However, as 31 October 2004 falls on a Sunday, you may lodge your tax return on 1 November 2004 without incurring a penalty.

USE E-TAX TO LODGE YOUR TAX RETURN OVER THE INTERNET AND GET A FASTER REFUND.

e-tax will help you to prepare your tax return easily, quickly and securely using the internet. e-tax software helps you prepare your tax return and by asking you questions will complete and lodge your tax return based on your answers. e-tax has a calculator to work out any capital gain or capital loss as well as estimate your tax refund or tax debt. Most tax returns lodged using e-tax are processed within 14 days. If you are eligible for a refund, you will receive it quickly. If you have a tax debt, your debt will not be due before 22 November. Visit the Tax Office website at **www.ato.gov.au** and lodge your tax return online via e-tax.

> **NOTE**
>
> You cannot lodge the *2004 tax return for retirees* electronically through e-tax. However, if you wish to lodge electronically you can use e-tax to lodge the *2004 tax return for individuals*.

YOUR CHOICES IN THE FUTURE

We will make it easier for you to do your tax returns by giving you more ways to prepare and lodge them. If you have simple tax affairs, you will be able to use a short form—either paper or electronic—that you can lodge using the internet, the phone or by mail. For people with more complex tax affairs, we will fill in your form with information we receive from employers, banks, health funds and other sources, so you don't need to tell us things we already know. For more information about our future plans, visit **www.ato.gov.au/future** or phone the Personal Tax Infoline (see the inside back cover).

SOMEONE ELSE CAN DO YOUR TAX RETURN FOR YOU.

Family member or friend

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

Tax Help community volunteers

Tax Help is a network of community volunteers, trained to help people prepare their tax returns or claims for a refund of franking credits (formerly called 'imputation credits').

This **free service** is available for people on low incomes—including those who are also seniors, people from non-English-speaking backgrounds, people with a disability, Aboriginal people or Torres Strait Islander people and students. See page 15 for more information.

Registered tax agents

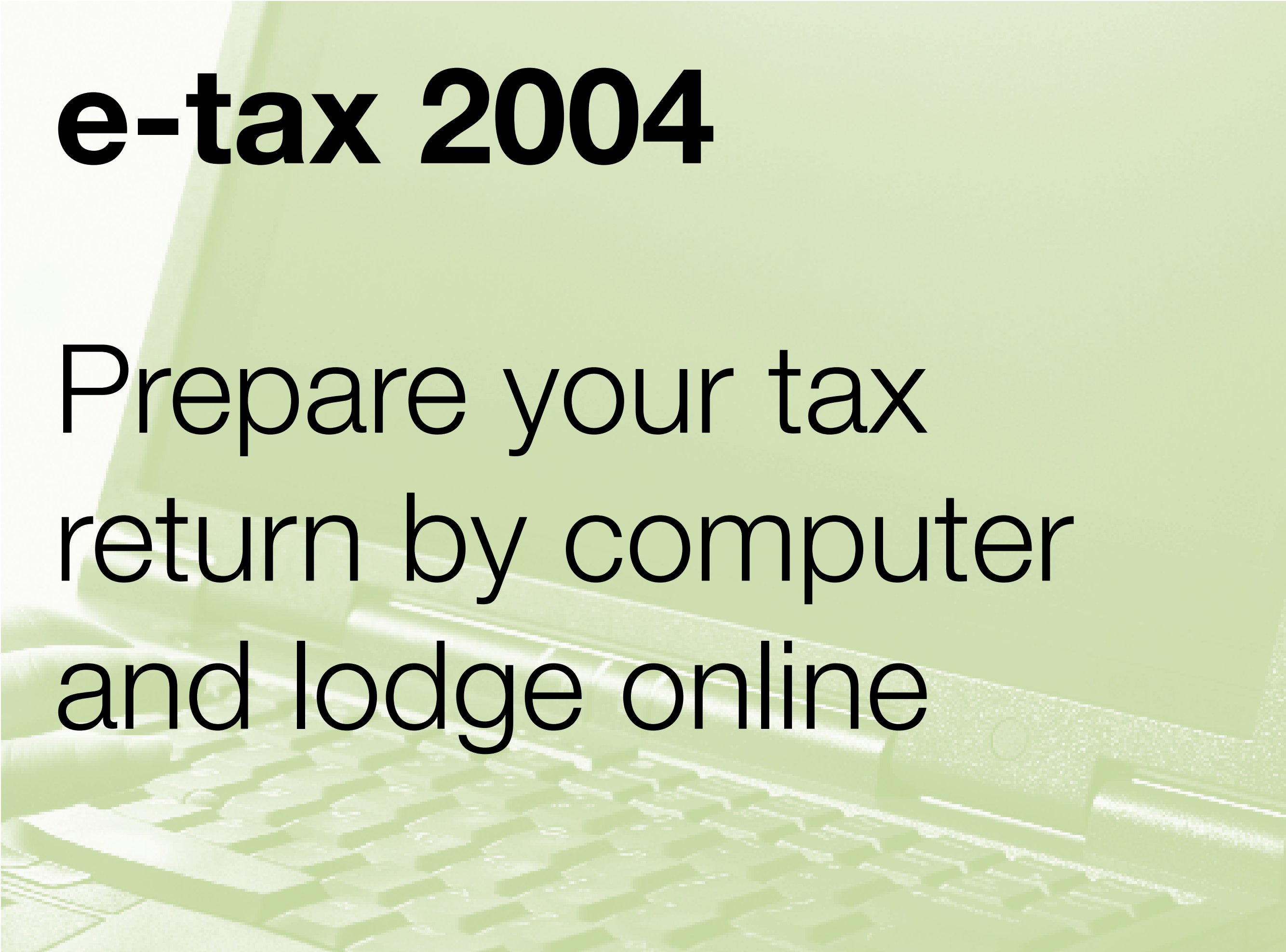
Registered tax agents are the only people who can prepare and lodge your tax return for a fee. Some people present themselves as registered tax agents when they are not. You should ensure that you are using a registered tax agent. A list of registered tax agents can be found at **www.tabd.gov.au** or you can check with the Tax Agents' Board on **1300 362 829**.

Signing your tax return

You must sign and date the *Taxpayer's declaration* on page 6 of your *2004 tax return for retirees* to confirm that it is true and correct. Someone else may sign your tax return on your behalf if they have authority to do so under a power of attorney.

A signed copy of the current power of attorney must be attached to your return if you have not previously lodged the authority with the Tax Office.

> **NOTE**
>
> Even if someone else—a family member, friend or tax agent—helps you to prepare your tax return, you are still legally responsible for the accuracy of the information. See **Self-assessment—it's your responsibility** on page 10.



Retirees—e-tax helps you prepare your tax return by:

- only asking you relevant questions
- using the answers to fill your return in for you
- working out the totals, and
- estimating your tax refund or debt.

e-tax is

- free, safe, secure, and quick—most refunds in 14 days
- available to the vision impaired using screen reader software

Join over 800,000 people who already use e-tax.

Download e-tax from the Tax Office website at **www.ato.gov.au**

Australian Government
Australian Taxation Office

INFORMATION

IMPORTANT MESSAGES

SELF-ASSESSMENT—IT'S YOUR RESPONSIBILITY

Under our system of self-assessment the Tax Office prepares *Retirees TaxPack 2004* and our other tax time publications to provide you with the information and guidance you need to complete your tax return. It is your responsibility to lodge a tax return that is signed, complete and correct. We then use the information on your tax return to issue your notice of assessment.

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

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

At a later date we may check some of the details on your tax return more thoroughly.

Under the law, the Tax Office is allowed a period of four years (depending on your circumstances—see **A shorter period of review** on this page) where it can review a tax return and may increase or decrease the amount of tax payable. This period of review is extended where tax avoidance is involved.

Please remember, even if someone else helps you to complete your tax return, you must sign the *Taxpayer's declaration* on your tax return and you are responsible for the information provided on your tax return. Someone else may sign your tax return on your behalf if they have authority to do so under a power of attorney. A signed copy of the current power of attorney must be attached to your return if you have not previously lodged the authority with the Tax Office.

If, after lodging your tax return, you believe you have made a mistake see page 80 to find out what to do.

A SHORTER PERIOD OF REVIEW

You are eligible for a two-year shorter period of review if you are an Australian resident and have simple tax affairs. Eligibility is dependent on your circumstances each tax year.

A shorter period of review will apply to you for the 2003–04 income year if you:

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

You are not eligible for a shorter period of review if you made a capital gain or capital loss during the year.

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

- the two-year period applies for the Tax Office to review and amend your assessment (see **Self-assessment—it's your responsibility** on this page)
- you only need to keep certain tax records for the two-year period (see page 78), and
- you must make any objection or amendment request within the two-year period (see page 80).

We will advise you on your *2004 notice of assessment* that you may qualify for the shorter period of review for 2003–04.

LODGE YOUR TAX RETURN BY 31 OCTOBER 2004

You have from 1 July 2004 to 31 October 2004 to lodge your tax return, unless it is prepared by a registered tax agent. However, as 31 October 2004 falls on a Sunday, you may lodge your tax return on 1 November 2004 without incurring a penalty.

Don't delay sending your tax return, even if you think you will owe tax. If you lodge your own tax return by 1 November 2004, your tax is payable by the date specified on your notice of assessment. The earliest due date for any 2003–04 personal income tax debt is 22 November 2004.

If you lodge your tax return late, or not at all, any tax will be payable and a general interest charge will be calculated from 22 November 2004. In addition a penalty for failure to lodge on time may be applied (see **Failure to lodge on time penalty** on this page).

Before you lodge your tax return, make sure you have read **Self-assessment—it's your responsibility** on page 10.

IF YOU CANNOT LODGE BY 31 OCTOBER 2004

If you cannot lodge by 31 October 2004 due to circumstances beyond your control, contact us as soon as possible—and certainly before 31 October 2004—to find out if you can lodge at a later date. Phone our Personal Tax Infoline (see the inside back cover) or send a written request to the address that appeared on your *2003 notice of assessment*, if you have one, or to your nearest tax office—addresses are listed on pages 94–5. Explain why you need to lodge late and suggest another date. We will consider your request and contact you.

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

If you have not received your payment summary or you have lost it, see **Late, lost or wrong payment summaries** on page 20 for information on late or lost payment summaries.

FAILURE TO LODGE ON TIME PENALTY

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

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

Generally, we apply a penalty of $110 for every 28 days (or part thereof) your tax return is overdue, to a maximum of $550.

We may apply the penalty even where there is no tax payable. However, our policy is not to apply a penalty where your tax return:

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

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

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

The penalty is **in addition** to any general interest charge that may apply if you do not pay any tax amount outstanding after the due date.

> **IF YOU NEED MORE HELP, VISIT OUR WEBSITE**
>
> You can visit the Tax Office website at **www.ato.gov.au** for more information on anything that you read in *Retirees TaxPack 2004.*
>
> You can use the tools and calculators on the website to help you complete your tax return.

INFORMATION
COMPLETING PAGE 1 OF YOUR TAX RETURN

The Tax Office requires the information you provide on page 1 of your *2004 tax return for retirees* to start processing your tax return. It is important that you complete this page accurately to avoid delays.

Many of the items on page 1 of the tax return relate to your personal details and need no explanation, but below is some additional information on the tax-related items to help you complete them. If you need further help, phone the Personal Tax Infoline (see the inside back cover).

YOUR TAX FILE NUMBER (TFN)

If you already have a TFN, you can find it on your last notice of assessment or your payment summary from your employer or other payer.

If you do not have a TFN, phone the Personal Tax Infoline to get the form *Tax file number application or enquiry for an individual* (NAT 1432—7.2004).

With your application you will need to provide original, unaltered documents showing proof of your identity. You will find a list of appropriate proof of identity documents on the application.

WILL YOU NEED TO LODGE AN AUSTRALIAN TAX RETURN IN THE FUTURE?

This may be your last tax return if:

- your annual taxable income in the future will be below the tax-free threshold—$6,000 for 2004–05—or
- your only source of income in the future will be a Commonwealth of Australia government pension, or
- you are moving overseas permanently, or
- you become eligible for the Senior Australians tax offset in the income year 2004–05, and your taxable income is below the threshold for lodging a tax return—for threshold levels and eligibility for 2003–04, see pages 2 and 51–2.

DECEASED ESTATE—ARE YOU LOOKING AFTER THE ESTATE OF SOMEONE WHO DIED DURING THE YEAR?

Page 3 will tell you if you need to complete a tax return.

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

Print DECEASED ESTATE on the top of page 1 of the tax return and print **X** in the **NO** box at **Will you need to lodge an Australian tax return in the future?** The executor or administrator of the estate must sign the tax return on behalf of the deceased person and send it with a copy of the death certificate to the Tax Office. Certain types of income received after the date of death may need to be shown on a trust tax return. If you have any questions, phone the Personal Tax Infoline (see the inside back cover).

If you do not need to complete a tax return, complete the *2004 non-lodgment advice* on page 4 and send it with a copy of the death certificate to the Tax Office.

ELECTRONIC FUNDS TRANSFER (EFT)

Direct refund

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

> **IMPORTANT**
>
> Be careful to provide the correct account details—if you provide another person's account details, your refund will be sent to that account. If you would like to use EFT print **X** in the **YES** box on page 1 of your tax return at the question **Do you want to use electronic funds transfer (EFT) for your refund this year?**

If you used EFT last year and the account details you provided are still correct there is no need to provide them again. Go to page 14 if your bank account details are correct.

If you are providing EFT details for the first time or you wish to change EFT details provided earlier, go to step 1 below.

STEP 1 Write the bank state branch (BSB) number. This is a six-digit number that identifies the financial institution. The BSB number can be found on an account statement or a cheque form. If you do not know the BSB number, or it has fewer than six digits or is for a credit union account, check with the financial institution. Do not include spaces, dashes or hyphens in the BSB number.

STEP 2 Write the account number as shown on the account records. An account statement, cheque book or other document from the financial institution will show this information. You cannot use an account number longer than nine characters. Contact your financial institution if you need to check that an account is suitable for direct refund. Do not include spaces in the account number.

STEP 3 Print the account name—also called account title—as shown on the account records. Include a space between each word and between any initials in the account name. Do not print the account type—for example, savings, cheque, mortgage offset.

If your name is John Q Citizen, you might have an account with the account name shown as JQ Citizen or John Q and Mary Citizen or another variation.

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

Direct debit

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

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

Income

QUESTION 1

1 COMMONWEALTH OF AUSTRALIA GOVERNMENT PENSIONS AND ALLOWANCES

Did you receive any of the following from Centrelink or the Department of Veterans' Affairs:

- **age pension**
- **age service pension**
- **invalidity service pension and you have reached age pension age**
- **partner service pension**
- **widow B pension**
- **bereavement allowance**
- **disability support pension and you have reached age pension age**
- **income support supplement**
- **wife pension**
- **carer payment?**

STOP

- Show Superannuation Act and Defence Forces Retirement Benefits Act pensions and payments at item **2**.
- Show foreign pensions at item **3**.

NO Go to question **2**.

YES Read below.

Show your income from these payments here unless your payment was exempt. Read page 5 if you are not sure.

QUESTION ***How do you know how much pension or allowance you received?***

ANSWER The government agency that paid you will provide you with a *PAYG payment summary—individual non business* or a letter giving details of your pension, allowance or payment. These show you the amount you received and whether tax was withheld. If you have not received these, or you have lost them, contact the agency that paid you.

COMPLETING THIS ITEM

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

STEP 2 Add up all the taxable Commonwealth of Australia government pension or allowance income you received. Write the total amount at **B** item **1** on your tax return. Do not show cents.

STEP 3 Attach your letter and/or your 'Payee's Tax Return Copy' of your payment summary to page 3 of your tax return. Read the box below.

IMPORTANT

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

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

You will need to work through question **20 Senior Australians** or question **21 Pensioner** to see if you are entitled to a tax offset. We work out your tax offset entitlement based on the tax offset code and veteran code (if applicable) that you print on your tax return.

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

EXAMPLE

Stan received a service pension in 2003–04 of $6,200—he did not have any tax withheld.

Stan fills in item **1** on his tax return like this:

	Tax withheld—do not show cents	Income—do not show cents
1 **Commonwealth of Australia government pensions and allowances**	, .00	**B** 6,200 .00

Tax Help—serving the community

ARE YOU ON A LOW INCOME?

FREE HELP WITH YOUR TAX RETURN

If you want to complete your own tax return or application for a refund of franking credits (formerly called 'imputation credits')—and you are a low income earner—but think you may need some assistance, then Tax Help may be the answer. Our network of community volunteers are trained and supported by the Tax Office to help you.

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

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

There are Tax Help centres throughout Australia. If you want to visit one of the trained volunteers you need to make an appointment first. You need to bring a *Retirees TaxPack 2004* and all relevant papers with you when you visit.

For more information, or to find out where your nearest Tax Help centre is, phone the Personal Tax Infoline on **13 28 61**.

QUESTION 2

2 OTHER AUSTRALIAN PENSIONS OR ANNUITIES

Did you receive any income from an Australian annuity or from a superannuation or other pension not listed at question 1?

STOP

- Show age, service or other Commonwealth of Australia government pensions or allowances at item **1**.
- Show pensions or annuities paid from overseas at item **3**.
- Exempt pensions as listed on page 5 are not taxable and should not be shown on your tax return.

NO Go to question **3**.

YES Read below.

Australian pensions and annuities include:

- superannuation and similar pensions and annuities paid to you by an Australian superannuation fund, retirement savings account (RSA) provider or life assurance company, and
- pensions paid by a fund established for the benefit of Commonwealth, state or territory employees and their dependants—for example, funds managed by ComSuper and VicSuper.

The company, superannuation fund or RSA provider that pays your pension will give you a *PAYG payment summary—individual non business* or statement showing how much you were paid and the tax withheld.

If you have not received your payment summary or statement, or you have lost it, contact your payer to get a copy.

NOTE

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

COMPLETING THIS ITEM

STEP 1 Print the type of pension or annuity—for example, 'superannuation pension' or 'annuity'—in the **Type** box at item **2** on your tax return. If you received more than one type, print the type that gave you the largest amount of income.

STEP 2 Add up all the tax withheld amounts as shown on your payment summaries and statements and write the total amount at the left of **J** item **2**. Do not include amounts already shown at item **1**.

STEP 3 Add up all the gross amounts shown on your payment summaries and statements and write the total amount at **J** item **2**. Do not show cents.

STEP 4 Attach all statements and/or your 'Payee's Tax Return Copy' of all payment summaries to page 3 of your tax return.

EXAMPLE

Roberta received a yearly pension of $15,000 from the Solid Rock pension scheme. Solid Rock withheld $1,402.00 in tax from Roberta's pension.

Roberta fills in item **2** on her tax return like this:

2 Other Australian pensions or annuities—including superannuation pensions

Type SUPERANNUATION PENSION

Tax withheld—do not show cents 1,402.00

J 15,000.00

INFORMATION

Undeducted purchase price

If your pension or annuity has an undeducted purchase price, you may be able to claim the deductible amount of your undeducted purchase price at item **14** on your tax return. Read pages 40–1 for more information.

Senior Australians tax offset

You may be entitled to a Senior Australians tax offset. Read pages 51–2 to find out more about this tax offset.

Superannuation annuity and pension tax offset

You may be entitled to a tax offset for your pension or annuity. Read question **22** on pages 58–60 to find out more about this tax offset.

QUESTION 3

3 FOREIGN SOURCE PENSION OR ANNUITY INCOME

Did you receive income from a foreign pension or annuity?

STOP

If you received in 2003–04:

- a foreign pension or annuity from which tax has been taken and for which you want to claim a foreign tax credit
- a foreign pension or annuity in relation to which you have incurred interest or other debt deductions for which you wish to claim a deduction, or
- a lump sum foreign pension payment for an earlier year

you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.

NO	Go to question **4**.
YES	Read below.

Most foreign pensions and annuities are taxable in Australia, even if tax has been taken from your payment by the country that paid you. If you are unsure whether your pension or annuity is taxable in Australia, or whether your pension or annuity is subject to an agreement, phone the Personal Tax Infoline (see the inside back cover).

NOTE

If the country paying your pension or annuity has taken tax from your payment, and the pension or annuity is also taxable in Australia, you may claim a foreign tax credit where you are not entitled to seek a refund of the foreign tax paid from the country that paid you. This refund may follow under the terms of an agreement between Australia and that country to prevent double taxation. **You cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.**

QUESTION ***Do you need to convert your foreign pension or annuity into Australian dollars?***

ANSWER All of your foreign pension or annuity income must be converted into Australian dollars. If the foreign pension or annuity is converted into Australian currency when it is paid into your bank account, the easiest way to do this is to add up those converted payments shown in your passbook or bank statement.

If you cannot do this, phone the Personal Tax Infoline (see the inside back cover) to find out the correct exchange rates.

COMPLETING THIS ITEM

STEP 1 You must add back the amount of foreign tax paid, if any, to the amount of pension or annuity you received. Write this gross amount of foreign pension or annuity you received at **E** item **3** on your tax return. Do not show cents.

STEP 2 Take away the amount of any deductible expenses (other than interest or debt deductions) you incurred in relation to your gross foreign pension or annuity. The amount remaining is called your net taxable foreign pension or annuity.

Do not take away any deductible amount of undeducted purchase price (UPP).

If your pension or annuity has a deductible amount of UPP, you may be able to reduce the amount of pension or annuity that you will pay tax on. Read pages 40–1 and question **15** on pages 43–4 for further information.

If your pension or annuity never had a UPP, go to step 3. If your pension or annuity has or had a UPP, go to step 4 on the next page.

Net foreign pension or annuity WITHOUT an undeducted purchase price

STEP 3 Write the amount of your net taxable foreign pension or annuity without a UPP at **L** item **3**. Do not show cents. Your tax return will already have the correct code printed in the **CODE** box at item **3**. See example 1 on the next page.

EXAMPLE 1

Lucy receives a foreign pension. She had no deductible expenses in relation to this pension and her pension has no UPP entitlement. Each month's payments were converted into Australian dollars and paid into her bank account. To work out how much overseas pension she received, Lucy adds up the amounts paid in each month and finds they total $5,675.

Lucy fills in item **3** on her tax return like this:

3 Foreign source pension or annuity income

Net foreign pension or annuity income WITHOUT an undeducted purchase price **L** 5,675.00 CODE P BOX

Net foreign pension or annuity income WITH an undeducted purchase price **D** .00

Assessable foreign source income **E** 5,675.00

Net foreign pension or annuity WITH an undeducted purchase price

STEP 4 Write the amount of your net taxable foreign pension or annuity with a UPP at **D** item **3**. Do not show cents. See example 2 below.

EXAMPLE 2

Gino receives an Italian pension and incurred no deductible expenses. He has converted his pension income into Australian dollars, which totals $6,730.

Gino is also entitled to claim a UPP deduction at item **15**.

Gino fills in item **3** on his tax return like this:

3 Foreign source pension or annuity income

Net foreign pension or annuity income WITHOUT an undeducted purchase price **L** .00 CODE P BOX

Net foreign pension or annuity income WITH an undeducted purchase price **D** 6,730.00

Assessable foreign source income **E** 6,730.00

QUESTION 4

4 SALARY, WAGES, ALLOWANCES, EARNINGS ETC

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

- **payments for salary, wages, commissions, bonuses etc, including income earned from part-time and casual jobs**
- **allowances**
- **jury fees**
- **tips, gratuities and payments for your services, or**
- **consultation fees and payments for voluntary services?**

STOP

If:

- you received payment summaries other than the *PAYG payment summary—individual non business*, or
- you wish to claim any work-related expenses

you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to lodge your tax return.

- Show Commonwealth of Australia government pensions, allowances and payments at item **1**.
- Show other Australian pensions or annuities at item **2**.
- Show total reportable fringe benefits amounts at item **6**.

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

NO Go to question **5**.

YES Read on.

QUESTION ***Was tax withheld from your payments of salary or wages, allowances or other earnings?***

ANSWER If you had tax withheld from your payments of salary or wages, allowances or other earnings during 2003–04 your payer will send you a payment summary which shows you how much income you earned and the amount of tax you had withheld from your earnings.

NOTE

Employers are payers. Employees are payees.

Late, lost or wrong payment summaries

If your payer has not sent your payment summary to you, if the details on it are wrong or you have lost it, contact the payer and ask them for the original documents, a signed copy or a letter showing the correct details.

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

This statutory declaration identifies the categories of information you need to show on your tax return such as the period or periods of employment covered by your missing documents, the amounts of tax withheld and the amount of gross payments of salary or wages you earned.

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

NOTE

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

COMPLETING THIS ITEM

STEP 1 Write the total amount of tax withheld from payments of salary or wages, allowances or other earnings at the left of **C** item **4** on your tax return. Do not include any amounts already shown on your tax return.

STEP 2 Add up all your gross payments of salary or wages, allowances or other earnings. Do not include amounts already shown on your tax return. Include all allowances and earnings you received, whether or not they are shown on a payment summary.

STEP 3 Write the total at **C** item **4**. Do not show cents.

STEP 4 Attach to page 3 of your tax return the 'Payee's Tax Return Copy' of all your payment summaries, statutory declarations, letters or statements from your payers.

EXAMPLE

Ling worked part time in her daughter's clothing shop, earned $1,200 and had $300 tax withheld. She also volunteered to do the books of her grandson's pre-school for $150, based on $15 per hour. No tax was withheld from this payment.

Ling fills in item **4** on her tax return like this:

	Tax withheld—do not show cents	
4 Salary, wages, allowances, earnings etc.	300.00	**C** 1,350.~~00~~

QUESTION 5

5 TOTAL TAX WITHHELD

INCOME

COMPLETING THIS ITEM

STEP 1 Add up all the amounts in the tax withheld boxes at items **1**, **2** and **4** on your tax return.

STEP 2 Write the total amount at **$** item **5 TOTAL TAX WITHHELD** on your tax return. Go to question **6**.

5 TOTAL TAX WITHHELD	**$** ☐☐,☐☐☐.00	**Add up all the amounts in the tax withheld column— items 1, 2 and 4.**

NOTE

Do not include pay as you go (PAYG) instalment payments

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

To ensure you receive the correct amount of credit in your assessment make sure you lodge all of your activity statements before you lodge your tax return. You should lodge any outstanding activity statements even if you have paid your instalments, or had nothing to pay.

QUESTION 6
TOTAL REPORTABLE FRINGE BENEFITS AMOUNTS

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

NO Go to question **7**.

YES Read below.

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

Your employer has to keep records of the value of any fringe benefits given to you and/or your associate, but only needs to show the fringe benefits on your payment summary if their taxable value exceeds $1,000 in the fringe benefits tax (FBT) year (1 April 2003 to 31 March 2004).

However, your employer has to gross-up the taxable value of the fringe benefits for reporting purposes to ensure their value is consistent with other forms of income on your payment summary. As you do not pay income tax on fringe benefits, the grossed-up taxable value of a benefit reflects the gross salary that would have to be earned to purchase the benefit from after tax dollars. The highest marginal rate of income tax plus Medicare levy is used, so that a fringe benefit having a taxable value of $1,001 becomes **a reportable fringe benefits amount of** $1,943.

Therefore, if you have a reportable fringe benefits amount shown on your payment summary which is less than $1,943, you will need to check with your employer about the amount or the method of calculating the amount.

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

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

- Medicare levy surcharge
- superannuation contributions surcharge
- termination payments surcharge
- Super Co-contributions
- Higher Education Contribution Scheme repayments, and
- certain government benefits.

COMPLETING THIS ITEM

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

STEP 2 Write the total at **W** item **6** on your tax return. Do not show cents. Do not show an amount at **W** that is less than $1,943.

> **NOTE**
>
> You can also find more information in the fact sheets *Reportable fringe benefits—facts for employees* (NAT 2836—5.2004) and *Reportable fringe benefits—impacts on income tests for employees 2003–04* (NAT 3031—5.2004). These publications are available on the Tax Office website at **www.ato.gov.au** Or to find out how to get a printed copy, see the inside back cover.

QUESTION 7

7 GROSS INTEREST

INCOME

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

STOP

If you received, or are entitled to receive, distributions of interest from a partnership or trust—including a cash management trust, money market trust, mortgage trust, property trust, unit trust or any similar trust investment product, **you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to lodge your tax return.**

NO Go to question **8**.

YES Read below.

You need to include all the interest you received from:

- interest bearing accounts with banks, credit unions and building societies, such as savings and passbook accounts and cheque accounts, and
- term deposits or fixed deposits.

Include any interest you received from, or were credited with, by the Tax Office.

Deemed interest

We are only concerned with the interest you actually received or were credited with, not what Centrelink or the Department of Veterans' Affairs deems you to have received from your investments.

Children's and grandchildren's accounts

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

COMPLETING THIS ITEM

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

Remember to show only your share of any interest from joint accounts. Joint account interest is generally split equally between account holders. If it is not, keep a record to show how you worked out your share.

The gross interest amount you show at this item must include any tax file number (TFN) amounts. These are amounts of tax withheld by the financial institution because you did not quote your TFN to the institution. They will be shown in your passbook, statements or other financial records as Commonwealth tax or TFN withholding tax.

Do not deduct account keeping fees and charges from your gross interest amount. You may be able to claim these at item **12 Interest and dividend deductions**.

STEP 2 Write your gross interest at **L** item **7** on your tax return. Do not show cents.

STEP 3 Add up all the tax file number (TFN) amounts withheld from gross interest shown on your statement and take away any TFN amounts already refunded to you—these will also be shown on your statements or passbooks from banks or other financial institutions.

STEP 4 Write the answer from step 3 at **M** item **7**. **Remember to show cents.** This amount will be credited to you on your notice of assessment.

EXAMPLE

John's account was credited with $260 interest from the XYZ Bank. John and his wife, Helen, have a joint account at the STU Bank which credited the account with $130 interest. John has to show only half of this on his tax return.

John also opened an account at the Piggy Bank for his granddaughter, Jessica. This account was credited with $35 interest. John often uses the money in Jessica's account to help pay unexpected expenses. Because John is using the money in Jessica's account as if it belongs to him, he must include the interest from Jessica's account on his tax return.

John has given his TFN to each of the banks.

John calculates his bank interest like this:

BANK	INTEREST CREDITED
XYZ	$260
STU (half of the interest credited to the joint account)	$65
Piggy	$35
Total interest	**$360**

John fills in item **7** on his tax return like this:

7 Gross interest

Gross interest **L** 360.~~00~~

Tax file number amounts withheld from gross interest **M**

QUESTION 8

8 DIVIDENDS

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

STOP

If you:

- received, or are entitled to receive, dividends that are part of a distribution from any of the following trusts (check your distribution statement): cash management trust, money market trust, mortgage trust, unit trust or managed fund such as a property trust, share trust, equity trust, growth trust, imputation trust, balanced trust or similar trust investment product
- received distributions from a partnership, including a corporate limited partnership
- received deemed dividends from a private company, or
- received dividends from a foreign company, including dividends from a New Zealand company that have Australian franking credits attached

you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.

- Do not claim dividend expenses here. Claim them at item **12**.

NO Go to question **9**.

YES Read below.

WHAT DO YOU NEED TO SHOW AT THIS ITEM?

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

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

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

EXAMPLE 1

Jill received a dividend statement notifying her of a final dividend for the year ended 30 June 2003. The payment date shown on the dividend statement was 30 September 2003. Jill must include the amount of the dividend as well as any franking credits as part of her assessable income for the year ended 30 June 2004—on her 2003–04 tax return.

NOTE

Franking credits were formerly called imputation credits.

Dividends paid under a demerger are generally not assessable dividends. Do not show demerger dividends at this item unless you are advised by the company that it is an assessable dividend. You can find out more about demergers in the publication *You and your shares* (NAT 2632 – 6.2004). This publication is available on the Tax Office website at **www.ato.gov.au** Or to find out how to get a printed copy, see the inside back cover.

Imputation system

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

An amount equal to the franking credits attached to the dividends is included in the assessable income of the shareholder, who is then entitled to a franking tax offset equal to the amount included in their income. The franking tax offset will cover, or partly cover, the tax payable on the dividends.

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

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

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

- that part of the dividend where the shareholder has engaged in franking credit trading and failed to satisfy the holding period rule or the related payments rule
- dividends to the extent that a franking tax offset is denied because the shareholder has exceeded the small shareholder franking tax offset ceiling contained in the franking credit trading rules, or
- demerger dividends.

Franking credit trading—qualified persons

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

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

If you have failed the holding period rule and the related payments rule does not apply to you, you may still be entitled to a franking tax offset if you qualify for the small shareholder exemption. The small shareholder exemption imposes a maximum franking tax offset ceiling of $5,000 on all of your franking tax offset entitlements in a given year, whether received directly, or indirectly, through a trust or partnership—phone the Personal Tax Infoline (see the inside back cover) for more information.

If any of these measures are likely to affect you, read the publication *You and your shares*. This publication is available on the Tax Office website at **www.ato.gov.au** Or to find out how to get a printed copy, see the inside back cover.

> **NOTE**
> If you have a franking credit but would otherwise not have to lodge a tax return, see the information about franking credits under **Other reasons** on page 3. You may be able to use a shorter form included in the publication *Refund of franking credits instructions and application for individuals* to claim your franking credit.

QUESTION ***What are unfranked dividends?***

ANSWER Unfranked dividends are paid by an Australian resident company that has not already paid Australian company tax. If the dividend is unfranked, you are not entitled to a franking tax offset. The unfranked dividend is taxed in the same way as your other income and must be included in your assessable income at **S** item **8** on your tax return.

QUESTION ***What are franked dividends?***

ANSWER Franked dividends are said to carry franking credits, a credit for the tax paid by the company. Franked dividends can be either fully franked, meaning that the whole amount of the dividend carries franking credits or partly franked, meaning that only part of the amount of the dividend carries franking credits.

If you received a franked dividend from a resident company you must include the dividend amount in your assessable income at **T** item **8**.

You must also include any franking credit in your assessable income at **U** item **8**, so the correct amount of tax and Medicare levy can be calculated. The franking credit will be automatically allowed as a tax offset to reduce your tax or refunded to you where your franking tax offset entitlement exceeds your tax liability. However, you do not include any franking credit at U item **8** if you are not a qualified person because of the application of the holding period rule or the related payments rule or a breach of the small shareholder exemption.

For more information, see **Franking credit trading – qualified persons** on page 27, or read the publication *You and your shares*.

QUESTION ***What if you have not quoted your tax file number (TFN) to the investment body and you receive an unfranked dividend?***

ANSWER If you did not quote your TFN to your investment body for shares or units held, tax may have been withheld from any unfranked dividends at the highest rate plus the Medicare levy, a total of 48.5%.

If you had TFN amounts withheld from your unfranked dividends, these will be shown on your dividend statement. You can claim a credit for any TFN amounts withheld at V item **8**.

If you have received a refund of some or all of the TFN amounts withheld, you cannot claim a credit for these amounts.

The company, corporate unit trust or public trading trust that paid you the dividends or made the distributions will provide you with a statement.

The statement will show:

- the amount of unfranked and franked dividends you received
- the amount of franking credit—which the company has already worked out and allocated to the dividend or distribution, and
- the amount of tax withheld—called TFN amounts withheld—from unfranked dividends.

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

NOTE

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

COMPLETING THIS ITEM

STEP 1 Add up all unfranked dividend amounts—including any TFN amounts withheld—on your statements. Write the total amount at S item **8** on your tax return. Do not show cents.

STEP 2 Add up all franked dividend amounts on your statements. Write the total amount at T item **8**. Do not show cents.

NOTE

If your statement does not show the franked and unfranked portions of the dividend, include the total dividend amount at T item **8**.

STEP 3 Add up all allowable franking credit amounts on your statements—do not include any franking credits for which you are not entitled to a franking tax offset because of the application of the holding period rule or the related payments rule or a breach of the small shareholder exemption.

Write the total amount at U item **8**. Do not show cents.

STEP 4 Add up any TFN amounts withheld which have not been refunded to you.

Write the total amount at V item **8**. Remember to show cents. This amount will appear as a credit on your notice of assessment.

EXAMPLE 2

Yuan received dividends from MPG Ltd. His dividend statement showed $70 fully franked dividend and $30 franking credit.

Yuan also received dividends from HYY Ltd. His dividend statement showed $120 unfranked dividend.

Yuan also received dividends from HPT Ltd. He did not give the company his tax file number (TFN) and so his entitlement of $100 unfranked dividend had $48.50 in TFN amounts withheld.

On his working papers, Yuan adds up his income like this:

COMPANY	UNFRANKED	FRANKED	FRANKING CREDIT (formerly called 'imputation credit')	TFN AMOUNTS WITHHELD FROM DIVIDENDS
MPG Ltd		$70	$30	
HYY Ltd	$120			
HPT Ltd	$100			$48.50
Total	**S $220**	**T $70**	**U $30**	**V $48.50**

Yuan fills in item **8** on his tax return like this:

8 Dividends

Unfranked amount **S** 220.00

Franked amount **T** 70.00

Franking credit **U** 30.00

Tax file number amounts withheld from dividends **V** 48.50

RECORD KEEPING

Did you:

- purchase or inherit any shares
- receive any shares as part of a divorce settlement or as a gift or donation, or
- receive ownership interests under a demerger?

If your answer is yes, start keeping or updating your records now. Incomplete records could mean paying more tax when you dispose of your shares. If you need more information on record keeping and the assets that attract capital gains tax, these are explained in the *Guide to capital gains tax*. This publication is available on the Tax Office website at **www.ato.gov.au** Or to find out how to get a printed copy, see the inside back cover.

QUESTION 9

9 CAPITAL GAINS

STOP

If you received a distribution of a capital gain from a trust including a managed investment fund in 2003–04, **you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.**

A Did you make a capital gain or capital loss during the year?

You may have made a capital gain or capital loss if what is called a 'CGT event' happened to you in 2003–04. 'CGT' stands for capital gains tax. See the box at right for an explanation of 'CGT event'.

For most CGT events you have made a capital gain if the amount of money and property you received—or were entitled to receive—from the CGT event was more than the 'cost base' of your asset. You may have to pay tax on your capital gain.

For most CGT events you have made a capital loss if the amount of money and property you received—or were entitled to receive—from a CGT event was less than the 'reduced cost base' of your asset. You cannot deduct a capital loss from your income, but in most cases it can be used to reduce any capital gain you made in 2003–04.

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

NO Print **X** in the **NO** box at **G** item **9** on your tax return if:
- you did not have a capital gain or capital loss, or
- all of your capital gains or capital losses were disregarded. Go to **B** on page 32.

YES Print **X** in the **YES** box at **G** item **9** on your tax return if you had either a capital gain or a capital loss that was not disregarded. Go to **What you need** on the next page to work out your net capital gain or net capital loss.

NOTE

Any capital gains or capital losses you may have made from foreign sources are shown at this item. However, if foreign tax was paid on the foreign capital gain, **you cannot use *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return**.

CGT EVENTS

There is a wide range of CGT events. The most common CGT event happens if you sell or give away an asset.

Some typical assets are:
- real estate—for example, a holiday home or investment property
- shares
- collectables—for example, jewellery, and
- personal use assets.

Examples of other CGT events:
- An asset you own was lost or destroyed.
- You received an amount for entering into an agreement—for example, you agreed not to work in a particular industry for a set period of time.
- You entered into a conservation covenant over land that you own.
- You received a non–assessable payment from a company.

If you are unsure whether a CGT event happened to you in 2003–04, refer to **Appendix 1: Summary of CGT events** in the *Guide to capital gains tax* (NAT 4151—6.2004).

YOU NEED TO KNOW

Exceptions and exemptions

Generally speaking, you disregard a capital gain or capital loss:
- on an asset you acquired before 20 September 1985
- on cars, motorcycles and similar vehicles
- on compensation you received for personal injury
- on disposing of your main residence. This can change depending on how you came to own the residence, whether the residence is on more than two hectares of land and what you have done with it—for example, if you have rented it out, you may be liable to some tax when you sell it
- on a collectable—for example, an antique or jewellery—if you acquired it for $500 or less
- on a personal use asset—for example, items such as boats, furniture, electrical goods and household items used or kept mainly for personal use or enjoyment (if you acquired it for more than $10,000 you only disregard capital losses; if you acquired it for $10,000 or less you disregard both capital gains and capital losses)

- on the exchange of shares you own in a company that is taken over if certain conditions are met, and
- on shares in a company or interests in a trust where there has been a demerger and certain conditions have been met.

STOP

Do not show a 'listed investment company (LIC) capital gain amount' included in a dividend paid by a LIC at this item. Refer to question **12 Interest and dividend deductions**.

WHAT YOU NEED

- any amount of net capital losses from prior years—this is the amount at **V** at the capital gains item on your last year's tax return
- documents showing the dates you acquired any asset to which a capital gains tax (CGT) event happened, the date of the CGT event, and the date and amounts of any expenditure you incurred that form part of the cost base and reduced cost base of the asset or are taken into account in working out your capital gain or capital loss
- the *Guide to capital gains tax* explains how capital gains tax works and will help you to calculate your net capital gain or net capital loss for capital gains tax issues such as the sale of a rental property, vacant land, a holiday home, collectables (for example, jewellery), or personal use assets (for example, a boat you use for recreation); or real estate, shares or units you inherited or got from the breakdown of your marriage
- the *Personal investors guide to capital gains tax* (NAT 4152—6.2004) is a shorter and simpler publication which covers the sale or gift or other disposal of shares or units and non-assessable payments from companies or managed funds. It does not cover CGT consequences for bonus shares, shares acquired under an employee share scheme, bonus units, rights and options, and shares and units where a takeover or demerger has occurred—you will need to refer to *Guide to capital gains tax*
- the fact sheet *AMP Group demerger* (NAT 11101—6.2004) if you were a shareholder in AMP when it demerged its UK operations (HHG).

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

COMPLETING THIS QUESTION

STEP 1 Read the publication that is relevant to your circumstances and work out the amount of your capital gain or capital loss for each capital gains tax (CGT) event that occurred for the 2003–04 income year, and any CGT discounts.

STEP 2 Add up all your capital **gains** for the 2003–04 income year (except the ones that are disregarded) to work out your total current year capital gains. Do not apply capital losses or any CGT discounts yet. Write this amount at **H** item **9** on your tax return.

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

- capital losses from this year
- net capital losses from prior years, and
- any CGT discounts.

You must follow this order to get the correct result. The more detailed steps listed in the relevant publication will assist you (see **What you need** on this page).

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

If the amount remaining is positive, or zero write it at **A** item **9** on your tax return. Read RECORD KEEPING on page 32 and then go to question **10**.

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

NOTE

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

STEP 4 You have net capital losses that are carried forward to later income years—write the amount at **V** item **9** on your tax return. Read RECORD KEEPING on page 32 and then go to question **10**.

B Did you have a net capital loss before 2003–04 that you have not yet applied to reduce a capital gain?

Net capital losses from prior years can be applied to reduce capital gains in later income years.

NO If you answered **NO** to **A** and **B** go to question **10**.

YES Read below.

You have net capital losses from previous years that are carried forward to later income years—write the amount at **V** item **9** on your tax return.

RECORD KEEPING

Did you:

- purchase or inherit an asset
- receive an asset as part of a divorce settlement or as a gift or donation
- make improvements to a property
- receive ownership interests under a demerger?

If you answered yes, start keeping records now or start a CGT asset register. Incomplete records could mean paying more tax when you dispose of an asset. If you need more information on record keeping, this is explained in the *Guide to capital gains tax* and *Taxation Ruling TR 2002/10—Capital gains tax: asset register*.

QUESTION 10
TOTAL INCOME

You have now reached the end of the Income section.

Before adding up your amounts from items **1** to **9**, please note the following.

- The more common types of exempt income are listed on page 5.
- You must have shown all of your income for tax purposes—the *Taxpayer's declaration* on page 6 of your tax return will require you to sign that this is true. If you still have income that you have not included at any item and it is not exempt income, you will need to go back through the Income section and include it. If your type of income is not shown in *Retirees TaxPack 2004* you may need to use *TaxPack 2004*.

  See page 7 of *Retirees TaxPack 2004* for what's in *TaxPack 2004* and *TaxPack 2004 supplement*. If you are in any doubt, phone the Personal Tax Infoline (see the inside back cover).
- If you have not been able to complete one or more of items **1** to **9** because you do not have all the documents you need to work out the right amount, do not complete this section yet.

You have until 31 October 2004 to lodge your tax return unless it is prepared by a registered tax agent. However, as 31 October 2004 falls on a Sunday, you may lodge your tax return on 1 November 2004 without incurring a penalty.

You should not lodge your tax return until it is complete. If you think you are likely to be missing information on 1 November, ask the Tax Office if you can lodge at a later date. Information on page 11 tells you how.

COMPLETING THIS ITEM

STEP 1 Add up all the income amounts in the right-hand column of items **1** to **9** on your tax return.

STEP 2 Write your answer from step 1 at item **10 TOTAL INCOME** on your tax return.

Do not show cents.

QUESTION 11

11 SUBSCRIPTIONS

Did you have:

- **expenses for subscriptions to associations representing pensioners or self-funded retirees**
- **expenses for subscriptions to trade, business or professional associations?**

STOP

If you have any of the following work-related expenses: car, travel, clothing, laundry, self-education, books, journals and trade magazines, tools and equipment, computers and software, phone and home office expenses or other work-related expenses, **you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.**

NO Go to question **12**.

YES Read the next column.

Subscriptions to associations

You can claim as a deduction the full payment you make for membership of a trade, business or professional association that is directly related to the earning of your assessable income. You can also claim in full any debits tax charged on the payment.

You can claim up to $42 per annum in respect of each subscription you make for membership of a trade, business or professional association that is not directly related to the earning of your assessable income.

COMPLETING THIS ITEM

STEP 1 Add up all the expenses that you can claim at this item.

STEP 2 Write the total amount at **E** item **11** on your tax return. Do not show cents.

EXAMPLE

Jarrod is a retired nurse and receives income from a superannuation pension and investments. Jarrod pays an annual subscription of $55 to a retired nurses association. The association publishes a monthly newsletter to keep members up to date on changes to nursing standards and to tell them about other issues of interest. Because the subscription is not directly related to the earning of his assessable income, Jarrod can only claim a deduction of $42 for the subscription.

Jarrod fills in item **11** on his tax return like this:

11 Subscriptions

Deductions—do not show cents

E 42.00

QUESTION 12
INTEREST AND DIVIDEND DEDUCTIONS

Did you have any expenses that you can claim as deductions against assessable interest and dividend income, such as:
- **debits tax**
- **account keeping fees**
- **management fees**
- **interest charged on money borrowed to purchase shares**

or did you have a 'listed investment company (LIC) capital gain amount' included in a dividend received from an LIC?

You can claim a deduction against assessable interest and dividend income if you are able to show that expenses and any debits tax were incurred in earning that income.

NO Go to question **13**.

YES Read below.

DEDUCTIONS YOU CAN CLAIM AGAINST YOUR ASSESSABLE INTEREST AND DIVIDENDS

Debits tax

State governments charge debits tax for operating certain types of accounts held with financial institutions such as banks, building societies and credit unions. If debits tax was charged to your account, it will be shown on your statements or in your passbooks.

You can claim that part of debits tax charged on payments from your account where the payments are for deductible expenses which can be claimed at this item.

Account keeping fees

Some financial institutions charge account keeping fees. You can claim for these fees where the account is held for investment purposes—for example, a cash management account. You will find these fees listed on your statements or in your passbooks.

NOTE

If you are not the sole holder of an account you can only claim your share of fees, charges or any debits tax on the account—for example, where you hold an equal share in an account with your spouse, you can only claim half of any allowable debits tax paid on that account.

Other deductions

You can claim for interest incurred on money borrowed to purchase shares and other related investments from which you receive assessable interest or dividend income.

If the money you borrowed is used for both private and income-producing purposes, then the interest must be apportioned between each purpose. Only that interest incurred for an income-producing purpose is deductible.

You can claim for ongoing management fees, retainers and amounts paid for advice relating to changes in the mix of investment.

STOP

You cannot claim:
- a fee charged for drawing up an investment plan unless you are carrying on an investment business, or
- a fee paid to an investment adviser for drawing up an initial investment plan which includes pre-existing investments.

You may also be able to claim a portion of other costs—such as travel expenses, the cost of specialist investment journals or subscriptions, borrowing costs, the cost of internet access and a capital allowance for the decline in value of your computer—where these costs are incurred in managing your investments. For more information, read the publication *You and your shares* (NAT 2632—6.2004). This publication is available on the Tax Office website at **www.ato.gov.au** Or to find out how to get a printed copy, see the inside back cover.

Thin capitalisation

If you have debt deductions, such as interest, your claims may be affected by the thin capitalisation rules. These rules may apply if you are an Australian resident and you (or any associate entities) have certain overseas interests, or you are a foreign resident, and your debt deductions (combined with those of your associate entities) for 2003–04 are more than $250,000. More information is available from the Tax Office website at **www.ato.gov.au**

Deduction you can claim for 50% of a listed investment company (LIC) capital gain amount

If you were an Australian resident when you were paid a dividend by an LIC, and the dividend includes an LIC capital gain amount, you can claim a deduction of 50% of the LIC capital gain amount. The LIC capital gain amount will be shown separately on your dividend statement.

COMPLETING THIS ITEM

STEP 1 Add up all your interest and dividend deductions and 50% of any LIC capital gain amount.

STEP 2 Write the total amount at **I** item **12** on your tax return. Do not show cents.

EXAMPLE

Matthew has three investment accounts with the ABC Bank. He checks his statements and adds up the debits tax he has been charged on debits made for a deductible purpose such as amounts paid for advice relating to changes in the mix of investments. The debits tax adds up to $23.

Matthew fills in item **12** on his tax return like this:

12 Interest and dividend deductions **I** 23.~~00~~

QUESTION 13
GIFTS OR DONATIONS

Did you make a gift or donation of $2 or more to:

- **an eligible organisation such as:**
  - **certain organisations or charities which gave help in Australia**
  - **an approved overseas aid fund**
  - **a school building fund**
  - **an approved environmental or cultural organisation**

  which the Tax Office has endorsed as a deductible gift recipient or which is listed by name in the tax laws as a deductible gift recipient

or did you:

- **make an approved cultural bequest**
- **enter into a conservation covenant, or**
- **make a financial contribution of $2 or more to a registered political party?**

NO Read the information on pages 40–1.

YES Read below.

What you can claim

- The total amount you can claim for contributions to registered political parties is $100.
- You can claim donations made to prescribed private funds.

STOP

You cannot claim a deduction for a donation if you received something in return—for example, a pen or a raffle ticket. If you do not know whether you can claim a deduction, see if the information is on the receipt for your donation. If not, contact the organisation for confirmation. If you still do not know, phone the Personal Tax Infoline (see the inside back cover).

Gifts of money

You can claim a deduction for the amount of money you have donated to an eligible organisation. The Parliament is presently considering changes to the law to allow taxpayers to elect to spread the deduction for a donation of money made from 1 July 2003 over five income years or less. At the time of printing *Retirees TaxPack 2004*, these changes had not become law. If these proposed changes are likely to apply to you, ring the Non-profit Infoline on **1300 130 248** for further information.

Workplace-giving program

If you made donations during the year to an eligible organisation through your employer's payroll system (known as 'workplace giving'), you still need to record the total amount of your donations at this question.

Your payment summary or other form of advice from your employer, showing the donated amount, is sufficient evidence to support your claim for the deduction. You do not need to have a receipt from the deductible gift recipient(s).

NOTE

If you have been given more than one receipt or form of advice (for example, the charity you donate to and your employer have provided written confirmation of your donations), make sure you claim your donations only once.

Gifts of property

Under the general gift provisions you can claim a donation of property to an eligible organisation if the property was purchased during the 12 months before the gift was made. You claim the lesser of either the price you paid for it or the market value of the property at the time of the donation. This means that you cannot claim for the property if you did not purchase it—for example, you inherited or won the property (unless the property is valued at more than $5,000—see below).

You can also claim donations of property to certain funds, authorities and institutions if they are valued at more than $5,000. You must get a valuation certificate from the Australian Valuation Office (AVO) for property you purchased more than 12 months before making the donation or for property you did not purchase—for example, where you inherited or won the property. However, if the property was purchased within 12 months before making the donation, the amount deductible is the lesser of the market value of the property at the time of the donation and the amount paid for the property.

From 1 July 2002 you can elect to spread the deduction for a donation of property which is valued by the AVO at more than $5,000 over five income years or less. You need to make the election in writing before lodging your tax return, setting out the percentage of the deduction you will claim in each year. You may make the election using the form on page 39.

For more information about property valuations, phone the Australian Valuation Office (AVO) on **(08) 8217 9000**, fax **(08) 8212 6090** or email **philanthropy@avo.gov.au**

Cultural and environmental gifts

You can elect to spread the deduction for donations made under the Cultural Gifts Program and environmental and heritage gifts (valued by the AVO) over five income years or less. The election must be lodged with the relevant department before you lodge your tax return.

For more information about the Cultural Gifts Program and the election, phone the Department of Communications, Information Technology and the Arts on **(02) 6271 1643**, email **cgp.mail@dcita.gov.au** or visit its website at **www.dcita.gov.au/cgp**

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

If you enter into a conservation covenant over land you own on or after 1 July 2002, you may be entitled to claim a deduction if certain conditions are met. You can elect to spread the deduction over five years or less.

The covenant needs to be either approved in writing by the Minister for the Environment and Heritage or entered into under a program approved in writing by the Minister.

For more information, phone the Department of the Environment and Heritage on **(02) 6274 1111** and ask to speak to the relevant officer in the Natural Resource Management Policy Branch.

If you are an executor or administrator of an estate, you can claim a deduction in the donor's final individual tax return for a cultural bequest that was made under the Cultural Bequests Program. If the value of the bequest reduces the donor's taxable income to nil, any excess value can be claimed on the first tax return of the estate. You need a certificate of approval issued to the donor during the 1998, 1999 or 2000 income years by the Minister for Communications, Information Technology and the Arts.

COMPLETING THIS ITEM

STEP 1 Add up the amounts of your eligible gifts and donations.

STEP 2 Write the total at **J** item **13** on your tax return. Do not show cents.

EXAMPLE

Siva donated $5 to the Red Cross and was given a receipt. He gave $10 to the Royal Blind Society and in return received a pocket diary. Siva can claim only the $5 donation to the Red Cross.

Siva fills in item **13** on his tax return like this:

13 Gifts or donations J 5 .00

Spreading a deduction over five years for gifts of property valued by the Australian Valuation Office at more than $5,000.

You do not need to fill in the election if you wish to claim the full deduction amount in the year of the donation.

If you elect to spread your deduction, you give up the right to claim the full deduction amount in the year the donation was made.

If you make a donation in conjunction with other donors, and you elect to spread your share of the deduction, you must complete your own separate election and advise us of your percentage share in the donation.

An election can be varied at any time, but you can only vary the percentage that you can deduct in respect of income years for which an income tax return has not yet been lodged.

The election must:

- be made in writing, signed and dated
- be made before you lodge your tax return for the income year in which the donation of property was made
- state the percentage of the deduction you will claim in the income year the donation was made and for each year up to five years—the total of which cannot exceed 100% of the original deduction
- be kept for five years from the date you lodge your tax return with the claim for your last apportionment—do not attach it to your tax return or send it to us.

ELECTION TO SPREAD DEDUCTION FOR A GIFT OF PROPERTY

Does not cover cultural, environmental or heritage gifts

Name of donor:

Recipient fund, authority or institution:

Reference number from certificate of valuation:

Percentage ownership share (if given in conjunction with other individuals):

Date of donation:

/ /

Apportionment election/variation

Year 1	Year 2	Year 3	Year 4	Year 5
%	%	%	%	%

(**Note:** Ensure that your apportionment totals 100%.)

☐ This is my first election for this gift (or donation).

☐ This is a variation to a previous election.

(Tick the appropriate box.)

Signature:

Date: / /

INFORMATION

UNDEDUCTED PURCHASE PRICE (UPP)

Did you show income at item 2 or item 3 on your tax return?

NO Go to question **16**.

YES Read below.

If you showed income at item **2** or item **3** on your tax return, you may be able to reduce the amount of pension or annuity income on which you must pay tax. If your pension or annuity has a deductible amount of undeducted purchase price (UPP), you can claim the deductible amount at item **14** or item **15**.

STOP

Pensions from Centrelink and the Department of Veterans' Affairs do not have a deductible amount.

QUESTION ***What does UPP mean?***

ANSWER The UPP is the amount you contributed towards the purchase price of your pension or annuity for which you did not claim and were not eligible to claim a tax deduction under Australian taxation law. Each year, that part of your pension or annuity income that represents a return to you of your own personal contributions can be deducted from your taxable pension or annuity income. This tax-free part of your pension or annuity income is called the deductible amount of the UPP, and it is calculated by dividing the UPP of your pension by a life expectancy factor that applies to you, according to life expectancy statistics.

Your pension or annuity may have a UPP if:

- you receive a superannuation pension and you could not claim a tax deduction for some or all of the personal contributions you made to your superannuation fund or retirement savings account provider in previous years
- you receive a pension or annuity that reverted to you on the death of another person, or
- you receive a pension or annuity that you bought with your own capital.

If you know the deductible amount of your Australian pension or annuity, and provided you have not commuted any part of your pension, complete item **14**.

Where you have partly or fully commuted your pension to a lump sum then you will need to have your UPP recalculated.

If you do not know the deductible amount, go to **What if you do not know the undeducted purchase price (UPP) of your Australian pension or annuity?** below.

If you know the deductible amount of your foreign pension or annuity, and provided you have not commuted any part of your pension, complete item **15**. Where you have partly or fully commuted your pension to a lump sum then you will need to have your UPP recalculated. If you have a category A or category B widows pension from the British National Insurance Scheme; an old age, widows, widowers or orphans pension paid from the Sociale Verzekeringbank (SVB) under the Netherlands social insurance system; an Italian pension; or an age, premature age, invalid, disability, widowed persons or orphans pension paid from an Austrian superannuation insurance fund under one of the Austrian social insurance Acts—*Allgemeines Sozialversicherungsgesetz* (ASVG), *Gewerbliches Sozialversicherungsgesetz* (GSVG) or *Bauern-Sozialversicherungsgesetz* (BSVG)—complete item **15**.

If you do not know the deductible amount of your foreign pension, phone the Superannuation Infoline on **13 10 20**.

QUESTION ***What if you do not know the undeducted purchase price (UPP) of your Australian pension or annuity?***

ANSWER Usually, when you start to receive a pension, the pension provider will give you a copy of the details regarding your pension. In addition, each year your pension provider must give you a payment summary for the year, and most pension providers also give additional information with the payment summary. You may find the answers to many of the following questions in that additional information.

If you have not received these documents, cannot find them or your deductible amount is not shown, contact your pension provider. If they are unable to help you, the Tax Office will work it out for you.

All you need to do is sign and attach a SCHEDULE OF ADDITIONAL INFORMATION statement to page 3 of your tax return. Print **X** in the **YES** box at *Taxpayer's declaration* on page 6 of your tax return. Leave **L** item **14** blank.

Completing a schedule of additional information

Print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 14 on the top of a separate piece of paper and tell us your name, address, tax file number and the answers to the following questions.

1 What is your date of birth?
2 On what date did your pension or annuity first become payable? This is the first day of the first payment period of the pension or annuity. (Your pension provider can give you this information if you do not already have it.)
3 What is the name of the provider or company paying your pension or annuity?
4 If you are receiving a superannuation pension:
   (a) What amount did you personally contribute to your superannuation provider after 30 June 1983? Ask your superannuation provider for this figure.
   (b) For what part of this amount did you **not** get a tax deduction?
   (c) Have you rolled over any capital gains tax (CGT) exempt amounts to your superannuation provider? What is the amount?
5 If you are receiving a superannuation pension from a provider which has not paid tax on contributions received—such as some government funds—or your superannuation pension commenced before 1 July 1994, what amounts did you contribute towards your superannuation before 1 July 1983, for which you did not claim, and were not entitled to claim, a tax deduction or rebate? The Tax Office will insert this figure from information held if you do not have it.
6 If you are receiving an annuity or superannuation pension that you bought with one or more eligible termination payments (ETPs):
   (a) What amounts of each component of the ETP did you roll over into the annuity or superannuation pension? Examples are: undeducted contributions, CGT exempt amounts, concessional components, invalidity components, pre-July 1983 or post-June 1983 components. (Your pension or annuity provider can give you this information.)
   (b) Did you buy the superannuation pension or annuity you are now receiving with funds received solely from rolling over a previous superannuation pension or annuity? If so, when did you first start to receive payments under the previous superannuation pension or annuity?

> **NOTE**
> This information is important if you bought a pension or annuity on or after 1 July 1994, and the purchase price of the pension or annuity was derived wholly from funds received by rolling over a previous pension or annuity which had a starting date earlier than 1 July 1994.

7 If you are receiving an annuity that you bought with money other than as described in question 6 above, how much did you pay for the annuity?
8 Is the period for which you will be receiving the pension or annuity fixed?
   (a) If your answer is yes, how long is the period?
   (b) If your answer is no:
   - What are the conditions under which the payments are made?
   - Does your pension or annuity have a reversionary beneficiary—this is someone who will be entitled to receive all or part of your pension or annuity payments if you die? If so, what is the name and date of birth of this person?
   - If you are receiving your pension or annuity because it reverted to you upon the death of someone else, what is the name, date of birth and tax file number of the person who died?
   - On what date did the deceased person first receive the pension? Your pension provider may be able to provide you with this information.
9 If someone else is now entitled to a share of your pension or annuity, what is the percentage to which they are entitled?
10 When the pension or annuity stops, will an agreed lump sum—often called the residual capital value—become payable? If so, how much is this lump sum?

If you have fully or partially commuted your pension to a lump sum during the year, the answers to the above questions and the information in the ETP payment summary will be used to recalculate the deductible amount.

QUESTION 14

DEDUCTIBLE AMOUNT OF UPP OF AN AUSTRALIAN PENSION OR ANNUITY

Are you able to claim a deductible amount of undeducted purchase price (UPP) of your Australian pension or annuity?

STOP

You cannot claim a deductible amount of UPP for any Commonwealth of Australia Government pensions. These pensions include those shown at question **1**.

NO ☐ Go to question **15**.

YES ☐ Read the next column.

Before completing this item you must read the information on pages 40–1.

If you showed income from an Australian pension or annuity at item **2** on your tax return, you may be able to reduce the taxable amount of your pension or annuity income if it has a UPP.

COMPLETING THIS ITEM

Write the deductible amount of your UPP at **L** item **14** on your tax return. Do not show cents. This cannot be more than the pension or annuity to which it relates that you showed at item **2**.

If you had more than one Australian pension, write the total of all the deductible amounts of your UPP at **L** item **14**.

EXAMPLE

Pina receives a lifelong state superannuation pension. Last year she sent in a SCHEDULE OF ADDITIONAL INFORMATION with her tax return. The Tax Office advised her that the deductible amount of her UPP for a whole year was $732. Provided she receives a pension for the whole year and no part of the pension has been commuted to a lump sum, she can claim this amount every year as a UPP deduction.

Pina fills in item **14** on her tax return like this:

14 Deductible amount of undeducted purchase price of an Australian pension or annuity L 732.~~00~~

QUESTION 15

DEDUCTIBLE AMOUNT OF UPP OF A FOREIGN PENSION OR ANNUITY

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

NO	Go to question **16**.
YES	Read below.

Before completing this item you must read the information on pages 40–1.

NOTE

If you are claiming a deduction at this item, check that you have shown your foreign source pension or annuity income at **D** item **3** on your tax return.

If you showed income from a foreign pension or annuity at item **3** on your tax return, you may be able to reduce the taxable amount of your pension or annuity income if it has a UPP. Only some foreign pensions and annuities have a UPP.

QUESTION ***Can you claim a deduction for the UPP of your foreign pension?***

ANSWER You may be entitled to claim a deduction for the UPP of your foreign pension if you personally made payments into your superannuation scheme.

If you do not know the amount of UPP you are entitled to deduct, phone the Superannuation Infoline on **13 10 20**.

QUESTION ***Did you receive a British pension?***

ANSWER If you received a category A or a category B widows pension from the British National Insurance Scheme (BNIS), you are entitled to a UPP deduction. One method of calculating your UPP deduction is to multiply your BNIS pension (in Australian dollars) by 8%. This method is accepted by the Tax Office and generally results in the maximum deduction you are entitled to.

However, there is another method—the exact method. If you wish to find out about this method or you receive another type of British pension and you are not sure about a UPP entitlement, phone the Superannuation Infoline on **13 10 20**.

QUESTION ***Did you receive an old age, widows, widowers or orphans pension paid from the Sociale Verzekeringbank (SVB) under the Netherlands social insurance system?***

ANSWER If you received one of these pensions, you can claim a UPP deduction. If you can get all the necessary information to determine your UPP, claim the amount you have worked out. If you cannot, you can claim an annual UPP deduction equal to 25% of your gross pension payment.

QUESTION ***Did you receive an Italian pension?***

ANSWER If you received an Italian pension and have made payments to the pension scheme, you can claim a UPP deduction.

Each calendar year, the Italian authorities will send you an Article 17 letter.

This letter gives you an estimate of the amount of pension you will receive and the amount that you have contributed towards your pension.

If you are unable to work out your UPP deduction, attach a photocopy (front and back) of your 2003 and 2004 Article 17 letters to page 3 of your tax return and print **X** in the **YES** box at *Taxpayer's declaration* on page 6. We will work it out for you.

QUESTION ***Did you receive an age, premature age, invalid, disability, widowed persons or orphans pension paid by one of the Austrian social insurance Acts*—Allgemeines Sozialversicherungsgesetz *(ASVG),* Gewerbliches Sozialversicherungsgesetz *(GSVG) or* Bauern-Sozialversicherungsgesetz *(BSVG)?***

ANSWER If you received one of these pensions you can claim a UPP deduction. If you have evidence of actual contributions or actual monthly salary, or have received from the Austrian superannuation insurance fund a list of your insurance periods, attach a photocopy of the evidence to page 3 of your return. Print **X** in the **YES** box at *Taxpayer's declaration* on page 6. The Tax Office will calculate your UPP deduction for you. If you are not sure about your UPP entitlement, phone the Superannuation Infoline on **13 10 20**.

QUESTION *Did you receive a pension from another country?*

ANSWER If you think you are entitled to claim a UPP deduction for a foreign pension, other than a British, Dutch, Italian or Austrian pension, phone the Superannuation Infoline on **13 10 20**.

COMPLETING THIS ITEM

Write the deductible amount of your UPP at **Y** item **15** on your tax return.

Do not show cents.

EXAMPLE

Elizabeth received a British National Insurance Scheme category A pension of $6,700. Elizabeth can work out how much UPP deduction she can claim by multiplying her pension by 8%.

$\$6{,}700 \times \frac{8}{100} = \$536$

Elizabeth fills in item **15** on her tax return like this:

15 **Deductible amount of undeducted purchase price of an foreign pension or annuity** **Y** , 5 3 6 .~~00~~

QUESTION 16
COST OF MANAGING TAX AFFAIRS

Did you have expenses:

- **relating to managing your own tax affairs**
- **imposed by the Tax Office as a general interest charge (GIC)**
- **for complying with your legal obligations relating to another person's tax affairs?**

NO Go to question **17**.

YES Read below.

QUESTION ***What expenses can you claim?***

ANSWER Expenses incurred in managing your own tax affairs include those relating to:

- preparing and lodging your tax return and activity statements—for example:
  - buying tax reference material
  - lodging your tax return through a registered tax agent or the ***TAXPACKEXPRESS*** service
  - getting tax advice from a recognised tax adviser or dealing with the Tax Office about your tax affairs. You cannot claim for the cost of tax advice given by a person who is not a recognised tax adviser. A recognised tax adviser is a registered tax agent, barrister or solicitor. You cannot claim for the cost of tax advice given by other professionals, such as a financial planner who is not also a registered tax agent, barrister or solicitor.

> **NOTE**
> You can only claim fees paid to a registered tax agent for preparing or lodging your tax return if they were incurred in 2003–04. Generally, fees are incurred in the year in which they are paid.

- the cost of travel to the extent that it is associated with getting tax advice—for example, the travel costs of attending a meeting with a recognised tax adviser
- appealing to the Administrative Appeals Tribunal or courts, and
- getting a valuation needed for a deductible gift or donation of property or for a deduction for entering into a conservation covenant.

Expenses incurred as a general interest charge

The Tax Office imposes a GIC on late payments of taxes and penalties, and where an amendment to your assessment results in an increase in your tax liability.

If you have to, or have had to, pay a GIC to us in 2003–04, you can claim the expense at this item.

> **NOTE**
> Tax shortfall and other penalties for failing to meet your obligations are not deductible.

Expenses for complying with your legal obligations relating to another person's tax affairs include those relating to:

- complying with the pay as you go (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, and
- providing information requested by us about another taxpayer.

COMPLETING THIS ITEM

STEP 1 Add up the amounts of your expenses for managing your own tax affairs, any general interest charge you have incurred and any expenses for complying with your legal obligations relating to another person's tax affairs.

STEP 2 Write the total amount at **M** item **16** on your tax return. Do not show cents.

EXAMPLE

During 2003–04 Lester had a registered tax agent help him fill in his 2002–03 tax return. The tax agent charged $100. Lester can claim the tax agent's fee at this item.

Lester fills in item **16** on his tax return like this:

16 Cost of managing tax affairs M ,100.00

QUESTION 17
TOTAL DEDUCTIONS

Did you claim any deductions at items 11 to 16?

NO	Go to question **18**.
YES	Read below.

COMPLETING THIS ITEM

STEP 1 Add up all the amounts at items **11** to **16** on your tax return.

STEP 2 Write the total amount at item **17 TOTAL DEDUCTIONS**. Do not show cents.

Go to question **18**.

QUESTION 18
TAXABLE INCOME

COMPLETING THIS ITEM

STEP 1 If you did not have any deductions, transfer your total income amount from item **10** to item **18** on your tax return.

STEP 2 If you had deductions, take away your total deductions amount at item **17** from the total income amount at item **10**. This will give you your taxable income.

STEP 3 Write your answer at item **18 TAXABLE INCOME**. Do not show cents.

QUESTION ***Are you eligible for the low income tax offset?***

ANSWER If your taxable income is less than $27,475, you may get a tax offset.

The maximum tax offset of $235 applies if your taxable income is $21,600 or less. This amount is reduced by 4 cents for each dollar over $21,600.

You do not have to work out your tax offset. We will work it out for you from your taxable income details. The tax offset will be shown on your notice of assessment. If you want to work out your tax offset, go to page 89. **Do not write anything about this tax offset on your tax return.**

QUESTION 19

19 SPOUSE

Did you have a spouse—married or de facto?

STOP

If you maintained a child or a student, **you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.**

NO Go to question **20**.

YES Read the next column.

QUESTION ***Can you claim a dependent spouse tax offset?***

ANSWER You can claim a dependent spouse tax offset if you and your spouse—married or de facto—were Australian residents for tax purposes and you maintained your spouse for all or part of the income year. 'Maintained' means that:

- you and your spouse lived together, or
- you helped your spouse to pay living, medical, food and clothing expenses.

If you had a spouse for the whole year and your spouse worked for part of the year, you are still considered to have maintained your spouse—as a dependant—for the whole year.

You are considered to have maintained your spouse even if you were temporarily separated—for example, due to holidays. You are still considered to have maintained your spouse if they were away from Australia for a short time.

The maximum spouse tax offset is $1,535. You can only claim the maximum spouse tax offset if your spouse's separate net income (SNI) was $282 or less for the year.

The tax offset is reduced by $1 for every $4 of your spouse's SNI over $282.

You cannot claim a spouse tax offset if you and your spouse lived together for the whole year and your spouse's SNI was more than $6,421.

NOTE

If you are claiming the spouse tax offset you need to complete **Spouse details—married or de facto** on page 5 and **Your spouse's name** on page 1 of your tax return.

QUESTION ***What is separate net income (SNI)?***

ANSWER SNI is income and other specified amounts earned or received in 2003–04 by your spouse while you maintained them. It includes salary or wages, interest and dividend income, pensions (including exempt pensions listed on page 5), Department of Veterans' Affairs and most Centrelink payments and amounts included as assessable income under the capital gains tax provisions.

SNI also includes amounts on which tax is not payable. This includes some pensions, some scholarships and any maintenance payments your spouse received for their own support after divorce or separation.

SNI does not include:

- lump sum severance or retirement payments of a capital nature or as compensation payments for losing a job
- franking credits (formerly called 'imputation credits') attached to franked dividends
- maintenance paid to your spouse for support of their dependent children
- amounts received under the incentive payments scheme relating to certain private health insurance policies
- the Japanese internment compensation payments made under the *Compensation (Japanese Internments) Act 2001* or the *Veterans' Entitlements Act 1986*, and
- compensation payments received under the German Forced Labour Compensation Programme (GFLCP).

SNI earned by your spouse may reduce any tax offset you are entitled to claim.

Your spouse's SNI can be reduced by:

- any work-related expenses your spouse incurred in 2003–04 even if they did not lodge a tax return
- any deductions your spouse could claim against interest and dividend income
- any amount your spouse could claim on their 2003–04 tax return for the deductible amount of the undeducted purchase price of their pension or annuity, or
- any expenses your spouse incurred in 2003–04 for travel to and from work (even if they could not claim the expenses as a deduction).

Where any of the above expenses include car expenses, a calculation based on a rate per kilometre multiplied by the actual number of kilometres travelled is acceptable. For more information about the cents per kilometre method, see question **D1** in *TaxPack 2004*. If this method is used, the 5,000 kilometre limit does not apply for purposes of calculating the SNI of your dependant.

Your spouse does not need written evidence to formally prove expenses which reduce their SNI but they must be able to demonstrate that they actually incurred the relevant expenses.

Your spouse's SNI cannot be reduced by amounts paid by them for gifts, donations, tax agents' fees, tax withheld, superannuation contributions, or any tax losses brought forward from 2002–03 or earlier years.

Part-year tax offset

You may be entitled to claim a part-year tax offset if, during 2003–04, you and your spouse were Australian residents and:

- you married or entered into a de facto relationship
- you divorced or separated, or
- your spouse died.

Use the steps in the following example to work out your dependent spouse tax offset.

EXAMPLE

Barry and Jenny are married and lived together for the whole year. Jenny received a part pension of $4,350.

Barry can claim a spouse tax offset for Jenny as her total separate net income (SNI) was not more than $6,421.

Barry used the following calculation to work out the amount of dependent spouse tax offset he can claim.

HOW TO WORK OUT YOUR DEPENDENT SPOUSE TAX OFFSET

		Barry	Use these steps to work out your correct tax offset
STEP 1	Write your maximum allowable tax offset at (a). **Note:** If you had a spouse for only part of the year, multiply the number of days you had a spouse by $4.19 a day. Show this amount at (a).	$1,535 for the whole year or $4.19 a day (a) $1,535	(a) $
STEP 2	If your spouse's SNI was less than $286, write the amount from (a) at (f) step 6, then go to step 7. Otherwise go to step 3.		
STEP 3	If your spouse's SNI was $286 or more, write the amount at (b).	(b) $4,350	(b) $
STEP 4	SNI at which the tax offset begins to reduce	(c) $282	(c) $282
	Take (c) away from (b).	(d) $4,068	(d) $
STEP 5	Divide (d) by 4. If your amount includes cents, write only the whole dollar amount at (e).	(e) $1,017	(e) $
STEP 6	Take (e) away from (a). This is your allowable tax offset. You cannot claim a tax offset if the amount at (f) is equal to or less than '**0**'	(f) $518	(f) $
STEP 7	Write your allowable tax offset from (f) at **P** item **19** on your tax return.		

Barry fills in item **19** on his tax return like this:

19 Spouse—married or de facto

To claim the spouse tax offset you must also complete **Spouse details—married or de facto** on page 5 of your tax return.

Tax offsets—do not show cents

P $\square$, 5 1 8 .~~00~~

Barry also completes **Spouse details—married or de facto** on page 5 and **Your spouse's name** on page 1 of his tax return.

INFORMATION
ELIGIBILITY FOR THE SENIOR AUSTRALIANS TAX OFFSET

Eligibility for the Senior Australians tax offset depends on certain conditions.

These conditions relate to such factors as age, income and eligibility for Commonwealth of Australia government pensions and similar payments.

You must meet conditions **1**, **2**, **3** AND **4**.

CONDITION 1

On 30 June 2004 you were:

- a male aged 65 years or more, or a female aged 62.5 years or more

OR

- a male veteran or war widower aged 60 years or more, or a female veteran or war widow aged 57.5 years or more.

NOTE

To meet the 'veteran' pension age you must be a person who served in the Australian Defence Force, or the defence force of a Commonwealth or allied country, or an Australian or allied mariner and who is eligible for a pension, allowance or benefit under the *Veterans' Entitlements Act 1986*. This includes a disability pension, service pension, or a white or gold Repatriation Health Card for treatment entitlements.

To be a 'war widow' or 'war widower' you must be receiving a war widow's or war widower's pension from the Department of Veterans' Affairs (DVA) or receiving a foreign government pension of a similar nature to the Australian war widow's or war widower's pension.

If you are unsure if you have eligibility under the *Veterans' Entitlements Act 1986* or you qualify for the veteran pension age, visit the DVA website at **www.dva.gov.au** or phone DVA on **13 32 54**.

CONDITION 2

You received a Commonwealth of Australia government age pension or a pension or allowance from DVA at any time during the 2003–04 income year

OR

you did not receive a Commonwealth of Australia government **age pension** because you did not make a claim, or because of the application of the income test or the assets test **AND** you satisfy **one** of the following conditions:

- you have been an Australian resident for age pension purposes for either 10 continuous years, or more than 10 years, of which five years were continuous
- you have a qualifying residence exemption (arrived as refugee or under a special humanitarian program)
- you are a woman who was widowed in Australia (at a time when both you and your late partner were Australian residents) and you have 104 weeks residence immediately prior to the claim for age pension
- you received a widow B pension, widow allowance, mature age allowance or partner allowance immediately before turning age pension age, or
- you would qualify under an International Social Security Agreement

(If you need assistance in determining your eligibility for a social security or Centrelink pension only, phone Centrelink on **13 23 00**; for all other enquiries relating to the Senior Australians tax offset, phone the Tax Office directly on **13 28 61**.)

OR

you are a **veteran** with eligible war service or a Commonwealth veteran, allied veteran or allied mariner with qualifying service who is eligible for, but not receiving, a payment from DVA because you did not make a claim, or because of the application of the income test or the assets test. If you are not sure if you are eligible for a payment you can get further information from the DVA website or you can phone DVA.

CONDITION 3

You satisfy the income threshold that applies to you:

- You did not have a spouse—married or de facto—and your taxable income was **less than** $38,340.
- You did have a spouse—married or de facto—and the combined taxable income of you and your spouse was **less than** $59,244.
- You did have a spouse—married or de facto—and the combined taxable income of you and your spouse, where you 'had to live apart due to illness' or either of you was in a nursing home at any time in 2003–04, was **less than** $71,406.

The threshold amounts shown above relate to determining your eligibility for the Senior Australians tax offset—they are not tax-free thresholds.

NOTE

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

CONDITION 4

You were not in prison for the whole income year.

If you meet all the conditions 1, 2, 3 and 4 described above, you are **eligible** for the Senior Australians tax offset. Being 'eligible' does not mean you will be automatically **entitled** to get an amount of Senior Australians tax offset. Your own taxable income is used to work out the amount of your Senior Australians tax offset. The combined income amounts in condition **3** are used for eligibility purposes and not for working out the amount of your entitlement.

Now that you have read these conditions, return to **Do you need to lodge a 2004 tax return?** on page 3.

You must also read question **20** on pages 53–5 and complete item **20** on your tax return.

QUESTION 20
SENIOR AUSTRALIANS

Are you eligible for the Senior Australians tax offset?

NOTE
If you are unsure, pages 51–2 provide information on eligibility for this tax offset. If you have a spouse, you will also need to work out if your spouse is eligible.

NO Go to question **21**.

YES Read below.

COMPLETING THIS ITEM

STEP 1 Find the tax offset code letter that applies to your circumstances from the **TAX OFFSET CODE LETTERS** table below. This code letter tells us the amount of tax offset your entitlement will be based on.

TAX OFFSET CODE LETTERS	
If at any time during 2003–04, you were single, separated or widowed	A
If you and your spouse—married or de facto—'had to live apart due to illness' or either of you was in a nursing home at any time in 2003–04 and you are both eligible for the Senior Australians tax offset	B
If you and your spouse—married or de facto—'had to live apart due to illness' or either of you was in a nursing home at any time in 2003–04 but your spouse is **not** eligible for the Senior Australians tax offset	C
If you and your spouse—married or de facto—were living together and you are both eligible for the Senior Australians tax offset	D
If you and your spouse—married or de facto—were living together but your spouse is **not** eligible for the Senior Australians tax offset	E

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

If more than one code letter applies to you, read on. Otherwise, go to step 2.

Select the letter that appears first in the following order: **A**, **B**, **C**, **D**, **E**. For example, if both **B** and **D** apply to you, select **B**.

Exceptions to this rule:

- If both **A** and **B** apply to you and your spouse's taxable income was less than $16,883, select **B** as this gives you the correct tax offset. (Include in your spouse's taxable income any net income of a trust estate to which your spouse is presently entitled and on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936*.)
- If both **A** and **C** apply to you, your spouse received a Commonwealth pension or allowance as listed at question **1** and your spouse's taxable income was less than $15,365, select **C** as this gives you the correct tax offset.
- If both **A** and **D** apply to you and your spouse's taxable income was less than $11,730, select **D** as this gives you the correct tax offset. (Include in your spouse's taxable income any net income of a trust estate to which your spouse is presently entitled and on which the trustee is assessed under section 98 of the Act.)
- If both **A** and **E** apply to you, your spouse received a Commonwealth pension or allowance as listed at question **1** and your spouse's taxable income was less than $10,683, select **E** as this gives you the correct tax offset.

STEP 2 Print your code letter from the table on this page in the **TAX OFFSET CODE** box at the right of **N** item **20** on page 3 of your tax return.

> **NOTE**
> If you do not print a code letter on your tax return or you print an incorrect code letter, you may not receive your correct entitlement.

STEP 3 If you or your spouse is a veteran, war widow or war widower (see definition in the NOTE on page 51), read on. Otherwise go to step 4.

From the following list select the veteran code that applies to your circumstances:

- you are a veteran, war widow or war widower **V**
- your spouse is a veteran, war widow or war widower **W**
- if both **V** and **W** apply to you **X**

Print your veteran code in the **VETERAN CODE** box at **Y** item **20** on page 3 of your tax return.

STEP 4 Have you used **tax offset code** (not veteran code) **B**, **C**, **D** or **E**? If so, you must complete **Spouse details—married or de facto** on page 5 of your tax return. Provide relevant details **including**:

- your spouse's date of birth at **K**
- your spouse's taxable income at **O**—if this amount is zero, write '**0**'
- your spouse's share of trust income on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936*, if it is not already included in your spouse's taxable income, at **T**—if this amount is zero, write '**0**'
- your spouse's Commonwealth government pension income at **P**—if this amount is zero, write '**0**', and
- your spouse's exempt pension income at **Q**—if this amount is zero, write '**0**'.

Remember to complete **Your spouse's name** on page 1 of your tax return.

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

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

EXAMPLE

Sonya is married to Russell and they have lived together for the whole income year. Russell—who is a veteran—has received a service pension. Sonya's taxable income is $17,500 and Russell's is $8,300. They are both over pension age and their combined taxable income is less than $59,244. They are both eligible for the Senior Australians tax offset.

Sonya writes tax offset code letter **D** at **N** item **20** on her tax return. Sonya also writes veteran code letter **W** at **Y** item **20** on her tax return.

Sonya completes **Spouse details—married or de facto** on page 5 of her tax return, so any tax offset that Russell does not use will be automatically transferred to Sonya to be taken into account when her tax offset is calculated. She also completes **Your spouse's name** on page 1 of her tax return.

CHECK THAT YOU HAVE...

- ☐ written your tax offset code letter at **N** item **20**
- ☐ if required, written your veteran code at **Y** item **20**
- ☐ written the relevant amounts at **O**, **P**, **T** and **Q** **Spouse details—married or de facto** on page 5 of your tax return
- ☐ written your date of birth and your spouse's name on page 1 of your tax return.

> **NOTE**
>
> If you printed a tax offset code letter and a veteran code letter (if applicable) at item **20** on your tax return, go to question **22**. **DO NOT** complete question **21 Pensioner**.

DO YOU WANT TO WORK OUT YOUR TAX OFFSET?

You do not have to work out your tax offset. We will work it out for you from your taxable income details and your tax offset code letter and your veteran code letter (if applicable). Make sure you print your code letter(s) at item **20** on page 3 of your tax return. If you do want to work out your tax offset, go to pages 89–90.

QUESTION 21
PENSIONER

Did you show any income at question 1?
(See page 14.)

NO ☐ Go to question **22**.

YES ☐ Read below.

Have you already claimed an offset at question 20?

NO ☐ Read below.

YES ☐ Go to question **22**.

COMPLETING THIS ITEM

STEP 1 Work through the **TAX OFFSET CODE LETTERS** table below and find the tax offset code letter that applies to your circumstances.

TAX OFFSET CODE LETTERS	
If at any time during 2003–04 while you were receiving a Commonwealth of Australia government pension or allowance listed at question **1**:	
■ you were single, widowed or separated	**S**
■ you and your spouse—married or de facto—lived together	**P**
■ you and your spouse—married or de facto—had to live apart due to illness or either of you was in a nursing home	**I**
Where more than one code letter applies:	
■ If both **P** and **I** apply to you, select **I**.	
■ If **S**, **P** and **I** all apply to you, select **J***.	
■ If both **S** and **I** apply to you, select **J***.	
■ If both **S** and **P** apply to you, select **Q***.	

* Tax offset codes **J** and **Q** are used to calculate correct entitlements in certain situations where more than one tax offset code applies.

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

STEP 2 Print your tax offset code letter in the **TAX OFFSET CODE** box at the right of **O** item **21** on your tax return.

NOTE
If you do not print a code letter on your tax return or you print an incorrect code letter, you may not receive your correct entitlement.

STEP 3 If you or your spouse is a veteran, war widow or war widower (see definition in the NOTE on page 51), read on. Otherwise go to step 5.

From the following list, select the veteran code that applies to your circumstances:

- you are a veteran, war widow or war widower **V**
- your spouse is a veteran, war widow or war widower **W**
- if both **V** and **W** apply to you **X**

STEP 4 Print your veteran code in the **VETERAN CODE** box at **T** item **21** on your tax return.

STEP 5 If you have used tax offset code (not veteran code) letter **S**, go to **Do you want to work out your tax offset?** on the next page.

If your tax offset code letter is **P**, **Q**, **I** or **J** you must complete **Spouse details—married or de facto** on page 5 of your tax return. Provide relevant details including:

- your spouse's date of birth at **K**
- your spouse's taxable income at **O**—if this amount is zero, write '**0**'
- your spouse's share of trust income on which the trustee is assessed under section 98 of the *Income Tax Assessment Act 1936*, if it is not already included in your spouse's taxable income, at **T**—if this amount is zero, write '**0**'

- your spouse's government pensions, shown at **P**—if this amount is zero, write '**0**', and
- your spouse's exempt pension at **Q**—if this amount is zero, write '**0**'.

You must also complete **Your spouse's name** on page 1 of your tax return.

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

NOTE

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

EXAMPLE

Faye is not a veteran and lives with her husband who is a veteran. Faye receives a partner service pension in addition to other income. Faye is not eligible for the Senior Australians tax offset as she is not yet age pension age.

Faye fills in item **21** on her tax return like this:

21 Pensioner

If you completed **question 20 Senior Australians** above **DO NOT** complete this question.

If you had a spouse during 2003–04 you must also complete **Spouse details—married or de facto** on page 5 of your tax return.

The Tax Office will work out this tax offset amount. Print your code letter in the **TAX OFFSET CODE** box. Read pages 56–7 in *Retirees TaxPack 2004*.

TAX OFFSET CODE **O** P

VETERAN CODE **T** W

QUESTION ***Do you want to work out your tax offset?***

ANSWER You do not have to work out your tax offset. We will work it out for you from your taxable income details and your tax offset code letter and your veteran code letter (if applicable). Make sure you print your code letter(s) at item **21** on page 3 of your tax return.

If you do want to work out your tax offset, go to pages 89–90.

QUESTION 22

22 SUPERANNUATION ANNUITY AND PENSION

Did you receive income from an Australian superannuation annuity or pension?

NO Go to question **23**.

YES Read below.

You may be entitled to a tax offset equal to 15% of all or part of your taxable superannuation or pension income.

QUESTION ***How do you know if your annuity or pension qualifies for a tax offset?***

ANSWER Your superannuation annuity or pension statement or original superannuation fund documents will tell you if your annuity or pension qualifies for a tax offset. Your statement or documents will show you how much of your annuity or pension is eligible for the tax offset. If you cannot find your documents or are not sure whether you can claim a tax offset, contact your superannuation provider.

Before working out your Australian annuity or pension tax offset, you will need:

- any deductible amount from item **14** on your tax return
- to find out the rebatable proportion. The rebatable proportion is the part of your annuity or pension that may be eligible for the pension tax offset. It may be one, less than one, or zero and depends on the type and amount of annuity or pension. The rebatable proportion is determined by the Tax Office by measuring your pension or annuity against your reasonable benefit limit (RBL).

  The rebatable proportion will be one unless you are issued with an RBL determination stating otherwise or you are receiving a pension that was previously payable to someone who has died and an RBL determination was issued for the pension when it originally commenced showing a rebatable proportion of less than one. Phone the Superannuation Infoline on **13 10 20** if you need assistance.

How to work out your annuity or pension tax offset

(a) Work through steps 1 to 4 below if:
- you were 55 years of age before 1 July 2003
- you turned 55 years of age on or after 1 July 2003 and your pension started on or after your 55th birthday, or
- you are receiving a death or disability pension at any age.

(b) Work through steps 1 to 9 on page 59 if:
- you turned 55 years of age on or after 1 July 2003 and your pension started before your 55th birthday.

COMPLETING THIS ITEM

If you are in one of the categories described at (a) above, work through the steps below. See example 1 on the next page.

STEP 1 Take away any deductible amount at item **14** from that part of your annuity or pension which is eligible for the tax offset.

STEP 2 Multiply the answer from step 1 by the rebatable proportion of your annuity or pension.

STEP 3 Work out 15% of the answer you got at step 2. This is your tax offset.

STEP 4 Write your annuity or pension tax offset at **S** item **22** on your tax return. Do not show cents.

You have now completed this item. Go to question **23**.

EXAMPLE 1

Tom, who turned 55 years old on 28 March 2003, received a $17,300 annuity which had a deductible amount of $12,000 in 2003–04. Tom used the following calculation to work out his tax offset:

		Your calculations
Amount of his annuity	$17,300	$
Less his deductible amount	$12,000	$
Equals	$5,300	$
Multiplied by the rebatable proportion—in Tom's case, that is 1—equals	$5,300	$
Multiplied by 15% (15 ÷ 100)		
Equals	$795	$

Tom fills in item **22** on his tax return like this:

22 Superannuation annuity and pension S ,795.~~00~~

If you are in category (b)—you turned 55 years of age on or after 1 July 2003 and your pension started before your 55th birthday, work through the steps below. See example 2 on the next page.

STEP 1 Work out the amount of your annuity or pension that was paid to you on or after your 55th birthday.

STEP 2 Work out the number of days from your 55th birthday to 30 June 2004.

STEP 3 Work out the number of days from the day your annuity or pension started to 30 June 2004. If it started before 1 July 2003, use 366 days.

STEP 4 Divide the number of days at step 2 by the number of days at step 3.

STEP 5 Multiply any deductible amount from item **14** by the answer you got at step 4.

STEP 6 Take away the answer you got at step 5 from the answer at step 1.

STEP 7 Multiply the answer you got at step 6 by the rebatable proportion of your annuity or pension. This proportion will be one unless you are issued with a reasonable benefit limit determination stating otherwise.

STEP 8 Work out 15% of the answer you got at step 7. This is your annuity or pension tax offset.

STEP 9 Write your annuity or pension tax offset at **S** item **22** on your tax return. Do not show cents.

EXAMPLE 2

Rebecca, who turned 55 years old on 21 September 2003, received a $15,250 annuity which was first paid on 1 August 2003 and which had a deductible amount of $10,350 in 2003–04. Rebecca used the following calculation to work out her tax offset:

			Your calculations
1.	Amount of her annuity	$15,250	$
2.	Number of days from 21 September 2003 to 30 June 2004	284	
3.	Number of days from 1 August 2003 to 30 June 2004	335	
4.	Divide step 2 by step 3	0.85	
5.	Multiply deductible amount ($10,350) by answer at step 4 —equals	$8,797	$
6.	Deduct step 5 from step 1—equals	$6,453	$
7.	Multiplied by the rebatable proportion—in Rebecca's case, that is 1—equals	$6,453	$
8.	Multiplied by 15% (15 ÷ 100)	$968	$

Rebecca fills in item **22** on her tax return like this:

22 Superannuation annuity and pension S ,968.00

QUESTION 23
30% PRIVATE HEALTH INSURANCE

Did you pay the premium, or did your employer pay the premium for you, for an appropriate private health insurance policy?

An ‘appropriate private health insurance policy’ is one provided by a registered health fund for **hospital**, **ancillary**—also known as Extras—or **combined hospital and ancillary** cover where every person covered by the policy is a person who is eligible to claim benefits under the Medicare system. Not all health funds are registered. If you are not sure whether your health fund is registered, contact your health fund or visit the Private Health Insurance Administration Council website at **www.phiac.gov.au**

NO Go to question **24**.

YES Read below.

Did you receive your full entitlement to the 30% private health insurance rebate from your health fund or Medicare?

NO Read below.

YES Go to question **24**.

QUESTION ***What is the 30% private health insurance rebate?***

ANSWER The private health insurance rebate is 30% of the premium paid to a registered health fund for appropriate private health insurance cover. The rebate is not affected by your level of income.

The rebate can be claimed as:

- a reduction in your private health insurance premium through the health fund
- a cash or cheque rebate from Medicare
- a refundable tax offset at the end of the income year through your tax return, or
- a combination of all the options.

If you received your **full entitlement** from your health fund by way of premium reduction or payment from Medicare you **cannot** claim the rebate on your tax return. The statement you receive from your health fund will advise you if you have already taken your full entitlement by premium reduction.

QUESTION ***Are you eligible for the 30% private health insurance rebate?***

ANSWER You are eligible to claim the rebate if you have paid, or your employer has paid for you, the premium for an appropriate private health insurance policy. If two people made payments for the same policy—for example, you made payments from a joint bank account—each person can claim 30% of the proportion they paid.

QUESTION ***How does the rebate work?***

ANSWER The rebate is on the premium you paid, or your employer has paid for you, for appropriate health insurance cover including payments made for cover for more than one income year—you work out your entitlement at 30% of the premium paid.

If you had this policy in operation before 1 January 1999 you may be entitled to a higher amount under the Private Health Insurance Incentive Scheme (old incentive scheme). The statement you receive from your health fund will advise you if you have an eligible policy under the old incentive scheme by showing the amount you may be able to claim in the relevant box.

If your health fund statement shows an amount in the box for ‘Private Health Insurance Incentive amount (subject to income tests)—label **G**’ (this is the amount under the old incentive scheme) which is greater than the amount in the box for ‘30% Rebate on Private Health Insurance Incentive amount—label **G**’, then you may be eligible to claim the higher amount. If you want to know more about calculating the Private Health Insurance Incentive amount or how to complete this item if you are claiming the higher amount under the old incentive scheme, you will need to view the instructions for completing this item which are available at **www.ato.gov.au** or phone the Personal Tax Infoline (see the inside back cover).

QUESTION ***Do you need a statement from your health fund to claim the rebate?***

ANSWER Your health fund should have sent you a statement showing the premium you have paid and the amount of premium reductions you have received. If you have more than one policy and you paid a premium for more than one policy, you should have received a statement for each policy.

If you did not receive a statement for one or more of your policies you should contact your health fund or you may be able to work out your entitlement at step 2 on this page.

COMPLETING THIS ITEM

If you have more than one policy you will need to work through the steps below for each policy.

To complete this item you may need:

- your private health insurance statement, and
- the amount of any cash or cheque rebate received from Medicare for your private health insurance. Go to step 1.

If you did not receive a statement you may also need:

- the amount of the premiums
- the number of days covered by private health insurance, and
- the amount of premium reduction received from your health fund. Go to step 2.

STEP 1 Where you have a statement for your policy

If you have a statement you can claim the amount shown at **G** under '30% Rebate on Private Health Insurance Incentive amount' on your statement, less any cash or cheque rebate you have received from Medicare for your private health insurance. Use WORKSHEET 1 to work out your entitlement.

WORKSHEET 1

Amount shown at **G** on your statement	(a)	$
Amount of any cash or cheque rebate you have received from Medicare for your private health insurance	(b)	$
Take (b) away from (a).	(c)	$

If you have one or more policies with a statement and the amount for each policy at (c) is '0' or a negative amount you have already received your full entitlement.

If you have only one policy and the amount at (c) is positive, it is the tax offset that you are eligible to claim at **G** item **23** on your tax return. Do not include cents. Go to step 4 on page 63.

If you have more than one policy and you have statements for all of them, add up the amounts at (c). The total is the tax offset that you are eligible to claim. Do not include cents. Go to step 4 on page 63.

If you also have a policy for which you do not have a statement, go to step 2.

STEP 2 Where you do NOT have a statement for your policy

If you do not have a statement you need to use WORKSHEET 2 to help you calculate your tax offset entitlement.

WORKSHEET 2
CALCULATING THE 30% AMOUNT

Total premiums paid during the year for the policy*	(d)	$
Multiply (d) by 30.	(e)	$
Divide (e) by 100.	(f)	$
Your premium reduction amount from your health fund—if any	(g)	$
Take (g) away from (f).	(h)	$
Amount of any cash or cheque rebate you have received from Medicare for your private health insurance	(i)	$
Take (i) away from (h).	(j)	$

* This is the total amount of premiums before any premium reduction or any cash or cheque rebate you have received from Medicare.

The amount at (j) is what you are entitled to claim. If (j) is '**0**' or a negative amount you have already received your full entitlement for that policy. However, if you have additional policies without a statement repeat step 2 for each policy.

If you have more than one policy without a statement, add up the amounts at (j) (ignoring any negative amounts). The total is the tax offset you are eligible to claim. Do not include cents. Go to step 3. If (j) is '**0**' you have already received your full entitlement.

If you only have policies for which you do not have a statement, go to step 4. If you have a combination of policies with and without a statement, go to step 3.

STEP 3 Where you have policies with and without a statement

Add the (c) amount(s) you have worked out in WORKSHEET 1 and the (j) amount(s) you have worked out in WORKSHEET 2 for each policy. This is the amount of tax offset that you are eligible to claim.

STEP 4 Write the amount of tax offset that you are eligible to claim at **G** item **23** on your tax return. Do not show cents. Go to step 5.

STEP 5 Complete **Private health insurance policy details** on page 4 of your tax return—see pages 67–8 for how to complete these details.

The following example demonstrates how to work out your tax offset entitlement.

EXAMPLE

Graham had a private health insurance policy which provided him with combined hospital and ancillary cover during the 2003–04 income year. He paid $1200 for this policy.

He did not receive a statement from his private health fund.

Graham did not receive a reduced premium or any cash or cheque rebate from Medicare.

Graham uses WORKSHEET 2 to calculate his tax offset.

Total premiums paid during the year for the policy	(d)	$1,200
Multiply (d) by 30.	(e)	$36,000
Divide (e) by 100.	(f)	$360
Your premium reduction amount from your health fund—if any	(g)	$0
Take (g) away from (f).	(h)	$360
Amount of any cash or cheque rebate you have received from Medicare for your private health insurance	(i)	$0
Take (i) away from (h).	(j)	$360

Graham fills in item **23** on his tax return like this:

23 30% private health insurance

Amount of refundable tax offset not previously claimed by way of reduced private health insurance premiums **G** , 3 6 0 .00

QUESTION 24

20% TAX OFFSET ON NET MEDICAL EXPENSES OVER THE THRESHOLD AMOUNT

Did you have net medical expenses over $1,500 in 2003–04?

Medical expenses do not include contributions to a private health fund, travel or accommodation expenses associated with medical treatment or inoculations for overseas travel.

STOP

If you paid medical expenses for a dependant other than a spouse, **you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.**

NO Go to question **25**.

YES Read below.

QUESTION ***What are net medical expenses?***

ANSWER Net medical expenses are medical expenses you have paid less any refunds you received, or are entitled to receive, from Medicare or a private health fund.

The medical expenses can be for:

- you, or
- your spouse—married or de facto—regardless of their income.

You and your spouse must be Australian residents for tax purposes.

What you can claim

You can claim a tax offset of 20%—20 cents in the dollar—of your net medical expenses over $1,500. There is no upper limit on the amount you can claim.

You can claim medical expenses paid while travelling overseas. You can claim expenses relating to an illness or operation paid to legally qualified doctors, nurses or chemists and public or private hospitals.

Medical expenses which qualify for the tax offset include payments for:

- dentists, orthodontists or registered dental mechanics
- opticians or optometrists, including the cost of prescription spectacles or contact lenses
- a carer who looks after a person who is blind or permanently confined to a bed or wheelchair
- therapeutic treatment at the direction of a doctor
- medical aids prescribed by a doctor
- artificial limbs or eyes and hearing aids
- keeping a trained working guide dog, and
- cosmetic surgery.

Expenses which **do not** qualify for the tax offset include payments made for:

- inoculations for overseas travel
- non-prescribed vitamins or health foods
- travel or accommodation expenses associated with medical treatment
- chemist-type items such as tablets for pain relief purchased at retail outlets or health food stores
- therapeutic treatment if the patient is not formally referred by a doctor—a mere suggestion or recommendation by a doctor to a patient is not enough; the patient must be referred to a particular person for specific treatment
- contributions to a private health fund
- purchases from a chemist that are not related to an illness or operation
- ambulance charges and subscriptions, and
- funeral expenses.

Nursing home (residential aged care facility) expenses

You can also claim some payments made to a nursing home or hostel—not a retirement home. Since 1 October 1997, payments made to an **approved care provider** for care received by an **approved recipient** of residential aged care qualify for the net medical expenses tax offset. When the care recipient has been assessed as needing care at levels 1 to 7, payments towards residential aged care qualify for the tax offset. If the care recipient does not meet this requirement, but is subsequently reassessed as satisfying it, they would be able to claim a tax offset for qualifying payments made from the date the new classification took effect.

If you are not sure which level of care you (or the care recipient you are claiming an expense for) have been assessed as requiring, please contact the nursing home or hostel.

The tax offset does not cover payments made for aged care by:

- people who were residents of a hostel before 1 October 1997 and who did not have a personal care subsidy or a respite care subsidy paid on their behalf at the personal care subsidy rate by the Commonwealth (unless they have subsequently been reassessed as requiring care at levels 1 to 7), or
- people entering aged care on and from 1 October 1997 who have been assessed as requiring level 8 care.

Residential aged care expenses which qualify for the tax offset include:

- daily fees
- income tested daily fees
- extra service fees, and
- accommodation charges, periodic payments of accommodation bonds or amounts drawn from accommodation bonds paid as a lump sum.

Payments which DO NOT qualify for the tax offset include:

- lump sum payments of accommodation bonds, and
- interest derived by care providers from the investment of accommodation bonds.

COMPLETING THIS ITEM

STEP 1 Add up all your allowable medical expenses. Take away from this total all of the refunds you have received or are entitled to receive. This will give you your net medical expenses amount.

STEP 2 Take $1,500 away from your net medical expenses and then divide the remaining amount by 5 (to get 20%). This is your medical expenses tax offset.

STEP 3 Write your medical expenses tax offset at **X** item **24** on your tax return. Do not show cents.

EXAMPLE

Tony had a lot of dental work done this year and also bought new prescription glasses. His total medical costs were $2,300 and he received $500 back from his health fund.

Tony worked out his medical expenses like this:

Total medical expenses	$2,300
Less costs covered by health fund	$500
Net medical expenses	$1,800
Subtract $1,500	$1,500
	$300
Tax offset equals 20 cents for every dollar over $1,500—divide $300 by 5	$60
This is Tony's medical expenses tax offset.	

Tony fills in item **24** on his tax return like this:

24 **20% tax offset on net medical expenses over the threshold amount** **X** 60.00

QUESTION 25

25 TOTAL TAX OFFSETS

Did you claim any tax offsets at items 19 to 24?

NO Go to question **26**.

YES Read below.

COMPLETING THIS ITEM

STEP 1 Add up all the tax offset amounts at items **19**, **22**, **23** and **24** on your tax return. If you are claiming the Senior Australians tax offset at item **20** or the pensioner tax offset at item **21**, we will make sure your assessment includes your correct tax offset amount. Do not include either of these items in the total.

STEP 2 Write the total amount at item **25 TOTAL TAX OFFSETS**. Do not show cents.

Low income tax offset

If your taxable income is less than $27,475, you may get a tax offset.

The maximum tax offset of $235 applies if your taxable income is $21,600 or less. This amount is reduced by 4 cents for each dollar over $21,600.

We will work out your tax offset and make sure it comes off your tax. The tax offset will be shown on your notice of assessment. Do not write anything about this tax offset on your tax return.

NOTE

With the exception of the 30% private health insurance rebate and the franking tax offset (which applies to franking credits—formerly called 'imputation credits'—on dividends paid to you), tax offsets can only reduce the amount of tax you pay to zero. If your tax offsets—other than the 30% private health insurance rebate and the franking tax offset—exceed your tax payable, the excess does not become a refund.

Private health insurance policy details

If question **23** or **27** asked you to complete this item because you paid, or your employer paid for you, a premium for an appropriate private health insurance policy to a registered fund, you must complete **Private health insurance policy details** on page 4 of your tax return.

If you received a statement from your registered health fund your private health insurance policy details will be shown on the statement. If you did not receive a statement because your employer paid the premium for you, contact your fund or speak to the person who paid the premium.

To check if your health fund is registered, visit the Private Health Insurance Administration Council website at **www.phiac.gov.au**

COMPLETING THIS ITEM

STEP 1 Print the identification (ID) code of your health fund at **B** **Health fund ID** on page 4 of your tax return.

STEP 2 Write your private health insurance membership number at **C** **Membership number**.

STEP 3 In the **TYPE OF COVER** box print the code letter that describes the type of private health insurance cover you had.

TYPE OF COVER	CODE LETTER
Ancillary cover—also known as Extras	**A**
Hospital cover	**H**
Combined hospital and ancillary cover	**C**

NOTE
If you have used code letter **H** or **C** your liability for Medicare levy surcharge may be reduced. Make sure you carefully read question **27 Medicare levy surcharge** on pages 73–7.

If you changed your type of cover during the year, print the code letter for the type of cover that gave you the highest level of cover. For example, if you had hospital cover and added ancillary cover during the year, use code letter **C**—for combined hospital and ancillary cover.

QUESTION ***Did you have more than one policy during the year?***

ANSWER If you had up to five policies during 2003–04 you will need to complete steps 1 to 3 for each policy. If you had more than five policies during 2003–04, complete steps 1 to 3 for the first five policies, then on a separate piece of paper, print SCHEDULE OF ADDITIONAL INFORMATION—PRIVATE HEALTH INSURANCE POLICY DETAILS. Tell us your name, address and tax file number, and list the ID code, membership number and type of cover for each of the other policies you held. Print **X** in the **YES** box at *Taxpayer's declaration* on page 6 of your tax return. Sign and attach your schedule to page 3 of your tax return.

EXAMPLE

Kel had a policy with Credicare Health Fund (**Health fund ID**—CPS) which provided hospital cover. During the year he changed his policy to include ancillary cover. His membership number is 1234567.

Kel fills in **Private health insurance policy details** on his tax return like this:

PRIVATE HEALTH INSURANCE POLICY DETAILS

Pages 67–8 in *Retirees TaxPack 2004* will help you to correctly fill in your details.

You must provide the details for each policy if item **23** or **27** asked you to complete this section.

	Health fund ID		Membership number	Type of cover
B	CPS	C	1234567	C
B		C		
B		C		
B		C		
B		C		

Medicare levy

Medicare is the scheme which gives Australian residents access to health care. To help fund the scheme, resident taxpayers are subject to a Medicare levy. Normally, your Medicare levy is calculated at 1.5% of your taxable income. A variation to this calculation may occur in certain circumstances.

Generally, tax offsets do not reduce your Medicare levy. Where you have excess refundable tax offsets available, these can be applied to reduce your tax, including Medicare levy.

MEDICARE LEVY REDUCTION OR EXEMPTION

In some cases you may be exempt from the levy or it may be reduced—this is the subject of question **26**. However, you only need to complete this item if you belong to an exemption category or you are able to claim a reduction based on family income. Read pages 70–2 to work out if you are eligible for the exemption or the reduction based on family income.

MEDICARE LEVY SURCHARGE

Individuals and families on higher incomes who do not have private patient hospital cover may have to pay the Medicare levy surcharge—this is the subject of question **27**. This surcharge is in addition to the Medicare levy and is calculated at 1% of your taxable income (including your total reportable fringe benefits). You will need to read pages 73–7 to see if you have to pay the surcharge.

QUESTION 27 IS COMPULSORY FOR ALL TAXPAYERS. If you do not complete item **27** on your tax return you may be charged the full Medicare levy surcharge.

26 MEDICARE LEVY REDUCTION OR EXEMPTION

Were you a low income earner or in one of the Medicare levy reduction or exemption categories listed below and on the next page?

STOP

If you were a resident of Norfolk Island, or have a certificate from the Medicare Levy Exemption Certification Unit of the Health Insurance Commission showing that you are not entitled to Medicare benefits, **you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.**

NO Go to question **27**.

YES Read below.

Most Australians are liable to pay the Medicare levy.

The standard levy is 1.5% of your taxable income. However, this may vary according to your circumstances. Your taxable income is the amount you wrote at item **18 TAXABLE INCOME** on your tax return.

WHAT YOU NEED TO KNOW

LOW INCOME EARNER AND MEDICARE LEVY REDUCTION CATEGORIES

	Relevant threshold amount	Phase-in limit
If you are eligible for the Senior Australians tax offset (see pages 51–2)	$20,500	$22,162
If you are eligible for the pensioner tax offset (see pages 56–7)	$18,141	$19,611
All other taxpayers	$15,529	$16,788

You do not need to complete this question if:

- your taxable income was equal to or less than the relevant threshold amount. You do not have to pay the Medicare levy. Do not write anything at item **26** on your tax return. Go to question **27**
- your taxable income was more than the relevant threshold amount but equal to or less than the phase-in limit. In either case, your Medicare levy is reduced—calculated at 20 cents for every dollar above the relevant threshold amount but at or below the phase-in limit. We will work this out for you. Go to **Medicare levy exemption categories** on the next page to see if you are entitled to an exemption, or
- you had a spouse—married or de facto—on 30 June 2004—or your spouse died during 2003–04—and the combined taxable income of you and your spouse was:
  - if you are eligible for the Senior Australians tax offset (see pages 51–2), more than $31,729 but less than $34,302 OR
  - if you are not eligible for the Senior Australians tax offset, more than $26,205 but less than $28,330.

  Your Medicare levy is reduced. Complete **Spouse details—married or de facto** on page 5 of your tax return. Provide relevant details including your spouse's taxable income at **O**. If your spouse had no taxable income write '**0**'. You must also complete **Your spouse's name** on page 1 of your tax return. We will work out your reduced Medicare levy for you. Read on to see if you are also entitled to an exemption.

NOTE

Where the taxable income of your spouse includes any post-June 1983 elements of an eligible termination payment where the maximum rate is zero, this amount is not included in their taxable income for Medicare levy purposes—if you are unsure of the tax rate, phone the Superannuation Infoline on **13 10 20** for assistance. Print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 26 SPOUSE'S TAXABLE INCOME on a separate piece of paper and write this amount. Include your name, address and tax file number. Print **X** in the **YES** box at *Taxpayer's declaration* on page 6 of your tax return. Sign and attach your schedule to page 3 of your tax return.

If the above points do not apply you may still be entitled to a Medicare levy exemption. Read on.

Medicare levy exemption categories

If you:

- were entitled to full free medical treatment for all conditions under Defence Force arrangements or Veterans' Affairs Repatriation Health Card (Gold Card) or repatriation arrangements, or
- are a blind pensioner or received the sickness allowance from Centrelink

you may be exempt or partially exempt from paying the Medicare levy. Read on for more information.

The Department of Veterans' Affairs or Centrelink will provide you with a statement or *PAYG payment summary—individual non business* that shows you the number of days you were in a Medicare levy exemption category.

COMPLETING THIS ITEM

STEP 1 You qualify for a full levy exemption if you were in one of the Medicare levy exemption categories above **and either** you did not have a spouse or your spouse was also in an exemption category, or your spouse had to pay the Medicare levy. If this is the case, go to step 2. Otherwise, go to step 3.

STEP 2 Write the total number of days that you were in the full Medicare levy exemption category at **V** item **26** on your tax return. If the number of days you wrote at **V** is less than 366, and you were in one of the exemption categories above, you may qualify for a half levy exemption. Go to step 3.

EXAMPLE 1

Rupert receives a Department of Veterans' Affairs part pension. His *PAYG payment summary—individual non business* shows that he was in a Medicare levy exemption category for the full year—366 days. Rupert does not have a spouse.

Rupert fills in item **26** on his tax return like this:

26 Medicare levy reduction or exemption

NOTE
Only certain taxpayers are entitled to a Medicare levy reduction or exemption. Read question **26** in *Retirees TaxPack 2004* to work out if you are eligible to claim.

Exemption categories

Full 1.5% levy exemption—number of days **V** 3 6 6

Half 1.5% levy exemption—number of days **W**

If you have completed item **26** and had a spouse during 2003–04 you must also complete **Spouse details—married or de facto** on page 5 of your tax return.

STEP 3 You qualify for a half levy exemption if you were in one of the Medicare levy exemption categories on the previous page and you had a spouse who was not in an exemption category and who did not have to pay the Medicare levy because of the low income earner threshold. If this is the case, go to step 4. Otherwise, go to step 5.

STEP 4 Write the total number of days that you are entitled to a half levy exemption from paying the Medicare levy at **W** item **26**. Go to step 5.

EXAMPLE 2

Dulcie is blind and receives an age pension. With her payment summary she received a statement showing that she was in a Medicare levy exemption category for 310 days. Dulcie's husband who is eligible for the Senior Australians tax offset did not have to pay the Medicare levy because his taxable income was below $20,500.

Dulcie fills in item **26** on her tax return like this:

26 Medicare levy reduction or exemption

NOTE
Only certain taxpayers are entitled to a Medicare levy reduction or exemption. Read question **26** in *Retirees TaxPack 2004* to work out if you are eligible to claim.

Exemption categories

Full 1.5% levy exemption—number of days **V**

Half 1.5% levy exemption—number of days **W** 3 1 0

If you have completed item **26** and had a spouse during 2003–04 you must also complete **Spouse details—married or de facto** on page 5 of your tax return.

STEP 5 If you had a spouse at any time during 2003–04, complete **Spouse details—married or de facto** on page 5 of your tax return. Write your spouse's taxable income at **O**. If your spouse had no taxable income write '**0**'. You must also complete **Your spouse's name** on page 1 of your tax return.

NOTE
Some of the amounts in this question reflect proposed changes to Medicare levy thresholds for 2003–04. At the time of printing *Retirees TaxPack 2004* these changes had not become law. The Tax Office will work out your Medicare levy, including any Medicare levy reduction, from the information you provide on your tax return.

QUESTION 27
MEDICARE LEVY SURCHARGE

IMPORTANT

THIS QUESTION IS COMPULSORY FOR ALL TAXPAYERS.

For the WHOLE of 2003–04 did you and your spouse—married or de facto (if you had one)—have private patient hospital cover?

NO Print **X** in the **NO** box at the right of **E** item **27** on your tax return. Read below.

YES Print **X** in the **YES** box at the right of **E** item **27** on your tax return. Make sure you have completed **Private health insurance policy details**—see pages 67–8 for assistance. Go to **Check that your tax return is complete** on page 78.

For the WHOLE of 2003–04 were you:

- **a single person and your taxable income for Medicare levy surcharge (MLS) purposes was $50,000 or less OR**
- **married—including a de facto relationship—and the combined taxable income for MLS purposes of you and your spouse was $100,000 or less?**

NO You may have to pay the surcharge. Print **X** in the relevant **NO** box at item **27** on your tax return. Read below.

YES You do not have to pay the surcharge for any of the 366 days during the year. Print **X** in the relevant **YES** box at item **27** on your tax return. Go to **COMPLETING THIS ITEM** on pages 76–7.

STOP

If you maintained a child under 16 years of age or a full-time student under 25 years or if you have received an amount on which family trust distribution tax has been paid, **you cannot complete your tax return using *Retirees TaxPack 2004*—see the box on page 2 for other ways to prepare your tax return.**

QUESTION ***What is the Medicare levy surcharge?***

ANSWER Individuals and couples on higher incomes who do not have private patient hospital cover pay the MLS based on an extra 1% of their taxable income for any period during 2003–04 that they did not have such cover.

The MLS is in addition to the 1.5% Medicare levy.

QUESTION ***What is private patient hospital cover?***

ANSWER Generally, private patient hospital cover is cover provided by an insurance policy issued by a registered fund for some or all hospital treatment provided in an Australian hospital or day hospital facility. However, if you take out an insurance policy for hospital cover after 24 May 2000 that contains an annual front-end deductible or excess of more than $500 in the case of a policy covering only one person and more than $1,000 for all other policies, you will not be considered to have 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. If you make a payment to cover a shortfall in the cost of hospital treatment, other than the excess agreed in your policy, this is not a front-end deductible or excess. Your health fund may include details of the level of front-end deductible or excess that applies to your policy in the private health insurance statement that it sends you.

Your health fund statement will indicate the maximum number of days that your policy may have provided an appropriate level of private patient hospital cover at label **A**.

Travel insurance is not private patient hospital cover for Medicare levy surcharge (MLS) purposes. Private patient hospital cover does not include cover provided by an overseas or unregistered fund. If you want to check if your health fund is registered, visit the Private Health Insurance Administration Council website at **www.phiac.gov.au**

QUESTION *What is ancillary cover?*

ANSWER Ancillary cover is commonly known as 'Extras'. Ancillary cover is NOT private patient hospital cover. It covers items such as optical, dental, physiotherapy or chiropractic treatment.

QUESTION *What is your taxable income for Medicare levy surcharge (MLS) purposes?*

ANSWER Your taxable income for MLS purposes is the total of:

- your taxable income, shown at item **18** on your tax return AND
- your total reportable fringe benefits amounts at **W** item **6** on your tax return.

QUESTION *When do you have a spouse?*

ANSWER A spouse is a person to whom you are legally married or with whom you are in a de facto relationship. You are treated as not being married if you are living separately and apart from that person.

QUESTION *What is your spouse's taxable income for MLS purposes?*

ANSWER The taxable income of your spouse for MLS purposes is the total of:

- your spouse's taxable income AND
- your spouse's total reportable fringe benefits amounts AND
- any share in the net income of a trust estate to which your spouse is presently entitled and on which the trustee of the trust is assessed under section 98 of the *Income Tax Assessment Act 1936* and which has not been included in your spouse's taxable income AND
- the net amount on which family trust distribution tax has been paid which your spouse would have had to show as assessable income if that tax had not been paid
  LESS
- any post-June 1983 elements of an eligible termination payment where the maximum tax rate is zero. If you are unsure of the tax rate, you can phone the Superannuation Infoline on **13 10 20** for assistance.

QUESTION *Will you have to pay the surcharge?*

ANSWER You will have to pay the surcharge for any period during 2003–04 that you or your spouse—if you had one for the whole year—did NOT have private patient hospital cover AND you were:

- single with a taxable income for MLS purposes greater than $50,000, or
- married and the combined taxable income for MLS purposes of you and your spouse was above $100,000.

If the combined taxable income for MLS purposes of you and your spouse was above $100,000 but your own taxable income was $15,529* or less you are not liable for the surcharge. However, your spouse may still be liable.

* This amount reflects a proposed change to the law for 2003–04 which, at the time of printing *Retirees TaxPack 2004* had not become law—this amount should be used in working out whether you have to pay the surcharge.

NOTE

If you or your spouse—if you had one—were in a Medicare levy exemption category (see page 71) for any period during 2003–04, read **What if you are exempt from the Medicare levy?** on page 76.

It is possible that both the single and married surcharge thresholds will apply to you at different periods during 2003–04.

If only one of the thresholds—single or married—applied to you for the whole of 2003–04 and your taxable income or combined taxable income for Medicare levy surcharge (MLS) purposes did not exceed this threshold—you are not liable for the surcharge, for any of the 366 days of the year. Go to **COMPLETING THIS ITEM** on pages 76–7. Otherwise read on.

If:

- only one of the thresholds—single or married—applied to you for the whole of 2003–04 and your taxable income or combined taxable income for Medicare levy surcharge (MLS) purposes did exceed this threshold AND
- for the whole of 2003–04 you or your spouse (if you had one):
  - did not have private patient hospital cover AND
  - were not in one of the Medicare levy exemption categories on page 71, you will have to pay the surcharge for the whole of 2003–04. Go to **COMPLETING THIS ITEM** on pages 76–7. Otherwise, read on.

You will not be liable for the surcharge for any period during 2003–04 that you and your spouse (if you had one) either had private patient hospital cover or were in a Medicare levy exemption category. Read on.

> **NOTE**
>
> If your spouse died during the 2003–04 income year and you did not have another spouse before the end of the year, you are considered to have had a spouse until the end of 2003–04. You retain the benefit of the married surcharge threshold of $100,000.

QUESTION ***Which income threshold do you use if you had a new spouse or you separated from your spouse during the year?***

ANSWER Only read this section if you married or separated from your spouse during 2003–04.

To work out if you are liable for the surcharge during any period during 2003–04 you were single, apply the single surcharge threshold—$50,000—to your own taxable income for MLS purposes.

To work out if you are liable for the surcharge during any period during 2003–04 you had a spouse, apply the married threshold—$100,000—to your own taxable income for MLS purposes.

EXAMPLE 1

Roma separated from Roy on 12 October 2003 and both stayed single. For 2003–04, Roy's taxable income for MLS purposes was $16,000 and Roma's taxable income for MLS purposes was $55,000. Roma and Roy did not have private patient hospital cover at any time during 2003–04. Roma and Roy are not in a Medicare levy exemption category.

As they were married for the period 1 July 2003 to 12 October 2003—104 days—they are each entitled to a surcharge threshold of $100,000 for this period. For the period 1 July 2003 to 12 October 2003, Roma is not liable for the surcharge as her taxable income for MLS purposes of $55,000 was below this surcharge threshold. Roy is also not liable for the surcharge for this period as his taxable income for MLS purposes of $16,000 was also below this surcharge threshold.

For the period 13 October 2003 to 30 June 2004—262 days—the single person surcharge threshold of $50,000 applies to both of them. For this period, Roy is not liable for the surcharge because he had a taxable income for MLS purposes of $16,000.

Roy writes '**366**' at **A** item **27** on his tax return. Roma is liable to pay the surcharge for the period 13 October 2003 to 30 June 2004—262 days—because her taxable income for MLS purposes was $55,000. Roma writes the number of days in 2003–04 that she is NOT liable for the surcharge—'**104**'—at **A** item **27**.

Roma completes **Spouse details—married or de facto** on page 5 of her tax return.

QUESTION *What if you are exempt from the Medicare levy?*

ANSWER Only read this section if you or your spouse were exempt or partially exempt from the Medicare levy at any time during 2003–04. For more information on the exemption categories for the Medicare levy, read page 71.

If you were in an exemption category for the whole of 2003–04 and you did not have a spouse; or if you had a spouse and they were also in an exemption category and/or they had private patient hospital cover for the whole of 2003–04, you do not have to pay the surcharge for the full year—366 days. Go to **COMPLETING THIS ITEM**.

If the taxable income for Medicare levy surcharge (MLS) purposes of you and your spouse—if you had one—was above the relevant threshold, you are liable for the surcharge for any period during 2003–04 that:

- you were not in an exemption category and did not have private patient hospital cover, or
- your spouse was not in an exemption category and did not have private patient hospital cover.

QUESTION *What if you had private patient hospital cover for only part of the year?*

ANSWER If you and your spouse—if you had one—were not in a Medicare levy exemption category at any time during 2003–04 and your taxable income or combined taxable income for MLS purposes was above the relevant threshold, you are liable for the surcharge for the number of days you or your spouse did not have private patient hospital cover during 2003–04. Go to **COMPLETING THIS ITEM**.

EXAMPLE 2

Lance is not married and has a taxable income for MLS purposes of $59,000. He was not in a Medicare levy exemption category at any time during the year.

Lance took out private patient hospital cover on 15 December 2003. Because Lance's taxable income is above the single surcharge threshold of $50,000 and he did not have private patient hospital cover for the full year he will have to pay the MLS for the part of the year that he did not have private patient hospital cover.

Lance will NOT have to pay the surcharge for the number of days he had private patient hospital cover—15 December 2003 to 30 June 2004—199 days.

Lance writes the number of days in 2003–04 that he is NOT liable for the surcharge—'**199**'—at **A** item **27** on his tax return and completes **Private health insurance policy details**.

COMPLETING THIS ITEM

STEP 1 Write the number of days during 2003–04 that you do NOT have to pay the surcharge at **A** item **27**.

- If you have to pay the surcharge for the whole period 1 July 2003 to 30 June 2004 write '**0**' at **A**.
- If you do NOT have to pay the surcharge for the whole period 1 July 2003 to 30 June 2004 write '**366**' at **A**.
- If you have to pay the surcharge for part of the period 1 July 2003 to 30 June 2004 write the number of days you do NOT have to pay the surcharge at **A**.

STEP 2 If you had a spouse during 2003–04 and you and your spouse were not covered by private patient hospital cover for the full year, complete **Spouse details—married or de facto** on page 5 of your tax return.

If you had a spouse for **all** of 2003–04 include:

- your spouse's taxable income at **O***
- your spouse's share of trust income on which the trustee is assessed under section 98 and which has not been included in your spouse's taxable income at **T***
- the net amount of any distributions to your spouse on which family trust distribution tax has been paid which your spouse would have had to show as assessable income if that tax had not been paid at **U***
- your spouse's total reportable fringe benefits amounts at **S***.

You must also complete **Your spouse's name** on page 1 of your tax return.

* If you cannot find out the exact amount of any component of your spouse's taxable income for Medicare levy surcharge (MLS) purposes, you may make a reasonable estimate.

STEP 3 If you had private patient hospital cover at any time during the year you must complete **Private health insurance policy details** on page 4 of your tax return. See pages 67–8.

You have now completed this item. Go to **Check that your tax return is complete** on the next page.

Do you want to work out your surcharge?

You do not have to work out your MLS. We will work it out based on the information you provide. If you would like to work it out for your records, see page 92.

INFORMATION

CHECK THAT YOUR TAX RETURN IS COMPLETE

Use this checklist to make sure your tax return is complete before you lodge it with the Tax Office. Please use the pre-addressed envelope provided with your *Retirees TaxPack 2004* to lodge your tax return.

If you don't have a pre-addressed envelope see the next page for the address to use.

CHECK THAT YOU HAVE...

- ☐ read page 3 to confirm that you can use *Retirees TaxPack 2004*
- ☐ written your tax file number
- ☐ filled in all your personal details—including your spouse's name (if you had a spouse)
- ☐ filled in the appropriate details for electronic funds transfer if you want to have your refund paid directly into a financial institution account
- ☐ written totals at items **5**, **10**, **17**, **18** and **25**
- ☐ filled in the code boxes at items **20** and **21** (if applicable)
- ☐ attached to page 3 of your tax return copies of:
  - all PAYG payment summaries—individual non business, for example, from Centrelink, superannuation pension funds, other payers
  - all letters or statements from your payers that detail income and tax withheld
  - any statutory declarations required
- ☐ other attachments as instructed by any section or question
- ☐ completed item **27** of your tax return—this item is compulsory for all taxpayers
- ☐ completed **Spouse details—married or de facto** (if applicable)
- ☐ read **Self-assessment—it's your responsibility** on page 10
- ☐ read, completed, signed and dated the *Taxpayer's declaration* on page 6 of your tax return, and
- ☐ kept copies of your tax return, all attachments and relevant papers for your own records. Unless you are subject to a shorter period of review (see page 10) you are required to keep written evidence for five years after the end of the income year.

If you are subject to a shorter period of review you need to keep these records:

- for two years after the due date for payment if you had a taxable notice of assessment, or
- for two years from the 30th day after you received your notice of assessment advising you that no tax is payable.

WHEN CAN YOU EXPECT YOUR NOTICE OF ASSESSMENT?

Our current standard for processing tax returns is six weeks. To allow for time in the mail, please wait seven weeks. After that time you can use the automated self-help service on **13 28 65** which is available 24 hours a day, every day to check the progress of your tax return. Using your phone keypad, you will need to key in your tax file number.

INFORMATION

LODGING YOUR TAX RETURN

WHERE TO LODGE YOUR TAX RETURN

To make sure your tax return is processed as quickly as possible, use the pre-addressed envelope enclosed with your copy of *Retirees TaxPack 2004*. The address shown on the pre-addressed envelope is the official lodgment address—if you post your tax return to an address other than this, you may experience delays.

The envelope is only for lodgment of your tax return and its attachments and/or non-lodgment advice. You must send other correspondence to Tax Office locations listed on pages 94–5.

If you did not receive an envelope with your *Retirees TaxPack 2004*, or you have misplaced it, please post your tax return in a business size envelope to:

Australian Taxation Office
GPO Box 9845
IN YOUR CAPITAL CITY

> INFORMATION
>
> The address must appear on your envelope as shown. Do not replace the words **IN YOUR CAPITAL CITY** with the name of your capital city. Because of a special agreement with Australia Post there is no need for you to include the name of your capital city or a postcode.
>
> You cannot lodge your tax return electronically through the ***TAX**PACK**EXPRESS*** service using *Retirees TaxPack 2004*. If you want to lodge your tax return electronically through the ***TAX**PACK**EXPRESS*** service at a post office or at the office of a participating registered agent, use *TaxPack 2004*.

IF YOU ARE LODGING FROM OVERSEAS

If you are lodging from outside Australia, choose e-tax and lodge your tax return over the internet—most tax returns lodged using e-tax are processed within 14 days.

Visit the Tax Office website at **www.ato.gov.au**

Alternatively, to lodge a paper tax return from outside Australia use the pre-addressed envelope with the following alteration:

Cross out **IN YOUR CAPITAL CITY** and replace with

SYDNEY NSW 2001
AUSTRALIA

It would also assist us if you would cross out the barcode above the address.

> NOTE
>
> Before you lodge your tax return, make sure you have read **Self-assessment—it's your responsibility** on page 10.

WHAT HAPPENS AFTER YOU LODGE YOUR TAX RETURN?

After we process your tax return, we will send you a notice of assessment.

Your notice of assessment is an itemised account of the amount of income tax you owe on your taxable income, taking into account any tax offsets you are entitled to. Your notice also contains other details which are not part of the assessment such as the amount of credit for tax you have already paid through the year.

When you receive your notice of assessment check it to make sure that everything appears correct.

Unless you are using electronic funds transfer, the bottom section of your notice of assessment will be either your refund cheque or, if you owe tax, your payment advice.

> INFORMATION
>
> **Reserve Bank of Australia**
> If you receive a refund cheque with your notice of assessment, all details on the cheque are provided to the Reserve Bank of Australia to assist in clearing your refund.

INFORMATION

WHAT IF YOU MADE A MISTAKE ON YOUR TAX RETURN?

If you realise that you did not include something on your tax return that you should have, or there is some other error on your tax return, you need to correct it as soon as possible by requesting an amendment.

To request an amendment, write a letter to the Tax Office.

To find out what information you need to include in your letter, read **What do you need to include in your amendment request or objection letter?** on page 83.

IS THERE ANY TIME LIMIT FOR YOU TO REQUEST AN AMENDMENT OR LODGE AN OBJECTION?

Your amendment request must be lodged within four years of the due date for payment (or two years if you meet the shorter period of review requirements).

For 2003–04, if a due date for payment is not specified on your notice of assessment and

- you lodge your tax return by 1 November 2004*, the amendment request must be lodged within four years (or two years if you meet the shorter period of review requirements) of the later of 22 November 2004 or 21 days after you receive your notice of assessment, or
- you do not lodge your tax return by 1 November 2004*, the amendment request must be lodged within four years of 22 November 2004 (or two years if you meet the shorter period of review requirements).

* As 31 October 2004 falls on a Sunday, you may lodge your tax return on 1 November 2004 without incurring a penalty.

WILL YOU HAVE TO PAY A PENALTY?

If, after lodging your tax return, you voluntarily tell us that you made a mistake and the amendment will result in your paying more tax, then the amount of penalty that may otherwise have been imposed will, in most cases, be reduced.

However, if you have used *Retirees TaxPack 2004* properly, as explained on the inside front cover, and have made an honest mistake, you will not be charged a penalty, although you may have to pay a general interest charge (GIC) on any shortfall of tax. Our decision will be based on your particular circumstances that you explain in your letter.

If you made the mistake because something in *Retirees TaxPack 2004* was misleading, you will not be charged any penalty or GIC on any shortfall of tax.

It is very important that your letter provides an explanation of why you made the mistake so that we can assess any penalties or GIC correctly.

WHERE DO YOU SEND YOUR AMENDMENT REQUEST?

Post your letter and attachments to the tax office that sent your notice of assessment. Keep a copy of your letter for your records. Do not send in another tax return unless we ask you to.

INFORMATION

ASKING ABOUT YOUR ASSESSMENT OR OTHER TAX AFFAIRS

If you have an enquiry about your tax assessment or other tax affairs, you can contact us. Please note that if you are asked to provide your tax file number (TFN) to the Tax Office, this is not compulsory. However, if you do not provide your TFN you will need to provide other personal details to prove your identity.

IT'S EASIER BY PHONE

When you phone we will ask you to provide information to prove your identity—for example, details from a recent notice of assessment.

If you want a representative to phone on your behalf, you must provide authorisation beforehand to the Tax Office. Your representative will need to quote this authorisation and also provide information to prove their identity.

This requirement is to protect your privacy.

Phone tips

If you are phoning the Tax Office, the following tips will help you to get quicker and more efficient service.

- See the inside back cover for the correct phone number to use.
- Avoid phoning during the busy times. The busiest times are Mondays, the days after public holidays, and between 10.00am and 2.00pm each day.
- Your call will be placed in a queue and answered by the first available operator—do not hang up. If you hang up and redial, you will be placed at the end of the queue.
- Have near the phone *Retirees TaxPack 2004* and any taxation documents you want to talk about. Have a pen and paper handy so you can take down any relevant information.
- Check that it is the Tax Office that you need to contact. The Tax Office logo—shown below—will be prominently displayed on any official documents or letters you receive.

Australian Government
Australian Taxation Office

IF YOU WRITE

Provide your full name and your address. Please provide your phone number if it is convenient. You could include your TFN, but it is not compulsory. Remember to sign the letter.

IF YOU VISIT

If you prefer to make your enquiry in person, we request that you make an appointment by phone. The number to phone for an appointment is **13 28 61**. Bring along your most recent notice of assessment. If you do not have a notice of assessment, you may quote your TFN (but this is not compulsory) or bring a letter from the Tax Office, and bring some identification that has your photograph, such as your drivers licence or passport.

If you want a representative to visit on your behalf, they must show a letter of authorisation and provide proof of their identity.

INFORMATION

PAYING YOUR TAX DEBT

HOW DO YOU KNOW HOW MUCH YOU HAVE TO PAY?

Your notice of assessment will tell you how much tax you have to pay, if any, and when you must pay to avoid a general interest charge (GIC) for late payment.

WHEN DO YOU PAY YOUR TAX DEBT?

You must lodge your income tax return by 31 October 2004, unless you have been given a deferral of time to lodge, or it is being prepared by a registered tax agent. However, as 31 October 2004 falls on a Sunday, you may lodge your tax return on 1 November 2004 without incurring a penalty. If you did not go to a tax agent last year but intend to do so this year—or you will be going to a different tax agent this year—make sure you contact them before 31 October 2004.

If you lodge your tax return on time, any tax payable will be due either:

- 21 days after you receive your notice of assessment, or
- 21 days after your tax return was due to be lodged,

whichever is the later.

If you prepare your own tax return and it is lodged by 1 November 2004, any tax payable will be due no earlier than 22 November 2004.

If you have contacted the Tax Office and have been given a deferral of time to lodge your tax return, any tax payable will be due no earlier than 21 days after the deferred date for lodgment.

If you do not lodge your tax return on time, the law treats your tax as being payable 21 days after your tax return was due for lodgment, irrespective of the date you are advised of the debt.

A GIC will accrue on any amount that is not paid by the due date for payment.

We cannot accept payments by credit card or payments over the counter at Tax Office locations. Additional information regarding payment options can be found on the back of your notice of assessment. If you need more information, phone the payments hotline on FREECALL **1800 815 886**.

If you cannot pay your debt on time, you should phone the account management infoline on **13 11 42** and explain your reasons. You may need to provide written details of your finances, including a statement of your assets and liabilities and details of your income and expenditure. We will want to know what steps you have taken to obtain funds to pay your debt and what steps you are taking to make sure you meet future tax debts.

You may be given extra time to pay your debt, depending on your circumstances.

If you are allowed extra time to pay, you are required to pay GIC which is tax deductible in the income year it was incurred. The law provides for remission of the GIC in limited circumstances. This means that the Commissioner of Taxation may excuse you from all or part of the GIC. For further information, phone the account management infoline on **13 11 42**.

WHAT IF PAYMENT WILL CAUSE YOU SERIOUS HARDSHIP?

Serious hardship exists when you are unable to provide food, accommodation, clothing, medical treatment, education or other necessities for you or your family or other people for whom you are responsible.

You can apply for a release from payment of your tax debt. We can give you further information and an application—phone the account management infoline on **13 11 42**.

INFORMATION

WHAT CAN YOU DO IF YOU THINK YOUR ASSESSMENT IS WRONG?

You can have your assessment checked. The quickest way to do this is to phone the Personal Tax Infoline (see the inside back cover). Make sure you have carefully checked all the details on your notice of assessment. Remember to have your notice of assessment and, if possible, a copy of your tax return with you.

WHAT IF YOU DISAGREE WITH A DECISION RELATING TO YOUR ASSESSMENT?

You can write to the Tax Office and request an amendment—see **What if you made a mistake on your tax return?** on page 80—or you can object to your assessment. If you object to your assessment, you have a formal right to appeal against our decision on your objection if you disagree with it. If you request an amendment, you do not have any formal right to appeal. If your objection or request for an amendment is successful you have a right to receive interest on any overpaid tax. You cannot use the ***TAX**PACK**EXPRESS*** service or e-tax 2004 to lodge your objection.

WHAT DO YOU NEED TO INCLUDE IN YOUR AMENDMENT REQUEST OR OBJECTION LETTER?

Make sure you:

- include your tax file number and the year of the assessment
- include your name, address and, if convenient, give your daytime phone number so we can contact you to talk about your letter if necessary
- include full details of the amendment or objection including the tax return item number and description affected by the change, the amounts to be added or changed and details of the claim type (that is, tax offset code, deduction claim type etc)—if applicable
- include an explanation of the error if it occurred because you made a mistake on your tax return so that we can assess any penalties or general interest charge correctly
- use the word **object** if you are objecting and give full details of what you think is wrong
- if you believe we made the error, use the words **Tax Office error** in your letter
- include a copy of your notice of assessment and copies of any relevant papers or documents such as receipts
- include the following declaration in your objection letter: 'I declare that all the information I have given in this letter, including any attachments, is true and correct.'
- sign and date the declaration
- keep a copy of your amendment request or objection letter for your records
- post your amendment request to the tax office that sent your notice of assessment, and
- post your objection letter to:

  Deputy Commissioner of Taxation
  Australian Taxation Office
  PO Box 47
  Albury NSW 2640.

HOW WILL YOU KNOW WHAT THE TAX OFFICE DECIDES?

We will either write to you or send you a notice of amended assessment, or both. If your amendment or objection is successful, you are entitled to interest on any tax you have overpaid.

WHAT IF YOU STILL DISAGREE WITH YOUR ASSESSMENT?

If you are not satisfied with our decision on your objection, you have the right to apply to the Administrative Appeals Tribunal, which incorporates the Small Taxation Claims Tribunal, for a review of the decision; or you can appeal to the Federal Court.

The Small Taxation Claims Tribunal is an inexpensive process for resolving disputes about objections. Details about whether this tribunal is an option for you will be attached to our decision about your objection. Some decisions are not reviewable as outlined. If this applies to you, we will let you know and provide details of any alternative review rights.

INFORMATION

HOW IS YOUR PRIVACY PROTECTED?

The Taxation Acts have secrecy provisions that prohibit any officer of the Tax Office or any other government agency from accessing, recording or disclosing anyone's tax information, except in performing their duties. A person can be fined up to $11,000 and sentenced to two years in prison for breaking these provisions.

In addition, the *Privacy Act 1988* protects personal information held by federal government agencies. It also protects tax file numbers (TFNs), no matter who holds them.

WHO ELSE CAN BE GIVEN YOUR TAX INFORMATION?

The Tax Office can give your information to some other government agencies which are named in law, such as Centrelink. This is usually to check eligibility for government benefits, for law enforcement purposes or for collecting statistics. Any further use of your information by these agencies is also controlled by law. Tax Office staff can also disclose your information to these and other agencies in performing their duties.

Otherwise, we can give personal information only to you or to someone who can show that they have your permission to act for you.

WHO CAN ASK YOU FOR YOUR TFN?

Only certain people and organisations can ask you for your TFN. These include employers, some federal government agencies, trustees for superannuation funds, higher education institutions and investment bodies such as banks. You do not have to give your TFN but there may be consequences if you do not. For example, if you are applying for a pension and you do not give your TFN, you may not be paid the pension.

If you need more information about how the tax laws protect your personal information, or have any concerns about how we have handled your personal information, phone the Personal Tax Infoline (see the inside back cover).

> **NOTE**
>
> If you are unable to resolve your concerns with the Tax Office about how we have handled your personal information, you can contact the Privacy Commissioner's Office by phoning the privacy hotline **1300 363 992** or by visiting the website at **www.privacy.gov.au**

FREEDOM OF INFORMATION

The *Freedom of Information (FOI) Act 1982* gives you the right to see your tax return and other documents—for example, public rulings and determinations, payment summaries and notices of assessment. In some circumstances this information may be provided free of charge, but usually there is a charge to cover the time and expense involved in getting the information for you. We suggest you phone before you ask for information under the FOI Act. Phone the Personal Tax Infoline (see the inside back cover).

Please keep copies of your tax returns, as a request for a copy from the Tax Office may involve a charge.

INFORMATION
DEALING WITH THE TAX OFFICE

It is important that you are aware of your rights and obligations when dealing with the Tax Office.

When we make a decision about your tax affairs, we will tell you about your rights and obligations in relation to that decision. We will also give you contact details in case you have any queries or need more information.

There is information under 'Your rights' on the Tax Office website at **www.ato.gov.au** Or to find out how to get a printed copy of the *Taxpayers' Charter—what you need to know* (NAT 2548—10.2003), see the inside back cover.

INFORMATION
YOUR RIGHT TO COMPLAIN

If you are dissatisfied with a particular decision, service or action of the Tax Office, you have the right to complain.

We recommend that you first, try to sort it out with the tax officer you have been dealing with (or phone the contact number you have been given).

If you are not satisfied, talk to the tax officer's manager.

If you are still not satisfied, phone our complaints line on **13 28 70**.

You can also make a complaint by writing to Complaints, Australian Taxation Office, Locked Bag 3120, Melbourne 3001 or send a FREEFAX on **1800 060 063**.

THE COMMONWEALTH OMBUDSMAN

If you are not satisfied with the Tax Office's decisions or actions, you can raise the matter with the Commonwealth Ombudsman's Special Tax Adviser. Before looking into a matter, the Special Tax Adviser may request that a complainant approach our complaints areas.

The Commonwealth Ombudsman's office can investigate most complaints relating to tax administration and may recommend that we provide a solution or remedy to your problem. Investigations are independent, private, informal and free of charge.

Phone their National Complaints Line **1300 362 072** or visit your nearest Commonwealth Ombudsman's office (located in all Australian capital cities). You can also visit their website at **www.ombudsman.gov.au** or write to:

The Special Tax Adviser
Commonwealth Ombudsman
GPO Box 442
Canberra ACT 2601

THE PRIVACY COMMISSIONER

The Privacy Commissioner receives complaints under the *Privacy Act 1988* and tax file number guidelines. You can contact the Privacy Commissioner by phoning the privacy hotline on **1300 363 992** or by writing to the Privacy Commissioner, GPO Box 5218, Sydney 1042.

INFORMATION
HOW WE WORK OUT YOUR TAX

INCOME

You show this amount at item **10 TOTAL INCOME** on your tax return.

minus

ALLOWABLE DEDUCTIONS

You show this amount at item **17 TOTAL DEDUCTIONS** on your tax return.

equals

TAXABLE INCOME

You show this amount at item **18 TAXABLE INCOME** on your tax return.

We use this total to work out **TAX ON TAXABLE INCOME**. If you want to work it out, see the next page.

TAX ON TAXABLE INCOME

minus

TAX OFFSETS

You show most tax offsets at item **25 TOTAL TAX OFFSETS** on your tax return. If you are entitled to a low income, Senior Australians or pensioner tax offset, we work it out for you. If you want to work it out, see pages 89–90. Any refundable tax offsets are included in the amount for tax credits and refundable tax offsets below.

equals

NET TAX PAYABLE

plus

HECS AND SFSS LIABILITY

If you have a Higher Education Contribution Scheme (HECS) debt or Student Financial Supplement Scheme (SFSS) debt, we work out your repayment.

plus

MEDICARE LEVY AND SURCHARGE

We work these out from items **26** and **27** on your tax return. If you want to work them out, see pages 91–2.

minus

TAX CREDITS AND REFUNDABLE TAX OFFSETS

We work these out from any amounts of tax you paid during the year (which have not been credited or refunded) and any refundable tax offsets such as any franking credit (formerly called 'imputation credit') from item **8** or any amount shown at item **23**.

equals

REFUND OR AMOUNT OWING

We show this on your notice of assessment.

Your entitlement to a refund may be affected by any outstanding liabilities to the Tax Office. These amounts will appear on your notice of assessment as 'Other amounts payable'.

CALCULATIONS

WHAT YOU NEED TO KNOW BEFORE YOU CAN WORK OUT YOUR TAX REFUND OR TAX DEBT

You do not have to work out your tax refund or tax debt. We will work it out from the information you provide on your tax return and advise you of the result on your notice of assessment.

If you do want to work out your tax refund or tax debt for your own purposes, we show you how on the following pages.

There are some situations, however, where we cannot show you how to work out your tax refund or tax debt because the nature of the calculation is too complex to explain in *Retirees TaxPack 2004*.

These are situations where you:

- are entitled to have your spouse's unused pensioner or Senior Australians tax offset transferred to you
- are entitled to a Medicare levy reduction because the combined taxable income of you and your spouse is more than $31,729 but less than $34,302 if you are eligible for the Senior Australians tax offset—see pages 51–2—or more than $26,205 but less than $28,330 if you are NOT eligible for the Senior Australians tax offset
- have a Higher Education Contribution Scheme debt, or
- have a Student Financial Supplement Scheme debt.

WORKING OUT YOUR TAX REFUND OR TAX DEBT

To do this you need to work out:

- the tax on your taxable income—part A
- your low income tax offset, if any—part B
- your pensioner or Senior Australians tax offset, if any—part C
- your Medicare levy amount, if any—part D
- your Medicare levy surcharge amount, if any—part E.

TAX-FREE THRESHOLD

To work out the tax on your taxable income you need to know your tax-free threshold. This is the amount of income you can earn before tax must be paid.

PART A: TAX ON TAXABLE INCOME

To work out the tax on your taxable income use the table below.

Taxable income	Tax on this income
$1–$6,000	Nil
$6,001–$21,600	17 cents for each $1 over $6,000
$21,601–$52,000	$2,652 + 30 cents for each $1 over $21,600
$52,001–$62,500	$11,772 + 42 cents for each $1 over $52,000
$62,501 and over	$16,182 + 47 cents for each $1 over $62,500

Note: To work out your tax, identify the income amount less than but nearest your taxable income and the tax on that income, and use at (b) and (c).

Tax on: $6,000 is nil
$21,600 is $2,652
$52,000 is $11,772
$62,500 is $16,182

Example

Copy taxable income from item **18 TAXABLE INCOME** on your tax return	$25,682	(a)	
Amount in **Taxable income** column less than but nearest your taxable income	$21,600	(b)	
Tax on (b)		$2,652.00	(c)
Tax on remaining income: Take (b) away from (a)	$4,082	(d)	
Tax on remaining income: Tax rate applied to (d)	$0.30	(e)	
Multiply (d) by (e)		$1,224.60	(f)
Tax on your taxable income Add (c) and (f)		$3,876.60	

Go to **Working out your tax**.

WORKING OUT YOUR TAX

Calculate your tax here

Copy taxable income from item **18 TAXABLE INCOME** on your tax return		(a)	
Amount in **Taxable income** column less than but nearest your taxable income		(b)	
Tax on (b)			(c)
Tax on remaining income: Take (b) away from (a)		(d)	
Tax on remaining income: Tax rate applied to (d)		(e)	
Multiply (d) by (e)			(f)
Tax on your taxable income Add (c) and (f)			

PART B: LOW INCOME TAX OFFSET

If your taxable income is $27,475 or more, you are not entitled to the low income tax offset. Go to part C.

If your taxable income is $21,600 or less, you are entitled to the maximum low income tax offset of $235. The tax offset reduces by 4 cents for each dollar of taxable income over $21,600.

Use the worksheet to work out your low income tax offset if your taxable income is more than $21,600 but less than $27,475.

WORKSHEET

Maximum low income tax offset	(a)	$235
Write your taxable income here	(b)	$
Threshold at which low income tax offset reduces	(c)	$21,600
Take (c) away from (b)	(d)	$
Divide (d) by 100	(e)	$
Multiply (e) by 4	(f)	$
Take (f) away from (a)	(g)	$

The amount at (g) if it is more than zero, is the low income tax offset you are entitled to. You can use the amount at (g) when you work out your tax refund or tax debt on page 93.

Do not write the amount at (g) anywhere on your tax return. We will work out your low income tax offset and make sure it reduces your tax.

PART C: SENIOR AUSTRALIANS OR PENSIONER TAX OFFSET (from items 20 or 21)

If you want to work out your Senior Australians or pensioner tax offset, you need to know your taxable income. This is the amount you showed at item **18 TAXABLE INCOME** on page 3 of your tax return.

There are two tax offset thresholds tables—table A on the next page applies to the Senior Australians tax offset and table B on the next page applies to the pensioner tax offset.

If you have a spouse who is eligible for the Senior Australians or pensioner tax offset and your taxable income is more than the relevant amounts in COLUMN 2 of table A or table B—whichever applies to you—you may still get a tax offset because of a transfer of the unused portion of your spouse's Senior Australians or pensioner tax offset.

If you are eligible for a pensioner tax offset you will not be able to work out your tax offset if:

- you used tax offset code letter **S**, **Q**, **I** or **J** and you received more than $11,777 pension income
- you used tax offset code letter **P** and you received more than $9,832 pension income.

Refer to note [2] in table B on the next page for more information.

Do not write your tax offset amount anywhere on your tax return.

STEP 1 Find the tax offset code letter that applies to you in the relevant tax offset thresholds table (A or B) on the next page. This is the code letter you showed at either item **20** or item **21** on your tax return.

STEP 2 You may get up to the full tax offset shown in COLUMN 3 if your taxable income is equal to or less than the amount in COLUMN 1 for your tax offset code letter. If your taxable income is more than the amount in COLUMN 1 and less than the amount in COLUMN 2, use the **HOW TO WORK OUT YOUR TAX OFFSET** table on the next page.

TABLE A—SENIOR AUSTRALIANS TAX OFFSET THRESHOLDS			
	COLUMN 1	COLUMN 2	COLUMN 3
Your Senior Australians tax offset code letter from question 20	**You may get up to the full tax offset if your taxable income is equal to or less than this amount**	**You will not get a tax offset if your taxable income is equal to or more than this amount**[1]	**Maximum tax offset**
A	$20,500	$38,340	$2,230
B*, **C***	$19,383	$35,703	$2,040
D*, **E***	$16,806	$29,622	$1,602

[1] For the code letters with an asterisk (*) you may still get a tax offset because of a transfer of the unused portion of your spouse's Senior Australians or pensioner tax offset. We will work it out for you.

TABLE B—PENSIONER TAX OFFSET THRESHOLDS			
	COLUMN 1	COLUMN 2	COLUMN 3
Your pensioner tax offset code letter from question 21	**You may get up to the full tax offset if your taxable income is equal to or less than this amount**	**You will not get a tax offset if your taxable income is equal to or more than this amount**[1]	**Maximum tax offset**[2]
S, **Q***, **J***	$17,342	$32,766	$1,928
I*	$16,483	$30,739	$1,782
P*	$14,377	$25,769	$1,424

[1] For the code letters with an asterisk (*) you may still get a tax offset because of a transfer of the unused portion of your spouse's Senior Australians or pensioner tax offset. We will work it out for you.

[2] If:
- you used **S**, **Q**, **I** or **J** and your pension is more than $11,777, or
- you used **P** and your pension is more than $9,832 your maximum tax offset may be higher than the amount in COLUMN 3, and you may still get a tax offset if your taxable income is more than the amount in COLUMN 2. We will work it out for you.

HOW TO WORK OUT YOUR TAX OFFSET		
Your taxable income	(a)	$
Income amount from COLUMN 1	(b)	$
Take (b) away from (a)	(c)	$
Your maximum tax offset from COLUMN 3	(d)	$
Divide (c) by 8	(e)	$
Take (e) from (d)	(f)	$

If the amount is more than zero, this is your tax offset.

The tax offset you work out here will not include any unused portion of your spouse's Senior Australians or pensioner tax offset that we may transfer to you. Do not write your tax offset amount anywhere on your tax return.

PART D: MEDICARE LEVY

If you want to work out your Medicare levy before you receive your notice of assessment, you can follow the steps below.

How to work out your basic levy

STEP 1

- If you are eligible for a Senior Australians tax offset—see pages 51–2—and your taxable income is $20,501 or more but less than $22,163, your levy is 20 cents for every dollar above $20,500. If it is more than $22,162, your levy is 1.5% of your taxable income. You do not pay any Medicare levy if your taxable income is $20,500 or less.
- If you are eligible for the pensioner tax offset—see pages 56–7—and your taxable income is $18,142 or more but less than $19,612, your levy is 20 cents for every dollar above $18,141. If it is more than $19,611, your levy is 1.5% of your taxable income. You do not pay any Medicare levy if your taxable income is $18,141 or less.
- If in all other circumstances, your taxable income is $15,530 or more but less than $16,789, your levy is 20 cents for every dollar above $15,529. If it is more than $16,788, your levy is 1.5% of your taxable income. You do not pay any Medicare levy if your taxable income is $15,529 or less.

STEP 2 Did you claim an exemption at item **26**? If not, your Medicare levy is the amount you worked out at step 1. If you are claiming an exemption, read on.

STEP 3 How much of your basic levy at step 1 do you pay?

Example

- If you are eligible for a Senior Australians tax offset, the levy you pay on a taxable income of $21,500 is $200.

$$(\$21{,}500 - \$20{,}500) \times \frac{20}{100} = \$200$$

- If you are eligible for the pensioner tax offset, the levy you pay on a taxable income of $20,000 is $300.

$$\$20{,}000 \times \frac{1.5}{100} = \$300$$

FULL EXEMPTION

Number of days at **V** item **26** on your tax return, if any	(a)	
Basic levy at step 1	(b)	$
Multiply (a) by (b)	(c)	$
Divide (c) by 366	(d)	$

HALF EXEMPTION

Number of days at **W** item **26** on your tax return, if any	(e)	
Basic levy at step 1	(f)	$
Multiply (e) by (f)	(g)	$
Divide (g) by 366	(h)	$
Divide (h) by 2	(i)	$

YOUR EXEMPTION AMOUNT

Add (d) and (i) to get your exemption amount.	(j)	$

The amount of Medicare levy you pay, if any, is your basic levy at step 1 less any exemption amount at (j).

PART E: MEDICARE LEVY SURCHARGE

You do not have to work out the amount of Medicare levy surcharge you will pay. We will work it out from the information you provide on your tax return. We will tell you the result on your notice of assessment. If you want to work it out before you receive your notice of assessment, follow the steps below.

WORKING OUT YOUR MEDICARE LEVY SURCHARGE

Your taxable income from item **18 TAXABLE INCOME** on your tax return	(a)	$
Add to (a) any total reportable fringe benefits amounts shown at item **6** on your tax return	(b)	$
Divide (b) by 100 to get 1%	(c)	$

If you have to pay the surcharge for the WHOLE year, the amount you have to pay is (c). If you have to pay the surcharge for PART of the year, continue with the steps below.

Number of days at **A** item **27** on your tax return	(d)	
Take (d) away from 366	(e)	$
Multiply (c) by (e)	(f)	$
Divide (f) by 366	(g)	$

The amount of Medicare levy surcharge you have to pay is (g).

CALCULATIONS

WORKING OUT YOUR REFUND OR TAX DEBT—FINAL WORKSHEET

The following steps will show you how to work out your refund or how much tax you will have to pay. But before you begin to complete this worksheet, read pages 88–92 to work out your components.

STEP 1 First, transfer the amount of tax you worked out in part A on page 88.

Tax on your taxable income. $ ______ **A**

STEP 2 Next, work out the tax offsets available to you.

Total tax offsets claimed on page 3 of your tax return—do not include your 30% private health insurance tax offset—this is shown at step 6. $ ______

Low income tax offset—from part B on page 89 $ ______

Senior Australians or pensioner tax offset—from part C on pages 89–90 $ ______

Add up all your tax offsets. $ ______ **B**

STEP 3 Now work out your tax payable.

Tax payable—take the total amount of tax offsets at **B** away from the tax on taxable income at **A**.

If the result is less than zero write '**0**' here. $ ______ **C**

STEP 4 Transfer any Medicare levy or Medicare levy surcharge amounts that are payable.

Medicare levy—from part D on page 91 $ ______

Medicare levy surcharge—from part E on page 92 $ ______

Add up your Medicare levy related amounts. $ ______ **D**

STEP 5 Now work out the total tax payable for the year. **Total tax payable**—add **C** and **D**. $ ______ **E**

STEP 6 Add up all the credits and the refundable tax offsets available to you.

Pay as you go instalments $ ______

Total credits from payment summaries—amount at:

$ TOTAL TAX WITHHELD item **5** on your tax return $ ______

Credits from tax file number amounts withheld—amounts at:

M item **7** on your tax return $ ______

V item **8** on your tax return $ ______

30% private health insurance tax offset—amount at:

G item **23** on your tax return $ ______

Franking tax offset amount at:

U item **8** on your tax return $ ______

Add up your credits and refundable tax offsets. $ ______ **F**

STEP 7 Work out the refund/tax payable.

Refund/tax payable—take **F** away from **E**. $ ______ **G**

If **G** is **negative**—less than zero—this is the amount of **refund due to you**—excluding any other tax debts.

If **G** is **positive**—more than zero—this is the amount of **tax you have to pay**.

INFORMATION
TAX OFFICE LOCATIONS

STOP

Lodge your tax return at the address shown on page 79.

Here are our street addresses, and mailing addresses for correspondence. Please send correspondence to the office shown on your last notice of assessment, if you have one; otherwise send it to the nearest tax office.

If you have an enquiry, we can usually assist you faster by phone. Alternatively, you can visit the Tax Office website at **www.ato.gov.au**

See the inside back cover for a list of our phone services.

If you prefer to make your enquiry in person, we request that you make an appointment by phone. The number to phone for an appointment is **13 28 61**.

NOTE

We cannot accept payments at Tax Office locations. The methods for payment of tax debts are set out on the back of your notice of assessment.

TAX OFFICE LOCATIONS

VICTORIA

Casselden Place
2 Lonsdale Street Melbourne
PO Box 9990 Moonee Ponds 3039

Cheltenham
4A, 4–10 Jamieson Street Cheltenham
PO Box 9990 Dandenong 3175

Dandenong
14 Mason Street Dandenong
PO Box 9990 Dandenong 3175

Geelong
92–100 Brougham Street Geelong
PO Box 9990 Geelong 3220

WESTERN AUSTRALIA

Northbridge
45 Francis Street Northbridge
GPO Box 9990 Perth 6848

NORTHERN TERRITORY

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

Darwin
24 Mitchell Street Darwin
GPO Box 800 Adelaide 5001

TASMANIA

Hobart
200 Collins Street Hobart
GPO Box 9990 Hobart 7001

AUSTRALIAN CAPITAL TERRITORY

Canberra
Ground floor Ethos House
28–36 Ainslie Avenue Canberra
GPO Box 9990 Canberra 2601

QUEENSLAND

Brisbane
280 Adelaide Street Brisbane
GPO Box 9990 Brisbane 4001

Townsville
Stanley Place
235 Stanley Street Townsville
PO Box 9990 Townsville 4810

Upper Mt Gravatt
Ground floor NEXUS Building
96 Mt Gravatt-Capalaba Road
Upper Mt Gravatt 4122
PO Box 9990 Upper Mt Gravatt 4122

SOUTH AUSTRALIA

Adelaide
91 Waymouth Street Adelaide
GPO Box 800 Adelaide 5001

NEW SOUTH WALES

Albury
567 Smollett Street Albury
PO Box 9990 Albury 2640

Chatswood
Shop 43 Lemon Grove Shopping Centre
441 Victoria Avenue Chatswood
GPO Box 9990 Sydney 2001

Hurstville
1st floor MacMahon Plaza
14–16 Woodville Street Hurstville
PO Box 9990 Hurstville 2220

Newcastle
266 King Street Newcastle
PO Box 9990 Newcastle 2300

Sydney
Podium level Centrepoint
100 Market Street Sydney
GPO Box 9990 Sydney 2001

Parramatta
Ground floor Commonwealth Offices
2–12 Macquarie Street Parramatta
PO Box 422 Parramatta 2123

Wollongong
93–99 Burelli Street Wollongong
PO Box 9990 Wollongong 2500

OTHER TAX OFFICE MAILING ADDRESSES

Box Hill Tax Office
PO Box 9990 Box Hill 3128

Chermside Tax Office
PO Box 9990 Chermside 4032

Moonee Ponds Tax Office
PO Box 9990 Moonee Ponds 3039

Penrith Tax Office
PO Box 1400 Penrith 2740

INDEX

Publications

PUBLICATIONS, TAXATION RULINGS, PRACTICE STATEMENTS AND FORMS

To get publications referred to in *Retirees TaxPack 2004* you have three options:

1 Visit our website at www.ato.gov.au/publications for publications, taxation rulings, practice statements and forms.

2 Phone our Publications Distribution Service on 1300 720 092 for all referred publications, including forms.

Before you phone, check to see if there are other publications you may need—this will save you time and help us. For each publication you order please quote the full title and NAT number, if any, printed in *Retirees TaxPack*. Calls are charged at local call rates. Calls from mobile phones are charged at mobile rates.

3 Visit a Tax Office—see pages 94–5 in *Retirees TaxPack 2004* for our street addresses.

Infolines

IF YOU HAVE AN ENQUIRY ABOUT YOUR TAX, PHONE THE RELEVANT INFOLINE BELOW

Our infolines are open Monday to Friday 8.00am to 6.00pm except where otherwise indicated. Our automated self-help services are available 24 hours per day every day. You can phone any **13** number for the cost of a local call. Calls from mobile phones are charged at mobile rates. Make sure you have *Retirees TaxPack* handy when you phone.

If you require access to Tax Office records you will be asked to provide your tax file number or details from your last notice of assessment and some personal details to prove your identity

Personal Tax Infoline **13 28 61**

Phone between 8.00am and 6.00pm. The following types of calls can be made to this service.

- Seniors who are retired or planning to retire
- Tax file number queries
- Pay as you go (PAYG), including individual activity statements
- Higher Education Contribution Scheme (HECS), Student Financial Supplement Scheme (SFSS) and Post Graduate Education Loans Scheme (PELS)
- Capital gains and foreign income
- e-tax
- Notice of assessment queries
- General income tax including replacement cheque and account queries, lodgment and *Retirees TaxPack* queries

Binding Oral Advice **13 28 61**

Superannuation **13 10 20**

Retirees TaxPack 2004 questions **2**, **14**, **15** and **22**.

A Fax from Tax **13 28 60**

If you have access to a fax machine use *A Fax from Tax* for quick and easy access to information. The service operates around-the-clock and will provide you with information on personal taxation—including information on the Higher Education Contribution Scheme (HECS) and the Student Financial Supplement Scheme (SFSS).

Where's my refund—self-help service **13 28 65** and press **1**

You will need your tax file number to use this service

This automated self-help service is available 24 hours per day, every day, for you to check the progress of your tax return. Using your telephone keypad, you will need to key in your tax file number.

If you sent your tax return by ordinary post please wait seven weeks before phoning.

National Aboriginal and Islander Resource Centre **13 10 30**

The centre specialises in helping Indigenous clients and can assist with a wide range of tax matters.

People with a hearing, speech or vision impairment

People with a hearing or speech impairment and with access to appropriate TTY or modem equipment can communicate with a tax officer through the National Relay Service on **13 36 77** and quote one of the infolines listed on this page. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

People with a vision impairment can prepare their tax return electronically and lodge online using e-tax. e-tax is a convenient way to lodge and get your refund faster. All you need is access to a personal computer and the internet. The computer will need to run a Microsoft Windows operating system and have either JAWS or Window-Eyes screen reader software installed. e-tax is available at **www.ato.gov.au**

People with a vision impairment can also use *Retirees TaxTape 2004* or *Retirees TaxDisk 2004*—check the outside back cover of *Retirees TaxPack* for more information.

To report tax evasion phone
1800 060 062.

If you do not speak English and need help from the Australian Taxation Office, phone the Translating and Interpreting Service (TIS) on 13 14 50. TIS staff can assist with translating and interpreting in over 100 languages. Ask them to set up a three-way conversation between you, an interpreter and a tax officer.

إذا كنت لا تتكلم الإنكليزية وتحتاج إلى مساعدة من مكتب الضرائب الأسترالي، اتصل بخدمة الترجمة الشفهية والخطية (TIS) على الرقم **13 14 50**. باستطاعة موظفي TIS تقديم المساعدة في الترجمة الخطية والشفهية بأكثر من ١٠٠ لغة. اطلب منهم ترتيب محادثة ثلاثية الأطراف بينك وبين مترجم وموظف في مكتب الضريبة.

ARABIC

如果您不會説英語，而需要澳洲税務局 (Australian Taxation Office) 的協助，請致電翻譯及傳譯服務處 (TIS)，電話 **13 14 50**。 TIS 的職員可以協助超過 100 種語言的翻譯及傳譯工作，您可以要求他們安排您、傳譯員和税務主任進行三方面的談話。

CHINESE

Ako ne govorite engleski i potrebna Vam je pomoć Australskog poreznog ureda, nazovite Službu prevoditelja i tumača (Translating and Interpreting Service - TIS) na **13 14 50**. TIS-ovo osoblje pomaže oko prevođenja i tumačenja na preko 100 jezika. Zamolite ih da Vam organiziraju trostruki razgovor između Vas, tumača i poreznog službenika.

CROATIAN

Εάν δεν μιλάτε Αγγλικά και χρειάζεστε βοήθεια από την Αυστραλιανή Εφορία, τηλεφωνήστε στην Υπηρεσία Μεταφραστών και Διερμηνέων (TIS) στο **13 14 50**. Το προσωπικό του TIS μπορεί να βοηθήσει με μετάφραση και διερμηνεία σε πάνω από 100 γλώσσες. Ζητήστε τους να κανονίσουν μια 3μερή συνομιλία ανάμεσα σε σας, ένα διερμηνέα και ένα φορολογικό υπάλληλο.

GREEK

Se non parlate inglese e vi serve assistenza dall'Ufficio australiano delle imposte (Australian Taxation Office) telefonate al Servizio traduzioni e interpreti (TIS) al numero **13 14 50**. Il personale del TIS può offrirvi assistenza linguistica in oltre 100 lingue. Chiedete che venga allestita una conversazione a 3 tra voi, un interprete e un funzionario delle imposte.

ITALIAN

オーストラリア国税庁へのお問い合わせに通訳をご必要とされる方は、翻訳・通訳サービス (TIS ― 電話番号： **13 14 50**) をご利用ください。TIS は、100 種類以上の言語における翻訳および通訳サービスを提供いたしております。ご本人と通訳、税務官の三者間で会話を行うことができますので、ご希望の方はその旨お伝えください。

JAPANESE

호주 세무서에 용무가 있으나 영어로 소통이 안 되시는 분은 **13 14 50**의 번역 통역 서비스(TIS)로 전화하십시오. TIS 직원들은 100여 개의 언어를 번역 또는 통역하는 데 도움을 드릴 수 있습니다. TIS 직원에게 귀하와 통역사와 세무직원 간에 삼자통화를 할 수 있도록 요청하십시오.

KOREAN

Ако не зборувате добро англиски и ви треба помош од Австралиската даночна служба (Australian Taxation Office) телефонирајте на Преведувачката служба (Translating and Interpreting Service - TIS) на **13 14 50**. Персоналот на Преведувачката служба може да ви помогне со превод на над 100 јазици. Побарајте да воспостават тројна врска за разговарање меѓу вас, преведувачот и даночниот службеник.

MACEDONIAN

اگر به کمك اداره ماليات نياز داريد ولی انگليسی حرف نمی‌زنيد، به سرويس ترجمه کتبی و شفاهی (TIS)، شماره **13 14 50** تلفن کنيد. کارمندان TIS می‌توانند با ترجمه کتبی و شفاهی در بيش از ۱۰۰ زبان مختلف به شما کمك کنند. از آنها بخواهيد که يك مکالمه سه طرفه بين شما، يك مترجم و يك کارمند اداره ماليات برقرار کنند.

PERSIAN

Если вы не говорите по-английски и вам нужна помощь Австралийского налогового управления, звоните в переводческую службу TIS по тел. **13 14 50**. Сотрудники TIS могут помочь вам с переводом на более чем 100 языках. Просите их организовать 3-стороннюю беседу с участием вас, переводчика и сотрудника налогового управления.

RUSSIAN

Ако не говорите енглески и потребна вам је помоћ од Аустралијске пореске управе, назовите Службу за превођење и тумачење (Translating and Interpreting Service (TIS)) на **13 14 50**. Особље TIS-а може да вам помогне са превођењем и тумачењем на преко 100 језика. Тражите од њих да организују тросмерни разговор између вас, тумача и пореског службеника.

SERBIAN

Si usted no habla inglés y necesita ayuda de la Oficina Australiana de Impuestos, llame al Servicio de Interpretación y Traducción (TIS) al **13 14 50**. El personal de TIS puede ayudar proveyendo interpretación y traducción de más de 100 idiomas. Pídales que establezcan una conversación de 3 líneas entre usted, un intérprete y un funcionario de impuestos.

SPANISH

İngilizce konuşamıyorsanız ve Avustralya Vergi Dairesi'nden yardıma ihtiyacınız varsa, **13 14 50** numaralı telefondan Yazılı ve Sözlü Çeviri Servisi'ni (TIS) arayınız. TIS görevlileri 100'den fazla dilde yazılı ve sözlü çevirilerde yardımcı olabilir. Onlardan siz, bir tercüman ve bir vergi memuru arasında bir 3'lü görüşme ayarlamalarını isteyiniz.

TURKISH

Nếu quí vị không nói được tiếng Anh và cần Sở Thuế vụ Úc (Australian Taxation Office) giúp đỡ, hãy điện thoại Dịch vụ Thông Phiên dịch (Translating and Interpreting Service - TIS) qua số điện thoại **13 14 50**. Các nhân viên TIS có thể giúp thông dịch và phiên dịch trong hơn 100 thứ tiếng. Hãy nhờ TIS nối đường dây nói chuyện 3-chiều giữa quí vị, một thông dịch viên và một nhân viên thuế vụ.

VIETNAMESE

Tax Help

If you want to complete your own tax return or your claim for a refund of franking credits (formerly called 'imputation credits') but think you may need some assistance, then Tax Help may be the answer.

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

Tax Help is a free and confidential service for people on low incomes.

See page 15 in *Retirees TaxPack 2004* for more information—including the phone number to phone for Tax Help.

Assistance for people with a print disability

The following tax time products are available free of charge from the Royal Blind Society—on FREECALL **1800 644 885**—for people who are blind or vision impaired:

Retirees TaxTape 2004

Retirees TaxDisk 2004

Your tax questions cannot be answered on this number.