

TAXpack

2002
supplement



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Commissioner's **guarantee**

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

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

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



A handwritten signature in black ink that reads "Michael Carmody". The signature is written in a cursive style and is positioned above a horizontal line that tapers at both ends.

Michael Carmody
Commissioner of Taxation

Do you need to use this supplement?

TaxPack 2002 supplement contains instructions for completing the supplementary section (pages 9–12) of the *2002 tax return for individuals*, copies of which you will find at the back of this supplement.

The items in the supplementary section of the tax return are those that our records show are least commonly used by taxpayers—check the contents list on the next page.

If any of them apply to you, please follow the instructions in this supplement, including those that link the supplementary section of the tax return with the main part of the tax return (pages 1–8). You will need to attach both parts together to lodge your tax return.

Remember, this supplement does not replace *TaxPack 2002*; it is used in conjunction with *TaxPack 2002*.

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



TaxPack 2002 has been divided into 2 parts:

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

NOTE

If you are using *TaxPack 2002 supplement* you must also use *TaxPack 2002* to complete all of your tax return—pages 1–12.

The questions contained in *TaxPack 2002 supplement* are shown in the contents list below. Check the list to find out if you need to use *TaxPack 2002 supplement* and complete the supplementary section of your tax return (pages 9–12).

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Do not show at this question:

- attributed foreign income and any other foreign source income from a partnership or trust
- net capital gains from a trust
- income from a corporate limited partnership
- income from a public trading trust or a corporate unit trust
- interest you received, or were credited with, from a joint account where you quoted your individual tax file number to the financial institution
- that part of a distribution on which family trust distribution tax or ultimate beneficiary non-disclosure tax has been paid.

Otherwise you may be taxed incorrectly.

Other questions deal with these matters.

Refer to the relevant topics in the Index.

NOTE

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

For 2001–02 did you receive or were you entitled to:

- income or a loss from a partnership
- income from a trust (including a managed fund)
- a share of credit for tax paid on or withheld from partnership or trust income

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

If the partnership—in which you are a partner—paid you salary, wage or allowance type income, you must show that income at this question.

Distributions of income from any trust investment product, including a cash management trust, money market trust, mortgage trust, unit trust, or managed fund such as a property trust, share trust, equity trust, growth trust, imputation trust or balanced trust, must be shown at this question.

Public trading trusts, corporate unit trusts and corporate limited partnerships are treated as companies for tax purposes. Accordingly, income from an equity investment in these types of trusts and partnerships is treated as a dividend and must be shown at item **11** on your tax return.

NO Go to question **13**.

YES Read below.

What you may need

- details of any deductions you can claim against your partnership or trust distribution that have not already been claimed by the partnership or trust
- a statement or advice from the partnership or trust showing the following details in relation to your share of any distribution:
 - the amount of any primary production income or loss or the amount of any non-primary production income or loss
 - the amount of any net capital gains, attributed foreign income or other foreign source income
 - the amount of any income on which family trust distribution tax has not been paid
 - your share of entitlement to any of the following credits:
 - credit for amounts of tax withheld because the trust or partnership failed to quote its Australian Business Number
 - allowable imputation credits from franked dividends
 - credit for tax file number amounts withheld
 - credit for tax paid by the trustee
- the publication *Business and professional items* (NAT 2543—6.2002) which contains the *2002 business and professional items schedule*. This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*. If you conducted a business activity as a partner in a partnership that resulted in a loss—or resulted in a loss after deducting your expenses—you must complete items **P3** and **P9** in the *2002 business and professional items schedule* in addition to item **12**.

You need to know

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

Some trust distributions paid after 30 June 2002 need to be included in your tax return for this year. This is because you were entitled to this income at 30 June 2002. You must make sure that you have included all of your trust income. If you have not been advised of all your trust distribution, contact your trustee.

If your distribution includes amounts described as tax-free, tax deferred or non-taxable, you will need to read the information on non-assessable distributions in the publication *Guide to capital gains tax* (NAT 4151—6.2002). While these amounts may not need to be included at this item, they may be relevant in determining the amount of net capital gains you show at item **17**. This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Not all income distributed from a partnership or trust is to be shown at this question. If your distribution includes the following categories of income they are to be shown at other items on your tax return:

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

QUESTIONS YOU NEED TO ANSWER

1 A non-resident trust is either a trust whose trustee was not an Australian resident during 2001–02 or a trust which was not managed or controlled from Australia during 2001–02. Did you receive or were you entitled to receive income from a non-resident trust?

NO **YES**

2 If you are under a legal disability, you may be able to claim a credit for the tax that the trustee has paid on your share of income. You are considered to be under a legal disability if you are under 18 years of age as at 30 June 2002 or you are a person who is bankrupt or you have been declared legally incapable because of a mental condition. Are you under a legal disability?

NO **YES**

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

NO **YES**

If you answered **NO** to all 3 questions, go to part A.

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

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

NO  Go to part B.

YES  Read below.

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

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

Step 3 Complete items **P3** and **P9** in the *2002 business and professional items schedule* if the amount at **N** or **O** includes a loss from a business activity operated by one or more of your partnerships.

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

NO  Go to part C.

YES  Read below.

You need to know

If, in an income year, a trust makes an overall loss for income tax law purposes, the loss is retained in the trust—there is no amount of net income available for distribution.

However, in some cases you are required to enter a loss at this question. This happens when your income is subject to the averaging provisions available to primary producers, and the trust has made a loss from its primary production activities but has an overall net income amount, which it distributes to you.

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

If you need help, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

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


Step 2 Write the total of your share of non-primary production trust income or loss—excluding any net capital gain, attributed foreign income or other foreign source income—at **U** item **12**. Do not show cents. If you have a loss, print **L** in the box at the right of **U**.

Exception for primary producers

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

You may need to refer to *Taxation Ruling TR 95/29—Applicability of averaging provisions to beneficiaries of trust estates carrying on a business of primary production*. This publication is available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

PART C **Can you claim any deductions in relation to a distribution from a partnership or trust?**

NO  Go to part D.

YES  Read below.

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

If you made a prepayment of \$1000 or more for something to be done (in whole or in part) in a future income year, the amount you can deduct at **X** and **Y** may be affected by the rules relating to prepayments. For more information see the publication *Deductions for prepaid expenses* (NAT 4170—6.2002). This publication is available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

If you have incurred debt deductions, such as interest and borrowing costs, in relation to a distribution from a partnership or trust, the amount that you can deduct at **X** and **Y** may be affected by the new thin capitalisation rules that apply in 2001–02. If you are an Australian resident and you (or any associate entities) have certain overseas interests or you are a foreign resident, these rules may apply if all your debt deductions (combined with those of your associate entities) for 2001–02 are more than \$250 000. See **What's new this year?** on page 9 in *TaxPack 2002*.

Primary production deductions

Step 1 If you are a partner in a primary production partnership that incurred eligible expenditure in 1999–2000 or 2000–01 on facilities for conserving or conveying water and you previously chose to claim a tax offset over 3 years instead of a deduction for your share of the expenditure, you may be able to claim a tax offset at item **T9** on your tax return. See page s52 for eligibility.

NOTE

The choice of a tax offset is not available for expenditure incurred after the end of the 2000–01 income year.

If you are a partner in a partnership that incurred eligible expenditure on landcare operations and/or eligible expenditure on facilities for conserving or conveying water, write your share of the total of any eligible expenditure on landcare operations and/or any eligible expenditure on facilities for conserving/conveying water that you can deduct this year and that relate to primary production income or loss from partnerships at **I** item **12** on your tax return. Do not show cents.

If you are a beneficiary in a trust that incurred eligible expenditure on landcare operations and/or eligible expenditure on facilities for conserving/conveying water, only the trust can claim deductions for that expenditure.

For further information on eligible expenditure on landcare operations and water facilities see the *Guide to depreciating assets* (NAT 1996—6.2002). This publication is available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

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

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

NOTE

Only include non-commercial business losses deferred from last year if they relate to a partnership activity which is the same or similar to your current year partnership activity. Refer to the example on page s5.

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

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

Non-primary production deductions

Step 1 If you are a partner in a partnership that incurred eligible expenditure on landcare operations, write your share of the total of any eligible expenditure on landcare operations that relate to non-primary production income or loss from partnerships at **J** item **12**. Do not show cents.

If you are a beneficiary in a trust that incurred eligible expenditure on landcare operations, only the trust can claim deductions for that expenditure.

For further information on eligible expenditure on landcare operations see the *Guide to depreciating assets*.

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

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

NOTE

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

Example

In 2000–01 Lisa deferred total non-commercial business losses of \$6000 from her share of partnership activities made up of:

- \$5000 from a furniture restoration business and
- \$1000 from a computer consultancy business.

In 2001–02 Lisa's partnership distribution is \$2000 from the furniture restoration business. The partnership did not carry on the computer consultancy business.

Lisa will only include \$5000 loss relating to the furniture restoration business at item **Y**. She cannot include her \$1000 loss from the computer consultancy business as it does not relate to an activity which is the same or similar to her current year activity.

Note: Her \$5000 loss from the furniture restoration business must also be shown at item **P9** in the *2002 business and professional items schedule*.

Lisa should keep a record of her \$1000 deferred loss from the computer consultancy business, as she may be able to claim it if that business starts again or she starts a similar business.

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

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

PART D Calculation of net distribution from primary production and non-primary production

Step 1 Net primary production distribution

Add the income amounts at **N** and **L**—or deduct loss amounts if any—and take away the amounts at **I** and **X**. Write the answer at **Net primary production distribution**, item **12** on your tax return. Do not show cents.

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

If you have a total net loss from a partnership business activity, complete items **P3** and **P9** in the *2002 business and professional items schedule*.

Step 2 Net non-primary production distribution

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

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

If you have a total net loss from a partnership business activity, complete items **P3** and **P9** in the *2002 business and professional items schedule*.

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

PART E Share of credits from partnerships and trusts

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

- income from which an amount of tax was withheld because an Australian Business Number was not quoted, write your share of the distributed credit at **P** item **12**. Show cents
- interest, dividends and unit trust distributions from which tax file number (TFN) amounts have been withheld, write the total of your share of credits for TFN amounts withheld at **R** item **12**. Show cents.

Other credits:

- For tax paid by a trustee on trust income, write the total of your share of credits for tax paid by a trustee at **S** item **12**. Show cents.

Imputation credits

Write the amount of your share of any allowable imputation credits which you are entitled to claim as a franking tax offset through a partnership or trust at **Q** item **12**. Show cents. You and the partnership or trustee must be qualified persons in relation to the particular dividend—see **Qualified person** on page s6.

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

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

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

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

Qualified person

A taxpayer must satisfy both the holding period rule and the related payments rule in order to be a qualified person in relation to a dividend. Only qualified persons are entitled to the benefit of imputation credits attached to dividends.

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

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

The **holding period rule** could affect you if you or the partnership or trustee 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 the shares. The **related payments rule** could affect you if you or the partnership or trustee of a non-widely held trust were under an obligation to make a related payment with respect to a dividend under an arrangement entered into after 7.30 p.m. on 13 May 1997 and the shares were not held 'at risk' during a specified qualifying period. Special rules apply if you are the beneficiary of a trust and the trustee has made a family trust election.

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

If you have failed the holding period rule and the related payments rule does not apply to you, you may still be entitled to a franking tax offset if you qualify for the small shareholder exemption. The small shareholder exemption imposes a maximum franking tax offset ceiling of \$5000 on all your franking tax offset entitlements in a given year, whether received directly, or indirectly through a partnership or trust.


If any of these measures are likely to affect you, read the publication *You and your shares* (NAT 2632—6.2002). This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Check that you have . . .

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

Did you receive personal services income as a **SOLE TRADER** including:

- personal services income under a **Pay As You Go (PAYG) voluntary agreement**
- personal services income from which an amount was withheld because you did not quote your **Australian Business Number (ABN)**
- personal services income as an independent contractor under a **labour hire arrangement**
- personal services income from a specified payment including payment for tutorial services provided for the **Aboriginal Tutorial Assistance Scheme of the Department of Education, Science and Training** and payment for translation and interpretation services for the **Translating and Interpreting Service of the Department of Immigration and Multicultural and Indigenous Affairs**
- other personal services income?

NO  Go to question 14.

YES  Read below.

You need to know

New rules for the tax treatment of personal services income earned by contractors and consultants started on 1 July 2000. If you had personal services income as a sole trader and you are not excluded from the new rules, you will not be able to claim certain deductions—for example, rent, mortgage interest, rates or land tax for your home, or payments to your spouse (or other associate) for support work such as secretarial duties.

If you had a prescribed payments system (PPS) payee declaration in force at 13 April 2000, the changes to the tax law do not apply to personal services income earned before 1 July 2002.

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

Examples of personal services income are:

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

Personal services income does not include income that is mainly:

- for sale or supply of goods or granting a right to use property or
- for the use of an asset or
- generated by a business structure—for example, an accountant working for a large accounting firm.

What you need

- the publication *Personal services income: self-assessment guide* (NAT 3416—11.2001). This publication will help you decide whether you are affected by changes to the tax law for contractors and consultants. It also provides particulars of how you may obtain more information about personal services income issues. You may also need *Taxation Ruling TR 2001/7—The meaning of personal services income* and *Taxation Ruling TR 2001/8—What is a personal services business*. These publications are available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*
- the publication *Business and professional items* (NAT 2543—6.2002). You need to read this publication before you can complete this question. This publication is available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*
- the 2002 *business and professional items schedule* which is included in *Business and professional items*

NOTE If you need more information ring the Tax Reform Infoline on **13 2478** or visit the Australian Taxation Office website at <www.ato.gov.au>.


- the *Individual PAYG payment summary schedule 2002* which is also included in *Business and professional items*. You will need to complete this schedule if you had tax withheld from your sole trader personal services income.

COMPLETE YOUR SCHEDULES

- 2002 business and professional items schedule*
Complete the schedule, sign it and attach it to page 3 of your tax return. If you do not attach your schedule, your tax return will be sent back to you. Do not include any of your calculations on your tax return. When you attach your *2002 business and professional items schedule* to page 3 of your tax return, print **X** in the **YES** box at *Taxpayer's declaration* question 2b on page 8 of your tax return.

- Individual PAYG payment summary schedule 2002*
If you received personal services income from which tax was withheld, complete this schedule and attach it to page 3 of your tax return. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return.

Did you write an amount at **M**, **N**, **O**, **J**, **K**, **L** or **A**, item **P1** on your *2002 business and professional items schedule*?

NO  Go to question **14**.

YES  Read below.

Completing this question

PART A Net personal services income

Step 1 Transfer your net personal services income or loss shown at **A** item **P1** on your *2002 business and professional items schedule* to **A** item **13** on your tax return. Do not show cents.

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

Important: If you carried on a business as an author, dramatic artist, musician, artist, inventor, performing artist, production associate, or active sportsperson, you must ALSO write the amount of income you received from these business activities at **Z** item **22**. See page s29 in *TaxPack 2002 supplement* for more information.

You will not be taxed twice on this income.

PART B Tax withheld from personal services income

Did you include an amount at **M**, **N** or **O**, item **P1** on your *2002 business and professional items schedule*?

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

YES  Read on.

1 Did you have amounts of tax withheld under a Pay As You Go (PAYG) voluntary agreement?

NO  Go to **2**.

YES  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2002* at the **Tax withheld** boxes with a **V** in the **Type** box that correspond to the payments shown at **M** item **P1** on your *2002 business and professional items schedule*. Write this amount at **G** item **13** on your tax return. Do not show cents.

2 Did you have amounts of tax withheld because you did not quote your Australian Business Number?

NO  Go to **3**.

YES  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2002* at the **Tax withheld** boxes with an **N** in the **Type** box that correspond to the payments shown at **N** item **P1** on your *2002 business and professional items schedule*. Write this amount at **H** item **13** on your tax return. Show cents.

3 Did you have amounts of tax withheld:





- because you received income under a labour hire arrangement or
- from a specified payment?

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




YES  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2002* at the **Tax withheld** boxes with an **S** in the **Type** box that correspond to the payments shown at **O** item **P1** on your *2002 business and professional items schedule*. Write this amount at **J** item **13** on your tax return. Do not show cents.

Check that you have . . .

-  read the publication *Business and professional items*
-  completed your *2002 business and professional items schedule*, signed and attached it to page 3 of your tax return
-  transferred the amount from **A** item **P1** on the schedule to **A** item **13**. If this amount is a loss, print **L** in the **LOSS** box at the right of **A**
-  printed **X** in the **YES** box at *Taxpayer's declaration* question 2b on page 8 of your tax return.

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

-  completed your *Individual PAYG payment summary schedule 2002* and attached it to page 3 of your tax return
-  written amounts at **G**, **H** and **J** item **13**, if required
-  printed **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return.



**Do not show at
this question:**

personal services
income included at
question 13 **Personal
services income (PSI)**.

Did you derive income from any business—other than personal services income included at question 13—including:

- a primary production business
- income under a Pay As You Go (PAYG) voluntary agreement
- income from which an amount was withheld because you did not quote your Australian Business Number (ABN)
- income as an independent contractor under a labour hire arrangement
- income from a specified payment including payment for tutorial services provided for the Aboriginal Tutorial Assistance Scheme of the Department of Education, Science and Training, and payment for translation and interpretation services for the Translating and Interpreting Service of the Department of Immigration and Multicultural and Indigenous Affairs?

NOTE

If you are self-employed, or driving a taxi under a standard bailment agreement with an owner/operator, you will need to complete this question.

NO Go to question 15.

YES Read below.

You need to know

You need to read the publication *Business and professional items* (NAT 2543—6.2002) before you can answer this question. This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Business and professional items contains the *2002 business and professional items schedule*. As part of answering this question **you must complete this schedule, sign it and attach it to page 3 of your tax return**. If you do not attach your schedule, your tax return will be sent back to you. Do not include any of your calculations on your tax return.

When you attach your *2002 business and professional items schedule* to page 3, print **X** in the **YES** box at *Taxpayer's declaration* question 2b on page 8 of your tax return.

Business and professional items also contains the *Individual PAYG payment summary schedule 2002*. If you received business income from which tax was withheld you will also need to complete this schedule before completing item 14.

When you attach your *Individual PAYG payment summary schedule 2002* to page 3, print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return.

If you received personal services income as a sole trader, you must complete item **P1** of the *2002 business and professional items schedule*. Personal services income is income that is mainly a reward for an individual's personal efforts or skills. Where you have net personal services income at **A** item 13, do not include the personal services income or claim deductions relating to that income at item 14.

You must show your net income—gross business income less business deductions—at **B** item 14 for primary production and at **C** item 14 for non-primary production business income.

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

- cultivating or propagating plants, fungi or their products or parts
- maintaining animals for the purpose of selling them or their bodily produce
- manufacturing dairy produce from raw material you produced
- conducting operations relating directly to taking or catching fish, turtles, dugong, bêche-de-mer, crustaceans or aquatic molluscs
- conducting operations relating directly to taking or culturing pearls or pearl shell
- planting or tending trees in a plantation or forest that are intended to be felled

- felling trees in a plantation or forest
- transporting trees that you felled in a plantation or forest to the place
 - where they are first to be milled or processed or
 - from which they are to be transported to the place where they are first to be milled or processed.

If you are a primary producer, you also need to read the publication *Information for primary producers* (NAT 1712—6.2002). This publication is available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

What you may need

The following publications may help you to correctly complete this question:

- *Taxation Ruling TR 92/18—Bad debts*
- *Taxation Ruling TR 93/30—Deductions for home office expenses*
- *Taxation Ruling TR 96/7—Record keeping—section 262A—general principles*
- *Taxation Ruling TR 97/11—Am I carrying on a business of primary production?*
- *Taxation Ruling TR 97/21—Record keeping—electronic records*
- *Taxation Ruling TR 97/23—Deductions for repairs*
- *Guide to depreciating assets* (NAT 1996—6.2002)

If you think you may need these publications, visit the ATO website or see the inside back cover of *TaxPack* to find out how to get them.

Important: Complete your *2002 business and professional items schedule*, and your *Individual PAYG payment summary schedule 2002*, if required, before you continue.

PART A Did you derive income from a primary production business?

NO  Go to part B. **YES**  Read below.

Step 1 Transfer your net income or loss from primary production business shown at **Y** on page 3 of your *2002 business and professional items schedule* to **B** item **14** on your tax return. Do not show cents.

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

Step 3 If you made a loss in 2001–02 from one or more business activities, check that you have completed items **P3** and **P9** in the *2002 business and professional items schedule*.

PART B Did you derive income from any non-primary production business?

NO  Go to part C. **YES**  Read below.

Step 1 Transfer your net income or loss from non-primary production business shown at **Z** on page 3 of your *2002 business and professional items schedule* to **C** item **14** on your tax return. Do not show cents.

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

Step 3 If you made a loss in 2001–02 from one or more business activities, check that you have completed items **P3** and **P9** in the *2002 business and professional items schedule*.

Important: If you carried on a business as an author of a literary, dramatic, musical or artistic work or as an inventor, performing artist, production associate or active sportsperson, you must ALSO write the amount of income from these business activities at **Z** item **22**. See page s29 for more information.

You will not be taxed twice on this income.

PART C **In your calculation of total business income in the 2002 business and professional items schedule, did you include income from which an amount of tax was withheld at C, D, E, F, N or O item P8?**

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

1 Did you have any amounts of tax withheld under a Pay As You Go (PAYG) voluntary agreement?

NO  Go to **2**. **YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2002* shown in the **Tax withheld** boxes where you have printed **V** in the **Type** box that correspond to the payments shown at **E** and **F** item **P8** in the *2002 business and professional items schedule*. Write this total at **D** item **14** on your tax return. Do not show cents.

2 Did you have any amounts of tax withheld because you did not quote your Australian Business Number (ABN)?

NO  Go to **3**. **YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2002* shown in the **Tax withheld** boxes where you have printed **N** in the **Type** box that correspond to the payments shown at **C** and **D** item **P8** in the *2002 business and professional items schedule*. Write this total at **W** item **14** on your tax return. Show cents.





3 Did you have any amounts of tax withheld:

- because you received income under a labour hire arrangement or
- from a specified payment?




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

Add up all the amounts on your *Individual PAYG payment summary schedule 2002* shown in the **Tax withheld** boxes where you have printed **S** in the **Type** box that correspond to the payments shown at **N** and **O** item **P8** in the *2002 business and professional items schedule*. Write this amount at **F** item **14** on your tax return. Do not show cents.

Check that you have . . .

-  read the publication *Business and professional items*
-  completed the *2002 business and professional items schedule* (the schedule), signed and attached it to page 3 of your tax return
-  transferred the amounts from **Y** and **Z** item **P8** on the schedule to **B** and **C** at item **14** respectively and, if these amounts are losses, printed **L** in the **LOSS** box at the right-hand side
-  printed **X** in the **YES** box at *Taxpayer's declaration* question 2b on page 8 of your tax return.


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

-  completed the *Individual PAYG payment summary schedule 2002* and attached it to page 3 of your tax return.
-  written amounts at **D**, **W** and **F** item **14**, if required
-  printed **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return.

Did you:

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

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

NO  Go to question **16**.

YES  Read below.

What you may need

- *Taxation Ruling TR 2001/14—Income tax: Division 35—non-commercial business losses*. This publication is available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*
- *Non-commercial losses: partnerships* (NAT 3385—7.2000). This publication provides information on the special rules that apply to determine whether a business activity you carry on in partnership with others satisfies any one of the 4 tests shown on the next page. This publication is available on the ATO website or ring the Tax Reform Infoline on **13 2478**
- any written advice from the ATO that the Commissioner will exercise his discretion to allow you to deduct your loss from your business activity carried on either as a sole trader or in partnership with others
- if you are a partner in a partnership, the following details for each business activity which you, as a partner, are involved in:
 - the amount of assessable income earned by the partnership for the activity
 - the share of partnership assessable income, real property and certain other assets, attributable to partners who are not individuals
 - your share of income or loss from the partnership for the activity
- your completed *2002 business and professional items schedule*—for you as a sole trader, or as a partner with a net loss from a business activity carried on in partnership with others.

You need to know

From 1 July 2000 new rules relating to deferral of non-commercial business losses apply. You can only use a 2001–02 loss from a business activity you conduct either as a sole trader or in partnership in calculating your 2001–02 taxable income where:

- the Exception applies OR
- one of the 4 tests is satisfied OR
- if one of the 4 tests is not satisfied, the Commissioner exercises his discretion to allow you to claim the loss.

**Important**

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

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

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

- the deferred loss is taken into account in calculating any net profit or loss from the activity in that future year
- hence, the deferred loss may be offset against any profit from the activity in that year.

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

You must defer your loss by completing item **15** on your tax return. The amount shown at item **15** cannot be used to reduce your 2001–02 taxable income.

The Exception

If you operate a **primary production** business or a **professional arts** business and your assessable income for 2001–02 (except any net capital gain) from other sources that do not relate to that activity is less than \$40 000, you may claim your business loss this year.

A professional arts business is a business you carry on as an author of a literary, dramatic, musical or artistic work, a performing artist or a production associate.

You cannot claim losses arising from activities you conduct that are a private recreational pursuit or hobby, or where there is no likelihood of profit.

The 4 tests

You will not have to defer your loss from your business activity if the activity satisfies at least **one** of the following 4 tests:

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

The Commissioner's discretion

In limited circumstances the Commissioner can exercise his discretion to allow a loss from a business activity to be claimed in the year it arises, even though none of the 4 tests is satisfied, provided that:

- the business activity has been affected by special circumstances outside the control of the operators of the business—for example, natural disasters—where the activity would have satisfied one of the 4 tests but for these special circumstances OR
- the business activity, because of its nature, has a lead time and, for this reason, does not satisfy any of the 4 tests, but there is an objective expectation that it will eventually do so within a period that is commercially viable for the industry concerned. 'Commercial viability' is measured against independent industry standards.

You must apply in writing for advice on whether the Commissioner will exercise this discretion. For more details regarding the Commissioner's discretion or any other questions about these rules, ring the Tax Reform Infoline on **13 2478**.

Completing this question

PART A *Deferred non-commercial business losses from partnership activities*

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

Were you a partner in a partnership?

NO  Go to part B.

YES  Read on.

Did you make a net loss from a business activity carried on in partnership with others in 2001–02?

NO  Go to part B.

YES  Read on.

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

Does your net loss from that business activity come within the Exception described on pages s12–13?

NO  Read below.

YES  Go to part B.

Does your net loss from that business activity satisfy one of the 4 tests listed on page s13?

NO  Read below.

YES  Go to part B.

Has the Australian Taxation Office advised you in writing that the Commissioner will exercise his discretion to allow you to claim a net loss from that business activity?

NO  Read below.

YES  Go to part B.

Step 1 Work out the net loss to be deferred from your business activity that you carried on in partnership with others. If you have a net loss from only one business activity, go to step 3.

Step 2 If you have a net loss from more than one business activity that you carried on in partnership with others, add up all the net losses to be deferred.

Step 3 Write the total of your net losses to be deferred from business activities you carried on in partnership with others at **F** item **15** on your tax return.

Step 4 Check that you have included the amount of your deferred non-commercial business losses in working out your net distribution at item **12** and/or your net income at item **14** on your tax return; otherwise you will have overstated your taxable income.

Step 5 Make sure that you have completed items **P3** and **P9** in the *2002 business and professional items schedule*.

PART B Deferred non-commercial business losses from sole trader activities

Did you make a net loss from a business activity as a sole trader in 2001–02?

NO  Go to part C.

YES  Read below.

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

Does your net loss from your business activity come within the Exception described on pages s12–13?

NO  Read below.

YES  Go to part C.

Does your business activity satisfy one of the 4 tests listed on page s13?

NO  Read below.

YES  Go to part C.

Has the Australian Taxation Office advised you in writing that the Commissioner will exercise his discretion to allow you to claim a net loss in relation to that business activity for the year?

NO  Read below.

YES  Go to part C.

Step 1 Work out the net loss to be deferred from your business activity that you carried on as a sole trader. If you have a loss from only one business activity, go to step 3.

Step 2 If you have a net loss from more than one business activity that you carried on as a sole trader, add up all the net losses to be deferred.

Step 3 Write the total of your net losses to be deferred from business activities as a sole trader at **G** item **15** on your tax return.

Step 4 Check that you have included the amount of your deferred non-commercial business losses in working out your net distribution at item **12** and/or your net income at item **14** on your tax return; otherwise you will have overstated your taxable income.

Step 5 Make sure that you have completed items **P3** and **P9** in the *2002 business and professional items schedule*.

PART C Total deferred non-commercial business losses

Add up any amounts at **F** and **G** item **15** on your tax return. Write the total at **H** item **15** on your tax return.


NOTE

At **Business loss activity details** item **P9** in the *2002 business and professional items schedule* you must record the 3 highest loss-making activities (if applicable), regardless of whether or not your activity:

- comes within the Exception or
- satisfies one of the 4 tests or
- is an activity that the Commissioner has advised he will exercise his discretion to allow the net loss to be claimed this year or
- is carried on by you in partnership or as a sole trader.

This question is for primary producers only.

Did you make a deposit into, or withdraw funds from, the Farm Management Deposits Scheme during 2001–02?

NO  Go to question 17.

YES  Read below.

What you may need

- your statement of account from your financial institution for the Farm Management Deposits Scheme
- the publication *Information for primary producers* (NAT 1712–6.2002). This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You need to know

You can generally claim a deduction for deposits made during 2001–02 at this question.

Any deduction you claim cannot be more than the deposits made or your taxable primary production income for 2001–02, whichever is the lesser. Also, you cannot claim a deduction this year for any deposits made to the Farm Management Deposits Scheme if in 2001–02:

- your taxable non-primary production income was more than \$50 000 or
- you became bankrupt
- you ceased to be a primary producer for at least 120 days—the 120 day period does not have to fall entirely in 2001–02.

The maximum amount that can be held at any one time as farm management deposits is \$300 000.

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




If in 2001–02 you became bankrupt or ceased to be a primary producer for at least 120 days, all remaining deposits become repayable to you and are assessable income in 2001–02 to the extent you have previously claimed them as a deduction.

Completing this question

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

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

Check that you have . . .

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

NOTE

Deceased estate

If you are looking after the estate of someone who died in 2001–02, you cannot claim a deduction for any deposits they made in 2001–02. Any farm management deposits held at the time of death become repayable at that time and are assessable income in 2001–02 to the extent they have previously been claimed as a deduction.

STOP

Do not show at this question:

a 'listed investment company (LIC) capital gain amount' included in a dividend paid by an LIC. Refer to question **D8 Interest and dividend deductions**.

NOTE

If you are an Australian resident, any capital gains (or capital losses) you may have made from foreign sources are shown at this question, not as foreign source income at question 19.

NOTE

To complete this question you will need one of 2 publications:

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

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

A Did you make a capital gain or a capital loss in 2001–02?

You may have made a capital gain or capital loss if what is called a 'CGT event' has happened to you in 2001–02. 'CGT' stands for capital gains tax.

You may have also made a capital gain for 2001–02 if you received a capital gain distributed to you from a trust or managed investment fund relating to the 2001–02 income year.

There are a wide range of CGT events. The most common CGT event happens if you sell or give away an asset. Some typical assets are:


- land and buildings—for example, a holiday home
- shares
- units in a unit trust or managed investment fund
- Instalment Receipts
- collectables—for example, jewellery
- personal use assets.


Examples of other CGT events:

- An asset you owned was lost or destroyed.
- You received an amount for entering into an agreement not to work in a particular industry for a set period of time.
- You received an amount from a local council for disruption to your business assets by roadworks.

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 is more than the 'cost base' of the 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 is 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 2001–02—see **Completing this question** step 3 on page s17.


NO  Print **X** in the **NO** box at **G** item 17 on your tax return. Read on.

YES  If you had either a capital gain or a capital loss print **X** in the **YES** box at **G** item 17 on your tax return. Read on to work out your net capital gain or capital loss.

B Did you have a net capital loss before 2001–02 that you have not yet applied to reduce a capital gain?

If your capital losses for 2001–02 did not exceed your capital gains for the year, you can further reduce your capital gains by applying net capital losses from prior years.

NO  If you answered **NO** to **A** and **B** go to question 18. Otherwise read on.

YES  Read on to work out your net capital gain or capital loss for the year.

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

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

NOTE

If you sold shares or units in a unit trust or received income from a managed investment fund that included a capital gain, use the publication *Personal investors guide to capital gains tax*.

This guide does not cover more complex capital gains tax issues, such as:

- the sale of a rental property
- collectables (for example, jewellery)
- personal use assets (for example, a boat you use for recreation)
- sale of shares or units where:
 - capital gains tax concessions for small businesses apply
 - shares or units were acquired from settlement of a marriage breakdown, or where a unit trust is vested
 - there is a reduction of a cost base as a result of a debt being forgiven
- payments from a trust where the capital gains tax concessions for small businesses apply.

For more complex capital gains tax issues, use the publication *Guide to capital gains tax*.

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

Did you:

- purchase or inherit an asset
- receive an asset as part of a divorce settlement or as a gift
- make improvements to property?

If 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 and the assets that attract capital gains tax, these are explained in the *Guide to capital gains tax* and the publication *CGT asset register* (NAT 2684 – 7.1998).

- 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 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 if you acquired it for \$10 000 or less. You also disregard any capital loss you make from a personal use asset.

If **all** of your capital gains and capital losses are disregarded because an exception or exemption—other than small business capital gains tax concessions—applies, go to question **18**. Otherwise read on.

Small business capital gains tax concessions

There are 4 small business concessions in relation to capital gains tax:

- the small business 15-year exemption
- the small business 50% active asset reduction
- the small business retirement exemption
- small business roll-over relief.

For further information read the publication *Capital gains tax concessions for small business* (NAT 3359—6.2000). This publication is available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

Completing this question**What you need**

- documents showing the dates you acquired an asset, the date of the CGT event and the date and amount of any expenditure you incurred that forms part of the cost base of the asset
- the publication *Personal investors guide to capital gains tax* OR the publication *Guide to capital gains tax*. These publications are available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*
- if you own a small business you may also need the publication *Capital gains tax concessions for small business*.

- Step 1** Read the publication that is relevant to your circumstances—either the *Personal investors guide to capital gains tax* or the *Guide to capital gains tax*—and work out the amount of your capital gain or capital loss for each CGT event and for each trust distribution.
- Step 2** Add up all your capital gains to work out your total current year capital gains. Write this amount at **H** item **17** on your tax return. Do not include capital losses here.
- Step 3** Work out your net capital gain. This is the amount remaining after applying capital losses from this year, net capital losses from prior years, the CGT discount (if applicable and allowable) and the small business CGT concessions to this year's total current year capital gains. Write this amount at **A** item **17** on your tax return.

NOTE

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


If your capital losses for 2001–02 exceeded your capital gains for the year, you have made a net capital loss for the year. Go to step 4.

- Step 4** Your net capital loss from 2001–02 and prior year net capital losses **not** applied against the current year capital gains are your net capital losses carried forward to later income years. Write the total amount, if any, at **V** item **17** on your tax return.

Are you an Australian resident for tax purposes who:


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

An interest includes an interest that you know will arise in the future.

NO  Go to question 19.

YES  Read below.

PART A **Did you have either a direct or indirect interest in a controlled foreign company (CFC)?**

NO  Print **X** in the **NO** box at **I** item 18 on your tax return. Go to part B.

YES  Read below.

What you need

Foreign income return form guide (NAT 1840—5.1998). This publication is available on the Australian Taxation Office (ATO) website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You need to know

The CFC measures may apply to income or gains of foreign companies in which you have a direct or indirect control interest, or which you effectively control.

Step 1 Did you, alone or with associates:


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

Chapter 1 of the *Foreign income return form guide* will help you to work this out.

If so, print **X** in the **YES** box at **I** item 18 on your tax return. Go to step 2. If not, print **X** in the **NO** box at **I**. Go to part B.

Step 2 Work out your attributed foreign income from any CFC. Chapter 1 of the *Foreign income return form guide* will help you to work this out. Write this amount at **K** item 18. Do not show cents.

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

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

YES  Read below.

What you need

Foreign income return form guide (NAT 1840—5.1998). This publication is available on the ATO website. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You need to know

The transferor trust measures may apply if you have, at any time, directly or indirectly caused the transfer of property—including money—or services to a non-resident trust. A non-resident trust is a trust where the trustee was not an Australian resident, or the trust was not managed or controlled from Australia.



Step 1 Print **X** in the **YES** box at **W** item 18 on your tax return.

Step 2 Work out your attributed foreign income from transferor trusts. Chapter 2 of the *Foreign income return form guide* will help you to do this.

- Step 3** Write the amount you worked out at step 2 at **B** item **18**. Do not show cents.
- Step 4** Print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 18 on the top of a separate piece of paper. Include your name, address, tax file number, the name of the non-resident trust and its trustee or trustees and the amount of any attributable income in relation to the trust. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

PART C **Did you have an interest in a foreign investment fund (FIF) or a foreign life assurance policy (FLP)?**

An FIF includes a superannuation fund that is not employer maintained. An FLP is a policy issued by a non-resident insurer.





- NO**  Print **X** in the **NO** box at **J** item **18** on your tax return. Go to question **19**.
- YES**  Read below.

What you need *Foreign investment funds guide* (NAT 2130—6.1998). This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You need to know The FIF measures may apply to income and gains of foreign companies or trusts in which you have an interest, but which you do not control.

- Step 1** Print **X** in the **YES** box at **J** item **18**.
- Step 2** Work out your attributed foreign income from any FIF or FLP. The *Foreign investment funds guide* will help you to do this.
- Step 3** Write the amount of income you worked out at step 2 at **C** item **18**. Do not show cents.
- Step 4** If you can claim any foreign tax credits in respect of attributed foreign income from an FIF or FLP, you will need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 18 on the top of a separate piece of paper. Include your name, address, tax file number, the name of the FIF or FLP, the amount of attributable income in relation to the FIF or FLP and any foreign tax credits you can claim in respect of that income. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

Check that you have . . .

-  written on your tax return your attributed foreign income from any controlled foreign company
-  written on your tax return your attributed foreign income from transferor trusts
-  written on your tax return your attributed foreign income from any FIF or FLP
-  attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 18, if you need to send us one.



Do not include at this question:

a capital gain or capital loss from foreign sources. Question 17 **Capital gains** deals with these amounts.

Did you receive:

- income from a foreign pension or annuity
- income from foreign employment
- any other foreign source income—for example, interest, dividends, rent, business or a lump sum payment from a non-resident superannuation fund?

NO Read below.

YES Read below.

Show this income even if it is held overseas for you.

At any time during 2001–02, did you own or have an interest in assets—located outside Australia—that had a total value of AUD \$50 000 or more?

NO If you answered **NO** to both questions go to question **20**. Otherwise, read below.

YES Read below.

You need to know

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

If you were paid a lump sum payment on termination of your foreign employment or from a non-resident superannuation fund, ring our Superannuation Infoline on **13 1020** for advice. Some of these payments are taxable. If the payment is not taxable, it may still be taken into account to work out the amount of tax you have to pay on your other income.

All foreign income, deductions and foreign tax paid must be converted to Australian dollars before you fill in the rest of this question. The **Conversion to Australian dollars** table below tells you how to do this. Ring the Personal Tax Infoline on the inside back cover of *TaxPack* to get information about the exchange rates.

Conversion to Australian dollars

Type of foreign income	Convert to Australian dollars at:
Foreign pensions, annuities and deductions	the average exchange rate for the year or the rate that applied at the time you received each payment.
Other non-salary and wage foreign income such as dividends or interest	the exchange rate that applied at the time the income was remitted to Australia. If it was not remitted, use the exchange rate that applied on 30 June 2002.
Foreign business income and employment income	the average exchange rate for the year.

What you may need

- details of any foreign income—this information may be found on pay slips, foreign tax assessments or company distribution advices
- details of any expenses you incurred in earning your foreign income
- details of any foreign tax paid—this information may be found on pay slips, foreign tax assessments or company distribution advices
- notepaper to help you to work out the amounts you need to show on your tax return. Divide the notepaper into 2 columns with the headings 'Assessable amount' and 'Net taxable amount'
- details of any allowable foreign losses from previous years
- the publication *How to claim a foreign tax credit* (NAT 2338—6.2002). This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

NOTE

Throughout this question you will need to work out the assessable and net taxable amounts of your foreign income. While both these amounts will be shown on your tax return, you will only be taxed on your net taxable amount.

PART A Were you paid a foreign pension or annuity?

NO  Go to part B.

YES  Read below.

Most foreign pensions and annuities are taxable in Australia, even if tax has been withheld from your payment by the country that paid you. Examples of pensions and annuities that fall into this category are age and superannuation pensions paid from the United Kingdom, Italy and Germany. If you are unsure whether your pension or annuity is taxable, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

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 at this question where you are not entitled to seek a refund of the foreign tax 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. If you are unsure whether your pension or annuity is subject to an agreement ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Alternatively, if your pension or annuity is paid from a country with which Australia has a double tax agreement you may be able to make arrangements to have no tax withheld from your pension income in the country of origin. Ring the Personal Tax Infoline listed on the inside back cover of *TaxPack* for more information.

If, in 2001–02, you received a lump sum payment of your foreign pension that relates to an earlier year, you may be entitled to a tax offset.

If you received such a payment, include it at item **22** on your tax return. Do not include it here. For more information, read the section on **Lump sum payments in arrears** at question **22**.

Step 1 Find out whether the pension or annuity you received is taxable in Australia. If it is not taxable, go to part B; if it is taxable, read on.

Step 2 Work out the assessable amount of your foreign pension or annuity.

If foreign tax has not been taken from your pension or annuity

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

If foreign tax has been taken from your pension or annuity

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

If you are not going to claim a refund of foreign tax from the country which paid your pension or annuity, you will need to claim a foreign tax credit at this question.

Step 3 Work out the net taxable amount of your pension or annuity. Take away any deductible expenses which you incurred in relation to your pension or annuity income. The amount remaining is called your net taxable foreign pension or annuity. Write this amount on your notepaper in the column for 'Net taxable amount'.

NOTE

For 2001–02 debt deductions, such as interest and borrowing costs, are not deductible for the purpose of this calculation. If you have incurred debt deductions in earning your foreign pension or annuity see question **D15**.

If your pension or annuity has a deductible amount of undeducted purchase price, you may be able to reduce the amount of pension or annuity income that you will pay tax on. Read question **D13** for further information.

Step 4 If your pension or annuity was your only foreign income, write the amount from step 3 as follows:

- If it **never had an undeducted purchase price (UPP)**, write the amount at **L** item **19**. Do not show cents. Print code letter **P** in the **TYPE** box at the right of **L** item **19**. Go to part D.
- If it **has or had a UPP**, write the amount at **D** item **19**. Do not show cents. Go to part D.

Step 5 If you had other foreign income, on your notepaper list separately the net taxable amounts for pensions and annuities with UPP and those without UPP.

PART B Did you receive:

- **any foreign employment income while working overseas**
- **a lump sum payment on termination of your foreign employment, or from a non-resident superannuation fund, that is exempt from tax?**

NO  Go to part C.

YES  Read below.

Foreign employment income is income from overseas such as salary, wages, commissions, bonuses or allowances. If you received only a lump sum payment on termination of your foreign employment, or from a non-resident superannuation fund, that is exempt from tax, go to step 9 on page s23. Otherwise, read on.

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

- a privileges and immunities agreement or a law covering persons connected with international organisations
- exemptions for the pay and allowances of members of the Australian Defence Force.

Your employer should be able to tell you if either of these applies. If you need further help, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

If your foreign employment income is exempt because of these reasons, go to step 2. Otherwise, go to step 3.

Step 2 Do not include your exempt foreign employment income anywhere on your tax return.

If you wrote on your notepaper an amount in the 'Net taxable amount' column for a foreign pension or annuity which never had an undeducted purchase price (UPP), write this amount at **L** item **19**. Do not show cents.

Print the code letter **P** in the **TYPE** box at the right of **L** item **19**.

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

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

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

Step 5 Work out the net taxable amount of your foreign employment income. This is your assessable foreign employment income less any deductible expenses you incurred in relation to earning that income. Write this amount on your notepaper in the column for 'Net taxable amount'.

The types of expenses you may be able to deduct are discussed at questions **D1** to **D5** on pages 38–53 in *TaxPack 2002*.

Note that for 2001–02 debt deductions, such as interest and borrowing costs, are not deductible for the purpose of this calculation. If you have incurred debt deductions in earning your foreign employment income see question **D15**.

Example

Lachlan was employed in a foreign country from 15 October 2001 until 23 April 2002. During this period Lachlan earned \$11 250 after he paid \$3750 in foreign tax and incurred deductible work related expenses of \$2500 in relation to his foreign employment. After adding back the foreign taxes, Lachlan would have assessable foreign employment income of \$15 000. After deducting his expenses, Lachlan would have net foreign employment income of \$12 500.

Step 6 Answer these questions.

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

If you have answered yes to any of these questions, go to step 7. If you have answered no to all of them, go to step 8.

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

If you took a break between overseas jobs, ring the Personal Tax Infoline on the inside back cover of *TaxPack* to find out whether you are considered to have been continuously employed.

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

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

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

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

If you did receive a net taxable foreign pension or annuity, on your notepaper add the amount in the 'Net taxable amount' column for any foreign pension or annuity which never had an undeducted purchase price (UPP) to your net taxable amount for foreign employment income. Write the total at **L** item **19**. Do not show cents. Write the amount of any net taxable foreign pension or annuity which has or had a UPP at **D** item **19**. Do not show cents. Go to part C.

Step 9 If you received a lump sum payment on termination of foreign employment, or from a non-resident superannuation fund, that is exempt from tax or you worked out that your net foreign employment income is exempt from tax at step 7, add these amounts and write the total at **N** item 19. Do not show cents. You cannot claim a foreign tax credit on this income.

If you did not receive either of these exempt lump sum payments, write the amount of your exempt foreign employment income at **N** item 19. Do not show cents.

If you received either of these exempt lump sum payments but no exempt foreign employment income, write the total amount of the lump sum payments at **N** item 19. Do not show cents.

PART C Did you receive any of the following types of income from overseas:

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

NO  Go to part D.

YES  Read below.

Certain lump sum payments received by Australian residents from non-resident superannuation funds are taxable. This can include a direct transfer of benefits from a non-resident superannuation fund to another non-resident superannuation fund **or** the direct transfer of benefits from a non-resident superannuation fund to a superannuation fund in Australia. If you are unsure whether you received such a payment ring the Superannuation Infoline on **13 1020**.

You will need to work through the following steps for each category of foreign income you received, other than a lump sum payment on termination of foreign employment or from a non-resident superannuation fund. This is because you can only deduct expenses you incurred in relation to a category of foreign income against foreign income of the same category.

There are 4 categories of foreign income to consider here:

- interest income
- modified passive income—passive income other than interest
- offshore banking income
- all other assessable foreign income.

Step 1 For each category work out the assessable amount of your foreign income. If you had foreign tax taken away from this income, add it back to the amount you received.

Write this amount on your notepaper in the column for 'Assessable amount'.

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

NOTE

For 2001–02 debt deductions, such as interest and borrowing costs, are not deductible for the purposes of this calculation unless they are related to income earned through a permanent establishment in an overseas country. If you have incurred debt deductions in earning your foreign income under any of the 4 categories and the deductions are not attributable to an overseas permanent establishment, see question **D15**.

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

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

Step 3 Once you have worked through steps 1 and 2 for each category of foreign income you earned, add together any amounts worked out in step 2 which are greater than zero and the taxable amount of any lump sum payment on termination of foreign employment or from a non-resident superannuation fund that has not been included at item 4 on your tax return. Write the total at **M** item 19. Do not show cents.

If, after working through steps 1 and 2, your deductible expenses incurred in relation to a category of foreign income exceed your foreign income for that category, you have made a foreign loss in that category equal to the excess. You will need to keep a record of any losses you have incurred in each category. These foreign income losses cannot be deducted from Australian source assessable income and can only be carried forward to offset assessable foreign income in the same category derived in a later income year.

Example

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

- foreign interest income \$1000
- foreign rent income of \$2000 and expenses (not including any debt deductions) of \$4000, creating a loss of \$2000.

He will write \$1000 at **M** item 19 and will write \$3000 on his notepaper in the column for 'Assessable amount'. Colin will need to keep a record of the \$2000 rental loss. This loss can only be used to offset modified passive income (including foreign rental income) derived in later years.

If, after working through steps 1 and 2, you have not made a loss in a particular category of foreign income, then you may choose to use any tax losses of earlier

income years incurred in deriving Australian income to offset that foreign income. This is explained further in part G.

PART D *Working out your assessable foreign source income*

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

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

NOTE

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

PART E *Working out your foreign tax credit*

You will not be able to work out your foreign tax credit if you have shown exempt foreign employment income at **N** item **19**.

The Australian Taxation Office will work it out for you.


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

If you have no exempt foreign employment income, read the publication *How to claim a foreign tax credit*.

Work out the total amount of foreign tax credits you can claim and write the amount at **O** item **19** on your tax return. Show cents.

PART F *At any time during 2001–02, did you own or have an interest in assets—located outside Australia—that had a total value of AUD\$50 000 or more?*

If your only asset or assets held overseas are covered under question **18**, print **X** in the **NO** box.

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

YES  Read on.

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

The term 'assets' includes real property—land—shares in companies or other entities, interests in partnerships or trusts, businesses, debentures, bonds, money or funds held in accounts or by other parties, loans to other parties and deposits. It also includes intangible property such as trademarks, copyrights, patents, debtors or equitable choses in action.






Determine the value of the property, funds, asset or investment by historical cost or market value, whichever is greater. Use the exchange rate at 30 June 2002 to convert the value of the property or funds to Australian dollars or, if the property was disposed of during the year, use the exchange rate at the time of disposal.

Print **X** in the **YES** box at **P** item **19** on your tax return if your overseas assets—tangible or intangible—were valued at AUD\$50 000 or more, even if you did not receive any income from that property or funds this year.

PART G *Australian tax losses of earlier income years*

You can choose to use Australian tax losses of earlier income years to reduce your foreign source income. If you choose to do this, read question **L1** in *TaxPack 2002* on pages 64–5 and reduce the foreign source income you show at item **19** by the amount of the Australian tax losses of earlier income years you are deducting. An example of how to do this is shown at question **L1**. If you need further information, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Check that you have . . .

-  written on your tax return the total amount of your assessable foreign source income, your net taxable foreign employment income, your taxable foreign pension or annuity and the total amount of your other foreign income
-  written on your tax return the total amount of your exempt foreign employment income
-  written on your tax return the total amount of your foreign tax credits that you can claim
-  attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 19, if you need to send us one
-  kept your records with your other documents.

STOP

Do not show at this question:


- foreign source rental income—that is, rental income from properties located outside Australia
- expenses incurred in earning rental income from properties located outside Australia.

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

Did you earn rental income or was your property available for rent?

Show only Australian rental income and expenses at this question.

If you sold your property in 2001–02, capital gains tax may also apply. Check to find out whether question 17 applies to you.

NO  Go to question 21.

YES  Read below.

What you may need

- details of all rental income earned
- details of interest charged on money you borrowed for the rental property
- details of other expenses relating to your rental property such as advertising for tenants, bank charges, body corporate fees, borrowing expenses, council rates, decline in value of depreciating assets, gardening and lawn mowing, insurance, land tax, legal fees, pest control, property agent fees or commission, repairs and maintenance, stationery, telephone, water charges, and travel undertaken to inspect the property or to collect the rent
- details of any capital works expenditure such as structural improvements to your rental property
- the publications *Rental properties* (NAT 1729—6.2002), *Guide to depreciating assets* (NAT 1996—6.2002), *Deductions for prepaid expenses* (NAT 4170—6.2002) and *Taxation Ruling IT 2167—Rental properties*. These publications are available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You need to know**Rental income**

This is the full amount of money you earn when you rent out your property. You must include any bond money retained in place of rent. An insurance payout or reimbursement of any rental expenses you claim in 2001–02 or claimed in an earlier year must also be included as income.

Rental expenses

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

If part of your property is used to earn rent, you can claim expenses only relating to that part. You will need to work out a reasonable basis to apportion the claim. For example, work out the floor area in the part of the property that your tenant rents. Then add a reasonable figure for tenant access to shared living areas. Take this total and work out what proportion it is of the whole floor area of your property. This will give you a reasonable basis to apportion expenses. *Taxation Ruling IT 2167—Rental properties* will give you more details on this point.

If you prepay a rental property expense—such as insurance or interest on money borrowed—that covers a period of 12 months or less AND the period ends on or before 30 June 2003, you can claim an immediate deduction. Otherwise, your deduction may have to be spread over 2 or more years under the prepayment rule if the expense is \$1000 or more—see *Deductions for prepaid expenses*.

NOTE**Thin capitalisation**

New rules—known as the thin capitalisation rules—apply in 2001–02. If you are an Australian resident and you (or any associate entities) have certain overseas interests, or you are a foreign resident, these rules may apply if your debt deductions, such as interest, (combined with those of your associate entities) for 2001–02 are more than \$250 000. See **What's new this year?** on page 9 in *TaxPack 2002*.

Co-ownership

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

Capital works deductions (Special building write-off)

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

You qualify for the deduction on your rental property if:

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

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

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

Deductions for decline in value of depreciating assets

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

NOTE

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

The publications *Guide to depreciating assets* and *Rental properties* will assist you in understanding the rules for working out your deduction for decline in value and other aspects of rental property ownership.

Guide to depreciating assets contains details of how to work out deductions for decline in value and balancing adjustments, and immediate deductions for assets whose cost (when added to the cost of other substantially identical assets or assets that make up a set) does not exceed \$300. It also explains the option to allocate to a low-value pool depreciating assets costing less than \$1000 (low-cost assets) and depreciating assets written down to less than \$1000 under the diminishing value method (low-value assets).

NOTE

If you choose the low-value pooling method to calculate the decline in value of low-cost and low-value assets, read question **D7**.

Completing this question

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

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

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

Write your share of the other rental expenses that can be claimed as a deduction at **U** item **20**. Do not show cents.

Step 2 Add up the amounts at **Q**, **F** and **U** item **20**. Take away the total from the amount at **P** item **20**. This is your net rent. Write this amount at **Net rent**, item **20**. Do not show cents.

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


Check that you have . . .

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

Did you receive a bonus because:

- your life assurance policy matured or was surrendered, terminated or forfeited or
- you surrendered a friendly society bond?

Life assurance policies are issued by insurance companies, friendly societies and retirement savings account providers.

NO  Go to question 22.

YES  Read below.

You need to know

Do not declare as income any life assurance bonuses from policies which:

- you started before 28 August 1982
- you terminated due to the death of the person insured
- you surrendered due to an accident, illness or other disability of the person insured
- you surrendered due to severe financial hardship
- are retirement savings accounts.

You have to include a bonus amount only where:

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

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

Important: If, during the term of your life assurance policy, you have increased the amount of premiums you paid into the policy by more than 25 per cent of the amount of premiums paid in the previous year, you may need to include some or all of the bonus amounts you received as income. For more information ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

You cannot claim a loss if your life assurance policy matured or was surrendered, terminated or forfeited. Nor can you claim a loss if you surrendered a friendly society bond.

What you may need

- your life assurance policy
- your friendly society policy
- your life assurance bonus advice
- your friendly society bonus advice.

Completing this question**Step 1 Policy start date**

If your policy started on or after 8 December 1983, go to step 2.

If your policy started on or after 28 August 1982 and before 8 December 1983, and you received a bonus amount from this policy, it does not generally need to be included as income on your tax return. If you are not sure if you need to include it, ring the Personal Tax Infoline on the inside back cover of *TaxPack*. If you do not need to include your bonus in your income go to question 22.

- Step 2** If your policy started on or after 8 December 1983, write at **W** item **21** on your tax return:
- the whole bonus amount if you received it during the first 8 years of the policy
 - two-thirds of the bonus amount if you received it during the 9th year of the policy
 - one-third of the bonus amount if you received it during the 10th year of the policy.

Do not show cents.

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

Step 3 Tax offset code letter

You will get a tax offset on any bonus amounts included in your income. If your bonus came from:

- a policy issued by a friendly society—your tax offset is equal to 33 per cent of the bonus amount included in your income
- a policy issued by a life insurance company—your tax offset is equal to 34 per cent of the bonus amount included in your income.

We will work out this tax offset for you.

Find the code letter that applies to you in the **Tax offset code letter** table below. Print it in the **CLAIM TYPE** box at the right of **W** item **21** on your tax return. If you do not know your policy type, contact the company named on the policy. If you printed the letter **C**, go to step 4. If you printed the letter **A** or **F**, go to **Check that you have** on this page.

Tax offset code letter

Use the code letter:

- A** if you only received a bonus from a policy issued by a life insurance company
- F** if you only received a bonus from a policy issued by a friendly society
- C** if you received bonuses from both types of policies

Step 4 Bonuses from both types of policies

If you printed the letter **C** in the **CLAIM TYPE** box at the right of **W** item **21** on your tax return, you will need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 21 on the top of a separate piece of paper. Include on this schedule your name, address, tax file number and how much of the bonus amount at **W** is from policies issued by friendly societies and how much is from policies issued by life insurance companies. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach the schedule to page 3 of your tax return.

Check that you have . . .

- written on your tax return the correct bonus amount
- written on your tax return your tax offset code letter
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 21, if you need to send us one
- kept your policy document and bonus advice with your other records. Do not attach them to your tax return.

STOP

Do not show at this question:

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

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

NOTE

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


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

Did you receive any other income?

Other income includes:

- a non-qualifying component of an eligible termination payment
- discounts on shares or rights received under an employee share scheme
- lump sum payments in arrears
- foreign exchange gains
- royalties
- scholarships, bursaries, grants or other educational awards
- benefits or prizes from investment-related lotteries
- income from activities as a special professional—author of a literary, dramatic, musical or artistic work, inventor, performing artist, production associate or active sportsperson. Any amount you have already included at item **1**, **2**, **12**, **13** or **14** may have to be shown here as well
- reimbursements of tax-related expenses or election expenses which you have claimed as a deduction
- any assessable balancing adjustment when you stop holding a depreciating asset (for example, from its disposal, loss or destruction), including your car, for which you have claimed a deduction for depreciation in previous years or decline in value in 2001–02.

The Australian Taxation Office can help you if you are unsure about what counts as other income.

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

You need to know**Non-qualifying component of an eligible termination payment (ETP)**

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

Discounts on shares or rights received under an employee share scheme

You may need to include discounts—the difference between the market and acquisition prices—on shares or rights (including options) that you receive from an employee share scheme, whether issued in Australia or overseas. You can receive a discount on your rights even though their exercise price is the market value of the share at the time the rights were granted.

If your scheme meets certain conditions, the discount is included in a later year of income unless you elect to include the discount in the year the shares or rights were issued. The prospectus for the share scheme or a letter from your employer should advise you of the Australian taxation implications of your employee shares or rights.

For shares or rights, it is important to keep a record of:

- the date they were issued to you and the date you sold them
- the total number you purchased or sold
- the amount you paid or received
- the amount or percentage of the discount you received or other proof of the market price
- details of any election you have made to include any discount in the year of issue.

If a relative or other associate has received shares or rights as a result of your involvement in an employee share scheme, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Lump sum payments in arrears (LSPA)

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

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

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

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

You may get a tax offset on certain lump sum payments received in 2001–02. We will calculate the tax offset for you. Include a statement in your tax return from the person paying the lump sum. Show the income years involved and, for each income year, the amount that accrued.

If you did not need to lodge a tax return for the 2 most recent years that the payment relates to, you will need to provide additional information. Print **SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 22** on the top of a separate piece of paper and explain your situation. Include your name, address, tax file number and details of what your taxable income—including your lump sum payments in arrears—would have been had you lodged tax returns in those 2 years. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

Foreign exchange gains

Unless you carry on a business and have included the foreign exchange gain as assessable income in calculating your business net income or loss for item **14**, the foreign exchange gain must be shown at this question as income if it was of a capital nature, made under an eligible contract and relevantly connected with deriving assessable income. If you have a deductible foreign exchange loss, go to question **D15**.

Royalties

If you are an Australian resident for tax purposes, include income from any royalties at this question.

Scholarships, bursaries, grants and other educational awards

You do not have to pay tax on some scholarships, bursaries, grants and awards. However, there are many assistance scheme payments that are taxable.

If you are not sure about a payment, contact the organisation that paid you. If you then need more information, ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Include any income from a scholarship, bursary, grant or other award that you have to pay tax on at this question, unless you have already shown it at item **1**, **2** or **13**, or in calculating your business net income or loss shown at item **14**.

Benefits or prizes from investment-related lotteries

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

Do not include prizes won in ordinary lotteries—for example, lotto draws, caskets and raffles. Do not include prizes won in quiz shows if you are not making a living out of appearance fees or game show winnings.

Income from activities as a special professional

A special professional is an author of a literary, dramatic, musical or artistic work, an inventor, a performing artist, a production associate or an active sportsperson.

As a special professional, you may be entitled to a concessional rate of tax where your taxable income includes certain amounts of professional income which, when added to your other income, moves you into a higher tax bracket.

You are entitled to this concession where:

- you are an Australian resident AND
- you are a special professional AND
- your taxable professional income is at least \$2500 in the first year that this concession applies.

You will need to read the publication *Income averaging for special professionals* (NAT 2475—6.2002). The publication explains how you work out your taxable professional income. This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

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

If you received a reimbursement or refund in 2001–02 of any tax-related expenses or election expenses which you have claimed, you must include the amount here—for example, if you claimed a deduction for filing fees for an Administrative Appeals Tribunal application in relation to a tax-related matter in 2000–01 and recouped those fees in 2001–02.

Assessable balancing adjustment

You must include any assessable balancing adjustment when you stop holding a depreciating asset (for example when it is sold, lost or destroyed) for which you have claimed a deduction for depreciation in previous years or

decline in value in 2001–02. Refer to page 40 in *TaxPack 2002* to calculate any assessable balancing adjustment in respect of your car for which you have claimed car expenses. Include any assessable balancing adjustment at this question.

Other income

Other income includes:

- sickness and accident policy payments to you where premiums are deductible and the payment replaces income—for example, income protection policies. Do not include payments made under a policy held by your employer which you have already shown at item **1, 2** or **13**
- interest from infrastructure borrowings if you intend to claim a tax offset at item **T10**
- interest derived under the land transport facilities tax offset scheme
- a gain on the disposal, or the redemption, of traditional securities
- allowances or payments you received as a member of a local government council that are not already shown at item **1** or **2**
- jury attendance fees unless you have to pay the fees to your employer because you received your normal employment income while you were on jury duty.

Completing this question

Step 1 From the table below, work out whether the income you received is a category 1 or category 2 type of income.

Types of income

Category 1

- reimbursements of tax-related expenses or election expenses
- allowances or payments to members of local councils not shown at item **1** or **2**
- all lump sum payments in arrears (LSPAs), including LSPAs of Commonwealth of Australia government pensions of the type listed at question **6**—but with the following exceptions:
 - LSPAs of Australian pensions and annuities **other than** those of the type listed at question **6**
 - LSPAs of foreign pensions and annuities which have, or have had, an undeducted purchase price.

These exceptions are category 2 income.

Category 2

- any income not described in category 1.

In the **Type of income** category boxes at item **22** on your tax return print a description of the income you received in either or both categories.

If you received more than one type of either category of income, you will need to provide full details. Print **ADDITIONAL INFORMATION** in the relevant **Type of income** category box. Print **SCHEDULE OF ADDITIONAL INFORMATION—QUESTION 22** on the top of a separate piece of paper. Include your name, address and tax file number. Show each type and amount of income you received within the category. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

Step 2 If you received lump sum payments in arrears, write the amount of any tax withheld from these payments at **E** item **22** on your tax return. Do not show any tax withheld included elsewhere on your tax return.

Step 3 If you are a special professional, write any taxable professional income you received at **Z** item **22** on your tax return. Do not show cents. We take this amount into account for income averaging.

Step 4 Add up all your category 1 income.

Step 5 Write the total at **Y** item **22** on your tax return. Do not show cents.

Step 6 Add up all your category 2 income, including the amount you wrote at **Z** unless you have already counted it in your answer to question **1, 2, 12, 13** or **14**.

Step 7 Write this total at **V** item **22** on your tax return. Do not show cents.

Check that you have . . .

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

Total supplement income or loss

- Step 1** Add up all the income amounts in the right-hand column of items **12 to 22** on your tax return (supplementary section). Include any deferred non-commercial business losses added back at item **15**.
- Step 2** Add up all the loss amounts—if any—in the right-hand column of items **12, 13, 14, 16** and **20**.
- Step 3** Take away the amount you worked out at step 2 from the total income amount you worked out at step 1. Your answer is your total income or loss.
- Step 4** Write your answer from step 3 at **TOTAL SUPPLEMENT INCOME OR LOSS** on page 11 of your tax return. Do not show cents.
If you made an overall loss, print **L** in the **LOSS** box at the right of **TOTAL SUPPLEMENT INCOME OR LOSS**.
- Step 5** Transfer the amount you wrote at **TOTAL SUPPLEMENT INCOME OR LOSS** to **I** on page 2 of your tax return. If the amount was a loss, print **L** in the **LOSS** box at the right of the amount.
- Step 6** Go to page 35 in *TaxPack 2002* to calculate your **TOTAL INCOME OR LOSS**—then work through the Deductions section, starting on page 36 in *TaxPack 2002*.

Deductions

Question **D12**


AUSTRALIAN FILM INDUSTRY INCENTIVES

D12

DEDUCTIONS

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

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

NO  Go to question **D13**.

YES  Read below.

What you need

You need to read the publication *Australian film industry incentives* (NAT 954—6.2002) before you can answer this question. This publication is available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You need to know



- You must be a resident of Australia for tax purposes to qualify for this deduction.
- You cannot claim a deduction for investing in the Australian film industry unless you have invested in a film that has a certificate from the Minister for Communications, Information Technology and the Arts, stating that it is a qualifying film.

Completing this question

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

Step 2 Write the amount you can claim at **G** item **D12** on your tax return. Do not show cents.

Check that you have . . .


-  kept a record of the provisional certificate number and the date that it was issued or, if the film has been completed, the final certificate number and the date that it was issued
-  kept a record of the certificate number with your other tax records. Do **not** attach it to your tax return.

You need to know

CAUTION

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

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

NO  Go to question **D14**.

YES  Read below.

Undeducted purchase price (UPP) of a foreign pension or annuity

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

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

That part of your annual pension or annuity income which represents a return to you of your personal contributions is free from tax. This tax-free portion is called the deductible amount, 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.

If you already know your deductible amount, go to **Completing this question**.

British pensions

If you received a Category A or Category B pension from the British National Insurance Scheme (BNIS), you are entitled to a UPP deduction. BNIS pensions are paid from Newcastle-upon-Tyne.

One method of calculating your deduction is to multiply your BNIS pension (in Australian dollars) by 8 per cent. This method is accepted by the Commissioner of Taxation 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 are not sure about a UPP entitlement, ring the Superannuation Infoline on **13 1020**.

Dutch pensions

If you received an old age pension, or a widow's, widower's or orphan's pension from the Sociale Verzekeringsbank (SVB) under the Netherlands social insurance system and you can obtain all the necessary information to determine your UPP, claim the percentage you have worked out. If you cannot, you can claim an annual UPP deduction equal to 25 per cent of your gross pension payment.

Italian pensions

If you received an Italian pension, the Italian authorities will send you an Article 17 letter each year giving you an estimate of the amount of pension income you will receive, and the amount that you contributed towards your pension. If you are unable to work out your UPP deduction, attach a photocopy (front and back) of your 2001 AND 2002 Article 17 letters to page 3 of your tax return. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8. The Australian Taxation Office will calculate your UPP deduction for you.

If you do not know the deductible amount, or if you do not know if your pension or annuity has a UPP, ring the Superannuation Infoline on **13 1020**.

Completing this question

Write the deductible amount of your UPP at **Y** item **D13** on your tax return. Do not show cents.

DEFINITION

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

- you have a distribution from a partnership or trust, income or losses from rent or business (including personal services income), capital gains or losses or foreign source income or
- you claimed a deductible amount for an annuity at item **D10 Deductible amount of undeducted purchase price (UPP) of an Australian pension or annuity** or **D13 Deductible amount of undeducted purchase price of a foreign pension or annuity** on your tax return.

If one or more of these applied to you, ring the Superannuation Infoline on **13 1020** for help in working out your assessable income.

Are you entitled to claim a deduction for your personal superannuation contributions?

You may be able to claim a deduction for contributions you made to a complying superannuation fund or retirement savings account (RSA) in 2001–02 if:

- you have written to your fund or RSA provider and advised them of the amount you intend to claim as a deduction AND
- your fund or RSA provider has provided you with a **written acknowledgment** of your letter and agreed in writing to the amount you intend to claim as a deduction AND
- you answer **YES** to any of questions **A** to **D** below.



A Were you fully self-employed and not working under contract principally for your labour?

B Were you partly self-employed but none of the people you worked for was required to provide superannuation support for you or pay the Superannuation Guarantee charge?

C Were you partly self-employed but your income (including exempt income) plus your total reportable fringe benefits amounts (shown at item **9** on your tax return) from the people who provided your superannuation support—or were required to pay the Superannuation Guarantee charge—was less than 10 per cent of the sum of your total assessable income (see the definition on this page) and total reportable fringe benefits amounts?

D Were you employed but without any superannuation support—for example:

- for the whole year, your work was wholly or principally of a private or domestic nature, and you worked for no more than 30 hours in any week in the year
- you were under 18 years of age and worked part time—30 hours or less per week—for the whole year
- you received less than \$450 in every calendar month of 2001–02?

NO  Go to question **D15**. You may be able to claim the superannuation tax offset. Make sure you read page 84 in *TaxPack 2002*. **YES**  Read below.

You need to know

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

Only complete this question if your superannuation fund or RSA provider has agreed in writing to the amount you intend to claim as a deduction.

If the amount of the deduction you can claim changes after completing this question, notify your superannuation fund or RSA provider.

Step 1 Add up your 2001–02 contributions and if the total is more than \$3000, go to step 2. If it is \$3000 or less, write the amount at **H** item **D14** on your tax return. Do not show cents. Go to step 3.

Step 2 If your contributions total more than \$3000, you can claim the **lesser** of:

- \$3000 plus 75 per cent of your contributions over \$3000 OR
- your age based deduction limit. Your deduction claim is limited by your age when you made your last contribution for the year. If you were under 35 at that time, your deduction limit is \$11 912; 35 to 49, \$33 087; 50 and over, \$82 054.

Write this amount at **H** item **D14** on your tax return. Do not show cents.

Step 3 Print the full name of your fund or RSA provider and your policy number in the boxes at item **D14** on your tax return. Remember, your fund or RSA provider must have agreed to the amount that you claim.

If you contributed to more than one fund or retirement savings account (RSA), print ADDITIONAL INFORMATION in the **Full name of fund** box at item **D14**. Add up the amounts being claimed as a deduction. Write your answer at **H** item **D14**.

On a separate piece of paper print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION D14. Include your name, address and tax file number. For each superannuation fund or RSA provider from which you have received an agreement letter, provide the full name of that fund or RSA provider, your policy number and the amount that you are claiming as a deduction. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.

If you need more information, ring the Superannuation Infoline on **13 1020**.

Check that you have . . .

- kept your written agreement from your fund(s) or RSA provider(s). Do not attach it to your tax return
 - not exceeded the limits in step 1 or 2, whichever applies
 - attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION—QUESTION D14, if you need to send us one.
-



Do not show at this question:

- expenses relating to your work as an employee
- expenses relating to income from carrying on a business (including personal services income)
- expenses relating to investment planning and advice involving shares, unit trusts and interest bearing deposits
- Financial Institutions Duty or debits tax charged on your bank, building society or credit union account.

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

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

- NO** Go to **Total supplement deductions** on page s38. **YES** Read below.

You need to know

Expenses which you may be entitled to claim at this question include:

- election expenses for local, Territory, State or Commonwealth candidates
- deductible expenses incurred but not claimed in full prior to ceasing a primary production business where a balance is claimable in a subsequent year(s)—for example, water conservation expenditure, which is allowable as a deduction over a 3-year period
- non-capital losses incurred upon the disposal or redemption of a traditional security which are deductible under section 70B of the *Income Tax Assessment Act 1936*
- sickness and accident insurance premiums
- foreign exchange losses
- interest incurred on money borrowed to invest under the land transport facilities tax offset scheme or infrastructure borrowings scheme
- debt deductions incurred in earning certain foreign exempt income that are not disallowed under the thin capitalisation rules
- debt deductions incurred in earning assessable income that are not disallowed under the thin capitalisation rules and have not been claimed elsewhere.

Election expenses

Election expenses include candidate's costs of contesting an election at local, Territory, State and Federal levels of government. A deduction for local government body election expenses cannot exceed \$1000 for each election contested even if the expenditure is incurred in more than one year of income. Entertainment expenses only qualify as deductible election expenses in very restricted circumstances. For more information about deductions for election expenses see *Taxation Ruling TR 1999/10—Income tax and fringe benefits tax: Members of Parliament—allowances, reimbursements, donations and gifts, benefits, deductions and recoupments* and *Taxation Ruling IT 2258—Election expenses: deductibility of expenditure incurred and effect of public funding of elections*. These publications are available on the Australian Taxation Office website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

NOTE

A reimbursement or refund in 2001–02 of any election expenses which you have claimed as a deduction in 2001–02 or a previous year must be shown as income at item **22** on your tax return (supplementary section)

Sickness and accident insurance premiums

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

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

Foreign exchange losses

A foreign exchange loss may be claimed at this question if it is of a capital nature and satisfies the requirements of sections 82U(2) and 82Z of the *Income Tax Assessment Act 1936*. Show any assessable foreign exchange gain at item **22** on your tax return.

Debt deductions

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

You can claim debt deductions incurred in earning certain types of foreign exempt income that are payments out of attributed income and attributed foreign investment fund income under section 25-90 of the *Income Tax Assessment Act 1997*.

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

You are not allowed to claim debt deductions disallowed under the thin capitalisation rules. For information about these rules see **What's new this year?** on page 9 in *TaxPack 2002*.

Completing this question

- Step 1** If you did not have election expenses go to step 2. Otherwise, read on.
Add up all your allowable election expenses. Write the total amount at **E** item **D15** on your tax return. Do not show cents.
- Step 2** Print the type of expense you are claiming in the **Description of claim** box at item **D15**.
If you are claiming for more than one type of expense, print ADDITIONAL INFORMATION in the **Description of claim** box. On a separate piece of paper, print SCHEDULE OF ADDITIONAL INFORMATION—QUESTION D15. Include your name, address and tax file number. Show the type and amount of each expense you are claiming. Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Sign and attach your schedule to page 3 of your tax return.
- Step 3** Add up all the other expenses that you are claiming at this question—excluding election expenses.
- Step 4** Write the amount from step 3 at **J** item **D15**. Do not show cents.

Check that you have . . .

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

Total supplement deductions**Did you claim any deductions at questions D12 to D15?**

NO Go to step 4. **YES** Go to step 1.

- Step 1** Add up all the deduction amounts in the right-hand column of items **D12** to **D15** on your tax return (supplementary section).
- Step 2** Write the amount from step 1 at **TOTAL SUPPLEMENT DEDUCTIONS** on page 12 of your tax return. Do not show cents.
- Step 3** Transfer the amount you wrote at **TOTAL SUPPLEMENT DEDUCTIONS** to **D** on page 3 of your tax return.
- Step 4** Go to page 63 in *TaxPack 2002* to calculate your total deductions. Then work through the Losses section starting on page 64 in *TaxPack 2002*.

Tax offsets

Question T5


SUPERANNUATION CONTRIBUTIONS ON BEHALF OF YOUR SPOUSE


T5

TAX OFFSETS

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

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

NO  Go to question T6.

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

You need to know

NOTE

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

A tax offset of up to \$540 per annum is available where:

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

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

- they had a distribution from a partnership or trust, income or losses from rent or business (including personal services income), a capital gain or foreign source income or
- they claimed a deductible amount for a pension or annuity at item **D10** or **D13** on their tax return.

If either of these applied to your spouse, ring the Superannuation Infoline on **13 1020** for help in working out your spouse's assessable income before completing this question.

Your spouse's reportable fringe benefits amounts are recorded on their payment summaries.

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

- (a) \$3000, reduced by \$1 for every \$1 that the sum of your spouse's assessable income and total reportable fringe benefits amounts for the year was more than \$10 800 OR
- (b) the total of your contributions for your spouse for the year.

Completing this question

Step 1 Write the total of the contributions at **Contributions paid** item **T5** on your tax return.

Step 2 If the sum of your spouse's assessable income and total reportable fringe benefits amounts is \$10 800 or less, use WORKSHEET 1.

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

WORKSHEET 1

Maximum spouse contributions eligible for the tax offset	(a)	\$3000
Amount of contributions paid	(b)	\$
Write the lesser of (a) or (b).	(c)	\$
Multiply (c) by 18 and divide by 100.	(d)	\$

TAXPACK 2002 SUPPLEMENT

WORKSHEET 2

Maximum spouse contributions eligible for the tax offset	(a)	\$3000
The sum of your spouse's assessable income and total reportable fringe benefits amounts	(b)	\$
Base amount	(c)	\$10 800
Take (c) away from (b).	(d)	\$
Take (d) away from (a).	(e)	\$
Amount of contributions paid	(f)	\$
Write the lesser of (e) or (f).	(g)	\$
Multiply (g) by 18 and divide by 100.	(h)	\$

Step 3 The tax offset is the amount shown at (d) on WORKSHEET 1 or (h) on WORKSHEET 2. Write this amount at **A** item **T5** on your tax return. Do not show cents.

Step 4 Make sure you have provided your spouse's full name on page 1 of your tax return. Then complete **Spouse details—married or de facto** on pages 6–7 of your tax return. Include your spouse's taxable income at **O** and your spouse's total reportable fringe benefits amounts at **S**.


NOTE

To work out your entitlement to this tax offset you would have used your spouse's assessable income and reportable fringe benefits. However, because the Australian Taxation Office uses taxable income to calculate many other entitlements, for ease of completion we ask you to record your spouse's taxable income (not assessable income) at **Spouse details—married or de facto**.

Are you entitled to claim a zone tax offset or an overseas forces tax offset?

You may be able to claim a tax offset if you:

- lived or worked in a remote or isolated area of Australia, not including an offshore oil or gas rig
- served overseas as a member of Australia's Defence Force or a United Nations armed force.

NO  Go to question **T7**.

YES  Read below.

You need to know

Remote areas are called zone A and zone B. There are also special areas within these zones.

See the side note if you do not know your zone.

Conditions you need to meet to qualify for a zone tax offset

To qualify for the tax offset you must have lived or worked in a remote area—not necessarily continuously—for:

- 183 days or more during 2001–02 or
- 183 days or more during the period 1 July 2000 to 30 June 2002—including at least one day in this income year—and you did not claim a zone tax offset in your 2001 tax return.

If you lived in a zone for less than 183 days in 2001–02, you may still be able to claim a tax offset as long as you lived in a zone for a continuous period of less than 5 years after 1 July 1996 and:

- you were unable to claim in the first year because you were there less than 183 days and
- the total of the days you were there in the first year and in 2001–02 is 183 or more.

Example

Gary lived in a remote area from 1 March 1997 to 30 September 2001, a continuous period of less than 5 years. He couldn't claim a zone tax offset for the first year because he lived there for only 122 days. However, he can carry forward these unused days to 2001–02. He adds the number of days from 1 March 1997 to 30 June 1997—122—and the number of days from 1 July 2001 to 30 September 2001—92. As the total—214—is 183 or more days over the 2 income years, Gary can claim the tax offset on his 2001–02 tax return.

How to claim your zone tax offset

If:

- you lived or worked in only one zone for at least 183 days, as defined above
- you are not eligible to claim any tax offsets at question **T8** (parent, spouse's parent or invalid relative tax offset)
- you did not claim a tax offset at part B or C of question **T1** (housekeeper or child-housekeeper tax offset) and
- your circumstances are shown in the **Zone amounts** table below

simply use the amounts in the table.

Zone amounts

Your circumstances	Tax offset amount		
	Zone A	Zone B	Special area
You were single with no dependent child or student for all of 2001–02.	\$338	\$57	\$1173
You are able to claim the maximum spouse (without child) tax offset (\$1437) at question T1 .	\$1057	\$345	\$1892

NOTE

The boundaries used to determine the zones have not changed from last year. However, within those boundaries some new places may have been identified.

A list of selected locations within the zones and special areas is shown on page s47.

To find out if a location is in a zone or special area you can claim for, visit the Australian Taxation Office website at <www.ato.gov.au> or ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Remote area allowance

If you received a remote area allowance from Centrelink or the Department of Veterans' Affairs, or an equivalent amount was included in an exceptional circumstance relief payment or a payment of restart income support, you must reduce the amount of your zone tax offset by this allowance.

If you can use the **Zone amounts** table on the previous page, write your tax offset amount less any remote area allowance at **R** item **T6** on your tax return. Do not show cents. Go to question **T7**.

If you cannot use the table you will need to work through **How to work out your tax offset**.

Conditions you need to meet to qualify for an overseas forces tax offset

You may be eligible for an overseas forces tax offset if you served in a specified overseas locality as a member of Australia's Defence Force or a United Nations armed force in 2001–02 and income relating to that service was not specifically exempt from tax. Your employer will be able to advise you whether you served in a locality which qualifies for the overseas forces tax offset. Some localities that qualified recently are the island of Guadalcanal and the Solomon Islands.

To claim the full tax offset, you must have served in the overseas locality for 183 days or more in 2001–02. Unlike the zone tax offset you cannot carry forward any unused days from previous years to make up 183. However, if your overseas service was less than 183 days, you may be able to claim part of the tax offset.

Important: If you qualify for both an overseas forces tax offset and a zone tax offset, you can claim only one of them. We show you how to claim the higher tax offset.

If you served in an overseas locality for less than 183 days, but the total number of days served in the overseas locality, when added to the number of days spent in one or more zones, is 183 days or more, you may still be entitled to claim the full overseas forces tax offset. If you served as a member of the Defence Force, days spent in a zone must be Defence Force service.

If you served only in one or more specified overseas localities for at least 183 days, you had no spouse, no dependent child or student, and you are not claiming for dependants (such as parent, spouse's parent, invalid relative, child-housekeeper or housekeeper) at any other tax offset question, simply claim the fixed amount (\$338) from table A in the next column. Write this amount at **R** item **T6** on your tax return. Do not show cents. Go to question **T7**. For other circumstances, read on.

How to work out your tax offset

The zone or overseas forces tax offset is made up of 2 amounts—the fixed amount and a percentage of a base amount. Use the information from table A when you complete either table J or table K on pages s45–6.

TABLE A

	<i>Fixed amount</i>	<i>Percentage of base amount</i>
Zone A	\$338	50%
Zone B	\$57	20%
Special area	\$1173	50%
Overseas forces	\$338	50%

If you had no spouse, no dependent child or student, and you are not claiming for dependants (such as parent, spouse's parent, invalid relative, child-housekeeper or housekeeper) at any other tax offset question you will not have a base amount. Go to **WORKING OUT YOUR TAX OFFSET** on page s45.

If you had a spouse or a dependent child or student, or you are entitled to any dependant tax offset, read on for instructions on how to work out your base amount.

Working out the base amount

The base amount is made up of tax offsets you may have claimed elsewhere in *TaxPack* and notional tax offsets. A notional tax offset is an offset to which you would have been entitled if the tax offset was still allowable. As a result of the introduction of family tax benefit (FTB), you may have to recalculate some tax offsets that you claimed elsewhere in *TaxPack*. FTB does not affect your entitlement to these notional tax offsets when calculating your zone or overseas tax offset.

Each of the tax offset components you work out below will form part of your base amount—at table I on page s45. Follow the instructions below.

Parent, spouse's parent or invalid relative tax offset component

Only read this section if you are eligible to claim a parent, spouse's parent or invalid relative tax offset; if not go to **Spouse tax offset component** on page s43.

If you are eligible to claim a parent, spouse's parent or invalid relative tax offset at question **T8** on pages s50–1, you will need to work out that amount then come back to this question. Write the amount you have claimed at **T8** at (a) table I. Read on.

Notional tax offset for dependent children or students

Your base amount will increase by the maximum amount shown in table B on the next page for each student aged under 25 on 30 June 2002 in full-time education at a school, college or university and for each child under 16 on 30 June 2002 who, for the whole of 2001–02:

- was treated as an Australian resident
- was maintained by you and
- had a separate net income (SNI)—see pages 67–8 in *TaxPack 2002*—of less than \$286.

If you do not have any dependent children or students go to the **Spouse tax offset component** on the next page.

TABLE B

Dependant	Notional tax offset
Each student under 25 years	\$376
First non-student child under 16 years	\$376
Other non-student children under 16 years	\$282 for each child

If all of these requirements were met, add up the notional tax offset amount for each child or student and write the total at (c) table I.

If 2 or more people contributed to the maintenance of a dependent child, each person can only claim a proportion of the notional tax offset.

If the requirements were met for only part of the year, or your child or student's SNI was \$286 or more, you may be able to claim a partial notional tax offset. Read on.

Part-year claim

You can claim only part of the notional tax offset for dependent children or students:

- if the child or student was treated as an Australian resident for only part of 2001–02
- if the student was 16 years or older and was in full-time education for only part of 2001–02
- if the child or student was maintained by you for only part of 2001–02
- if the child was 16 at 30 June 2002 and not in full-time education
- if the student was 25 at 30 June 2002.

Use table C to work out the reduced notional tax offset.

TABLE C

Maximum notional tax offset for the child or student—from table B	(a)	\$
Number of days you maintained your child or student and your child or student remained a dependant	(b)	
Number of days in 2001–02	(c)	365
Divide (b) by (c).	(d)	
Multiply (d) by (a).	(e)	\$

If the SNI of your child or student was less than \$286, write amount (e) at (c) table I.

If you have more than one eligible child or student and the SNI of each one was less than \$286, work out the amount for each child, add up all of the amounts and write the total at (c) table I.

If SNI was \$286 or more

If the child or student had an SNI of more than:

- \$1785 for a student under 25 or the first child under 16 who is not a student
- \$1409 for any other child under 16 who is not a student you cannot claim any amount of notional tax offset for that child or student.

If your child or student's SNI was \$286 or more but less than the limits shown, use table D to work out the notional tax offset.

TABLE D

Notional tax offset for the child or student—from table B or (e) table C for a part-year claim	(a)	\$
Your child or student's separate net income (SNI) for the period you maintained them	(b)	\$
Income at which the notional tax offset begins to reduce	(c)	\$282
Take (c) away from (b).	(d)	\$
Divide (d) by 4 because your tax offset is reduced by \$1 for every \$4 of SNI over \$282. Do not show cents.	(e)	\$
Take (e) away from (a). Do not show cents.	(f)	\$

Write the amount at (f) at (c) table I. If you have more than one eligible child or student, work out the amount for each child or student, add up all of the amounts and write the total at (c) table I.

Spouse tax offset component

If you claimed a spouse (without dependent child or student) tax offset at part A question **T1**, write that amount at (b) table I. Go to **Child-housekeeper tax offset component** on the next page.

If either of the following applies to you:

- you had a spouse and you have written an amount of at least \$1 at (c) table I—notional tax offset for dependent children or students or
 - you were required to reduce your claim at **T1** because you, or your spouse during any period they were your spouse, received family tax benefit (FTB) Part B
- use table E to work out your notional spouse tax offset.

TABLE E

Write the maximum notional dependent spouse tax offset. If you had a spouse for only part of the year, multiply the number of days in that part of the year by the daily rate.	(a)	\$ <input type="text"/>
Your spouse's separate net income (SNI)—see pages 67–8 in <i>TaxPack 2002</i>	(b)	\$ <input type="text"/>
Income at which tax offset begins to reduce	(c)	\$282
Take (c) away from (b).	(d)	\$ <input type="text"/>
Divide (d) by 4 because your tax offset is reduced by \$1 for every \$4 of SNI over \$282. Do not show cents.	(e)	\$ <input type="text"/>
Take (e) away from (a).	(f)	\$ <input type="text"/>

The amount at (f) is your notional spouse tax offset for zone or overseas forces tax offset purposes. Write this amount at (b) table I.

Child-housekeeper tax offset component

Only read this section if you claimed a child-housekeeper tax offset at part B question **T1**.

If you claimed a child-housekeeper tax offset at part B question **T1** and you did not have to reduce your tax offset because you, or your spouse during any period they were your spouse, received family tax benefit (FTB) Part B, write your child-housekeeper tax offset at (d) table I.

If you were required to reduce your claim for child-housekeeper tax offset because of FTB Part B use table F below.

TABLE F

	COLUMN 1 <i>No dependent child or student</i>	COLUMN 2 <i>With dependent child or student</i>
Write the maximum tax offset allowable. If you had a child-housekeeper for only part of the year, multiply the number of days in that part of the year by the daily rate from your column.	(a) \$ <input type="text"/>	\$ <input type="text"/>
Your child-housekeeper's separate net income (SNI)—see pages 67–8 in <i>TaxPack 2002</i>	(b) \$ <input type="text"/>	\$ <input type="text"/>
Income at which tax offset begins to reduce	(c) \$282	\$282
Take (c) away from (b) and divide by 4.	(d) \$ <input type="text"/>	\$ <input type="text"/>
Take (d) away from (a).	(e) \$ <input type="text"/>	\$ <input type="text"/>

Transfer the amount at (e) to (d) table I.

Housekeeper tax offset

Only read this section if you claimed a housekeeper tax offset at part C question **T1**.

If you claimed a housekeeper tax offset at part C question **T1** and you did not have to reduce your tax offset because you, or your spouse during any period they were your spouse, received family tax benefit (FTB) Part B, write your housekeeper tax offset at (e) table I.

If you were required to reduce your claim for a housekeeper tax offset because of FTB Part B read on.

Full-year claim

If you were entitled to the housekeeper tax offset for the full year (ignoring FTB Part B) write:

- \$1724 at (e) table I if you had a dependent child or student or
- \$1437 at (e) table I if you did NOT have a dependent child or student.

Part-year claim

If you had a housekeeper for part of the year use table G.

TABLE G

	<i>No dependent child or student</i>	<i>With dependent child or student</i>
Amount of tax offset	(a) \$3.94 per day	\$4.72 per day
Number of days you qualify for the housekeeper tax offset	(b) <input type="text"/>	<input type="text"/>
Multiply (a) by (b).	(c) \$ <input type="text"/>	\$ <input type="text"/>

Write this amount at (e) table I.

Notional sole parent tax offset component

Only read this section if you were a sole parent at any time during the income year.

If you had sole care of a dependent child or student AND you have written an amount of at least \$1 at (c) table I (notional tax offset for dependent children or students), then you may also be eligible for a notional sole parent tax offset. Read on.

Sole care means that you alone had full responsibility, on a day-to-day basis, for the upbringing, welfare and maintenance of a child or student. You are not considered to have had sole care if you are living with a spouse—married or de facto—unless special circumstances exist.

Special circumstances

If you had a spouse—married or de facto—at any time during 2001–02 it is only in special circumstances that you are entitled to a sole parent tax offset. Generally, for special circumstances to exist, you must be financially responsible for the dependent child or student and have sole care, without the support a spouse normally provides.

Examples of situations where special circumstances may arise:

- You were married at any time during 2001–02 but during the year you separated from or were deserted by your spouse, and for the period that you will claim the sole parent tax offset you were not in a de facto relationship.
- Your spouse was in prison for a sentence of at least 12 months.
- Your spouse is medically certified as being permanently mentally incapable of taking part in caring for the child or student.

If you are unsure whether special circumstances apply ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

Shared or joint custody after divorce or separation

There are times, after divorce or separation, where both parents share the custody of a child or student. If you can show that you had sole care of a dependent child or student for part of the year, then you may be able to claim the tax offset for that part of the year. This means more than just having access visits with the child or student.

If the dependent child:

- was not receiving full-time education and turned 16 years of age during 2001–02 or
- was a full-time student and turned 25 years of age during 2001–02

you are considered to have had sole care of the child for the part of the year up to the day the child turned 16 or the student turned 25. You are only entitled to claim the tax offset for that part of the year.

If you had sole care of a child or student for the whole of 2001–02 write \$1350 at (f) table I and add up your base amount.

Note: If you were entitled to a spouse, housekeeper or child-housekeeper tax offset (part A, B or C of question **T1**) for any period during the year, you cannot claim a notional sole parent tax offset for the same period. If your claim at question **T1** did not cover the whole year you will need to use the part-year claim table H below.

TABLE H—Notional sole parent tax offset—part-year claim

Number of weeks you had sole care of a child and were not entitled to a tax offset at question **T1**

(a)

Multiply (a) by \$25.96

(b) \$

Transfer the amount at (b) to (f) table I.

YOUR BASE AMOUNT

TABLE I

Use this table to work out your base amount.

These are the components for your dependants, if any.

Parent, spouse's parent or invalid relative—from question T8	(a)	\$ <input type="text"/>
Spouse—from part A question T1 , or table E	(b)	\$ <input type="text"/>
Notional tax offset for dependent children or students—from table B, table C or table D	(c)	\$ <input type="text"/>
Child-housekeeper—from part B question T1 or table F	(d)	\$ <input type="text"/>
Housekeeper—from part C question T1 , or table G	(e)	\$ <input type="text"/>
Sole parent—from table H	(f)	\$ <input type="text"/>
Add up all of these amounts.	(g)	\$ <input type="text"/>

The amount at (g) is your base amount.

Go to WORKING OUT YOUR TAX OFFSET below.

WORKING OUT YOUR TAX OFFSET

Multiple locations

If you lived or worked in more than one zone, special area or specified overseas locality, and you were in one of them for 183 days or more, check table A. If the fixed amount for that zone is higher than for the other zones where you were, use that fixed amount and table J below to work out your tax offset. (This will give you the greatest benefit.) Otherwise, go to category 2.

Example

Neil lived in zone A for 190 days and in zone B for 40 days. Table A shows that the fixed amount for zone A is higher than the zone B amount. Neil simply uses the zone A amount because this will give him the greatest benefit. He ignores the time he spent in zone B.

Category 1

You were in only one zone, or served only in specified overseas localities for at least 183 days—use table J.

TABLE J

Your fixed amount—from table A	(a)	\$ <input type="text"/>
Your base amount—from table I	(b)	\$ <input type="text"/>
Multiply (b) by the percentage figure from table A.	(c)	\$ <input type="text"/>
Add (a) and (c).	(d)	\$ <input type="text"/>
Any remote area allowance you received	(e)	\$ <input type="text"/>
Take (e) from (d).	(f)	\$ <input type="text"/>

If you are claiming an overseas forces tax offset, the amount you can claim is (d). If you are claiming a zone tax offset, the amount you can claim is (f).

Write your zone or overseas forces tax offset amount at **R** item **T6** on your tax return. Do not show cents. Go to question **T7**.

Category 2

You lived or worked in more than one zone or you served in a specified overseas locality for less than 183 days, OR you served in a specified overseas locality and you were in one or more zones, for at least 183 days

You claim for the number of days in each eligible place divided by 183, **to a maximum of 183 days for a year**. Start with your zone that has the highest fixed amount in table A—this will give you the greatest benefit.

Example 1: You spent 120 days in zone B and 100 days in zone A. You would claim $100 \div 183$ for zone A and $83 \div 183$ for zone B.

Example 2: You served 100 days in a specified overseas locality. You would claim $100 \div 183$ days.

Example 3: You served 100 days in an overseas locality as a member of the Defence Force and served a further 83 days or more in a zone. You would claim the full overseas forces tax offset.

Example 4: You served 100 days in an overseas locality and 185 days in a special area. As the special area in Table A shows the highest fixed amount and you use up the maximum 183 days for this, you would simply claim the full special area amount and ignore the 100 days in an overseas locality.

Use table K to work this out for each zone, special area or overseas locality you were in (as in the examples above).

TABLE K

Your fixed amount—from table A	(a)	\$	<input type="text"/>
Your base amount—from table I	(b)	\$	<input type="text"/>
Multiply (b) by the percentage figure from table A.	(c)	\$	<input type="text"/>
Add (a) and (c).	(d)	\$	<input type="text"/>
Number of days spent or served there	(e)		<input type="text"/>
Multiply (d) by (e).	(f)	\$	<input type="text"/>
Divide (f) by 183. This is the amount you can claim.	(g)	\$	<input type="text"/>

Once you have worked out the amount you can claim for each place you were in, add up all the amounts and then use table L to work out your total tax offset.

TABLE L

Total of the amounts you have worked out for each zone—from (g) table K	(a)	\$	<input type="text"/>
Any remote area allowance you received	(b)	\$	<input type="text"/>
Take (b) away from (a). This is the zone tax offset you can claim.		\$	<input type="text"/>

Where you served in a specified overseas locality for less than 183 days, the amount from (g) table K is the overseas forces tax offset you can claim.

Where you served in a specified overseas locality and you were in one or more zones for at least 183 days, add up all the amounts—from (g) table K. This is the overseas forces tax offset you can claim.

Write your zone or overseas forces tax offset amount at **R** item **T6** on your tax return. Do not show cents. Go to question **T7**.

SELECTED LOCALITIES WITHIN THE ZONES AND SPECIAL AREAS

T6

TAX OFFSETS

ZONE A

Western Australia

Bidyadanga
(Lagrange)
Broome*
Carnarvon
Dampier
Derby
Goldsworthy
Karratha
Marble Bar
Newman*
Pannawonica
Paraburdoo
Port Hedland*
Roebourne
Shay Gap
Tom Price*
Wittenoom

Northern Territory

Alice Springs*
Batchelor
Darwin
Hermannsburg
Katherine*
Pine Creek
Santa Teresa
Tindal

Queensland

Camooowal
Cloncurry
Mount Isa*

ZONE B

Western Australia

Boulder
Coolgardie
Esperance
Kalgoorlie*
Kambalda
Leonora
Mullewa
Norseman
Northampton
Ravensthorpe
Southern Cross

New South Wales

Bourke
Brewarrina
Broken Hill
Cobar
Collarenebri
Lightning Ridge
Menindee
Wilcannia

Tasmania

Queenstown
Rosebery

South Australia

Woomera

Queensland

Airlie Beach
Atherton
Aughathella
Ayr
Barcaldine
Blackall
Bowen
Cairns
Cardwell
Charleville
Charters Towers
Clifton Beach

Collinsville
Cunnamulla
Greenvale
Home Hill
Ingham
Innisfail
Longreach
Mackay
Mareeba
Mossman
Port Douglas
Proserpine
Quilpie
Sarina
Tambo
Townsville
Tully
Winton

SPECIAL AREAS

Western Australia

Balladonia
Deakin
Denham
Eucla
Exmouth
Fitzroy Crossing
Halls Creek
Kununurra
Laverton
Leinster
Madura
Meekatharra
Mount Magnet
Onslow
Rawlinna
Turkey Creek (Bow
River)
Wiluna
Wyndham

Northern Territory

Alyangula
Angurugu
Borroloola
Elliott
Galiwinku
Jabiru
Lajamanu/Hooker
Creek
Maningrida
Milikapiti
Milingimbi
Nguiu
Ngukurr
Nhulunbuy (Gove)
Numbulwar
Oenpelli
Papunya
Ramingining
Tennant Creek
Yirrkala
Yuendumu
Yulara

Tasmania

Furneaux Group
Islands
King Island

Queensland

Boulia
Burketown
Cooktown
Doomadgee
Georgetown
Helen Vale
Hughenden
Julia Creek
Karumba
Kowanyama
Normanton
Stamford
Thargomindah
Weipa
Windorah

South Australia

Amata Aboriginal
Community
Coober Pedy
Cook
Innaminka
Leigh Creek
Marree
Nullarbor
Oodnadatta
Penong
Tarcoola

New South Wales

White Cliffs

Islands and Territories

Australian Antarctic
Territory
Cocos (Keeling)
Islands
Heard Island
Lord Howe Island
Macquarie Island
McDonald Islands
Norfolk Island
Palm Isles Group

Locations that are within 250 radial kilometres of the asterisked (*) locations are also in the relevant zone.


There are also other locations that may be in a zone or special area. If you are unsure visit the Australian Taxation Office website at <www.ato.gov.au> or ring the Personal Tax Infoline on the inside back cover of *TaxPack*.

TAXPACK 2002 SUPPLEMENT

s47

Did you have net medical expenses over \$1250 in 2001–02?

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

NO  Go to question **T8**.

YES  Read below.

You need to know

NOTE You can only claim medical expenses for your dependants who are Australian residents for tax purposes (see page 10 in *TaxPack 2002* for an explanation of this term).

Net medical expenses are the medical expenses you have paid less any refunds you got, or could get, from Medicare or a private health fund.

You can claim a tax offset of 20 per cent—20 cents in the dollar—of your net medical expenses over \$1250. There is no upper limit on the amount you can claim.

The medical expenses must be for:

- you
- your spouse—married or de facto—regardless of their income
- your children (including any who were students) who were under 21 including adopted, exnuptial or stepchildren—regardless of their income
- any other child under 16—not a student—who you maintained and whose separate net income (SNI) was less than \$1786 for the first child and less than \$1410 for the 2nd child and any subsequent children
- a student under 25 who you maintained and whose SNI was less than \$1786
- a child-housekeeper but only if you can claim a tax offset for them at item **T1** on your tax return
- an invalid relative, parent or spouse's parent but only if you can claim a dependant tax offset at item **T8**.

You and your dependants must be Australian residents for tax purposes but you can claim medical expenses paid while travelling overseas. You may also be able to include the medical expenses of certain dependants who have been approved to migrate to Australia—see **Overseas dependants** on page 67 in *TaxPack 2002*.

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
- cosmetic surgery
- treatment under an in vitro fertilisation program.

Expenses which DO NOT qualify for the tax offset include payments made for:

- therapeutic treatment not formally referred by a doctor—a mere suggestion or recommendation by a doctor to the patient is not enough for the treatment to qualify; the patient must be referred to a particular person for specific treatment
- chemist-type items—for example tablets for pain relief—purchased in retail outlets or health food stores
- inoculations for overseas travel
- non-prescribed vitamins or health foods
- travel or accommodation expenses associated with medical treatment

- contributions to a private health fund
- purchases from a chemist that are not related to an illness or operation
- ambulance charges and subscriptions
- 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 the 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.

What you may need

- details of the medical expenses you can claim
- details of refunds you received, or are entitled to receive, from Medicare or a private health fund.

Completing this question

- 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.
- Step 2** Take \$1250 away from your net medical expenses and then divide the remaining amount by 5 (to get 20 per cent). This is your medical expenses tax offset.
- Step 3** Write your medical expenses tax offset at **X** item **T7** on your tax return. Do not show cents.

Did you maintain your parent, your spouse's parent or an invalid relative?**NO**  Go to question **T9**.**YES**  Read below.**You need to know**

Your parent, spouse's parent or invalid relative must be a dependant who is maintained by you. This means:

- you and the dependant resided together or
- you gave the dependant food, clothing and lodging or
- you helped them to pay for their living, medical and educational costs.

This is further explained on page 67 in *TaxPack 2002*. You cannot claim a tax offset if your dependant did not reside in Australia or was only visiting you during a holiday in Australia. See page 10 in *TaxPack 2002* for information about whether your dependant is an Australian resident.

An invalid relative is a person 16 years old or older who is your child, brother or sister who gets a disability support pension, special needs disability support pension or rehabilitation allowance and is eligible to receive an invalid pension or has a certificate from a Commonwealth approved doctor stating that they have a continuing inability to work.

The maximum tax offset is \$647 for each dependent invalid relative and \$1292 for each dependent parent or spouse's parent.

To complete this question you need to know each dependant's separate net income (SNI). SNI is income earned in 2001–02 by your dependant while you maintained them and may reduce any tax offset you are entitled to claim. SNI includes both taxable amounts and amounts on which tax is not payable. This is explained on pages 67–8 in *TaxPack 2002*.

If you can claim a tax offset for more than one dependant, work through the steps for each dependant. You will need to add up all your tax offset amounts before writing the total on your tax return. Use a piece of notepaper to add up your tax offset.

Your tax offset is reduced if:

- your dependant's SNI was \$286 or more
- you maintained your dependant for only part of the year
- another person helped to maintain your dependant
- your dependant resided in Australia for only part of the year.

If none of these points applies to you, you can claim the maximum tax offset.

Where another person or persons contributed to the maintenance of your dependant, you can claim part of the allowable tax offset, according to the extent of your contribution. For example, if you and another person contributed equally to the maintenance of your dependent parent, you can claim half of the allowable tax offset.

Claim for maximum tax offset

If your dependant's SNI was \$285 or less and you maintained them for the whole year, you can claim the maximum tax offset—\$647 for each dependent invalid relative and \$1292 for each dependent parent or spouse's parent. Go to **Completing this question** on the next page.

Claim for tax offset if your dependant's SNI was \$286 or more and you maintained your dependant for the full year

- Step 1** Take away \$282 from your dependant's SNI.
- Step 2** Divide the answer at step 1 by 4. If the resulting amount is \$647 or more for an invalid relative or \$1292 or more for a parent or spouse's parent, you cannot claim a tax offset for that person. Go to question **T9**. If it is less, go to step 3.
- Step 3** Take away the answer at step 2 from \$647 for an invalid relative or \$1292 for a parent or spouse's parent. This is your dependant tax offset. Go to **Completing this question**.

Claim for tax offset for part of the year


- Step 1** Work out the number of days in the year you maintained your dependant while they were an Australian resident.
- Step 2** Multiply the number of days by \$1.77 for an invalid relative or by \$3.54 for a parent or spouse's parent.
- Step 3** If your dependant's separate net income (SNI) was \$286 or more during the period they were your dependant:
- (a) take \$282 away from your dependant's SNI
 - (b) divide the answer at (a) by 4
 - (c) take away the figure at (b) from the answer at step 2. This is your dependant tax offset.

Completing this question

Write your parent, spouse's parent or invalid relative tax offset at **B** item **T8** on your tax return. Do not show cents.

Do you have available this year:

- a one-third tax offset on facilities to conserve or convey water or
- a landcare and water facility tax offset brought forward from an earlier year?

NO  Go to question **T10**.

YES  Read below.

You need to know

There are 2 parts to this question.


Part A shows you how to claim a tax offset on facilities to conserve or convey water if you have previously chosen to claim a tax offset over 3 years instead of a deduction and you have one-third of the tax offset available this year.

Part B shows you how to claim any landcare and water facility tax offset brought forward from an earlier year that you can use this year.

NOTE

You cannot claim both a deduction and a tax offset for the same expenditure.

PART A ***Do you have available this year a one-third tax offset on facilities to conserve or convey water because you have previously chosen to claim a tax offset over 3 years for eligible expenditure incurred in 1999–2000 or 2000–01?***

NO  Go to part B.

YES  Read below.

You can claim a water facility tax offset of 30 cents in the dollar for one-third of your eligible expenditure incurred in 1999–2000 or 2000–01 on facilities to conserve or convey water. The tax offset is only available if you chose to claim a tax offset over 3 years instead of a deduction for that expenditure.

NOTE

The landcare and water facility tax offset is not available for expenditure incurred after the end of the 2000–01 income year.

Only primary producers are entitled to claim the water facility tax offset.

Expenditure on facilities to conserve or convey water which you incurred in 1999–2000 or 2000–01 and for which you have a one-third tax offset available, will be eligible for a tax offset of 30 cents in the dollar, not 34 cents.


Any landcare and water facility tax offset not used in an income year can be carried forward and used to offset future tax liabilities.

What you need

Written evidence of your water facility expenditure.

- Step 1** Work out the total expenditure which you incurred on facilities to conserve and convey water in 1999–2000 or 2000–01 and for which you have a one-third tax offset available.
- Step 2** Divide the amount at step 1 by 3 to work out one-third of the expenditure.
- Step 3** Multiply the amount at step 2 by 30 and divide by 100.
- Step 4** Write your answer from step 3 at **M** item **T9** on your tax return. Do not show cents.
- Step 5** Print the code letter **W** in the **CLAIM TYPE** box at the right of **M** item **T9**.

PART B **Do you have any landcare and water facility tax offset brought forward from an earlier year that you can use this year?**

NO  Go to question **T10**.

YES  Read below.

You need to know

This part only applies if your income tax liability for an earlier year did not absorb all of the landcare and water facility tax offset available to you for that year. For example, if you were eligible for a landcare and water facility tax offset in 2000–01 but were unable to claim the tax offset because of insufficient taxable income, you can carry forward the unused tax offset(s), subject to the rules below. The amount of your unused tax offset would be shown on your 2000–01 notice of assessment.

There is no limit to the number of years you can carry forward any balance of landcare and water facility tax offset.

Unused net exempt income

Your brought forward landcare and water facility tax offset has to be successively reduced by any unused net exempt income derived in the year the tax offset arose and any subsequent year—provided you had a taxable income in that year.

Unused net exempt income is any net exempt income left after deducting any tax losses of earlier income years from that year's net exempt income. Exempt income is explained on page 12 in *TaxPack 2002*.

If you have unused net exempt income and you had a taxable income this year you must reduce your brought forward landcare and water facility tax offset by 34 cents for every dollar of unused net exempt income.

If you do not have any unused net exempt income go to step 1 below.

If you have unused net exempt income ring the Personal Tax Infoline on the inside back cover of *TaxPack* for more information on how to calculate the brought forward landcare and water facility tax offset.




What you need

Your 2000–01 notice of assessment.

Step 1



Write the amount of landcare and water facility tax offset brought forward—shown on your 2000–01 notice of assessment—at **T** item **T9** on your tax return. Do not show cents.

Check that you have . . .

-  written on your tax return the total amount of water facility tax offset
-  printed **W** in the **CLAIM TYPE** box at the right of **M**
-  written on your tax return any landcare and water facility tax offset brought forward.

Are you entitled to a tax offset for:

- **heritage conservation work**
- **interest from government securities issued before 1 November 1968**
- **interest from the land transport facilities tax offset scheme or infrastructure borrowings scheme?**

NO  Go to **Total supplement tax offsets** on page s55. **YES**  Read below.

If you can claim more than one of the tax offsets listed above, you will need to add up all your tax offset amounts before writing the total on your tax return. Use a piece of notepaper to add up your tax offset.

PART A ***Are you entitled to a tax offset for heritage conservation work for which a final certificate has been granted?***

NO  Go to part B. **YES**  Read below.

You can claim a tax offset of 20 per cent of approved conservation expenditure of \$5000 or more on buildings or structures listed on a Commonwealth, State or Territory heritage register.

To be eligible for a tax offset, you will need to have applied for a final certificate from the Department of Environment and Heritage. You can claim the tax offset in 2001–02 if you applied for the final certificate in 2001–02 and it states that you paid an amount of \$5000 or more for eligible heritage conservation works.

Step 1 Divide the amount shown under eligible heritage conservation works expenditure on your final certificate by 5. This is your heritage conservation tax offset.

Step 2 Write the amount from step 1 on your notepaper.

PART B ***Are you entitled to a tax offset for interest from government securities issued before 1 November 1968?***

NO  Go to part C. **YES**  Read below.

You can get a tax offset of 10 cents for each dollar of interest you received from loans or securities issued before 1 November 1968 by the Commonwealth Government or State Government or by a State or local government authority, including a bank, where the security was free from State income tax at the time of issue.

Show your interest income at item **10** on your tax return.

Step 1 Work out the amount of interest you received in 2001–02 from these types of securities. Divide this amount by 10. This is your interest tax offset.

Step 2 Write the amount from step 1 on your notepaper.

PART C ***Are you entitled to a tax offset for interest derived from the land transport facilities tax offset scheme or infrastructure borrowings scheme?***

NO  Go to **Completing this question**. **YES**  Read below.

If you have any interest derived from the land transport facilities tax offset scheme or you have elected to have interest derived from your investment in infrastructure borrowings included as part of your assessable income, you may be entitled to a tax offset of 30 cents for each dollar of that interest.

NOTE

Where your interest derived from the land transport facilities tax offset scheme is subject to an annual upper limit under an agreement between the lender/s, the borrowers and the Minister for Transport and Regional Services, you cannot claim a tax offset for the part of your interest that exceeds that upper limit.

- Step 1** Work out the amounts of interest derived from the land transport facilities tax offset scheme for which you can claim a tax offset and any amount of interest you received from infrastructure borrowings.
- Step 2** Multiply the amount from step 1 by 30, then divide by 100. This is your interest tax offset.
- Step 3** Write the amount from step 2 on your notepaper.

Completing this question

- Step 1** Add up all the amounts on your notepaper for this question. This is your total other tax offsets. Write the total at **C** item **T10** on your tax return. Do not show cents.
- Step 2** If you are claiming a tax offset for heritage conservation work, print **H** in the **CLAIM TYPE** box at the right of **C** item **T10**.
- If you are claiming a tax offset under the land transport facilities tax offset scheme or infrastructure borrowings scheme, print **I** in the **CLAIM TYPE** box at the right of **C** item **T10**.
- If you are claiming for both these tax offsets, choose the code letter that applies to the largest amount and print it in the **CLAIM TYPE** box at the right of **C** item **T10**.
- If you are claiming a tax offset for interest from government securities, leave the **CLAIM TYPE** box blank.

Total supplement tax offsets

Did you claim any tax offsets at questions T5 to T10?

NO Go to step 4.

YES Go to step 1.

- Step 1** Add up all the tax offset amounts in the right-hand column of items **T5** to **T10** on your tax return (supplementary section).
- Step 2** Write the amount from step 1 at **TOTAL SUPPLEMENT TAX OFFSETS** on page 12 of your tax return. Do not show cents.
- Step 3** Transfer the amount you wrote at **TOTAL SUPPLEMENT TAX OFFSETS** to **T** on page 4 of your tax return.
- Step 4** Go to page 91 in *TaxPack 2002* to calculate your total tax offsets.

Credit for interest on tax paid

CREDIT FOR INTEREST ON EARLY PAYMENTS



Question C1

C1

CREDIT FOR INTEREST ON TAX PAID

During 2001–02, did you make any of the following payments to the Australian Taxation Office (ATO) more than 14 days before the due date—that is, an early payment:

- income tax (including Medicare levy) shown on your notice of assessment
- Higher Education Contribution Scheme (HECS) debt shown on your notice of assessment
- Student Financial Supplement Scheme debt shown on your notice of assessment
- interest on distributions from non-resident trust estates
- an income tax penalty
- an income tax general interest charge relating to a late tax return or an amended assessment for income years up to and including 1999–2000?

NO  Go to the checklist on page s58. **YES**  Read below.

If you have already requested a direct payment of interest on your early payment, do not claim interest at this question.

What you need

- notification from the ATO showing the date of the notice, the amount owing and the due date
- details of your date of payment—shown on your bank statement or receipt from the post office or the ATO. Allow 3 extra days if you posted your payment.

You need to know

The following are not early payments:

- Pay As You Go (PAYG) withholding amounts including:
 - amounts withheld from interest, dividends and royalties
 - amounts withheld by payers including those withheld for HECS
- PAYG instalments.

For more information, read the publication *Interest on early payments and overpayments of tax* (NAT 2277–6.2002). This publication is available on the ATO website at <www.ato.gov.au>. Or to find out how to get a printed copy, see the inside back cover of *TaxPack*.

You cannot claim a credit for the total amount of the payment. You can only claim a credit for interest on the early payment.

The interest you receive will need to be shown as income on your tax return for the year in which the interest was paid or credited to you by the ATO. When you receive your 2001–02 notice of assessment, it will show the amount of interest you have received.

The interest period starts on the date you made your payment or the issue date of your notice informing you of the amount of tax, debt, interest or instalment—whichever is the later—and the interest period ends on the due date for payment. For example, a notice of assessment, issued to you on 20 September 2001, showed an amount of tax payable. If the amount was due on 21 November 2001 but you paid early, on 1 November 2001, the interest period would be 21 days—1 November to 21 November.

The interest rate applying for each quarter of 2001–02 is shown below:

<i>Period</i>	<i>Interest rate (% p.a.)</i>
1 July 2001 to 30 September 2001	4.89
1 October 2001 to 31 December 2001	4.95
1 January 2002 to 31 March 2002	4.28
1 April 2002 to 30 June 2002	4.31










If the early payment extends over 2 or more interest periods, you will need to do steps 1 to 4 for the number of days in each period.

Completing this question

- Step 1** Work out by how many days your payment was early—the number of days from:
- either the date you paid the amount or the issue date on your notice informing you of the amount of tax, debt, interest or instalment—whichever is the later—up to and including
 - the date when the payment was due.
- Step 2** Divide the number of days from step 1 by 365.
- Step 3** Multiply the answer you got at step 2 by the amount of the payment.
- Step 4** Multiply the answer from step 3 by the rate of interest for the period and divide by 100. For example, for the period 1 July 2001 to 30 September 2001, multiply by 4.89 and divide by 100.
- Step 5** Add up the amounts for each period in step 4.
- Step 6** If the amount from step 5 is equal to or greater than 50 cents, write the total at **L** item **C1** on your tax return. Show cents. If the amount is less than 50 cents, you cannot claim.
- Step 7** You have now finished this question. Go to the checklist on the next page.

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

Check that you have . . .

-  printed your tax file number and name on page 9 of your tax return
-  written totals at:
 - TOTAL SUPPLEMENT INCOME OR LOSS**
 - TOTAL SUPPLEMENT DEDUCTIONS**
 - TOTAL SUPPLEMENT TAX OFFSETS**
-  transferred the totals above, where instructed
-  completed item **C1** if required to do so
-  filled in the small boxes—if you were asked to do so—at items **12, 13, 14, 16, 19, 20, 21, TOTAL SUPPLEMENT INCOME OR LOSS, T9** and **T10**
-  completed the *2002 business and professional items schedule* if you answered **YES** at question **12** (if you had a net loss), **13, 14** or **15**. If you had tax withheld from your business or personal services income you must also have completed an *Individual PAYG payment summary schedule 2002*
-  attached to page 3 of your tax return all attachments as instructed by any section or question in *TaxPack 2002 supplement*
-  signed and dated the *Taxpayer's signature* block on page 12 of your tax return
-  kept copies of your tax return, all attachments and relevant papers for your own records.

If you are uncertain about any of the questions we asked you to complete, ring the relevant infoline on the inside back cover of *TaxPack 2002 supplement*.

Go to page 92 in *TaxPack 2002* and continue working through *TaxPack*.

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Publications

PUBLICATIONS, TAXATION RULINGS, PRACTICE STATEMENTS, FORMS AND THE TAXPAYERS' CHARTER

To get publications referred to in *TaxPack 2002* you have **3** options:

- 1 Visit our website—for publications, taxation rulings, practice statements and the Taxpayers' Charter—at <www.ato.gov.au>.**
- 2 Ring our Publications Distribution Service—for all referred publications, including forms.**

From July to the end of October, this service operates from 8 a.m. to at least 10 p.m. Monday to Friday and from 10 a.m. to 5 p.m. on weekends—Australian Eastern Standard Time. From November to June, the normal operating hours of the distribution service are 9 a.m. to 7 p.m. weekdays. Before you ring, check to see if there are other publications you may need—this will save you time and help us. For each publication you order please quote the full title and NAT number, if any, printed in *TaxPack*.

This distribution service is not run by Australian Taxation Office (ATO) staff. Your tax questions cannot be answered on this telephone number. Ring the Publications Distribution Service on **1300 720 092** for the cost of a local call. Calls from mobile phones are charged at mobile rates.

- 3 Visit an ATO office—see page 125 in *TaxPack 2002* for our street addresses.**

Infolines

IF YOU HAVE AN ENQUIRY ABOUT YOUR TAX, RING THE RELEVANT INFOLINE BELOW

Our infolines are open Monday to Friday 8 a.m. to 6 p.m. except where otherwise indicated. Our automated self-help services are available 24 hours per day every day. You can ring any **13** number for the cost of a local call. Calls from mobile phones are charged at mobile rates. Make sure you have *TaxPack* handy when you ring.

To ring an ATO infoline from outside Australia ring the International Access Code +61+ the infoline, between the hours of 8 a.m. and 6 p.m. Australian Eastern Standard Time. Calls will be charged at the rate relevant to that country.

If you require access to ATO records you will be asked to provide your tax file number or details from your last notice of assessment to confirm proof of identity.

Personal Tax Infoline **13 2861**

Ring between 8 a.m. and 6 p.m.

To ensure that your call is directed to the person who is best trained to answer your enquiry, select from the following options:

- If you are retired or planning to retire—Press **1**
- Family tax benefit and baby bonus—Press **2**
- Tax file number—Press **3 then 1**
- Pay As You Go, including activity statements—Press **3 then 2**
- Higher Education Contribution Scheme and Student Financial Supplement Scheme—Press **3 then 3**
- Account balance or replacement cheque—Press **3 then 4**
- Preparation of an e-tax tax return—Press **4 then 1**
- General income tax, lodgment, *TaxPack* and notice of assessment—Press **4 then 2**
- *TaxPack supplement*, capital gains, rental income, foreign income—Press **4 then 3**

Binding Oral Advice **13 2861**

Superannuation **13 1020**

TaxPack 2002 questions **4, D10, T3** and *TaxPack 2002 supplement* questions **19, D13, D14** and **T5**.

A Fax from Tax **13 2860**

If you have access to a fax machine use *A Fax from Tax* for quick and easy access to information. The service operates around-the-clock and will provide you with information on personal taxation—including information on the Higher Education Contribution Scheme and the Student Financial Supplement Scheme.

National Aboriginal and Islander Resource Centre **13 1030**

The centre specialises in helping Indigenous clients and can assist with a wide range of tax matters.

Refunds—ATO Personal Direct **13 2865**

This automated self-help service is available 24 hours per day, every day, for you to check the progress of your tax return. You will need your tax file number.

If you sent your tax return by ordinary post please wait 7 weeks before ringing.

If you lodged an e-tax tax return over the Internet or you used the **TAXPACKEXPRESS** service please wait 3 weeks before ringing.

People with a hearing, speech or vision impairment

People with a hearing or speech impairment and with access to appropriate TTY or modem equipment can communicate with a tax officer through the National Relay Service on **13 3677** and quote one of the infolines listed on this page.

People with a vision impairment may be able to use *TaxTape 2002* or *TaxDisk 2002*—check the outside back cover of *TaxPack* for more information.

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

Visit the ATO website at <www.ato.gov.au>.

If you do not speak English and need help from the Australian Taxation Office, ring the Translating and Interpreting Service (TIS) on 13 1450. TIS staff can assist with translating and interpreting in over 100 languages. Ask them to set up a 3-way conversation between you, an interpreter and a tax officer.



If you want to complete your own tax return or your claim for a refund of imputation credits but think you may need some assistance, then Tax Help may be the answer.

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

Tax Help is a free and confidential service for people on low incomes.

See page 14 in *TaxPack 2002* for more information—including the phone number to ring for Tax Help.

ASSISTANCE FOR PEOPLE WITH A PRINT DISABILITY

The following tax time products are available free of charge from the Royal Blind Society—on FREECALL 1800 644 885—for people who are blind or vision impaired:

TaxTape 2002

TaxTape 2002 supplement

TaxDisk 2002 (includes supplement)

