

INDIVIDUALS

TAXPAYERS

INSTRUCTIONS

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**Australian Government**  
**Australian Taxation Office**

# TaxPack 2005 supplement

To help you complete the supplementary section  
of your tax return for 1 July 2004–30 June 2005

**! Why not lodge online?**

You don't need to use *TaxPack* if you have access to the internet – for a fast, secure and easy way to do your tax, use e-tax, available at [www.ato.gov.au](http://www.ato.gov.au)

Most e-tax returns are processed in 14 days.

**! Use this guide if  
directed to by  
*TaxPack 2005***

**! Lodge your tax return  
by 31 October 2005**

## COMMISSIONER'S GUARANTEE

### THE COMMISSIONER OFFERS YOU THE FOLLOWING PROTECTIONS IF YOU USE *TAXPACK 2005* 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 community groups and tax professionals outside the Tax 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 interest 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 interest 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.

### DO YOU NEED THIS SUPPLEMENT?

*TaxPack 2005 supplement* contains instructions for completing the supplementary section (pages 9–12) of the tax return for individuals. Copies of the *Tax return for individuals (supplementary section) 2005* are at the back of this publication.

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 these items 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 s1–8). You will need to attach the supplementary section to the main part to lodge your tax return.

Remember, this supplement does not replace *TaxPack 2005*; it is used in conjunction with *TaxPack 2005*.

A handwritten signature in black ink that reads "Michael Carmody".

**Michael Carmody** Commissioner of Taxation

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# CONTENTS

The questions contained in *TaxPack 2005 supplement* are shown in the contents list below. Check the list to find out if you need to use *TaxPack 2005 supplement* and complete the supplementary section of your tax return (pages 9–12).

## ! NOTE

*TaxPack 2005* is divided into two parts:

- *TaxPack 2005* with the *Tax return for individuals 2005*
- *TaxPack 2005 supplement* with the *Tax return for individuals (supplementary section) 2005*.

If you are using *TaxPack 2005 supplement* you must also use *TaxPack 2005* to complete all of your tax return (pages 1–12).

## INCOME

<b>12</b>	Partnerships and trusts	s2
<b>13</b>	Personal services income (PSI)*	s7
<b>14</b>	Net income or loss from business*	s9
<b>15</b>	Deferred non-commercial business losses*	s12
<b>16</b>	Net farm management deposits or withdrawals	s14
<b>17</b>	Capital gains*	s16
<b>18</b>	Foreign entities	s19
<b>19</b>	Foreign source income and foreign assets or property	s21
<b>20</b>	Rent	s27
<b>21</b>	Bonuses from life insurance companies and friendly societies	s29
<b>22</b>	Other income	s30
	Total supplement income or loss	s33

## DEDUCTIONS

<b>D11</b>	Australian film industry incentives*	s34
<b>D12</b>	Deductible amount of undeducted purchase price of a foreign pension or annuity	s35
<b>D13</b>	Non-employer sponsored superannuation contributions	s36
<b>D14</b>	Deduction for project pool	s38
<b>D15</b>	Other deductions	s40
	Total supplement deductions	s42

## TAX OFFSETS

<b>T7</b>	Superannuation contributions on behalf of your spouse	s43
<b>T8</b>	Zone or overseas forces	s44
<b>T9</b>	20% tax offset on net medical expenses over the threshold amount	s51
<b>T10</b>	Parent, spouse's parent or invalid relative	s53
<b>T11</b>	Landcare and water facility	s54
<b>T12</b>	Net income from working – supplementary section <b>NEW</b>	s55
<b>T13</b>	Other tax offsets	s57
	Total supplement tax offsets	s59

## ADJUSTMENTS

<b>A3</b>	Amount on which family trust distribution tax has been paid	s60
<b>A4</b>	Amount on which ultimate beneficiary non-disclosure tax was payable	s61

## CREDIT FOR INTEREST ON TAX PAID

<b>C1</b>	Credit for interest on early payments – amount of interest	s62
-----------	--	-----

<b>Checklist – tax return pages 9–12</b>	s63
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<b>Index</b>	s64
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<b>Publications and Infolines</b>	inside back cover
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\* These questions have a related publication which you must read before you can complete the question. Details are explained in the relevant question.

## CHECKLIST – TAX RETURN PAGES 9–12

Use this checklist to make sure pages 9–12 of your tax return (supplementary section) 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 (supplementary section)
- written totals (if applicable) 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
- completed item **A3** and/or item **A4** if required to do so
- if you were asked to do so, filled in the boxes  or  at items **12**, **13**, **14**, **16**, **19**, **20** and **TOTAL SUPPLEMENT INCOME OR LOSS**, and the  boxes at items **T12** and **T13**

- completed the *Business and professional items schedule for individuals 2005* if you answered **YES** at questions **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 2005*
- attached to page 3 of your tax return all attachments as instructed by any section or question in *TaxPack 2005 supplement*
- signed and dated the *Taxpayer's signature* block on page 12 of your tax return (supplementary section)
- kept copies of your tax return, all attachments and relevant papers for your own records.

See the inside back cover for a list of infolines to phone if you are uncertain about any of the questions we asked you to complete.

Go to page 99 in *TaxPack 2005* and continue working through *TaxPack*.

- ABN**, see Australian business number  
 Aboriginal (Indigenous) Tutorial Assistance Scheme, s7-11  
**ABSTUDY**, 16, 27, 28, 76  
 accident insurance, see sickness and accident insurance  
 accommodation component of scholarships, 73  
 accommodation expenses, 49  
 accounts, see financial institution accounts  
 activity statements, 31, 67  
 adjusted fringe benefits, 78  
 adjusted taxable income, 76-7, 78  
 adjustments, 109-11, s60-1  
   balancing, 44, s32  
   pool values, s39  
 Administrative Appeals Tribunal (AAT), 67, s32  
 adopted children, see children  
 advance (prepaid) expenditure, 40, s27  
 advertising expenses, s27  
 advice, 7, 67  
   about investment, 60  
   non-lodgment, 3-4  
 age pension, 28, 87  
 aged Australian, see older Australians  
 aged care, residential, s51-2  
 agents  
   property, s27  
   tax, 6, 15, 67, 115  
 agriculture, see primary production  
 aids and appliances, s51  
 air fares, 49  
 allowances, 20-1, s22-3  
   see also government pensions  
 amendment requests, 114, 117  
 ancillary private health insurance cover, 99, 105  
 annual leave, lump sum payments for, 22, 73  
 annuities, see superannuation and annuities  
 appeals, 67, s32  
 apportionment rules, 40  
 approved deposit funds, see superannuation and annuities  
 aprons, 52  
 artificial limbs or eyes, s51  
 artists, s30, s32, s33  
   see also performing artists  
 assessable balancing adjustment, s32  
 assessment notices, 12, 116-17  
 assessment period, 75, 78  
 assets, s16-18  
   foreign, s26  
   transferred to/from non-resident entities, s19, s21, s24  
   see also capital gains; depreciating assets; dividends; gifts  
 Assistance for Isolated Children Scheme, 16  
 association subscriptions, 56-7  
 attorney, power of, 6  
 attributed foreign income, see foreign income  
 attributed personal services income, 30  
 Austrade approved projects, employment in, s23  
 Australian-American Educational Foundation grant, 16  
 Australian business number (ABN), 18, 19  
   amounts withheld because not quoted, 33, 67, s5, s7-11  
 Australian Defence Force, see Defence Force personnel  
 Australian film industry incentives, s34  
 Australian Government pensions, see government pensions  
 Australian residents, 2, s3, s32  
   became/stopped being, 14, 111, 121, 122  
   debt deductions in overseas interests, 60-1  
   dependants, 73, 76, 80, 83, 103, 105  
   for family assistance purposes, 75-6  
   Norfolk Islanders, 103-4  
   for tax offsets purposes, 80, 83, 85, 87, 96, 124, s51  
   what term means, 14  
   see also foreign income; non-residents  
 Australian Tax Office, see Tax Office  
 Austrian pensions, s22, s35  
 austudy payment, 16, 27  
 authors, s30, s32, s33  
 averaging, s4  
 award payments, 20, 44-5, 50, 57  
**B**  
**Baby bonus**, 96-7  
 balanced trusts, s2-6  
 balancing adjustments, 44, s32  
 bank accounts, see financial institution accounts  
 bankruptcy, 69, 106, s2, s3, s14, s15  
 barristers' fees, 67  
 bed, people confined to, s51  
 beneficiary non-disclosure tax, 35, s61  
 beneficiary tax offset, 27, 123  
 benefits, see government pensions  
 bereavement, see death  
 binding oral advice, 7  
 blind people, 103-4, 109, s51  
 body corporate fees, s27  
 bonus shares, 34-7  
 bonus, 96-7  
   employment income, 18-21  
   exempt income, 16  
   life insurance companies and friendly societies, s29, s31  
 books, 54, 57, 67  
 boots and shoes, 51-2, 57  
 borrowed cars, 50  
 borrowed money, see loans  
 bridge tolls, 41, 49  
 British pensions, s22, s35  
 BSB (bank state branch) number, 15  
 building costs of rental properties, s28  
 building society accounts, see financial institution accounts  
 buildings, conservation of, s57  
 bursaries and scholarships, 16, s31  
 bus fares, 49, 54  
 business association subscriptions, 56-7  
 business income, 73, 109, s2-15, s19-20  
   see also losses  
**C**  
**Cab fares**, 49  
 capital expenditure, s28, s38-9, s40, s41  
 capital gains (CGT), 73, s3, s16-18  
   'listed investment company (LIC) capital gain amount', 60  
   under 18 excepted net income, 109  
 carers, 28, 73, s51  
   exempt income, 16  
   see also dependants; family tax benefit  
 cars, 20, 42-50, 54  
   dependants, 74  
   as prizes, s31, s32  
 cash management accounts, 60  
 cash management trusts, s2-6  
 casual jobs, income from, 18-21  
 'CDEP Salary or Wages', 27  
 CDs, 57  
 Centrelink payments, see government pensions  
 cents per kilometre method, 43, 44, 45, 48, 54, 74  
 CFCs, s19  
 charitable gifts and donations, 62-4, 67  
 chemists' expenses, s51  
 child care, 16, 54, 74  
   tax rebate, 13  
 child support (maintenance), 17, 72, 78, 116, 118  
 children (under 18 year olds), 73-86  
   baby bonus, 96-7  
   government pensions, allowances and payments, 16, 27, 78, 109  
   as housekeepers, 83-4, 102, s46-7  
   income, 2, 109, s3  
   Medicare levy/levy surcharge, 101-8  
   savings accounts, 33  
   superannuation contributions, s36-7  
   see also dependants; family tax benefit; separate net income; shared care  
 cleaning, 51-2, 57  
 'closed' tax returns, 6  
 closely held trusts, s61  
 clothing, 20, 51-2, 57  
   textile, clothing and footwear special allowance, 27  
 co-ownership of cars, 43  
 co-ownership of rental properties, s27-8  
 code letters  
   car expenses deduction method, 48  
   private health insurance type, 99  
   self-education expenses, 54, 55  
   tax offsets, 89, 91  
 collectibles, s16-18  
 commissions, 18-21, s22-3  
   property agents, s27  
 Commonwealth Ombudsman, 119  
 Commonwealth pensions, see government pensions  
 Community Development Employment Projects (CDEP), 27  
 community infrastructure, creating or upgrading, s38-9  
 compact discs, 57  
 companies  
   dividends, 34-7, 60-1, 73, s60  
   foreign controlled, s19  
 compensation payments, 18-21, 23-6, 109  
   exempt income, 17  
   see also insurance  
 complaints/objections, 115, 117, 119, s32  
 composers, s30, s32, s33  
 computers, 41, 54, 57, 58, 60  
   see also internet  
 conferences, seminars and workshops, 49-50, 57  
 conservation activities, see environment protection activities  
 conservation covenants, 64, 67, s16-18  
 construction costs of rental property, s28  
 consular staff, 103-4  
 consultants, 20-1, s7-8  
 contact lenses, s51  
 contractors, independent, s7-11  
 'contributions tax', 26  
 controlled foreign companies, s19  
 cooling, 57  
 cosmetic surgery, s51  
 council rates, s27  
 course fees, 53, 54  
 court appeals, 67  
 credit union accounts, see financial institution accounts  
 credits, see tax credits  
 Criminal Justice Stay Visa, 76  
 cultural gifts and donations, 62-4, 67  
 currency exchange, see foreign exchange  
**D**  
**Date of lodgment**, 12-13  
   see also late lodgment  
 de facto spouses, see spouses  
 death and deceased estates, 3, 14, 16  
   bereavement allowance, 28  
   bereavement payments, 16, 75  
   child, 75  
   cultural bequests, 64  
   double orphans, 16, 109  
   farm management deposits, s14  
   inheritance, 24-5, 26, 63, 109:  
     capital gains, s17  
     spouse, 101, 102, 106  
     widows/widowers, 2, 16, 27, 28, 87, 89  
 death benefit ETPs, 23, 24-5, 26  
 debits tax, 56, 60  
 debt deductions, 60-1, s40, s41  
   see also interest  
 debt forgiveness, 34  
 debts owing on tax, 15, 115  
 deceased estates, see death  
 decline in value, see depreciating assets  
 deductions (expenses), 40-68, s32, s34-42  
   dependants' separate net income, 74  
   farm management deposits, s14-15  
   partnership and trust distributions, s4  
   rental income, s27-8  
 deemed dividends, 34-5  
 Defence Force personnel, 41, s22, s44-9  
   exempt income, 16, 17

- income support allowance (DFISA), 16, 28  
 Medicare levy/levy surcharge, 103–4, 107  
 see also veterans
- Defence Forces Retirements Benefits Act 1948*  
 pensions and payments, 16
- deferred (earlier income year) losses, 69–71  
 capital, s17–18  
 foreign, s25, s26  
 non-commercial business, s2, s4, s5, s12–13:  
 dependants', 74
- demergers, 34
- dental expenses, s51
- Department of Education, Science and Training,  
 Indigenous Tutorial Assistance Scheme, s7–11
- Department of Immigration and Multicultural  
 Affairs and Indigenous Affairs, translating and  
 interpreting service, s7–11
- Department of the Environment and Heritage,  
 64, s57
- dependants, 73–86, s53  
 of deceased persons, 24–5  
 medical expenses, s51–2  
 Medicare levy/levy surcharge, 101–8  
 zone or overseas forces tax offsets and, s44,  
 s45–8  
 see also children; separate net income;  
 spouses
- depreciating assets, s32  
 cars, 43–4  
 computers, 57  
 home office expenses, 57  
 low-value pools, 58–9  
 rental properties, s28  
 retention of records, 41  
 section 40-880 deductions, s41  
 site preparation for, s38–9  
 used for self-education purposes, 54
- destroyed assets, s16–18  
 cars, 44
- destroyed records, 41  
 DFISA, 16, 28
- diplomatic staff, 103–4, s22
- direct payment of family tax benefit (FTB), 75, 76
- direct refunds/debits, 14–15
- director's fees, 20–1
- dirt allowance, 20
- disability, people with, s47, s51, *inside back*  
*cover*  
 exempt income, 16, 17  
 invalid relatives, 73, 85, s45–6  
 legal disability, 106, s3  
 Medicare levy/levy surcharge, 102, 103–4, 107  
 pensioners, 28, 73, 85, 109: exempt income,  
 16, 17  
 under 18 excepted net income, 109
- disaster relief payment, 16
- discounts on shares or rights, s30–1, s32
- dividends (distributions), 3, 34–7, 60–1  
 capital gains, s16–18  
 dependants', 73  
 employee share schemes, s30–1, s32  
 family trust distribution tax paid, 35, s60  
 foreign, s3, s5, s21, s24–5  
 government securities, s57  
 partnerships, s2–6  
 traditional securities, s32, s40  
 trusts, s2–6, s16–18
- divorce, see marriage breakdown
- doctors' expenses, s51
- dogs, s51
- donations, 62–4
- double orphan pension, 16, 109
- double taxation agreements, s22, s23
- dramatists, s30, s32, s33
- dry cleaning/laundry, 20, 51–2
- Dutch pensions, s22, s35
- E**-tax, 6, 116–17
- earlier income year losses, see deferred losses
- early payments, s62
- early retirement payments, see retirement  
 payments
- earnings, see income
- ears and hearing, s51
- East Timor Joint Petroleum Development Area,  
 work or services in, s58
- education and training, 53–5, 57
- family tax benefit payments and, 76
- Higher Education Contribution Scheme  
 (HECS), 31, 128–9, s62
- Indigenous Tutorial Assistance Scheme, s7–11
- lump sum payments in arrears (LSPA), s31,  
 s32, s33
- qualification allowances, 20
- scholarships, bursaries and awards, 16, 73,  
 s31
- school building funds, 62–4
- stopped full-time, 110–11, 121
- student allowances and payments, 16, 27,  
 28, 76
- Student Financial Supplement Scheme (SFSS),  
 31, 76, 129, s62  
 see also overseas students
- education entry payment, 28
- election expenses, s32, s40, s41
- election to spread deduction for gifts, 64
- electricity connections, s4, s5
- electronic funds transfer (EFT), 14–15  
 farm management deposits, s14
- electronic lodgment (e-tax), 6, 116–17
- electronic records, 41
- eligible termination payments (ETPs), 23–6, 66,  
 s30, s32
- embassy staff, 103–4, s22
- employee share schemes, s30–1, s32
- employer letters or statements, see payment  
 summaries
- employer-provided private health insurance, 94–5
- employment, 18–26, s7–11  
 foreign, s21–5  
 government pensions, allowances and  
 payments, 16, 27  
 mature age worker tax offset, 124, s55–6  
 personal superannuation contributions, s36–7  
 under 18 year olds, 109  
 work-related expenses, 40–57  
 working holiday makers, 14  
 workplace-giving programs, 62  
 see also retirement payments; superannuation  
 and annuities
- employment entry payments, 16
- entertainers, see performing artists
- entertainment, 20, s40
- environment protection activities  
 deductions, s4–5, s38–9, s40  
 tax offsets, s54, s57
- equity (non-share) interests, 35
- equity trusts, s2–6
- errors, see mistakes
- evidence, see payment summaries; record  
 keeping
- ex-prisoners of war, 17
- ex-service personnel, see veterans
- excepted net income, 109
- Exceptional Circumstances certificates, s14
- exceptional circumstances relief payment, 27,  
 28, s45
- exempt income, 16–17  
 foreign, s22–3, s41  
 net, 69  
 separate net income (SNI), 73–4
- expenses, see deductions
- eyes and vision, 57, s51  
 blind people, 109, s51
- Failure to lodge on time penalty, 13**
- family adjusted taxable income, 76–7
- Family agreements, 103, 104
- Family Assistance Office, payments through,  
 75, 76
- family assistance one-off payment, 16
- family income, 101–3
- family tax benefit (FTB), 16, 75–8  
 advice relating to claims, 67  
 lodgment of tax returns, 13, 116  
 tax offset calculations, 80–6  
 withholding declaration, 31
- family trust distribution tax, 35, s60
- fares, 49, 54
- fares allowance, 16
- farm management deposits or withdrawals,  
 s14–15
- farm support payments, 16, 27, s45
- farming, see primary production
- feasibility studies, s38–9
- FEE-HELP, 53
- fees, 6  
 deductions, 53–7, 60, 67, s27: record  
 keeping, 41  
 income, 20–1
- fertilisation treatment, s51
- film industry, s34
- final tax return?, 14
- financial institution accounts, 33, 56, 60, s27  
 direct refunds/debits, 14–15
- financial institution lotteries, s31
- first aid allowance, 20
- fishing, see primary production
- footwear, protective, 51–2, 57
- foreign aid funds, gifts and donations to, 62–4
- foreign entities, see non-resident entities
- foreign exchange, s31, s32, s39, s41
- foreign exchange rates, s21, s26
- foreign income, s2–6, s19–26  
 Australian losses and, 70  
 capital gains, s16  
 deductions, s35, s40, s41  
 family tax benefits and, 78
- foreign investment funds (FIFs), s19–20
- foreign life assurance policies, s19–20
- foreign pensions and annuities, s19–24, s35
- foreign residents, see non-residents
- foreign students, see overseas students
- foreign tax credits, s20, s22, s25
- foreign (non-resident) trusts, s3, s19, s62
- forestry, see primary production
- forgiven debts, 34
- franking (imputation) credits, 35–7, s6  
 New Zealand companies paying  
 Australian, s24
- freedom of information, 118
- friendly society bonuses, s29, s31
- friendly society scholarships, s31
- fringe benefits, 32, 78, 106  
 exempt car expense payment, 20
- FTB, see family tax benefit
- fund-raising events, contributions in respect  
 of, 62–4
- furniture and fittings, 54, 57
- future Tax Office plans, 6
- future tax returns?, 14
- Gaol, people in, 88, 102, s47**
- game show winnings, s31, s32
- gardening, s27
- general interest charge (GIC), 115, s62
- German Forced Labour Compensation  
 Programme, 17
- German pensions, s22
- gifts, 62–4  
 cars, 42  
 glasses, 57, s51  
 gloves, 57
- golden handshakes (ETPs), 23–6, 66, s30, s32
- goods and services tax (GST), 40, 67, s32
- government pensions, allowances and payments,  
 2, 14, 27–8, 73, 109, s32  
 exempt income, 16  
 family tax benefits payments and, 76, 78  
 foreign, s22, s31, s35  
 lump sum payments in arrears (LSPA), s31,  
 s32, s33  
 Medicare levy exemption categories,  
 103–4, 107  
 tax offsets, 27, 87–92, 123, 125  
 zone tax offset reduced by, s45
- government securities tax offset, s57
- grapevines, s4
- gratuities, 20–1
- Green Corps training allowance, 27
- gross interest, 33
- grossed-up fringe benefit amounts, 32
- group certificates, see payment summaries
- growth trusts, s2–6
- guide dogs, s51
- Hard hats, 57**
- hardship, 115

- health, s51–2  
 government pensions etc., 16, 27–8, 103–4, 107, 109  
 invalidity retirement payments, 22–6  
 private insurance, 16, 94–5, 99, 105–8  
 protective clothing/items, 51–2, 57  
 sick leave, payment for unused, 23–6  
*see also* Medicare levy; sickness and accident insurance
- hearing aids, s51  
 heating, 57  
 height allowance, 20  
 help services, 7, 19, *inside back cover*  
 heritage conservation work, s57  
*see also* environment protection activities
- heritage organisations, gifts and donations to, 62–4
- Higher Education Contribution Scheme (HECS), 31, 128–9, s62
- Higher Education Loan Programme (HELP), 53
- hired vehicles, 42–50
- holding period rule, 35–6, s6
- holiday homes, s16–18, s60
- holiday makers, 14
- holiday prizes, s31, s32
- home and capital gains, s17
- home and education, travel between, 54
- home and work, travel between, 42–3, 49, 54  
 dependants, 74
- home employment expenses, 42, 49, 57
- honorary payments, 20–1
- horticultural plants, s4
- hospital expenses, s51
- hospital insurance, private, 16, 94–5, 99, 105–8
- hostel expenses, s51–2
- housekeepers, 83–6, 102, s46–7  
*see also* dependants
- husbands, *see* spouses
- I**llness, *see* health
- immigration, dependants awaiting, 73, s51  
 improvements to property, s28
- imputation system, *see* franking credits
- imputation trusts, s2–6
- in-vitro fertilisation treatment, s51
- income, 2–3, 16–39, s2–33  
 children (under 18 year olds), 2, 109, s3  
 family tax benefit (FTB) and, 76–7  
 received after date of death, 14  
*see also* exempt income; foreign income;  
 low-income earners; separate net income;  
 tax-free thresholds; taxable income
- income bond bonuses, s31
- income support payments, *see* government pensions
- income support supplement, 28
- independent contractors, s7–11
- Indigenous Tutorial Assistance Scheme, s7–11
- information, access to, 118
- infrastructure, creating or upgrading, s38–9
- infrastructure borrowings, s30, s41, s57
- inheritances, 24–5, 26, 109  
 capital gains, s17
- injuries, compensation for, 17
- insolvency, 69, s2, s3, s14, s15
- insurance, 18–21, s30  
 bonuses, s29, s31  
 foreign, s19–20  
 lump sum payments in arrears (LSPA), s31, s32, s33  
 private health, 16, 94–5, 99, 105–8  
 premiums, s40–1  
 rental property payments, s27
- intellectual property, s38–9
- interdependency relationships, 24–5
- interest, 33, 73, s5, s30  
 deductions, 57, 60–1, s41  
 foreign source, s3, s5, s21, s24–5, s62  
 government securities, s57  
 paid to Tax Office, 67, 115, s32, s62  
 rental property loans, s27  
 on tax paid, s62
- interest charge, 67, s32
- interest-free/low interest loans as prizes, s31, s32
- international exchange, *see* foreign exchange
- international agreements, 87, s22, s23
- internet, 60  
 lodgment by (e-tax), 6, 116–17  
 Privacy Commissioner website, 118  
 Tax Office website, 7
- interpreting and translating services, s7–11
- invalid relatives, 73, 85, s45–6, s51–2  
*see also* dependants
- invalidity retirement payments, 22–6
- invalidity service pension, 16, 28
- inventors, s30, s32, s33
- investment, 60–1, 109  
 capital gains, s16–18  
 in film industry, s34  
 in foreign entities, s19–26  
 trust products, s2–6, s16–18  
*see also* debt deductions; dividends; rental income
- investment-related lotteries, s31, s32
- isolated areas, 16, 73, s44–50
- Italian pensions, s22, s35
- itinerant work, 42–50
- J**ail, people in, 88, 102, s47
- Japanese internment compensation payments, 17
- jewellery and collectibles, s16–18
- joint financial institution accounts, 60
- Joint Petroleum Development Area, work or services in, s58
- jointly owned cars, 43
- jointly owned rental properties, s27–8
- journals, 57, 60
- jury attendance fees, 20–1
- L**abour hire arrangements, independent contracts under, s7–11
- land tax, s27
- land transport facilities tax offset scheme, s30, s57
- landcare operations, s4–5, s54
- language, literacy and numeracy supplement, 16, 73
- last tax return?, 14
- late lodgment, 12–13, s62
- late payment of taxes and penalties, 67, 115
- late payment summaries, 18
- laundry, 20, 51–2
- lawn mowing, s27
- leased vehicles, 42–50
- leave, lump sum payments for, 22–6, 73
- legal disability, 106, s3
- legal expenses, 67
- legal responsibility for children, 96, 97
- levies to strike funds, 56–7
- libraries, professional, 57
- life assurance/insurance, 23–6, s19–20, s29, s31  
*see also* superannuation and annuities
- lighting, 57
- limbs, artificial, s51
- listed investment companies (LICs), 34–7, 60
- loans, 34  
 interest payments, 57, 60–1, s27  
 low-interest/interest-free, as prizes, s31, s32  
 student schemes, 53  
*see also* debt deductions; interest
- local government, s30, s40  
 rates, s27  
 securities, s57
- lodgment, 2–6, 12–13, 14, 112–13  
 activity statements, 31  
 costs, 6, 67, s32  
 family tax benefit (FTB) claims, 13, 116  
*see also* late lodgment
- logbook method, 43, 44, 47–8, 54
- lone parents, 28, 77, 102, s47–8
- long service leave, lump sum payments for, 22, 73
- loss of earnings allowance, 16
- loss of job, payment for, 23–6
- losses, 69–72, s9–13  
 capital, s16–18  
 cars disposed of, lost or destroyed, 44  
 foreign, s25  
 foreign exchange, s41  
 net rental property, 78  
 partnerships, s2–5, s12–13
- personal services income, s8, s41
- traditional securities, s40
- trusts, s2–5  
*see also* deferred losses
- lost assets, s16–18  
 cars, 44
- lost records, 41  
 payment summaries, 18
- lost salary and wages payments, payments for, 18–21
- lottery benefits and prizes, s31, s32
- low-income earners, 19, 101  
 spouses, superannuation contributions on behalf of, s43  
 tax offset, 72, 123  
*see also* government pensions; taxable income
- low rate threshold, 24
- low-value pools, 58–9  
 cars, 43
- lump sum payments, 22–6  
 in arrears, s31, s32, s33  
 exempt income, 16, 17  
 family tax benefit, 75, 76  
 foreign, s21–4  
 luxury cars, 43, 45
- M**agazines and journals, 57, 60
- maintenance payments, 17, 73  
 child support, 17, 72, 78, 116, 118
- managed funds, s2–6
- management fees, 60
- managing tax affairs, costs of, 6, 67, s32
- marriage breakdown, s47  
 asset transfer on, s17
- married spouses, *see* spouses
- maternity allowance, 16
- maternity immunisation allowance, 16
- maternity payment, 16
- mature age allowance, 27, 87
- mature age worker tax offset, 124, s55–6
- meals, 20, 49, 54, 57
- medical expenses, s51–2
- Medicare levy, 100–8, 126–8  
 eligible termination payments (ETPs) and, 25, 26
- Medicare levy surcharge, 105–8, 128
- medicine (pharmaceuticals), 16, s51
- membership subscriptions, 56–7
- mental disabilities, people with, 102, 106, 109, s3, s47
- migration from overseas, dependants awaiting, 73, s51
- migration overseas, 14, 111
- minors, *see* children
- mistakes  
 objections/complaints, 115, 117, 119  
 on payment summaries, 18  
 on tax returns, 114
- mobility allowance, 16
- money, gifts of, 62, 64
- money market trusts, s2–6
- Mortgage and Rent Relief Scheme payments, 17
- mortgage trusts, s2–6
- motorcycles, 49–50
- motor vehicles, *see* cars
- musicians, 42, 49  
 composers, s30, s32, s33
- N**ational Trust bodies, donations to, 62–4
- net capital gains, 73, 109, s17
- net capital losses, s17–18
- net distribution, s5
- net exempt income, 69
- net farm management deposits or withdrawals, s14–15
- net foreign source income, *see* foreign income
- net income from working, 124, s55–6
- net income or loss from business, s9–11
- net personal services income, s8, s41
- Netherlands pensions, s22, s35
- New Enterprise Incentive Scheme allowance, 27
- New Zealand dividends and distributions, s24
- New Zealand passport holders, 75
- Newstart allowance, 27

- non-commercial business losses, s2, s4, s5, s12–13  
dependants', 74  
non-employer sponsored superannuation, s36–7  
non-lodgment advice, 3–4  
non-resident (foreign) entities, s3, s19–26, s62  
withholding tax, s2–3, s9–11  
non-resident income, *see* foreign income  
non-residents, s3  
Australian dividends, 35, 60–1  
Australian interest received/credited with, 33  
became/stopped being, 14, 111, 121, 122  
Medicare levy/levy surcharge exemption, 103–4  
net exempt income, 69  
overseas dependants waiting to migrate, 73, s51  
non-share equity interests, 35  
Norfolk Island residents, 103–4  
notice of assessment, 12, 116–17  
nursing expenses, s51  
nursing home expenses, s51–2
- O**bjections/complaints, 115, 117, 119, s32  
occupations, 18, 41  
clothing specific to, 51–2, 57  
*see also* professionals  
odometer records, 43, 46–8  
offsets, *see* tax offsets  
offshore income, *see* foreign income  
older Australians, 28, s51–2  
exempt income, 16  
mature age allowance, 27, 87  
mature age worker tax offset, 125, s55–6  
*see also* superannuation and annuities; Senior Australians tax offset  
Ombudsman, 119  
one-parent families, 28, 77, 102, s47–8  
one-third of actual expenses method, 43, 44, 46, 48, 54  
open employment incentive bonus, 16  
optician/optometrist expenses, s51  
oral advice, 7  
oral health expenses, s51  
ornamental trees and shrubs, s38–9  
orthodontist expenses, s51  
OS-HELP, 53  
overalls, 52  
overseas aid funds, gifts and donations to, 62–4  
overseas dependants waiting to migrate, 73, s51  
overseas forces, 17, s44–9  
overseas income, *see* foreign income  
overseas lodgment, 113  
overseas move, permanent, 14, 111  
overseas residents, *see* non-residents  
overseas students, 14, 16  
Australian, 53  
overseas travellers, 14, 50, 113, s51  
overtime meals, 20, 57
- P**anel vans, 49–50  
parenting payment (partnered), 27, 73  
parenting payment (single), 28  
parents, *see* dependants; single parents  
parking fees, 41, 49  
part ownership of cars, 43  
part ownership of rental properties, s27–8  
part-time jobs, income from, 18–21  
part-year tax-free threshold, 110–11  
partners, *see* spouses  
partnerships, s2–6, s12–13, s60  
corporate limited, distributions from, 34–7  
section 40-880 deductions, s41  
under 18 excepted net income, 109  
Pay, *see* salary and earnings  
pay-as-you-go (PAYG) instalments, 31  
pay-as-you-go (PAYG) withholding, 67  
pay as you go (PAYG) voluntary agreements, s7–11  
Payer's Australian business number box, 18, 19  
payment summaries, letters or statements, 18–31, 36, 62, s2, s21, s61  
financial institute account statements, 33, 56, 60  
Levy Exemption Certification Unit certificate, 103  
private health insurance statements, 95, 99, 105  
tax file number (TFN) shown on, 14  
payments received, *see* income  
peacekeeping forces, 17, s44–50  
penalty payments, 13, 67, s32, s62  
pensioner education supplement, 16  
pensioner tax offset, 91–2, 101, 124  
pensions, *see* government pensions;  
superannuation and annuities  
performing artists, 41, s7–11, s30, s32, s33  
*see also* musicians  
periodicals and journals, 57, 60  
personal services income, 30, s7–8, s41  
personal superannuation contributions, s36–7  
personal use assets, s16–18  
pest control, s27  
pharmaceutical allowance, 16  
pharmaceutical expenses, s51  
phone allowance, 16  
phone expenses, 57, s27  
phone lines, s4  
phoning ATO, 7, 118, *inside back cover*  
plants, s4, s38–9  
playwrights, s30, s32, s33  
political (election) expenses, s32, s40, s41  
political parties, financial contributions to, 62–4  
Post-graduate Awards Scheme, 76  
power connections, s4, s5  
power of attorney, 6  
prepaid expenses, 40, s27  
prescription spectacles, s51  
primary production, s9–11, s40  
exempt income, 16  
farm management deposits or withdrawals, s14–15  
farm support payments, 16, 27, s45  
tax offsets, s45, s54  
primary production losses, s9–11  
earlier incomes years, 69, 70, 71  
by partnerships and trusts, s2–5  
prior year losses, *see* deferred losses  
prisoner-of-war compensation payments, 17  
prisoners, 88, 102, s47  
privacy, 118, 119  
private company deemed dividends, 34–5  
private health insurance, 16, 94–5, 99, 105–8  
private hospital expenses, s51  
private rulings, 7  
prizes, s31, s32  
product rulings, 7  
production associates, s30, s32, s33  
professional libraries, 57  
professionals, s7–11, s30, s32, s33  
deductions, 41, 56–7  
project pools, s38–9  
property, *see* assets  
property agents, s27  
property trusts, s2–6  
protective clothing/items, 51–2, 57  
public hospital expenses, s51  
public trading trust dividends or distributions, 34–7  
public transport fares, 49, 54  
publications, 54, 57, 60, 67
- Q**ualification allowances, 20  
qualifying residence exemption, 87  
quiz show prizes, s31
- R**affle prizes, s31, s32  
rates, council, s27  
rates of tax, *see* tax rates  
RDOs, payment for unused, 23–6  
real estate, s16–18  
reasonable benefit limits (RBLs), 23–4, 25, 26, 93  
rebates, *see* tax offsets  
record keeping, 40–1  
fringe benefits, 32  
gifts and donations, 62, 64  
home offices, 57  
logbook method, 47  
shorter period of review, 19  
travel expenses, 49–50  
records and compact discs, 57  
redundancy payments, 22–6  
reference books/material, 57, 67  
refugee qualifying residence exemption, 87  
refunds, 14–15, 116–17, 118, s32  
registered political parties, financial contributions to, 62–4  
registered tax agents, 6, 15, 67, 115  
rehabilitation allowance, 109  
related payments rule, 35–6, s6  
relatives, 6, 73, 85, s45–6, s51–3  
*see also* dependants  
remote area allowance, 16, 73, s45  
remote area zone tax offset, s44–50  
rent assistance/relief, 16, 17, 76  
rental income, s27–8  
dependants, 73  
family tax benefit (FBT) and, 78  
foreign, s21, s24–5  
repairs, 54, 57, s27  
reportable fringe benefits amounts, *see* fringe benefits  
Reserve Bank of Australia, 118  
residences, s16–18, s60  
residency, *see* Australian residents; non-residents  
residential aged care services, s51–2  
retainers, 60  
retirement payments, 22–6, 66, s30, s32  
foreign, s21, s22, s23, s24–5  
*see also* superannuation and annuities  
returned service personnel, *see* veterans  
returns, *see* tax returns  
review period, 12, 19  
risk allowance, 20  
road tolls, 41, 49  
roll-overs, 23, 24, 26  
rostered days off, payment for unused, 23–6  
royalties, s3, s21, s24–5, s31  
rulings, 7
- S**alary and wages, 18–21, 73  
adjustments, 109–11  
CDEP, 27  
foreign employment, s22–3  
lump sum payments in arrears (LSPA), s31, s32, s33  
part-year tax-free threshold, 110–11  
partnership paid you, s2  
savings accounts, *see* financial institution accounts  
scholarships, 16, 73, s31  
school building funds, 62–4  
schooling, *see* education and training  
second job, travel to and from, 42, 49  
Second World War, payments relating to, 17  
secondary education assistance, 16  
section 40-880 deductions, s41  
securities, *see* dividends  
seeing eye dogs, s51  
self-assessment, 12  
self-education, 53–5  
self-employed people, s7–13, s36–7  
seminars, conferences and workshops, 49–50, 57  
Senior Australians tax offset, 2, 14, 87–90  
calculating, 125  
Medicare levy reduction, 101, 102  
seniors concession allowance, 16  
separate net income (SNI), 73–4, s46, s51, s53  
child-housekeeper, 83, 84, s47  
children cared for by housekeeper, 85  
Medicare levy reduction or exemption, 101, 103  
spouse, 80, 81, s46, s53  
service pensions, 16, 28, 87  
service personnel, *see* Defence Force personnel  
services, payment for, 20–1, 30, s7–8  
services, transferred to non-resident trusts, s19  
share trusts, s2–6  
shared care, 75, 77, 78  
dependent spouse tax offset calculations, 81, 82  
zone/overseas forces tax offset, s47–8  
shares, *see* dividends  
shirts, 51–2  
shoes and boots, 51–2, 57  
shorter period of review, 12, 19  
shrubs and trees, s38–9



- sick leave, payment for unused, 23–6  
sickness, *see* health  
sickness allowance, 27, 103–4  
sickness and accident insurance, 18–21, s30  
    in arrears, s31, s32, s33  
    premiums, s40–1  
signing tax returns, 6  
    deceased estates, 14  
simplified tax system, 40, 44, s40  
single parents, 28, 77, 102, s47–8  
site allowance, 20  
site preparation, s38–9  
small businesses, s17  
small shareholder exemption, 36  
smocks, 52  
social security payments, *see* government  
    pensions  
software, 57  
sole parents, 28, 77, 102, s47–8  
sole traders, s7–13, s36–7  
solicitors' fees, 67  
special benefit, 27  
special humanitarian program arrivals, 87  
special professionals, s30, s32, s33  
spectacles, s51  
sportspeople, s7–8, s30, s32, s33  
spouses (partners), 80–2, s45–6  
    family tax benefits and, 77, 78  
    government pensions etc., 2, 16, 27, 28, 85  
    housekeeper tax offset and, 85  
    joint financial institution accounts, 60  
    maintenance payments, 17, 73  
    Medicare levy/levy surcharge, 101–8  
    pensioner tax offset, 91–2  
    Senior Australians tax offset, 2, 88, 89–90  
    superannuation contributions on behalf of, s43  
    *see also* dependants  
stationery, 54, s27  
statutory declarations, 18, 19  
steel-capped boots, 52  
stepchildren, *see* children  
strike fund levies, 56–7  
structural improvements to property, s28  
STS, 40, 44, s40  
Student Financial Supplement Scheme (SFSS),  
    31, 76, 129, s62  
student union fees, 54  
students, *see* dependants; education and training  
subscriptions, 56–7, 60  
sugar industry exit grant, 16  
sun protection, 52, 57  
Super Co-contributions, 16  
*Superannuation Act 1976* pensions and  
    payments, 16  
superannuation and annuities, 23–6, 29  
    contributions, s36–7, s43  
    exempt income, 16, 17  
    foreign, s19–24, s22, s35  
    lump sum payments in arrears (LSPA), s31,  
    s32, s33  
    tax offset, 93  
    under 18 exempted net income, 109  
    *see also* undeducted purchase price (UPP)  
surgery, s51
- T**apes, 57  
target foreign income, 78  
tax advice, 7, 67  
tax agents, 6, 15, 67, 115  
tax assessment notices, 12, 116–17  
tax costs, 6, 67, s32  
tax credits  
    foreign, s20, s22, s25  
    partnerships and trusts, s2–3, s5–6  
    *see also* franking credits  
tax debts, 15, 115  
tax file numbers (TFNs), 14, 118  
    amounts withheld because not quoted, 33, 36,  
    37, s5  
tax free (tax deferred, non-taxable)  
    distributions, s3  
tax-free thresholds, 2, 14, 121  
tax-free termination payments (ETPs), 23,  
    24, 26  
    part-year, 110  
    reportable fringe benefits, 32  
    *see also* tax rates; taxable income  
Tax Help, 19  
tax losses, *see* losses  
Tax Office, 7, 119, *inside back cover*  
    future plans, 6  
    interest paid to, 67, 115, s32, s62  
    interest received from/credited with, 33  
    lodgment address, 113  
    shopfronts, 131  
    superannuation amounts collected by, 23  
tax offsets, 31, 79–98, 123–5, s29, s43–59  
    child care tax rebate, 13  
    land transport facilities/infrastructure  
    borrowings, s30, s41, s57  
    low income, 72, 123  
    mature age worker, 124, s55–6  
    Medicare levy reduction and, 101, 102  
    pensioners (beneficiaries), 27, 87–92, 123, 125  
    *see also* franking credits; Senior Australians  
    tax offset  
tax rates, 122  
    eligible termination payments (ETPs), 25, 26  
    fringe benefits, 32  
    Medicare levy, 101  
    Medicare levy surcharge, 105  
    TFN withholding, 36  
tax refunds, 14–15, 116–17, 118, s32  
tax returns, 2–7, 11–13, 112–14  
    costs to prepare and lodge, 6, 67, s32  
    final?, 14  
    mistakes on, 114  
tax withheld, *see* withheld tax  
taxable income, 2, 14, 72  
    calculating tax on, 121–3  
    family tax benefit (FBT) and, 76–7, 78  
    Medicare levy, 101, 102  
    Medicare levy surcharge, 105, 106–8  
    non-primary production income, s14  
    senior Australians tax offset, 2, 88, 89,  
    101, 102  
    special professionals, s32  
taxable use percentage, 58  
taxation rulings, 7  
taxi fares, 49  
**TAXPACK EXPRESS**, 67, 113, 116–17  
*Taxpayer's declaration*, 6  
technical journals, 57, 60  
teeth, s51  
telephone allowance, 16  
telephone expenses, 57, s27  
telephone lines, s4  
telephoning ATO, 7, 118, *inside back cover*  
temporary visa holders, 76  
term deposits, 33  
termination payments, *see* retirement payments  
termination payment surcharge, 26  
textbooks, 54, 57  
textile, clothing and footwear special  
    allowance, 27  
TFNs, *see* tax file numbers  
therapeutic treatment, s51  
thin capitalisation rules, 60–1, s27, s40  
tips, 20–1  
tolls, 41, 49  
tools, 20, 42, 49  
total deductions, 68  
total income or loss, 39  
total reportable fringe benefits amounts, 32, 106  
total supplement deductions, s42  
total supplement income or loss, s33  
total supplement tax offsets, s59  
total tax offsets, 98  
trade association subscriptions, 56–7  
trade magazines, 57  
trade union fees, 56–7  
traditional securities, s32, s40  
train, tram and bus fares, 49, 54  
training, *see* education and training  
Training for Employment Program allowance, 27  
transferor trust measures, s19  
translating and interpreting services, s7–11  
travel and transport, 42–50, 74  
    allowances, 20  
    government payments, 16  
    for investment management purposes, 60, s27  
    overseas, 14, 50, 113, s51  
    for self-education, 54  
    for tax advice, 67  
trees and shrubs, s38–9  
trousers, 51–2  
trucks, 49–50  
trustees, tax paid by, s3, s6  
trusts, 34–7, 73, s2–6  
    family trust distribution tax paid, 35, s60  
    non-assessable payments, s16–18  
    non-resident, s3, s19, s62  
    spouse's income, 106  
    ultimate beneficiary non-disclosure tax  
    payable, 35, s61  
    tutorial services, s7–11  
    12% of original value method, 43, 44, 45–6,  
    48, 54  
**Ultimate beneficiary non-disclosure tax**, 35, s61  
undeducted purchase price (UPP), 65–6, 74  
    foreign pensions and annuities, s22, s23, s35  
    under 18 year olds, *see* children  
unfranked dividends, 36, 37  
uniforms, 51–2  
union fees, 54, 56–7  
unit trusts, 34–7, s2–6  
United Kingdom pensions, s22, s35  
United Medical Protection Limited (UMP) support  
    payments, s41  
United Nations forces, 17, s44–9  
unused leave, lump sum payments for, 22–6, 73  
utilities allowance, 16  
utility trucks, 49–50
- V**aluation of deductible gifts, 62–4, 67  
vans, 49–50  
vests, safety-coloured, 52  
veterans, 28, 103–4, 107  
    exempt income, 16, 17  
    pensioner tax offset, 91  
    Senior Australians tax offset, 87, 88  
    *see also* government pensions  
Veterans' Children Education Scheme, 16, 27, 76  
videos, 57  
vision, *see* eyes and vision  
voluntary services, payments for, 20–1
- W**ages, *see* salary and wages  
water charges, s27  
water facilities, s4, s40, s54  
websites, *see* internet  
wheelchair, people confined to, s51  
widows/widowers, 2, 16, 27, 28, 87, 89  
winnings, s31, s32  
withheld tax, 18–31  
    foreign pensions and annuities, s22  
    non-resident partnerships and trust  
    income, s2–3  
    non-residents (foreign residents), 33, 35,  
    s2–3, s9–11  
    TFN/ABN not quoted, 33, 36, 37, 67,  
    s5, s7–11  
*Withholding declaration*, 31  
withholding payer number (WPN), 18  
wives, *see* spouses  
work, *see* employment  
work-related expenses, 40–57  
work uniforms, 51–2  
worker's compensation, *see* sickness and  
    accident insurance  
working holiday makers, 14  
workplace-giving programs, 62  
workshops, seminars and conferences,  
    49–50, 57  
World War II, payments relating to, 17  
writers, s30, s32, s33  
wrong payment summaries, 18  
wrongful dismissal, payment for, 23–6
- Y**our main salary and wage occupation box, 18  
youth, *see* children  
youth allowance, 16, 27
- Z**one tax offset, s44–50

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- e-tax
- your notice of assessment
- general income tax, including replacement cheque and account queries, lodgment and queries about questions in *TaxPack*.

We can offer a more personalised service if you provide a tax file number.

**Binding oral advice** **13 28 61**

**Business Tax Infoline** **13 28 66**

**Complaints** **13 28 70**

Freefax **1800 060 063**

**EFT** **1800 802 308**

For enquiries about direct deposit of your tax refund.

**Family Assistance Office (FAO)** **13 61 50**

**Superannuation** **13 10 20**

**Fax** **13 28 60**

Get information faxed to you about individual taxes and the repayment of debts under the student loan schemes (HECS, HELP and SFSS). Follow the instructions to order information to be faxed to you.

**ATO Personal Self Help** **13 28 65**

Our automated telephone service is available 24 hours a day every day, so you can:

- check the progress of your refund
- find lost superannuation
- make an arrangement to pay a tax debt
- lodge your application for a refund of franking credits
- lodge your application for a baby bonus.

To access these services you must quote your tax file number (TFN).

**National Aboriginal and Islander Resource Centre** **13 10 30**

The centre specialises in helping Indigenous clients with their personal tax matters.

### People with a hearing, speech or vision impairment

If you have a hearing or speech impairment, see page 7 of *TaxPack 2005*.

If you have a vision impairment you can prepare your tax return or baby bonus claim on your own computer and lodge online using our e-tax software (available on our website). You need access to a personal computer and the internet. The computer will need to run a Microsoft Windows operating system and have either JAWS or Window-Eyes screen reader software installed.

The Royal Blind Society produces free tapes and compact disks of *TaxPack 2005* and *TaxPack 2005 supplement*. For copies phone:

**Royal Blind Society** Freecall **1800 644 885**  
(your tax questions cannot be answered on this number).

### To report tax evasion confidentially

Phone Freecall **1800 060 062**

Fax Freecall **1800 804 544**

Go to our website **[www.ato.gov.au/reportevasion](http://www.ato.gov.au/reportevasion)**

Mail Locked Bag 6050, Dandenong VIC 3175

**If you do not speak English and need help from the Tax Office, phone the Translating and Interpreting Service (TIS) on 13 14 50. TIS staff can assist with translating and interpreting in over 100 languages. Ask them to set up a three-way conversation between you, an interpreter and a tax officer.**

إذا كنت لا تتكلم الإنجليزية وتحتاج إلى مساعدة من مكتب الضرائب، اتصل بخدمة الترجمة التفسيرية والخطية (TIS) على الرقم 13 14 50. باستضافة موظفي TIS تقديم المساعدة في الترجمة التفسيرية والتفسيرية بأكثر من 100 لغة. اطلب منهم ترتيب محادثة ثلاثية الأطراف بينك وبين مترجم وموظف في مكتب الضرائب.

**ARABIC**

如果您不會說英語，而需要稅務局(Tax Office)的協助，請致電翻譯及傳譯服務處 (TIS)，電話13 14 50。TIS的職員可以協助超過100種語言的翻譯及傳譯工作，您可以要求他們安排您、傳譯員和稅務主任進行三方面的談話。

**CHINESE**

Ako ne govorite engleski i potrebna Vam je pomoć Poreznog ureda, nazovite Službu prevoditelja i tumača (Translating and Interpreting Service – TIS) na 13 14 50. TIS-ovo osoblje pomaže oko prevodenja i tumačenja na preko 100 jezika. Zamolite ih da Vam organiziraju trostruki razgovor između Vas, tumača i poreznog službenika.

**CROATIAN**

Εάν δεν μιλάτε Αγγλικά και χρειάζεστε βοήθεια από την Εφορία, τηλεφωνείστε στην Υπηρεσία Μεταφραστών και Διερμηνέων (TIS) στο 13 14 50. Το προσωπικό του TIS μπορεί να βοηθήσει με μετάφραση και διερμηνεία σε πάνω από 100 γλώσσες. Ζητήστε τους να κανονίσουν μια τριμερή συνομιλία ανάμεσα σε σας, ένα διερμηνέα και ένα φορολογικό υπάλληλο.

**GREEK**

Se non parlate inglese e vi serve assistenza dall'Ufficio delle imposte (Tax Office) telefonate al Servizio traduzioni e interpreti (TIS) al numero 13 14 50. Il personale del TIS può offrirvi assistenza linguistica in oltre 100 lingue. Chiedete che venga allestita una conversazione a 3 tra voi, un interprete e un funzionario delle imposte.

**ITALIAN**

国税庁へのお問い合わせに通訳をご必要とされる方は、翻訳・通訳サービス (TIS - 電話番号: 13 14 50) をご利用ください。TIS は、100 種類以上の言語における翻訳および通訳サービスを提供いたしております。ご本人と通訳、税務官の三者間で会話をを行うことができますので、ご希望の方はその旨お伝えください。

**JAPANESE**

세무서에 용무가 있으나 영어로 소통이 안되는 분은 13 14 50 의 번역 통역 서비스(TIS)로 전화하십시오. TIS 직원들은 100 여 개의 언어를 번역 또는 통역하는 데 도움을 드릴 수 있습니다. TIS 직원에게 귀하와 통역사와 세무직원 간에 삼자통화를 할 수 있도록 요청하십시오.

**KOREAN**

Ако не зборувате добро англиски и ви треба помош од Даночната управа (Tax Office), телефонирајте во Службата за писмено и усмено преведување (Translating and Interpreting Service – TIS) на 13 14 50. Персоналот од Службата за писмено и усмено преведување може да ви помогне со преводи на над 100 јазици. Побарајте да воспостават тројна врска за разговарање меѓу вас, преведувачот и даночниот службеник.

**MACEDONIAN**

اگر به كمك اداره ماليات نياز داريد ولي انگليسي حرف نميزنيد، به سرويس ترجمه كتبي و شفاهي (TIS) شماره 13 14 50 تلفن كنيد. كارمندان TIS مي توانند با ترجمه كتبي و شفاهي در بيش از 100 زبان مختلف به شما كمك كنند. از آنها بخواهيد كه به يك مكالمه سه طرفه بين شما، يك مترجم و يك كارمند اداره ماليات بر قرار كنند.

**PERSIAN**

Если вы не говорите по английски, и вам нужна помощь Налогового управления, звоните в переводческую службу TIS по телефону 13 14 50. Сотрудники TIS помогут вам с переводом на более чем 100 языках. Просите их организовать 3-стороннюю беседу с участием вас, переводчика и сотрудника налогового управления.

**RUSSIAN**

Ako ne govorite engleski i potrebna vam je pomoć od Poreske uprave, nazovite Službu za prevođenje i tumačenje (Translating and Interpreting Service (TIS)) na 13 14 50. Osoblje TIS-a može da vam помогне са преводњем и тумачењем на преко 100 jezika. Тражите од њих да организују тросмерни разговор између вас, тумача и пореског службеника.

**SERBIAN**

Si usted no habla inglés y necesita ayuda de la Oficina de Impuestos, llame al Servicio de Interpretación y Traducción (TIS) al 13 14 50. El personal de TIS puede ayudar proveyendo interpretación y traducción en más de 100 idiomas. Pídale que establezcan una conversación de 3 líneas entre usted, un intérprete y un funcionario de impuestos.

**SPANISH**

İngilizce konuşamıyorsanız ve Vergi Dairesi'nden yardıma ihtiyacınız varsa, 13 14 50 numaralı telefonda Yazılı ve Sözlü Çeviri Servisi'ni (TIS) arayınız. TIS görevlileri 100'den fazla dile yazılı ve sözlü çevirilerde yardımcı olabilir. Onlardan siz, bir tercüman ve bir vergi memuru arasında bir 3'lü görüşme ayarlamalarını isteyiniz.

**TURKISH**

Nếu như quý vị không nói được tiếng Anh và cần Sở Thuế (Tax Office) giúp đỡ, hãy gọi điện thoại cho Dịch vụ Thông Ngôn và Phiên Dịch (Tranlating and Interpreting Service - TIS) qua số điện thoại 13 14 50. Các nhân viên TIS có thể giúp thông dịch và phiên dịch trong hơn 100 thứ tiếng khác nhau. Hãy nhờ TIS nói đường dây đàm thoại 3-chiều giữa quý vị, một thông dịch viên và một nhân viên thuế vụ.

**VIETNAMESE**

## Blind or vision impaired

The Tax Office and the Royal Blind Society have tax-time products for people who are blind or vision impaired.

The Tax Office's electronic application, e-tax, is compatible with common screen-reader software. Using e-tax, you can do your tax return on your own computer and lodge over the internet.

The Society produces free tapes and compact disks of *TaxPack 2005* and *TaxPack 2005 supplement*.

See the inside back cover for more details.

## QUESTION 12

## PARTNERSHIPS AND TRUSTS

**STOP**

Do not show the following income at this question or you may be taxed incorrectly:

- attributed foreign income and any other foreign source income from a partnership or trust
- net capital gain from a trust
- a capital gain or a capital loss in respect of your interest in a partnership or a partnership asset
- 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 nondisclosure tax has been paid.

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

**For 2004–05 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**
- **a share of credit for amounts withheld from partnership and trust income subject to foreign resident withholding**

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, wages or allowances, 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.

**NO**  Go to question 13.

**YES**  Read below.

**WHAT YOU MAY NEED**

- 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 and the amount of any non-primary production income or loss
  - the amount of attributed foreign income and 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
  - credit for amounts of tax withheld due to the operation of foreign resident withholding
  - allowable franking credits from franked dividends
  - credit for tax file number amounts withheld
  - credit for tax paid by the trustee.

- Details of any deductions you can claim against your partnership or trust distribution that have not already been claimed by the partnership or trust.
- The publication *Business and professional items 2005* (NAT 2543–6.2005) which contains the *Business and professional items schedule for individuals 2005*. This publication is available on our website or, to find out how to get a printed copy, see the inside back cover. 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** on the *Business and professional items schedule for individuals 2005* in addition to item **12**.

**NOTE**

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

**YOU NEED TO KNOW**

If you have received a distribution from a partnership or trust which includes a dividend with Australian franking credits from a New Zealand company, you may be eligible to claim the Australian franking credits. However, you cannot claim New Zealand franking credits. The instructions in question **19 Foreign source income and foreign assets or property** provide guidance on how to claim Australian franking credits.

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

**NOTE**

The deferred non-commercial business loss deduction you can claim in this year may be reduced if:

- you earned net exempt income in this income year, or
- you have become bankrupt or are released from any debts by the operation of an Act relating to bankruptcy.

Phone the Business Tax Infoline (see the inside back cover) for more information. For an explanation of net exempt income, see question **L1** on page 69 of *TaxPack 2005*.

Some trust distributions paid after 30 June 2005 need to be included in your tax return for this year. This is because you were entitled to this income at 30 June 2005. 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 trust distribution includes amounts described as tax-free, tax deferred, tax exempted or capital gains tax (CGT) concession, you will need to read the information on non-assessable payments in the publication *Guide to capital gains tax 2005* (NAT 4151–6.2005). 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** or may affect the cost base of your unit or trust interest. This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

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 from trusts – show at item **17**
- attributed foreign income – show at item **18**
- other foreign source income – show at item **19**.

You should not receive a distribution of a net capital gain or a net capital loss from a partnership. For information about how a partner returns their share of a capital gain or capital loss, see the *Guide to capital gains tax 2005*.

## ➤ COMPLETING THIS QUESTION

Answer the following three questions first:

1 If you are an Australian resident, you may be able to claim a credit for Australian withholding tax you have borne on an Australian source dividend, interest or royalty included in your distribution from a non-resident trust. A non-resident trust is a trust which during 2004–05:

- only has non-resident trustees or
- has its central management and control outside Australia.

**Are you an Australian resident in receipt of, or entitled to receive, Australian source 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 2005 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 three 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 page 9 of 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** on the *Business and professional items schedule for individuals 2005* 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, phone the Personal Tax Infoline (see the inside back cover).

**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. Include in this income any share of credit (including franking credit from franked dividends) to be shown in the labels for share of credits from income covered in **Part E** below. 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 our website or, to find out how to get a printed copy, see the inside back cover.

## 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 or non-assessable non-exempt income (for example, expenses incurred in deriving distributions on which family trust distribution tax or ultimate beneficiary non-disclosure tax has been paid).

If you made a prepayment of \$1,000 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 on prepayments, see the publication *Deductions for prepaid expenses 2005* (NAT 4170–6.2005). This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

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 thin capitalisation rules. 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 the


year are more than \$250,000. More information about thin capitalisation is available on our website.

### Primary production deductions

**STEP 1** If you are a partner in a partnership that incurred eligible expenditure on landcare operations or water facilities, the expenditure cannot be claimed by the partnership. Costs incurred by the partnership are allocated to each partner who can then claim the deduction.

Write your share of the total of any such expenditure that relates to primary production income or loss from partnerships that you can deduct this year at **L** item 12 on your tax return. Do not show cents.

If a trust incurred eligible expenditure on landcare operations or water facilities, only the trust can claim deductions for that expenditure, not a beneficiary of the trust.

 For further information on deductions for expenditure on landcare operations and water facilities, see the *Guide to depreciating assets 2005* (NAT 1996–6.2005). This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

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

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

If you are a partner in a partnership and can claim a deduction in relation to your share of eligible expenditure incurred by the partnership on horticultural plants, grapevines, electricity connections or telephone lines, include any such deduction that relates to primary production income or loss at this label. For information about deductions for expenditure on horticultural plants, grapevines, electricity connections and telephone lines, see the *Guide to depreciating assets 2005*.

#### NOTE

Only include non-commercial business losses deferred from a prior year if they relate to a partnership activity which is the same or similar to your current year partnership activity. See 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 a prior year that you are claiming at **X**.

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

### Non-primary production deductions

**STEP 1** If a partnership incurs eligible expenditure on landcare operations, the expenditure cannot be claimed by the partnership. Costs incurred by the partnership are allocated to each partner who can then claim the deduction. Write your share of the total of any such

expenditure that relates to non-primary production income or loss from partnerships that you can deduct this year at **J** item 12. Do not show cents.

If a trust incurred eligible expenditure on landcare operations, only the trust can claim deductions for that expenditure, not a beneficiary of the trust. For more information on deductions for expenditure on landcare operations, see the *Guide to depreciating assets 2005*.

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

- your share of non-primary production income or loss from a partnership, or
- non-primary production income from a trust.

If you are a partner in a partnership and can claim a deduction in relation to your share of eligible expenditure incurred by the partnership on electricity connections, include any such deduction that relates to non-primary production income or loss from partnerships at **Y** item 12. For information about deductions for expenditure on electricity connections, see the *Guide to depreciating assets 2005*.

### ! NOTE

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

### EXAMPLE

In 2003–04 Lisa deferred total non-commercial business losses of \$6,000 from her share of partnership activities made up of:

- \$5,000 from a furniture restoration business, and
- \$1,000 from a computer consultancy business.

The partnership did not carry on the computer consultancy business in 2004–05. Lisa cannot include her \$1,000 loss from the computer consultancy business at **Y**. This amount does not relate to an activity which is the same or similar to her current year activity.

In 2004–05 Lisa's partnership distribution from the furniture restoration business is \$2,000.

Lisa will include the \$5,000 as a deferred loss relating to the furniture restoration business at **Y**. Therefore, her net distribution from this business activity is a loss of \$3,000.

**Note:** Her \$5,000 loss from the furniture restoration business must also be shown at item **P9** on the *Business and professional items schedule for individuals 2005* as the **Deferred non-commercial business loss from a prior year**. The net distribution of \$3,000 loss from the furniture restoration business must also be shown at item **P9** as the **Net loss** for that activity.

Lisa should keep a record of her \$1,000 deferred loss from the computer consultancy business, as she may be able to claim it in a later year 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 a prior year that you are claiming at **Y**.

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

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** on the *Business and professional items schedule for individuals 2005* in addition to item 12 on your tax return (supplementary section).

##### 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** on the *Business and professional items schedule for individuals 2005* in addition to item 12 on your tax return (supplementary section).

**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 (supplementary section) 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.
- Income from which an amount of tax was withheld because of the operation of foreign resident withholding, write your share of the distributed credit at **A** 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.

### Franking credits

Write the amount of your share of any allowable franking 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 this page.

You can only claim a share of a franking 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 you show at **U** item 12. Therefore, you cannot claim a franking credit for a dividend paid to the partnership or trust which was exempt income or non-assessable non-exempt income (for example, a distribution on which family trust distribution tax or ultimate beneficiary non-disclosure tax has been paid).

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

- the trust has an overall loss for the income year
- 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 franking credit.

In addition, you cannot claim a franking 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

Measures designed to curb the unintended use of franking credits apply to persons who do not effectively own the shares or who only briefly own the shares. Under these measures, known as the ‘holding period rule’ and the ‘related payments rule’, you must satisfy certain criteria before you qualify for franking tax offsets. In other words, only qualified persons are able to have the benefit of the franking credit attached to their dividends. These measures address the issue of franking credit trading.

If 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** applies to shares bought on or after 1 July 1997. It will apply to you if you or the partnership or trust sell shares within 45 days of buying them. It also applies if you (or the partnership or trust) enter into a risk diminution arrangement, such as a derivative transaction, within that time. The holding period is 90 days for certain preference shares.

The **related payments rule** applies to arrangements entered into after 7.30pm (Australian Eastern Standard Time) on 13 May 1997. It applies to you, or the partnership or trust, if you were under an obligation to make a related payment for a dividend and you did not hold your shares ‘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 failed to satisfy 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 applies provided that you do not exceed the franking tax offset ceiling of \$5,000 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 2005* (NAT 2632–6.2005). This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

### 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.

### NOTE

If you were 55 years or older on 30 June 2005, you may be entitled to the mature age worker tax offset. We will use certain income and deduction amounts shown at this question to calculate your net income from working. You will need to show these at question **T12 Net income from working – supplementary section**. The Tax Office will then calculate your tax offset entitlement.



# QUESTION 13

# 13

## PERSONAL SERVICES INCOME (PSI)

13

INCOME

### Did you receive personal services income?

**NO**  Go to question 14.

**YES**  Read below.

### Are you a sole trader?

**NO**  Go to question 14.

**YES**  Read on.

Personal services income can include:

- 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 the following **specified payments**:
  - payment for tutorial services provided for the Indigenous Tutorial Assistance Scheme of the Department of Education, Science and Training
  - payment for translation and interpretation services for the Translating and Interpreting Service of the Department of Immigration and Multicultural and Indigenous Affairs, and
  - income as a performing artist in a promotional activity.

A **specified payment** is a payment specified in tax law for PAYG withholding tax purposes.

### STOP

Do not show at this question personal services income:

- You received as an employee.
- That was subject to foreign resident withholding. Include this income at question 14. The rules for the tax treatment of personal services income will apply to the personal services income included at question 14.

### YOU NEED TO KNOW

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 sports person 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 supplying or selling goods – for example, from retailing, wholesaling or manufacturing
- generated by an income-producing asset – for example, from operating a bulldozer
- for granting a right to use property – for example, the copyright to a computer program
- generated by a business structure – for example, a large accounting firm.

There are special rules for the tax treatment of personal services income earned by sole traders including contractors and consultants. If you had personal services income as a sole trader and you are subject to the special 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.

You will be subject to the special rules if you are not conducting a personal services business.

**▶** You need to read *Business and professional items 2005* (NAT 2543–6.2005) before you can answer this question. This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

*Business and professional items 2005* contains the *Business and professional items schedule for individuals 2005* and the *Individual PAYG payment summary schedule 2005*.

### WHAT YOU MAY NEED

- *Personal services income – personal services business self-assessment checklist* (NAT 3416–4.2004). This publication will help you decide whether you are conducting a personal services business. It also tells you how to get more information about personal services income issues.
- *Taxation Ruling TR 2001/7 – The meaning of personal services income.*
- *Taxation Ruling TR 2001/8 – What is a personal services business.*
- *Taxation Ruling TR 2003/6 – Attribution of personal services income* and *Taxation Ruling TR 2003/10 – Deductions that relate to personal services income.*

**▶** These publications are available on our website or, to find out how to get a printed copy, see the inside back cover. If you need more information phone our Business Tax Infoline (see the inside back cover).

## ▶ COMPLETING THIS QUESTION

### PART A

#### Complete your schedules

**STEP 1** Complete the *Business and professional items schedule for individuals 2005*, 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 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.

**STEP 2** If you received personal services income from which tax was withheld, complete the *Individual PAYG payment summary schedule 2005* 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 **A** item **P1** on your *Business and professional items schedule for individuals 2005*?

**NO**  Go to question 14.

**YES**  Read below.

### PART B

#### Net personal services income

**STEP 1** Transfer your net personal services income or loss shown at **A** item **P1** on your *Business and professional items schedule for individuals 2005* to **A** item **13** on page 9 of your tax return (supplementary section). Do not show cents.

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

**STEP 3** If you made a loss from one or more business activities, check that you have completed items **P3** and **P9** on the *Business and professional items schedule for individuals 2005*.

**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 s30 for more information. You will not be taxed twice on this income.

### PART C

#### Tax withheld from personal services income

#### Did you include an amount at **M**, **N** or **O** item **P1** on your *Business and professional items schedule for individuals 2005*?

**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 on.

Add up all the amounts on your *Individual PAYG payment summary schedule 2005* at the **Tax withheld** boxes with a **V** in the **TYPE** box . These amounts must correspond with the payments shown at **M** item **P1** on your *Business and professional items schedule for individuals 2005*. Write this amount at **G** item **13** on page 9 your tax return (supplementary section). 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 2005* at the **Tax withheld** boxes with an **N** in the **TYPE** box . These amounts must correspond with the payments shown at **N** item **P1** on your *Business and professional items schedule for individuals 2005*. Write this amount at **H** item **13**. 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 2005* at the **Tax withheld** boxes with an **S** in the **TYPE** box . These amounts must correspond with the payments shown at **O** item **P1** on your *Business and professional items schedule for individuals 2005*. Write this amount at **J** item **13**. Do not show cents.

#### CHECK THAT YOU HAVE . . .

- read the publication *Business and professional items 2005*, and completed your *Business and professional items schedule for individuals 2005* and 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** on your tax return (supplementary section). 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 2005* 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.

#### ! NOTE

If you were 55 years or older on 30 June 2005, you may be entitled to the mature age worker tax offset. Any personal services income or loss will be used to calculate your net income from working. You will need to show this at question **T12 Net income from working – supplementary section**. The Tax Office will then calculate your tax offset entitlement.

# QUESTION 14

# 14

## NET INCOME OR LOSS FROM BUSINESS

14

INCOME

### Did you derive income or incur a loss from any business?

**NO**  Go to question 15.

**YES**  Read below.

This question covers:

- income or a loss from 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 from which an amount was withheld due to the operation of foreign resident withholding
- income as an independent contractor under a labour hire arrangement
- income from the following **specified payments**:
  - payment for tutorial services provided for the Indigenous Tutorial Assistance Scheme of the Department of Education, Science and Training
  - payment for translation and interpretation services for the Translating and Interpreting Service of the Department of Immigration and Multicultural and Indigenous Affairs
  - income as a performing artist in a promotional activity
- any other business income, such as from being a sole trader.

A **specified payment** is a payment specified in tax law for PAYG withholding purposes.



**Do not show at this question** personal services income included at question 13 **Personal services income (PSI)**.

### YOU NEED TO KNOW

➤ You need to read *Business and professional items 2005* (NAT 2543–6.2005) before you can answer this question. This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

*Business and professional items 2005* contains the *Business and professional items schedule for individuals 2005* and the *Individual PAYG payment summary schedule 2005*.

You must show your net income or loss – gross business income less business deductions – at **B** item 14 on page 10 of your tax return (supplementary section) for primary production and at **C** item 14 for non-primary production.

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 (including seeds, spores, bulbs and similar things) in any physical environment
- maintaining animals for the purpose of selling them or their bodily produce (including natural increase)
- 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 2005* (NAT 1712–6.2005), available on our website or, to find out how to get a printed copy, see the inside back cover.

### WHAT YOU MAY NEED

These 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 97/23 – Deductions for repairs*
- *Guide to depreciating assets 2005* (NAT 1996–6.2005)
- *The simplified tax system: a guide for tax agents and small businesses* (NAT 6459–5.2004).

These publications are available on our website or, to find out how to get a printed copy, see the inside back cover.

## COMPLETING THIS QUESTION

### PART A

#### Complete your schedules

**STEP 1** Complete the *Business and professional items schedule for individuals 2005*, 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 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.

**STEP 2** If you received business income from which tax was withheld, complete the *Individual PAYG payment summary schedule 2005* 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.

### PART B

#### Did you derive income or incur a loss from a primary production business?

**NO**  Go to **Part C**.

**YES**  Read below.

**STEP 1** Transfer your net income or loss from primary production business shown at **Y** item **P8** on your *Business and professional items schedule for individuals 2005* to **B** item **14** on page 10 of your tax return (supplementary section). 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 2004–05 from one or more business activities, check that you have completed items **P3** and **P9** in the *Business and professional items schedule for individuals 2005*.

### PART C

#### Did you derive income or incur a loss from any non-primary production business?

**NO**  Go to **Part D**.

**YES**  Read below.

**STEP 1** Transfer your net income or loss from non-primary production business shown at **Z** item **P8** on your *Business and professional items schedule for individuals 2005* to **C** item **14** on page 10 of your tax return (supplementary section). 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 2004–05 from one or more business activities, check that you have completed items **P3** and **P9** in the *Business and professional items schedule for individuals 2005*.

**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 s32 for more information.

You will not be taxed twice on this income.

### PART D

In your calculation of total business income in the *Business and professional items schedule for individuals 2005*, did you include income from which an amount of tax was withheld at **A**, **B**, **C**, **D**, **E**, **F** 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 2005* shown in the **Tax withheld** boxes where you have printed **V** in the **TYPE** box . These amounts must correspond with the payments shown at **E** and **F** item **P8** on the *Business and professional items schedule for individuals 2005*. Write this total at **D** item **14**. 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 2005* shown in the **Tax withheld** boxes where you have printed **N** in the **TYPE** box . These amounts must correspond with the payments shown at **C** and **D** item **P8** on the *Business and professional items schedule for individuals 2005*. Write this total at **W** item **14**. Show cents.

#### 3 Did you have any amounts of tax withheld because your income was subject to foreign resident withholding?

**NO**  Go to **4**.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2005* shown in the **Tax withheld** boxes where you have printed **F** in the **TYPE** box .

These amounts must correspond with the payments shown at **A** and **B** item **P8** on the *Business and professional items schedule 2005*. Write this amount at **E** item **14**. Show cents.

**4 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 2005* shown in the **Tax withheld** boxes where you have printed **S** in the **TYPE** box . These amounts must correspond with the payments shown at **O** item **P8** on the *Business and professional items schedule for individuals 2005*. Write this amount at **F** item **14**. Do not show cents.

**!** **NOTE**

If you were 55 years or older on 30 June 2005, you may be entitled to the mature age worker tax offset. Any business income or loss will be used to calculate your net income from working. You will need to show this at question **T12 Net income from working – supplementary section**. The Tax Office will then calculate your tax offset entitlement.

**CHECK THAT YOU HAVE . . .**

- read the publication *Business and professional items 2005*
- completed the *Business and professional items schedule for individuals 2005*, signed the schedule, and attached it to page 3 of your tax return
- transferred the amounts from **Y** and **Z** item **P8** on the *Business and professional items schedule for individuals 2005* 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 2005* and attached it to page 3 of your tax return.
- written amounts at **D**, **W**, **E** 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.

## QUESTION 15

# 15

### DEFERRED NON-COMMERCIAL BUSINESS LOSSES

15

INCOME

#### 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?**

**NO**  Go to question 16.

**YES**  Read below.

#### STOP

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

#### YOU NEED TO KNOW

There are special rules relating to deferral of non-commercial business losses.

You can only use a 2004–05 loss from a business activity you conduct either as a sole trader or in partnership in calculating your 2004–05 taxable income where:

- the exception applies OR
- one of the four tests is satisfied OR
- if none of the four tests are satisfied, the Commissioner has exercised his discretion or ruled that it will be exercised to allow you to claim the loss.

For more information about the exception, the four tests and the Commissioner's discretion, see **P9 Business Loss Activity details** in the *Business and professional items 2005* (NAT 2543–6.2005).

#### IMPORTANT

Keep records of each of the net losses deferred for your separate 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.

The deferred loss is a deduction when calculating any net profit or loss from the activity in that future year.

Whether any overall loss can be taken into account in your calculation of taxable income for that future year will depend on the application of the non-commercial business 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 2004–05 taxable income.

 You need to read *Business and professional items 2005* (NAT 2543–6.2005) before you can answer this question. This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

*Business and professional items 2005* contains the *Business and professional items schedule for individuals 2005* and the *Individual PAYG payment summary schedule 2005*.

#### WHAT YOU MAY NEED

- *Taxation Ruling TR 2001/14 – Division 35 – non-commercial business losses*. This publication is available on our website or, to find out how to get a printed copy see the inside back cover.
- *Non-commercial losses: partnerships* (NAT 3385). 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 four tests. This publication is available on our website or phone the Business Tax Infoline (see the inside back cover).
- Any written advice from the Tax Office 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.

#### COMPLETING THIS QUESTION

##### PART A

#### Complete your schedule

Complete the *Business and professional items schedule for individuals 2005*, 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 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.

##### PART B

#### 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 C**.

**YES**  Read on.

**Did you make a net loss from a business activity carried on in partnership with others in 2004–05?**NO  Go to Part C.YES  Read below.

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 this page for each of your business activities.

**Does your net loss from that business activity come within the exception described at P9 of the *Business and professional items instructions 2005 (BPI)*?**NO  Read below.YES  Go to Part C.**Does your net loss from that business activity satisfy one of the four tests listed at P9 of the BPI?**NO  Read below.YES  Go to Part C.**Have we advised you in writing that the Commissioner will exercise his discretion to allow you to claim a net loss from that business activity for the year?**NO  Read below.YES  Go to Part C.

**STEP 1** 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 page 10 of your tax return (supplementary section).

**STEP 2** Check that you have included the amount of your deferred non-commercial business losses in working out your net distribution at item 12 on your tax return (supplementary section) otherwise you will have overstated your taxable income.

**STEP 3** Make sure that you have completed items **P3** and **P9** on the *Business and professional items schedule for individuals 2005*.

**PART C****Deferred non-commercial business losses from sole trader activities****Did you make a net loss from a business activity as a sole trader in 2004–05?**NO  Go to Part D.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 at P9 of the BPI?**NO  Read below.YES  Go to Part D.**Does your business activity satisfy one of the four tests listed at P9 of the BPI?**NO  Read below.YES  Go to Part D.**Have we 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 D.

**STEP 1** Write the total of your net losses to be deferred from business activities as a sole trader at **G** item 15 on page 10 of your tax return (supplementary section).

**STEP 2** Check that you have included the amount of your deferred non-commercial business losses in working out your net income or loss at item 13 and/or item 14 on your tax return (supplementary section); otherwise you will have overstated your taxable income.

**PART D****Total deferred non-commercial business losses**

Add up any amounts at **F** and **G** item 15 on page 10 of your tax return (supplementary section). Write the total at **H** item 15.

**! NOTE**

At **Business loss activity details** item **P9** on the *Business and professional items schedule for individuals 2005* you must record the three highest loss-making activities (if applicable), regardless of whether or not your activity:

- comes within the exception OR
- satisfies one of the four 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.

**! NOTE**

If you were 55 years or older on 30 June 2005, you may be entitled to the mature age worker tax offset. Any deferred non-commercial business losses will be used to calculate your net income from working. You will need to show these at question **T12 Net income from working – supplementary section**. The Tax Office will then calculate your tax offset entitlement.

## QUESTION 16

# 16

### NET FARM MANAGEMENT DEPOSITS OR WITHDRAWALS

16

INCOME

#### THIS QUESTION IS FOR PRIMARY PRODUCERS ONLY.

#### Did you deposit into or withdraw funds from your Farm Management Deposits Scheme account during 2004–05?

**NO**  Go to question 17.

**YES**  Read below.

#### WHAT YOU MAY NEED

- your account statement from your financial institution for the Farm Management Deposits Scheme
- the publication *Information for primary producers 2005* (NAT 1712–6.2005). This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

#### YOU NEED TO KNOW

You can generally claim a deduction for farm management deposits made during 2004–05 at this question.

You cannot claim a deduction this year for any deposits made in 2004–05 if:

- your non-primary production taxable income was more than \$50,000
- you became bankrupt, or
- you ceased to be a primary producer for at least 120 days – the 120-day period does not have to fall entirely in 2004–05.

Any deduction you claim cannot be more than the deposits made or your taxable primary production income for 2004–05, whichever is the lesser.

#### DECEASED ESTATE

If you are looking after the estate of someone who died in 2004–05, you cannot claim a deduction for any deposits they made in 2004–05. Any farm management deposits held at the time of death are assessable income in 2004–05 to the extent they have previously been claimed as a deduction.

Deductions in earlier years are not affected even where the person dies within 12 months of making the deposit.

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

If you withdraw all or part of a farm management deposit on or after 1 July 2002, generally you cannot claim a deduction for any part of the deposit that is withdrawn within 12 months of the deposit. Where this affects a deduction you claimed in the prior income year, you need to request an amendment of your assessment for that income year. You are still entitled to your deduction for the

part of the deposit not withdrawn provided the original deposit was not reduced to less than \$1,000 within 12 months of the deposit as a result of withdrawals.

If you operate your primary production business in an area covered by an Exceptional Circumstances declaration made by the Minister for Agriculture, Fisheries and Forestry, you are able to withdraw deposits made prior to the date of the Exceptional Circumstances declaration within 12 months and still retain the tax deduction in the year of income in which the deposit was made. However, the amount of the withdrawal is assessable in the year of the withdrawal and you cannot claim a deduction for any subsequent deposits made in the income year in which the withdrawal is made. You will also need to get an Exceptional Circumstances certificate from the relevant state rural adjustment authority no later than three months after the end of the year of income in which the withdrawal was made.

To find out if your area has been declared to be in exceptional circumstances:

- visit the website of the Australian Government Department of Agriculture, Fisheries and Forestry at [www.daff.gov.au/droughtassist](http://www.daff.gov.au/droughtassist)
- phone the Centrelink Drought Assistance Line on **13 23 16**
- phone the Australian Government Regional Information Service on **1800 026 222**

If you need an Exceptional Circumstances certificate, phone your relevant state rural adjustment authority in:

- Australian Capital Territory – Environment ACT, Parks and Conservation on **(02) 6207 2264**
- New South Wales – the Rural Assistance Authority on **1800 678 593**
- Northern Territory – the Department of Business, Industry and Resource Development (Alice Springs branch) on **(08) 8951 8100**
- Queensland – the Queensland Rural Adjustment Authority on **1800 623 946**
- South Australia – Rural Finance and Development on **1800 182 235** or **1800 999 209**
- Tasmania – the Regional and Business Development Branch, Department of Primary Industries – Water and Environment on **1300 368 550**
- Victoria – the Rural Finance Corporation Victoria on **(03) 5448 2600**
- Western Australia – the Rural Business Development Corporation, Department of Agriculture on **1800 198 231**

Where you have your farm management deposit electronically transferred to another financial institution which accepts it as a farm management deposit, the transfer is not treated as a withdrawal or the making of another deposit.



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 2004–05 you became bankrupt or ceased to be a primary producer for at least 120 days, all remaining deposits are assessable income in 2004–05 to the extent you have previously claimed them as a deduction. Your deductions in earlier years are not affected even where such a repayment is within 12 months of making the deposit.

If you have any questions about the taxation consequences of farm management deposits or withdrawals, visit our website or phone the Business Tax Infoline (see the inside back cover).

### ! NOTE

If you were 55 years or older on 30 June 2005, you may be entitled to the mature age worker tax offset. Any withdrawals from your Farm Management Deposits Scheme account will be used to calculate your net income from working. You will also need to show these at question **T12 Net income from working – supplementary section**. The Tax Office will then calculate your tax offset entitlement.

## ▶ 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** on page 10 of your tax return (supplementary section). 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.

# QUESTION 17

# 17

## CAPITAL GAINS

17

INCOME

### STOP

Do not show at this question a 'listed investment company capital gain amount' included in a dividend paid by a listed investment company (LIC). See *TaxPack* question **D7 Interest and dividend deductions**.

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

You may have made a capital gain or capital loss if a 'capital gains tax (CGT) event' happened to you in 2004–05. See the box at right for an explanation of CGT event.

You may have also made a capital gain for 2004–05 if you were a beneficiary of, or had money invested in, a trust or managed investment fund in 2004–05 and the trust or fund made a capital gain during the year.

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 a CGT event was 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 the CGT event was less than the reduced cost base of your asset. You cannot deduct a capital loss from your income, but in most cases it can be used to reduce any capital gain you made in 2004–05. See the note at **Completing this question** step 3 on page s17.

Some capital gains and capital losses are disregarded. See **Exceptions and exemptions** on this page.

**NO**  Print **X** in the **NO** box at **G** item **17** on page 10 of your tax return (supplementary section) if:

- you did not have a capital gain or capital loss, or
- all of your capital gains or losses were disregarded.

Go to **Did you have a net capital loss from prior years?** on page s18.

**YES**  Print **X** in the **YES** box at **G** item **17** on your tax return (supplementary section) if you had a capital gain or a capital loss and it was not disregarded. Read on to work out your net capital gain or net capital loss.

### NOTE

If you were an Australian resident for tax purposes, you show any capital gains or capital losses you made from foreign sources at this question. Do not show them as foreign source income at question **19**.

### YOU NEED TO KNOW

#### ! CGT EVENTS AND CGT ASSETS

There is a wide range of CGT events. The most common CGT event happens when you sell or give away a CGT asset such as:

- real estate – including your family home, holiday home, investment property, vacant block of land, hobby farm
- shares
- units in a unit trust or managed investment fund
- collectables – for example, jewellery
- personal use assets.

Examples of other CGT events are:

- An asset you own is lost or destroyed.
- You receive an amount for entering into an agreement – for example, you agree not to work in a particular industry for a set period of time.
- You enter into a conservation covenant over land that you own.
- You receive a non-assessable payment from a trust or company.

➤ If you are unsure whether a CGT event happened to you in 2004–05, you should refer to the summary of CGT events in the *Guide to capital gains tax* (NAT 4151–6.2005).

#### Exceptions and exemptions

Generally speaking, you **disregard** a capital gain or capital loss on:

- An asset you acquired before 20 September 1985.
- Cars, motorcycles and similar vehicles.
- Compensation you received for personal injury.
- Disposal of your main residence.
- A collectable – for example, an antique or jewellery – you acquired for \$500 or less.
- A personal use asset – for example, items such as boats, furniture, electrical goods and household items used or kept mainly for personal use or enjoyment. If you acquired it for more than \$10,000, you only disregard capital losses. If you acquired it for \$10,000 or less, you disregard both capital gains and capital losses.
- The exchange of shares and units you own in a company or trust that is taken over, if certain conditions are met.
- Shares in a company or interests in a trust where there has been a demerger and certain conditions have been met.
- Disposing of an asset to which the small business 15-year exemption applies.

## Did you sell a property you inherited?

Capital gains tax applies when you dispose of CGT assets that you inherited. However, if you inherit real estate, you may not have to pay CGT if you sell it within two years of the person's death – for example, if the property was the deceased person's main residence just before they died and they weren't renting part of it out or using part of it for business purposes.

For more information read the *Guide to capital gains tax 2005*.

## Your home may be subject to capital gains tax

Under the 'main residence' exemption, you generally do not have to pay CGT on the disposal of your 'main residence'. However, you will have to pay tax on some of your capital gain if:

- the property was not your main residence for the whole period you owned it
- you used the property, or part of it, to produce assessable income, for example, you rented it out
- the land area was greater than two hectares.

For more information read the *Guide to capital gains tax 2005*.

## Asset transfer on marriage breakdown

If you transfer an asset to your spouse as a result of a marriage breakdown, in certain cases there are no immediate CGT consequences. In these cases there is automatic rollover (you cannot choose whether or not it applies).

However, the one who receives the asset (the transferee spouse) will usually make a capital gain or capital loss when they dispose of the asset. If you are the transferee spouse and rollover applies, you may need to get cost base information from your former spouse or their tax adviser.

For more information read the *Guide to capital gains tax 2005*.

## WHAT YOU MAY NEED

- details of the amount of any net capital losses from prior years – this is the amount at **V** at the capital gains item on your last year's tax return
- documents showing the date you acquired any asset to which a CGT event happened, the date of the CGT event, and the date and amounts of any expenditure you incurred that form part of the cost base and reduced cost base of the asset or are taken into account in working out your capital gain or capital loss.

You may also need one or more of the following publications:

- *Introduction to capital gains tax*. This explains what a capital gain is, how it applies, what assets are included and the exceptions and exemptions. (This publication is only available on our website).
- The *Guide to capital gains tax* (NAT 4151–6.2005). This explains how capital gains tax works and will help you to calculate your net capital gain or net capital loss. It covers capital gains tax issues such as the sale of a rental property, vacant land, a holiday home, collectables (for example, jewellery), personal use assets

(for example, a boat you use for recreation), and real estate, shares and units you inherited or got from the breakdown of your marriage.

- The *Personal investors guide to capital gains tax* (NAT 4152–6.2005) is shorter and simpler than the *Guide to capital gains tax*. It covers the sale, gift or other disposal of shares and units; distribution of capital gains from managed funds; and non-assessable payments from companies and managed funds. It does not cover CGT consequences for bonus shares, shares acquired under an employee share scheme, bonus units, rights and options, and shares and units where a takeover or demerger has occurred – for those you will need to refer to the *Guide to capital gains tax*.
- The *Guide to capital gains tax concessions for small business* (NAT 8384–6.2005) explains what concessions are available if you sold a small business or an asset of a small business during the year.

These publications are available on our website or, to find out how to get a printed copy, see the inside back cover.

## ▶ COMPLETING THIS QUESTION

**STEP 1** Read the publication that is relevant to your circumstances and work out the amount of your capital gain or capital loss for each CGT event that occurred, and the amount of your capital gain from a trust or managed fund for the 2004–05 income year.

**STEP 2** Add up all your capital gains for the 2004–05 income year (except the ones that are disregarded) to work out your total current year capital gains. Do not apply capital losses, any CGT discounts or the small business concessions (other than the 15-year exemption) yet. Write this amount at **H** item 17 on page 10 of your tax return (supplementary section).

Go to step 3.

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

- capital losses from this year
- net capital losses from prior years
- any CGT discounts
- the small business 50% active asset reduction
- the small business retirement exemption or rollover.

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

If the amount remaining is positive or zero, write it at **A** item 17 and go to question 18.

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

### ! NOTE

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

**STEP 4** You have net capital losses to carry forward to later income years.

Write the amount at **V** item **17**. Go to question **18**.

**Did you have a net capital loss from prior years?**

You can use net capital losses from prior years that you have not yet used to reduce a capital gain in later years.

**NO**  Go to question **18**.

**YES**  Read on.

You have net capital losses from prior years that are carried forward to later income years. Write the amount at **V** item **17** on your tax return (supplementary section).

**!** **NOTE**

If foreign tax was paid on a foreign capital gain, you need to read **Part G** in question **19** to work out the amount of foreign tax credits you can claim. You show the foreign tax credits at **O** item **19**.

**!** **KEEPING RECORDS FROM THE START**

Keeping records of all expenditure related to your CGT assets will help you work out the correct amount of capital gain or capital loss you have made when a CGT event happens to any of these assets.

You need a record of every act, transaction, event or circumstance that may be relevant to working out your capital gain or capital loss, regardless of whether the CGT event has already happened, is about to happen or will happen in the future.

# QUESTION 18

## FOREIGN ENTITIES

# 18

18

INCOME

### 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 an interest in a foreign investment fund or a foreign life assurance policy?

**NO**  Go to question 19.

**YES**  Read below.

### WHAT YOU NEED

- The *Foreign income return form guide* (NAT 1840).
- The *Foreign investment funds guide* (NAT 2130).

These publications are available on our website.

### PART A

The controlled foreign company (CFC) measures may apply to income or gains of foreign companies in which you had a direct or indirect controlling interest, or which you effectively controlled. Read chapter 1 of the *Foreign income return form guide* for more information.

### Did you have either a direct or indirect interest in a controlled foreign company?

**NO**  Print **X** in the **NO** box at **I** item 18 on page 10 of your tax return (supplementary section). Go to **Part B**.

**YES**  Read below.

### ▶ COMPLETING THIS PART

**STEP 1** Did you, alone or with associates:

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

If so, print **X** in the **YES** box at **I** item 18 on page 10 of your tax return (supplementary section). 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 controlled foreign company. Write this amount at **K** item 18. Do not show cents.

### PART B

The transferor trust measures may apply if, at any time, you 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. Read chapter 2 of the *Foreign income return form guide* for more information.

### 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 page 10 of your tax return (supplementary section). Go to **Part C**.

**YES**  Read below.

### ▶ COMPLETING THIS PART

**STEP 1** Print **X** in the **YES** box at **W** item 18 on page 10 of your tax return (supplementary section).

**STEP 2** Work out your attributed foreign income from transferor trusts.

**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 your schedule and attach it to page 3 of your tax return.

### PART C

The foreign investment fund (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. Read the *Foreign investment funds guide* for more information.

A superannuation fund that is not employer-maintained is treated as a foreign investment fund. A foreign life assurance policy is a policy issued by a non-resident insurer.

### Did you have an interest in a foreign investment fund or a foreign life assurance policy?

**NO**  Print **X** in the **NO** box at **J** item 18 on page 10 of your tax return (supplementary section). Go to question 19.

**YES**  Read on.

## ➤ COMPLETING THIS PART

**STEP 1** Print **X** in the **YES** box at **J** item **18** on page 10 of your tax return (supplementary section).

**STEP 2** Work out your attributed foreign income from any foreign investment fund or foreign life assurance policy.

**18** **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 a foreign investment fund or foreign life assurance policy, 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 fund or policy, the amount of attributable income in relation to the fund or policy 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 your schedule and attach it 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 foreign investment fund or foreign life assurance policy
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – QUESTION 18, if you need to send us one.

# QUESTION 19

# 19

## FOREIGN SOURCE INCOME AND FOREIGN ASSETS OR PROPERTY

### Did you:

- receive a foreign pension or annuity
- receive income from foreign employment
- receive a lump sum payment on termination of foreign employment
- receive a lump sum payment from a non-resident superannuation fund
- transfer money from a non-resident superannuation fund to a resident fund
- receive any other foreign source income including interest, dividends, royalties, or rent
- at any time during 2004–05, own or have an interest in assets located outside Australia that had a total value of AUD \$50,000 or more?

- an assessable distribution from a trust or partnership (or share of a partnership loss) that includes Australian franking credits attached to a dividend (or non-share dividend) from a New Zealand company.

For more information, see parts D and F of this question.

### ! NOTE

A dividend from a New Zealand company may also carry New Zealand imputation credits. **An Australian resident cannot claim any New Zealand imputation credits.**

All foreign income, deductions and foreign tax paid must be converted to Australian dollars before you complete this question. More information on how to convert your foreign income, deductions and foreign tax paid is available on our website, or you can phone the Personal Tax Infoline (see the inside back cover) to get information about the exchange rates.

### WHAT YOU MAY NEED

- Payslips; foreign tax assessments; and company, partnership and trust distribution advices.
- Details of any expenses you incurred in earning your foreign income.
- Details of any allowable foreign losses from previous years.
- Notepaper to help you to work out the amounts you need to show on your tax return.
- *You and your shares* (NAT 2632–6.2005)
- *How to claim a foreign tax credit 2005* (NAT 2338–6.2005).
- *Taxation Ruling TR 96/15 – Foreign tax credit system* (together with its addendum TR96/15A and the erratum TR96/15E). If you received income from foreign employment, you may need this to work out whether we consider you were continuously employed if you took a break in foreign employment. This is important in working out whether the income is exempt from tax.

Publications, including rulings, are available on our website or, to find out how to get printed copies, see the inside back cover of *TaxPack 2005*.

### ! 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. To assist, divide your notepaper into two columns with the headings 'Assessable amount' and 'Net taxable amount'.

### ! NOTE

You receive income even if it is held overseas for you.

NO  Go to question 20.

YES  Read below.

### – STOP

Do not show at this question:

- a capital gain or capital loss from foreign sources. question 17 **Capital gains** deals with these amounts.
- a lump sum payment of your foreign pension that relates to an earlier year. Read **Lump sum payments in arrears** at question 22.

### YOU NEED TO KNOW

If you were an Australian resident and you 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 either on termination of your foreign employment or from a non-resident superannuation fund, phone the Superannuation Infoline (see the inside back cover). Some of these payments are taxable and some are exempt from Australian tax.

If you were an Australian resident you must show the following amount(s) at this question:

- an assessable dividend (or non-share dividend) from a New Zealand company, and any attached Australian franking credits
- a supplementary dividend from a New Zealand company and any attached Australian franking credits

**PART A****Did you receive a foreign pension or annuity?**

**NO**  Go to **Part B**.

**YES**  Read below.

**19** Most foreign pensions and annuities are taxable in Australia, even if tax was 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, Germany, the Netherlands and Austria. If you are unsure whether your pension or annuity was taxable, phone the Personal Tax Infoline.

If the country paying your pension or annuity took tax from your payment, and the pension or annuity was also taxable in Australia, you may claim a foreign tax credit at this question if you were not entitled to seek a refund of the foreign tax from the country that paid you (see **Part G**). 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 was subject to an agreement, phone the Personal Tax Infoline.

For the future, 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 not to have tax withheld from your pension income in the country of origin. Phone the Personal Tax Infoline for more information.

If your pension or annuity is not taxable in Australia, go to **Part B**; if it is taxable, read on.

**STEP 1** Work out the assessable amount of your foreign pension or annuity.

**If foreign tax was not 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 was 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'.

**STEP 2** Work out your net taxable foreign pension or annuity.

Take away any deductible expenses that you incurred in relation to your pension or annuity from the amount you worked out at step 1. Deductible expenses include expenses such as bank fees and phone calls to your fund. Write your net taxable foreign pension or annuity on your notepaper in the column for 'Net taxable amount'.

**! NOTE**

Debt deductions such as interest and borrowing costs are not deductible for the purpose of this calculation. If you 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 (UPP), you claim a deduction for this amount at question **D12**.

**STEP 3** If your pension or annuity was your only foreign income, write the amount from step 2 as follows:

- If it **never had a 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 E**.
- If it **has or had a UPP**, write the amount at **D** item **19**. Do not show cents. Go to **Part E**.

**STEP 4** 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:**

- **income from foreign employment**
- **a lump sum payment that was exempt from tax on termination of your foreign employment**
- **a lump sum payment that was exempt from tax from a non-resident superannuation fund?**

**NO**  Go to **Part C**.

**YES**  Read on.

Foreign employment income is income from working overseas as an employee – such as salary, wages, commissions, bonuses or allowances.

Go to step 9 on page s23 if you received only:

- a lump sum payment that was exempt from tax on termination of your foreign employment
- a lump sum payment that was exempt from tax from a non-resident superannuation fund.

**Part D** tells you what to do if your lump sum payment was taxable.

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, related to your particular service.

Your employer should be able to tell you if either of these applies. If you need further help, phone the Personal Tax Infoline.

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 from step 1 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 a UPP, write this amount at **L** item **19** on page 10 of your tax return (supplementary section). 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. If you had any other foreign employment income go to step 3. Otherwise, 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 tax on your other assessable 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 your net taxable 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 40–57 in *TaxPack 2005*.

### NOTE

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 2004 until 23 April 2005. During this period Lachlan earned AUD \$11,250 after he paid AUD \$3,750 in foreign tax and incurred deductible work-related expenses of AUD \$2,500 in relation to his foreign employment. After adding back the foreign taxes, Lachlan would have assessable foreign employment income of AUD \$15,000. After deducting his expenses, Lachlan would have net foreign employment income of AUD \$12,500.

**STEP 6** Did you:

- work on a project approved by Austrade
- pay, or are you liable to pay, foreign tax on your foreign employment income, or
- 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, go to step 7. If you have answered no to everything, 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, read *Taxation Ruling TR 96/15* (together with its addendum and the erratum) to find out whether you are considered to have been continuously employed. The ruling can be found on our website. If you need further help, phone the Personal Tax Infoline.

If your period of continuous employment in a foreign country was 90 days or less, your foreign employment income is not exempt from tax. If it was more than 90 days, your foreign employment income will generally be exempt from tax. If you are unsure, phone the Personal Tax Infoline. 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 a UPP, write this amount at **L** item **19** on page 10 of your tax return (supplementary section). 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** on page 10 of your tax return (supplementary section). 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 a UPP to your net taxable amount for foreign employment income. Write the total at **L** item **19** on page 10 of your tax return (supplementary section). Do not show cents. Do not print the code letter **P** in the **TYPE** box  at the right of **L**. 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
- received a lump sum payment that is exempt from tax from a non-resident superannuation fund
- 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** on page 10 of your tax return (supplementary section). Do not show cents. You cannot claim a foreign tax credit on this income.

### PART C

Did you:

- **receive a lump sum payment from a non-resident superannuation fund that you have not already included at item 4 on your tax return, and/or**
- **transfer money out of a non-resident superannuation fund to a resident superannuation fund?**

**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 the direct transfer of benefits from a non-resident superannuation fund to a superannuation fund in Australia when you have not made an election that the amount be treated as a taxable contribution

to the superannuation fund in Australia. This part does not apply to the transfer of amounts from one non-resident superannuation fund to another non-resident superannuation fund.

For more information phone the Superannuation Infoline.

Determine the taxable amount/s of any lump sum payment/s you received from a foreign superannuation fund that has not been included at item 4 on your tax return. Also, determine the taxable amount/s of any amount/s transferred out of a non-resident superannuation fund to a resident superannuation fund (for which you have not made an election). Add the taxable amounts together and include the total (with any other amount from **Part D**) at **M** item 19. Do not show cents.

Read on.

## PART D

**Did you receive any other foreign source income, including:**

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

**NO**  Go to **Part E**.

**YES**  Read below.

There are four categories of foreign income to consider here:

- interest income
- modified passive income – such as royalties, dividends or rent
- offshore banking income
- all other assessable foreign income.

You will need to work through the following three steps for each category of foreign income you received, other than a lump sum payment on termination of foreign employment (which is dealt with at step 3). You will need to work through the steps for each category because you can only deduct expenses you incurred in relation to a category of foreign income against foreign income of the same category.

If you have received dividends (including non-share dividends) from a New Zealand company, include those amounts in the calculation of your modified passive income.

Also include any amounts of supplementary dividends and any income that you received or became entitled to during the income year from a partnership or a trust that is attributable to dividend income (or non-share dividends) from a New Zealand company.

**Do not** include any amount referable to Australian franking credits from a New Zealand company that you received directly, or indirectly through a trust or partnership. Reduce the income you received or became entitled to by that amount. If you had foreign tax (including New Zealand non-resident withholding tax) taken away from this income, add it back to the amount you received.

**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

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 four categories and the deductions are not attributable to an overseas permanent establishment, see question **D15**.

If you made a foreign loss, see **Foreign losses** below.

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.

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 I**.

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 that has not been included at item 4 on your tax return. Include the total (with any other amount from part C) at **M** item 19 on page 10 of your tax return (supplementary section). Do not show cents.

Go to **Part E**.

## Foreign losses

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 AUD \$1,000
- foreign rent income of AUD \$2,000 and deductible expenses of AUD \$4,000, creating a loss of AUD \$2,000.

He will write \$1,000 at **M** item **19** and will write \$3,000 on his notepaper in the column for 'Assessable amount'. Colin will need to keep a record of the \$2,000 rental loss. This loss can only be used to offset modified passive income (including foreign rental income) derived in later years.

**PART E****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.

If you have Australian franking credits – go to **Part F**. If you are entitled to a foreign tax credit, go to **Part G**. Otherwise, go to **Part H**.

**! NOTE**

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

**PART F****Working out your Australian franking credits from a New Zealand company**

**STEP 1** Add up all amounts of Australian franking credits from a New Zealand company that you are entitled to – whether directly by way of franked dividends (or franked non-share dividends) paid to you by the company or indirectly through a trust or partnership.

**Do not** include here Australian franking credits you are not entitled to (for example, because the dividend or non-share dividend, or income from the trust or partnership is exempt, or you fail the holding period rule or trigger the related payments rule).

For more information, see the publication *You and your shares 2005*.

At **Part E** you will have worked out supplementary dividends that are paid in connection with dividends paid by a New Zealand company with Australian franking credits attached (franked dividends). If you are entitled to a foreign tax credit because of the franked dividends, or because of their inclusion in your assessable income, the amount of Australian franking credits you would otherwise be entitled to is reduced. The amount of the reduction is the

amount of the supplementary dividends (or your share of the supplementary dividends if you receive them through a trust or partnership).

**STEP 2** Write the amount of Australian franking credits from a New Zealand company you are entitled to at **F** item **19**. Do not show cents.

If you are entitled to a foreign tax credit, go to **Part G**. Otherwise, go to **Part H**.

**– STOP**

Do not include in these amounts:

- Any Australian franking credits you received from an Australian company. Show these amounts at either item **11 Dividends** or item **12 Partnerships and trusts**
- Any New Zealand imputation credits.

**PART G****Working out your foreign tax credit**

If you have not shown exempt foreign employment income at **N** item **19**, go to step 1. If you have shown exempt foreign employment income at **N**, go to step 2.

**STEP 1** Read *How to claim a foreign tax credit 2005*. Work out the total foreign tax credit you can claim. Write the amount at **O** item **19**. Show cents. Go to **Part H**.

**STEP 2** You will not be able to work out your foreign tax credit. We will work it out for you.

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.

Read on.

**PART H****At any time during 2004–05, 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**, your answer to this question is **NO**.

**NO**  Print **X** in the **NO** box at **P** item **19** on your tax return (supplementary section). Go to **Part I**.

**YES**  Read below.

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

**!** DEFINITION

**Assets** include real estate, 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 your overseas assets by historical cost or market value, whichever was greater. Use the exchange rate at 30 June 2005 to convert the value of the assets to Australian dollars or, if you disposed of the assets during the year, use the exchange rate at the time of disposal.

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

Read on.

**PART I****Australian tax losses of earlier income years**

If you choose to use Australian tax losses of earlier income years to reduce your foreign source income, read question **L1** in *TaxPack 2005* on pages 69–71 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.

**CHECK THAT YOU HAVE . . .**

- written on your tax return (supplementary section) 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 (supplementary section) the total amount of your exempt foreign employment income
- written on your tax return (supplementary section) the total amount of your foreign tax credits that you can claim or 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
- printed code letter **P** in the **TYPE** box  at the right of **L** item **19** if your pension or annuity never had an undeducted purchase price.

**!** NOTE

If you were 55 years or older on 30 June 2005, you may be entitled to the mature age worker tax offset. Certain income from this question will be used to calculate your net income from working. You will need to show this income at question **T12 Net income from working – supplementary section**. The Tax Office will then calculate your tax offset entitlement.

## QUESTION 20

# 20

### RENT

#### In 2004–05 did you earn rental income or was your property available for rent?

If you sold your rental property in 2004–05, capital gains tax may apply and you must read question 17. You will also need to read the *Guide to capital gains tax 2005* (NAT 4151–6.2005).

**NO**  Go to question 21.

**YES**  Read below.

#### STOP

Do not show at this question:

- a deduction for the decline in value of a low-value pool – show this at question D6
- 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.

#### WHAT YOU MAY NEED


You need to read the publication *Rental properties 2005* (NAT 1729–6.2005) before you can answer this question.

You will need details of:

- all rental income earned
- interest charged on money you borrowed for the rental property
- other expenses relating to your rental property
- any expenditure on capital works to your rental property

You may also need the following publications:

- *Guide to depreciating assets 2005* (NAT 1996–6.2005),
- *Deductions for prepaid expenses 2005* (NAT 4170–6.2005),
- *Taxation Ruling IT 2167 – Rental properties*.

 All the publications mentioned above are available on our website or, to find out how to get a printed copy, see the inside back cover.

#### 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 or kept because of damage to the property requiring repairs. An insurance payout for lost rent or a reimbursement of any rental expenses you claim in 2004–05 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.

Expenses could include 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, pest control, property agent fees or commissions, repairs and maintenance, stationery, telephone, water charges, and travel undertaken to inspect the property or to collect the rent.

If part of your property is used to earn rent, you can claim expenses relating to that part only. You will need to work out a reasonable basis to apportion the claim.

##### EXAMPLE

Gerard's private residence includes a second storey which he rented out. The second storey represents 30% of the total floor area of the house. Gerard also shared the laundry with his tenant. The laundry takes up 10% of the total floor area of the house. If half is a reasonable figure for use of the laundry by the tenant, Gerard can claim 35% of the expenses for the property – that is,  $30\% + (\frac{1}{2} \times 10\%) = 35\%$ .

*Taxation Ruling IT 2167 – Rental properties* will give you more details about apportionment.

##### Prepaid expenses

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 2006, you can claim an immediate deduction. Otherwise, your deduction may have to be spread over two or more years under the prepayment rules if the expense is \$1,000 or more. See the publication *Deductions for prepaid expenses 2005*.

##### Thin capitalisation

If you were an Australian resident and you (or any associate entities) had certain overseas interests, or you were a foreign resident, the thin capitalisation rules may apply if your debt deductions, such as interest, (combined with those of your associate entities) for 2004–05 were more than \$250,000. More information about thin capitalisation is available on our website.

##### Co-ownership

If the title deed shows that you were a part owner of the property, include only your share of the rent and expenses on your tax return. For example, if you owned 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 2005* provides further information on how to work out your share of the rent and expenses that you can claim.

### Capital works deductions

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
- 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% or 4% (adjusted for part-year claims) depending on the date the capital works began. *Rental properties 2005* 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 items, known as depreciating assets, that you acquired as part of the purchase of your property or that you subsequently purchased for your property.

#### ! DEFINITION

A **depreciating asset** is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used. Examples of depreciating assets are freestanding furniture, stoves, washing machines and television sets.

*Rental properties 2005* has a comprehensive list of depreciating assets found in residential rental properties.

The publications *Guide to depreciating assets 2005* and *Rental properties 2005* will help you understand the rules for working out your deduction for decline in value and other aspects of rental property ownership. *Guide to depreciating assets 2005* also contains details of the 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 explains the low-value pool, to which you can allocate depreciating assets costing less than \$1,000 (low-cost assets) and depreciating assets written down to less than \$1,000 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 **D6** and claim your low-value pool deduction there.

### ▶ COMPLETING THIS QUESTION

**STEP 1** Write your share of the total amount of gross rent at **P** item **20** on page 11 of your tax return (supplementary section). Do not show cents.

**STEP 2** Write your share of the interest expenses that can be claimed as a deduction at **Q** item **20**. Do not show cents.

**STEP 3** Write your share of the capital works deductions that can be claimed as a deduction at **F** item **20**. Do not show cents.

**STEP 4** Write your share of the other rental expenses that can be claimed as a deduction (except any low-value pool deduction) at **U** item **20**. Do not show cents.

**STEP 5** 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.

**STEP 6** 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, 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.

## QUESTION 21

### BONUSES FROM LIFE INSURANCE COMPANIES AND FRIENDLY SOCIETIES

# 21

**21****INCOME**

#### Did you receive a bonus because your life insurance policy or friendly society insurance bond matured, was partly or fully surrendered, terminated or forfeited?

Life insurance policies are issued by life insurance companies and friendly societies.

**NO**  Go to question 22.

**YES**  Read below.

#### **STOP**

Do not declare as income

- any life insurance bonuses from policies that:
  - you started before 28 August 1982
  - matured 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.
- any benefits you received from a friendly society that are bonuses from income bonds. Include these amounts at question 22 **Other income**.

If you have received a statement detailing the bonus amount allocated to your continuing life insurance 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.

#### WHAT YOU MAY NEED

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

#### YOU NEED TO KNOW

You need to include a bonus amount at this question if all the following conditions apply:

- 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
- your life insurance policy or friendly society insurance bond matured, was partly or fully surrendered, terminated or forfeited
- the bonus amount is in addition to the capital amount that you have paid to the life insurance company or friendly society.

#### **IMPORTANT**

If, during the term of your policy or bond, you increased the amount of your premiums by more than 25% of the amount of premiums you paid in the previous policy year, your policy is taken to start at the beginning of the policy year in which you paid the increased premiums. This means that some or all of a bonus amount may need to be included in your assessable income.

You cannot claim a loss if your life insurance policy or friendly society insurance bond matured or was partly or fully surrendered, terminated or forfeited.

#### **NOTE**

Different rules apply to a bonus received from a policy that started on or after 28 August 1982 and before 8 December 1983. Generally such a bonus does not need to be included in assessable income unless the policy has been taken to start at a later date and the rules apply. If you are not sure if you need to include your bonus phone the Personal Tax Infoline (see the inside back cover of *TaxPack*).

#### **COMPLETING THIS QUESTION**

Write at **W** item 21 on page 11 of your tax return (supplementary section):

- the whole bonus amount you received in 2004–05 if you received it during the first eight years of the policy
- two-thirds of the bonus amount you received in 2004–05 if you received it during the ninth year of the policy, or
- one-third of the bonus amount you received in 2004–05 if you received it during the tenth year of the policy.

Do not show cents.

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

#### **CHECK THAT YOU HAVE . . .**

- written on your tax return the correct bonus amount
- kept a copy of your policy document and bonus advice with your other records. Do not attach them to your tax return.

#### **TAX OFFSET**

You will get a tax offset equal to 30% of any bonus amounts included in your income. We will work out this tax offset for you.

### Did you receive any other income?

Other income includes:

- A non-qualifying component of an eligible termination payment (ETP).
- Discounts on shares or rights acquired under an employee share scheme.
- Lump sum payments in arrears.
- Foreign exchange gains.
- Royalties.
- Bonus amounts distributed from friendly society income bonds.
- Taxable scholarships, bursaries, grants or other educational awards.
- Benefits or prizes from investment-related lotteries and some game-show winnings.
- Income from activities as a special professional – author of a literary, dramatic, musical or artistic work, inventor, performing artist, production associate or active sportsperson. Amounts you have already included at items **1**, **2**, **12**, **13** or **14** may also have to be shown here as you may be entitled to a concessional rate of tax if you have certain amounts of professional income. You will not be taxed twice on these amounts.
- Reimbursements of tax-related expenses (including amounts imposed by the Tax Office as an interest charge) or election expenses which you have claimed as a deduction.
- Any assessable balancing adjustment when you stop holding a depreciating asset (for example, because of its disposal, loss or destruction), for which you have claimed a deduction for depreciation or decline in value in previous years. Your car is a depreciating asset.
- Sickness and accident policy payments made to you where premiums were deductible and the payment replaced income – for example, income protection policies. Do not include payments made under a policy held by your employer which you have already shown at items **1** or **2**.
- Interest from infrastructure borrowings if you intend to claim a tax offset at item **T13**.
- Interest derived under the land transport facilities tax offset scheme.
- Gains derived on disposal of traditional securities that are assessable under section 26BB of the *Income Tax Assessment Act 1936*.
- Allowances or payments you received as a member of a local government council that you have not shown at items **1** or **2**.
- Other taxable allowances or payments you received from Centrelink that you have not shown at items **5** or **6**.

**NO**  Go to **Total supplement income or loss** on page s33.

**YES**  Go to **Completing this question** on page s32.

For an explanation of many of these types of income, see **You need to know** on this page. If you have income not listed here that you are unsure about, visit our website or phone the Personal Tax Infoline (see the inside back cover).

### STOP

Do not show at this question:

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

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

### YOU NEED TO KNOW

#### Non-qualifying component of an 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 you must include it at this question.

#### Discounts on shares or rights acquired under an employee share scheme

You may need to include at this question the discounts – the difference between the market and acquisition prices – on shares or rights (including options) that you acquired under an employee share scheme, whether issued in Australia or overseas. You can acquire a right at a discount even though its exercise price is the market value of the share at the time the right was granted.

If your scheme meets certain conditions, tax may be deferred on the discount until a later year of income unless you elect to include the discount in the year you acquired the shares or rights. 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.

From 1 July 2004, new rules apply when there has been a corporate restructure such as 100% takeover, demerger or merger which has resulted in the replacement of your old shares or rights with new shares or rights. Under the new rules, if tax was deferred on the discount for your old shares or rights when you acquired them, then the deferral will continue to apply to your replacement shares or rights. This is provided that:

- you are employed by the new company (or new group); and
- the shares or rights in the new company (or new group) meet certain conditions.

The deferral period is a maximum of 10 years from the date of acquisition of your old shares or rights.



➤ The electronic publication *Employee Share Schemes – Rollover relief on a corporate restructure* contains more information. It is available on our website.

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

- the date you acquired them 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, and
- details of any election you have made to include any discount in the year of acquisition.

If a relative or other associate has acquired shares or rights as a result of your involvement in an employee share scheme, phone the Personal Tax Infoline.

➤ The electronic publication *Employee share schemes – answers to frequently asked questions by employees* contains more information about calculating employee share scheme discounts. It is available on our website.

### Lump sum payments in arrears

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

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

- 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 if you received certain lump sum payments in 2004–05. We will calculate the tax offset for you. Attach the payment summary or signed statement from your payer that shows the amount of the payment in arrears for each income year involved to page 3 of your tax return.

If you did not need to lodge a tax return for the two most recent years that the payment related 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 two years. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. Sign your schedule and attach it to page 3 of your tax return.

### Foreign exchange gains

Unless you carry on a business and have included all your foreign exchange gains ('forex gains') in calculating your business net income or loss at question **14**, your forex gains must be shown at this question (except any foreign source forex gains that you have included at question **19**).

Under the forex measures gains attributable to a fluctuation in a currency exchange rate or to an agreed exchange rate differing from an actual exchange rate are included in assessable income. The gains are assessable when they are realised. This is when you:

- dispose of foreign currency, or a right thereto
- cease to have a right to receive or pay foreign currency, or
- cease to have an obligation to pay or receive foreign currency.

Some forex gains are not assessable, for example, forex gains of a private nature, or in relation to exempt income. In some cases, forex gains on the acquisition of capital or depreciating assets, or on the disposal of capital assets, are also not assessable. In these cases, the gains are integrated into or matched with the taxation treatment of the underlying asset.

In some circumstances, you may make an election that affects the realisation or treatment of a forex gain. These are set out on our website, together with more information about the forex measures and how to calculate your foreign exchange gains.

If you had a deductible foreign exchange loss, go to question **D15**.

### Royalties

If you were an Australian resident for tax purposes in 2004–05, include income from any royalties at this question.

### Bonuses from friendly society income bonds

You must include at this question any bonus amounts distributed from a friendly society income bond. Your friendly society income bond distribution statement will advise you of the amount to include.

### Scholarships, bursaries, grants and other educational awards

Some scholarships, bursaries, grants and awards – including education benefits provided under a friendly society scholarship plan – are taxable. If you are not sure about a payment, contact the organisation that paid you. If you then need more information, phone the Personal Tax Infoline.

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 items **1** or **2**, or in calculating your business net income or loss shown at item **14**.

### Benefits or prizes from investment-related lotteries and some game-show winnings

You must include at this question 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 game shows unless you regularly receive appearance fees or game-show winnings.

## Income from activities as a special professional

If you are a special professional you must include your taxable professional income at this question.

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 in 2004–05 if:

- you were an Australian resident AND
- you were a special professional AND
- your taxable professional income was at least \$2,500 in the first year that this concession applied.

➤ You will need to read *Income averaging for special professionals 2005* (NAT 2475–6.2005) before you can answer this question. This publication explains how you work out your taxable professional income. The publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

## 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 2004–05 of any tax-related expenses or election expenses which you have claimed, you must include the amount at this question – for example, if you claimed a deduction for filing fees for an Administrative Appeals Tribunal application in relation to a tax-related matter in 2003–04 and recouped those fees in 2004–05.

This question also applies to any remission of a Tax Office interest charge. If you claimed a deduction for an interest charge incurred in 2003–04 or earlier years and received a remission (a partial or full reduction) of that charge in 2004–05, you must include the amount of the remission at this question. Similarly, if you are claiming at question **D10** a deduction for an interest charge incurred during 2004–05, and some or all of it was remitted during the 2004–05 year, you must include the amount of the remission at this question. The same position applies to remissions of GST underestimation penalties.

## Assessable balancing adjustment

You must include at this question 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 or decline in value in previous years. Refer to page 44 in *TaxPack 2005* to calculate any assessable balancing adjustment in respect of your car for which you have claimed car expenses.

### ! DEFINITION

A **depreciating asset** is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

## Gains derived on disposal of traditional securities

Some gains derived on disposal of traditional securities are assessable under section 26BB of the *Income Tax Assessment Act 1936*.

➤ For more information see the section on **Sale or disposal of company bonds and convertible notes** in *You and your shares 2005* (NAT 2632–6.2005). This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

## Other allowances and payments from Centrelink

You must include at this question any taxable allowances and payments from Centrelink that you have not already shown at items **5** or **6**.

## ➤ 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.

This information is used in working out whether you have to pay PAYG instalments and, if so, your instalment rate.

## TYPES OF INCOME

### Category 1

- the non-qualifying component of an eligible termination payment (ETP)
- lump sum payments in arrears
- foreign exchange gains
- benefits or prizes from investment-related lotteries and some game-show winnings
- reimbursements of tax-related expenses or election expenses
- any assessable balancing adjustment when you stop holding a depreciating asset
- a gain on the disposal or the redemption of traditional securities that are assessable under section 26BB of the *Income Tax Assessment Act 1936*
- discounts on shares or rights acquired under an employee share scheme except where the shares or rights were issued to you this year. (This exception is category 2 income if you are assessed on the discount this year.)

### Category 2

- any income not described in category 1.

If you have only one type of income in either category, print a description in the relevant **Type of income** category box(es) at item **22** on page 11 of your tax return (supplementary section).

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 your schedule and attach it 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**. 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**. Do not show cents. We take this amount into account for income averaging.

**STEP 4** Add up all your category 1 income and write the total at **Y** item **22** on page 11 of your tax return (supplementary section). Do not show cents.

**STEP 5** Add up all your category 2 income, including the amount you wrote at **Z** unless you have already counted it in your answer to questions **1, 2, 12, 13** or **14** and write this total at **V** item **22**. Do not show cents.

### CHECK THAT YOU HAVE . . .

- printed on your tax return your type of income
- written on your tax return the tax withheld from your lump sum payments in arrears
- attached your payment summary or statement from your payer to page 3 of your tax return (if you need to)
- 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.

### ! NOTE

If you were 55 years or older on 30 June 2005, you may be entitled to the mature age worker tax offset. Certain income from this question will be used to calculate your net income from working. You will need to show this at question **T12 Net income from working – supplementary section**. The Tax Office will then calculate your tax offset entitlement.

## 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 (supplementary section). 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 39 in *TaxPack 2005* to calculate your **TOTAL INCOME OR LOSS** – then work through the **Deductions** section, starting on page 40 in *TaxPack 2005*.

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

You must 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 or a film certified as an Australian film.

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 **D12**.

**YES**  Read below.

#### WHAT YOU NEED

You need to read the publication *Australian film industry incentives 2005* (NAT 0954–6.2005 ) before you can answer this question. This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

#### ▶ COMPLETING THIS QUESTION

**STEP 1** Work out the amount you can claim using the publication *Australian film industry incentives 2005*.

**STEP 2** Write the amount you can claim at **G** item **D11** on page 11 of your tax return. Do not show cents.

## QUESTION D12

### DEDUCTIBLE AMOUNT OF UPP OF A FOREIGN PENSION OR ANNUITY

# D12

**D12****DEDUCTIONS**

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

**NO**  Go to question **D13**.

**YES**  Read below.

#### YOU NEED TO KNOW

##### 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 (supplementary section), 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** on this page.

#### **!** 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 (supplementary section).

##### British pensions

If you received a category A pension or a category B widows 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%. This method is accepted by the Tax Office and generally results in the maximum deduction you are entitled to. However, there is another method – the exact method. If you wish to find out about this method or you receive another type of British pension and are not sure about a UPP entitlement, phone the Superannuation Infoline (see the inside back cover).

##### Dutch pensions

If you received an old age pension, or a widows, widowers or orphans 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 amount you have worked out. If you cannot, you can claim an annual UPP deduction equal to 25% 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 2004 AND 2005 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. We will calculate your UPP deduction for you.

##### Austrian pensions

If you received an age, premature age, invalid, disability, widowed persons or orphans pension paid by an Austrian superannuation insurance fund under one of the Austrian social insurance Acts – Allgemeines Sozialversicherungsgesetz (ASVG), Gewerbliches Sozialversicherungsgesetz (GSVG) or Bauern-Sozialversicherungsgesetz (BSVG) – you are entitled to a UPP deduction.

Where you have evidence of actual contributions, actual monthly salary or have received from the Austrian superannuation insurance fund a list of your insurance periods, attach a photocopy of the evidence to page 3 of your tax return. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8. We will calculate your UPP deduction for you.

- Phone the Superannuation Infoline if you:
- receive a pension from another country
  - do not know the deductible amount, or
  - do not know if your pension or annuity has a UPP.

#### **➤** COMPLETING THIS QUESTION

Write the deductible amount of your UPP at **Y** item **D12** on page 11 of your tax return. Do not show cents.

# QUESTION D13

## NON-EMPLOYER SPONSORED SUPERANNUATION CONTRIBUTIONS

# D13

D13

DEDUCTIONS

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

**NO**  Go to question **D14**.

**YES**  Read on.

You may be able to claim a deduction for contributions you made to a complying superannuation fund or retirement savings account (RSA) in 2004–05 if:

- you are not entitled to a Super Co-contribution for your personal contributions (see **What's new this year?** on page 11 of *TaxPack 2005*) AND
- 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
- any of the following apply to you:
  - you were fully self-employed and not working under contract principally for your labour
  - you were 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
  - you were 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% of the sum of your total assessable income (see the note on this page) and total reportable fringe benefits amounts
  - you were 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 2004–05
  - you were not in **eligible employment** – for example, you were a full-time investor.

You were in **eligible employment** if you performed duties that resulted in you being treated as an employee for the purposes of the superannuation guarantee.

### NOTE

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

- you had 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 a pension or an annuity at item **D9** or **D12** on your tax return.

In either case, phone the Superannuation Infoline (see the inside back cover) for help in working out your assessable income.

### YOU NEED TO KNOW

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

If you have reached 65 years of age you can only make personal contributions if you meet certain conditions. You should check with your superannuation fund or RSA provider.

If you reached 70 years of age during 2004–05, your deduction is limited to contributions made on or before the 28th day of the month following your 70th birthday.

If you were under 18 years of age at the end of the income year, you can only claim a deduction if you had eligible employment income or business income in the income year in which the deduction is being claimed.

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.

### COMPLETING THIS QUESTION

**STEP 1** Did you reach 70 years of age during the year? If not, go to step 2. Otherwise, read on.

Add up all the contributions you made between 1 July 2004 and the 28th day of the month following your 70th birthday (inclusive). If the total is more than \$5,000, go to step 3. If it is \$5,000 or less, write the amount at **H** item **D13** on page 11 of your tax return (supplementary section). Do not show cents. Go to step 4.

**STEP 2** Add up your 2004–05 contributions and if the total is more than \$5,000, go to step 3. If it is \$5,000 or less, write the amount at **H** item **D13** on page 11 of your tax return (supplementary section). Do not show cents. Go to step 4.

**STEP 3** If your contributions total more than \$5,000, you can claim the **lesser** of:

- \$5,000 plus 75% of your contributions over \$5,000.
- 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 \$13,934; if aged 35 to 49, it is \$38,702; and if aged 50 to 70, it is \$95,980.

Write this amount at **H** item **D13** on page 11 of your tax return (supplementary section). Do not show cents.

**STEP 4** If you only contributed to one fund or RSA, print their full name, either their Australian business number (ABN) or tax file number (TFN), and your account number in the boxes at item **D13**. Remember, your fund or RSA provider must have agreed to the amount that you claim.

**!** NOTE

If the amount you wrote at **H** is different from the amount your superannuation fund or RSA provider agreed to, you must notify them.

If you contributed to more than one fund or RSA, print **ADDITIONAL INFORMATION** in the **Full name of fund** box at item **D13**. In the other boxes, provide details of the superannuation fund or RSA provider to which you made the largest contribution and from which you have received an agreement letter.

On a separate piece of paper print **SCHEDULE OF ADDITIONAL INFORMATION – QUESTION D13**. 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, the fund ABN or TFN of that fund or RSA provider, your account 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, phone the Superannuation Infoline.

**CHECK THAT YOU HAVE . . .**

- kept your written agreement(s) from your fund or RSA provider. The Tax Office may ask to see them.
- not exceeded the limits in step 1, 2 or 3, whichever applies
- attached to page 3 of your tax return your signed **SCHEDULE OF ADDITIONAL INFORMATION – QUESTION D13**, if you need to send us one.

# QUESTION D14

# D14

## DEDUCTION FOR PROJECT POOL

D14

DEDUCTIONS

### Did you have capital expenditure directly connected with a project?

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

- a project which you operated in 2004–05 for a taxable purpose
- a project carried on or proposed to be carried on for a taxable purpose which was abandoned, sold or otherwise disposed of in 2004–05, before or after it started to operate.

**NO**  Go to question **D15**.

**YES**  Read below.

**STOP**

You cannot claim a deduction at this question for:

- private or domestic expenditure such as the cost of constructing a driveway at your home
- capital expenditure directly connected with a project undertaken in carrying on a business – for this expenditure, refer to item **P8 Reconciliation items** in *Business and professional items 2005* (NAT 2543–6.2005).

### YOU NEED TO KNOW

Certain capital expenditure you incur after 30 June 2001 which is directly connected with a project that you carry on (or propose to carry on) for a taxable purpose can be allocated to a project pool and written off over the project life. The expenditure must not otherwise be deductible or form part of the cost of a depreciating asset.

Such capital expenditure, known as a ‘project amount’, is expenditure incurred:

- to create or upgrade community infrastructure for a community associated with the project – this expenditure must be paid (not just incurred) to be a project amount
- for site preparation for depreciating assets (other than in draining swamp or low-lying land or for clearing land for horticultural plants including grapevines)
- for feasibility studies or environmental assessments for the project
- to obtain information associated with the project
- in seeking to obtain a right to intellectual property
- for ornamental trees or shrubs.

**➤** If you are unsure if the capital expenditure you incurred qualifies as a project amount, see the publication *Guide to depreciating assets 2005* (NAT 1996–6.2005), available on our website or, to find out how to get a printed copy, see the inside back cover.

Project amounts are allocated to a ‘project pool’.

You spread your deduction for project amounts allocated to a project pool over the ‘project life’. The project life is the period from when the project starts to operate until when it stops operating. The project life ends by something inherent in the project, rather than by your intention to stop carrying on the project.

If there is no finite project life, there is no project and therefore no deduction is available under these rules.

A deduction is available for the 2004–05 income year if you started to operate a project in that year for a taxable purpose. The deduction is worked out on the value of the project pool at the end of 2004–05.

Use the worksheet to calculate your deduction. The example given is based on a project amount of \$30,000 allocated to a project pool for a project with a project life of 35 years.

### WORKSHEET Project pool deduction

	Example	You
Value of project pool at 30 June 2005. This is the closing pool value for the 2003–04 income year (if any) plus the sum of any project amounts allocated to the pool in 2004–05	(a) \$30,000	\$
Your estimate of the project life (in years, including fractions of years)	(b) 35 years	
Divide (a) by (b)	(c) \$857	\$
Multiply (c) by 150%. This is your 2004–05 deduction.	(d) \$1,286	\$
<b>NOTE:</b>		
<ul style="list-style-type: none"> <li>■ Your deduction at (d) must not be more than the amount at (a).</li> <li>■ If a project operated in 2004–05 for purposes other than taxable purposes, your deduction at (d) must be reduced by a reasonable amount for the extent to which the project operated for such other purposes.</li> </ul>		



## ! FOREIGN EXCHANGE RULES

The pool value can be subject to adjustments. An adjustment could happen under foreign exchange (forex) rules that apply to transactions conducted in foreign currency.

If during the income year you met or otherwise ceased to have an obligation to pay foreign currency incurred as a project amount which you allocated to a project pool, you might have derived a gain or incurred a loss under these rules. If the foreign currency became due for payment within 12 months of the time when you incurred the project amount, usually the pool value will be reduced by any such gain (known as a forex gain) and it will be increased by any such loss (known as a forex loss).

If the forex gain exceeds the pool value, the pool value is reduced to zero and the residual gain is assessable income which you should include at item **22**. If you had previously elected that this treatment (known as 'the 12-month rule') should not apply, any gain will be assessable and should be included at item **22** and any loss will be deductible and should be included at item **D15**.

For more information about the forex rules, see question **22** and question **D15** or visit our website.

## ! DEFINITION

A **depreciating asset** is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

A **taxable purpose** is the purpose of producing assessable income, the purpose of exploration or prospecting, the purpose of mining site rehabilitation, or environmental protection activities.

## ➤ COMPLETING THIS QUESTION

Work out your project pool deduction and write the amount at **D** item **D14** on page 11 of your tax return. Do not show cents.

The amount is assessable income and must be shown at question **22 Other income** if, in the 2004–05 income year, you:

- recouped an amount of expenditure allocated to the project pool or
- derived a capital amount in relation to a project amount or something on which a project amount was expended.

If a project was abandoned, sold or otherwise disposed of in 2004–05 – whether or not the project had started to operate – you can claim a deduction for the 2003–04 closing pool value (if any) plus any project amounts allocated to the pool in the 2004–05 income year. Any amount you received for the abandonment, sale or other disposal is assessable income and must be shown at question **22**.

The closing pool value for 2004–05 is amount (a) less amount (d) in the worksheet. You will need that closing pool value to work out your deduction for project amounts for next year.

# QUESTION D15

# D15

## OTHER DEDUCTIONS

D15

DEDUCTIONS

**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 s42.

**YES**  Read below.

### **STOP**

Do not show at this question:

- expenses relating to your work as an employee
- expenses relating to income from carrying on a business as a sole trader (including personal services income)
- expenses relating to investment planning and advice involving shares, unit trusts and interest bearing deposits
- 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.

### YOU NEED TO KNOW

#### Expenses you may be entitled to claim

You may claim at this question:

- Election expenses for local, territory, state or federal candidates.
- Certain deductible capital expenditure not claimed in full prior to ceasing a primary production business where a deduction can be claimed in a subsequent year or years – for example, water conservation expenditure, which may be deducted over a three-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* (ITAA 1936).

For more information, see the section on **Sale or disposal of company bonds and convertible notes** in *You and your shares 2005* (NAT 2632–6.2005). This publication is available on our website or, to find out how to get a printed copy, see the inside back cover.

- 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.

- Amounts deductible under section 40-880 of the *Income Tax Assessment Act 1997* (ITAA 1997) (five-year write-off for certain business-related capital expenditure incurred after 30 June 2001) not claimed in full before you ceased business or before you stopped carrying on your business as an individual (for example, if you started to carry on your business through a company or in partnership).

- Simplified tax system (STS) pool deductions (for depreciating assets you allocated to an STS pool in a prior year) that you cannot claim at item **P8** on the *Business and professional items schedule for individuals 2005* (NAT 2816–6.2005) because you did not carry on business in 2004–05.

For further information, see *The simplified tax system: a guide for tax agents and small businesses* (NAT 6459).

- A deduction for the net personal services income loss of a personal services entity that related to your personal services income.
- United Medical Protection Limited (UMP) support payments.

#### Election expenses

Election expenses include a candidate's costs of contesting an election at a local, territory, state or federal level of government. A deduction for local government body election expenses cannot exceed \$1,000 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 – 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 our website or, to find out how to get a printed copy, see the inside back cover.

#### **NOTE**

A reimbursement in 2004–05 of any election expenses that you have claimed as a deduction in 2004–05 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 incurred 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 (supplementary section).

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 was paid for insurance against the loss of your income, then you cannot claim any deduction for the premium.

### Foreign exchange losses

You claim your Australian foreign source exchange losses (forex losses) at this question unless you carried on a business and included all your forex losses in calculating your business net income or loss at question **14**. Show any Australian assessable foreign exchange gains at item **22** on your tax return (supplementary section).

Foreign source forex losses are taken into account at question **19** (supplementary section).

Losses attributable to a fluctuation in a currency exchange rate or to an agreed exchange rate differing from an actual exchange rate are brought to account when they are realised. This is when you:

- dispose of foreign currency, or a right thereto
- cease to have a right to receive or pay foreign currency, or
- cease to have an obligation to pay or receive foreign currency.

Some forex losses are not deductible – for example, forex losses of a private nature, or in relation to exempt income. In some cases, forex losses on the acquisition of capital or depreciating assets, or on disposal of capital assets, are also not deductible. In these cases the losses are integrated into or matched with the taxation treatment of the underlying asset.

In some circumstances, you may make an election that affects the realisation or treatment of a forex loss. These are set out, together with more information about the measures and how to calculate your foreign exchange losses, on our website.

### 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 non-assessable non-exempt income that are payments out of attributed income and attributed foreign investment fund income under section 25-90 of ITAA 1997.

Debt deductions incurred in earning assessable income – for example, foreign source income that has been included at item **19** on your tax return (supplementary section) – 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. If you are an Australian resident and you (or any associate entities) have certain overseas interests, the thin capitalisation rules may apply. The rules apply if your debt deductions, (such as interest), combined with those of your associate entities are more than \$250,000 for 2004–05. If you are a foreign resident the rules apply if your debt deductions are more than \$250,000 for 2004–05. More information about thin capitalisation is available on our website.

### Section 40-880 deductions

This section allows you to claim a deduction for certain business-related capital expenditure over five income years. Capital expenditure which you may be able to deduct includes costs incurred in ceasing to carry on your business and the costs of converting your business structure to another structure (for example, the cost of transferring the business assets to a partnership which continues the business).

Claim amounts deductible under section 40-880 at this question if, for 2004–05, you ceased business or you stopped carrying on your business as an individual (for example, if you started to carry on your business through a company or in partnership).

➤ For more information about section 40-880 deductions, see the *Guide to depreciating assets 2005* (NAT 1996–6.2005). This publication is available on our website or, to get a printed copy, see the inside back cover.

### Net personal services income loss of a personal services entity that related to your personal services income

There are special rules for the income tax treatment of certain personal services income. Personal services income is income that is mainly a reward for your personal efforts or skills and is generally paid to you or to a personal services entity such as a company, partnership or trust.

Where the payment was made to a personal services entity and that entity incurred a personal services income loss relating to your personal services income, you can claim a deduction for that loss.

➤ For more information about net personal services income losses, see the *Personal services income schedule 2005* (NAT 3421–6.2005). This publication is available on our website or, to get a printed copy, see the inside back cover.

If you need help with these rules, phone the Business Tax Infoline (see the inside back cover).

### United Medical Protection Limited (UMP) support payments

You can claim a deduction for UMP support payments you made in 2004–05. This deduction applies to you if you would not otherwise be entitled to a deduction for your payments – for example, if you have retired.

## ➤ COMPLETING THIS QUESTION

### STEP 1 Election expenses

Add up all your deductible election expenses. Write the total amount at **E** item **D15** on page 11 of your tax return (supplementary section). Do not show cents. If you have no other expenses, go to **Check that you have . . .** Otherwise read on.

### STEP 2 Other expenses

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. Read on.

**STEP 3** Add up all the other expenses that you are claiming at this question – excluding election expenses.

**D15 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 deductible election expenses if any
- printed on your tax return the type of other 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.

### ! NOTE

If you were 55 years or older on 30 June 2005, you may be entitled to the mature age worker tax offset. Certain deductions from this question will be used to calculate your net income from working. You will need to show these at question **T12 Net income from working – supplementary section**. The Tax Office will then calculate your tax offset entitlement.

## TOTAL SUPPLEMENT DEDUCTIONS

### Did you claim any deductions at questions D11 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 **D11** to **D15** on your tax return (supplementary section).

**STEP 2** Write the amount from step 1 at **TOTAL SUPPLEMENT DEDUCTIONS** on page 11 of your tax return (supplementary section). 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 68 in *TaxPack 2005* to calculate your total deductions. Then work through the **Losses** section starting on page 69 in *TaxPack 2005*.

**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?**

**NO**  Go to question **T8**.

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

An RSA is a special 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.

### YOU NEED TO KNOW

You will be entitled to a tax offset of up to \$540 per annum if:

- 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.

#### ! 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.

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 **D9** or **D12** on their tax return.

In either case, phone the Superannuation Infoline (see the inside back cover) for help in working out your spouse’s assessable income before completing this question.

Your spouse’s reportable fringe benefits amounts are shown on their payment summaries.

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

- \$3,000, 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
- the total of your contributions for your spouse for the year.

### ▶ COMPLETING THIS QUESTION

**STEP 1** Write the total of your contributions at **Contributions paid** item **T7** on on page 12 of your tax return (supplementary section).

**STEP 2** If the sum of your spouse’s assessable income and total reportable fringe benefits amounts was \$10,800 or less, use **Worksheet 1**.

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

#### WORKSHEET 1

Maximum spouse contributions eligible for the tax offset	(a)	\$3,000
Amount of contributions paid	(b)	\$
Write the lesser of (a) or (b)	(c)	\$
Multiply (c) by 18 and divide by 100	(d)	\$

#### WORKSHEET 2

Maximum spouse contributions eligible for the tax offset	(a)	\$3,000
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 **T7**. 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 amounts. However, because the Tax Office uses taxable income to calculate many other entitlements, we ask you to record your spouse’s taxable income (not assessable income) at **Spouse details – married or de facto**.

# QUESTION T8

# T8

## ZONE OR OVERSEAS FORCES

T8

TAX OFFSETS

### 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, or
- served overseas as a member of Australia's Defence Force or a United Nations armed force.

**NO**  Go to question T9.

**YES**  Read below.

### YOU NEED TO KNOW

#### Zone tax offset

Remote areas are classed as either zone A and zone B. There are also special areas within these zones. If you do not know which zone your area is in, see pages s49–50.

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 2004–05, or
- 183 days or more during the period 1 July 2003 to 30 June 2005 – including at least one day in this income year – and you did not claim a zone tax offset in your 2004 tax return.

If you lived in a zone for less than 183 days in 2004–05, 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 five years after 1 July 1999 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 2004–05 was 183 or more.

#### EXAMPLE

Gary lived in a remote area from 1 March 2000 to 30 September 2004 – a continuous period of less than five years. He couldn't claim a zone tax offset for the first year because he lived there for only 122 days. However, he could carry forward these unused days to 2004–05. He now adds the number of days from 1 March 2000 to 30 June 2000 (122) and the number of days from 1 July 2004 to 30 September 2004 (92). As the total (214) is 183 or more days over the two income years, Gary can claim the tax offset on his 2004–05 tax return.

#### 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 2004–05 and income relating to that service was not specifically exempt from tax. Periods of service for which your income was exempt foreign employment income are excluded in working out your eligibility for the tax offset. Your employer will be able to advise you whether you

served in a locality that qualifies for the overseas forces tax offset. You can also get the localities that qualify for the overseas forces tax offset by visiting our website or phoning the Personal Tax Infoline (see the inside back cover).

To claim the full tax offset, you must have served in the overseas locality for 183 days or more in 2004–05. 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.

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 Forces, days spent in a zone must be Defence Force service.

#### ! IMPORTANT

If you qualify for both an overseas forces tax offset and a zone tax offset, you can claim only one of them. Claim the higher one.

#### ▶ COMPLETING THIS QUESTION

#### How to work out your tax offset if your circumstances were simple

**STEP 1** Your tax offset is the relevant amount in the table if:

- you lived or worked in only one zone or served in only one specified overseas locality for at least 183 days, as defined above, AND
- you are not eligible to claim any tax offsets at question T10 (parent, spouse's parent or invalid relative tax offset) AND
- you did not claim a tax offset at parts B or C of question T1 (child-housekeeper or housekeeper tax offset), AND
- your circumstances are shown in the **Tax offset amounts** table below.

If you cannot use the table you will need to work through **How to work out your tax offset if your circumstances were more complex** on the next page.

#### TAX OFFSET AMOUNTS

Your circumstances	Zone A	Zone B	Special area	Overseas forces
You were single with no dependent child or student for all of 2004–05	\$338	\$57	\$1,173	\$338
You are able to claim the maximum spouse (without child) tax offset (\$1,572) at question T1	\$1,124	\$371	\$1,959	\$1,124

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 farm help income support (previously known as restart income support), you must reduce the amount of your zone tax offset by this allowance.

**STEP 2** Write your tax offset amount less any remote area allowance (see below) at **R** item **T8** on page 12 of your tax return (supplementary section). Do not show cents. Go to question **T9**.

### How to work out your tax offset if your circumstances were more complex

You can either use our zone or overseas forces tax offset calculator on our website to work out your tax offset or read below.

The zone or overseas forces tax offset is made up of two 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 s48–9.

**TABLE A**

	Fixed amount	Percentage of base amount
Zone A	\$338	50%
Zone B	\$57	20%
Special area	\$1,173	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 **Final calculation** on page s48.

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 will form part of your base amount at **Table I** on page s48.

#### 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 you are not eligible to claim that offset, go to **Notional tax offset for dependent children or students** on this page.

If you are eligible to claim a parent, spouse's parent or invalid relative tax offset at question **T10** on page s53, you will need to work out that amount then come back to this question. Write the amount you have claimed at **T10** at (a) **Table I** on page s48. Read on.

#### Notional tax offset for dependent children or students

Your base amount will increase by the maximum amount shown in **Table B** below for each student aged under 25 on 30 June 2005 in full-time education at a school, college or university, and for each child under 16 on 30 June 2005 who, for the whole of 2004–05:

- was treated as an Australian resident
- was maintained by you, and
- had a separate net income (SNI) – see pages 73–4 in *TaxPack 2005* – 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** on page s48.

If two 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 2004–05
- the student was 16 years or older and was in full-time education for only part of 2004–05
- the child or student was maintained by you for only part of 2004–05
- the child was 16 at 30 June 2005 and not in full-time education, or
- the student was 25 at 30 June 2005.

Use **Table C** on the next page to work out the reduced notional tax offset.

**TABLE C**

Maximum notional tax offset for the child or student – from <b>Table B</b>	(a)	\$
Number of days you maintained your child or student and your child or student remained a dependant	(b)	
Number of days in 2004–05	(c)	365
Divide (b) by (c)	(d)	\$
Multiply (d) by (a)	(e)	\$

If the separate net income (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:

- \$1,785 for a student under 25 or the first child under 16 who is not a student, or
- \$1,409 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 <b>Table B</b> or (e) <b>Table C</b> 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 this page.

Use **Table E** to work out your notional spouse tax offset 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.

**TABLE E**

Write your 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)	\$	\$1,885 per year or \$5.16 per day
Your spouse's SNI – see pages 73–4 in <i>TaxPack 2005</i>	(b)	\$	
Income at which 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)	(f)	\$	

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 family tax benefit (FTB) Part B, use **Table F** on the next page.



TABLE F

	COLUMN 1 No other dependent child or student	COLUMN 2 Another dependent child or student
	\$1,572 or \$4.31 per day	\$1,885 or \$5.16 per day
Write your 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) \$	\$
Your child-housekeeper's separate net income (SNI) – see pages 73–4 in <i>TaxPack 2005</i>	(b) \$	\$
Income at which tax offset begins to reduce	(c) \$282	\$282
Take (c) away from (b) and divide by 4	(d) \$	\$
Take (d) away from (a)	(e) \$	\$

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 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:

- \$1,885 at (e) **Table I** if you had a dependent child or student, or
- \$1,572 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** on this page.

TABLE G

	No dependent child or student	With dependent child or student
Amount of tax offset	(a) \$4.31 per day	\$5.16 per day
Number of days you qualify for the housekeeper tax offset	(b)	
Multiply (a) by (b)	(c) \$	\$

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.

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. We do not consider you to have had sole care if you were 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 2004–05, you are entitled to a sole parent tax offset only in special circumstances. Generally, for special circumstances to exist, you must have been financially responsible for the dependent child or student and have had sole care, without the support a spouse normally provides.

Examples of situations where special circumstances may arise:

- You were married at any time during 2004–05 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 was medically certified as being permanently mentally incapable of taking part in caring for your child or student.

If you are unsure whether special circumstances applied, phone the Personal Tax Infoline.

#### 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.

We consider you 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 if the dependent child:

- was not receiving full-time education and turned 16 years of age during 2004–05, or
- was a full-time student and turned 25 years of age during 2004–05.

You are only entitled to claim the tax offset for that part of the year before the birthday.

If you had sole care of a child or student for the whole of 2004–05, write \$1,477 at (f) **Table I** and add up your base amount.

**NOTE**

If you were entitled to a spouse, housekeeper or child-housekeeper tax offset (parts 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**.

**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 <b>T1</b>	(a)	
Multiply (a) by \$28.40	(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 <b>T10</b>	(a)	\$
Spouse – from <b>Part A</b> question <b>T1</b> , or <b>Table E</b>	(b)	\$
Notional tax offset for dependent children or students – from <b>Table B</b> , <b>Table C</b> or <b>Table D</b>	(c)	\$
Child-housekeeper from <b>Part B</b> question <b>T1</b> or <b>Table F</b>	(d)	\$
Housekeeper – from <b>Part C</b> question <b>T1</b> , or <b>Table G</b>	(e)	\$
Sole parent – from <b>Table H</b>	(f)	\$
Add up all of these amounts	(g)	\$

The amount at (g) is your base amount.

Read on.

**Final calculation**

*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.

**STEP 1** Complete **Table J**.

**TABLE J**

Your fixed amount – from <b>Table A</b>	(a)	\$
Your base amount – from <b>Table I</b>	(b)	\$
Multiply (b) by the percentage figure from <b>Table A</b>	(c)	\$
Add (a) and (c)	(d)	\$
Any remote area allowance you received	(e)	\$
Take (e) from (d)	(f)	\$

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).

**STEP 2** Write your zone or overseas forces tax offset amount at **R** item **T8** on your tax return. Do not show cents. Go to question **T9**.

*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 100 days in zone A and 120 days in zone B. 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 Forces 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.

**STEP 1** Use **Table K** to work out your claim for each zone, special area or overseas locality you were in (as in the examples above).

**TABLE K**

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

**STEP 2** 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) <b>Table K</b>	(a)	\$
Any remote area allowance you received	(b)	\$
Take (b) away from (a)		
This is the amount you can claim		\$

If 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.

If you served in a specified overseas locality and you were in one or more zones for at least 183 days, the various amounts for each zone or locality are given at (g) **Table K**. Add up all the amounts at (g) **Table K** for each zone, special area or overseas locality. This is the overseas forces tax offset you can claim.

**STEP 3** Write your zone or overseas forces tax offset amount at **R** item **T8** on page 12 of your tax return (supplementary section). Do not show cents. Go to question **T9**.

## SELECTED LOCALITIES WITHIN THE ZONES AND SPECIAL AREAS

ZONE A	
Western Australia	Northern Territory
Bidyadanga (Lagrange)	Alice Springs*
Broome*	Batchelor
Carnarvon	Darwin
Dampier	Hermannsburg
Derby	Katherine*
Goldsworthy	Pine Creek
Karratha	Santa Teresa
Marble Bar	Tindal
Newman*	
Pannawonica	<b>Queensland</b>
Paraburdoo	Camooweal
Port Hedland*	Cloncurry
Roebourne	Mount Isa*
Shay Gap	
Tom Price*	
Wittenoom	

**T8**

TAX OFFSETS

<b>ZONE B</b>	
<b>Western Australia</b>	<b>Queensland</b>
Boulder	Airlie Beach
Coolgardie	Atherton
Esperance	Augathella
Kalgoorlie*	Ayr
Kambalda	Barcaldine
Leonora	Blackall
Mullewa	Bowen
Norseman	Cairns
Northampton	Cardwell
Ravensthorpe	Charleville
Southern Cross	Charters Towers
	Clifton Beach
	Collinsville
	Cunnamulla
	Greenvale
	Home Hill
	Ingham
	Innisfail
	Longreach
	Mackay
	Mareeba
	Mossman
	Port Douglas
	Proserpine
	Quilpie
	Sarina
	Tambo
	Townsville
	Tully
	Winton
<b>New South Wales</b>	
Bourke	
Brewarrina	
Broken Hill	
Cobar	
Collarenebri	
Lightning Ridge	
Menindee	
Wilcannia	
<b>Tasmania</b>	
Queenstown	
Rosebery	
<b>South Australia</b>	
Woomera	

**! 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.

<b>SPECIAL AREAS</b>	
<b>Western Australia</b>	<b>Queensland</b>
Balladonia	Boulia
Deakin	Burketown
Denham	Cooktown
Eucla	Doomadgee
Exmouth	Georgetown
Fitzroy Crossing	Helen Vale
Halls Creek	Hughenden
Kununurra	Julia Creek
Laverton	Karumba
Leinster	Kowanyama
Madura	Normanton
Meekatharra	Stamford
Mount Magnet	Thargomindah
Onslow	Weipa
Rawlinna	Windorah
Turkey Creek (Bow River)	
Wiluna	
Wyndham	
<b>Northern Territory</b>	
Alyangula	
Angurugu	
Borrooloola	
Elliott	
Galiwinku	
Jabiru	
Lajamanu/Hooker Creek	
Maningrida	
Milikapiti	
Milingimbi	
Nguiu	
Ngukurr	
Nhulunbuy (Gove)	
Numbulwar	
Oenpelli	
Papunya	
Ramingining	
Tennant Creek	
Yirrkala	
Yuendumu	
Yulara	
<b>Tasmania</b>	
Furneaux Group Islands	
King Island	
	<b>South Australia</b>
	Amata Aboriginal Community
	Coober Pedy
	Cook
	Innaminka
	Leigh Creek
	Marree
	Nullarbor
	Oodnadatta
	Penong
	Roxby Downs
	Tarcoola
	<b>New South Wales</b>
	White Cliffs
	<b>Islands and Territories</b>
	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, phone the Personal Tax Infoline.

## QUESTION T9

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

# T9

**T9****TAX OFFSETS**

#### Did you have net medical expenses over \$1,500 in 2004–05?

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 **T10**.

**YES**  Read below.

#### YOU NEED TO KNOW

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% – 20 cents in the dollar – of your net medical expenses over \$1,500. There is no upper limit on the amount you can claim.

#### ! NOTE

You can only claim medical expenses for those of your dependants who are **Australian residents for tax purposes** (see page 14 in *TaxPack 2005* for an explanation of this term).

The medical expenses must be for:

- you
- your spouse – married or de facto – regardless of their income
- your children who were under 21 years, including adopted and stepchildren, regardless of their income
- any other child under 16 years – not a student – who you maintained and whose separate net income (SNI) was less than \$1,786 for the first child and less than \$1,410 for the second child and any subsequent children
- a student under 25 years who you maintained and whose SNI was less than \$1,786
- a child-housekeeper but only if you can claim a tax offset for them at item **T1** on your tax return, or
- an invalid relative, parent or spouse's parent but only if you can claim a dependant tax offset at item **T10** (supplementary section).

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 **Did you have dependants waiting to migrate to Australia?** on page 73 in *TaxPack 2005*.

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 also 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
- maintaining a properly trained dog for guiding or assisting people with a disability (but not for social therapy)
- 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 – such as 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
- payments for life insurance medical examinations
- ambulance charges and subscriptions
- funeral expenses.

#### Nursing home (residential aged care facility) expenses

You can claim payments made to nursing homes or hostels (not retirement homes) if:

- the payments were made to an approved care provider AND
- the payments were made for residential aged care received by an approved recipient AND
- the recipient was assessed as needing care at levels 1 to 7.

If the recipient was not assessed as needing care at levels 1 to 7 but is subsequently reassessed at one of these levels, you can claim a tax offset for 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) has been assessed as requiring, please contact the nursing home or hostel.

Residential aged care payments can be for:

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

The tax offset does not cover the following payments:

- lump sum payments of accommodation bonds
- interest derived by care providers from the investment of accommodation bonds (because these are not payments for residential aged care).
- payments for 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
- payments for people assessed as requiring level 8 care.

### 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

To work out your tax offset, you can use the net medical expenses tax offset calculator on our website or use the worksheet below.

### WORKSHEET

Add up all your allowable medical expenses.	(a) \$
Add up all the refunds of these expenses which you have received or are entitled to receive.	(b) \$
Take (b) away from (a). This is your net medical expenses amount.	(c) \$
Take \$1,500 away from your net medical expenses shown at (c).	(d) \$
If the amount at (d) is \$0 or less, you cannot claim a tax offset.	
Divide (d) by 5 (to get 20%) This is your medical expenses tax offset.	(e) \$

Write the amount of your medical expenses tax offset at **X** item **T9** on page 12 of your tax return (supplementary section). Do not show cents.

# QUESTION T10

# T10

## PARENT, SPOUSE'S PARENT OR INVALID RELATIVE

T10

TAX OFFSETS

### Did you maintain your parent, your spouse's parent or an invalid relative?

**NO**  Go to question T11.

**YES**  Read below.

### YOU NEED TO KNOW

If you maintained your parent, your spouse's parent or an invalid relative you may be entitled to a tax offset. Before you complete this question, you need to read **Dependants and separate net income** on pages 73–4 of *TaxPack 2005*.

To complete this question you need to know each dependant's separate net income (SNI).

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, or
- your dependant lived in Australia for only part of the year.

If none of these points applies to you in relation to your dependant, you can claim the maximum tax offset for that dependant.

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.

### ▶ COMPLETING THIS QUESTION

To work out your dependant tax offset for a full year or part of the year, you can use the parent, spouse's parent or invalid relative tax offset calculator on our website, or follow the steps on this and the next page. You need to follow the steps for each dependent parent, spouse's parent or invalid relative. You will need to add up all your tax offset amounts before writing the total on your tax return.

**STEP 1** If you used our calculator, go to step 4.

**STEP 2** If your dependant's SNI was \$285 or less and you maintained them for the whole year, you can claim the maximum tax offset – \$708 for each dependent invalid relative and \$1,414 for each dependent parent or spouse's parent. Go to step 4.

If your dependant's SNI was \$285 or less and you maintained them for part of the year, go to worksheet 2.

If your dependant's SNI was \$286 or more, read on.

**STEP 3** If your dependant's SNI for the year was \$286 or more and you maintained them for:

- the whole year, use worksheet 1.
- part of the year, use worksheet 2.

### WORKSHEET 1

Write your dependant's SNI at (a).	(a) \$
Take \$282 away from (a) and write the amount at (b).	(b) \$
Divide (b) by 4 and write the amount at (c).	(c) \$
If the amount at (c) is \$708 or more for an invalid relative, or \$1,414 or more for a parent or spouse's parent, you cannot claim a tax offset for your dependant. Go to question T11. If it is less, read on.	
Take away the amount at (c) from \$708 for an invalid relative, or from \$1,414 for a parent or spouse's parent and write the answer at (d).	(d) \$

The amount at (d) is your dependant tax offset. Go to step 4.

### WORKSHEET 2

Work out the number of days in the year you maintained your dependant while they were an Australian resident.	(a)
Multiply the number of days at (a) by the following daily rate: ■ \$1.94 if you had an invalid relative ■ \$3.87 if you had a parent or spouse's parent.	(b) \$
If your dependant's SNI was \$285 or less, the amount at (b) is your offset. Go to step 4. Otherwise read on.	
If your dependant's SNI was \$286 or more during the period they were your dependant, write their SNI at (c).	(c) \$
Take \$282 away from (c) and write the amount at (d).	(d) \$
Divide (d) by 4 and write the amount at (e).	(e) \$
Take away the amount at (e) from the amount at (b) and write the answer at (f).	(f) \$

The amount at (f) is your dependant tax offset. Go to step 4.

**STEP 4** Write your parent, spouse's parent or invalid relative tax offset at **B** item T10 on page 12 of your tax return (supplementary section). Do not show cents.

## QUESTION T11

### LANDCARE AND WATER FACILITY

# T11

T11

TAX OFFSETS

#### 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 T12.

**YES**  Read below.

#### YOU NEED TO KNOW

This question only applies if your income tax liabilities from earlier years have not absorbed all of the excess or unused landcare and water facility tax offset available to you. The amount of your excess or unused tax offset is shown on your 2003–04 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 pages 16–17 in *TaxPack 2005*.

If you have unused net exempt income and you had taxable income this year you must reduce your brought forward landcare and water facility tax offset by 30 cents for every dollar of unused net exempt income.

If you do not have any unused net exempt income, go to **Completing this question**. If you have unused net exempt income, phone the Business Tax Infoline (see the inside back cover) for more information on how to calculate the brought forward landcare and water facility tax offset.

#### WHAT YOU NEED

Your 2003–04 notice of assessment.

#### ▶ COMPLETING THIS QUESTION

Write the amount of landcare and water facility tax offset brought forward at **T** item **T11** on page 12 of your tax return (supplementary section). Do not show cents.



# QUESTION T12

# T12

## NET INCOME FROM WORKING – SUPPLEMENTARY SECTION

T12

TAX OFFSETS

### THIS IS A NEW QUESTION

Were you an Australian resident aged 55 years or older on 30 June 2005?

NO  Go to question T13.

YES  Read below.

### YOU NEED TO KNOW

The Tax Office will automatically calculate your mature age worker tax offset based on the information you provide in your tax return (including this question).

At the time of printing *TaxPack 2005* the mature age worker tax offset legislation had not become law. You should still complete this question so that if the legislation is passed, we can calculate your entitlement to the offset.

#### DEFINITION

Your mature age worker tax offset is based on your **net income from working**, which is:

- income that is mainly a reward for your personal effort or skills less any related deductions, or
- income from a business that you carry on, less any related deductions.

### COMPLETING THIS QUESTION

We will work out your net income from working in relation to any questions you filled out in *TaxPack 2005*. However, we need you to work out your net income from working in relation to any questions you filled out in *TaxPack supplement 2005*. To do this complete the worksheet below.

### WORKSHEET

		Loss	
<b>STEP 1</b> Transfer the income amounts from the relevant questions you have completed in your tax return (supplementary section) to the boxes below. If you have a loss, print <b>L</b> at the loss box to the right.			
Primary production – distribution from partnerships (N item 12)	\$		
Non-primary production – distribution from partnerships less foreign income (O item 12)	\$		
Net PSI (A item 13)	\$		
Net income or loss from business – primary production (B item 14)	\$		
Net income or loss from business – non-primary production (C item 14)	\$		
Deferred non-commercial business losses (H item 15)	\$		
Add up all the income amounts and deduct any loss amounts (a)	\$		

**STEP 2** Work out the following income amounts. For some people the amounts you show in the boxes below will only be part of the amounts you have shown on your tax return (supplementary section).

From item 16 – only your farm management withdrawals (not your deposits)	\$	
From L item 19 – only your net foreign employment income (not foreign pension or annuity income)	\$	
From V item 22 – only the following income:		
■ income from activities as a special professional that you have not included at items 1, 2, 12, 13 or 14	\$	
■ sickness and accident policy payments	\$	
■ discounts on shares or rights received under an employee share scheme where the shares or rights were issued to you this year	\$	
■ allowances or payments received as a member of local government council	\$	
Add up all the income amounts (b)	\$	
<b>Total income</b>		<b>Loss</b>
Add (a) and (b) (c)	\$	

**STEP 3** Transfer the deduction amounts from the relevant questions you have completed in your tax return (supplementary section) to the boxes below.

Landcare operations and deduction for the decline in value of water facility (I item 12)	\$	
Landcare operations expenses (J item 12)	\$	
Add up all the deduction amounts (d)	\$	

**STEP 4** Work out the following deduction amounts. For some people the amounts you show in the boxes below will only be part of the amounts you have shown on your tax return (supplementary section).

From **X** item **12** – the total deductions that relate to your share of primary production income or loss from a partnership (not from a trust) \$

From **Y** item **12** – the total deductions that relate to your share of non-primary production income or loss from a partnership (not from a trust) \$

From **J** item **D15** – only the following deductions:

- sickness and accident insurance premiums \$
- debt deductions incurred in earning assessable income (not certain foreign exempt income) \$
- Section 40-880 deductions \$
- net PSI loss of a personal services entity that related to your personal services income \$

Add up all the deduction amounts (e) \$

**Total deductions**  
Add (d) and (e) (f) \$

**STEP 5** Calculate your net income from working (supplementary section).  
If (c) is not a loss then (c) – (f) = (g) **Loss**  
If (c) is a loss then (c) + (f) = (g) (g) \$

The amount at (g) is your net income or loss from working (supplementary section)

**STEP 6** Write the amount at (g) at **M** item **T12** on page 12 of your tax return (supplementary section). If you have a loss, print **L** in the box  at the right of **M**. Even if you have a loss you may be still entitled to the offset.

## DO YOU WANT TO WORK OUT YOUR TAX OFFSET?

You do not have to work out your tax offset. We will work out your net income from working based on the information you provide in your tax return (including this question).

If you do want to work out your tax offset, go to page 125 in *TaxPack 2005*.

## CHECK THAT YOU HAVE . . .

- written your net income from working – supplementary section at item **T12**.
- written your date of birth on page 1 of your tax return.
- completed the Australian residency question on page 1 of your tax return.

# QUESTION T13

# T13

## OTHER TAX OFFSETS

T13

TAX OFFSETS

### 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**
- OR**
- **did you perform work or services in the Joint Petroleum Development Area (JPDA) of the Timor Sea?**

**NO**  Go to **Total supplement tax offsets** on page s59.

**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 (supplementary section).

### 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 for approved conservation expenditure of \$5,000 or more on buildings or structures listed on a Commonwealth, state or territory heritage register. Your offset is 20% of the expenditure.

To be eligible for a tax offset, you will need to have a final certificate from the Department of Environment and Heritage that states that you paid an amount of \$5,000 or more for eligible heritage conservation works. You can claim the tax offset in 2004–05 if you applied for the final certificate in 2004–05.

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

### 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 claim a tax offset for each dollar of interest you received from loans or securities issued before 1 November 1968 by the Commonwealth Government or a state or local government authority or a bank, where the security was free from state income tax at the time of issue. Your offset is 10% of the amount.

Show your interest income at item **10** on page 2 of your tax return if you have not already done so.

Work out the amount of interest you received in 2004–05 from these types of securities. Divide this amount by 10. This is your interest tax offset.

### PART C

#### Are you entitled to a tax offset for interest from the land transport facilities tax offset scheme or infrastructure borrowings scheme?

**NO**  Go to **Part D**.

**YES**  Read below.

You may be able to claim a tax offset if:

- you derived any interest from the land transport facilities tax offset scheme, or
- you 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%.

#### ! NOTE

If your interest derived from the land transport facilities tax offset scheme is subject to an annual upper limit under an agreement between the lenders, 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 amount 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.

**PART D****Did you receive income for work or services performed in the Joint Petroleum Development Area (JPDA) of the Timor Sea?**

**NO**  Go to **Completing this question**.

**YES**  Read below.

You will need a copy of the *Joint Petroleum Development Area instruction sheet* (NAT 8277), available on our website, to work out how to deal with your JPDA income. The instruction sheet will tell you how to complete your tax return so that you receive a correct assessment.

**▶ COMPLETING THIS QUESTION**

**STEP 1** Add up all your offset amounts at this question. Write the total at **C** item **T13** on page 12 of your tax return (supplementary section). Do not show cents.

**STEP 2** Complete the **CLAIM TYPE** box  at the right of **C** item **T13** as follows:

- If you are claiming a tax offset under **Part B** for interest from government securities, leave the **CLAIM TYPE** box blank – whether or not you are claiming an amount under any other part of this question.
- If you are claiming a tax offset under **Part A** for heritage conservation work or a JPDA tax offset under **Part D**, print **H** in the **CLAIM TYPE** box.
- If you are claiming a tax offset under the land transport facilities tax offset scheme or infrastructure borrowings scheme under **Part C**, print **I** in the **CLAIM TYPE** box.
- If you are claiming for more than one type of tax offset and code letters **H** and **I** apply, choose the code letter that applies to the largest amount and print it in the **CLAIM TYPE** box.

## Did you claim any tax offsets at questions T7, T8, T9, T10, T11 and T13?

**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 **T7, T8, T9, T10, T11** and **T13** 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 (supplementary section). 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 98 in *TaxPack 2005* to calculate your total tax offsets.

### NOTE

We use the amount at **T12** to work out your mature age worker tax offset entitlement. Do not include this amount in your **TOTAL SUPPLEMENT TAX OFFSETS**.

#### In 2004–05 did a trust, company or partnership distribute anything to you on which family trust distribution tax has been paid?

Distributions on which family trust distribution tax is payable may include:

- income or property from a trust or partnership
- dividends or property from a company
- the use of property owned by the trust, partnership or company for which you have not paid full value, such as the free use of a holiday house.

The trust, partnership or company should be able to tell you if family trust distribution tax has been paid on a distribution to you.

**NO**  Go to question **A4**.

**YES**  Read below.

#### YOU NEED TO KNOW

Family trust distribution tax is payable on any distribution made to a person outside a 'family group' by a trust which has elected to be a family trust or by a trust, partnership or company which has elected to be included in the family group of a family trust.

To the extent that family trust distribution tax has been paid on a distribution to you, the part of that distribution that is included in your assessable income is reduced proportionately. However, any part of the distribution that would have been included in your assessable income if family trust distribution tax had not been paid – reduced by any expenses that would have been deductible against it – is taken into account in determining your liability for the Medicare levy surcharge and the superannuation contributions surcharge. This is the amount that should be shown at this question.

#### EXAMPLE

During 2004–05 the Jones family trust distributed \$1,000 to Anne-Marie. The Jones family trust had elected to be a family trust from before the time the distribution was made but, because Anne-Marie is not a member of the family group of the Jones family trust, family trust distribution tax is payable on the \$1,000 distribution. This was paid in full by the trustee of the Jones family trust.

As a result, Anne-Marie does not include in her assessable income any part of the \$1,000 distribution. Instead Anne-Marie shows at this question the \$1,000 distribution from the Jones family trust less any expenses that would have been deductible against it.

However, had family trust distribution tax not been paid, Anne-Marie would have had to include in her assessable income any part of the distribution that was assessable.

#### ▶ COMPLETING THIS QUESTION

**STEP 1** Add up the amounts or value of all distributions to you by a trust, partnership or company during 2004–05 which would have been assessable income if family trust distribution tax had not been paid.

**STEP 2** Add up any expenses which you would have been able to claim as a deduction if the distributions had been included in your assessable income.

**STEP 3** Take away your step 2 amount, if any, from your step 1 amount.

**STEP 4** Write the amount from step 3 at **X** item **A3** on page 12 of your tax return (supplementary section). Do not show cents. If the amount from step 3 is zero or less than zero do not write anything. You have finished this question.

## QUESTION A4

### AMOUNT ON WHICH ULTIMATE BENEFICIARY NON-DISCLOSURE TAX WAS PAYABLE

# A4

**A4****ADJUSTMENTS**

#### Did you receive a distribution of income from a trust on which the trustee was liable for ultimate beneficiary non-disclosure tax?

The trustee should be able to tell you if ultimate beneficiary non-disclosure tax was payable on a distribution made to you.

**NO**  Go to question **C1**.

**YES**  Read below.

#### YOU NEED TO KNOW

Ultimate beneficiary non-disclosure tax is payable by the trustee of a closely held trust where net income of the trust is distributed to another trust and the trustee does not, or cannot, disclose to the Tax Office the name and certain other details about the person or persons who are ultimately entitled to that income.

Any trust distribution you receive on which the trustee was liable for ultimate beneficiary non-disclosure tax is not included in your assessable income, and you do not pay income tax, Medicare levy or Medicare levy surcharge on it. However, the distribution is taken into account in determining your liability for superannuation contributions surcharge. You must show the amount of this distribution on your tax return (supplementary section).

Any distribution that you show can be reduced by expenses you would have been able to claim as a deduction if the distribution had been included in your assessable income.

#### EXAMPLE

During 2004–05, the Jones trust distributed \$1,000 to the Smith trust. The Smith trust distributed the \$1,000 to Elwin. The trustee of the Jones trust did not disclose to the Tax Office the name and tax file number of the person ultimately entitled to that distribution and therefore an ultimate beneficiary non-disclosure tax liability arose on the \$1,000. The liability was paid in full by the trustee of the Jones trust. As a result Elwin does not include in his assessable income any part of the \$1,000 distribution, but he does show the \$1,000 distribution – less any expenses that would have been deductible against it – at this question.

#### WHAT YOU NEED

- a statement or advice from the trustee showing any distribution on which the trustee was liable for ultimate beneficiary non-disclosure tax
- details of any deductions you could have claimed against that distribution.

#### ▶ COMPLETING THIS QUESTION

**STEP 1** Add up all the trust distributions you received during 2004–05 on which the trustee was liable for ultimate beneficiary non-disclosure tax.

**STEP 2** Add up any expenses which you would have been able to claim as a deduction for 2004–05 if the trust distributions had been included in your assessable income.

**STEP 3** Take away the amount at step 2, if any, from the amount at step 1.

**STEP 4** Write the amount from step 3 at **Z** item **A4** on page 12 of your tax return (supplementary section). Do not show cents.

If the amount from step 3 is zero or less than zero, do not write anything. You have finished this question.

# Credit for interest on tax paid

## QUESTION C1

# C1

### CREDIT FOR INTEREST ON EARLY PAYMENTS

**C1****CREDIT FOR INTEREST ON TAX PAID**

During 2004–05, did you make any of the following payments to the Tax Office more than 14 days before the due date:

- 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 (SFSS) debt shown on your notice of assessment
- interest on distributions from non-resident trust estates
- an income tax penalty for the 1999–2000 and earlier income years
- a general interest charge for lodging a late income tax return for income years up to and including 1999–2000, or
- a general interest charge on the shortfall of tax relating to an amended assessment for income years up to and including 1999–2000?

**NO**  Go to the **Checklist** on the next page.

**YES**  Read below.

You can claim for interest on early payment either by writing to the Tax Office for a direct payment or by answering this question. A direct payment of interest can only be made if it is greater than \$5. If you have already requested the direct payment of interest on your early payment, do not claim interest at this question.

#### WHAT YOU NEED

- notification from the Tax Office 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 Tax Office. Allow three 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 and SFSS
- PAYG instalments.

➤ For more information, read the publication *Interest on early payments and overpayments of tax 2005* (NAT 2277–6.2005) or Chapter 82 of the *ATO Receivables Policy*, 'Interest on early payments'. The publication and policy are available on our website or, to find out how to get a printed copy, see the inside back cover.

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 us. When you receive your 2004–05 notice of assessment, it will show the amount of interest you have received. You must show this interest as income on your 2005–06 tax return.

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. The interest period ends on the due date for payment. For example, a notice of assessment issued to you on 19 September 2004 showed an amount of tax payable. If the amount was due on 21 November 2004 but you paid early, on 1 November 2004, the interest period would be 21 days – 1 November to 21 November.

The interest rate applying for each quarter of 2004–05 is shown below:

#### INTEREST RATES FOR EARLY PAYMENTS CALCULATION

Period	Interest rate (% pa)
1 July 2004 to 30 September 2004	5.51
1 October 2004 to 31 December 2004	5.44
1 January 2005 to 31 March 2005	5.43
1 April 2005 to 30 June 2005	5.63

#### ➤ COMPLETING THIS QUESTION

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

**STEP 1** Work out by how many days your payment was early. This is the number of days from:

- the later of:
  - the date you paid the amount
  - the issue date on your notice informing you of the amount of tax, debt, interest or instalment
- 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 2004 to 30 September 2004, multiply by 5.51 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 page 12 of your tax return (supplementary section). 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.