

# TaxPack 2008 supplement

To help you complete the supplementary section  
of your tax return **1 July 2007 – 30 June 2008**



**Lodge online.**

- Use e-tax to prepare and lodge your tax return online.
- Most refunds are issued within 14 days.
- Go to [www.ato.gov.au](http://www.ato.gov.au)



**Use this publication  
if directed to by  
*TaxPack 2008.***



**Lodge your tax return  
by 31 October 2008.**



## OUR COMMITMENT TO YOU

We are committed to providing you with guidance you can rely on, so we make every effort to ensure that our publications are correct.

If you follow our guidance in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our guidance in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at [www.ato.gov.au](http://www.ato.gov.au) or contact us.

This publication was current at **May 2008**.

## DO YOU NEED THIS SUPPLEMENT?

*TaxPack 2008 supplement* contains instructions for completing the supplementary section (pages 9–12) of the tax return for individuals. Two copies of the *Tax return for individuals (supplementary section) 2008* 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 1–8). You will need to attach the supplementary section to the main part to lodge your tax return.

Remember, *TaxPack 2008 supplement* does not replace *TaxPack 2008*; it is used in conjunction with *TaxPack 2008*.

---

### © COMMONWEALTH OF AUSTRALIA 2008

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth available from the Attorney-General's Department. Requests and enquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney-General's Department, Robert Garran Offices, National Circuit, Barton ACT 2600 or posted at <http://www.ag.gov.au/cca>

### PUBLISHED BY

Australian Taxation Office  
Canberra  
May 2008

# CONTENTS

The section headings and question numbers are colour-coded to match those on the tax return for your ease of reference.

Check the list of questions below to find out if you need to use *TaxPack 2008 supplement* and complete the supplementary section of your tax return (pages 9–12).

## INCOME

<b>13</b>	Partnerships and trusts	s2
<b>14</b>	Personal services income (PSI)*	s7
<b>15</b>	Net income or loss from business*	s9
<b>16</b>	Deferred non-commercial business losses*	s12
<b>17</b>	Net farm management deposits or withdrawals	s14
<b>18</b>	Capital gains*	s16
<b>19</b>	Foreign entities*	s20
<b>20</b>	Foreign source income and foreign assets or property	s21
<b>21</b>	Rent*	s27
<b>22</b>	Bonuses from life insurance companies and friendly societies	s29
<b>23</b>	Forestry managed investment scheme income	s30
<b>24</b>	Other income	s32
	Total supplement income or loss	s35

## DEDUCTIONS

<b>D10</b>	Australian film industry incentives*	s36
<b>D11</b>	Deductible amount of undeducted purchase price (UPP) of a foreign pension or annuity	s36
<b>D12</b>	Personal superannuation contributions	s38
<b>D13</b>	Deduction for project pool	s41
<b>D14</b>	Forestry managed investment scheme deduction	s43
<b>D15</b>	Other deductions	s44
	Total supplement deductions	s46

\* These questions have a related publication which you may need to read before you can complete the item on your tax return. Details are explained in the relevant question.

## NOTE

*TaxPack 2008 supplement* with the *Tax return for individuals (supplementary section) 2008* contains questions and items which are not included in *TaxPack 2008* and the *Tax return for individuals 2008*. When using *TaxPack 2008 supplement* you must also use *TaxPack 2008* to complete all of your tax return (pages 1–12).

## TAX OFFSETS

<b>T7</b>	Superannuation contributions on behalf of your spouse	s47
<b>T8</b>	Zone or overseas forces	s48
<b>T9</b>	20% tax offset on net medical expenses over the threshold amount	s55
<b>T10</b>	Parent, spouse's parent or invalid relative	s57
<b>T11</b>	Landcare and water facility	s58
<b>T12</b>	Net income from working – supplementary section	s59
<b>T13</b>	Entrepreneurs tax offset	s61
<b>T14</b>	Other tax offsets	s64
	Total supplement tax offsets	s65

## ADJUSTMENT

<b>A3</b>	Amount on which family trust distribution tax has been paid	s66
-----------	---	-----

## CREDIT FOR INTEREST ON TAX PAID

<b>C1</b>	Credit for interest on early payments	s67
-----------	---------------------------------------	-----

## INFORMATION

	Checklist – tax return pages 9–12	s68
	Publications/Infolines	inside back cover

## 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 of your tax return.

### 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 **A3**, if required to do so
- completed item **C1**, if required to do so
- if you were asked to do so, filled in the boxes  or  at items **13, 14, 15, 17, 20, 21** and **TOTAL SUPPLEMENT INCOME OR LOSS**, and the  boxes at items **T12, T13** and **T14**

- completed the *Business and professional items schedule for individuals 2008* (NAT 2543) if you answered **YES** at question **13** (if you had a net loss), **14, 15** or **16**. If you had tax withheld from your business or personal services income, you must also have completed an *Individual PAYG payment summary schedule 2008* (NAT 3647)
- attached to page 3 of your tax return all attachments as instructed by any section or question in *TaxPack 2008 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.

Go to page 98 in *TaxPack 2008* and continue working through *TaxPack*.

## MORE INFORMATION

### PUBLICATIONS

(including taxation rulings, practice statements and forms)

To get publications referred to in *TaxPack 2008 supplement* you can:

■ **visit our website** [www.ato.gov.au/publications](http://www.ato.gov.au/publications)

■ **phone our Publications Distribution Service** **1300 720 092**

Before you phone, check whether there are other publications you may need – this will save you time and help us. For each publication you order, quote the full title printed in *TaxPack 2008 supplement*. An automated self-help publications ordering service is available 24 hours a day every day where you know the title of the publication. Alternatively, you can speak to an operator between 8.00am and 6.00pm Monday to Friday.

■ **visit a Tax Office shopfront.**  
See page 131 in *TaxPack 2008* for our addresses.

### YOU CAN VISIT OUR WEBSITE

You can visit our website at [www.ato.gov.au](http://www.ato.gov.au) for information on anything that you read in *TaxPack 2008 supplement*.

You can use the tools and calculators on the website to help you complete your tax return.

### INFOLINES

If you have an enquiry about your tax, phone the relevant infoline below. Make sure you have *TaxPack 2008* and *TaxPack 2008 supplement* handy when you phone us.

We can offer a more personalised service if you provide your tax file number (TFN) and have your last notice of assessment with you when you phone us.

If you require access to your Tax Office records you will be asked to prove your identity by providing your TFN and either details from your last notice of assessment or some personal details.

Our infolines are open Monday to Friday 8.00am to 6.00pm except where otherwise indicated. Our automated services are available 24 hours a day, every day of the year.

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

#### Phoning from overseas

If you are phoning us from overseas: **+61 2 6216 1111**

Phone during our business hours, 8.30am to 4.45pm (Australian Eastern Standard or daylight-saving time). Note that our infoline numbers may not work from all countries.

You can also fax us: **+61 2 6216 2830**

**Personal Infoline** **13 28 61**

Phone between 8.00am and 6.00pm. Enquiries about the following subjects can be made to this service:

- tax affairs for seniors who are retired or planning to retire
- family tax benefit and baby bonus
- tax file numbers
- pay as you go (PAYG), including instalment activity statements

- student loan schemes (HECS, HELP and SFSS)
- capital gains, rental income, foreign income and questions in *TaxPack 2008 supplement*
- e-tax
- notice of assessment
- general income tax, including replacement cheque and account queries, lodgment and queries about questions in *TaxPack 2008*
- binding oral advice.

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

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

Fax (FREECALL) **1800 060 063**

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

For enquiries about direct deposit of your tax refund

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

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

**Aboriginal and Torres Strait Islander Infoline** **13 10 30**

Specialises in helping Indigenous clients with their personal tax matters

**Tax Office personal self-help** **13 28 65**

Our automated phone 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
- order a publication where you know the title of the publication.

**Note:** Although providing your TFN is voluntary, you need to quote your TFN to use these self-help services (except publications ordering).

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

If you have a hearing or speech impairment, see page 6 in *TaxPack 2008*.

If you have a vision impairment you can prepare your tax return on your personal computer and lodge online using e-tax which is available on our website. You will need the internet and screen reader and/or screen magnification software. We recommend that you use a Microsoft Windows operating system.

We have available free audio tapes and e-text versions of *TaxPack 2008* and *TaxPack 2008 supplement*. To get copies of these phone: **13 28 61**

#### 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

## A

ABN, *see* Australian business number  
 Aboriginal people, help with tax return, 3, 5  
 ABR, *see* Australian Business Register  
 ABSTUDY, 13, 23, 53, 73–4  
 accident insurance, *see* sickness and accident insurance  
 accommodation component of scholarships, 71  
 accommodation expenses, 49–50  
 accounts, *see* financial institution accounts  
 activity statements, 33, 65  
 adjusted fringe benefits, 76  
 adjusted taxable income, 73–7  
 adjustments, 108–9, s66  
 balancing, 56, s34  
 project pool values, s42  
 Administrative Appeals Tribunal, 65, s34  
 adoptive parent, 95  
 advance (prepaid) expenditure, 41, s27–8  
 advertising expenses, s27  
 advice, non-logging, 3–4, 112  
 adviser, tax, 65  
 age,  
   of children for family tax benefit, 71–4  
   oldest person covered by private health insurance policy, 91  
   personal superannuation contributors, s38–40  
   over 55, 8, 97, 124  
   under 18, 108  
   *see also* dependants; senior Australians  
 age pension, 24, 86  
 aged care, residential, s56  
 agents  
   property, s27  
   tax, 5, 9, 12, 56, 65, 72, 114  
 agriculture, *see* primary production  
 Agriculture, Fisheries and Forestry, Minister for, s14  
 air fares, *see* travel  
 allowances, earnings, 16–17, 41  
 allowances, government, *see* government pensions  
 amendment of assessment, 9, 113, s67  
 amendment period, 8, 113, 116  
 ancillary (general) health insurance cover, 98, 104  
 annual leave, unused, 18, 71  
 annuities, *see* superannuation and annuities  
 antiques, *see* capital gains  
 appeals, 65, s31  
 apportionment rules, 41  
 approved deposit funds, *see* superannuation and annuities  
 artificial limbs or eyes, s55  
 artists, *see* special professionals  
 assessable balancing adjustment, s32, s34  
   assessment, *see* notice of  
   *see also* amendment of assessment  
 assessment period family tax benefit, 73–7  
 assets, s16–18  
   foreign, s21–2, s27, s36  
   transferred to/from non-resident entities, s20, s21, s24  
   *see also* capital gains; depreciating assets;  
   disposal of; dividends; gifts  
 Assistance for Isolated Children Scheme, 13  
 association subscriptions, 57  
 attorney, power of, 5, 9  
 attributed foreign income, *see* foreign income  
 attributed personal services income, 32, 124  
 auctions, charitable, 62  
 Austrade approved projects, work on, s23  
 Australian-American Educational Foundation, 13  
 Australian business number (ABN), 2–3, 15–16, 19–21  
   amounts withheld because not quoted, 34, 39  
 Australian Business Register (ABR), 117  
 Australian Defence Force, *see* Defence Force  
 Australian Federal Police, 74  
 Australian film industry incentives, s36  
 Australian franking credits from NZ companies, s2, s21–6  
 Australian Government pensions and payments, *see* government pensions  
 Australian Government Regional Information Service, s14  
 Australian police force, 14, 29

Australian Protective Services, 14, 29  
 Australian resident, 2–3, 11, 19–21, 84, s59–60  
   became/stopped being, 7, 12, 109, 120  
   company, 36–7  
   dependants, 71, 74, 95  
   for family assistance purposes, 73  
   overseas interests, 56, s20–1, s26, s45  
   tax offset eligibility, 70, 71, 77, 79–84, 86, 97, s47, s55  
   *see also* foreign income; migrants; non-residents;  
   temporary residents  
 Australian Tax Office, *see* Tax Office  
 Australian Valuation Office (AVO), 61–3  
 Austrian pensions, s22, s36  
 austudy payment, 13, 23, 55  
 authors, *see* special professionals  
 averaging, s4, s31  
 AVO, *see* Australian Valuation Office  
 award transport payments, 17, 41, 45, 50, 52

## B

baby bonus, 3, 5, 12–13, 71–2, 78, 95–6, 112, 119, 129, 130  
 balanced trusts, *see* trusts and trust income  
   balancing adjustments, 44, 53, 56, s32–4  
 bank accounts, *see* financial institution accounts  
 bankruptcy, 68, 105, s2  
 Farm Management Deposits Scheme, s14  
 beneficiary tax offset, 23, 120, 123  
 benefits, *see* government pensions  
 bereavement, *see* death  
 Biodiversity Conservation Branch, 63  
 blind people, 102, 108  
   carers of, s55  
 body corporate fees, s27  
 bond money, s27  
 bonus shares, 35  
 bonuses, 15–16  
   foreign employment, s23–4  
   life insurance companies and friendly societies, 7, 39, 130, s29  
 books, 56–7  
 boots, 52  
 borrowed money, *see* loans  
 bridge tolls, 42, 43, 49  
 British pensions, s22, s37  
 BSB number, 12  
 building society accounts, *see* financial institution accounts  
 bursaries and scholarships, 13, 39, 71–2, s32–4  
 bus fares, *see* work-related expenses  
 business establishment costs, s45  
 business income, s2–15, s20–1  
   *see also* losses  
 Business Register (ABR), 117

## C

capital expenditure, s41–2  
   rental properties, s28  
   section 40–880  
   deductions, s45  
 capital gains and losses, s16–19  
   listed investment company (LIC) amount, 35, 60  
   under 18 excepted net income, 108  
 carer, 13, 24, 69, 71–2, 108, s55  
   exempt income, 12–13  
   one-off payment, 71  
   *see also* dependants, family tax benefit  
 carry-forward losses, 69, s24  
 cars and motor vehicles, work-related, 43–8, 50  
   allowances and reimbursement of expenses, 17  
   borrowed, 50  
   dependants', 72  
   parking and toll fees without receipts, 37  
   as prizes, s34  
 cash management accounts, 60  
 cash management trusts, *see* trusts and trust income  
 casual jobs, income from, 15–17  
 CDEP, *see* Community Development Employment Project  
 Centrelink payments, *see* government pensions  
 'cents per kilometre' method, 45–8, 50, 54, 72  
 charitable gifts and donations, 61–4  
 chemists' expenses, s55

child care, 13, 54–5, 56, 70, 71–2  
   tax rebate, 13, 71–2  
 child care benefit (CCB), 13, 71–2, 111, 115, 119, 130  
 children  
   financial institution accounts, 29  
   government pensioners and beneficiaries, 13, 23, 108  
   child-housekeeper, 71, 79–85, 101, s48–52, s55–6  
 Child Support Agency (CSA), 70, 74, 115–16, 117, 119  
 child support (maintenance), 2, 14, 33, 74–7  
   exempt income, 14, 70  
   family tax benefit and, 72–3, 75  
   liable parent, 2  
   zone or overseas forces tax offset for, s48–52  
   *see also* baby bonus; dependants; shared care  
 cleaning, dry-, *see* laundry  
 cleaning, home office, 57  
 clothing for work, *see* work-related clothing  
 co-ownership of rental properties, s27  
 collectables, *see* capital gains  
 commissions, 15, 16  
   foreign employment, s23  
   to property agents, s27  
 Commonwealth Ombudsman, 118  
 Commonwealth pensions, *see* government pensions  
 Commonwealth scholarships or bursaries, 13, 71, s32–4  
 Commonwealth secondary education assistance, 13  
 Commonwealth Superannuation Scheme, 25  
   *see also* superannuation  
 Commonwealth Trade Learning Scholarship, 13  
 Communications, Information Technology and the Arts, Minister for, 63  
 Community Development Employment Project (CDEP) 15, 23  
 community infrastructure, creating or upgrading, s41  
 companies  
   controlled foreign company measures, s20  
   director's fees, 16–17, 32  
   foreign, s20–26  
   non-assessable payments, s16–19  
   personal services income attributed to you, 32  
   *see also* dividends (distributions)  
 compensation payments, 14, 72  
   *see also* insurance  
 complaints, *see* objections/complaints  
 composers, *see* special professionals  
 computers, 57  
 conduit foreign income, 36–7  
 conferences, seminars and workshops, 53, 56–7  
 conservation covenants, 61–5  
 construction costs  
   project pools, s41–2  
   rental properties, s28  
 consular staff, 102–3  
 contact lenses, s50  
 contractors, independent, s7–8, s9  
 controlled foreign companies, s20–1  
 cosmetic operations, s55  
 costs, *see* deductions  
 councils, *see* local government  
 course fees, 54–5  
 credit union accounts, *see* financial institution accounts  
 credits, *see* tax credits  
 CSA, *see* Child Support Agency  
 cultural bequests or gifts, *see* gifts and donations  
 currency exchange, *see* foreign exchange  
 Cyclone Larry or Cyclone Monica payment, 23

## D

date for lodging return, 9  
   *see also* late lodgment  
 de facto spouse, *see* spouse  
 death, 11, 14  
   benefit, 14, 19–22, 25–6, 28, 30–1, 91–2, 120  
   bereavement payment, 13, 73, 77  
   transfer of property at, 108  
   spouse, 100–1, 106  
   *see also* widows/widowers  
 debt deductions, 56, s45  
   *see also* interest

- debt, forgiven, 36  
 deceased estate, 3, 11, 19, 28, 108, s14  
 decline in value, see depreciating assets  
 deductions, 7–9, 17, 32, 33, 34, 41–60, 108,  
 112–13, 119, 120–4, s36–46  
 Farm Management Deposit withdrawals, s14–15  
 partnership and trust distributions, s4–5  
 rental income, s27–8  
 small business entity turnover and, s62–3  
 Defence Force personnel, 14, 37, s48–52  
 exempt income, 12–14  
 income support allowance (DFISA), 12–13, 24  
 Medicare levy exemption, 102  
 MRCA Education Allowance, 13, 23  
 United Nations, 14, 97  
 see also government pensions and allowances;  
 veterans
- deferred losses  
 capital, s16  
 non-commercial business, s2, s4–5, s12–13  
 dependants, 70  
 section 40-880 deductions, s45  
 used to reduce foreign source income, s25  
 demerger dividends, 35–6  
 dentist/orthodontist/oral health expenses, s55  
 Department of Education, Employment and  
 Workplace Relations, 5, 39, 54, 116  
 Indigenous Tutorial Assistance Scheme, s7, s9  
 Department of Families, Housing, Community  
 Services and Indigenous Affairs, 116  
 Department of Immigration and Citizenship, 11, 73  
 Translating and Interpreting Service, 39, s7, s9  
 Department of the Environment, Water, Heritage and  
 the Arts, 63  
 Department of Veterans' Affairs (DVA), 86, 90  
 payments from, 24, 108  
 see also government pensions; veterans
- dependants, 71–2, 126, 128, s55  
 death benefit, 19, 91  
 family tax benefit (FTB), 73–7  
 medical expenses, s55–6  
 Medicare levy, 102–7  
 separate net income (SNI), 12, 71–2,  
 zone or overseas forces tax offsets, s48–52  
 see also children; interdependency; spouse
- depreciating assets, 39, 42, 53–4, 56–7, 66, s28  
 cars, 44–5  
 low-value pool, 44, 53, 56–7, 58–9, 124  
 rental properties, s27–8  
 site preparation for, s41  
 small business pool deductions, s44  
 used for self-education purposes, 54
- destroyed assets, s32  
 DFISA, see Defence Force  
 diaries of expenses, 51–2, 57  
 diplomatic staff, 102–3  
 direct refund/debit, 12  
 director's fees, see fees  
 disability, 3, 5, 19, 20  
 child, 13, 71, 108  
 exempt income, 13–14  
 legal, 105, s3  
 invalid relatives, s57–8  
 medical expenses, s55–6  
 mental, 84  
 psychiatric, 20, 29  
 support pension, 24, 71, 79, 84–5, 86, 91–2, 108
- disaster recovery/relief payments, 13  
 discounts on shares or rights, s32–4, s59  
 disposal of assets, 9, 14  
 see also capital gains
- dividends (distributions), 3, 35–8, 60, s2–6  
 dependants', 71  
 employee share schemes, s17, s32–4,  
 foreign, s20–1, s24–6, s67; withholding tax credit,  
 s3, s6  
 traditional securities, s32, s34  
 see also capital gains; family trust distribution tax;  
 trusts and trust income
- donations, 61–4, 67, 70, 72  
 double orphan pension, 13, 77, 108  
 double taxation agreements, s22  
 dramatists, see special professionals  
 Drought Assistance Line, Centrelink, s14  
 dry-cleaning, see laundry  
 Dutch pensions, s22, s37  
 DVA, see Department of Veterans' Affairs
- E**  
 e-tax, 3, 5, 7, 95, 112, 115  
 early payments, s67  
 early retirement payments, see retirement payments  
 earnings, see income
- ears and hearing, s55 education and training,  
 age of dependent students, 71  
 attendance at conferences, seminars and  
 workshops, 53, 56–7  
 exempt payments, 13  
 family tax benefit payments and, 73–4  
 lump sum payments in arrears, s33–5  
 qualifications allowances, 17  
 scholarships and bursaries, 13, 39, 71–2, s34  
 self-education, 53–5, 72, 124
- education entry payment, 24  
 election expenses, s32, s34, s44  
 EFT, see electronic funds transfer  
 election to spread deduction for gifts, 64  
 electoral candidates, see parliamentarians  
 electricity connections, s4  
 electronic funds transfer (EFT), 12, 112, 115  
 electronic records, 42  
 employee share schemes, 16–18, s16–17, s32–4,  
 s59  
 employer letters or statements, see payment  
 summaries
- employers  
 child care provided by, 72  
 private health insurance provided by, 93  
 employment, 15–22,  
 entry payment exempt, 13  
 foreign, s23–6  
 government allowances and payments, 13–14, 23  
 open employment incentive, 13  
 parents returning to, 76, 89–90  
 personal superannuation contributions, s38–40  
 spouses working for part of year, 71  
 termination payment, see employment termination  
 payment  
 under 18, 108  
 visa holders with work rights, 11  
 work-related expenses, 41–53, 56, 124  
 workplace-giving program, 62  
 see also fringe benefits; mature age worker;  
 retirement payments; superannuation and  
 annuities
- employment termination payment (ETP), 14, 18,  
 19–22, 24, 28, 112, 120, s21, s25  
 change of name from 'eligible', 8,  
 Medicare Levy Surcharge and, 105  
 spouse's, 107  
 see also transitional termination payment
- entertainers, see performing artists  
 entertainment allowances, 17  
 entrepreneurs tax offset, s61–3, s65  
 environmental protection activities, 58  
 covenants and gifts, 61, 63–4, s16  
 landcare operations, s4–5, s58–60  
 project assessments, s41  
 water conservation, s44  
 water facilities, s4–5, s58–60
- Environment, Heritage and the Arts, Minister for the,  
 61  
 equity trusts, see trusts and trust income  
 errors, see mistakes  
 ETP, see employment termination payment  
 evidence, see payment summaries; record keeping  
 ex-service personnel, see veterans  
 'excepted net income', 108  
 exceptional circumstances declaration, s14  
 exceptional circumstances relief payment, 23, s14  
 excess contributions tax, 116  
 exempt income, 12–14, 36, 60, 67–8, 70, 105, 111  
 foreign, s21  
 separate net income (SNI), 69–70  
 spouse's exempt pension, 89, 90, 111
- expenses, see deductions  
 eyewear, protective, 57,  
 eyes, artificial, s55
- F**  
 F-111 desec/reseal ex-gratia lump sum payments,  
 13  
 failure to lodge on time penalty, 10  
 family adjusted taxable income, 75  
 Family agreement, 9, 102–3
- Family Assistance Office (FAO), 10, 74, 75–6, 115  
 debt, 110–11, 112, 119, 130  
 payment from, 73  
 family income, 99, 126–7, 128  
 for Medicare, 100–1,  
 tables, 101, 126  
 family, special circumstances, 84, 101  
 family tax benefit (FTB), 73–7, 115  
 advice from tax agent, 65  
 consent to use part of tax refund to repay  
 spouse's debt, 111  
 exempt income, 13, 71  
 lodging a claim, 10, 76  
 tax offsets and, 79–83  
 Withholding declaration, 33  
 family trust distribution tax, s61  
 franking credits, do not attach when paid, 31  
 which spouse would have to pay, 105, 111
- fares allowance, Centrelink, 13  
 Farm Management deposits or withdrawals, s14–15  
 farm help income support, 23  
 household support, 13  
 farming, see primary production  
 feasibility studies, s41  
 FEE-HELP, 54, 128  
 fee paid to tax agent, 5, 56, 65, 72  
 fees, received 16–17  
 fertilisation treatment, in-vitro, s55  
 film industry incentives, s36  
 final tax return, 12  
 financial institution accounts, 34  
 fees and charges, 60, s26  
 financial institution lotteries, s32, s34  
 fire-resistant clothing, 51  
 fishing, see primary production  
 food and meals, see meals  
 footwear, protective, 51–2  
 forced labour compensation payments, 14, 72  
 foreign aid, see overseas aid  
 foreign entities, s19–20  
 superannuation funds, s19–21, s22–3  
 trusts, s19, s62
- foreign exchange (forex), s32–4, s38  
 losses, s44–5,  
 rates, s22
- foreign income, s20–6  
 Australian losses and, 67–8  
 capital gains, s16  
 conduit, 36–7  
 deductions, s36–77,  
 family tax benefit and, 76–7  
 interest from a foreign source, 34  
 partnerships and trusts, s2–6  
 temporary residents, 14  
 foreign investment fund (FIF) measures, s20  
 foreign pensions and annuities, s21–2, s36–7  
 lump sum in arrears, s33  
 foreign resident withholding, s2–6, s7, s9–11  
 partnership and trust income, s2–6  
 foreign residents, see non-residents  
 foreign students, see overseas students  
 foreign tax credits, s19, s21, s26  
 foreign termination payment (FTP), 19–20  
 forestry managed investment scheme, 7, 39, s30–1  
 forgiven debt, 30–1  
 franking credits 3, 5, 35–8, 71–2, 119, 120, 130, s6  
 from a New Zealand company, 39, s2, s25–6
- freedom of information, 117  
 friendly societies scholarships, s34  
 see also life insurance companies
- fringe benefits, reportable, 33, 70, 99, 105, 111,  
 124–5  
 adjusted, 76  
 exempt car expense payment, 17  
 spouse, 105, 111, s47
- FTB, see family tax benefit  
 FTP, see foreign termination payment
- fund-raising events, 62–4  
 funeral expenses, s55  
 furniture and fittings,  
 home office, 57
- G**  
 gains,  
 from foreign exchange, s32–3, s45  
 from traditional securities, s34  
 see also capital gains

game show winnings, s34  
 gaol, *see* jail  
 gardening expenses, s26  
 general interest charge (GIC), 10, 114, s67  
 German Forced Labour, Compensation Programme, 14, 72  
 German pensions, s22, s37  
 GIC, *see* general interest charge  
 gifts or donations, 62–4, 65  
   car, received as gift, 43  
 glasses, protective, 56–7,  
 glasses, prescription, s55  
 gloves, protective, 52  
 golden handshake, *see* employment termination  
   payment  
 goods and services tax (GST), 41, 62, 65, s34  
 government pensions, allowances and payments,  
   12, 15–16, 24, 25, 86, 111, s32–3  
   dependants' separate net income and, 71–2  
   exempt income, 12–14, 89, 111  
   foreign, s22, s30, s36–7  
   Medicare levy exemption, 102–3  
   one-off payments, 13, 71–2  
   taxable income for lodging tax returns, 2  
   under 18 year old recipient, 108  
   zone tax offset reduced by, s48  
   *see also* family tax benefit (FTB)  
 grapevines, s4  
 gratuities, received, 16–17  
 Green Corps training allowance, 23  
 gross interest, 34  
 gross payment, 15–16, 25  
 grossed-down fringe benefits amount, 76  
 grossed-up fringe benefits amount, 33  
 group certificates, *see* payment summaries  
 growth trusts, *see* trusts and trust income  
 guide dog, s55

## H

hard hats, 57  
 hardship, serious, 114, 116  
 health, s55–6  
   *see also* Medicare; private health insurance;  
   sickness and accident insurance  
 health care cards, 74  
 hearing aids, s55  
 hearing impairment, 6  
 heavy duty shirts and trousers, 52  
 HECS-HELP, 53–4, 128  
 help from Tax Office, free, 3, 5–6  
 heritage gifts and donations, 62–4,  
 HELP (Higher Education Loan Programme), 23, 33,  
   53–4, 119, 120, 128, s67  
 hired vehicles, *see* cars  
 holding period rule, 31–2, s6  
 holiday house, free use of, s66  
 holiday, as prize, s34  
 home, subject to capital gains, s18  
 home and education, travel between, 54  
 home and work, travel between, 43, 49  
   dependants' travel, 72  
 home office expenses, 56–7  
 honoraria, 16–17  
 horticultural plants, s4, s41  
 hospital expenses, s55  
 hospital insurance, *see* private health hostel  
   expenses, s56  
 housekeeper, 79–81, 83–5, 101, s51, s55  
   *see also* child-housekeeper,  
   husband, *see* spouse

## I

illness,  
   medical expenses, s55–6  
   terminal, 14, 28–9  
 impairment to speech or hearing, 6  
 improvements to rental properties, s28  
 imputation system, 36–7  
 imputation trusts, *see* trusts and trust  
 in-vitro fertilisation treatment, s55  
 income bond bonuses, s29, s32–3  
 income protection insurance premiums, s45, s60  
 income support payments, *see* government  
   pensions  
 income support supplement, 24  
 Indigenous Tutorial Assistance Scheme, s7, s9  
 information, access to, 116–17  
 infrastructure, creating or upgrading, s41

infrastructure borrowings scheme, s32, s44, s64  
 inherited property 62–3, 108, s17  
 injuries, compensation for, 14  
 insolvency, *see* bankruptcy  
 insurance,  
   bonuses, s29  
   premium costs, s44–5, s60  
   rental properties, s27  
   *see also* life; private health; sickness and accident  
 intellectual property, right to, s41  
 interest, charged by Tax Office, 10, 65, 113, s34,  
   s67  
   rental property loans, s27  
 interest, received 34, 71  
   deductions, s40  
   foreign source, s20–1, s23–4  
   infrastructure borrowings, s32, s44, s64  
   land transport facilities tax offset scheme, s32,  
   s44, s64  
   given or credited by Tax Office, 34  
   *see also* withheld tax  
 interest-free/low interest loans as prizes, s34  
 interdependency relationship, 29  
 interim income support payment, 23  
 international social security agreement, 86, s21, s22  
 international aid, *see* overseas aid  
 international exchange, *see* foreign exchange  
 internet access, cost of, 60  
 interpreting and translating services, s7, s9  
 invalid relative, 7, 71, 79, 84, 97, s49, s58–9  
 invalidity retirement payments, 18, 19  
 invalidity service pension, 13, 24  
 inventors, *see* special professionals  
 investment, 56  
   in Australian film industry, s36  
   in foreign entities, s20–26  
   under 18 year old's, 108  
   *see also* capital gains; debt deductions;  
   dividends; rent  
 investment-related lotteries, s34  
 isolated areas, 13, s48–54  
 Italian pensions, s22, s37  
 itinerant work, 38–46

## J

jail/prison, 87, 101, s51  
 Japanese internment compensation payments, 14,  
   72  
 jewellery, *see* capital gains  
 joint financial institution accounts, 29, 56  
 Joint Petroleum Development Area, work or services  
   in, 97, s64  
 jointly owned cars, 44  
 jointly owned rental properties, s27  
 journals, 56–7, 60  
 JPDA, *see* Joint Petroleum Development Area

## L

labour hire arrangements, independent contracts  
   under, 39, s7–9, s11  
 land, conservation covenants on, 61–5  
   *see also* capital gains  
 land tax, s7, s27  
 land transport facilities tax offset scheme, s32, s44,  
   s64  
 landcare operations, s4–5, s60  
 language, literacy and numeracy supplement, 13,  
   71, 77  
 laser eye surgery, s55  
 late lodgment, 10, 76, s67  
 late payment, 65, 114  
 late payment summaries, 15  
 laundry/dry-cleaning, 51–2, 124  
   allowance, 17  
 lawn mowing expenses, s27  
 leave, lump sum payments for, 18, 19, 71  
 legal disability, 105, s3  
 legal expenses, 65  
 legal responsibility for children, 95–6  
 levies to strike funds, 57  
 libraries, professional, 57  
 life insurance companies, or friendly societies, 7, 8  
   25–7, 28, 39, 130, s29  
   foreign life assurance company, s20–1  
 limbs, artificial, s55  
 liquidated companies, shares in, s17  
 listed investment companies (LICs), *see* dividends  
   (distributions)

loan, interest payment on, 60, s26  
   low-interest/interest-free, s34  
   to private company shareholders, s36  
   *see also* debt deductions; interest; student  
 local government, s32, s59  
   election expenses, s44  
   rates, s27  
 lodging a return, 2–3, 5, 9, 76, 112  
   activity statements, 33, 65, 130  
   adviser or agent, cost of, 65  
   deceased estate, 11  
   electronically, *see* e-tax  
   free help with, 3  
   from overseas, 112  
   last lodgment, 11  
   record retention period 9, 16  
   *see also* late lodgment  
 'logbook' method, 44–8  
 loss of earnings allowance, 13  
 loss of job, compensation for, 19  
 losses, tax, of earlier years, 12, 67–9, 70, s12–13  
   capital, s16–18  
   foreign, s25  
   foreign exchange, s44–5,  
   net rental property, 77  
   partnerships, s2–5, s12–13  
   personal services income, s8, s46  
   record-keeping period, 9  
   trusts, s2–5  
 lost assets, s34  
 lost records, 42  
   payment summaries, 15  
 lottery benefits and prizes, s34  
 low family income, 128  
 low income, 3, 100, 103  
   spouses, superannuation contributions on  
   behalf of, s47  
   tax offset, 68, 123  
   *see also* government pensions; taxable income  
 low rate thresholds, 21–2  
 low-value pools, 54–5  
 lump sum payments, 18–22  
   in arrears, 26, s33; spouse's, 105  
   dependants' separate net income (SNI), 69, 70  
   exempt income, 13, 14, 70  
   foreign, s20–1, s23–4

## M

magazines, 56–7  
 'main residence' exemption, s18  
 maintenance, child, *see* family tax benefit (FTB)  
 maintenance income free area, 75, 77  
 managed funds, *see* trusts and trust income  
 management fees, 56  
 managing tax affairs, cost of, 65, s31  
 marriage breakdown, asset transfer on, s18  
 maternity immunisation allowance, 13, 72  
 maternity payment, 13, 71  
 mature age allowance, 23, 86  
 mature age worker tax offset, 33, 40, 78, 97, 119,  
   120, 124–5, 130, s35, s59–60, s65  
 meals, 17, 49, 53–4, 56–7  
 medical expenses, s55–6  
 Medical Treatment Overseas Program, 74  
 Medicare Australia, 5, 102  
 Medicare levy  
   reduction or exemption, 100–3, 110, 126–8  
   surcharge (MLS), 12, 33, 98, 99, 104–7, 110,  
   119, 120, 127–8, 130  
 Medicare Levy Exemption Certification Unit, 102  
 medicine (pharmaceuticals), s55  
 members of parliament, *see* parliamentarians  
 membership fees, political party, 63  
 mental disability, 84, 108, s3  
 MLS, *see* Medicare levy surcharge  
 migration, to Australia, 11, 71, s55  
   tax file number, 11  
 Military Rehabilitation and Compensation Act, 13–14,  
   23  
 minors, *see* children  
 mistake  
   on payment summaries, 15  
   on tax return, 9, 113  
 mobility allowance, 13  
 money, *see* assets  
 money market trusts, *see* trusts and trust income  
 Mortgage and Rent Relief Scheme payments, 14  
 mortgage trusts, *see* trusts and trust income



motor vehicles, *see* cars  
 motorcycles, 43, 49–50  
 MRCA Education Allowance, 23  
 moving overseas, 11, 109  
 musicians, *see* performing artists

## N

net capital gain, 71, 108, 120, s16–19  
 net capital losses, s16–19  
 net exempt income, 67–8  
 net Farm Management deposits or withdrawals, s14–15  
 net foreign source income, *see* foreign income net income  
   from working, 7, 40, 97, 124–5, s59–60  
   from business, s9–11  
 net medical expenses, s55–6  
 net non-primary production, s5  
 net personal services income, s8, s4  
 net primary production distribution, s5  
 net rent, s28  
 Netherlands pensions, s22, s37  
 New Enterprise Incentive Scheme allowance, 23  
 New Zealand,  
   citizen, 73  
   company, 35, 120, s2, s21, 25–6  
   dividend, 39  
 Newstart allowance, 23, 55  
 non-assessable non-exempt income, 8, 12, 14, 20, 22, 28–9, 31, 66, 67, 92, s4, s6, s44–5  
 non-commercial business losses, deferred, 7, 39, 67, s2, s4–5, s12–13  
   dependant's, 72  
 non-lodgment advice, 3–4, 112  
 non-primary production, s5, s9–11, s12–13, s14, s59  
   partnerships, s3, s5  
   tax losses of earlier income years, 67–9, s12  
   trusts, s4, s5  
 non-resident, 2, 11, 34, 120–1  
   capital gains, s16–19  
   debt deductions, s40  
   Medicare levy/levy surcharge exemption, 102  
   trust estate, 39  
   withholding tax, 34, 36,  
   *see also* foreign entities; foreign resident  
 non-share equity interest, 36  
 non-slip shoes, 51  
 Norfolk Island resident, 102  
 notice of assessment, 4, 6, 8, 9–10, 11–12, 23, 28, 34, 38, 70, 97, 110, 113, 115–16, 117, 119, 120–3, 129  
   *see also* amendment of assessment nursing expenses, s55  
 nursing home expenses, s56

## O

objections/complaints, 114, 116, 118  
   cost of, 65, s34  
 occupation, 15–16, 42  
   clothing and accessories specific to, 51–2, 124  
   *see also* professionals  
 offsets, *see* tax offsets  
 offshore income, *see* foreign income  
 older Australians, payments to, 13, 71–2  
   *see also* mature age; senior Australians  
 Ombudsman, 118  
 one-parent family, *see* parent, single  
 'one-third of actual expenses' method, 44–8, 54  
 Open Universities Australia, 54  
 open employment incentive bonus, 13  
 operations (medical), s55  
 optician/optometrist expenses, s55  
 oral ruling, 6  
 ornamental trees and shrubs, s41  
 OS-HELP for Australian students overseas, 54, 128  
 other deductions, s44–6  
 other income, s32–5  
 other tax offsets, s64  
 overalls, 52  
 overseas aid fund, donation to, 61  
 overseas dependants waiting to migrate, 71, s55  
 overseas forces, 7, s48–52  
 overseas income, *see* foreign income overseas interests, s20–1, s25, s45  
 overseas residents, *see* non-residents  
 overseas student, 11, 23  
 overseas medical expenses, s55

## P

parent, single/sole, 73, 76, 101, 105–6, s51–2  
 parent (yours/your spouse's), 7, 71, s44, s50–2  
 parent, adoptive, 95  
 parenting payment (partnered), 23, 71  
 parenting payment (single), 24  
   *see also* family tax benefit (FTB)  
 parking fees, 42, 43, 49  
 parliamentarians and electoral candidates,  
   contribution to, 63  
 part ownership of rental properties, s27  
 part-time job, income from, 16–17  
 part-year tax-free threshold, 2, 109, 120  
 partner, *see* spouse,  
 partnership, business, s2–6, s12–13  
   amendment period, 10  
   distributions, s5  
   entrepreneurs tax offset, s61–3, s65  
   section 40-880 deductions, s45–6  
   under 18 excepted net income, 108  
   *see also* dividends (distributions)  
 passive income, *see* dividends; rent; royalties  
 pay as you go (PAYG) system, 2, 33, 63, s31  
   voluntary agreement, 39, s7–11  
 payment summaries, letters or statements, 9, 15–16, 17, 18, 20–1, 23, 24, 26–7, 29–30, 32–3, 91, 112, 116, 117, 130  
   late, lost or wrong, 15  
   missing, 15  
   record-keeping period, 16  
   spouse's, 76, 111  
 payments received, *see* income  
 penalty, for late return, 10, 113, s12  
 pension, *see* government pensions; superannuation and annuities  
 pensioner education supplement, 13  
 pensioner tax offset, 86, 89–90, 100, 110, 120, 123–6, 130  
 performing artist, 3, 39, 42, s5, s7–11, s32–4  
 personal services income (PSI), 7, 32, 39, 66, 124, s7–8, s38, s44, s46, s47, s59, s60, s68  
 personal superannuation contributions, s38–40  
 personal use assets, *see* capital gains  
 pest control expenses, s27  
 petrol and oil costs, 44, 47–50  
 pharmaceutical allowances, 13  
 pharmaceutical expenses, s55  
 phone allowance, 13  
 phone expenses, 57, s27  
 plants, s4, s9, s41  
   *see also* primary production  
 playwrights, *see* special professionals  
 political (election) expenses, s44  
 political party, contribution to, 63  
 power of attorney, 5, 9  
 prepaid expenses, 41, s27  
 prescription expenses, s55  
 primary production, s9–10, s14–15, s44, s59–60  
   Farm Management deposits or withdrawals, s14–15  
   partnership income derived from, s34, s5  
   trust income derived from, s4–5  
 primary production losses, s2–4, s9–11  
   earlier income years, 67, s10, s59  
   partnerships and trusts, s2–5  
 prior year losses, *see* deferred losses  
 prisoner-of-war compensation, 14, 72  
 prison, *see* jail  
 privacy, 116, 117, 118  
 Privacy Commissioner, Office of, 118  
 private company shareholder, 36  
 private health insurance, 13, 72, 78, 93–4, 97–8, 104–7  
   rebate, 78, 99  
   tax offset, 2, 119, 130  
 Private Health Insurance Incentive Scheme, 93  
 private hospital expenses, s55  
 private ruling, 6, s34  
 prizes, 39, s30–1  
 product ruling, 6  
 production associates, *see* special professionals  
 professional association subscriptions, 53, 56–7  
 professional library, 57  
 professionals, s7–11, s29, s30–1  
   partnership or trust distributions, s5  
 project pools, s41–2  
 property, *see* assets  
 property agent fees and commissions, s26

property trusts, *see* trusts and trust income  
 protective clothing and accessories, 51–2, 56–7, 108, 124  
 PSI, *see* personal services income  
 public hospital expenses, s55  
 Public Sector Superannuation Scheme, 25  
   *see also* superannuation  
 public trading trusts, *see* dividends  
 public transport fares, 43, 49, 54  
 publications, Tax Office, 6, 7, 9, 22, 29, 32, 40, 42, 43, 50, 51, 53, 56, 66, 97, 129

## Q

qualifications allowance, 17  
 qualifying residence exemption, 86  
 quiz show prizes, s34

## R

raffle prizes, s34  
 rates, council, s27  
 rates of tax, *see* tax rates  
 RBLs, *see* reasonable benefit limits  
 RDOs, payment for unused, 19  
 real estate, *see* capital gains  
 reasonable benefit limits (RBLs), abolished, 8  
 rebates, *see* tax offsets  
 records to be kept, 5, 6, 9, 16–17, 27, 35, 41–2, 49–50, 103, 107, 112–13  
   car logbook and odometer, 43–4, 47–8  
   diary records, 51–2, 57  
   employee share schemes, s33  
   gifts, election to spread deduction, 64  
   tax losses, 67, 77  
   travel expenses, 45–6  
 records, lost or destroyed, 42  
 redundancy payment, 18, 19, 72  
 reference material, tax, 65  
 refugee qualifying residence exemption, 86  
 refund, *see* tax refund,  
 rehabilitation allowance, 108  
 related payments rule, 36–7, s6  
 relative, s44, s57–8  
 release authority for excess contributions, 116  
 remote area allowance, 13, 71–2, s48–52  
 remote area zone tax offset, s48–52  
 rent, foreign, s20–1, s23–4  
   *see also* capital gains  
 rent assistance/relief, 13, 74–5, 77  
 rental income, 7, 58, 60, 71  
 rental properties, s27–8  
 repairs and maintenance, car, 47–8  
 Repatriation health card, 86  
 reportable fringe benefits, *see* fringe benefits  
 Reserve Bank of Australia, 116  
 residency status, 74  
   *see also* Australian residents; non-residents  
 residential aged care expenses, s57–8  
 retainers received, 60  
 retirement payments, 72  
   foreign, s20–1, s23–4  
   *see also* employment termination payment  
 return, *see* tax return  
 returned services personnel, *see* veterans  
 roll-over superannuation benefits, 28–9  
 royalties, 39, s3, s21, s32–3, s67

## S

salary or wages, 2–3, 15–16, 57, 124  
   foreign employment, s22–3  
   lump sum payments in arrears, s32–5  
   monthly limit for personal superannuation contribution, s35  
   partnership paid you, s2  
 sale of assets, *see* capital gains  
 savings account, *see* financial institution accounts  
 scholarships and bursaries, *see* education  
 school building fund, donation to, 61  
 schooling, *see* education and training  
 second job, 43, 49  
 Second World War, payments relating to, 14, 72  
 secondary education assistance, 13  
 section 40-880 deductions, s40  
 securities, *see* dividends  
 self-assessment, 5, 9, 112–13, 115  
 self-education, *see* education and training  
 self-employed, fully, s38  
 seminars, *see* conferences  
 senior Australians, 88–9

- tax offset, 2–3, 11, 27, 79, 84, 86–7, 90, 110  
calculating, 90, 124  
Medicare levy, 125–7  
seniors concession allowance, 13  
spouse's tax offset, 90, s47  
separate net income (SNI), 12, 71–2, 80–4, 100, 102, 111  
service pensioners, *see* veterans  
service personnel, *see* Defence Force personnel  
SFSS, *see* Student Financial Supplement Scheme  
share trusts, *see* trusts and trust income shared care  
of child, 77  
short tax return, 5  
shortfall interest charge, 114, s67  
sick leave, unused, 19  
sickness, *see* illness  
sickness allowance, 23, 102  
sickness and accident insurance,  
cost of, 56  
income from, 16, 39, s29  
premiums, s44–5  
simplified tax system (STS), *see* small business  
single parent, *see* parent  
site preparation, s41  
small business, 8, 44–5, 56, 58, 66, s61–3  
depreciating asset, 45, 56  
pool deductions 45, 53, 56, 66  
tax changes, s44  
small shareholder exemption, 37  
SNI, *see* separate net income  
social security payments, *see* government pensions  
software, 57  
sole parent, *see* parent  
sole traders, s7–13, s39, s44–5, s61–3  
special benefit, 23  
special humanitarian program arrivals, 86  
special professionals, s32–5, s59  
net income or loss from business, s9–11  
partnership or trust distributions, s5  
personal services income, s8  
sportspeople, *see* special professionals  
spouse details, married or de facto, 110–11  
spouse, definition, 110  
baby bonus transferees, 95  
dependant, 71–2  
death of, 100  
family tax benefit and, 73–7  
FAO debt, 111  
special circumstances, 101  
maintenance payments received by, 14, 71–2  
medical expenses, s50–1  
Medicare levy, reduction or exemption, 100–3  
Medicare levy surcharge (MLS), 104–8  
pensioner tax offset, 90  
senior Australians tax offset, 88–9  
superannuation contribution splitting, s36  
superannuation contributions on behalf of, s47  
tax offset (without dependent child or student),  
79–81, s48, s50  
zone or overseas forces tax offset component,  
s50–1  
*see also* dependants  
stapled securities, s17, s32–4  
stationery, 54–5, s27  
steel-capped boots, 52  
strike fund levies, 57  
structural improvements to rental properties, s27  
STS, *see* small business  
student  
allowances and payments, 13, 23–4  
child care costs, 54–5  
cost of stationery, textbooks, union fees, 54–5, 72  
help with tax return, 3  
repayment to loan schemes, 53  
separate net income (SNI), 82  
*see also* dependants; education and training;  
FEE-HELP, HECS-HELP, HELP, OS-HELP;  
overseas students  
Student Financial Supplement Scheme (SFSS), 33,  
53, 74, 119, 120, 128, s67  
superannuation contribution, s38–40;  
caps, s39–40  
Government Super Co-contribution, 8, s39  
splitting, 8, s38  
spouse, on behalf of, s42  
superannuation income stream, 8, 14, 18, 25–7,  
91–2, s30, s35–7  
exempt income, 13, 14, 108  
foreign, s19–23, s30, s33–4  
separate net income (SNI), included in, 71  
taxable component, 25  
superannuation lump sum payment, 28  
surgery, s55
- T**  
target foreign income, 74, 75  
tax credits  
foreign, s19–26  
*see also* franking credits  
tax debt, 12, 33, 75, 114, 115  
working out, 120–30  
tax file number (TFN), 2–3, 11  
application for, 11  
confidentiality of, 116, 117, 118  
withheld amounts because not quoted, 34, 38, s6  
tax-free distributions, s2  
tax-free threshold, 109  
working out, 120  
working out, for part-year residents, 120, 122  
Tax Help, 3  
tax losses, *see* losses  
Tax Office, 6, 116, 117, 118  
lodgment address, 112–13  
shopfronts, 131  
tax offset, 3, 78–97, s32–5, s47–65  
beneficiary, 23, 123  
employment termination payment, 22  
from supplementary section, 97  
land transport facilities borrowings, s32, s44, s64  
low income, 68, 123  
pensioner, 89–90, 123–4  
refundable, 78, 93, 99  
senior Australians, 88–9, 123–4  
tax refund, 12, 36, 42, 119, s31  
cheque, 116  
electronic funds transfer (EFT), 12, 115  
spouse's 73  
used to repay spouse's FAO debt, 110–11, 112  
working out, 120–30  
tax return, 2–12, 112–13  
mistakes on, 113  
preparing, 6, 63, s35  
short form, 5  
*see also* lodgment  
tax withheld, 15, 17, 18, 21, 23, 24, 25–7, 30, 32  
because TFN/ABN not quoted, 34, 38, 39  
total tax withheld, 33, 112, 130  
taxable income or loss, 2, 70, 119  
taxable use percentage, 5–9  
*Taxpayer's declaration*, 5, 112  
telephone lines, s4  
temporary resident, 14  
applying for a TFN, 11  
departing Australia, superannuation lump fund  
on, 28  
for Medicare purposes, 102  
capital gains tax, s18  
employee share schemes, s29–30  
foreign income, assets or property, s19, s21  
term deposit, 34  
termination payment, *see* employment termination  
payment  
textile, clothing and footwear special allowance, 23  
TFN, *see* tax file number  
therapeutic treatment, s55  
thin capitalisation rules, 60, s4, s28, s44–5  
Timor Sea Joint Petroleum Development Area  
(JPDA), s64  
tips, received, 16–17  
tobacco industry exit grant, 17  
toll, bridge or road, 42, 43, 49  
tools, 43, 49, 56  
allowances, 17, 41  
Torres Strait Islanders, help with tax return, 3, 5  
Trade Learning Scholarship, 13  
traditional securities, s32–4  
training, *see* education and training  
transferor trust measures, s20–21  
transitional termination payment, 19–22  
translating and interpreting services, s7, s9  
travel expenses 17, 49–50, 54, 124  
for investment management purposes, 60 s26  
land transport facilities tax offset scheme, s32,  
s44, s64  
*see also* award transport payment; cars  
trees or shrubs, ornamental, s41
- trustees, tax paid by, 105, s3, s6  
trusts and trust income, s2–6  
amendment period, 10  
entrepreneurs tax offset, s61–3  
transfer of property/services to non-resident, s19  
*see also* capital gains; dividends (distributions)  
'12% of original value' method, 44–8, 54
- U**  
ultimate beneficiary non-disclosure tax, 36  
undeducted purchase price (UPP), 7, 8, 27, 66, 72  
unfranked dividends, 32, 33  
non-residents, 31  
uniforms, 47–8  
union fees, 42, 54–5, 56–7  
United Kingdom pensions, s22, s37  
United Medical Protection Limited (UMP) payments,  
66, s44, s46  
United Nations force, 14, s48–52  
unused RDOs/sick leave, payments for, 19  
utilities allowance, 1–3
- V**  
valuation of gifts or donations, 61–2  
vehicles, *see* motor  
veteran, pension/allowance, 24, 71, 86  
*see also* government pensions  
Veterans' Affairs, 86  
Veterans' Children Education Scheme, 13, 23, 74  
visa, 11, 14, 28, 73–4  
vision impairment, 53, s55  
*see also* blind people  
voluntary agreements, s7–11  
voluntary services, payments for, 16–17
- W**  
wages, *see* salary or wages  
war widow/widower, 13, 86, 88, 90  
water charges, s27  
water conservation activities, s44  
water facilities, s4–5, s58–60  
widow/widower, 2, 23, 24, 86, 88, 89  
*see also* government pensions  
wife, *see* spouse  
winnings, s34  
*Withholding declaration*, 33  
withholding payer number (WPN), 15–16  
withholding tax *see* tax withheld  
work, *see* employment  
work-in-progress amounts, s32–4  
work-related clothing, 17, 51–2, 56–7  
work-related expenses, 41–57  
workplace-giving programs, 61–2  
workshops, *see* conferences  
World War II, *see* Second World War  
worthless shares, s17  
WPN, *see* withholding payer number  
writers, *see* special professionals  
wrongful dismissal, compensation for, 19
- Y**  
youth allowance, 13, 23, 53, 72, 73
- Z**  
zone tax offset, s48–54

**If you do not speak English well and need help from the Tax Office, phone the Translating and Interpreting Service (TIS) on 13 14 50. TIS staff can assist with interpreting in over 120 languages.**

إذا كنت لا تجيد التكلم باللغة الإنكليزية وتحتاج لمساعدة من مكتب الضرائب ، اتصل بخدمة الترجمة الخطية والشفهية على الرقم 131450. يتوفر لدى هذه الخدمة مترجمون في أكثر من مائة وعشرين لغة.  
**ARABIC**

如果你不懂英語但需稅務局協助，請致電 131450 翻譯及傳譯服務處 (TIS)，翻譯及傳譯服務處的職員可提供超過 120 種語言的傳譯服務。  
**CHINESE**

Ako imate poteškoća s engleskim, a potrebna vam je pomoć od Poreznog ureda, nazovite Službu prevoditelja i tumača (Translating and Interpreting Service - TIS) na 13 14 50. Osoblje TIS-a može pružiti pomoć u tumačenju na više od 120 jezika.  
**CROATIAN**

در صورتیکه به لسان انگلیسی خوب صحبت کرده نمی توانید و ضرورت به کمک اداره مالیات (Tax Office) دارید، به خدمات ترجمانی تحریری و شفاهی (TIS) به نمبر 131450 تېلفون کنید. موظفین TIS می توانند در ترجمانی شفاهی به بیشتر از 120 لسان کمک کنند.  
**DARI**

اگر به انگلیسی خوب صحبت نمی کنید و نیاز به کمک اداره مالیات (Tax Office) دارید، به خدمات ترجمه کتبی و شفاهی (TIS) به شماره 131450 تلفن کنید. کارکنان TIS می توانند در ترجمه شفاهی به بیش از 120 زبان یاری دهند.  
**FARSI**

Αν δεν μιλάτε καλά Αγγλικά και χρειάζεστε βοήθεια από την Εφορία, τηλεφωνήστε στην Υπηρεσία Μετάφρασης και Διερμηνείας (TIS) στο 13 14 50. Το προσωπικό της TIS μπορεί να βοηθήσει με διερμηνεία σε πάνω από 120 γλώσσες.  
**GREEK**

Se non parlate bene l'inglese e vi serve aiuto dall'Ufficio delle imposte, telefonate al Servizio traduzioni e interpreti (TIS) al numero 13 14 50. Il personale del TIS può offrirvi un servizio interpreti in oltre 120 lingue.  
**ITALIAN**

英語でお困りの方で、国税庁のサポートが必要な場合には、翻訳通訳サービス (TIS) 13 14 50 にお電話ください。TIS では、各種言語との通訳(120ヶ国語以上)を提供しています。  
**JAPANESE**

영어에 어려움이 있는 분이 국세청으로부터 도움이 필요한 경우, 번역 및 통역 서비스 (TIS) 13 14 50 번으로 전화하십시오. TIS 직원은 120 여개 언어의 통역을 도와 드립니다.  
**KOREAN**

Ako ne zboruvate dobro angliski i vi treba pomoš od Danočnata uprava, telefonirajte vo Službata za pismeno i usmeno prevедување (Translating and Interpreting Service - TIS) na 13 14 50. Personaloт od TIS može da pomogne со usmeno prevедување на над 120 јазици.  
**MACEDONIAN**

Если вы не говорите хорошо по-английски и нуждаетесь в помощи Налогового управления, звоните в Переводческую службу TIS по тел. 13 14 50. Сотрудники TIS могут помочь с устным переводом более чем на 120 языках.  
**RUSSIAN**

Ako ne говорите добро енглески а потребна вам је помоћ Пореске управе, позовите Службу за превођење и тумачење (TIS) на 13 14 50. Особље TIS-а пружа преводачке услуге на више од 120 језика.  
**SERBIAN**

Si no habla bien el inglés y necesita ayuda de la Oficina de Impuestos, llame al Servicio de Traducción e Interpretación (Translating and Interpreting Service - TIS) al 13 14 50. El personal de TIS puede ayudar con la interpretación en más de 120 idiomas.  
**SPANISH**

หากท่านพูดภาษาอังกฤษได้ไม่คล่อง และต้องการความช่วยเหลือจากสำนักงานสรรพากร กรุณาติดต่อหน่วยบริการแปลและล่าม (Translating and Interpreting Service - TIS) ได้ที่โทรศัพท์ 13 14 50 เจ้าหน้าที่จาก TIS สามารถให้ความช่วยเหลือด้านงานล่ามได้มากกว่า 120 ภาษา  
**THAI**

İyi İngilizce konuşamıyorsanız ve Vergi Dairesi'nden yardıma ihtiyacınız varsa, Yazılı ve Sözlü Çeviri Servisi'ni (TIS) 13 14 50 numaralı telefondan arayın. TIS görevlileri 120'den fazla dilde sözlü tercüme yardımında bulunabilirler.  
**TURKISH**

Nếu không nói thạo tiếng Anh và cần Sở Thuế giúp đỡ, xin quý vị gọi điện cho Dịch Vụ Thông Phiên Dịch (TIS) theo số 13 14 50. Nhân viên của TIS có thể làm thông dịch cho trên 120 ngôn ngữ.  
**VIETNAMESE**

## Blind or vision impaired

If you are vision impaired you can lodge your *Tax return for individuals 2008* online using e-tax. e-tax is compatible with common screen reader software.

We have also developed tax-time products for people who are blind or vision impaired.

You can get free audio and e-text versions of *TaxPack 2008* and *TaxPack 2008 supplement* by phoning us on **13 28 61**.

**STOP**

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

- attributed foreign income and any other foreign source income from a partnership or trust – questions **19** and **20**
- a net capital gain from a trust – question **18**
- a capital gain or a capital loss in respect of your interest in a partnership or a partnership asset – question **18**
- income from a corporate limited partnership – question **12** in *TaxPack 2008*
- income from a public trading trust or a corporate unit trust – question **12** in *TaxPack 2008*
- interest you received, or were credited with, from a joint account, where you quoted your individual tax file number to the financial institution – question **11** in *TaxPack 2008*
- that part of a distribution on which family trust distribution tax or ultimate beneficiary non-disclosure tax has been paid
- rent derived jointly (or in common) with another person from a jointly held property where you were not a member of a partnership carrying on a business of renting out properties.

**Did you receive or were you entitled to:**

- **income or a loss from a partnership**
- **income from a trust (including a managed fund)**
- **a credit for amounts of tax paid on or withheld from partnership or trust income**
- **a credit for amounts of tax withheld from partnership and trust income received by a resident that has been subject to non-resident withholding tax**
- **a credit for amounts of tax withheld from fund payments from a managed investment trust, or**
- **a credit for amounts of tax 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 were a partner paid you salary, wages or allowances, you must show that income at this item.

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 item. If you are unsure whether your trust investment product is one of these trusts, check with the trustee.

**NO**  Go to question **14**.

**YES**  Read on.

**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. The instructions in question **20 Foreign source income and foreign assets or property** provide guidance on how to claim Australian franking credits from a New Zealand company. However, you cannot claim New Zealand imputation credits.

If you have deferred non-commercial business losses from a prior year, you may be able to claim them this year if you operated 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 were released from any debts by the operation of an Act relating to bankruptcy.

Phone the Business Infoline (see the inside back cover) for more information. For an explanation of net exempt income, see question **L1** on page 67 in *TaxPack 2008*.

Some trust distributions paid after 30 June 2008 need to be included on your tax return for this year. This is because you were entitled to this income at 30 June 2008. 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 2008* (NAT 4151). This is available on our website or to find out how to get a printed copy, see the inside back cover. While these amounts may not need to be included at this item, they may be relevant in determining the amount of a net capital gain you show at item **18** or may affect the cost base of your unit or trust interest.

Do not show all categories of income distributed from a partnership or trust at this item. If your distribution includes the following categories of income, show them at other items on your tax return:

- net capital gains from trusts – show at item **18**
- attributed foreign income – show at item **19**
- other foreign source income – show at item **20**.

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 2008*.

## 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 entitlement to any of the following credits:
    - credit for amounts of tax withheld because the partnership or trust failed to quote its Australian business number
    - credit for amounts of tax withheld from partnership and trust income received by a resident due to the imposition of non-resident withholding tax
    - credit for amounts of tax withheld from a fund payment made by a managed investment trust to a foreign resident
    - credit for amounts of tax withheld from partnership and trust income subject to 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 2008* (NAT 2543) which contains the *Business and professional items schedule for individuals 2008* (NAT 2816). This publication is available on our website. 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 2008* in addition to item **13**.

### ! 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.

## ▶ COMPLETING THIS ITEM

Answer the following three questions first.

If you were 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, for all of the income year:

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

### 1 Were you an Australian resident in receipt of, or entitled to receive, Australian source income from a non-resident trust?

NO  YES

If you were 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 2008
- you are a person who is bankrupt, or
- you have been declared legally incapable because of a mental condition.

### 2 Were you under a legal disability?

NO  YES

If you were 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.

### 3 Were you a non-resident?

NO  YES

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

If you answered **YES** to one or more of these questions, you will need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 13 at the top of a separate piece of paper and explain your situation. Include your name, address, tax file number, the name of the trust, 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 below.

## PART A

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

NO  Go to part B below.

YES  Read below.

**STEP 1** Write the total of your share of primary production partnership income or loss at **N** item **13** 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 **13**. 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 2008* 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 on the next page.

YES  Read below.

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 item. 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, part or all of 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 **13** on your tax return and your share of other income at the relevant item – either **U** item **13**, or item **18**, **19** or **20** on your tax return.

If you need help, phone the Personal Infoline (see the inside back cover).

**STEP 1** Write the total of your share of primary production trust income or loss at **L** item **13** 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 **13**. Do not show cents. Include in this income any share of credit (including franking credits from franked dividends) to be shown in the labels for share of credits from income covered in part E on the next page. 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 a 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, 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 – Income tax: Division 16 – applicability of averaging provisions to beneficiaries of trust estates carrying on a business of primary production*. This publication is available on our website. 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 on the next page.

**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 2008* (NAT 4170) which is available on our website. 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 were an Australian resident and you (or any associate entities) have certain overseas interests, or you were a foreign resident, these rules may apply if all your debt deductions (combined with those of your associate entities) for the year were more than \$250,000. More information about thin capitalisation is available on our website.

### Primary production deductions

**STEP 1** If you were 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 **I** item **13** on your tax return. Do not show cents.

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

➤ For further information on deductions for expenditure on landcare operations and water facilities, see the *Guide to depreciating assets 2008* (NAT 1996) which is available on our website. To find out how to get a printed copy, see the inside back cover.

**STEP 2** Write at **X** item **13** 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 were a partner in a partnership and you can claim a deduction in relation to your share of eligible expenditure incurred by the partnership on horticultural plants, grapevines, electricity connections or phone lines, include any such deduction that relates to primary production income or loss from a partnership at **X**. For information about deductions for expenditure on horticultural plants, grapevines, electricity connections and phone lines, see the *Guide to depreciating assets 2008*.

### ! NOTE

Only include non-commercial business losses deferred from a prior year if they relate to a partnership activity which is the same as, or similar to, your current year partnership activity. See the example on the next page.

**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 **13**. Do not show cents.

If a trust incurred eligible expenditure on landcare operations, only the trust, not a beneficiary of the trust, can claim deductions for that expenditure. For more information on deductions for expenditure on landcare operations, see the *Guide to depreciating assets 2008*.

**STEP 2** Write at **Y** item **13** 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 were a partner in a partnership and you 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 **13**. For information about deductions for expenditure on electricity connections, see the *Guide to depreciating assets 2008*.

### ! NOTE

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

**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.

## EXAMPLE

In 2006–07 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 2007–08. 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 as, or similar to, her current year activity.

In 2007–08 Lisa's partnership distribution from the furniture restoration business was \$2,000. Lisa includes the \$2,000 at **O**, \$5,000 as a deferred loss relating to the furniture restoration business at **Y** and prints **D** in the **TYPE** box. 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 2008* as the **Deferred non-commercial business loss from a prior year**. The net distribution of the \$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.

## 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 item **13 Net primary production distribution** on your tax return. Do not show cents. If you have a loss, print **L** in the **LOSS** box  at the right of item **13 Net primary production distribution**.

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 2008* in addition to item **13** on your tax return.

#### 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 item **13 Net non-primary production distribution**. Do not show cents.

If you have a loss, print **L** in the **LOSS** box  at the right of item **13 Net non-primary production distribution**.

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 2008* in addition to item **13** on your tax return.

### ! NOTE

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 **24**. You will not be taxed twice on this income. More information is available at question **24**.

## 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 **13** on your tax return includes:

- income from which an amount of tax was withheld because an Australian business number was not quoted – write your share of the distributed credit at **P** item **13**. 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 13. Show cents
- income:
  - received by a resident from which an amount of tax was withheld because of the imposition of non-resident withholding tax
  - from a fund payment made to a foreign resident by a managed investment trust from which an amount of tax was withheld
  - from which an amount of tax was withheld because of the operation of foreign resident withholding
 write the total amount of these credits for tax withheld at **A** item 13. 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 13. 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 13. Show cents. You and the partnership or trustee must be qualified persons in relation to the particular dividend – see **Qualified person** below.

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 13, or in the amount of trust income you show at **U** item 13. 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 13, or
- the amount of income from the trust you have shown at **U** item 13 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

There are rules – known as franking credit trading rules – designed to curb the unintended use of franking credits by persons who do not effectively own their shares or who only briefly own their shares. Under these rules, known as the ‘holding period rule’ and the ‘related payments rule’, you must satisfy certain criteria before you are considered to be a qualified person and can claim franking credits. In other words, only qualified persons have the benefit of the franking credit attached to their dividends.

If you derived 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 applies to you if you (or the partnership or trust) sold shares within 45 days of buying them. It also applies to you if you (or the partnership or trust) entered 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 un-dissected 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 had 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 2008* (NAT 2632) which is available on our website. 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 – ITEM 13, 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 received a distribution from a partnership or trust that is a small business entity, you may be eligible to claim the entrepreneurs tax offset. You may need to complete item **T13 Entrepreneurs tax offset**.



# QUESTION 14

# 14

## PERSONAL SERVICES INCOME (PSI)

14

INCOME

### Did you receive personal services income?

**NO**  Go to question 15.

**YES**  Read below.

### Are you a sole trader?

**NO**  Go to question 15.

**YES**  Read below.

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 of an independent contractor working 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, Employment and Workplace Relations
  - payment for translation and interpretation services for the Translating and Interpreting Service of the Department of Immigration and Citizenship
  - 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 item income you received as an employee. This is shown elsewhere on your tax return.

Also do not show at this item personal services income that was subject to foreign resident withholding. Include this income at item 15. The rules for the tax treatment of personal services income will apply to the personal services income included at item 15.

### 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 sportsperson or entertainer from the exercise of professional skills
- income derived by consultants from the exercise of personal expertise.

Personal services income **does not include** income that is mainly:

- for 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 were 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 were not conducting a personal services business.

 You need to read the publication *Business and professional items 2008* (NAT 2543) before you can answer this question. This publication is available on our website. To find out how to get a printed copy, see the inside back cover.

*Business and professional items 2008* contains the *Business and professional items schedule for individuals 2008* (NAT 2816) and the *Individual PAYG payment summary schedule 2008* (NAT 3647).

### WHAT YOU MAY NEED

- *Personal services income – personal services business self-assessment checklist* (NAT 3416). This publication will help you decide whether you were conducting a personal services business. It also tells you how to get more information about personal services income issues.
- *Taxation Ruling TR 2001/7 – Income tax: the meaning of personal services income*
- *Taxation Ruling TR 2001/8 – Income tax: what is a personal services business*
- *Taxation Ruling TR 2003/6 – Income tax: attribution of personal services income*
- *Taxation Ruling TR 2003/10 – Income tax: 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 Infoline (see the inside back cover).

## ▶ COMPLETING THIS ITEM

### PART A

#### **Business and professional items schedule for individuals 2008 and Individual PAYG payment summary schedule 2008**

**14** **STEP 1** Complete the *Business and professional items schedule for individuals 2008*, sign it and attach it to page 3 of your tax return. If you do not attach your schedule, we will send your tax return back to you and will not consider that you have lodged it until it is returned with all schedules attached. We may apply the failure to lodge on time penalties if this results in your tax return being lodged after the due date. 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 2008* 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 2008?**

**NO**  Go to question 15.

**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 2008* to **A** item **14** on page 9 of your tax return. Do not show cents.

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

**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 2008*.

#### **! NOTE**

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 **24**. See page s34 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 2008?**

**NO**  Go to **Check that you have . . .** in the next column.

**YES**  Read on.

#### **1 Did you have amounts of tax withheld under a pay as you go (PAYG) voluntary agreement?**

**NO**  Go to **2** below.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2008* 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 2008*. Write this amount at **G** item **14** on page 9 of your tax return. Do not show cents.

#### **2 Did you have amounts of tax withheld because you did not quote your Australian business number?**

**NO**  Go to **3** below.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2008* 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 2008*. Write this amount at **H** item **14** on page 9 of your tax return. Show cents.

#### **3 Did you have amounts of tax withheld because you received income from:**

- working under a labour hire arrangement, or
- a specified payment?

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

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2008* 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 2008*. Write this amount at **J** item **14** on page 9 of your tax return. Do not show cents.

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

- read the publication *Business and professional items 2008*, and completed your *Business and professional items schedule for individuals 2008* and signed and attached it to page 3 of your tax return
- transferred the amount from **A** item **P1** on your *Business and professional items schedule for individuals 2008* to **A** item **14** on your tax return. 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 2008* and attached it to page 3 of your tax return
- written amounts at **G**, **H** and **J** 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

### NET INCOME OR LOSS FROM BUSINESS

15

INCOME

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

**NO**  Go to question 16.

**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 because it was subject to foreign resident withholding
- income of an independent contractor working 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, Employment and Workplace Relations
  - payment for translation and interpretation services for the Translating and Interpreting Service of the Department of Immigration and Citizenship
  - 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.

#### **STOP**

Do not show at this item personal services income included at item **14 Personal services income (PSI)**.

#### YOU NEED TO KNOW

**➤** You need to read *Business and professional items 2008* (NAT 2543) before you can complete this item. 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 2008* contains the *Business and professional items schedule for individuals 2008* (NAT 2816) and the *Individual PAYG payment summary schedule 2008* (NAT 3647).

You must show your net income or loss – gross business income less business deductions – at item **15, B** for primary production and **C** for non-primary production on page 10 of your tax return.

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 2008* (NAT 1712) which is available on our website. 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 item:

- *Taxation Ruling TR 92/18 – Income tax: bad debts*
- *Taxation Ruling TR 93/30 – Income tax: deductions for home office expenses*
- *Taxation Ruling TR 96/7 – Income tax: record keeping – section 262A – general principles*
- *Taxation Ruling TR 96/11 – Income tax: record keeping – taxi industry – guidelines for recording taxi takings*
- *Taxation Ruling TR 97/11 – Income tax: am I carrying on a business of primary production?*
- *Taxation Ruling TR 97/23 – Income tax: deductions for repairs*
- *Taxation Ruling TR 2005/9 – Income tax: record keeping – electronic records*
- *Guide to depreciating assets 2008* (NAT 1996)
- *Guide to concessions for small business entities* (NAT 71874).

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

## ▶ COMPLETING THIS ITEM

### PART A

#### **Business and professional items schedule for individuals 2008 and Individual PAYG payment summary schedule 2008**

**15** **STEP 1** Complete the *Business and professional items schedule for individuals 2008*, sign it and attach it to page 3 of your tax return. If you do not attach your schedule, we will send your tax return back to you and will not consider that you have lodged it until it is returned with all schedules attached. We may apply the failure to lodge on time penalties if this results in your tax return being lodged after the due date. 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 2008* 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 below.

**YES**  Read below.

**STEP 1** Transfer your net income or loss from a primary production business shown at **Y** item **P8** on your *Business and professional items schedule for individuals 2008* to **B** item **15** on page 10 of your tax return. Do not show cents.

**STEP 2** If you made a loss, print **L** in the **LOSS** box  at the right of **B** item **15**.

**STEP 3** If you made a loss in 2007–08 from one or more business activities, check that you have completed items **P3** and **P9** in the *Business and professional items schedule for individuals 2008*.

### PART C

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

**NO**  Go to part D in the next column.

**YES**  Read below.

**STEP 1** Transfer your net income or loss from a non-primary production business shown at **Z** item **P8** on your *Business and professional items schedule for individuals 2008* to **C** item **15** on page 10 of your tax return. Do not show cents.

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

**STEP 3** If you made a loss in 2007–08 from one or more business activities, check that you have completed items **P3** and **P9** in the *Business and professional items schedule for individuals 2008*.

### ! NOTE

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 **24**. See page s34 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 2008*, 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 . . .** on the next page.

**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** below.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2008* 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 2008*. Write this total at **D** item **15**. 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** on the next page.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2008* 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 2008*. Write this total at **W** item **15**. Show cents.

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

**NO**  Go to 4 below.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2008* 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 for individuals 2008*. Write this amount at **E** item **15**. Show cents.

### 4 Did you have any amounts of tax withheld because you received income:

- working under a labour hire arrangement, or
- from a specified payment?

**NO**  Go to **Check that you have . . .** in the next column.

**YES**  Read below.

Add up all the amounts on your *Individual PAYG payment summary schedule 2008* 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 2008*. Write this amount at **F** item **15**. Do not show cents.

#### NOTE

If you derived income from a business and you qualify for the small business entity concessions you may be eligible to claim the entrepreneurs tax offset. For more information, refer to question **T13 Entrepreneurs tax offset**.

### CHECK THAT YOU HAVE . . .

- read the publication *Business and professional items 2008*
- completed the *Business and professional items schedule for individuals 2008*, signed it and attached it to page 3 of your tax return
- transferred the amounts from **Y** and **Z** item **P8** on your *Business and professional items schedule for individuals 2008* to **B** and **C** item **15** respectively on your tax return. If these amounts are losses, printed **L** in the **LOSS** boxes  at the right of **B** and **C**
- 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 2008* and attached it to page 3 of your tax return
- written amounts at **D**, **W**, **E** and **F** item **15**, if required
- printed **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return.

## QUESTION 16

# 16

### DEFERRED NON-COMMERCIAL BUSINESS LOSSES

16

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 17.

**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 the deferral of non-commercial business losses.

You can use a 2007–08 loss from a business activity you conducted either as a sole trader or in a partnership to calculate your 2007–08 taxable income only where:

- an exception applies **or**
- one of the four tests is satisfied **or**
- 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 exceptions, the four tests and the Commissioner's discretion, see question **P9 Business loss activity details** in *Business and professional items 2008* (NAT 2543).

#### NOTE

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 **16** on your tax return. You will need to split the amount into primary production and non-primary production deferred losses. The amounts shown at item **16** cannot be used to reduce your 2007–08 taxable income.

 You need to read *Business and professional items 2008* before you can complete this item. 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 2008* contains the *Business and professional items schedule for individuals 2008* and the *Individual PAYG payment summary schedule 2008*.

#### WHAT YOU MAY NEED

- *Taxation Ruling TR 2001/14 – Income tax: 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.
- *Taxation Ruling TR 2007/6 – Income tax: non-commercial business losses: Commissioner's discretion*. 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 – fact sheet* (NAT 3385). This publication provides information on the special rules that 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 to find out how to get a printed copy, 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 ITEM

##### PART A

#### ***Business and professional items schedule for individuals 2008***

Complete the *Business and professional items schedule for individuals 2008*, 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. We will not consider you to have lodged your tax return until you return it with all schedules attached. We may apply the failure to lodge on time penalties if this results in you lodging your tax return after the due date. 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 below.YES  Read below.**Did you make a net loss from a business activity carried on in partnership with others in 2007–08?**NO  Go to part C below.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.

**Did your net loss from that business activity come within an exception described at question P9 in *Business and professional items 2008*?**NO  Read below.YES  Go to part C below.**Did your net loss from that business activity satisfy one of the four tests listed at question P9 in *Business and professional items 2008*?**NO  Read below.YES  Go to part C below.**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 below.

**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 16 on page 10 of your tax return.

**STEP 2** Check that you have included the amount of your deferred non-commercial business losses in working out your net distribution at item 13 on your tax return; 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 2008*.

**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 2007–08?**NO  Go to part D in the next column.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 in the next column for each of your business activities.

**Did your net loss from that business activity come within an exception described at question P9 in *Business and professional items 2008*?**NO  Read below.YES  Go to part D below.**Did your net loss from that business activity satisfy one of the four tests listed at question P9 in *Business and professional items 2008*?**NO  Read below.YES  Go to part D below.**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 D below.

**STEP 1** Write the total of your net losses to be deferred from business activities as a sole trader at **G** item 16 on page 10 of your tax return.

**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 14 and/or item 15 on your tax return; otherwise, you will have overstated your taxable income.

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

**STEP 1** Add up any amounts of **primary production** deferred losses at **F** and **G** item 16 on page 10 of your tax return. Write the total of primary production deferred losses at **I** item 16.

**STEP 2** Add up any amounts of **non-primary production** deferred losses at **F** and **G** item 16 on page 10 of your tax return. Write the total of non-primary production deferred losses at **J** item 16.

**NOTE**

At item **P9 Business loss activity details** on the *Business and professional items schedule for individuals 2008* you must record the three highest loss-making business activities (if applicable), regardless of whether or not:

- the net loss from your business activity came within an exception
- the net loss from your business activity satisfied one of the four tests
- the Commissioner had advised that he will exercise his discretion to allow the net loss from your business activity to be claimed this year
- you had carried on the business activity in a partnership or as a sole trader.

## QUESTION 17

# 17

### NET FARM MANAGEMENT DEPOSITS OR WITHDRAWALS

17

INCOME

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

#### Did you deposit into or withdraw funds from your Farm Management Deposits Scheme account during 2007–08?

**NO**  Go to question 18.

**YES**  Read below.

#### YOU NEED TO KNOW

You can claim a deduction for farm management deposits made during 2007–08 at this item unless in 2007–08:

- your non-primary production taxable income was more than \$65,000
- 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 2007–08.

Any deduction you claim cannot be more than the deposits made or your taxable primary production income for 2007–08, whichever is less.

The maximum amount that can be held at any one time as farm management deposits is \$400,000.

If you withdraw all or part of a farm management deposit on or after 1 July 2002, you cannot claim a deduction for any part of the deposit that is withdrawn within 12 months of the deposit except in situations outlined in the following paragraphs. 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.

You can withdraw an amount from a farm management deposit within 12 months after it was made and still retain the tax deduction if, at the time of withdrawal:

- you were eligible to be issued an exceptional circumstances certificate relating to your primary production business, and
- the deposit was made before an exceptional circumstances declaration made by the Minister for Agriculture, Fisheries and Forestry applied to your primary production business.

However, the amount of the withdrawal is assessable in the year you made the withdrawal and you cannot claim a deduction for any subsequent deposits you made in that income year. You need to get an exceptional circumstances certificate from Centrelink no later than three months after the end of the income year 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 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 the Centrelink Drought Assistance Line.

If in 2007–08 you became bankrupt or ceased to be a primary producer for at least 120 days, all remaining deposits are assessable income in 2007–08 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.

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 you have previously claimed them 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 you have any questions about the tax consequences of farm management deposits or withdrawals, visit our website or phone the Business Infoline (see the inside back cover).

#### DECEASED ESTATE

If you are looking after the estate of someone who died in 2007–08, you cannot claim a deduction for any deposits they made in 2007–08. Any farm management deposits held at the time of death are assessable income in 2007–08 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.



## WHAT YOU MAY NEED

- Your account statement from your financial institution for the Farm Management Deposits Scheme
- The publications *Information for primary producers 2008* (NAT 1712) and *Farm management deposit scheme* (NAT 8776). These publications are available on our website or to find out how to get a printed copy, see the inside back cover.

## ▶ COMPLETING THIS ITEM

Take away the total amount of the deductible deposits you made in 2007–08 from the total amount of your 2007–08 withdrawals that are assessable income.

Write the answer at **E** item **17** on page 10 of your tax return; and if the amount of your deductible deposits exceed the amount of your assessable withdrawals, print **L** in the **LOSS** box  at the right of **E**.

## 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 tax records.

# QUESTION 18

# 18

## CAPITAL GAINS

18

INCOME

### STOP

Do not show at this item a 'listed investment company capital gain amount' included in a dividend paid by a listed investment company. See *TaxPack 2008* question **D7 Interest and dividend deductions**.

### 2008 BUDGET ANNOUNCEMENTS

In the 2008 Budget the Government announced several proposed changes to capital gains tax (CGT) with various commencement dates. They concern extending small business CGT concessions, cancellation of interests in widely held entities, demutualisation of health insurers and employee share schemes. See the *Guide to capital gains tax* (NAT 4151) for more information.

### Did you have a capital gains tax event during the year?

You may have made a capital gain or capital loss if a CGT event happened in 2007–08. See the box on the right for an explanation of a CGT event.

You may have also made a capital gain for 2007–08 if you were a beneficiary of, or had money invested in, a trust or managed investment fund in 2007–08 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 the CGT event was more than the cost base of your asset. You may have to pay tax on your capital gain.
- 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 2007–08. See the note at **Completing this item** step 3 on page s18.

Some capital gains and capital losses are disregarded – see **Exceptions and exemptions** on the next page.

- NO**  Print **X** in the **NO** box at **G** item **18** on page 10 of your tax return if:
- you did not have a capital gain or capital loss, or
  - all of your capital gains or capital losses were disregarded.

Go to **Did you have any unapplied net capital losses from earlier years?** on page s19 to find out how to complete this item.

- YES**  Print **X** in the **YES** box at **G** item **18** on page 10 of your tax return if you had a capital gain or a capital loss that was not disregarded. Read on to work out your net capital gain or net capital loss.

### Did this CGT event relate to a forestry managed investment scheme interest that you held, other than as an initial participant?

- NO**  Print **X** in the **NO** box at **Q** item **18** on page 10 of your tax return if you had a capital gains tax event that **did not relate** to a forestry managed investment scheme interest that you held, other than as an initial participant.

- YES**  Print **X** in the **YES** box at **Q** item **18** on page 10 of your tax return if you had a capital gains tax event that **did relate** to a forestry managed investment scheme interest that you held, other than as an initial participant.

If you selected **YES** at **Q** item **18** on page 10 of your tax return because you sold your forestry managed investment scheme interest as a subsequent participant during the year, then you should complete the *Capital gains tax (CGT) schedule 2008* (NAT 3423). Refer to the *Guide to capital gains tax 2008*.

### NOTE

If you were an Australian resident for tax purposes, show any capital gains or capital losses you made from foreign sources at this item. Do not show them as foreign source income at item **20**.

### 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, a holiday home, investment property, vacant block of land, hobby farm
- shares
- units in a unit trust or managed investment fund
- forestry managed investment scheme interests (as a subsequent participant)
- collectables – for example, jewellery
- personal use assets.

Examples of other CGT events are:

- an asset you owned was lost or destroyed
- you received an amount for entering into an agreement – for example, you agreed not to work in a particular industry for a set period of time
- you entered into a conservation covenant over land that you owned
- you received a non-assessable payment from a trust or company.

 If you are unsure whether a CGT event happened in 2007–08, refer to **Appendix 1: Summary of CGT events** in the *Guide to capital gains tax 2008*.

## 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, 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 or units you owned in a company or trust that was taken over, if certain conditions were met
- shares in a company or interests in a trust where there had been a demerger and certain conditions had been met
- disposing of an asset to which the small business 15-year exemption applies
- your share of capital gains or capital losses arising from the disposal of certain investments by a venture capital limited partnership, an early stage venture capital limited partnership or an Australian venture capital fund of funds
- disposal of shares in a pooled development fund.

### Did you dispose of shares, stapled securities or rights acquired under an employee share scheme?

Employee share schemes enable you to acquire shares or stapled securities, or obtain rights (including options) to acquire shares or stapled securities, in your employer's company at a discount.

The amount of the capital gain may be reduced if your shares, stapled securities or rights were acquired under an employee share scheme.

For more information, read *Employee share schemes – answers to frequently asked questions by employees* (NAT 7366) on our website.

### Did you receive a distribution from a managed fund?

Managed funds (unit trusts) include property trusts, share trusts, equity trusts, growth trusts, imputation trusts and balanced trusts.

Distributions from managed funds can include two components that have capital gains tax (CGT) consequences:

- capital gains, and
- non-assessable amounts.

You need to know whether you have received these amounts in your distribution – to find out, check the year-end or annual statement from your managed fund. The statement should also show which method the fund used to calculate the capital gain. There are three methods of calculating capital gains:

- indexation
- discount, and
- 'other'.

You must use the same method as the fund to calculate your capital gain.

Fund managers may use different terms to describe the calculation methods they have used and they may refer to capital gains calculated using the indexation and 'other' methods as 'non-discount gains'. If in doubt, check with your fund manager.

For more information, read the *Personal investors guide to capital gains tax 2008* (NAT 4152).

### ! NOTE

If you are a foreign resident and have a capital gain related to a fund payment from a managed investment trust, you may be entitled to claim a credit for amounts of tax withheld. To claim this credit, you will need to include the amount of the credit at **A** item **13** on page 9 of your tax return (see question **13** for more information). You will still need to enter the amount of the capital gain at **H** item **18** on page 10 of your tax return.

### Did you make a capital gain or capital loss on your shares?

You may make a capital gain or capital loss by selling or giving away your shares, including by selling them to the company under a share buy-back arrangement. Even if you did not pay for your shares – for example, you received them under a demutualisation – you may make a capital gain or capital loss when you sell or give them away.

Also, if you use dividends to acquire additional shares in a company – for example, through a dividend reinvestment plan – the additional shares are subject to CGT if you sell them or give them away.

There are other ways of making a capital gain or capital loss on shares. These include:

- If you held shares in a company and during 2007–08 a liquidator or administrator declared the shares worthless, you can choose to claim a capital loss equal to the reduced cost base of the shares (otherwise you may have to wait until the company is dissolved to claim the capital loss).
- If you received a non-assessable payment – also known as a return of capital – you may have to reduce the cost base and reduced cost base of your shares. If the amount of the non-assessable payment is more than the cost base of the shares, the difference is a capital gain.

Fact sheets on some major share transactions affecting shareholders are available on our website.

### Did you sell a property you inherited?

Capital gains tax applies when you dispose of CGT assets that you inherited. However, if you inherited real estate, you may not have to pay CGT if you sold 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 were not renting part of it out or using part of it for business purposes.

For more information, read the *Guide to capital gains tax 2008*.

## Your home may be subject to capital gains tax

Under the 'main residence' exemption, you generally do not have to pay capital gains tax (CGT) on the disposal of your main residence. However, you may 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 2008*.

## Asset transfer on marriage breakdown

If you transferred 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 were 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 2008*.

## Foreign residents

Foreign residents who are individuals are subject to CGT on:

- direct interests in real estate located in Australia
- an interest in an entity where they and their associates hold 10% or more of the entity and the value of their interest is principally attributable to Australian real estate
- an asset they have used in carrying on a business through a permanent establishment in Australia
- an option or right to acquire one of the above.

For more information, read the *Guide to capital gains tax 2008* or visit our website.

## Temporary residents

Temporary residents are subject to CGT in the same way as foreign residents.

See page 14 in *TaxPack 2008* for the definition of a temporary resident and details of the exemption.

There are special rules for shares and rights acquired under an employee share scheme.

For more information, read the *Guide to capital gains tax 2008* or visit our website.

## WHAT YOU MAY NEED

- Details of the amount of any unapplied net capital losses from earlier 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 to complete this item. They explain the three methods that are used to calculate a capital gain: the indexation method, the discount method and 'other' method.

- *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.)
- *Guide to capital gains tax 2008*. This explains how CGT works and will help you to calculate your net capital gain or net capital loss. It covers CGT 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.
- *Personal investors guide to capital gains tax 2008* is shorter and simpler than the *Guide to capital gains tax 2008*. 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 other CGT events, nor the 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 2008*.
- The electronic publication *Capital gains tax (CGT) concessions for small business – overview* explains what concessions are available to small businesses.

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

## ▶ COMPLETING THIS ITEM

**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 2007–08 income year.

**STEP 2** Add up all your capital gains for the 2007–08 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 **18** on page 10 of your tax return.

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

- capital losses from this year
- unapplied net capital losses from earlier 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 capital gains that do not qualify for the CGT discount.

If the total amount remaining is positive or zero, write it at **A** item **18** and go to question **19**.

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 **18**. Go to question **19**.

**Did you have any unapplied net capital losses from earlier years?**

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

**NO**  Go to question **19**.

**YES**  Read below.

You have net capital losses from earlier years that are carried forward to later income years. Write the amount at **V** item **18** on your tax return.

**! NOTE**

If foreign tax was paid on a foreign capital gain, you need to read part G in question **20** to work out the amount of foreign tax credits you can claim. You show the foreign tax credits at **O** item **20**.

**! KEEPING RECORDS FROM THE START**

You must keep records 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 may happen in the future.

You must keep these records for five years from the time when no CGT event or further CGT event can happen. The records for these CGT events may be relevant to working out whether you have made a capital gain or capital loss from the event.

# QUESTION 19

# 19

## FOREIGN ENTITIES

19

INCOME

### Are you an Australian resident for tax purposes who:

- had either a direct or an 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, or
- had an interest in a foreign investment fund or a foreign life assurance policy?

**NO**  Go to question 20.

**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.

### NOTE

If you are a temporary resident you will not need to show your foreign investment income at this item. Refer to page 14 in *TaxPack 2008* for the definition of a temporary resident and details of the exemption.

### PART A

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

### COMPLETING THIS PART

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

**NO**  Print **X** in the **NO** box at **I** item 19 on page 10 of your tax return. Go to part B in the next column.

**YES**  Read below.

#### Did you, alone or with associates:

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

**NO**  Print **X** in the **NO** box at **I** item 19 on page 10 of your tax return. Go to part B in the next column.

**YES**  Read on.

**STEP 1** Print **X** in the **YES** box at **I** item 19 on page 10 of your tax return.

**STEP 2** Work out your attributed foreign income from any controlled foreign company.

**STEP 3** Write this amount at **K** item 19. Do not show cents. Read on.

### 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, and the trust was not managed and controlled from Australia, for all of the income year. Read chapter 2 in the *Foreign income return form guide* for more information.

### COMPLETING THIS PART

#### 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 19 on page 10 of your tax return. Go to part C below.

**YES**  Read below.

**STEP 1** Print **X** in the **YES** box at **W** item 19 on page 10 of your tax return.

**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 19. Do not show cents.

**STEP 4** Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 19 on the top of a separate piece of paper. Print 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. Sign your schedule and attach it to page 3 of your tax return.

**STEP 5** Print **X** in the **YES** box at *Taxpayer's declaration* question 2a on page 8 of your tax return. Read on.

### 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 non-resident 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.

## ▶ COMPLETING THIS PART

### 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 **19** on page 10 of your tax return. Go to question **20**.

**YES**  Read below.

**STEP 1** Print **X** in the **YES** box at **J** item **19** on page 10 of your tax return.

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

**STEP 3** Write the amount you worked out at step 2 at **C** item **19**. 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 – ITEM 19 on the top of a separate piece of paper. Print 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. Sign your schedule and attach it to page 3 of your tax return.

**STEP 5** Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 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 – ITEM 19, if you need to send us one.

## QUESTION 20

### FOREIGN SOURCE INCOME AND FOREIGN ASSETS OR PROPERTY

# 20

#### Did you:

- receive a foreign pension or annuity
- receive income from foreign employment
- receive a lump sum payment from a foreign superannuation fund
- transfer money from a foreign superannuation fund to an Australian superannuation fund
- receive any other foreign source income including interest, dividends, royalties or rent
- at any time during 2007–08, own or have an interest in assets located outside Australia that had a total value of A\$50,000 or more?

#### ! NOTE

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

**NO**  Go to question **21**.

**YES**  Read below.

#### – STOP

Do not show at this item:

- a capital gain or capital loss from a foreign source – question **18 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 **24**
- payments you received on termination of your employment in a foreign country where the payments were exempt from income tax under the law of the foreign country and you received the payments within 12 months of the termination – question **4 Employment termination payments** deals with these amounts.

#### 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 received a lump sum payment from a foreign 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 amounts at this item:

- 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
- 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 on an Australian tax return.**

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

### ! NOTE

If you are a temporary resident the only foreign income you will need to show at this item is income that you earned from foreign employment while a temporary resident. Follow part B of this question to determine how much of this foreign employment income you should report. Refer to page 14 in *TaxPack 2008* for the definition of a temporary resident and details of the exemption.

### 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 2008* (NAT 2632)
- *How to claim a foreign tax credit 2008* (NAT 2338)
- *Taxation Ruling TR 96/15 – Income tax: foreign tax credit system: issues relating to the practical application of section 23AG*. If you received income from foreign employment, you may need this ruling to work out whether we consider that 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.

The publications and rulings listed above are available on our website or to find out how to get printed copies, see the inside back cover.

### ! 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. Divide your notepaper into two columns with the headings 'Assessable amount' and 'Net taxable amount'.

### PART A

#### Did you receive a foreign pension or annuity?

**NO**  Go to part B on the next page.

**YES**  Read below.

Most foreign pensions and annuities are taxable in Australia, even if tax was withheld from your payment by the country from which the payment came. Examples of foreign pensions and annuities that fall into this category are age and superannuation pensions paid from Austria, Germany, Italy, the Netherlands and the United Kingdom. If you are unsure whether your foreign pension or annuity is taxable, phone the Personal Infoline.

If the country from which your foreign pension or annuity came withheld tax from your payment, and the foreign pension or annuity is also taxable in Australia, you may claim a foreign tax credit at this item if you were not entitled to seek a refund of the foreign tax from that country (see part G on page s26). 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 foreign pension or annuity is subject to an agreement, phone the Personal Infoline.

If your foreign pension or annuity is paid from a country with which Australia has a double tax agreement, you may be able to make arrangements to not have tax withheld from future payments from that country. Phone the Personal Infoline for more information.

### ! NOTE

We regularly receive information from foreign tax authorities under our tax treaties regarding foreign source income paid to (and the tax withheld from) Australian resident taxpayers. We use information-matching technology to verify the correctness of tax returns. Ensure that all information is fully and correctly declared on your tax return.

If your foreign pension or annuity is not taxable in Australia, do not show this income anywhere on your tax return. Go to part B on the next page.

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 foreign pension or annuity

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

#### If foreign tax was taken from your foreign pension or annuity

Add back the amount of foreign tax taken from your foreign pension or annuity to the amount you received to get the full amount of your foreign 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.

Add up any deductible expenses that you incurred in relation to your foreign pension or annuity. Take away this amount from the amount you worked out at step 1 to get your net taxable foreign pension or annuity. 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 Other deductions**. If your foreign pension or annuity has a deductible amount of undeducted purchase price (UPP), you claim a deduction for this amount at item **D11**.



**STEP 3** List separately on your notepaper the net taxable amounts of foreign pensions and annuities with an undeducted purchase price (UPP) and without a UPP.

If your foreign pension or annuity has or had a UPP, write the amount at **D** item **20**. Do not show cents.

If you received a foreign pension or annuity with no UPP and if part B below does not apply to you, write the amount at **L** item **20**. Do not show cents. Print code letter **P** in the **TYPE** box  at the right of **L** item **20**. Go to part B below to find out if it applies to you.

If part B does not apply to you and you received no other foreign income, go to part E on page s25. Otherwise, read on.

## PART B

### Did you receive income from foreign employment?

**NO**  Go to part C on the next page.

**YES**  Read below.

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

**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
- specific exemptions for the pay and allowances of members of the Australian Defence Force, related to qualifying service in a declared operational area.

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

If all your foreign employment income is exempt for either of these reasons, do not include this income anywhere on your tax return. Go to step 2 if you received a foreign pension or annuity. If all your foreign employment income is exempt for either of the above reasons and you did not receive a foreign pension or annuity, go to part C on the next page. Otherwise, go to step 3.

**STEP 2** 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 **20** on page 10 of your tax return. Do not show cents.

Print the code letter **P** in the **TYPE** box  at the right of **L** item **20**.

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 **20**. Do not show cents. Go to part C on the next page.

**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 is still 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 you add back any taxes taken from it. 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 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 43–57 in *TaxPack 2008*.

### ! 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 employment income, see question **D15**.

### EXAMPLE 1

Lachlan was employed in a foreign country from 15 October 2007 until 23 April 2008. During the period of his foreign employment, Lachlan earned A\$11,250 after he paid A\$3,750 in foreign tax and incurred deductible work-related expenses of A\$500 in relation to his foreign employment. After adding back the foreign taxes, Lachlan would have assessable foreign employment income of A\$15,000. After deducting his expenses, Lachlan would have net foreign employment income of A\$14,500.

**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, go to step 8.

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

If you were absent from the foreign country at any time during this period, read the fact sheet *Exempt foreign employment income* to find out whether we consider you to have been continuously employed in the foreign country. If you were working on a project approved by Austrade, read the fact sheet *Foreign income while working on an approved overseas project*. You can find the fact sheets and other information on foreign employment income on our website. If you need further help, phone the Personal 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 91 days or more, your foreign employment income will generally be exempt from tax. If you are unsure, phone the Personal Infoline. If your foreign employment income is not exempt from tax, go to step 8. Otherwise, read on.

If any of your foreign employment income is exempt from tax, write the amount at **N** item **20** on page 10 of your tax return. Do not show cents. You cannot claim a foreign tax credit on this income.

If you wrote on your notepaper an amount in the 'Net taxable amount' column for a foreign pension or annuity which never had an undeducted purchase price (UPP), write this amount at **L** item **20** on page 10 of your tax return. 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 that has or had a UPP, write this amount at **D** item **20**. Do not show cents.

**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 **20** on page 10 of your tax return. Do not show cents. Go to part C below.

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 that never had a UPP to your net taxable amount for foreign employment income. Write the total at **L** item **20** on page 10 of your tax return. 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 **20**. Do not show cents.

### Foreign employment income paid in arrears

If your net foreign employment income that is exempt from tax includes an amount paid in arrears and you are liable for the Medicare levy surcharge (see question **M2**) you need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 20 on the top of a separate piece of paper and show the amount of the payment in arrears for each income year involved. Include your name, address and tax file number. 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. 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 follow the instructions in the last paragraph under the heading **Lump sum payments in arrears** at question **24** on page s33. Read on.

## PART C

### Did you:

- receive a lump sum payment from a foreign superannuation fund, or
- transfer money from a foreign superannuation fund to an Australian superannuation fund?

**NO**  Go to part D in the next column.

**YES**  Read below.

This part does not apply to the transfer of amounts from a foreign superannuation fund to another foreign superannuation fund.

Generally, a lump sum payment from a foreign superannuation fund is tax free if you received it within six months of you becoming an Australian resident or within six months after you terminate your foreign employment. If your lump sum payment satisfied one of these conditions, you do not need to show that amount anywhere on your tax return. The electronic publication *Super lump sums from a foreign super fund* has more detail. It is available on our website.

Certain lump sum payments received by Australian residents from foreign superannuation funds are taxable. This can include a lump sum payment from a foreign superannuation fund that was exempt from tax in the foreign country.

This can also include the direct transfer benefits from a foreign superannuation fund to an Australian superannuation fund when you have **not** made a choice that all or part of the assessable amount be treated instead as assessable income of the Australian superannuation fund. To make the choice, you need to pay the entire amount of the lump sum directly to the Australian superannuation fund.

The assessable amount of the lump sum payment is referred to as the applicable fund earnings. How the applicable fund earnings are calculated depends on whether you were an Australian resident at all times during the period to which the lump sum relates. The part of the assessable amount covered by the choice does not count towards either the concessional contributions cap or the non-concessional contributions cap.

The part of the lump sum payment transferred that is assessable income of the Australian superannuation fund because it exceeds amounts vested in the member at the time of the transfer counts towards the concessional contributions cap. The part of the lump sum payment transferred that is not covered by the choice and not included in the assessable income of the Australian superannuation fund counts towards the non-concessional contributions cap. For further information on the contributions caps, refer to the electronic publication *Super contributions – too much super can mean extra tax*. It is available on our website.

For more information, phone the Superannuation Infoline.

Determine the taxable amounts of any lump sum payments that you received from a foreign superannuation fund. Also, determine the taxable amounts of any payments transferred from a foreign superannuation fund to an Australian superannuation fund (for which you have not made a choice). Add the taxable amounts together and include the total (with any other amount from part D) at **M** item **20**. 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
- any other foreign income?

**NO**  Go to part E on the next page.

**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 that you received. This is because you can deduct only expenses that you incurred in a category of foreign income against foreign income of the same category.

If you received a payment from a foreign source on termination of your foreign employment, and it is not an **employment termination payment** or a **foreign termination payment** (both defined in question 4), and the payment was not shown on a *PAYG payment summary – individual non-business*, include the amount in the calculation of all other assessable foreign income.

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 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 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** in the next column.

If you had allowable foreign losses in previous years for this category of income that you have not already deducted, 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 deduct from that foreign income. This is explained further in part I on the next page.

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 that are greater than zero. Include the total (with any other amount from part C) at **M** item **20** on page 10 of your tax return. Do not show cents.

## 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 losses cannot be deducted from Australian source assessable income, and can only be carried forward to deduct from assessable foreign income in the same category derived in a later income year.

### EXAMPLE 2

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

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

Colin writes **\$1,000** at **M** item **20** and \$3,000 on his notepaper in the column for 'Assessable amount'. He needs to keep a record of the \$2,000 rental loss. This loss can only be used to deduct from modified passive income (including foreign rental income) derived in later years.

Read on.

## 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 you should add it 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 source income. Write this amount at **E** item **20**. Do not show cents.

### ! NOTE

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

If you have Australian franking credits, go to part F below. If you are entitled to a foreign tax credit, go to part G on the next page. Otherwise, go to part H on the next page.

## 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 that you are not entitled to (for example, because the dividend, non-share dividend, or income from the trust or partnership is exempt, or because you fail the holding period rule or trigger the related payments rule).

For more information, see the publication *You and your shares 2008*.

At part D you 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 received 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 **20**. Do not show cents.

### STOP

Do not include in the amount at **F** item **20**:

- any Australian franking credits you received from an Australian company. Show these amounts at either item **12 Dividends** or item **13 Partnerships and trusts**
- any New Zealand imputation credits.

If you are entitled to a foreign tax credit, go to part G below. Otherwise, go to part H below.

## PART G

### Working out your foreign tax credit

If you have not shown exempt foreign employment income at **N** item **20**, go to step 1. If you have shown exempt foreign employment income at **N** item **20**, go to step 2.

**STEP 1** Read *How to claim a foreign tax credit 2008*. Work out the total foreign tax credit you can claim. Write the amount at **O** item **20**. Show cents. Go to part H below.

**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 – ITEM 20 on the top of a separate piece of paper. Include 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 below.

## PART H

### At any time during 2007–08, did you own or have an interest in assets located outside Australia that had a total value of A\$50,000 or more?

If your only asset or assets held overseas are covered under question **19**, your answer to this question is **NO**.

**NO**  Print **X** in the **NO** box at **P** item **20** on your tax return. Go to part I in the next column.

**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. They also include 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 2008 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 **20** if your overseas assets – tangible or intangible – were valued at A\$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** on pages 67–9 in *TaxPack 2008*. Reduce the foreign source income you show at item **20** by the amount of the Australian tax losses of earlier income years that you are deducting.

### CHECK THAT YOU HAVE . . .

- written on your tax return the total amount of your assessable foreign source income, your net taxable foreign employment income, your taxable foreign pension or annuity income and the total amount of your other net foreign source income
- written on your tax return your net foreign employment income that is exempt from tax
- written on your tax return the total amount of your foreign tax credits that you can claim
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM 20, 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 **20** if you received a foreign pension or annuity with no undeducted purchase price, but not if you also had a net taxable amount of foreign employment income.

# QUESTION 21

# 21

## RENT

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

**NO**  Go to question 22.

**YES**  Read below.

#### **STOP**

Do not show at this item:

- a deduction for the decline in value of a low-value pool – show this at item **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 20 **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.

#### **CAPITAL GAINS TAX**

If you disposed of your property (for example, by selling it, gifting it or transferring it to someone else) in 2007–08, capital gains tax may apply and you must read question 18. You will also need to read the *Guide to capital gains tax 2008* (NAT 4151).

### YOU NEED TO KNOW

You need to read the publication *Rental properties 2008* (NAT 1729) 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.

#### **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 2007–08 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, phone, 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 only that part of the property. 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 – Income tax: rental properties – non-economic rental, holiday home, share of residence etc cases, family trust cases* will give you more details about apportionment.

#### **Prepaid expenses**

If you prepaid 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 2009, 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 2008* (NAT 4170).

#### **Co-ownership**

If you derived rent jointly (or in common) with another person from a jointly held property where you were not a member of a partnership carrying on a business of renting out properties, include your share of rent and expenses at this item.

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 half of the property, you should show half of the rent and claim half of the deductible expenses for the property. *Rental properties 2008* provides further information on how to work out your share of the rent and expenses that you can claim.

#### **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.

21

INCOME

**! 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 2008* has a comprehensive list of depreciating assets found in residential rental properties.

The publications *Guide to depreciating assets 2008* (NAT 1996) and *Rental properties 2008* 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 2008* 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 pool 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.

**Capital works deductions**

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

You can claim a deduction 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 2008* will help you determine if you qualify and the appropriate rate.

**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 2007–08 were more than \$250,000. More information about thin capitalisation is available on our website.

**WHAT YOU MAY NEED**

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 2008*
- *Deductions for prepaid expenses 2008*
- *Taxation Ruling IT 2167*.

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

**▶ COMPLETING THIS ITEM**

**STEP 1** Write your share of the total amount of gross rent at **P** item **21** on page 11 of your tax return. Do not show cents.

**STEP 2** Write your share of the interest expenses that can be claimed as a deduction at **Q** item **21**. Do not show cents.

**STEP 3** Write your share of the capital works deductions that can be claimed as a deduction at **F** item **21**. 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 **21**. Do not show cents.

**STEP 5** Add up the amounts at **Q**, **F** and **U** item **21**. Take away the total from the amount at **P** item **21**. This is your net rent. Write this amount at **Net rent** item **21**. 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 22

### BONUSES FROM LIFE INSURANCE COMPANIES AND FRIENDLY SOCIETIES

# 22

22

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 23.

**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 item 24 **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.

#### YOU NEED TO KNOW

You need to include a bonus amount at this item 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 Infoline (see the inside back cover).

#### WHAT YOU MAY NEED

- Your life insurance policy
- Your friendly society policy
- Your life insurance bonus advice
- Your friendly society bonus advice

#### COMPLETING THIS ITEM

Write at **W** item 22 on page 11 of your tax return:

- the whole bonus amount you received in 2007–08 if you received it during the first eight years of the policy
- two-thirds of the bonus amount you received in 2007–08 if you received it during the ninth year of the policy, or
- one-third of the bonus amount you received in 2007–08 if you received it during the 10th year of the policy.

Do not show cents.

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

#### 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.

# QUESTION 23

# 23

## FORESTRY MANAGED INVESTMENT SCHEME INCOME

23

INCOME

### Did you receive income from a forestry managed investment scheme (FMIS)?

- NO**  Go to question 24.
- YES**  Read below.

### YOU NEED TO KNOW

A **forestry interest** in an FMIS is a right to benefits produced by the scheme (whether the right is actual, prospective or contingent and whether it is enforceable or not).

You are an **initial participant** in an FMIS if:

- you obtained your forestry interest in the FMIS from the forestry manager of the scheme, and
- your payment to obtain the forestry interest in an FMIS results in the establishment of trees.

You are a **subsequent participant** if you are not an initial participant.

A **forestry manager** of an FMIS is the entity that manages, arranges or promotes the FMIS.

The amount of your **total forestry scheme deductions** is the total of each amount that you can deduct or have deducted for each income year that you held your forestry interest. See question **D14 Forestry managed investment scheme deduction** for further information on amounts you can deduct.

The amount of your **incidental forestry scheme receipts** is the total of each amount that you received under the scheme in each income year that you held your forestry interest, other than amounts received because of a capital gains tax (CGT) event, that is, a sale or a harvest.

### ▶ COMPLETING THIS ITEM

Show at **A** item 23 the total income from forestry interests you held in an FMIS from the following activities.

#### Initial participants

##### STEP 1 Thinning receipts

If you received thinning proceeds from your forestry interest, include the actual amount you received in the total amount at **A** item 23.

##### STEP 2 Sale and harvest receipts – forestry interest you no longer held

If a CGT event happened and you no longer held your forestry interest as a result of the CGT event, for example, because you have sold the interest to another person, or you have received harvest proceeds, include the market value of the forestry interest at the time of the CGT event in the total amount at **A** item 23.

##### STEP 3 Sale and harvest receipts – forestry interest you still held

If a CGT event happened and you still held your forestry interest, for example, because you have sold part of your interest or there was a partial harvest, include the amount by which the market value of your forestry interest was reduced in the total amount at **A** item 23.

#### Subsequent participants

##### STEP 4 Thinning receipts

If you received thinning proceeds from your forestry interest, include the actual amount you received in the total amount at **A** item 23.

##### STEP 5 Sale and harvest receipts – forestry interest you no longer held

If a CGT event happened and you no longer held your forestry interest as a result of the CGT event, for example, you sold your interest or you received harvest proceeds, include the lesser of the following two amounts in the total amount at **A** item 23:

- the market value of the forestry interest (at the time of the CGT event), or
- the amount (if any) by which the total forestry scheme deductions exceeded the incidental forestry scheme receipts.

##### STEP 6 Sale and harvest receipts – forestry interest you still held

If a CGT event happened and you still held your forestry interest, for example, because you have sold part of your interest or there was a partial harvest, include the amount worked out below in the total amount at **A** item 23.

Work out the lesser of the following two amounts:

- the market value of the forestry interest (at the time of the CGT event), or
- the amount (if any) by which the total forestry scheme deductions exceeded the incidental forestry scheme receipts.

Use the lesser of the two amounts above in the following formula:

$$\begin{array}{r} \text{lesser of two amounts} \\ \text{above} \end{array} \times \frac{\begin{array}{l} \text{the decrease (if any) in the market} \\ \text{value of the forestry interest} \\ \text{(as a result of the CGT event)} \end{array}}{\begin{array}{l} \text{the market value of the forestry} \\ \text{interest just before the CGT event} \end{array}}$$

Include at **A** item 23 the amount you worked out using the above formula.



**STEP 7** Add up all the amounts included in your forestry managed investment scheme (FMIS) income at steps 1 to 6 on the previous page.

**STEP 8** Write the total from step 7 at **A** item **23**.

For more information on the capital gains tax (CGT) treatment of your forestry interest, see the *Guide to capital gains tax 2008* (NAT 4151).

### EXAMPLE 1

Julian is a subsequent participant in an FMIS. He sells his forestry interest at the market value of \$20,000. The sale of his forestry interest is a CGT event. His original cost base is \$14,000.

In the time that Julian held his forestry interest, he claimed \$4,000 in deductions (his 'total forestry scheme deductions') for lease fees, annual management fees and the cost of felling that he paid to the forestry manager. In the same period, Julian received \$1,500 from thinning proceeds (his 'incidental forestry scheme receipts').

Julian writes **\$2,500** (that is, \$4,000 – \$1,500) at **A** item **23**, because this amount is less than the market value of his forestry interest at the time of the CGT event.

### EXAMPLE 2

John is a subsequent participant in an FMIS. He receives harvest proceeds over two income years. He receives his first harvest payment of \$5,000 in the 2007–08 income year.

The market value of John's forestry interest is \$20,000 just before he receives his first harvest payment (which is a CGT event). After John receives this first harvest payment, the market value of his forestry interest is reduced to \$15,000. His original cost base is \$14,000.

In the time that he held his interest, he claimed \$4,000 in deductions (his 'total forestry scheme deductions') for lease fees, annual management fees and the cost of felling that he paid to the forestry manager. In the same period, John received \$1,500 from thinning proceeds (his 'incidental forestry scheme receipts').

#### Step 1

The market value of the forestry interest (at the time of the CGT event) is \$20,000.

The amount by which the total forestry scheme deductions exceeds the incidental forestry scheme receipts is \$2,500 (that is, \$4,000 – \$1,500).

The amount to use in step 2 is \$2,500.

#### Step 2

$$\$2,500 \times \frac{\$5,000}{\$20,000} = \$625$$

#### Step 3

John writes **\$625** at **A** item **23**.

#### Step 4

In the 2008–09 income year, John will receive his final harvest payment (which is a CGT event) of \$15,000. He will not have paid any other fees in the 2008–09 income year.

John will write **\$1,875** (that is, \$2,500 – \$625) at **A** item **23** on his 2009 tax return.

## QUESTION 24

# 24

### OTHER INCOME

24

INCOME

#### Did you receive any other income?

Other income includes:

- an amount released by one or more of your superannuation funds greater than the excess contributions tax liability stated on the release authority. The release authority is sent to you with the notice of assessment for excess contributions tax
- discounts on shares, stapled securities or rights acquired under an employee share scheme
- lump sum payments in arrears. Do not include lump sum payments in arrears relating to superannuation income streams – show them at item **7**
- 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 item **1, 2, 13, 14** or **15** 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
- payments made to you under an income protection, sickness or accident insurance policy where the premiums were deductible and the payments replaced income. Do not include payments from which tax has been withheld which you have already shown at item **1**, or payments which have been shown on a payment summary which you have already shown at item **2**
- interest from infrastructure borrowings if you intend to claim a tax offset at item **T14**
- interest derived under the land transport facilities tax offset scheme
- gains derived on disposal or redemption 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 item **1** or **2**
- other taxable allowances or payments you received from Centrelink that you have not shown at item **5** or **6**

- work-in-progress amounts assessable under section 15-50 of the *Income Tax Assessment Act 1997* that you received and have not included at item **15 Net income or loss from business**.

**NO**  Go to **Total supplement income or loss** on page s35.

**YES**  Read below.

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

#### STOP

Do not show at this item:

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

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

#### YOU NEED TO KNOW

##### **An amount released by one or more of your superannuation funds which is greater than the excess contributions tax liability**

If you use a release authority that we give you to withdraw an amount from your superannuation fund, the payment is tax free unless you withdraw an amount greater than the excess contributions tax liability printed on the release authority.

You must include any amount released to you which is greater than the excess contributions tax liability printed on the release authority in your assessable income for the income year in which you withdrew the money.

For example, if you received a release authority for \$5,000 and you sent it to two of your superannuation funds to withdraw \$5,000 from each (a total of \$10,000), you will need to include \$5,000 in your assessable income for the income year in which your superannuation funds paid the money.

For further information on the excess contributions cap and paying the excess contributions tax liability, see the electronic publication *Super contributions – too much super can mean extra tax*. It is available on our website.

##### **Discounts on shares, stapled securities or rights acquired under an employee share scheme**

You may need to include as income at this item discounts (the difference between the market and acquisition prices) on shares, stapled securities or rights to acquire them

(including options) that you received 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 or stapled security 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, stapled securities 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, stapled securities or rights.

If you qualify as a temporary resident and acquire shares, stapled securities or rights under an employee share scheme, special rules may apply to calculate your discount. See the electronic publication *Foreign income exemption for temporary residents – employee share schemes*. It is available on our website.

See page 14 in *TaxPack 2008* for the definition of a temporary resident and details of the exemption.

➤ If you disposed of your employee share scheme shares, stapled securities or rights because of a corporate restructure or 100% takeover and received replacement shares, stapled securities or rights, special provisions may apply. See the electronic publication *Employee share schemes – rollover relief* for further information. It is available on our website.

For shares, stapled securities or rights to acquire either, it is important to keep a record of:

- the date you acquired them and the date you sold them (or the date you exercised the rights)
- the total number you purchased, exercised 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 stapled securities or obtained rights to acquire them as a result of your involvement in an employee share scheme, phone the Personal 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
- back payments of non-superannuation annuities that accrued, in whole or in part, in an earlier year or years of income
- repatriation and social welfare pensions, allowances or payments, including those paid by foreign governments

- periodical workers 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 item.

You may get a tax offset if you received certain lump sum payments in 2007–08. We will calculate the tax offset for you. You need to provide additional information. Print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 24 on the top of a separate piece of paper and show the amount of the payment in arrears for each income year involved. Include your name, address and tax file number. 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.

If you did not need to lodge a tax return for the two most recent years that the payment related to, include on your schedule 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.

### Foreign exchange gains

Unless you carried on a business and have included all your foreign exchange gains (forex gains) in calculating your business net income or loss at item **15**, your forex gains must be shown at this item (except any foreign source forex gains that you have included at item **20**).

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
- you cease to have a right to receive or pay foreign currency, or
- you cease to have an obligation to pay or receive foreign currency.

Some forex gains are not assessable – for example, forex gains of a private or domestic nature, or those relating 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 2007–08, include at this item income from royalties that has not been included at either item **15** or **20**.

### Bonus amounts distributed from friendly society income bonds

You must include at this item 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.

## Taxable 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 Infoline.

Include at this item any income from a scholarship, bursary, grant or other award that you have to pay tax on, unless you have already shown it at item **1** or **2**, or in calculating your business net income or loss shown at item **15**.

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

You must include at this item 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 item.

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 2007–08 if:

- you were an Australian resident **and**
- you were a special professional **and**
- your taxable professional income was more than \$2,500 in the first year that this concession applied.

➤ You will need to read *Income averaging for special professionals 2008* (NAT 2475) before you can complete this item. This publication explains how you work out your taxable professional income. It 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 2007–08 of any tax-related expenses or election expenses which you have claimed, you must include the amount at this item – for example, if you claimed a deduction for filing fees for an Administrative Appeals Tribunal application in relation to a tax-related matter in 2006–07 and recouped those fees in 2007–08.

This question also applies to any remission of a Tax Office interest charge. If you claimed a deduction for an interest charge incurred in 2006–07 or earlier years and received a remission (a partial or full reduction) of that charge in 2007–08, you must include the amount of the remission at this item. Similarly, if you are claiming at item **D9** a deduction for an interest charge incurred during 2007–08,

and some or all of it was remitted during the 2007–08 year, you must include the amount of the remission at this item. The same position applies to remissions of goods and services tax (GST) and pay as you go (PAYG) instalment underestimation charges.

## Assessable balancing adjustment

You must include at this item 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 45 in *TaxPack 2008* to calculate any assessable balancing adjustment for 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 or redemption of traditional securities

The gains derived on disposal or redemption of traditional securities are assessable under section 26BB 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 2008* (NAT 2632). 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 item any taxable allowances and payments from Centrelink that you have not already shown at item **5** or **6**.

## ➤ COMPLETING THIS ITEM

**STEP 1** From the list below, work out whether the income you received is a category 1 or category 2 type of income.

### Types of income

#### Category 1

The following types of income shown at this item:

- Lump sum payments in arrears except lump sum payments in arrears relating to superannuation income streams
- 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 is assessable under section 26BB of the ITAA 1936
- Discounts on shares, stapled securities or rights acquired under an employee share scheme except where the shares, stapled securities or rights were issued to you this year (This exception is category 2 income if you are assessed on the discount this year.)
- Work-in-progress amounts assessable under section 15-50 of the *Income Tax Assessment Act 1997*

### Category 2

- Any income shown at this question not described in category 1

Category 2 income shown at this item and certain amounts of income from some other items are used in working out whether you have to pay PAYG instalments and, if so, your instalment rate.

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 **24** on page 11 of your tax return.

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 – ITEM 24** 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 **24**. Do not show any tax withheld included elsewhere on your tax return.

**STEP 3** If you are a special professional, write the taxable professional income you received at **Z** item **24**. 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 **24** on page 11 of your tax return. 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 question **1, 2, 13, 14** or **15** and write this total at **V** item **24**. 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
- 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 – ITEM 24**, if you need to send us one.

## TOTAL SUPPLEMENT INCOME OR LOSS

**STEP 1** Add up all the income amounts in the right-hand column of items **13** to **24** on your tax return (supplementary section). Include any primary production and non-primary production deferred non-commercial business losses added back at item **16**.

**STEP 2** Add up all the loss amounts – if any – in the right-hand column of items **13, 14, 15, 17** and **21**.

**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 supplement income or loss.

**STEP 4** Write your answer from step 3 at **TOTAL SUPPLEMENT INCOME OR LOSS** on page 11 of your tax return. Do not show cents. If you made an overall loss, print **L** in the **LOSS** box  at the right of **TOTAL SUPPLEMENT INCOME OR LOSS**.

**STEP 5** Transfer the amount you wrote at **TOTAL SUPPLEMENT INCOME OR LOSS** to **I** on page 2 of your tax return. If the amount was a loss, print **L** in the **LOSS** box  at the right of the amount.

**STEP 6** Go to page 40 in *TaxPack 2008* to calculate your **TOTAL INCOME OR LOSS** – then work through the **Deductions** section, starting on page 41 in *TaxPack 2008*.

### STOP

If you were 55 years or older on 30 June 2008, you may be entitled to the mature age worker tax offset. Certain income from items **13, 14, 15, 16, 17, 20** and **24** will be used to calculate your net income from working. You will need to show this at item **T12 Net income from working – supplementary section**. We will then calculate your mature age worker tax offset entitlement.

# Deductions

## QUESTION D10

# D10

### AUSTRALIAN FILM INDUSTRY INCENTIVES

**D10****DEDUCTIONS**

#### 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 Australian 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.

From 1 July 2007 subscriptions for shares in a film licensed investment company are no longer deductible.

**NO**  Go to question **D11**.

**YES**  Read on.

#### WHAT YOU NEED

You need to read the publication *Australian film industry incentives 2008* (NAT 0954) 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 ITEM

**STEP 1** Work out the amount you can claim using the publication *Australian film industry incentives 2008*.

**STEP 2** Write the amount you can claim at **G** item **D10** on page 11 of your tax return. Do not show cents.

## QUESTION D11

### DEDUCTIBLE AMOUNT OF UNDEDUCTED PURCHASE PRICE OF A FOREIGN PENSION OR ANNUITY

# D11

**D11****DEDUCTIONS**

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

**NO**  Go to question **D12**.

**YES**  Read below.

#### YOU NEED TO KNOW

##### UPP of a foreign pension or annuity

If you showed income from a foreign pension or annuity at **D** item **20** on your tax return (supplementary section), you may be entitled to claim a deduction to reduce the taxable amount of the 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 of the UPP, and it is usually calculated by dividing the UPP of your pension or annuity by a life expectancy factor, according to life expectancy statistics.

If you already know your deductible amount, go to **Completing this item** on the next page.

#### ! CAUTION

If you are claiming a deduction at this item, check that you have shown your net foreign pension or annuity income at **D** item **20 Foreign source income and foreign assets or property** on your tax return (supplementary section).

#### 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 deductible amount.

Where you have evidence of your actual contributions, actual monthly salary or you have received from the Austrian superannuation insurance fund a list of your insurance periods, you will need to complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* (NAT 16543).

### British pensions

If you received a category A pension or a category B widows pension from the United Kingdom State (UK State) Pension (previously known as the British National Insurance Scheme), you are entitled to an undeducted purchase price (UPP) deduction. These pensions are paid from Newcastle-upon-Tyne.

One method of calculating your deduction is to multiply your UK State pension (in Australian dollars) by 8%. We accept this method and it generally results in the maximum deduction you are entitled to. However, there is another method – the exact method. If you wish to find out about this method or you receive another type of British pension and you are not sure about a UPP entitlement, phone the Superannuation Infoline (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 the deductible amount of your UPP, claim the amount you have worked out. If you cannot determine the deductible amount, you can claim an annual deductible amount equal to 25% of your gross pension payment.

### German pensions

If you received a German pension you will need to provide a copy of the insurance resume (Versicherungsverlauf) from the pension provider. You will need to contact the pension provider directly to obtain this information. When you have evidence of your employment history and the salary income that you earned at those dates, you will need to complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity*.

### Italian pensions

If you received an Italian government pension, the Italian government authorities will send you an Article 10 letter (previously known as 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 deductible amount, you will need to complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity*.

### Pensions from another country

If you received a pension from another country, other than an Austrian, British, Dutch, German or Italian pension and you think you are entitled to claim a deductible amount, complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity*.

#### NOTE

If you need to complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* and provide the additional information required – you can get it from our website, or to find out how to get a printed copy, see the inside back cover.

#### COMPLETING THIS ITEM

Write the deductible amount of your UPP at **Y** item **D11** on page 11 of your tax return. Do not show cents.

If you do not know your deductible amount, leave **Y** item **D11** blank, and complete a *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* and provide the additional documentation required.

Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 8 of your tax return. Sign your *Request for a determination of the deductible amount of UPP of a foreign pension or annuity* and attach it to page 3 of your tax return.

**We will address your request in the form of a private binding ruling (PBR) which is legally binding on the Commissioner.** We will process your tax return once the PBR is finalised.

If you need information or assistance with this question, phone the Superannuation Infoline (see the inside back cover).

# QUESTION D12

# D12

## PERSONAL SUPERANNUATION CONTRIBUTIONS

D12

DEDUCTIONS

### Did you make personal superannuation contributions during the year to a complying superannuation fund or a retirement savings account (RSA)?

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

**YES**  You may be able to claim a deduction. Read below.

#### STOP

You cannot claim a deduction at this item for personal superannuation contributions if:

- you did not make personal superannuation contributions before the end of the income year (contributions received by the superannuation fund after the end of the income year can only be claimed in the income year in which they were made)
- you were 75 years of age or over and the contributions were paid after the day that is 28 days after the end of the month in which you turned 75 years of age
- you were under 18 years of age at the end of the income year and you did not receive any income from activities that resulted in you being **treated as an employee** for the purposes of the Superannuation Guarantee or from you **carrying on a business** (see **You need to know** in the next column for an explanation of when you are an employee or when you are carrying on a business), or
- the contribution was attributable, either in whole or in part, to a capital gain that you have made and the small business capital gains tax retirement exemption applies to that capital gain. For more information on the retirement exemption, read *Capital gains tax concessions for small business* (NAT 8384). It is available on our website.

You may be entitled to a Super Co-contribution of up to \$1,500 for your personal contributions that you do not claim as a tax deduction (see **You need to know** in the next column for an explanation of when you are entitled to a Super Co-contribution).

#### Are you eligible to claim a deduction?

You may be able to claim a deduction for personal contributions you made to a complying superannuation fund or RSA in 2007–08 if:

- you have, using an approved form, given a valid notice to your fund or RSA provider and advised them of the amount you intend to claim as a deduction (you must give this notice before you lodge your 2008 tax return or 1 July 2009, whichever is earlier)
- your fund or RSA provider has provided you with an **acknowledgment** of your valid notice **and**
- either of the following applied to you:
  - you were fully self-employed and not working under contract principally for your labour

- less than 10% of the sum of your assessable income plus your total reportable fringe benefits amounts (shown at item **10** on your tax return) is attributable to the activities that result in you being treated as an employee for the purposes of the Superannuation Guarantee (see **You need to know** below for an explanation of the activities and also see the note below).

#### 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 capital losses or foreign source income, or
- you claimed a deductible amount for a foreign pension or annuity at item **D11** 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.

Generally, you will be **treated as an employee** for Superannuation Guarantee purposes if you are paid salary and wages in return for your labour or services. Activities that resulted in you being treated as an employee for the purposes of the Superannuation Guarantee also include holding an office or appointment and performing functions or duties. For further information, refer to *Superannuation Guarantee Ruling SGR 2005/1 – Superannuation guarantee: who is an employee?* and *Superannuation Guarantee Ruling SGR 2005/2 – Superannuation guarantee: work arranged by intermediaries*. These publications are available on our website or to find out how to get a printed copy, see the inside back cover.

You were **carrying on a business** if you were engaged in any profession, trade, employment, vocation or calling other than being an employee.

Complete this item only if your superannuation fund or RSA provider has given you an acknowledgment of your valid notice which advised them of the amount you intend to claim as a deduction.

#### Superannuation contributions splitting

Complying superannuation funds and RSA providers may allow you to split your superannuation contributions with your spouse. However, personal superannuation contributions for which you don't claim an income tax deduction cannot be split to your spouse's superannuation account.



If you intend to lodge a notice of intention to claim a deduction for personal superannuation contributions with your fund, you must do it before you lodge your superannuation contributions splitting application for those contributions.

A superannuation contributions splitting application can only be made to your fund or retirement savings account (RSA) provider:

- during the income year that follows the end of the income year in which you made the contributions, or
- during the same income year you made the contributions if your entire benefit is to be rolled over, transferred or cashed before the end of that year.

For further information, refer to the electronic publication *Superannuation contributions splitting* (NAT 14969). It is available on our website.

### Super Co-contribution

You may be entitled to the Super Co-contribution of up to \$1,500 a year for personal (after-tax) superannuation contributions that you made during the income year that you do not claim as a tax deduction. The Government will pay \$1.50 for every \$1 you contribute, up to a maximum co-contribution of \$1,500 a year. Any contributions received by your superannuation fund after the end of the income year can only be taken into account for the next year.

The maximum co-contribution applies if your total income is \$28,980 or less. (Your total income is your assessable income plus reportable fringe benefits shown at item **10** on your tax return.) If you have income from carrying on a business, your business expenses are deducted from your total income for working out the amount of the co-contribution. The maximum co-contribution you could receive is reduced if your total income is above \$28,980 (the lower income threshold).

To receive a co-contribution your total income (that is, your assessable income plus reportable fringe benefits) must be less than the higher income threshold, currently \$58,980. You must also earn 10% or more of your total income from employment, carrying on a business (**without** deducting business expenses) or a combination of both. Your income from carrying on a business includes gross income you earn as a sole trader and distributions of business income from a partnership, but does not include trust distributions. Some other eligibility conditions apply and more information is available on our website [www.ato.gov.au/super](http://www.ato.gov.au/super) or by phoning the Superannuation Infoline.

We will use the income and deductions information on your income tax return and contributions information we receive from your superannuation fund or RSA provider to work out whether you are eligible in the corresponding income year. If you are, we will automatically calculate the co-contribution amount and deposit it into your superannuation account. You must not report the personal contributions that you want to have matched for a co-contribution at this item. **Show only contributions for which you are claiming a deduction at this item.**

The Super Co-contribution will generally be paid directly into the superannuation account to which you made your personal superannuation contribution, providing that fund will accept the co-contribution.

If you wish to have your co-contribution paid into a particular superannuation fund, you can complete a *Superannuation fund nomination* (NAT 8676) which is available on our website or phone the Superannuation Infoline.

### ! NOTE

Check that you have provided your tax file number to your superannuation fund to ensure you receive your co-contribution entitlement.

### Contributions caps

Caps apply to contributions made to your super account from 1 July 2007. Contributions that exceed the cap amounts are subject to extra tax. The amount of the cap and how much extra tax you pay on the amount in excess of the cap depends on whether the contributions are concessional or non-concessional contributions.

If your contributions exceed the relevant contributions cap, an assessment will be made for excess concessional contributions tax or excess non-concessional contributions tax on the excess contributions (see **Your notice of assessment** on page 115 in *TaxPack 2008*).

### Concessional contributions cap

The concessional contributions cap for 2007–08 is \$50,000 per person. However, if you are 50 years of age or over on the last day of the income year beginning on or after 1 July 2007 (for most people this will be 30 June 2008), your concessional contributions cap for 2007–08 is \$100,000.

Amounts that are concessional contributions include (but are not limited to):

- employer contributions including contributions made under a salary sacrifice arrangement
- personal contributions claimed as an income tax deduction
- certain amounts transferred from reserves within a superannuation fund
- notional taxed contributions in respect of defined benefit funds
- other amounts that are included in the assessable income of the superannuation fund (for example, a shortfall component of Superannuation Guarantee and transfers from the Superannuation Holding Accounts special account)
- the taxable component of a directed termination payment in excess of an individual's \$1 million lifetime limit.


### Non-concessional contributions cap

The non-concessional contributions cap for 2007–08 is \$150,000 per person. If you are under 65 years of age at any time in 2007–08, instead of the yearly cap of \$150,000 you have the option of contributing up to \$450,000 over a three-year period (the 'bring forward option') – but certain conditions apply. First, the bring forward option has to be triggered – this will automatically happen when your contributions exceed \$150,000 in a particular year. Once this happens, you can spread out your remaining contributions, as long as they don't exceed \$450,000 over the three-year period that started in the year the bring forward option was triggered. If your

contributions are more than \$450,000 within this three-year period, you will be liable for the excess non-concessional contributions tax.

Amounts that are non-concessional contributions include (but are not limited to):

- personal contributions not claimed as an income tax deduction
- contributions that your spouse makes to your super fund but does not claim an income tax deduction for
- contributions in excess of your concessional contributions cap (that is, your excess concessional contributions)
- contributions in excess of your capital gains tax (CGT) cap amount
- amounts transferred from foreign super funds (excluding amounts included in the fund's assessable income)
- contributions not previously counted as non-concessional contributions in respect of a fund that goes from being a non-complying fund to a complying fund
- contributions made for you, other than those made by your employer, if you are less than 18 years of age.

 For further information on the contributions caps, as well as your CGT cap amount, refer to the electronic publication *Super contributions – too much super can mean extra tax*. It is available on our website.

## COMPLETING THIS ITEM

### STEP 1 Were you 18 years or over on 30 June 2008?

YES  Go to step 3.

NO  Go to step 2.

### STEP 2 Did you receive income from carrying on a business or from activities that resulted in you being treated as an employee for Superannuation Guarantee purposes?

YES  Go to step 5.

NO  You are not entitled to a deduction for personal superannuation contributions. Go to question **D13**.

### STEP 3 Did you reach 75 years of age before 1 June 2007?

YES  You are not eligible to claim a deduction for personal superannuation contributions for the 2007–08 year. Go to question **D13**.

NO  Go to step 4.

### STEP 4 Did you reach 75 years of age between 1 June 2007 and 31 May 2008 inclusive?

NO  Go to step 5.

YES  Add up all the contributions you made between 1 July 2007 and the 28th day of the month following your 75th birthday (inclusive) which you wish to claim as a tax deduction. Write the amount at **H** item **D12** on page 11 of your tax return. Do not show cents. Go to step 6.

**STEP 5** Add up all your 2007–08 contributions which you are eligible to claim as a tax deduction, and write the amount at **H** item **D12** on page 11 of your tax return. Do not show cents. Go to step 6.

**STEP 6** If you contributed to only one fund or retirement savings account (RSA), print its full name, either its Australian business number (ABN) or tax file number (TFN), and your account number in the boxes at item **D12**. Remember, your fund or RSA provider must have given you an acknowledgment to your valid notice which advised them of the amount you are claiming as a deduction.

If you contributed to more than one fund or RSA, print ADDITIONAL INFORMATION in the **Full name of fund** box at item **D12**. Add up all your 2007–08 contributions which you wish to claim as a tax deduction. Write your answer at **H** item **D12**. In the other boxes, provide details of the fund or RSA provider to which you made the largest contribution and from which you have received an acknowledgment.

### NOTE

You cannot write an amount at **H** that is higher than the amount your superannuation fund or RSA provider acknowledged.

You may vary your valid notice to reduce the amount stated in relation to your contribution. You cannot vary your valid notice to increase the amount stated in relation to your contribution.

If the variation relates to an amount that you can claim as a deduction at this item, you must notify your superannuation fund or RSA provider by the day you lodge your 2008 tax return or the last day of the 2008–09 income year, whichever is earlier. Once you have provided notification, the amount you write at **H** for that contribution is limited to the reduced amount.

On a separate piece of paper print SCHEDULE OF ADDITIONAL INFORMATION – ITEM D12. Print your name, address and tax file number. For each superannuation fund or RSA provider from which you have received an acknowledgment of your notice of intent to claim the deduction, print 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 acknowledgment of your notice of intent to claim a deduction from your superannuation fund or RSA provider – we may ask to see it
- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM D12, if you need to send us one.

# QUESTION D13

# D13

## DEDUCTION FOR PROJECT POOL

D13

DEDUCTIONS

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

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

- a project which you operated in 2007–08 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 2007–08, before or after it started to operate.

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

**YES**  Read below.

### STOP

You cannot claim a deduction at this item 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 **RECONCILIATION ITEMS** at item **P8 Business income and expenses** in *Business and professional items 2008* (NAT 2543).

## YOU NEED TO KNOW

### 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.

Certain capital expenditure you incurred after 30 June 2001 which was directly connected with a project that you carried on (or proposed 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 you hold or held.

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)
- 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.

The project amounts are allocated to a 'project pool'.

 If you are unsure if the capital expenditure you incurred qualifies as a project amount, see the publication *Guide to depreciating assets 2008* (NAT 1996), available on our website or to find out how to get a printed copy, see the inside back cover.

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 is not determined by how long you intend to carry on the project. Factors outside your control, such as something inherent in the project such as a legislative or environmental restriction that limits the project's operating period, are relevant to estimating the project life.
- If there is no finite project life, there is no project and therefore no deduction is available under these rules.

You start to deduct amounts for a project pool for the income year when the project starts to operate. So if you started to operate a project in the 2007–08 income year for a taxable purpose, a deduction is available for that year.

If your project was operated in 2007–08 for purposes other than taxable purposes, you must reduce the deduction amount by a reasonable amount for the extent to which the project operated for other than taxable purposes.

If, in the 2007–08 income year:

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

then the amount is assessable income and must be shown at item **24 Other income**.

## ▶ COMPLETING THIS ITEM

### STEP 1 Did you conduct transactions in a foreign currency for your project in 2007–08?

**NO**  Go to step 2.

**YES**  See **Foreign exchange rules** in the next column. Go to step 2.

### STEP 2 Was your project abandoned, sold or otherwise disposed of in 2007–08?

**NO**  Go to step 3.

**YES**  If your project was abandoned, sold or otherwise disposed of in 2007–08 (whether or not the project had started to operate) you can claim a deduction for the 2006–07 closing pool value (if any) plus any project amounts allocated to the pool in the 2007–08 income year. Any amount you received for the abandonment, sale or other disposal is assessable income and must be shown at item **24 Other income**. Go to step 4.

**STEP 3** Use the worksheet in the next column to calculate your deduction.

- The deduction is worked out on the value of the project pool at 30 June 2008. This is the closing pool value for the 2006–07 income year (if any) plus the sum of any project amounts allocated to the pool in 2007–08.
- You must estimate the project life in years, including fractions of years.
- The deduction rate at (d) in the worksheet could be 200% or 150%.
  - Your deduction rate is 200% where your project pool contains only project amounts incurred on or after 10 May 2006, and the project started to operate on or after that date.
  - Your deduction rate is 150% where your project started to operate before 10 May 2006, or where your project started to operate on or after 10 May 2006 but the project pool contains project amounts incurred before that date.
  - You cannot use the higher rate if you abandon, sell or otherwise dispose of an existing project on or after 10 May 2006 and then start operating it again, just so that you can work out deductions at the higher rate.

## WORKSHEET: Project pool deduction

	Example	You	
Value of project pool at 30 June 2008	\$30,000	\$	(a)
Estimated project life (in years)	7.5 years		(b)
Divide (a) by (b).	\$4,000	\$	(c)
Deduction rate	150%	%	(d)
Multiply (c) by (d).	\$6,000	\$	(e)
Take (e) away from (a).	\$24,000	\$	(f)

- If (f) is zero or more, your deduction amount for 2007–08 is the amount at (e) and the closing pool value for 2007–08 is the amount at (f).
- If (f) is less than zero, your deduction amount for 2007–08 is the amount at (a) (because your deduction amount cannot be greater than the value of the project pool) and the closing pool value for 2007–08 is zero.
- **If your project operated for purposes other than taxable purposes** in 2007–08, your deduction amount for 2007–08 is not the full amount at (e) or (a) as applicable. Instead, your deduction amount is the amount at (e) or (a) as applicable reduced by a reasonable amount for the extent to which the project operated in 2007–08 for purposes other than taxable purposes.

You will need the closing pool value for 2007–08 to work out your deduction for project amounts for next year.

**STEP 4** Write your project pool deduction amount at **D** item **D13** on page 11 of your tax return. Do not show cents.

### ! 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 in a foreign currency 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 amount in foreign currency became due for payment within 12 months after the time you incurred it, 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 **24**. 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 **24** and any loss will be deductible and should be included at item **D15**.

For more information about the forex rules, see question **24** or **D15**, or visit our website.

# QUESTION D14

# D14

## FORESTRY MANAGED INVESTMENT SCHEME DEDUCTION

D14

DEDUCTIONS

### Did you make payments to a forestry managed investment scheme (FMIS)?

**NO**  Go to question D15.

**YES**  You may be able to claim a deduction. Read below.

You may be able to claim a deduction at this item for payments made to an FMIS if:

- you currently hold a forestry interest in an FMIS, or held a forestry interest in an FMIS during the income year, and
- you have paid an amount to a forestry manager of an FMIS under a formal agreement.

You can only claim a deduction at this item if the forestry manager has advised you that the FMIS satisfies the 70% direct forestry expenditure rule in Division 394 of the *Income Tax Assessment Act 1997*.

#### STOP

If you are an initial participant, you cannot claim a deduction if you have disposed of your forestry interest in an FMIS within four years after the end of the income year in which you first made a payment.

If you are a subsequent participant, you cannot claim a deduction for the amount paid for acquiring your interest. You can only claim a deduction for your ongoing payments.

### YOU NEED TO KNOW

You are an **initial participant** in an FMIS if:

- you obtained your forestry interest in the FMIS from the forestry manager of the scheme, and
- your payment to obtain the forestry interest results in the establishment of trees.

You are a **subsequent participant** in an FMIS if you obtained your forestry interest in the FMIS from another participant in the FMIS.

A **forestry manager** of an FMIS is the entity that manages, arranges or promotes the FMIS.

A **forestry interest** in an FMIS is a right to benefits produced by the scheme (whether the right is actual, prospective or contingent and whether it is enforceable or not).

### Participant payments under an FMIS

#### *Initial participant*

You can claim at this item **initial and ongoing payments** made under an FMIS that you have made as an initial participant of the FMIS.

#### *Subsequent participant*

You can claim at this item **ongoing payments** made under an FMIS that you have made as a subsequent participant of the FMIS.

#### *Excluded payments*

You cannot claim a deduction at this item for any of the following payments:

- payments for borrowing money
- interest and payments in the nature of interest (such as a premium on repayment or redemption of a security, or a discount of a bill or bond)
- payments of stamp duty
- payments of goods and services tax (GST)
- payments that relate to transportation and handling of felled trees after the earliest of the following:
  - sale of the trees
  - arrival of the trees at the mill door
  - arrival of the trees at the port
  - arrival of the trees at the place of processing (other than where processing happens in-field)
- payments that relate to processing
- payments that relate to stockpiling (other than in-field stockpiling).

### COMPLETING THIS ITEM

**STEP 1** Work out the total amount of your deductible:

- initial and ongoing payments made under an FMIS, if you are an initial participant, or
- ongoing payments made under an FMIS, if you are a subsequent participant.

Write the amount at **F** item **D14** on page 11 of your tax return. Do not show cents.

**STEP 2** If your interests in an FMIS are covered by product rulings, at item **D14**:

- print the **code PR** at **U**
- write the **year** of the product ruling at **V**
- write the **product ruling number** at **W** (do not include the year of the product ruling or the slash).

Alternatively, if your interests in an FMIS are covered by private rulings, at item **D14**:

- print the **code AN** at **U**
- leave the **year** of the private ruling **V** blank
- write the **authorisation number** printed on the front page of your notice of private ruling at **W**.

# 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 s46.

**YES**  Read below.

### **STOP**

Do not show at this item:

- 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.

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 item:

- election expenses for local, territory, state or federal candidates
- income protection, sickness and accident insurance premiums
- foreign exchange losses
- debt deductions incurred in earning assessable income that are not disallowed under the thin capitalisation rules and have not been claimed elsewhere
- debt deductions incurred in earning certain foreign non-assessable non-exempt income that are not disallowed under the thin capitalisation rules
- 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) 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 a partnership)
- 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
- certain deductible capital expenditure not claimed in full before 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 on 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 2008* (NAT 2632). This publication is available on our website or to find out how to get a printed copy, see the inside back cover
- interest incurred on money borrowed to invest under the land transport facilities tax offset scheme or infrastructure borrowings scheme
- small business pool deductions for depreciating assets that you allocated to a pool under the former simplified tax system (STS) provisions and that you cannot claim at item **P8** on the *Business and professional items schedule for individuals 2008* (NAT 2816) because you did not carry on a business in 2007–08. For more information, see *Guide to concessions for small business entities* (NAT 71874).

### **SMALL BUSINESS TAX CHANGES**

New streamlined provisions for small business entities have replaced the STS. Broadly, to use the simplified depreciation rules you must be in business and have an aggregated turnover of less than \$2 million. For more information, see *Business and professional items 2008* (NAT 2543).

#### **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 – Income tax and fringe benefits tax: members of parliament – allowances, reimbursements, donations and gifts, benefits, deductions and recoupments* and *Taxation Ruling IT 2258 – Income tax: 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 2007–08 of any election expenses that you have claimed as a deduction in 2007–08 or a previous year must be shown as income at item **24** on your tax return.

## Income protection, sickness and accident insurance premiums

You can claim the cost of any premiums you paid 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 **1**, **2** or **24** on your tax return.

You cannot claim a deduction for a premium or any part of a premium which you paid under a policy to compensate you for such things as physical injury. Life insurance, trauma insurance and critical care insurance are some types of policies for which premiums are not deductible.

## Foreign exchange losses

Unless you carried on a business and have included all your foreign exchange losses (forex losses) in calculating your business net income or loss at item **15**, your forex losses must be shown at this item (except any foreign source forex losses that you have included at item **20**). Show any assessable foreign exchange gains (forex gains) at item **24** on your tax return.

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 or domestic nature, or those relating to exempt income. In some cases, forex losses on the acquisition of capital or depreciating assets, or on the 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, together with more information about the forex measures and how to calculate your forex losses, are set out 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.

If you were an Australian resident, you can claim debt deductions incurred in earning certain types of foreign non-assessable non-exempt income that were payments out of attributed controlled foreign company income and attributed foreign investment fund income.

You may claim debt deductions incurred in earning assessable income – for example, foreign source income that has been included at item **20** on your tax return – at this item, if you have not claimed them elsewhere on your tax return.

You are not allowed to claim debt deductions disallowed under the thin capitalisation rules. Thin capitalisation rules may apply if:

- you were an Australian resident and you (or any associate entities) had certain overseas interests **and** your debt deductions combined with those of your associate entities were more than \$250,000 for 2007–08, or
- you were a foreign resident with operations or investments in Australia **and** your debt deductions against Australian assessable income combined with those of your associate entities were more than \$250,000 for 2007–08.

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.

For expenditure incurred before 1 July 2005, there are seven specific types of capital expenditure which you may be able to deduct. These include the costs incurred in ceasing to carry on your business and the costs of establishing your business structure or converting your business structure to another structure (for example, the cost of transferring the business assets to a partnership which continues the business).

For expenditure incurred on or after 1 July 2005, the law has been changed so that you may be able to deduct a greater range of business-related capital expenditure.

Claim a section 40-880 deduction at this item if:

- you incurred the relevant capital expense before 1 July 2005 and, in a previous income year, you ceased the 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 partnership) and you have not fully claimed your five-year write-off
- you incurred the relevant capital expense on or after 1 July 2005 and
  - the expenditure relates to a business that was proposed at the time the expense was incurred
  - the business commenced before 30 June 2008, and
  - you are carrying on the business through a company or trust, or
- you incurred the relevant capital expense on or after 1 July 2005 and the expenditure relates to a business which ceased in a previous income year and you carried on the business through a company or trust.

If you incurred relevant section 40-880 expenses on or after 1 July 2005 and you carried on the business as a sole trader or through a partnership, claim the amount at item **P8** on the *Business and professional items schedule for individuals 2008*.

If you incurred relevant section 40-880 expenses on or after 1 July 2005 but had not commenced the business by 30 June 2008, your deduction for this amount will be deferred until the year in which the business activity commences. The deferred amount may be deducted in the income year in which the activity commences.

**NOTE**

Refer to the fact sheet *Non-commercial losses: overview* (NAT 3379) for more information on when you need to defer your section 40-880 deduction.

For more information about section 40-880 deductions, see the *Guide to depreciating assets 2008* (NAT 1996). 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 (being 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 2008* (NAT 3421). 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 Infoline (see the inside back cover).

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

You can claim a deduction for making UMP support payments. 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 ITEM

### 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. 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 – ITEM 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 item – excluding election expenses.

**STEP 4** Write the amount from step 3 at **J** item **D15**. Do not show cents.

### CHECK THAT YOU HAVE . . .

- written on your tax return the total amount of your deductible election expenses, if any
- printed on your tax return the type of other expenses 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 – ITEM D15, if you need to send us one.

## TOTAL SUPPLEMENT DEDUCTIONS

### Did you claim any deductions at items D10 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 **D10** to **D15** on your tax return.

**STEP 2** Write the amount from step 1 at **TOTAL SUPPLEMENT DEDUCTIONS** on page 11 of your tax return. Do not show cents.

**STEP 3** Transfer the amount you wrote at **TOTAL SUPPLEMENT DEDUCTIONS** to **D** on page 3 of your tax return.

**STEP 4** Go to page 66 in *TaxPack 2008* to calculate your total deductions. Then work through the **Losses** section starting on page 67 in *TaxPack 2008*.



**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 year if:

- the sum of your spouse’s assessable income and total reportable fringe benefits amounts was less than \$13,800
- the contributions were not deductible to you
- 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.

#### ! 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.

#### ! NOTE

The tax offset for eligible spouse contributions cannot be claimed for superannuation contributions that you made to your own fund then split to your spouse.

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 **D11** on their tax return.

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

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 ITEM

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

**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	\$3,000	(a)
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	\$3,000	(a)
The sum of your spouse’s assessable income and total reportable fringe benefits amounts	\$	(b)
Base amount	\$10,800	(c)
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 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**.

See the definition of spouse on page 110 in *TaxPack 2008*.

#### ! 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 we use 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 the Australian 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 or zone B. There are also special areas within these zones. If you do not know which zone your area is in, see **tables 14–16** on pages s53–4.

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 2007–08, or
- 183 days or more during the period 1 July 2006 to 30 June 2008 – including at least one day in this income year – and you did not claim a zone tax offset in your 2007 tax return.

If you lived in a zone for less than 183 days in 2007–08, 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 2002 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 2007–08 is 183 or more.

#### EXAMPLE

Gary lived in a remote area from 1 March 2003 to 30 September 2007 – 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 2007–08. He now adds the number of days from 1 March 2003 to 30 June 2003 (122 days) and the number of days from 1 July 2007 to 30 September 2007 (92 days). As the total (214 days) is '183 days or more' over the two income years, Gary can claim the tax offset on his 2008 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 the Australian Defence Force or a United Nations armed force in 2007–08 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 find out which localities qualify for the overseas forces tax offset by visiting our website or phoning the Personal 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 2007–08. If your overseas service was less than 183 days, you may be able to claim part of the tax offset. Unlike the zone tax offset, you cannot carry forward any unused days from previous years to make up 183 days.

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 Australian Defence Force, 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 ITEM

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

**STEP 1** Your tax offset is the relevant amount in **table 1** 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 item **T10** (parent, spouse's parent or invalid relative tax offset) **and**
- you did not claim a child-housekeeper tax offset (part B of question **T1 Spouse (without dependent child or student), child-housekeeper or housekeeper tax offset**) or housekeeper tax offset (part C of question **T1**) **and**
- your circumstances are shown in **table 1**.

**TABLE 1: 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 2007–08.	\$338	\$57	\$1,173	\$338
You are able to claim the maximum spouse (without child) tax offset (\$2,100) at item <b>T1</b> .	\$1,388	\$477	\$2,223	\$1,388

If you cannot use **table 1** on the previous page you will need to work through **How to work out your tax offset if your circumstances were more complex** below.

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 at **R** item **T8** on page 12 of your tax return. 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 2** when you complete either **table 11** on page s52 or **table 12** on page s53.

**TABLE 2**

	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 item, you will not have a base amount. Go to **Final calculation** on page s52.

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 your base amount

The base amount is made up of tax offsets you may have claimed at other items on your tax return 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. Family tax benefit (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 10** on page s52.

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

Read this section only if you are eligible to claim a parent, spouse's parent or invalid relative tax offset. If you are not eligible to claim that tax offset, go to **Notional tax offset for dependent children or students** in the next column.

If you are eligible to claim a parent, spouse's parent or invalid relative tax offset at item **T10** (see question **T10** on page s57), you will need to work out that amount then come back to this question. Write the amount you have claimed at item **T10** at (a) **table 10** on page s52. Read on.

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

##### Full-year claim

Your base amount will increase by the maximum amount shown in **table 3** below for each student aged under 25 years on 30 June 2008 in full-time education at a school, college or university, and for each child under 21 years on 30 June 2008 who, for the whole of 2007–08:

- was treated as an Australian resident
- was maintained by you, and
- had a separate net income (SNI) of less than \$286.

See pages 71–2 in *TaxPack 2008*.

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

**TABLE 3**

Dependant	Notional tax offset
Each student aged under 25 years	\$376
First non-student child aged under 21 years	\$376
Other non-student children aged under 21 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 10** on page s52.

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's 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 2007–08
- the student was aged 21 years or older and was in full-time education for only part of 2007–08
- the child or student was maintained by you for only part of 2007–08
- the child was 21 years old at 30 June 2008 and not in full-time education, or
- the student was 25 years old at 30 June 2008.

Use **table 4** to work out the reduced notional tax offset for each child or student.

**TABLE 4**

Maximum notional tax offset for the child or student – from <b>table 3</b>	\$	(a)
Number of days you maintained your child or student and your child or student remained a dependant		(b)
Number of days in 2007–08	366	(c)
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, transfer amount (e) above to (c) **table 10**.

If you had 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 the amounts and write the total at (c) **table 10**.

*If SNI was \$286 or more*

You cannot claim any amount of notional tax offset for your child or student if that child or student had an SNI equal to or greater than:

- \$1,786 for a student aged under 25 years or for the first child aged under 21 years who is not a student, or
- \$1,410 for any other child aged under 21 years who is not a student.

If your child's or student's SNI was \$286 or more but less than the limits shown, use **table 5** to work out the notional tax offset.

**TABLE 5**

Notional tax offset for the child or student – from <b>table 3</b> or (e) <b>table 4</b> for a part-year claim	\$	(a)
Your child's or student's SNI for the period you maintained them	\$	(b)
Income at which the notional tax offset begins to reduce	\$282	(c)
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)

Transfer the amount at (f) above to (c) **table 10**. If you had more than one eligible child or student, work out the amount for each child or student, add up all the amounts and write the total at (c) **table 10**.

**Spouse tax offset component**

If you claimed a spouse (without dependent child or student) tax offset at item **T1** (see part A question **T1**), write that amount at (b) **table 10**. Go to **Child-housekeeper tax offset component** below.

Use **table 6** 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 10** – notional tax offset for dependent children or students, or
- you were required to reduce your claim at item **T1** because your spouse during any period they were your spouse, or you were eligible for family tax benefit (FTB) Part B.

**TABLE 6**

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.	\$2,440 per year or \$6.67 per day	\$	(a)
Your spouse's SNI – see pages 71–2 in <i>TaxPack 2008</i>		\$	(b)
Income at which tax offset begins to reduce	\$282		(c)
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. Transfer this amount to (b) **table 10**.

**Child-housekeeper tax offset component**

Read this section only if you claimed a child-housekeeper tax offset at item **T1** (see part B question **T1**).

If you claimed a child-housekeeper tax offset at item **T1**, and you did not have to reduce your tax offset because your spouse during any period they were your spouse, or you were eligible for FTB Part B, write your child-housekeeper tax offset at (d) **table 10**.

If you were required to reduce your claim for child-housekeeper tax offset because of FTB Part B, use **table 7**.

**TABLE 7**

	COLUMN 1 No other dependent child or student	COLUMN 2 Another dependent child or student	
	\$1,711 per year or \$4.67 per day	\$2,051 per year or \$5.60 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 <b>column 1</b> or <b>column 2</b> .	\$	\$	(a)
Your child-housekeeper's separate net income – see pages 71–2 in <i>TaxPack 2008</i>	\$	\$	(b)
Income at which tax offset begins to reduce	\$282	\$282	(c)
Take (c) away from (b) and divide by 4.	\$	\$	(d)
Take (d) away from (a).	\$	\$	(e)

Transfer the amount at (e) above to (d) **table 10**.

**Housekeeper tax offset component**

Read this section only if you claimed a housekeeper tax offset at item **T1** (see part C question **T1**).

If you claimed a housekeeper tax offset at item **T1**, and you did not have to reduce your tax offset because your spouse during any period they were your spouse, or you were eligible for family tax benefit (FTB) Part B, write your housekeeper tax offset at (e) **table 10**.

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:

- \$2,051 at (e) **table 10** if you had a dependent child or student, or
- \$1,711 at (e) **table 10** 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 8**.

**TABLE 8**

	No dependent child or student	With dependent child or student	
Amount of tax offset	\$4.67 per day	\$5.60 per day	(a)
Number of days you qualify for the housekeeper tax offset			(b)
Multiply (a) by (b).	\$	\$	(c)

Transfer the amount at (c) above to (e) **table 10**.

**Notional sole parent tax offset component**

Read this section only 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 10** (notional tax offset for dependent children or students), you may also be eligible for a notional sole parent tax offset.

**NOTE**

If you were entitled to a spouse, housekeeper or child-housekeeper tax offset (see part A, B or C of question **T1**) for any period during the year, you cannot use a notional sole parent tax offset for the same period. If your claim at item **T1** did not cover the whole year you will need to use **table 9** to calculate the part-year claim.

Read on.

Sole care means that you alone had full responsibility on a day-to-day basis for the upbringing, welfare and maintenance of a child or student. 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 2007–08, 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 and have had sole care of the dependent child or student, without the support a spouse normally provides.

Examples of situations where special circumstances may arise:

- You were married at any time during 2007–08 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 Infoline (see the inside back cover).

*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, you may be able to claim the notional 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 21 years of age or the student turned 25 years of age if the dependent child:

- was not receiving full-time education and turned 21 years of age during 2007–08, or
- was a full-time student and turned 25 years of age during 2007–08.

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 2007–08, write **\$1,607** at (f) **table 10** and add up your base amount.

**TABLE 9: Notional sole parent tax offset – part-year claim**

Number of weeks you had sole care of a child and were not entitled to a tax offset at question T1		(a)
Multiply (a) by \$30.90.	\$	(b)

Transfer the amount at (b) above to (f) **table 10**.

**Your base amount**

**Use this table to work out your base amount.** These are the tax offset components for your dependants, if any.

**TABLE 10: Base amount**

Parent, spouse’s parent or invalid relative – from item T10	\$	(a)
Spouse – from item T1 (part A question T1) or table 6	\$	(b)
Notional tax offset for dependent children or students – from table 3, table 4 or table 5	\$	(c)
Child-housekeeper from item T1 (part B question T1) or table 7	\$	(d)
Housekeeper – from item T1 (part C question T1) or table 8	\$	(e)
Sole parent from table 9	\$	(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 2**. If the fixed amount for that zone is higher than for the other zones where you were, use that fixed amount and **table 11** in the next column 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 2** 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 greater 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 11**.

**TABLE 11**

Your fixed amount – from <b>table 2</b>	\$	(a)
Your base amount – from <b>table 10</b>	\$	(b)
Multiply (b) by the percentage figure from <b>table 2</b> .	\$	(c)
Add (a) and (c).	\$	(d)
Any remote area allowance you received	\$	(e)
Take (e) away 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 2**. 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  $100 \div 183$  days for zone A and  $83 \div 183$  days 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 2** 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 12** to work out your claim for each zone, special area or overseas locality you were in (as in the examples above).

TABLE 12

Your fixed amount – from <b>table 2</b>	\$	(a)
Your base amount – from <b>table 10</b>	\$	(b)
Multiply (b) by the percentage figure from <b>table 2</b> .	\$	(c)
Add (a) and (c).	\$	(d)
Number of days spent or served there – to a maximum of 183 days (see the previous page)	\$	(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 13** to work out your total tax offset.

TABLE 13

Total of the amounts you have worked out for each zone – from (g) <b>table 12</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 12** 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 12**. Add up all the amounts at (g) **table 12** 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. Do not show cents. Go to question **T9**.

## SELECTED LOCALITIES WITHIN THE ZONES AND SPECIAL AREAS

TABLE 14: 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	
Paraburdoo	
Port Hedland*	
Roebourne	
Shay Gap	
Tom Price*	
Wittenoom	
	Queensland
	Camooweal
	Cloncurry
	Mount Isa*

TABLE 15: Zone B

Western Australia	Queensland
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
Tasmania	
Queenstown	
Rosebery	
South Australia	
Woomera	

\* Locations that are within 250 radial kilometres of these locations are also in the relevant zone.

## SELECTED LOCALITIES WITHIN THE ZONES AND SPECIAL AREAS (continued)

**TABLE 16: Special areas**

Western Australia	Queensland
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>South Australia</b>
	Amata Aboriginal Community
	Coober Pedy
	Cook
<b>Northern Territory</b>	Innamincka
Alyangula	Leigh Creek
Angurugu	Marree
Borrooloola	Nullarbor
Elliott	Oodnadatta
Galiwinku	Penong
Jabiru	Roxby Downs
Lajamanu (Hooker Creek)	Tarcoola
Maningrida	
Milikapiti	
Milingimbi	
Nguiu	<b>New South Wales</b>
Ngukurr	White Cliffs
Nhulunbuy (Gove)	
Numbulwar	<b>Islands and territories</b>
Oenpelli	Australian Antarctic Territory
Papunya	Cocos (Keeling) Islands
Ramingining	Heard Island
Tennant Creek	Lord Howe Island
Yirrkala	Macquarie Island
Yuendumu	McDonald Islands
Yulara	Norfolk Island
	Palm Isles Group
<b>Tasmania</b>	
Furneaux Group Islands	
King Island	

There are also other locations that may be in a zone or special area. If you are unsure, phone the Personal Infoline (see the inside back cover).



## 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 2007–08?

Medical expenses do not include contributions to a private health insurer, 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 insurer.

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 were **Australian residents for tax purposes** (see page 11 in *TaxPack 2008* for an explanation of this).

The medical expenses must be for:

- you
- your spouse – married or de facto – regardless of their income (see the definition of spouse on page 110 in *TaxPack 2008*)
- your children who were aged under 21 years, including adopted and stepchildren, regardless of their income
- any other child aged under 21 years – not a student – whom 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 aged under 25 years whom 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**.

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 are waiting to migrate to Australia – see **Did you have dependants waiting to migrate to Australia?** on page 71 in *TaxPack 2008*.

You can claim expenses relating to an illness or operation paid to legally qualified doctors, nurses or chemists and public or private hospitals. However, expenses for some cosmetic operations are excluded.

➤ To find out which operations and dental services and treatment are cosmetic and whether you can claim your payments for them, visit our website [www.ato.gov.au](http://www.ato.gov.au) or phone the Personal Infoline (see the inside back cover).

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

- to dentists, orthodontists or registered dental mechanics
- to opticians or optometrists, including for the cost of prescription spectacles or contact lenses
- to a carer who looks after a person who is blind or permanently confined to a bed or wheelchair
- for therapeutic treatment under the direction of a doctor
- for medical aids prescribed by a doctor
- for artificial limbs or eyes and hearing aids
- for maintaining a properly trained dog for guiding or assisting people with a disability (but not for social therapy)
- for laser eye surgery, and
- for treatment under an in-vitro fertilisation program.

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

- cosmetic operations for which a Medicare benefit is not payable
- dental services or treatments that are solely cosmetic
- therapeutic treatment where the patient is 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 insurer
- purchases from a chemist that are not related to an illness or operation
- life insurance medical examinations
- ambulance charges and subscriptions, and
- funeral expenses.

## Residential aged care expenses

You can claim payments made to nursing homes or hostels (not retirement homes) for an approved care recipient's permanent or respite care if the payments were:

- made to an approved care provider **and**
- for personal or nursing care, not just for accommodation.

An approved care recipient's residential aged care payments usually include an amount for personal or nursing care if the recipient has an aged care assessment team (ACAT) assessment that they require either low- or high-level care.

Residential aged care payments can be for:

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

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 insurer

To help you work out what you can claim for medical expenses you paid in 2007–08, you can ask for an itemised statement from:

- Medicare
- your private health insurer
- chemists where you had prescriptions filled.

Some of the items shown on these statements may not qualify for the tax offset. You will need to exclude these items from your claim.

## ▶ COMPLETING THIS ITEM

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

Write the amount of your medical expenses tax offset at **X** item **T9** on page 12 of your tax return. 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 item, you need to read **Dependants and separate net income** on pages 71–2 and the definition of spouse on page 110 in *TaxPack 2008*.

You cannot claim for a relative who lives overseas or who is on a visit to Australia – they must be a resident for tax purposes.

To complete this item 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 ITEM

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 below. 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 – \$770 for each dependent invalid relative and \$1,540 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

Your dependant's SNI	(a)	\$
Take \$282 away from (a).	(b)	\$
Divide (b) by 4.	(c)	\$
If the amount at (c) is \$770 or more for an invalid relative, or \$1,540 or more for a parent or spouse's parent, you cannot claim a tax offset for your dependant. Go to question <b>T11</b> .		
If the amount at (c) is less than \$770 for an invalid relative, or less than \$1,540 for a parent or spouse's parent, read on.		
Take (c) away from \$770 for an invalid relative, or from \$1,540 for a parent or spouse's parent.	(d)	\$

The amount at (d), if it is more than zero (0), 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:		
■ \$2.10 if you had an invalid relative		
■ \$4.21 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 dependant tax 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).	(d)	\$
Divide (d) by 4.	(e)	\$
Take (e) away from (b).	(f)	\$

The amount at (f), if it is more than zero (0), 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. Do not show cents.

# QUESTION T11

## LANDCARE AND WATER FACILITY

# T11

T11

TAX OFFSETS

### Did 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 applies only 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 notice of assessment for the year ending 30 June 2007.

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 12–14 in *TaxPack 2008*.

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 item** below. If you have unused net exempt income, phone the Business 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 notice of assessment for the year ending 30 June 2007

#### ➤ COMPLETING THIS ITEM

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

# QUESTION T12

# T12

## NET INCOME FROM WORKING – SUPPLEMENTARY SECTION

T12

TAX OFFSETS

### Were you an Australian resident aged 55 years or older on 30 June 2008?

**NO**  Go to question T13.

**YES**  Read below.

### YOU NEED TO KNOW

If you were aged 55 years or older on 30 June 2008, were an Australian resident and received income from working, you may be eligible for the mature age worker tax offset. We will automatically calculate your mature age worker tax offset based on the information you provide on your tax return (including this item).

#### ! DEFINITION

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

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

### ➤ COMPLETING THIS ITEM

We will work out your net income from working from any items you completed on pages 1–8 of your tax return. However, we need you to work out your net income from working in relation to any items you completed on pages 9–11 of your tax return (supplementary section). To do this, complete the worksheet below.

### WORKSHEET

**STEP 1** Transfer the income amounts from the relevant items you have completed on your tax return (supplementary section) to the boxes below. If you had a loss, print **L** in the **Loss** box at the right.

			Loss
Net personal services income (PSI)	(A) item 14	\$	
Net income or loss from business – primary production	(B) item 15	\$	
Net income or loss from business – non-primary production	(C) item 15	\$	
Deferred non-commercial business losses from primary production	(I) item 16	\$	
Deferred non-commercial business losses from non-primary production	(J) item 16	\$	
Net amount of farm management deposits and withdrawals	(E) item 17	\$	
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). If you had a loss, print **L** in the **Loss** box at the right.

From (N) item 13 – distributions from partnerships – primary production, but only the distributions relating to income from working from the partnership tax return. See the note below.	\$		Loss
From (O) item 13 – distributions from partnerships less foreign income – non-primary production, but only the distributions relating to income from working from the partnership tax return. See the note below.	\$		
From (L) item 20 – only your net foreign employment income (not foreign pension or annuity income)	\$		
From (V) item 24 – only the following income:			
■ income from activities as a special professional that you have not included at item 1, 2, 13, 14 or 15	\$		
■ income protection, 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 a local government council	\$		
Add up all the income amounts and deduct any loss amounts.	(b)	\$	
<b>Total income</b>			
Add (a) from step 1 and (b) from step 2.	(c)	\$	

#### ! NOTE

You will have to do the following calculation for each partnership and for each partnership within a partnership, and then transfer the amount to step 2 above.

From your *Partnership tax return 2008* (NAT 0659):  
*add up*

- the amount at **Net income or loss from business S** item 5 **Business income and expenses**
- only the amount of income from working in any **Distribution from partnerships** at (A) and (B) item 8 **Partnerships and trusts**
- only the amount of income from working at (O) item 14 **Other Australian income**

less

- only the amount of any partnership (not trust) deductions related to income from working included in **Deductions relating to distribution in labels A and Z** at **S** item **8 Partnerships and trusts** and **Deductions relating to distribution in labels B and R** at **T** item **8 Partnerships and trusts**
- only the amount of any deduction related to income from working at **Q** item **18 Other deductions**.

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

Landcare operations and deduction for the decline in value of water facility	<b>I</b> item <b>13</b>	\$
Landcare operations expenses	<b>J</b> item <b>13</b>	\$
Add up all the deduction amounts in step 3.	(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 **13** – the total deductions that relate to your share of primary production income or loss from a partnership (not from a trust), but only the deductions relating to the distribution of income from working from the partnership tax return

\$

From **Y** item **13** – the total deductions that relate to your share of non-primary production income or loss from a partnership (not from a trust), but only the deductions relating to the distribution of income from working from the partnership tax return

\$

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

- income protection, sickness and accident insurance premiums
- debt deductions incurred in earning assessable income from working
- section 40-880 deductions relating to 'income from working'
- net personal services income (PSI) loss of a personal services entity that related to your PSI

Add up all the deduction amounts in step 4.

(e) \$

**Total deductions**  
Add (d) from step 3 and (e) from step 4.

(f) \$

**STEP 5** Calculate your net income from working (supplementary section) (g) using (c) from step 2 and (f) from step 4. If (c) is a loss add (c) and (f). If (c) is not a loss, then take (f) away from (c).

(g) \$     Loss

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. If you had a loss, print **L** in the box   at the right of **M**. Even if you had a loss you may still be entitled to the mature age worker tax offset.

### DO YOU WANT TO WORK OUT YOUR MATURE AGE WORKER TAX OFFSET?

You do not have to work out your mature age worker tax offset. We will work out your net income from working from the information you provide on your tax return (including this item).

If you do want to work out your mature age worker tax offset, go to page 124 in *TaxPack 2008*.

### CHECK THAT YOU HAVE . . .

- written your net income from working – supplementary section at item **T12** even if the amount is **0**
- written your date of birth on page 1 of your tax return
- answered the Australian residency question on page 1 of your tax return.

# QUESTION T13

## ENTREPRENEURS TAX OFFSET

# T13

T13

TAX OFFSETS

### Were you a sole trader with an aggregated turnover of less than \$75,000 or did you receive business income from a partnership or trust with an aggregated turnover of less than \$75,000?

See **Definitions** in the next column for an explanation of the terms used at this question.

**NO**  Go to question **T14**.

**YES**  Read below.

#### ! NEW THIS YEAR

In previous years the entrepreneurs tax offset was only available to certain businesses within the simplified tax system (STS). However, from 2007–08, access to concessions contained within the former STS are available to eligible **small business entities**.

For more information:

- on small business entities, see our publications *Concessions for small business entities* (NAT 71874) and *Business and professional items 2008* (NAT 2543)
- on the entrepreneurs tax offset, visit our website
- on the aggregation rules, see our fact sheet *What are the aggregation rules?* on our website, or
- phone the Business Infoline (see the inside back cover).

### YOU NEED TO KNOW

We will automatically calculate your entrepreneurs tax offset based on information you provide at this item.

You may be eligible to receive the entrepreneurs tax offset if you are:

- a sole trader and the aggregated turnover for all your sole trader businesses is less than \$75,000
- a partner in a partnership which had an aggregated turnover of less than \$75,000
- a beneficiary of a trust which had an aggregated turnover of less than \$75,000.

You may be eligible for more than one tax offset. For example, if you were a sole trader carrying on a business and you were also a partner in a separate business partnership, you may be entitled to a tax offset for your income as a sole trader and also for your share of the net small business income from the partnership. You would need to work out your sole trader aggregated turnover separately from the aggregated turnover of the partnership.

The **entrepreneurs tax offset** is a tax offset equal to 25% of the income tax liability attributable to the **net small business income** of a small business entity with an **aggregated turnover** of \$50,000 or less. This tax offset starts to phase out when the small business entity's aggregated turnover exceeds \$50,000 and ceases when the aggregated turnover reaches \$75,000.

The entrepreneurs tax offset can only reduce your tax payable. You cannot:

- get a refund of this tax offset
- defer all or part of this tax offset to reduce your tax payable in a later income year, or
- transfer this tax offset to another taxpayer to reduce their tax payable.

### DEFINITIONS

#### Small business entity

Generally, a sole trader, partnership or trust is a small business entity for the 2007–08 income year if the entity carried on a business in the 2007–08 year and its **aggregated turnover**:

- was less than \$2 million for the 2006–07 income year **or**
- was estimated as at the beginning of the 2007–08 income year to be less than \$2 million for the 2007–08 income year (but **not** if the entity carried on a business in the 2005–06 and 2006–07 income years and its aggregated turnover for each of those income years was \$2 million or more) **or**
- was actually less than \$2 million for the 2007–08 income year worked out as at the end of that income year.

If you started a business part way through 2007–08, your current year estimate must be made as at the day you started the business.

#### Aggregated turnover

Broadly, your aggregated turnover for the income year is:

- your **annual turnover** for the income year
- plus*
- the annual turnover of any entity **connected** or **affiliated** with you at any time during the income year
- less*
- income derived from dealings between you and any entity connected or affiliated with you.

There are aggregation rules to assist you to determine who is connected or affiliated with an entity for the purpose of calculating the aggregated turnover.

#### Annual turnover

Your annual turnover for the income year is the total ordinary income that you derived in the ordinary course of carrying on a business but it does not include:

- goods and services tax (GST) charged on a transaction, or
- your ordinary income from the sale of retail fuel.

If an entity operated a business for only part of the year, it must calculate a reasonable estimate of what its annual turnover would have been for the full year.

## Affiliated

An affiliated entity is an individual or company that acts, or could reasonably be expected to act, in accordance with your directions or wishes, or as agreed between you and them in relation to the affairs of the business of that individual or company.

An affiliated entity does not include an individual or company you merely have business dealings with.

## Connected

An entity is connected with another entity where:

- either entity 'controls' the other **or**
- both are 'controlled' by the same third entity.

The control can be either direct or indirect.

## Small business entity turnover

Your small business entity turnover for the 2007–08 income year is the total ordinary income you derived in the ordinary course of carrying on a business.

If you operated a business for only part of the year, you include only your actual turnover amount. You do not need to use an estimate of your full-year turnover amount.

In working out ordinary income:

- include
  - sales of trading stock
  - fees for services provided
  - interest from business bank accounts
  - amounts received to replace something that would have had the character of business income, for example, a payment for loss of earnings
- do not include
  - GST that has been charged on a transaction
  - amounts borrowed for the business
  - proceeds from the sale of business capital assets
  - insurance proceeds for the loss or destruction of a business asset
  - amounts received from repayments of farm management deposits.

The rules that apply for working out aggregated turnover and small business entity turnover are not the same.

To calculate your small business entity turnover you will need to make the following adjustments if any of the circumstances below applies.

- If you have included another entity's turnover in your aggregated turnover amount, you will need to
  - exclude that entity's turnover, and
  - add back any income you derived from your affiliates or connected entities.
- If you have retail fuel sales, you must add back your retail fuel sales.

## Net small business income

Your net small business income is your small business entity turnover less the deductions that directly relate to that turnover. We use your net small business income to work out the amount of your entrepreneurs tax offset.

The following are some examples of amounts which would **not** reduce small business entity turnover:

- tax losses from prior years
- superannuation contributions
- gifts or donations
- costs of managing your or the entity's tax affairs, and
- deferred non-commercial losses.

If you or the entity's small business pool includes assets which are used partly for business and partly for other income-producing activities, then the pool deduction will need to be apportioned on a reasonable basis.

## WHAT YOU MAY NEED

- Details of all the business income earned during the year
- Details of the deductions that you can claim which directly relate to the business income earned during the year
- Details of all business income earned during the year by entities you were connected with or which were your affiliates
- A statement or advice from the partnership or trust showing the following details
  - the partnership's or trust's aggregated turnover, and
  - your share of the partnership's or trust's net small business income

### STEP 1 Are you eligible for more than one entrepreneurs tax offset?

**YES**  Go to step 7.

**NO**  Read below.

### STEP 2 Did you carry on a business as a sole trader and was your aggregated turnover less than \$75,000? (If you carried on more than one business activity, your aggregated turnover must include all your sole trader activities.)

**NO**  Go to step 5.

**YES**  Read below.

**STEP 3** Use **worksheet 1** below to calculate your net small business income as a sole trader. If you carried on more than one business as a sole trader, add together the value of the business income earned from each business when calculating your small business entity turnover and your net small business income as a sole trader.

## WORKSHEET 1

Your total small business entity turnover	\$	(a)
Allowable deductions that directly relate to the small business entity turnover	\$	(b)
Take (b) away from (a).	\$	(c)

The amount at (c) is your **net small business income**. If (c) is zero or less, you are not eligible for the entrepreneurs tax offset.



**STEP 4 Is the amount at (c) in worksheet 1 on the previous page greater than zero?**

**NO**  You are not eligible to claim the entrepreneurs tax offset. Go to question **T14**.

**YES**  Read below.

You need to complete item **T13**:

- write the amount of your aggregated turnover at **K**
- write the amount of your net small business income at **N**
- print **S** in the **CODE** box at the right of **N**.

You have completed this item. Go to **Check that you have . . .** in the next column.

**STEP 5 Did you receive a share of the net small business income of a partnership with an aggregated turnover of less than \$75,000?**

**NO**  Go to step 6.

**YES**  Read below.

You need to complete item **T13**:

- write the amount of the partnership's aggregated turnover at **K**
- write the amount of your share of the net small business income at **N** (do not reduce this amount by any deductions that you are entitled to claim for income tax purposes)
- print **P** in the **CODE** box at the right of **N**.

You have completed this item. Go to **Check that you have . . .** in the next column.

**STEP 6 Did you receive a distribution of net small business income from a trust with an aggregated turnover of less than \$75,000?**

**NO**  You are not eligible to claim the entrepreneurs tax offset. Go to question **T14**.

**YES**  Read below.

You need to complete item **T13**:

- write the amount of the trust's aggregated turnover at **K**
- write the amount of your distribution of net small business income from the trust at **N** (do not reduce your distribution by any deductions that you are entitled to claim for income tax purposes)
- print **T** in the **CODE** box at the right of **N**.

You have completed this item. Go to **Check that you have . . .** in the next column.

**STEP 7** You need to provide additional information. On a separate piece of paper:

- print SCHEDULE OF ADDITIONAL INFORMATION – ITEM T13
- include your name, address and tax file number
- for each partnership or trust for which you are eligible for an entrepreneurs tax offset
  - write the name of the partnership or trust
  - print **CODE =** and print the code letter **P** for partnership or **T** for trust
  - print **K =** and write the amount of the entity's aggregated turnover
  - print **N =** and write the amount of your distribution from the partnership or trust (do not reduce your distribution amount by any deductions that you are entitled to claim for income tax purposes)
- if you are eligible for an entrepreneurs tax offset as a sole trader complete steps 2 and 3 on the previous page, then on your SCHEDULE OF ADDITIONAL INFORMATION – ITEM T13
  - print **CODE = S**
  - print **K =** and write the amount of your total aggregated turnover
  - print **N =** and write the amount of your net small business income (c) from worksheet 1 (do not reduce this amount by any deductions that you are entitled to claim for income tax purposes)
- sign and attach your schedule 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.

You have completed this item. Go to **Check that you have . . .**

**CHECK THAT YOU HAVE . . .**

- attached to page 3 of your tax return your signed SCHEDULE OF ADDITIONAL INFORMATION – ITEM T13, if you need to include one
- completed a *Business and professional items schedule for individuals 2008* (NAT 2816) if you are claiming an entrepreneurs tax offset for your activities as a sole trader.

# QUESTION T14

# T14

## OTHER TAX OFFSETS

T14

TAX OFFSETS

**Were you entitled to a tax offset for 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 the next page.

**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

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

**NO**  Go to part B in the next column.

**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 the 30% tax offset for the interest you received.

### PART B

**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 item** below.

**YES**  Read below.

You will need a copy of the *Timor Sea Treaty – Joint Petroleum Development Area instructions 2008* (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 the correct assessment.

### ➤ COMPLETING THIS ITEM

**STEP 1** Add up all your tax offset amounts at this item. Write the total at **C** item **T14** on page 12 of your tax return. Do not show cents.

**STEP 2** Complete the **CLAIM TYPE** box  at the right of **C** item **T14** as follows:

- If you are claiming a JPDA tax offset under part B, 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 A, 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** both apply, choose the code letter that applies to the largest amount and print it in the **CLAIM TYPE** box.

## TOTAL SUPPLEMENT TAX OFFSETS

**Did you claim any tax offsets at items T7, T8, T9, T10, T11 and T14?**

**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 **T14** on your tax return.

**STEP 2** Write the amount from step 1 at **TOTAL SUPPLEMENT TAX OFFSETS** on page 12 of your tax return. Do not show cents.

**STEP 3** Transfer the amount you wrote at **TOTAL SUPPLEMENT TAX OFFSETS** to **T** on page 4 of your tax return.

**STEP 4** Go to page 97 in *TaxPack 2008* to calculate your total tax offsets.

**!** NOTE

We use the amounts at items **T12** and **T13** to work out your mature age worker and entrepreneurs tax offset entitlements. Do not include them at **TOTAL SUPPLEMENT TAX OFFSETS**.

#### In 2007–08 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 **C1**.

**YES**  Read below.

#### YOU NEED TO KNOW

Family trust distribution tax is payable by:

- a trust which has elected to be a family trust, or
- a trust, partnership or company which has made an interposed entity election to be included in the 'family group' of a family trust on any distribution made to a person outside that 'family group'.

You do not include in your assessable income any part of a distribution to you on which family trust distribution tax has already been paid, and which would otherwise be assessable income.

However, to determine your liability for the Medicare levy surcharge, we take into account any part of a distribution to you on which family trust distribution tax has already been paid (that would otherwise have been assessable income) reduced by any expenses that would have been deductible against it. This is the amount that you need to show at this item.

#### EXAMPLE

During 2007–08 the Jones family trust distributed \$1,000 to Anne-Marie. The 'family trust election' of the Jones family trust was in force at the time the distribution was made. 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 from other funds.

As a result, Anne-Marie does not include the \$1,000 distribution in her assessable income. Instead Anne-Marie shows at this item 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 under the normal income tax rules.

#### ▶ COMPLETING THIS ITEM

**STEP 1** Add up the amounts or value of all distributions to you by a trust, partnership or company during 2007–08 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. 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

**During 2007–08, 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**
- **compulsory Higher Education Loan Programme (HELP) repayment amount shown on your notice of assessment**
- **compulsory Student Financial Supplement Scheme (SFSS) debt repayment shown on your notice of assessment**
- **interest on distributions from non-resident trust estates**
- **shortfall interest charge**
- **income tax penalty for the 1999–2000 and earlier income years**
- **general interest charge for lodging a late income tax return for income years up to and including 1999–2000**
- **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 an early payment either by writing to the Tax Office for a direct payment or by completing this item. If you have already requested the direct payment of interest on your early payment, do not claim it at this item.

### 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 the Higher Education Contribution Scheme (HECS), HELP and SFSS
- PAYG instalments.

➤ For more information, read the publication *Interest on early payments and overpayments of tax 2008* (NAT 2277) or chapter 82 of the *Law Administration Practice Statement PS LA 2006/11 – ATO Receivables Policy*. They are available on our website.

The interest you receive will need to be shown as income on your tax return for the year in which we paid or credited the interest to you.

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 or when the refund takes place where the early payment is refunded before the due date, whichever is the earlier. For example, a notice of assessment issued to you on 19 September 2007 showed an amount of tax payable. If the amount was due on 21 November 2007 but you paid early, on 1 November 2007, the interest period would be 21 days – 1 November to 21 November.

The interest rate applying for each quarter of 2007–08 is shown below:

### INTEREST RATES FOR EARLY PAYMENTS CALCULATION

Period	Interest rate (% pa)
1 July 2007 to 30 September 2007	6.37
1 October 2007 to 31 December 2007	6.75
1 January 2008 to 31 March 2008	7.15
1 April 2008 to 30 June 2008	7.69

### 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.

### ➤ COMPLETING THIS ITEM

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 either the date you paid the amount or the issue date on your notice informing you of the amount of tax, debt, interest or instalment – whichever is the later – up to and including the date when the payment was due.

**STEP 2** Divide the number of days from step 1 by 366.

**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 2007 to 30 September 2007, multiply by 6.37 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. 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.

C1

CREDIT FOR INTEREST ON TAX PAID

## 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 of your tax return.

### 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 **A3**, if required to do so

completed item **C1**, if required to do so

if you were asked to do so, filled in the boxes  or  at items **13, 14, 15, 17, 20, 21** and **TOTAL SUPPLEMENT INCOME OR LOSS**, and the  boxes at items **T12, T13** and **T14**

completed the *Business and professional items schedule for individuals 2008* (NAT 2543) if you answered **YES** at question **13** (if you had a net loss), **14, 15** or **16**. If you had tax withheld from your business or personal services income, you must also have completed an *Individual PAYG payment summary schedule 2008* (NAT 3647)

attached to page 3 of your tax return all attachments as instructed by any section or question in *TaxPack 2008 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.

Go to page 98 in *TaxPack 2008* and continue working through *TaxPack*.