

TaxPack 2010 supplement

To help you complete the supplementary section
of your tax return **1 July 2009 – 30 June 2010**



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We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information 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 information 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 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 or contact us.

This publication was current at **May 2010**.

DO YOU NEED THIS SUPPLEMENT?

TaxPack 2010 supplement contains instructions for completing the supplementary section (pages 13–16) of the tax return for individuals. Two copies of the *Tax return for individuals (supplementary section) 2010* 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 1–12). You will need to attach the supplementary section to the main part to lodge your tax return.

Remember, *TaxPack 2010 supplement* does not replace *TaxPack 2010*; it is used in conjunction with *TaxPack 2010*.

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NOTE

TaxPack 2010 supplement with the Tax return for individuals (supplementary section) 2010 contains questions and items which are not included in *TaxPack 2010* and the *Tax return for individuals 2010*. When using *TaxPack 2010 supplement* you must also use *TaxPack 2010* to complete all of your tax return (pages 1–12).

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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 **11** in *TaxPack 2010*
- income from a public trading trust or a corporate unit trust – question **11** in *TaxPack 2010*
- interest you received, or were credited with, from a joint account, where you quoted your individual tax file number to the financial institution – question **10** in *TaxPack 2010*
- that part of a distribution on which family trust distribution tax or trustee beneficiary non-disclosure tax has been paid – question **A4**
- 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 amounts withheld from partnership or trust income, or**
- **a share of the national rental affordability scheme tax offset**

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.

Some trust distributions paid after 30 June 2010 need to be included on your tax return for this year. This is because you were entitled to this income at 30 June 2010. You must make sure that you have included all of your trust income. If you have not been advised about all of your trust distribution, contact your trustee.

▶ If your trust distribution includes an amount described as tax-free, tax deferred, tax exempted or as a capital gains tax (CGT) concession, you will need to read the information on non-assessable payments in the publication *Guide to capital gains tax 2010* (NAT 4151). This is available on our website. While such 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 2010*.

WHAT YOU MAY NEED

- A statement or advice from the partnership or trustee 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 or tax offsets:
 - credit for amounts of tax withheld because the partnership or trust failed to quote its Australian business number

- credit for amounts of tax withheld due to the imposition of non-resident withholding tax or managed-investment trust withholding tax from partnership or trust income you received when you were a resident
 - credit for amounts withheld from partnership and trust income as a result of the foreign resident withholding rules
 - share of the national rental affordability tax offset
 - 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 2010* (NAT 2543) which contains the *Business and professional items schedule for individuals 2010* (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 2010* 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.

Foreign residents who have received a fund payment from a managed investment trust on which an amount was withheld should refer to the fact sheet *New withholding arrangements for managed fund distributions to foreign residents* which is available on our website www.ato.gov.au

➤ 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 any Australian source dividend, interest, royalty or payment from an Australian managed-investment trust 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, and
- 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 old as at 30 June 2010
- 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 12 of your tax return. Sign your schedule and attach it 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 13 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 2010* 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.

13 PARTNERSHIPS AND TRUSTS

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 Individual 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 at **U** the total of your share of non-primary production trust income or loss. Include 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 page s5. Exclude any:

- net capital gain
- attributed foreign income
- other foreign source income.

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 show nothing at **L** so far, 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 trustee 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 2010* (NAT 4170) which is available on our website.

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 partnership cannot claim the expenditure. 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.

If a trustee incurred eligible expenditure on landcare operations or water facilities, only the trustee, 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 2010* (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 2010*.

! NOTE

Include a non-commercial business loss deferred from a prior year business activity only if it relates to one of your current year partnership business activities which is the same as, or similar to, the prior year business activity which generated the loss. 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 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 partnership cannot claim the expenditure. 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**.

If a trustee incurred eligible expenditure on landcare operations, only the trustee, 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 2010*.

STEP 2 Write at **Y** item **13** the total of 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, and
- 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 2010*.

! NOTE

Include non-commercial business losses deferred from a prior year only 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 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 2008–09 Lisa deferred total non-commercial business losses of \$6,000 from her share of partnership business 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 2009–10. Lisa cannot include her \$1,000 loss from the computer consultancy business at **Y**. This amount does not relate to a business activity which is the same as, or similar to, her current year partnership business activity.

In 2009–10 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 partnership business activity is a loss of \$3,000.

Note: Lisa must show her \$5,000 loss from the furniture restoration business against **Deferred non-commercial business loss from a prior year** at item **P9** on the *Business and professional items schedule for individuals 2010*. She must also show the net distribution of the \$3,000 loss from the furniture restoration business against **Net Loss** at item **P9**.

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

Working out 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 your answer is a loss, print **L** in the **LOSS** box at the right of **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 2010* 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**.

If your answer is a loss, print **L** in the **LOSS** box at the right of **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 2010* 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 income and tax offsets

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
 - you received when you were an Australian resident from which an amount of tax was withheld because of the imposition of non-resident withholding tax or managed investment trust withholding tax
 - from which an amount was withheld because of the operation of the foreign resident withholding rules
 - write the total amount of these credits for amounts withheld at **A** item **13**. Show cents
- national rental affordability scheme rent – write your share of national rental affordability scheme tax offset at **B** 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.

13 PARTNERSHIPS AND TRUSTS

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 trustee 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 2010* (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**.

Did you receive income from personal services you provided?

NO Go to question 15.

YES Read below.

Are you a sole trader?

NO Go to question 15.

YES Read below.

Your 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 from
 - working under a labour hire arrangement as an independent contractor
 - payments (called **specified payments**) for
 - tutorial services you provided for the Indigenous Tutorial Assistance Scheme of the Department of Education, Employment and Workplace Relations
 - translation and interpretation services you provided for the Translating and Interpreting Service National of the Department of Immigration and Citizenship
 - performing as a performing artist in a promotional activity.

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 2010* (NAT 2543) before you can complete this item. 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 2010 contains the *Business and professional items schedule for individuals 2010* (NAT 2816) and the *Individual PAYG payment summary schedule 2010* (NAT 3647).

WHAT YOU MAY NEED

- *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 2010 and Individual PAYG payment summary schedule 2010

STEP 1 Complete the *Business and professional items schedule for individuals 2010*, sign it and attach it to page 3 of your tax return. 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 12 of your tax return.

STEP 2 If you received personal services income from which tax was withheld, complete the *Individual PAYG payment summary schedule 2010* and attach it to page 3 of your tax return. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 12 of your tax return.

Did you write an amount at **A item P1 on your Business and professional items schedule for individuals 2010?**

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 2010* to **A** item 14 on page 13 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 2010*.

! 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 s33 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 2010?**

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 2010* at the **Tax withheld** boxes with a **V** in the **TYPE** box . These amounts must relate to the payments shown at **M** item P1 on your *Business and professional items schedule for individuals 2010*. Write this amount at **G** item 14 on page 13 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 2010* at the **Tax withheld** boxes with an **N** in the **TYPE** box . These amounts must relate to the payments shown at **N** item P1 on your *Business and professional items schedule for individuals 2010*. Write this amount at **H** item 14 on page 13 of your tax return. Show cents.

3 Did you have amounts of tax withheld because you received personal services 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 2010* at the **Tax withheld** boxes with an **S** in the **TYPE** box . These amounts must relate to the payments shown at **O** item P1 on your *Business and professional items schedule for individuals 2010*. Write this amount at **J** item 14 on page 13 of your tax return. Do not show cents.

CHECK THAT YOU HAVE . . .

- read the publication *Business and professional items 2010*, and completed your *Business and professional items schedule for individuals 2010* 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 2010* 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 12 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 2010* 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 12 of your tax return.

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 National of the Department of Immigration and Citizenship
 - income as a performing artist in a promotional activity
- any other business income, such as income 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 2010* (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 2010 contains the *Business and professional items schedule for individuals 2010* (NAT 2816) and the *Individual PAYG payment summary schedule 2010* (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 14 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 2010* (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 2010* (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 2010 and Individual PAYG payment summary schedule 2010

STEP 1 Complete the *Business and professional items schedule for individuals 2010*, 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 12 of your tax return.

STEP 2 If you received business income from which tax was withheld, complete the *Individual PAYG payment summary schedule 2010* and attach it to page 3 of your tax return. Print **X** in the **YES** box at *Taxpayer's declaration* question **2a** on page 12 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 2010* to **B** item **15** on page 14 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 2009–10 from one or more business activities, check that you have completed items **P3** and **P9** in the *Business and professional items schedule for individuals 2010*.

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 2010* to **C** item **15** on page 14 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 2009–10 from one or more business activities, check that you have completed items **P3** and **P9** in the *Business and professional items schedule for individuals 2010*.

! 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 s33 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 2010*, 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 2010* 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 2010*. 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 2010* 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 2010*. 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 2010* 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 2010*. 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 2010* 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 2010*. 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, see question **T13 Entrepreneurs tax offset**.

CHECK THAT YOU HAVE . . .

- read the publication *Business and professional items 2010*
- completed the *Business and professional items schedule for individuals 2010*, 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 2010* to **B** and **C** item **15** respectively on your tax return (if these amounts are losses check that you have 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 12 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 2010* 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 12 of your tax return.

Deferred non-commercial business losses

Income 16

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 2009–10 loss from a business activity you conducted either as a sole trader or in a partnership to calculate your 2009–10 taxable income only where:

- the loss is due solely to a deduction claimed under the small business and general business tax break
- an exception applies
- you meet the income requirement and one of the four tests is satisfied
- the Commissioner has exercised his discretion or ruled that it will be exercised to allow you to claim the loss.

For more information about the exceptions, the income requirement, the four tests and the Commissioner's discretion, see question **P9 Business loss activity details** in *Business and professional items 2010* (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.

16 DEFERRED NON-COMMERCIAL BUSINESS LOSSES

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 2009–10 taxable income.

➤ You need to read *Business and professional items 2010* 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 2010 contains the *Business and professional items schedule for individuals 2010* and the *Individual PAYG payment summary schedule 2010*.

WHAT YOU MAY NEED

- *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 2010

Complete the *Business and professional items schedule for individuals 2010*, 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 12 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 on the next page.

YES Read on.

Did you make a net loss from a business activity carried on in partnership with others in 2009–10?

NO Go to part C on the next page.

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 2010*?

NO Read below.

YES Go to part C on the next page.

Did you:

- **have a business loss due solely to deductions claimed under the small business and general business tax break, or**
- **meet the income requirement and your net loss from that business activity satisfied one of the four tests?**

➤ See question P9 in *Business and professional items 2010* for information about the income requirement, the tests and business tax break deductions.

NO Read below.

YES Go to part C on the next page.

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 on the next page.

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 14 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 2010*.

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 2009–10?

NO Go to part D in the next column.

YES Read on.

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

Did your net loss from that business activity come within an exception described at question P9 in *Business and professional items 2010*?

NO Read below.

YES Go to part D in the next column.

Did you:

- have a business loss due solely to deductions claimed under the small business and general business tax break, or
- meet the income requirement and your net loss from that business activity satisfied one of the four tests?

➤ See question P9 in *Business and professional items 2010* for information about the income requirement, the tests and business tax break deductions.

NO Read on.

YES Go to part D in the next column.

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 14 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.

STEP 3 Make sure that you have completed items **P3** and **P9** on the *Business and professional items schedule for individuals 2010*.

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 14 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 14 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 2010* you must record the three highest loss-making business activities (if applicable), whether or not:

- the loss is due solely to a deduction claimed under the small business and general business tax break
- the net loss from your business activity came within an exception
- you meet the income requirement and 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.

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

Did you deposit into or withdraw funds from your Farm Management Deposits Scheme account during 2009–10?

NO Go to question 18.

YES Read below.

YOU NEED TO KNOW

You can claim a deduction for farm management deposits made during 2009–10 at this item unless in 2009–10:

- your taxable non-primary production 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 2009–10.

Any deduction you claim cannot be more than the deposits made or your taxable primary production income for 2009–10, whichever is less.

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

You cannot claim a deduction for any part of a farm management 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:

- the withdrawal occurs in the year of income after the deposit was made
- at the time of the withdrawal, you were eligible to be issued an exceptional circumstances certificate relating to your primary production business, and
- when the deposit was made an exceptional circumstances declaration made by the Minister for Agriculture, Fisheries and Forestry was not in force for 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
- 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 2009–10 you became bankrupt or ceased to be a primary producer for at least 120 days, all remaining deposits are assessable income in 2009–10 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. This also applies to farm management deposits made by the Australian Prudential Regulatory Authority (APRA) under the Financial Claims Scheme or by a liquidator where the farm management deposit was held with a failed authorised deposit-taking institution.

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 2009–10, you cannot claim a deduction for any deposits they made in 2009–10. Any farm management deposits held at the time of death are assessable income in 2009–10 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 2010* (NAT 1712) and *Farm management deposits 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 2009–10 from the total amount of your 2009–10 withdrawals that are assessable income.

Write the answer at **E** item **17** on page 14 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.

Capital gains

Income **18****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 2010* question **D8 Dividend deductions**.

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

You may have made a capital gain or capital loss if a capital gains tax (CGT) event happened in 2009–10. See the box on the next page for an explanation of a CGT event.

You may have also made a capital gain for 2009–10 if you were a beneficiary of, or had money invested in, a trust or managed investment fund in 2009–10 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 2009–10. 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 14 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 s18 to find out how to complete this item.

YES Print **X** in the **YES** box at **G** item **18** on page 14 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.

18 CAPITAL GAINS

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 14 of your tax return if you had a CGT 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 14 of your tax return if you had a CGT 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 14 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 2010* (NAT 3423). Refer to the *Guide to capital gains tax 2010* available on our website.

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 not sure whether a CGT event happened in 2009–10, refer to **Appendix 1: Summary of CGT events** in the *Guide to capital gains tax 2010*.

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 disregard only 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.

Also, if you are a foreign resident beneficiary of a trust and 'managed investment trust withholding tax' is payable on an amount that you received from that trust (other than in the capacity of a trustee) then you do not need to include any part of that amount on your tax return.

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 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 *Personal investors guide to capital gains tax 2010* (NAT 4152).

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 2009–10 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 *Guide to capital gains tax 2010* available on our website.

Your home may be subject to capital gains tax

Under the 'main residence' exemption, you generally do not have to pay CGT on the disposal of your main residence. However, you 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 *Guide to capital gains tax 2010* available on our website.

Asset transfer on marriage or relationship breakdown

If you transferred an asset to your spouse as a result of a marriage or relationship 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 *Guide to capital gains tax 2010* available on our website.

! Your spouse includes another person (whether of the same sex or opposite sex) who:

- you were in a relationship with that was registered under a prescribed state or territory law,
- although not legally married to you, lived with on a genuine domestic basis in a relationship as a couple.

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 *Guide to capital gains tax 2010* available on our website.

Temporary residents

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

See page 113 in *TaxPack 2010* 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 *Guide to capital gains tax 2010* available on 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 2010*. 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 or relationship. (This publication is only available on our website.)
- *Personal investors guide to capital gains tax 2010* is shorter and simpler than *Guide to capital gains tax 2010*. 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 *Guide to capital gains tax 2010*.
- 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 2009–10 income year.

STEP 2 Add up all your capital gains for the 2009–10 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 14 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 gain of a capital nature, you need to read part H in question **20** to work out the amount of foreign income tax offset you can claim. You show the foreign income tax offset 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.

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 transferred or 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 113 in *TaxPack 2010* 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 14 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 14 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 14 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 transferred or caused the transfer of property – including money – or services to a non-resident trust. A trust is a non-resident trust if no trustee of the trust estate was an Australian resident, and the trust estate's central management and control was not in Australia, at any time during 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 transfer or 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 14 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 14 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 12 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.

19 FOREIGN ENTITIES

▶ 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 14 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 14 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 income tax offsets in respect of attributed foreign income from a foreign investment fund that is a foreign trust 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 trust, the amount of attributable income in relation to the trust, and any foreign income tax offsets 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 12 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.

20 Income

Foreign source income and foreign assets or property

Did you:

- receive income from foreign employment
- receive a foreign pension or annuity
- 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 2009–10, own or have an interest in assets located outside Australia that had a total value of A\$50,000 or more?

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

You need to complete this item to claim a foreign income tax offset (formerly known as foreign tax credits) for foreign tax you have paid. See part H on page s25.

NO Go to question **21**.

YES Read on.

– 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 (the amount of any foreign income tax offset you calculate under part H may include amounts of foreign tax paid in respect of a capital gain from a foreign source)
- a lump sum payment of your foreign pension that relates to an earlier year – read **Lump sum payments in arrears** at question **24** (if your arrears amount is exempt from tax see part B)
- 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
- employee share scheme interests you received at a discount that relate to your foreign employment – question **12 Employee share schemes** deals with these amounts. The amount of any foreign income tax offset you calculate under part H may include amounts of foreign tax paid in respect of employee share scheme discounts.

YOU NEED TO KNOW

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 Individual Infoline (see the inside back cover) to get information about the exchange rates.

Australian resident

If 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.

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
- 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.

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.**

For more information, see parts E and G of this question.

Temporary resident

If you were 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. Read below and part A of this question to determine how much of this foreign employment income you should report. Refer to page 113 in *TaxPack 2010* for the definition of a temporary resident and details of the exemption.

WHAT YOU MAY NEED

- Payslips, foreign tax assessments, *PAYG payment summary – foreign employment*
- Company, partnership and trust distribution advices
- Details of any expenses you incurred in earning your foreign income
- *You and your shares 2010* (NAT 2632)
- *Guide to foreign income tax offset rules* (NAT 72923)
- *Taxation Ruling TR 96/15 – Income tax: foreign tax credit system: issues relating to the practical application of section 23AG.*

The publications and rulings listed above are available on our website.

▶ COMPLETING YOUR TAX RETURN

PAYG payment summary – foreign employment

If you have foreign employment income shown on a *PAYG payment summary – foreign employment*, read on. Otherwise go to part A in the next column.

Make sure you have included on your tax return the income shown on your *PAYG payment summary – foreign employment*. These amounts should be included at items **1, 3 or 24**.

STEP 1 Add all the 'Gross payments' from each *PAYG payment summary – foreign employment*.

STEP 2 Add all the deductible expenses you incurred in earning your foreign employment income from step 1. You would have included these deductible expenses at items **D1 to D5**.

STEP 3 Take the total deductible expenses from step 2 away from the total gross payments from step 1 and write the answer at **U** item **20**. If the answer is negative, print **L** in the **Loss** box at the right of **U** item **20**.

If you received no other foreign income, go to part H on page s25. Otherwise, read below.

PART A

Did you receive income from foreign employment that was not shown on a *PAYG payment summary – foreign employment*?

NO Go to part B on page s23.

YES Read below.

Foreign employment income is income you earned working overseas as an employee, such as salary, wages, commissions, bonuses or allowances. Do not include foreign employment income shown on a *PAYG payment summary – foreign employment*.

STEP 1 Find out whether any of your foreign employment 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 Individual 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 part B. Otherwise, go to step 2.

STEP 2 Your foreign employment income that is not exempt under step 1 may still be exempt from tax. Work through the rest of the steps to find out if it is exempt from tax. Even if it is exempt, we still take it into account to work out the tax on your other assessable income.

Income from self-employment and contracts is generally not exempt from tax. Include it in other foreign source income at part E.

STEP 3 Did you have foreign service that was directly attributable to:

- **your deployment outside Australia as a member of a defence force or a police force by the Commonwealth Government, a state or territory government, or an authority of such a government, or**

20 FOREIGN SOURCE INCOME AND FOREIGN ASSETS OR PROPERTY

- the activities of your employer in operating a public fund that is an international affairs deductible gift recipient, or
- the activities of your employer, provided that your employer is a prescribed institution located or pursuing objectives outside of Australia, or
- the delivery of Australian official development assistance by your employer?

Were you engaged in foreign service in connection with an Austrade approved project?

NO to both questions. Go to step 5.

YES to either question. Read on.

Did you:

- pay, or are you liable to pay, foreign income tax on your foreign employment income, or
- receive income from foreign service where that income would not have been exempt in the foreign service country but for the operation of a tax treaty between Australia and that country?

YES Go to step 4.

NO Go to step 5.

STEP 4 Work out the period that you were continuously engaged in service 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 engaged in service 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 Individual Infoline.

If your period of continuous service 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 not sure, phone the Individual Infoline. If your foreign employment income is not exempt from tax, go to step 5. Otherwise, read on.

If any of your foreign employment income is exempt from tax, write the total that is exempt from tax less any expenses that are not capital in nature that you incurred in earning that exempt income at **N** item 20. If the amount was a loss, write **0**. You cannot claim a foreign income tax offset on this income.

Foreign employment income paid in arrears

If your foreign employment income that is exempt from tax includes an amount paid in arrears and you are liable for the Medicare levy surcharge (see item **M2**) you need to provide the following additional information. On a separate sheet of paper:

- print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 20 on top of the page
- print your name, address and tax file number
- show the amount of the payment in arrears for each income year involved.

Sign your schedule and attach it to page 3 of your tax return and print **X** in the **Yes** box at *Taxpayer's declaration* item **2a** on page 12 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 s32.

If all your foreign employment income is exempt go to part B. Otherwise, read on.

STEP 5 Add up all your gross foreign employment income amounts before any foreign tax was taken out. (Do not include any exempt income or foreign employment income shown on a *PAYG payment summary – foreign employment*). Write the total at (a) in **worksheet 1**.

STEP 6 Add up all the deductible expenses that you incurred in earning the foreign employment income from step 5, and write the total at (b) in **worksheet 1**.

The types of expenses you may be able to deduct against your foreign employment income are explained at questions **D1** to **D5** on pages 29–40 in *TaxPack 2010*, but do not claim these expenses at **D1** to **D5**.

- 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 **D16**.

Take the amount at (b) away from the amount at (a). Write the answer at (c) in **worksheet 1**.

If (b) is greater than (a), the amount at (c) will be a loss.

EXAMPLE 1

Lachlan was employed overseas from 15 October 2009 until 23 April 2010. He did not receive a *PAYG payment summary – foreign employment* and the income was not exempt income. Lachlan received A\$11,250 for his foreign employment after he paid A\$3,750 in foreign tax. He also incurred deductible work-related expenses of A\$500. Lachlan adds the A\$3,750 in foreign tax to the A\$11,250 he received to work out his assessable foreign employment income which is A\$15,000. He deducts his A\$500 work-related expenses, and his net foreign employment income is A\$14,500. Lachlan writes \$15,000 at (a) in **worksheet 1**, \$500 at (b) and \$14,500 at (c).

STEP 7 Transfer the amount at (c) in **worksheet 1** to **T** item 20. If you made a loss, print **L** in the **Loss** box at the right of **T** item 20.

If you received no other foreign income, go to part F on page s25. Otherwise read on.

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

NO Go to part C in the next column.

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 not sure whether your foreign pension or annuity is taxable, phone the Individual Infoline.

You may claim a foreign income tax offset at this item if:

- the country from which your foreign pension or annuity came withheld tax from your payment
- you were not entitled to seek a refund of the foreign tax from that country (see part H on page s25), and
- the foreign pension or annuity is also taxable in Australia.

A refund may result from the terms of an agreement between Australia and that country to prevent double taxation. If you are not sure whether your foreign pension or annuity is subject to an agreement, phone the Individual Infoline.

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

Under our tax treaties foreign tax authorities tell us about income paid to (and the tax withheld from) Australian taxpayers. We use that information to check tax returns. Make sure you show your foreign income fully and correctly on your tax return.

However, if your foreign pension or annuity (including any lump sum payment of your foreign pension or annuity in arrears) is not taxable in Australia, do not show it anywhere on your tax return. Go to part C in the next column.

If your foreign pension or annuity is taxable, read below.

STEP 1 If you had foreign tax taken from any of your foreign pensions or annuities, add the amount of foreign tax to the amount of foreign pension or annuity you received.

STEP 2 Sort your foreign pensions and annuities into those with an undeducted purchase price (UPP) and those without a UPP.

Add up all foreign pensions and annuities (including any amounts you calculated at Step 1) without a UPP. Write the total amount at (d) in **worksheet 1**.

Add up all foreign pensions and annuities (including any amounts you calculated at Step 1) with a UPP. Write the total amount at (g) in **worksheet 1**.

STEP 3 Add up your deductible expenses

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 item **D16**.

If your foreign pension or annuity has a deductible amount of a UPP, you claim a deduction for this amount at item **D12**. Do not include the amount in your deductible expenses at this step.

Add up any deductible expenses that you incurred in relation to your foreign pensions or annuities without a UPP. Write the total at (e) in **worksheet 1**.

Add up any deductible expenses that you incurred in relation to your foreign pensions or annuities with a UPP. Write the total at (h) in **worksheet 1**.

STEP 4 Take the amount at (e) away from the amount at (d) in **worksheet 1** and write the answer at (f). If (e) is greater than (d), the amount at (f) will be a loss.

Take the amount at (h) away from the amount at (g) in **worksheet 1** and write the answer at (j). If (h) is greater than (g), the amount at (j) will be a loss.

STEP 5 Transfer the amount at (f) in **worksheet 1** to **L** item **20**. If you made a loss, print **L** in the **Loss** box at the right of **L** item **20**.

Transfer the amount at (j) in **worksheet 1** to **D** item **20**. If you made a loss, print **L** in the **Loss** box at the right of **D** item **20**. Do not include as a loss any amount by which the UPP exceeds the amount of your foreign pension or annuity (including the amount of foreign tax you added back to your foreign pension or annuity at Step 1).

If you received no other foreign income, go to part F on page s25. Otherwise, read below.

PART C**Did you receive any foreign rental income?**

NO Go to part D on the next page.

YES Read below.

STEP 1 Make sure to include in your total rental income any foreign tax that was taken away from your rental income. Write your total rental income at (k) in **worksheet 1**.

STEP 2 Add up all the deductible expenses that you incurred in relation to your foreign rental income. Write this amount at (l) in **worksheet 1**.

STEP 3 Take the amount at (l) away from the amount at (k) in **worksheet 1** and write the answer at (m). If (l) is greater than (k), the amount at (m) will be a loss.

STEP 4 Transfer the amount at (m) in **worksheet 1** to **R** item **20**. If you made a loss, print **L** in the **Loss** box at the right of **R** item **20**.

If you received no other foreign income, go to part F on page s25. Otherwise, read on.

PART D**Foreign superannuation lump sums****Did you:**

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

NO Go to part E in the next column.

YES Read below.

This part does not apply to transfers of lump sums from one foreign superannuation fund to another foreign superannuation fund.

A lump sum payment from a foreign superannuation fund may be tax-free if you received it within six months:

- after you become an Australian resident, or
- after you terminate your foreign employment.

To determine whether the lump sum payment you received is tax-free see *Super lump sums from a foreign super fund* on our website. If your lump sum payment is tax-free, do not show it anywhere on your tax return.

If your lump sum payment is not tax-free, then you need to show on your tax return the amount of the lump sum that relates to your applicable fund earnings. In general terms, applicable fund earnings are the earnings on your foreign super interest which have accrued while you were a resident of Australia.

However, you do not need to show your applicable fund earnings on your tax return if:

- all of your lump sum is paid into an Australian complying superannuation fund, and
- after the lump sum is paid, you no longer have an interest in the foreign superannuation fund, and
- you make a choice to have your applicable fund earnings included in the assessable income of your Australian superannuation fund. Your choice must be in writing and provided to your superannuation fund.

For more information on the tax treatment of foreign fund transfers, refer to the electronic publication *Tax treatment of transfers from foreign funds*, *Super lump sums from a foreign super fund* and *Super contributions – too much super can mean extra tax*. These are available on our website.

For more information, phone the Superannuation Infoline.

Determine the amount (if any) of your applicable fund earnings from each fund you need to include in your assessable income.

Add up your applicable fund earnings amounts and write the total at (q) in **worksheet 1**.

If you received other foreign income, go to part E in the next column. Otherwise:

- transfer the amount at (q) in **worksheet 1** to **M** item 20
- go to part F on page s25.

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

- interest, royalties or dividends
- any other foreign income?

Include at this item dividends you received from a New Zealand company (including non-share dividends).

Include at this item any supplementary dividends you received from a New Zealand company. Also include any dividend (or non-share dividend) income from a New Zealand company that you received or became entitled to during 2009–10 through a partnership or a trust.

Do not include any Australian franking credits from a New Zealand company that you received directly, or indirectly through a trust or partnership. These amounts are shown at Part G.

If you have paid foreign tax on an attribution account payment (usually a dividend distribution) you received that was paid out of previously attributed income and that payment is non-assessable non-exempt income, you do not include this income anywhere on your tax return.

NO Go to part F on the next page.

YES Read below.

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* or *PAYG payment summary – foreign employment*, include the payment at this item.

STEP 1 If you had foreign tax (including New Zealand non-resident withholding tax) taken away from this income, add it to the amount you received.

Add up all of the assessable foreign income (including foreign tax on that income) that you have not already shown on your tax return. Write the total at (r) on **worksheet 1**.

STEP 2 Add up all the deductible expenses that you incurred in earning the foreign income you showed at step 1. Write the total at (s) in **worksheet 1**.

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 and the deductions are not attributable to an overseas permanent establishment, see question **D16**.

STEP 3 Take the amount at (s) away from the amount at (r) in **worksheet 1** and write the answer at (t). If (s) is greater than (r), the amount at (t) will be a loss.

STEP 4 Add up the amounts at (q) and (t) in **worksheet 1**. Write this total at **M** item 20. If the total is a loss, print **L** in the **LOSS** box at the right of **M** item 20.

PART F

Working out your assessable foreign source income

Add up the amounts at (a), (d), (g), (k), (q) and (r) in **worksheet 1**. The total is your assessable foreign source income. Write this amount at **E** item **20**.

Make sure the amount you have shown at **E** does not include any exempt foreign income or income shown on a *PAYG payment summary – foreign employment*.

If you have Australian franking credits from New Zealand companies, go to part G below. If you are entitled to a foreign income tax offset, go to Part H.

Otherwise, go to part I on the next page.

WORKSHEET 1: Other foreign income

Type of foreign income	Assessable amount	Deductible expenses	Taxable amount
Part A employment income not shown on a <i>PAYG payment summary – foreign employment</i>	(a)	(b)	(c)
Part B pension or annuity income without a UPP	(d)	(e)	(f)
pension or annuity income with a UPP	(g)	(h)	(j)
Part C rental income	(k)	(l)	(m)
Part D superannuation lump sums	(q)		
Part E other income	(r)	(s)	(t)

PART G

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:

- New Zealand imputation credits
- Australian franking credits you received from an Australian company (show these amounts at either item **11 Dividends** or item **13 Partnerships and trusts**)
- 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 2010* (NAT 2632).

The amount of Australian franking credits you would otherwise be entitled to is reduced if:

- you received a dividend (or non-share dividend) from a New Zealand company with Australian franking credits attached, and

- you received a supplementary dividend from the New Zealand company (either directly, or indirectly through a partnership or trust) that was paid in connection with the franked dividend, and
- you are entitled to a foreign income tax offset because of the inclusion of the franked dividend in your assessable income.

The amount of the reduction is the amount of the supplementary dividend (or your share of the supplementary dividend if you received it indirectly through a trust or partnership).

STEP 2 Write the amount you worked out at step 1 at **F** item **20**.

PART H

Working out your foreign income tax offset

You need to read the *Guide to foreign income tax offset rules* (NAT 72923) to work out your foreign income tax offset if:

- you have 'pre-commencement excess foreign income tax' (these are certain unused excess foreign tax credits that existed when the foreign income tax offset rules came into effect on 1 July 2008) or
- you have paid foreign tax on an attribution account payment you received (usually a dividend distribution) that was paid out of previously attributed income and that payment is non-assessable and non-exempt income or

20 FOREIGN SOURCE INCOME AND FOREIGN ASSETS OR PROPERTY

- the amount of foreign tax you have paid relates to an amount that differs from the amount included in your assessable income. For example, where you have both capital losses and foreign capital gains, the net capital gain included in your assessable income will be less than the foreign capital gain on which you paid foreign tax.

! You need to complete Part H if:

- you acquired employee share scheme interests at a discount in relation to your foreign employment, and
- you paid tax on the discounts in the foreign country.

When completing the steps below you must include the foreign tax paid in relation to the employee share scheme discounts that relate to your foreign employment.

Have you shown exempt foreign employment income at **N** item 20?

NO Go to step 1 below.

YES Read below.

You will not be able to work out your foreign income tax offset. We will work it out for you. Provide the following information. On a separate piece of paper:

- print SCHEDULE OF ADDITIONAL INFORMATION – ITEM 20 on the top
- print your name, address and tax file number
- print each type and amount of foreign income, any foreign tax you paid on that foreign income and any pre-commencement excess foreign income tax amounts.

Sign your schedule and attach it to page 3 of your tax return and print **X** in the **Yes** box at *Taxpayer's declaration* question **2a** on page 12 of your tax return.

Go to Part I in the next column.

STEP 1 Did the total amount of foreign tax you paid during 2009–10 exceed \$1,000?

NO Write the combined total of foreign tax paid and any available 'pre-commencement excess foreign income tax' at **O** item 20. Show cents. This amount cannot be greater than \$1,000. Go to part I in the next column.

YES Read below.

STEP 2 If the total amount of foreign tax you paid during 2009–10 is greater than \$1,000 you need to work out the full amount of foreign income tax offset that you are entitled to claim. Read *Guide to foreign income tax offset rules* to work out the total foreign income tax offset you can claim.

Alternatively, you can simply claim a tax offset of \$1,000. However, if you claim only \$1,000 this year, you will not be able to claim the rest of this year's foreign tax in a future income year.

Have you limited your tax offset claim to \$1,000 of the foreign tax paid?

YES Write \$1,000 at **O** item 20. Go to part I in the next column.

NO Read *Guide to foreign income tax offset rules*. Work out the total foreign income tax offset you can claim. Write the amount at **O** item 20. Show cents. Go to part I in the next column.

PART I

At any time during 2009–10, did you own or have an interest in assets located outside Australia that had a total value of A\$50,000 or more?

Assets include real estate, shares in companies and other entities, interests in partnerships or trusts, businesses, debentures, bonds, money and 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'.

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

If all the assets you 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.

YES Read below.

Determine the value of all your overseas assets, whether tangible or intangible, and whether or not you received any income from those assets during 2009–10. Use:

- the historical cost or market value, whichever is greater
- the exchange rate at 30 June 2010 to convert the value of the assets to Australian dollars or, if you disposed of the assets during the year, the exchange rate at the time of disposal.

Print **X** in the **Yes** box at **P** item 20 if the value of your overseas assets was A\$50,000 or more. Otherwise print **X** in the **No** box.

CHECK THAT YOU HAVE . . .

- written on your tax return as applicable:
 - your assessable foreign source income
 - your other net foreign employment income
 - your net foreign pension or annuity incomes, without and with UPP
 - your net foreign rent
 - your other net foreign source income
 - your Australian franking credits from a New Zealand company
 - your net foreign employment income shown on payment summaries
 - your foreign employment income that is exempt from tax
 - your foreign income tax offset
 - your answer to the question about the value of your overseas assets
- 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.

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 2009–10, capital gains tax may apply and you must read question **18**. You will also need to read the *Guide to capital gains tax 2010* (NAT 4151).

YOU NEED TO KNOW

You need to read the publication *Rental properties 2010* (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 2009–10 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 2011, 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 2010* (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 2010* 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.

! 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 2010 has a comprehensive list of depreciating assets found in residential rental properties.

The publications *Guide to depreciating assets 2010* (NAT 1996) and *Rental properties 2010* will help you understand the rules for working out your deduction for decline in value and other aspects of rental property ownership. The guide also contains details of the immediate deductions for assets where the 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 2010* 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 2009–10 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 2010*
- *Deductions for prepaid expenses 2010* (available only on our website)
- *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 15 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.

Bonuses from life insurance companies and friendly societies

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 you may need to include some or all of a bonus amount 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 Individual 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 15 of your tax return:

- the whole bonus amount you received in 2009–10 if you received it during the first eight years of the policy
- two-thirds of the bonus amount you received in 2009–10 if you received it during the ninth year of the policy, or
- one-third of the bonus amount you received in 2009–10 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.

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 meet the following conditions:

- you obtained your forestry interest in the FMIS from the forestry manager of the scheme
- 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 **D15 Forestry managed investment scheme deduction** for more 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. A CGT event includes a sale of all or part of a forestry interest or harvest proceed.

▶ 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)
- 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)
- 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:

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

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.

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, refer to the *Guide to capital gains tax 2010* available on our website at www.ato.gov.au

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 2009–10 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 2010–11 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 2010–11 income year.

John will write **\$1,875** (that is, \$2,500 – \$625) at **A** item **23** on his 2011 tax return.

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
- lump sum payments in arrears. Do not include lump sum payments in arrears relating to superannuation income streams – show them at item **7**
- jury attendance fees
- 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 Individual 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
- capital gains or capital losses, or
- discounts on shares, stapled securities (provided at least one of the stapled interests is a share in a company) or rights to acquire shares or such stapled securities, acquired under an employee share scheme.

Other questions deal with these matters.

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 the excess of the total amount released to you over 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 further information see the electronic publication *Super contributions – too much super can mean extra tax*. 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* or at 'E' on your *PAYG payment summary – foreign employment*.

Include at this item any lump sum payments you received in relation to 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
- back payments of repatriation and social welfare pensions, allowances or payments, including those paid by foreign governments
- back payments of periodical workers and accident compensation payments but not payments made to the owner of the policy
- back payments of Commonwealth education or training payments.

You may get a tax offset if you received certain lump sum payments in 2009–10. 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 12 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.

If you have received a *PAYG payment summary – foreign employment* showing an amount at 'Lump sum E' on which foreign tax has been paid you will also need to include the amount at **U** item **20**. You will not be taxed twice on this amount.

Jury attendance fees

Include any jury attendance fees you received here. Do not include attendance fees if you had to pay the fees to your employer because you received your normal income while on jury duty. Do not include any travel and meal allowances that were included in the jury fees anywhere on your tax return.

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, and 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 **D16**.

Royalties

If you were an Australian resident for tax purposes in 2009–10, 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

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**. If you are not sure about a payment, contact the organisation that paid you. If you then need more information, phone the Individual Infoline.

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 2009–10 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 2010* (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.

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 2009–10 of any tax-related expenses or election expenses which you have claimed, you must include the amount at this item.

This question also applies to any remission of a Tax Office interest or underestimation charge. If you claimed a deduction for an interest or underestimation charge

24 OTHER INCOME

incurred in 2008–09 or earlier years and received a remission (a partial or full reduction) of that charge in 2009–10, you must include the amount of the remission at this item.

Similarly, if you are claiming at item **D10** a deduction for an interest charge incurred during 2009–10, and some or all of it was remitted during the 2009–10 year, you must include the amount of the remission at this item. You must also include any remissions of goods and services tax (GST) and pay as you go (PAYG) instalment underestimation charge at this item.

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. You may be entitled to a deduction if an employee or agent misappropriates some or all of the amount that you received, or were entitled to receive, as a result of you no longer holding the depreciating asset. The publication *Guide to depreciating assets 2010* explains how to make assessable balancing adjustment calculations.

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 2010* (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

- Lump sum payments in arrears except lump sum payments in arrears relating to superannuation income streams
- Jury attendance fees
- 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
- Work-in-progress amounts assessable under section 15-50 of the *Income Tax Assessment Act 1997*

Category 2

- Any income 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 15 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 12 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 15 of your tax return. Do not show cents.

STEP 5 Add up all your category 2 income, including the amount you wrote at **Z** item **24** unless you have already included 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 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.

HELPFUL HINT

Super co-contribution

If you have declared income at this item, then you may need to complete item **A3**, see page 97 in *TaxPack 2010* for more information.

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**, **20** 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 15 of your tax return (supplementary section). Do not show cents. If you made an overall loss, print **L** in the **LOSS** box at the right of **TOTAL SUPPLEMENT INCOME OR LOSS**.

STEP 5 Transfer the amount you wrote at **TOTAL SUPPLEMENT INCOME OR LOSS** to **I** on page 3 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 26 in *TaxPack 2010* to calculate your **TOTAL INCOME OR LOSS** – then work through the Deductions section, starting on page 27 in *TaxPack 2010*.

STOP

If you were 55 years old or older on 30 June 2010, 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.

Australian film industry incentives

Deductions **D11**

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

You must have invested in a film that is certified by the Minister for Environment, Heritage and the Arts, to be an 'Australian film'.

From 1 July 2009 a deduction for capital expenditure used to produce a 'qualifying Australian film' is no longer available.

For 2009–10, you can claim a deduction for the capital cost of producing a film certified as an 'Australian film', or for the capital cost of acquiring rights in or under a copyright in such a film, only if you first claimed such a deduction for that film in 2008–09.

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

NO Go to question **D12**.

YES Read on.

WHAT YOU NEED

You need to read the publication *Australian film industry incentives 2010* (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 2010*.

STEP 2 Write the amount you can claim at **G** item **D11** on page 15 of your tax return. Do not show cents.

D12 Deductions

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

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

NO Go to question **D13**.

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** in the next column.

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 a UPP deduction.

You can calculate your deduction by multiplying your UK State Pension (in Australian dollars) by 8%, or by using the exact method. For more information about the exact method, 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 **D12** on page 15 of your tax return. Do not show cents.

If you do not know your deductible amount, leave **Y** item **D12** 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 12 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).

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

NO Go to question **D14**.

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 for 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
- either one of the following set of circumstances apply to you:
 - you made a contribution that was attributable, either in whole or in part, to a capital gain that you have made and you have chosen to apply the small business capital gains tax retirement exemption to all or part of that capital gain, and you were under 55 years old just before you made that choice, or
 - the contribution was attributable, either in whole or in part, to a capital gain and a company or trust has chosen to apply the small business capital gains tax retirement exemption to all or part of that capital gain, and you were under 55 years old just before the contribution was made.

For more information on the retirement exemption, read *Guide to capital gains tax concessions for small business* (NAT 8384). It is available on our website.

You may be entitled to a super co-contribution for your personal contributions that you do not claim as a tax deduction.

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 2009–10 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 on or before the day you lodge your 2010 tax return or 30 June 2011, 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 reportable employer superannuation contributions (shown at item **IT2** in the **Income tests** section on page 8 of your tax return) plus your total reportable fringe benefits amounts (shown at item **IT1** in the **Income tests** section on page 8 of 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 3 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 **D12** on your tax return.

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

YOU NEED TO KNOW

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



The deduction you claim may also be used in the income tests for eligibility for certain tax offsets and government benefits. Refer to the **Income tests** section in *TaxPack 2010* (pages 101 to 106) or go to www.ato.gov.au/incometests on our website.

D13 PERSONAL SUPERANNUATION CONTRIBUTIONS

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 or other remuneration in return for your personal labour or skills (this includes some contractors). Activities that resulted in you being treated as an employee for the purposes of the superannuation guarantee also include holding office or performing a function or appointment under a law of the Commonwealth, state or territory (for example, a public servant) and performing functions or duties as a member of an executive body of a body corporate (for example, a director of a company). 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 *Contributions splitting* (NAT 15237). It is available on our website.

! NOTE

A spouse can be of the same or opposite sex (see the definition of spouse on page 123 in *TaxPack 2010*).

Superannuation contribution caps and the co-contribution

The amount you are allowed as a deduction for your personal superannuation contributions will affect the amounts of your concessional and non-concessional contributions.

The amount of your personal superannuation contributions allowed as a personal superannuation deduction will count towards your concessional contributions. The amount of your personal contributions that is not allowed as a personal superannuation deduction will count towards your non-concessional contributions.

You are entitled to receive a co-contribution only for the amount of your personal contributions for which you are not allowed a deduction.

! NOTE

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

➤ For further information on the contributions caps or co-contributions, refer to the electronic publication *Super contributions – too much super can mean extra tax* or *Super co-contributions*. They are both available on our website.

➤ COMPLETING THIS ITEM

STEP 1 Were you 18 years old or older on 30 June 2010?

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 **D14**.

STEP 3 Did you turn 75 years old before 1 June 2009?

YES You are not eligible to claim a deduction for personal superannuation contributions for the 2009–10 year. Go to question **D14**.

NO Go to step 4.

STEP 4 Did you turn 75 years old between 1 June 2009 and 31 May 2010 inclusive?

NO Go to step 5.

YES Add up all the contributions you made between 1 July 2009 and the 28th day of the month following your 75th birthday (inclusive) which you are eligible to claim as a tax deduction. Write the amount at **H** item **D13** on page 15 of your tax return. Do not show cents. Go to step 6.

STEP 5 Add up all your 2009–10 contributions which you are eligible to claim as a tax deduction, and write the amount at **H** item **D13** on page 15 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 **D13**. 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 **D13**. Add up all your 2009–10 contributions which you are eligible to claim as a tax deduction. Write your answer at **H** item **D13**. 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 on or before the day you lodge your 2010 tax return or 30 June 2011, whichever is earlier. Once you have provided notification, the amount you write at **H** for that contribution is limited to the reduced amount.

Schedules of additional information

If you are claiming a deduction at this item you must provide additional information and may need to provide one or both of the following schedules of additional information.

You must, on a separate piece of paper, print **SCHEDULE OF ADDITIONAL INFORMATION – ITEM D13**. 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.

If you received payments under an income protection, sickness or accident insurance policy held with an insurer, which you entered at item **1** because tax was withheld from them, you will need to complete an additional information schedule. On the schedule, you will need to advise us of the following:

- item number relating to the schedule (item **D13**)
- ABN of the insurer
- name of the person or the entity that holds the policy
- type of policy (for example, ‘income protection insurance policy’)
- amount received, and
- amount of tax withheld.

Print **X** in the **YES** box at *Taxpayer’s declaration* question **2a** on page 12 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, as we may ask to see it
- attached to page 3 of your tax return your signed **SCHEDULE OF ADDITIONAL INFORMATION – ITEM D13**, if you need to send us one.

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 2009–10 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 2009–10, before or after it started to operate.

NO Go to question **D15**.


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, see **RECONCILIATION ITEMS** at item **P8 Business income and expenses** in *Business and professional items 2010* (NAT 2543).

YOU NEED TO KNOW

 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 *Guide to depreciating assets 2010* (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 2009–10 income year for a taxable purpose, a deduction is available for that year.

If your project was operated in 2009–10 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.

The amount is assessable income and must be shown at item **24 Other income** if, in the 2009–10 income year either of the following applied:

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

COMPLETING THIS ITEM

STEP 1 Did you conduct transactions in a foreign currency for your project in 2009–10?

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 2009–10?

NO Go to step 3.

YES If your project was abandoned, sold or otherwise disposed of in 2009–10 (whether or not the project had started to operate), you can claim a deduction for the 2008–09 closing pool value (if any) plus any project amounts allocated to the pool in the 2009–10 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 2010. This is the closing pool value for the 2008–09 income year (if any) plus the sum of any project amounts allocated to the pool in 2009–10.
- 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 2010	\$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 2009–10 is the amount at (e) and the closing pool value for 2009–10 is the amount at (f).
- If (f) is less than zero, your deduction amount for 2009–10 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 2009–10 is zero.
- **If your project operated for purposes other than taxable purposes** in 2009–10, your deduction amount for 2009–10 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 2009–10 for purposes other than taxable purposes.

You will need the closing pool value for 2009–10 to work out your deduction for project amounts for next year.

STEP 4 Write your project pool deduction amount at **D** item **D14** on page 15 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 **D16**.

For more information about the forex rules, see question **24** or **D16**, or visit our website.

D15 Deductions

Forestry managed investment scheme deduction

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

NO Go to question **D16**.

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** if you are not an initial participant.

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 **D15** on page 15 of your tax return. Do not show cents.

STEP 2 If your interests in an FMIS are covered by product rulings, at item **D15**:

- 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 **D15**:

- 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**.

Did you have any other expenses that you have not been able to claim as deductions at items D1 to D15 or elsewhere on your tax return?

NO Go to **Total supplement deductions** on page s45.

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 or as a share trader)
- expenses relating to investment planning and advice involving shares, unit trusts and interest-bearing deposits
- losses from the disposal of shares or real property that are capital in nature.

Other questions deal with these matters.

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 2010* (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 of your small business pool that you cannot claim at item **P8** on the *Business and professional items schedule for individuals 2010* (NAT 2816) because you did not carry on a business in 2009–10. For more information, see *Guide to Concessions for small business entities* (NAT 71874). This publication is available on our website.

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 income year. 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

You must show as income at item **24** on your tax return a reimbursement in 2009–10 of any election expenses that you have claimed as a deduction in 2009–10 or a previous year.

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

D16 OTHER DEDUCTIONS

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 deductible 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 either foreign currency, or a right to such currency
- 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. You can find more information about the forex measures and how to calculate your forex losses on our website.

Debt deductions

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.

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 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 2009–10, 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 2009–10.

You can find more information about thin capitalisation on our website.

Special rules apply to deductions for expenses that you incur in borrowing money that you use for producing assessable income. Examples of such expenses include establishment fees and legal costs for preparing loan documents. Interest expenses are not subject to these rules and are deductible in the year in which you incur them.

If the total of these expenses you incurred in 2009–10 is more than \$100 you have to deduct the expenses over the shorter of the following periods:

- the life of the loan, or
- five years from the date you first borrowed the money.

If the total of these expenses you incurred in the 2009–10 income year is \$100 or less, you can deduct them immediately.

Section 40-880 deductions


This section allows you to claim a deduction for certain business-related capital expenditure over five income years.

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

- you incurred the relevant capital expense and
 - the expenditure relates to a business that was proposed at the time the expense was incurred
 - the business commenced before 30 June 2010, and
 - you are carrying on the business through a company or trust, or
- you incurred the relevant capital expense 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 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 2010*.

If you incurred relevant section 40-880 expenses but had not commenced the business by 30 June 2010, 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.

 For more information about section 40-880 deductions, see the *Guide to depreciating assets 2010* (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 2010* (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 **D16** on page 15 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 **D16**. 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 D16. 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 12 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 **D16**. 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 D16, if you need to send us one.

Total supplement deductions

Did you claim any deductions at items D11 to D16?

NO Go to step 4.

YES Go to step 1.

STEP 1 Add up all the deduction amounts in the right-hand column of items **D11** to **D16** on your tax return.

STEP 2 Write the amount from step 1 at **TOTAL SUPPLEMENT DEDUCTIONS** on page 15 of your tax return. Do not show cents.

STEP 3 Transfer the amount you wrote at **TOTAL SUPPLEMENT DEDUCTIONS** to **D** on page 4 of your tax return.

STEP 4 Go to page 46 in *TaxPack 2010* to calculate your total deductions. Then work through the **Losses** section starting on page 49 in *TaxPack 2010*.

T7 Tax offsets

Superannuation contributions on behalf of your spouse

Did you make contributions to a complying superannuation fund or a retirement savings account (RSA) on behalf of your spouse – married or de facto who is earning a low income or not working?

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, total reportable fringe benefits amounts and reportable employer superannuation contributions was less than \$13,800
- the contributions were not deductible to you
- the contributions were made to a superannuation fund that was a complying superannuation fund for the income year in which you made the contribution
- both you and your spouse were Australian residents when the contributions were made **and**
- when making the contributions you and your spouse were not living separately and apart on a permanent basis.

! NOTE

A **spouse** can be of the same or opposite sex and can include de facto relationships (see the definition of spouse on page 123 in *TaxPack 2010*).

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

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 3 of their tax return, unless:

- they had a distribution from a partnership or trust
- they had income or losses from rent or business (including personal services income)
- they had a capital gain or foreign source income
- they made a deposit into a Farm Management Deposit Scheme Account, or
- they claimed a deductible amount for a foreign pension or annuity at item **D12** on their tax return (supplementary section).

If any of these apply 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 and reportable employer superannuation contributions 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, total reportable fringe benefits amounts and reportable employer superannuation contributions 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 16 of your tax return.

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

If the sum of your spouse's assessable income, total reportable fringe benefits amounts and reportable employer superannuation contributions 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, total reportable fringe benefits amounts and reportable employer superannuation contributions	\$	(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.

If you had more than one spouse during the year, complete steps 1 to 3 for each spouse. Your tax offset is the lesser of:

- the sum of the tax offset you are entitled to for each spouse, or
- \$540.

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 9–11 of your tax return. Include your spouse's taxable income at **O**, your spouse's total reportable fringe benefits amounts at **S** and your spouse's reportable employer superannuation contributions at **A**.

See the definition of spouse on page 123 in *TaxPack 2010*.

! NOTE

To work out your entitlement to this tax offset you would have used your spouse's assessable income, reportable fringe benefits amounts and reportable employer superannuation contributions. 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**.

Zone or overseas forces

Tax offsets **T8**

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 2009–10, or
- 183 days or more during the period 1 July 2008 to 30 June 2010 (including at least one day in 2009–10) and you did not claim a zone tax offset in your 2009 tax return.

If you lived in a zone for less than 183 days in 2009–10, 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 2004 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 2009–10 is 183 or more.

EXAMPLE

Gary lived in a remote area from 1 March 2005 to 30 September 2009, 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 2009–10. He now adds the number of days from 1 March 2005 to 30 June 2005 (122 days) and the number of days from 1 July 2009 to 30 September 2009 (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 2010 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 2009–10 and income relating to that service was not specifically exempt from tax. Periods of service for which

T8 ZONE OR OVERSEAS FORCES

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 Individual 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 2009–10. 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** below 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** below.

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 2009–10.	\$338	\$57	\$1,173	\$338
You are able to claim the maximum spouse (without child) tax offset (\$2,243) at item T1 .	\$1,460	\$506	\$2,295	\$1,460

! The definition of spouse now covers same-sex relationships. See the definition of spouse on page 123 in *TaxPack 2010*.

'Your child' also includes your adopted child, stepchild, ex-nuptial child and child of your spouse. See the definition of child on page 123 in *TaxPack 2010*.

If you cannot use **table 1** 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 circumstances relief payment, 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 16 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* below.

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 under 25 years old on 30 June 2010 in full-time education at a school, college or university, and for each child under 21 years on 30 June 2010 who, for the whole of 2009–10:

- was treated as an Australian resident
- was maintained by only you, and
- had an adjusted taxable income (ATI) of less than \$286.

To calculate ATI use the worksheets on pages 55–7 or the online **Income tests calculator** at www.ato.gov.au/calculators

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 under 25 years old	\$376
First non-student child under 21 years old	\$376
Other non-student children under 21 years old	\$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 ATI for the period you are claiming this notional tax offset in respect of them 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 2009–10
- the student was 21 years old or older and was in full-time education for only part of 2009–10
- the child or student was maintained by you for only part of 2009–10

- the child was 21 years old at 30 June 2010 and not in full-time education, or
- the student was 25 years old at 30 June 2010.

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 table 3	\$ <input type="text"/>	(a)
Number of days you maintained your child or student and your child or student remained a dependant	<input type="text"/>	(b)
Number of days in 2009–10	365	(c)
Divide (b) by (c).	<input type="text"/>	(d)
Multiply (d) by (a).	\$ <input type="text"/>	(e)

If the ATI of your child or student was less than \$286 for the period you are claiming this notional tax offset in respect of them, transfer amount (e) above to (c) **table 10**.

If you had more than one eligible child or student and the ATI of each one was less than \$286 for the period you are claiming this notional tax offset in respect of them, work out the amount for each child, add up all the amounts and write the total at (c) **table 10**.

If ATI was \$286 or more for the period you maintained them
You cannot claim any amount of notional tax offset for your child or student if that child or student had an ATI equal to or greater than:

- the total of \$282 plus \$28.92 for each week you maintained them for a student under 25 years old or for the first child under 21 years old who is not a student, or
- the total of \$282 plus \$21.70 for each week you maintained them for any other child under 21 years old who is not a student.

If your child's or student's ATI for the period you are claiming this notional tax offset in respect of them 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 table 3 or (e) table 4 for a part-year claim	\$ <input type="text"/>	(a)
Your child's or student's ATI for the period you maintained them	\$ <input type="text"/>	(b)
Income above which the notional tax offset begins to reduce	\$282	(c)
Take (c) away from (b).	\$ <input type="text"/>	(d)
Divide (d) by 4 because your tax offset is reduced by \$1 for every \$4 of ATI over \$282. Do not show cents.	\$ <input type="text"/>	(e)
Take (e) away from (a). Do not show cents.	\$ <input type="text"/>	(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**.

T8 ZONE OR OVERSEAS FORCES

Spouse tax offset component

NOTE

If your ATI is over \$150,000 you are not entitled to include an amount for a notional spouse tax offset in your base amount.

The definition of spouse now covers same-sex relationships. See the definition of spouse on page 123 in *TaxPack 2010*.

If you claimed a spouse tax offset at item **T1** (see part A question **T1**) and did not have a dependent child or student for any part of the year, write that amount at (b) **table 10**. Go to *Child-housekeeper tax offset component* in the next column.

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 (in that case, use column 1 in **table 6**), or
- you were required to reduce your claim (or could not 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 and you do not have an amount to write at (c) **table 10** (in that case use column 2 in **table 6**).

TABLE 6

	COLUMN 1 With eligible dependent child or student	COLUMN 2 No eligible dependent child or student	
Maximum annual notional dependent spouse tax offset and daily rate	\$2,606 per year or \$7.14 per day	\$2,243 per year or \$6.15 per day	
Your maximum notional dependent spouse tax offset			
If you had a spouse for only part of the year, multiply the daily rate by the number of days you had a spouse.	\$	\$	(a)
Your spouse's ATI for the period you met the criteria to claim this tax offset see pages 55–7 in <i>TaxPack 2010</i>	\$	\$	(b)
Income above which tax offset begins to reduce	\$282	\$282	(c)
Take (c) away from (b).	\$	\$	(d)
Divide (d) by 4 because your tax offset is reduced by \$1 for every \$4 of ATI 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

NOTE

Do not include an amount for the child-housekeeper tax offset as part of your base amount if:

- your ATI is over \$150,000 or,
- you have a spouse for the whole income year and your combined ATI is over \$150,000, or
- you have a spouse for part of the income year and your ATI, plus the relevant proportion of your spouse's ATI is over \$150,000.

The relevant proportion of your spouse's ATI is their ATI for the whole year multiplied by the number of days in the year during which they were your spouse divided by the number of days in the year.

'Your child' includes your adopted child, stepchild, ex-nuptial child and child of your spouse. See the definition of child on page 123 in *TaxPack 2010*.

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 family tax benefit (FTB) Part B, write your child-housekeeper tax offset at (d) **table 10**.

If you were required to reduce your claim, or were not entitled to 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	
Maximum annual allowable tax offset and daily rate	\$1,828 per year or \$5.01 per day	\$2,190 per year or \$6.00 per day	
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 column 1 or column 2 .	\$	\$	(a)
Your child-housekeeper's ATI for the period you meet the requirements to claim this tax offset, see pages 55–7 in <i>TaxPack 2010</i>	\$	\$	(b)
Income above which tax offset begins to reduce	\$282	\$282	(c)
Take (c) away from (b) and divide by 4. Do not show cents	\$	\$	(d)
Take (d) away from (a).	\$	\$	(e)

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

Housekeeper tax offset component

NOTE

Do not include an amount for the housekeeper tax offset as part of your base amount if:

- your ATI is over \$150,000, or
- you have a spouse for the whole income year and your combined ATI is over \$150,000, or
- you have a spouse for part of the income year and your ATI, plus the relevant proportion of your spouse's ATI, is over \$150,000.

The relevant proportion of your spouse's ATI is their ATI for the whole year multiplied by the number of days in the year during which they were your spouse divided by the number of days in the year.

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, or were not entitled to 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:

- \$2,190 at (e) **table 10** if you had a dependent child or student, or
- \$1,828 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	\$5.01 per day	\$6.00 per day	(a)
Number of days you qualify for the housekeeper tax offset (ignoring FTB Part B)			(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.

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 2009–10, you are entitled to a notional 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 or in a de facto relationship at any time during 2009–10 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 Individual Infoline (see the inside back cover).

Shared or joint custody after a relationship breakdown

There are times, after a relationship breakdown such as a 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 old or the student turned 25 years old if the dependent child:

- was not receiving full-time education and turned 21 years old during 2009–10, or
- was a full-time student and turned 25 years old during 2009–10.

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 2009–10, write **\$1,607** at (f) **table 10** and add up your base amount.

T8 ZONE OR OVERSEAS FORCES

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

Number of days you had sole care of a child and were not entitled to a tax offset at question T1		(a)
Multiply (a) by \$4.40.	\$	(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.

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 table 2	\$	(a)
Your base amount from table 10	\$	(b)
Multiply (b) by the percentage figure from table 2 .	\$	(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** on the next page to work out your claim for each zone, special area or overseas locality you were in (as in the example in the previous column).

TABLE 12

Your fixed amount from table 2	\$	(a)
Your base amount from table 10	\$	(b)
Multiply (b) by the percentage figure from table 2 .	\$	(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** below to work out your total tax offset.

TABLE 13

Total of the amounts you have worked out for each zone from (g) table 12	\$	(a)
Any remote area allowance or an equivalent amount included in an exceptional circumstances relief payment 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 16 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*

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

SELECTED LOCALITIES WITHIN THE ZONES AND SPECIAL AREAS (continued)

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
New South Wales	Clifton Beach
Bourke	Collinsville
Brewarrina	Coppabella
Broken Hill	Cunnamulla
Cobar	Greenvale
Collarenebri	Home Hill
Lightning Ridge	Ingham
Menindee	Innisfail
Wilcannia	Longreach
	Mackay
	Mareeba
Tasmania	Mossman
Queenstown	Port Douglas
Rosebery	Proserpine
	Quilpie
South Australia	Sarina
Woomera	Tambo
	Townsville
	Tully
	Winton

* Locations that are within 250 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	South Australia
Wyndham	Amata Aboriginal Community
	Coober Pedy
Northern Territory	Cook
Alyangula	Innamincka
Angurugu	Leigh Creek
Borroloola	Marree
Elliott	Nullarbor
Galiwinku	Oodnadatta
Jabiru	Penong
Lajamanu (Hooker Creek)	Roxby Downs
Maningrida	Tarcoola
Milikapiti	
Milingimbi	New South Wales
Nguiu	White Cliffs
Ngukurr	
Nhulunbuy (Gove)	Islands and territories
Numbulwar	Australian Antarctic Territory
Oenpelli	Cocos (Keeling) Islands
Papunya	Heard Island
Ramingining	Lord Howe Island
Tennant Creek	Macquarie Island
Yirrkala	McDonald Islands
Yuendumu	Norfolk Island
Yulara	Palm Isles Group
Tasmania	
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 Individual Infoline (see the inside back cover).

20% tax offset on net medical expenses over the threshold amount

Did you have net medical expenses over \$1,500 in 2009–10?

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 of these expenses which you or any other person has received, or are entitled to receive, from Medicare or a private health insurer.

You can claim a tax offset of 20% (that is, 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

When calculating your medical expenses you can include only an amount paid for your dependants who were **Australian residents for tax purposes** (see page 4 in *TaxPack 2010* for an explanation of this).

The medical expenses must be for:

- you
- your spouse, regardless of their income (see the definition of spouse on page 123 in *TaxPack 2010*)
- your children who were under 21 years old (including your adopted children, stepchildren, ex-nuptial children or children of your spouse) regardless of their income
- any other child under 21 years old who was not a student, whom you maintained, and whose adjusted taxable income (ATI) for the period you maintained them was less than
 - the total of \$282 + \$28.92 for each week you maintained them for the first child under 21 years old, or
 - the total of \$282 + \$21.70 for each week you maintained them for any other child under 21 years old who is not a student.

(for the definition of ATI and how it is calculated, see **Adjusted taxable income (ATI) for you and your dependants** on page 55)

- a student under 25 years old whom you maintained and whose ATI was less than the total of \$282 + \$28.92 for each week you maintained them
- 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 include medical expenses paid while travelling overseas.

You can include medical 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, dental services and treatments are cosmetic and whether you can include your payments for them, visit our website www.ato.gov.au or phone the Individual Infoline (see the inside back cover).

Medical expenses 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 as medical expenses 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.

T9 20% TAX OFFSET ON NET MEDICAL EXPENSES OVER THE THRESHOLD AMOUNT

Residential aged care expenses

You can include 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 following are expenses which cannot be included:

- 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 received an ACAT assessment showing that they require either low or high-level care)
- payments for people who have either been assessed as requiring level 8 care or who have not received an ACAT assessment showing that they require either low or high-level care.

WHAT YOU MAY NEED

- Details of medical expenses you paid
- Details of refunds of these expenses which you or any other person has received, or are entitled to receive, from Medicare or a private health insurer

To help you work out what medical expenses you paid in 2009–10, 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 as medical expenses for the purpose of claiming the tax offset. You will need to exclude these items when calculating your allowable medical expenses.

▶ 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 or any other person has 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 16 of your tax return. Do not show cents.

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

You cannot claim this tax offset if:

- your **adjusted taxable income (ATI)** for 2009–10 was more than \$150,000, or
- you had a spouse for all of 2009–10 and the combined ATI of you and your spouse was more than \$150,000, or
- you had a spouse for only part of the year and the sum of the following was more than \$150,000
 - your ATI
 - your spouse's ATI for 2009–10 *multiplied by* the number of days they were your spouse *divided by* 365.

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 **Adjusted taxable income (ATI) for you and your dependants** on pages 55–7 and the definition of **spouse** on page 123 in *TaxPack 2010*.

You cannot claim for a dependant who was not an Australian resident for tax purposes at any time during 2009–10.

To complete this item you need to know each dependant's ATI for the period you are claiming the tax offset in respect of them.

Your tax offset is reduced if:

- your dependant's ATI for the period you are claiming the tax offset was \$286 or more
- you maintained your dependant for only part of the year
- another person helped to maintain your dependant, or
- your dependant was an Australian resident for tax purposes 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.

▶ 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. Follow the steps for each dependent parent, spouse's parent or invalid relative.

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 dependant parent, you can claim half of the allowable tax offset.

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 ATI was \$285 or less and you maintained them for the whole year, you can claim the maximum tax offset of \$823 for each dependent invalid relative and \$1,645 for each dependent parent or spouse's parent. Go to step 4.

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

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

STEP 3 If your dependant's ATI 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 ATI for the whole of 2009–10	\$ <input type="text"/>	(a)
Take \$282 away from (a).	\$ <input type="text"/>	(b)
Divide (b) by 4 (tax offset reduced by \$1 for every \$4 in excess of \$282).	\$ <input type="text"/>	(c)
If the amount at (c) is \$823 or more for an invalid relative, or \$1,645 or more for a parent or spouse's parent, you cannot claim a tax offset for your dependant. Go to question T11.		
If the amount at (c) is less than \$823 for an invalid relative, or less than \$1,645 for a parent or spouse's parent, read on.		
Take (c) away from \$823 for an invalid relative, or from \$1,645 for a parent or spouse's parent.	\$ <input type="text"/>	(d)

The amount at (d), if it is more than zero (0), is your dependant tax offset. Go to step 4.

T10 PARENT, SPOUSE'S PARENT OR INVALID RELATIVE

WORKSHEET 2

Work out the number of days in the year you maintained your dependant while they were an Australian resident.	<input type="text"/>	(a)
Multiply the number of days at (a) by the following daily rate: ■ \$2.25 if you had an invalid relative ■ \$4.50 if you had a parent or spouse's parent.	\$ <input type="text"/>	(b)
If your dependant's ATI was \$285 or less, the amount at (b) is your dependant tax offset. Go to step 4. Otherwise, read on.		
If your dependant's ATI was \$286 or more during the period they were your dependant, write their ATI for that period at (c).	\$ <input type="text"/>	(c)
Take \$282 away from (c).	\$ <input type="text"/>	(d)
Divide (d) by 4.	\$ <input type="text"/>	(e)
Take (e) away from (b).	\$ <input type="text"/>	(f)

The amount at (f), if it is more than zero (0), is your dependant tax offset. Go to step 4.

STEP 4 If another person or persons contributed to the maintenance of your dependant remember to claim only part of the allowable tax offset, according to the extent of your contribution. If you used the calculator on our website this has already been done.

Write your parent, spouse's parent or invalid relative tax offset at **B** item **T10** on page 16 of your tax return. Do not show cents.

STEP 5 Complete the income test items **IT1** to **IT7** on page 8 of your tax return. If you had a spouse, you must also complete **Spouse details – married or de facto** on pages 9–10 of your tax return.

T11 Tax offsets

Landcare and water facility

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 2009.

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 111–13 in *TaxPack 2010*.

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 2009

➤ COMPLETING THIS ITEM

Write the amount of landcare and water facility tax offset brought forward at **T** item **T11** on page 16 of your tax return. Do not show cents.

Were you an Australian resident 55 years old or older on 30 June 2010?

NO Go to question T13.

YES Read below.

YOU NEED TO KNOW

If you were 55 years old or older on 30 June 2010, 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
- income from a business that you carry on, less any related deductions
- reportable fringe benefits for the year (as shown on your payment summary)
- reportable employer superannuation contributions (as shown on your payment summary)
- the net amount of farm management deposits and withdrawals.

➤ COMPLETING THIS ITEM

We will work out your net income from working from any items you completed on pages 1–12 of your tax return. However, we need you to work out your net income from working for items you completed on pages 13–16 of your tax return (supplementary section). To do this, complete the worksheets in the next column.

STEP 1 Complete (a) to (g) in **worksheet 1**. Show a loss in **worksheet 1** as a negative amount.

STEP 2 Complete (h) to (p) in **worksheet 1**. Some amounts you show will be only part of the amounts you have shown on your tax return (supplementary section).

! 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 2010* (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
- so much of the deductions that were included at labels **S** and **T** item 8 as relate to the income from working included in the distributions from partnerships shown at **A** and **B** item 8 **Partnerships and trusts**
 - only the amount of any deduction related to income from working at **Q** item 18 **Other deductions**.

WORKSHEET 1: Total income

Net personal services income (PSI) from A item 14	\$	(a)
Net income or loss from business (primary production) from B item 15	\$	(b)
Net income or loss from business (non-primary production) from C item 15	\$	(c)
Deferred non-commercial business losses from primary production from I item 16	\$	(d)
Deferred non-commercial business losses from non-primary production from J item 16	\$	(e)
Net amount of farm management deposits and withdrawals from E item 17	\$	(f)
Add up all the amounts from (a) to (f).	\$	(g)
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 in the previous column.	\$	(h)
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 in the previous column.	\$	(i)
From T item 20, Foreign source income and foreign assets or property	\$	(j)
From M item 20, Foreign source income and foreign assets or property but only the amount relating to income from working	\$	(k)

T12 NET INCOME FROM WORKING – SUPPLEMENTARY SECTION

From V item 24, only the following income:	
■ income from activities as a special professional that you have not included at items 1, 2, 13, 14 or 15	\$ <input type="text"/> (l)
■ income protection, sickness and accident policy payments	\$ <input type="text"/> (m)
■ allowances or payments received as a member of a local government council	\$ <input type="text"/> (n)
Add the amounts from (h) to (n).	\$ <input type="text"/> (o)
Total income Add (g) from step 1 and (o) from step 2.	\$ <input type="text"/> (p)

STEP 3 Transfer the deduction amounts from the relevant items you have completed on your tax return (supplementary section) to (a) and (b) in **worksheet 2**.

STEP 4 Work out (d) to (j) in **worksheet 2**. Some amounts you show will only be part of the amounts you have shown on your tax return (supplementary section).

WORKSHEET 2: Total deductions

Landcare operations and deduction for the decline in value of water facility from L item 13	\$ <input type="text"/> (a)
Landcare operations expenses from J item 13	\$ <input type="text"/> (b)
Add (a) and (b).	\$ <input type="text"/> (c)
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	\$ <input type="text"/> (d)
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	\$ <input type="text"/> (e)
From item D16 , only the following deductions:	
■ income protection, sickness and accident insurance premiums	\$ <input type="text"/> (f)
■ debt deductions incurred in earning assessable income from working	\$ <input type="text"/> (g)
■ section 40-880 deductions relating to 'income from working'	\$ <input type="text"/> (h)
■ net personal services income (PSI) loss of a personal services entity that related to your PSI	\$ <input type="text"/> (i)

Add all the amounts from (d) to (i).	\$ <input type="text"/> (j)
Total deductions Add (c) and (j).	\$ <input type="text"/> (k)

STEP 5 Complete worksheet 3 to calculate your net income or loss from working (supplementary section). If (s) is a loss, show it as a negative amount.

WORKSHEET 3: Net income or loss from working

(p) total income from worksheet 1	\$ <input type="text"/> (q)
(k) total deductions from worksheet 2	\$ <input type="text"/> (r)
If the amount at (q) is a loss then add the amounts at (q) and (r) (ignoring the fact that both amounts are losses). The total amount will be a loss.	
If (q) is not a loss then take the amount at (r) from the amount at (q). The result may be a loss.	
	\$ <input type="text"/> (s)

STEP 6 The amount at (s) is your net income or loss from working (supplementary section). Write the amount at (s) at **M** item **T12** on page 16 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.

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).

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.

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.

From the 2009–10 income year, the amount of entrepreneurs tax offset payable in respect of partnership or sole trader activities, or income from a trust is reduced if your **income for entrepreneurs tax offset purposes** exceeds the relevant threshold.

For further information on completing this item visit www.ato.gov.au and enter 'Entrepreneurs tax offset' in the 'Search for' box at the top of the page.

YOU NEED TO KNOW

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

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 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 2009–10 income year if the entity carried on a business in the 2009–10 year and its **aggregated turnover**:

- was less than \$2 million for the 2008–09 income year **or**
- was estimated as at the beginning of the 2009–10 income year to be less than \$2 million for the 2009–10 income year (but **not** if the entity carried on a business in the 2007–08 and 2008–09 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 2009–10 income year worked out as at the end of that income year.

If you started a business part way through 2009–10, 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 2009–10 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
 - 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.

You can calculate your small business entity turnover by making the following adjustments to your aggregated turnover amount.

- If you have included another entity's turnover in your aggregated turnover amount, you will need to:
 - subtract 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 your 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	\$ <input type="text"/>	(a)
Allowable deductions that directly relate to the small business entity turnover	\$ <input type="text"/>	(b)
Take (b) away from (a).	\$ <input type="text"/>	(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**.

Go to step 8.

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**.

Go to step 8.

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**.

Go to step 8.

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
 - print 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)
 - print **MARTIAL STATUS** on your SCHEDULE OF ADDITIONAL INFORMATION – ITEM T13 and print either **M**, **S** or **F** (see steps 9 and 10),
- 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)
 - print **MARTIAL STATUS** on your SCHEDULE OF ADDITIONAL INFORMATION – ITEM T13 and print either **M**, **S** or **F** (see steps 9 and 10),
- 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 12 of your tax return.

STEP 8 To allow us to correctly calculate your entrepreneurs tax offset you will need to complete the following items in the **Income tests** section on page 8 of your tax return:

- **W** item **IT1** if you received any reportable fringe benefits
- **T** item **IT2** if you had a reportable employer superannuation contribution
- **X** item **IT5** if you had a net financial investment loss
- **Y** item **IT6** if you had a net rental property loss.

T13 ENTREPRENEURS TAX OFFSET

STEP 9 Did you have a spouse on 30 June 2010?

NO Go to step 10.

YES Read below.


You need to complete the following items in the **Spouse details – married or de facto** section on pages 9–10 of your tax return:

- **O** even if your spouse had no taxable income
- **S** if your spouse received reportable fringe benefits
- **A** if your spouse had reportable superannuation contributions
- **D** if your spouse had a net investment loss (this is the total of your spouse's financial investment loss and net rental property loss).

At item **T13**, print **M** in the **MARITAL STATUS** box at **O**.

You have finished this question. Go to **Check that you have . . .**

STEP 10 Did you have a qualifying dependant in the 2009–10 income year?

 For more information about who is a qualifying dependant, see 'Entrepreneurs tax offset' on www.ato.gov.au

NO At item **T13**, print **S** in the **MARITAL STATUS** box at **O**.

YES At item **T13**, print **F** in the **MARITAL STATUS** box at **O**.

You have finished this question. 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 2010* (NAT 2816) if you are claiming an entrepreneurs tax offset for your activities as a sole trader.

T14 Tax offsets

Other 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 on the next page.

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** in the next column.

YES Read below.

You will need a copy of the *Timor Sea Treaty – Joint Petroleum Development Area instructions 2010* (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 16 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

Tax offsets **T**

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 16 of your tax return. Do not show cents.

STEP 3 Transfer the amount you wrote at **TOTAL SUPPLEMENT TAX OFFSETS** to **T** on page 5 of your tax return.

STEP 4 Go to page 81 in *TaxPack 2010* 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**.

A4 Adjustments

Amount on which family trust distribution tax has been paid

In 2009–10 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 2009–10 the Jones family trust distributed \$1,000 to Anne-Marie. The 'family trust election' of the Jones family trust was in force when 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 2009–10 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 item **A4** on page 16 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.

During 2009–10, 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 and Medicare levy surcharge) shown on your notice of assessment**
- **compulsory Higher Education Loan Program (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 an increase in the tax payable resulting from an amended assessment for income years up to and including 1999–2000?**

NO Go to question **F1**.


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 2010* (NAT 2277) or chapter 82 of the *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 period for which you can receive interest 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 2009 showed an amount of tax payable. If the amount was due on 21 November 2009 but you paid early, on 1 November 2009, the interest period would be 21 days – 1 November to 21 November.

The interest rate applying for each quarter of 2009–10 is shown below:

INTEREST RATES FOR EARLY PAYMENTS CALCULATION

Period	Interest rate (% pa)
1 July 2009 to 30 September 2009	3.13
1 October 2009 to 31 December 2009	3.30
1 January 2010 to 31 March 2010	3.95
1 April 2010 to 30 June 2010	4.16

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. Where your early payment falls within a single interest period, 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 365.

STEP 3 Multiply the answer you got at step 2 by the amount of the payment.

STEP 4 Multiply the answer from step 3 by the rate of interest for the period and divide by 100. For example, for the period 1 July 2009 to 30 September 2009, multiply by 3.13 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  item **C1** on page 16 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 next question.

F1 Taxation of financial arrangements (TOFA)

If you have elected to have the TOFA rules apply to your financial arrangements, did you make a gain or loss or have a transitional balancing adjustment from those financial arrangements?

NO Go to the **Checklist** below.

YES Read below.

! NOTE

If the TOFA rules apply to you, see *Completing the tax return for individuals (including supplementary section) where the TOFA rules apply in Taxation of financial arrangements (TOFA)* available on our website, www.ato.gov.au/tofa

YOU NEED TO KNOW

Print **Y** in the box at **D** item **F1** if you have made an election for the TOFA rules to apply to your financial arrangements, and you:

- made a gain or loss under the TOFA rules, or
- had an assessable or deductible amount from a transitional balancing adjustment, as a result of making the transitional election for existing financial arrangements.

Checklist – tax return pages 13–16

Use this checklist to make sure pages 13–16 of your tax return (supplementary section) are complete before you attach them to page 12 of your tax return.

CHECK THAT YOU HAVE . . .

- printed your tax file number and name on page 13 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 **A4**, 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 2010* (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 2010* (NAT 3647)

- attached to page 3 of your tax return all attachments as instructed by any section or question in *TaxPack 2010 supplement*
- signed and dated the *Taxpayer's signature* block on page 16 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 82 in *TaxPack 2010* and continue working through *TaxPack*.

21 Rent

Gross rent **P** , .00

Interest deductions **Q** , .00

Capital works deductions **F** , .00

Other rental deductions **U** , .00

$$P \text{ less } (Q + F + U)$$

Net rent , .00 LOSS

22 Bonuses from life insurance companies and friendly societies

W , .00

23 Forestry managed investment scheme income

A , .00

24 Other income

Type of income { Category 1
 Category 2

Y , .00

V , .00

Tax withheld – lump sum payments in arrears **E** .00

Taxable professional income **Z** .00

TOTAL SUPPLEMENT INCOME OR LOSS

For the amounts in the right-hand column at items **13** to **24**, add up all the income amounts and deduct any loss amounts.

\$, .00 LOSS

Transfer this amount to **I** on page 3 of your tax return. →

DEDUCTIONS

Pages s35–45 in *TaxPack 2010 supplement* will help you to claim your deductions correctly.

D11 Australian film industry incentives

G , .00

D12 Deductible amount of undeducted purchase price of a foreign pension or annuity

Y , .00

D13 Personal superannuation contributions

Full name of fund Account number

H , .00

Fund Australian business number

Fund tax file number

D14 Deduction for project pool

D , .00

D15 Forestry managed investment scheme deduction

F , .00

Product or private ruling information

Code

U

Year

V

Number

W

D16 Other deductions – not claimable at items D1 to D15 or elsewhere on your tax return

Election expenses **E** , .00

Other deductions **J** , .00

Description of claim

TOTAL SUPPLEMENT DEDUCTIONS

Add up all the deduction amounts in the right-hand column.

\$, .00

Transfer this amount to **D** on page 4 of your tax return. →

TEAR ALONG DOTTED LINE

TAX OFFSETS

Pages s46-65 in *TaxPack 2010 supplement* will help you to claim your tax offsets correctly.



- T7 Superannuation contributions on behalf of your spouse** Contributions paid .00 **A** .00
Tax offsets – do not show cents
You must also complete **Spouse details – married or de facto** on pages 9-11 of your tax return.
- T8 Zone or overseas forces** **R** .00
- T9 20% tax offset on net medical expenses over the threshold amount** **X** .00
- T10 Parent, spouse's parent or invalid relative** **B** .00
- T11 Landcare and water facility** Landcare and water facility tax offset brought forward from earlier years **T** .00
- T12 Net income from working – supplementary section** **M** .00 **LOSS** **We use this amount to work out your mature age worker tax offset entitlement. Do not include it in your total supplement tax offsets below.**
- T13 Entrepreneurs tax offset** Read the information on **T13** in *TaxPack 2010 supplement* before completing this item.
Small business entity aggregated turnover **K** .00 Net small business entity income **N** .00 **CODE** **O**
- T14 Other tax offsets** If you are entitled to a tax offset for low income, do **not** write it anywhere on your tax return. The Tax Office will work it out for you. **C** .00 **MARITAL STATUS CLAIM TYPE**

TOTAL SUPPLEMENT TAX OFFSETS

Add up all the tax offset amounts at items

T7, **T8**, **T9**, **T10**, **T11** and **T14**.

\$.00

Transfer this amount to page 5 of your tax return at **T**

ADJUSTMENT

Page s66 in *TaxPack 2010 supplement* will help you to fill in this item correctly.

- A4 Amount on which family trust distribution tax has been paid** **X** .00
If a trust, partnership or company made a distribution to you on which family trust distribution tax has been paid, you **must** read page s66 in *TaxPack 2010 supplement*.

CREDIT FOR INTEREST ON TAX PAID

Page s67 in *TaxPack 2010 supplement* will help you to fill in the following item correctly.

- C1 Credit for interest on early payments – amount of interest** **L** .00

TAXATION OF FINANCIAL ARRANGEMENTS (TOFA)

- F1 If you have elected to have the TOFA rules apply to your financial arrangements, did you make a gain or loss, or have a transitional balancing adjustment from those financial arrangements?** **D** Print **Y** for yes. If no print **N** or leave blank.

TAXPAYER'S SIGNATURE

When you have completed your supplementary section, sign and date below.

Signature

Date

DAY	MONTH	YEAR
<input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

What to do when you have completed this supplementary section

- Sign and date the supplementary section above.
- If you completed item **14** on page 13, or **15** or **16** on page 14, attach your completed *Business and professional items schedule for individuals 2010* to page 3 of your tax return.
- Make sure you answer **YES** at *Taxpayer's declaration* question **1** on page 12 of your tax return.
- Attach your supplementary section to page 12 of your tax return.
- If you completed item **13** on page 13 and you were asked to complete the *Business and professional items schedule for individuals 2010*, attach your completed schedule to page 3 of your tax return.
- For more information, read the **Checklist** and the subsequent pages in *TaxPack 2010*.

Don't forget to sign the *Taxpayer's declaration* on page 12 of your tax return.

TEAR ALONG DOTTED LINE



1 July 2009 to 30 June 2010

Use *TaxPack 2010 supplement* to fill in this tax return. Please print neatly in BLOCK LETTERS with a black or blue ballpoint pen only. Do not use correction fluid or tape. Print one letter or number in each box. Print in appropriate boxes. Complete your details carefully to avoid delays in processing your tax return.

Your tax file number (TFN)

See the **Privacy** note in the *Taxpayer's declaration* on page 12 of your *Tax return for individuals 2010*.

Your name

Title – for example, Mr, Mrs, Ms, Miss

Print your full name.

Surname or family name

Given names

INCOME Pages s2–8 in *TaxPack 2010 supplement* will help you to fill in the following items correctly.

13 Partnerships and trusts

Include any deferred non-commercial business losses from a prior year at **X** or **Y** as appropriate and insert the relevant code in the **TYPE** box.

Primary production

Distribution from partnerships **N**

Distribution from trusts **L**

Landcare operations and deduction for decline in value of water facility **I**

Other deductions relating to distribution **X** **TYPE**

If you have a net loss from a partnership business activity, complete items **P3** and **P9** in the *Business and professional items schedule for individuals 2010* in addition to item **13**.

Non-primary production

Net primary production distribution

Distribution from partnerships, less foreign income **O**

Distribution from trusts, less net capital gains and foreign income **U**

Landcare operations expenses **J**

Other deductions relating to distributions shown at **O** and **U** **Y** **TYPE**

LOSS

Show distributions of:
 net capital gains at item **18** and
 foreign income at item **19** or **20**.

Share of credits from income and tax offsets

Net non-primary production distribution

Share of credit for tax withheld where Australian business number not quoted **P**

Share of franking credit from franked dividends **Q**

Share of credit for tax file number amounts withheld from interest, dividends, and unit trust distributions **R**

Share of credit for tax paid by trustee **S**

Share of credit for amounts withheld from foreign resident withholding **A**

Share of National rental affordability scheme tax offset **B**

LOSS

14 Personal services income (PSI)

Tax withheld – voluntary agreement **G**

Tax withheld where Australian business number not quoted **H**

Tax withheld – labour hire or other specified payments **J**

Net PSI – transferred from **A** on your *Business and professional items schedule for individuals 2010*

A **LOSS**

To complete this item, you must have read the publication *Business and professional items 2010* and completed the *Business and professional items schedule for individuals 2010*. Attach the schedule to page 3 of your tax return.

INCOME continued

Pages s27–35 in *TaxPack 2010 supplement* will help you to fill in the following items correctly.

21 Rent	Gross rent	P	<input type="text"/>	.00	P less (Q + F + U) ↓	Net rent	<input type="text"/>	.00	Loss <input type="text"/>				
	Interest deductions	Q	<input type="text"/>	.00									
	Capital works deductions	F	<input type="text"/>	.00									
	Other rental deductions	U	<input type="text"/>	.00									
22 Bonuses from life insurance companies and friendly societies		W	<input type="text"/>	.00									
23 Forestry managed investment scheme income		A	<input type="text"/>	.00									
24 Other income	Type of income	Category 1	<input type="text"/>								Y	<input type="text"/>	.00
		Category 2	<input type="text"/>								V	<input type="text"/>	.00
	Tax withheld – lump sum payments in arrears	E	<input type="text"/>	.00									
	Taxable professional income	Z	<input type="text"/>	.00									

TOTAL SUPPLEMENT INCOME OR LOSS

For the amounts in the right-hand column at items **13** to **24** add up all the income amounts and deduct any loss amounts.

Transfer this amount to **I** on page 3 of your tax return.

\$.00 | Loss |

DEDUCTIONS

Pages s35–45 in *TaxPack 2010 supplement* will help you to claim your deductions correctly.

D11 Australian film industry incentives		G	<input type="text"/>	.00													
D12 Deductible amount of undeducted purchase price of a foreign pension or annuity		Y	<input type="text"/>	.00													
D13 Personal superannuation contributions	Full name of fund	<input type="text"/>								H	<input type="text"/>	.00					
	Account number	<input type="text"/>															
	Fund Australian business number	<input type="text"/>															
	Fund tax file number	<input type="text"/>															
D14 Deduction for project pool		D	<input type="text"/>	.00													
D15 Forestry managed investment scheme deduction	Product or private ruling information										F	<input type="text"/>	.00				
	Code	U	<input type="text"/>	Year	V	<input type="text"/>	Number	W	<input type="text"/>								
D16 Other deductions – not claimable at items D1 to D15 or elsewhere on your tax return	Description of claim	<input type="text"/>								E	<input type="text"/>	.00					
		<input type="text"/>											J	<input type="text"/>			

TOTAL SUPPLEMENT DEDUCTIONS

Add up all the deduction amounts in the right-hand column.

Transfer this amount to **D** on page 4 of your tax return.

\$.00 |

TAX OFFSETS

Pages s46–65 in *TaxPack 2010 supplement* will help you to claim your tax offsets correctly.

Tax offsets – do not show cents

T7 Superannuation contributions on behalf of your spouse Contributions paid ,.00 **A** .00
You must also complete **Spouse details – married or de facto** on pages 9–11 of your tax return.

T8 Zone or overseas forces **R** .00

T9 20% tax offset on net medical expenses over the threshold amount **X** .00

T10 Parent, spouse’s parent or invalid relative **B** .00

T11 Landcare and water facility Landcare and water facility tax offset brought forward from earlier years **T** .00

T12 Net income from working – supplementary section **M** ,.00 **LOSS** .00 **We use this amount to work out your mature age worker tax offset entitlement. Do not include it in your total supplement tax offsets below.**

T13 Entrepreneurs tax offset Read the information on **T13** in *TaxPack 2010 supplement* before completing this item.

Small business entity aggregated turnover **K** .00 Net small business entity income **N** .00 **CODE** **O** **MARITAL STATUS**

T14 Other tax offsets If you are entitled to a tax offset for low income, do **not** write it anywhere on your tax return. The Tax Office will work it out for you. **C** .00 **CLAIM TYPE**

TOTAL SUPPLEMENT TAX OFFSETS

Add up all the tax offset amounts at items **T7**, **T8**, **T9**, **T10**, **T11** and **T14**. \$,.00

Transfer this amount to page 5 of your tax return at **T**

ADJUSTMENT

Page s66 in *TaxPack 2010 supplement* will help you to fill in this item correctly.

A4 Amount on which family trust distribution tax has been paid **X** ,.00
If a trust, partnership or company made a distribution to you on which family trust distribution tax has been paid, you **must** read page s66 in *TaxPack 2010 supplement*.

CREDIT FOR INTEREST ON TAX PAID

Page s67 in *TaxPack 2010 supplement* will help you to fill in the following item correctly.

C1 Credit for interest on early payments – amount of interest **L** ,.00

TAXATION OF FINANCIAL ARRANGEMENTS (TOFA)

F1 If you have elected to have the TOFA rules apply to your financial arrangements, did you make a gain or loss, or have a transitional balancing adjustment from those financial arrangements? **D** Print Y for yes. If no print N or leave blank.

TAXPAYER’S SIGNATURE

When you have completed your supplementary section, sign and date below.

Signature

Date

What to do when you have completed this supplementary section

- Sign and date the supplementary section above.
 - Make sure you answer **YES** at *Taxpayer’s declaration* question **1** on page 12 of your tax return.
 - If you completed item **13** on page 13 and you were asked to complete the *Business and professional items schedule for individuals 2010*, attach your completed schedule to page 3 of your tax return.
 - If you completed item **14** on page 13, or **15** or **16** on page 14, attach your completed *Business and professional items schedule for individuals 2010* to page 3 of your tax return.
 - Attach your supplementary section to page 12 of your tax return.
- For more information, read the **Checklist** and the subsequent pages in *TaxPack 2010*.

Don’t forget to sign the *Taxpayer’s declaration* on page 12 of your tax return.

More information

PUBLICATIONS

To get publications, taxation rulings, practice statements and forms referred to in *TaxPack 2010 supplement* you can:

■ **visit our website** 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 2010 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.**

Phone the Individual infoline for an appointment.
For our shopfront addresses you can visit our website.

YOU CAN VISIT OUR WEBSITE

You can visit our website at www.ato.gov.au for information on anything that you read in *TaxPack 2010 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 2010* and *TaxPack 2010 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) Monday to Friday. Note that our infoline numbers may not work from all countries.

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

Individual Infoline **13 28 61**

Phone between 8.00am and 6.00pm Monday to Friday. You can enquire about the following subjects from this service:

- e-tax – our free online tax preparation and lodgment software
- pay as you go (PAYG), including instalment activity statements

- student loan schemes (HELP and SFSS)
- capital gains, rental income, foreign income and questions in *TaxPack 2010 supplement*
- notice of assessment
- your income tax account, such as personal details, payment arrangements and lost refund cheques, lodgment and queries about questions in *TaxPack 2010*
- binding oral advice.

Business Infoline **13 28 66**

Complaints **1800 199 010**

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 the education tax refund.

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 the inside back cover of *TaxPack 2010*.

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 or screen magnification software. We recommend that you use a Microsoft Windows operating system.

We have available free audio and e-text versions of *TaxPack 2010* and *TaxPack 2010 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

Mail Locked Bag 6050, Dandenong VIC 3175

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.

Arabic

إذا كنت لا تتحدث باللغة الإنجليزية وكنت في حاجة إلى مساعدة من مكتب الضرائب، الرجاء الاتصال بخدمة الترجمة الخطية والشفوية (TIS) على الرقم 13 14 50.

Chinese

如果你的英语说得不好而需要税务局的帮助，请拨打13 14 50 联系翻译及传译服务处。

Dari

اگر لسان انگلیسی را خوب نمی‌شنوید و به کمک اداره مالیات احتیاج دارید، به اداره خدمات ترجمه ما تکتبی و شفاهی به شماره ۱۳۱۴۵۰ تلیفون کنید.

Dinka

Naa cī ye jam në thoj ë Dīnjēlīth apath ku gōr koony tēñë mākṭāb de tek, ke yī yub Kīdīma de Tarjama ku Wērēthok (TIS) Tālapun: 13 14 50.

Greek

Αν δεν μιλάτε καλά Αγγλικά και χρειάζεστε βοήθεια από την Εφορία, τηλεφωνήστε την Υπηρεσία Μεταφραστών και Διερμηνέων (TIS) στο 13 14 50.

Croatian

Ako imate poteškoća s engleskim, a potrebna vam je pomoć Poreznog ureda, nazovite Službu prevoditelja i tumača (Translating and Interpreting Service – TIS) na 13 14 50.

Japanese

英語でお困りの方で、国税庁のサポートが必要な場合は、翻訳通訳サービス(TIS) 13 14 50 にお電話ください。

Italian

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.

Khmer

ប្រសិនបើអ្នកមិនសូវចេះនិយាយភាសាអង់គ្លេសទេ ហើយត្រូវការជំនួយពីការិយាល័យពន្ធដារ សូមទូរស័ព្ទទៅកិច្ចប្រឹក្សាប្រកាស (TIS) តាមលេខ 13 14 50 ។

Korean

영어를 잘하지 못하지만 국제청으로부터 도움을 받고자 한다면, 번역 및 통역 서비스 (TIS) 13 14 50 번으로 전화하십시오.

Macedonian

Ako ne zboruvate dobro англиски и ви треба помош од Даночната управа, телефонирајте во Службата за писмено и усмено преведување (Translating and Interpreting Service - TIS) на 13 14 50.

Persian

اگر بخوبی انگلیسی صحبت نمی‌کنید و به کمک اداره مالیات نیاز دارید، به اداره خدمات ترجمه ما تکتبی و شفاهی به شماره ۱۳۱۴۵۰ تلفن فرمائید.

Russian

Если Вы недостаточно хорошо говорите по-английски, и Вам требуется помощь Налоговой Службы, позвоните в Службу Переводов (TIS) по телефону 13 14 50.

Serbian

Ako ne govorite dobro engleski и треба вам помоћ од Пореске управе (Tax Office), назовите Службу преводилаца и тумача (TIS) на 13 14 50.

Spanish

Si no habla bien inglés, y necesita ayuda de la Oficina de Impuestos, llame al Servicio de Interpretación y Traducción (TIS) al 13 14 50.

Thai

หากท่านพูดภาษาอังกฤษได้ไม่คล่อง และต้องการความช่วยเหลือจากกรมสรรพากร กรุณาติดต่อฝ่ายบริการสามและแปดภาษา (Translating and Interpreting Service - TIS) ที่หมายเลข 13 14 50.

Turkish

İyi İngilizce konuşamıyorsanız ve Vergi Dairesi'nden yardıma ihtiyacınız varsa, 13 14 50 numaralı telefondan Yazılı ve Sözlü çeviri Servisi'ni (TIS) arayın.

Vietnamese

Nếu quý vị không nói rành tiếng Anh và cần sự giúp đỡ của Văn Phòng Thuế Vụ, xin gọi cho Dịch Vụ Thông Ngôn và Phiên Dịch (TIS) ở số 13 14 50.

TaxPack in accessible formats for the vision impaired

TaxDAISY

A disk containing *TaxPack 2010* and *TaxPack 2010 supplement* in audio format for use in a DAISY player

DAISY stands for Digital Accessible Information System and is a digital talking book that may contain sound and text. DAISY books can be read on a portable digital playback device or on a computer with DAISY software.

TaxCD

Audio summaries of *TaxPack 2010* and *TaxPack 2010 supplement* on CD

TaxDisk

TaxPack 2010 and *TaxPack 2010 supplement* on disk formatted for computers with screen reader and speech synthesiser software

All are available free from the Tax Office – phone **13 28 61**.

E-tax 2010

Prepare your tax return on a computer, using screen reader software, and lodge online. Download *e-tax* from the Tax Office website at www.ato.gov.au