Review of Lessons 1 to 7

Lesson 1

Lodgement Requirements

What is Tax?

- Compulsory contribution to the revenue of the state and/or nation
- Tax is managed by the State and Federal Governments and is levied (imposed) on workers' incomes, business' profits and added to the cost of some goods, services and transactions.
- The revenues raised by taxes goes towards government spending, usually in the form of infrastructure and government funding.
- Australian residents pay tax on all forms of income earned, whether it was earned in Australia or overseas, whereas non-residents generally pay tax only on their Australian earnings.

Who must lodge an income tax return?

Have you/are you:

- Earned over $18,200?
- Under 18 years old and income is not solely from salary/wages?
- Under 18 and earned more than $416?
- A non-resident earning taxable income in Australia?
- A recipient of government allowances with other non-exempt
- income?
- A recipient of government pensions?
- A part-year non-resident applicable for the part-year threshold?

A taxpayer earning less than $18,200 MUST lodge an income tax return if:

- any amount of tax has been withheld from the taxpayer's income
- any amount of tax has been paid under the PAYG instalment system
- there are reportable fringe benefits on the Payment Summary
- they incurred deductions due to their Tax File Number (TFN) not being supplied to the employer (may occur with interest or dividend payments)
- they are liable to pay child support
- they are a client who receives child support
- they have incurred a loss or are entitled to a deduction from a previous year
- they are required to lodge an Income Activity Statement (IAS) or if there was tax payable

Other reasons to lodge:

- Tax was withheld from income earned
- You paid an amount under the PAYG (Pay As You Go) instalment system
- You carried on a business

- You were entitled to the private health insurance offset
- Received an Australian superannuation lump sum
- You are eligible for the Super Co-Contribution from the government.

Taxable Income	Tax on this Income
0 - $18,200	*Nil*
$18,201 - $37,000	*19c for each $1 over $18,200*
$37,001 - $87,000	*$3,572 plus 32.5c for each $1 over $37,000*
$87,001 - $180,000	*$19,822 plus 37c for each $1 over $87,000*
$180,001 and over	*$54,232 plus 45c for each $1 over $180,000*

Calculate the tax payable on the following:

1. $73,250
2. $44,000
3. $21,000
4. $98,450
5. $10,625

$73,250

1. $73,250 - $37,000 = $36,250
2. $36,250 x 32.5% = $11,781.25
3. $11,781 + $3,572 = **$15,353.25**

$44,000

1. $44,000 - $37,000 = $7,000
2. $7,000 x 32.5% = $2,275
3. $2,275 + $3,572 = **$5,847**

$21,000

1. $21,000 - $18,200 = $2,800
2. $2,800 x 19% = **$532.00**

$98,450

1. $98,450 - $87,000 = $11,450
2. $11,450 x 37% = $4,236.50
3. $4,236.50 + $19,822 = **$24,058.50**

$10,625

1. Under threshold amount $0

Queensland TAX Income Tax Specialists

The 31st OCTOBER is the deadline for lodgement of income tax returns.

If you do not need to lodge a tax return you still need to notify the ATO by filling out a Non-lodgement advice form

Queensland QTAX Income Tax Specialists

Residency – Is the client an Australian resident?

It is important to determine whether or not a taxpayer is a resident of Australia for taxation purposes for the following reasons:

- Non-residents are taxed at higher rates and are not eligible for the Medicare Levy
- The taxpayer does not need to be an Australian citizen in order to be considered a resident for tax purposes.

Residency Statutory Tests

Even if a person does not reside in Australia within the ordinary meaning of ‘resides’, they may still be considered a resident for tax purposes if one of these three tests is satisfied.

1. “Domicile”
2. 183 days
3. Government Superannuation Fund

Lesson 2

Income

Taxable Income = Assessable Income - Deductions

Three main types of income

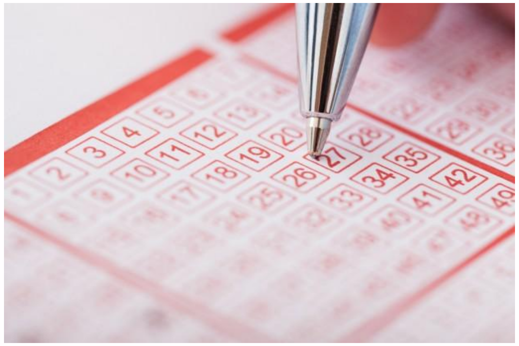
1. Money received as a result of personal exertion – wages, labour hire, personal services income

2. Money received as a result of investment or property- including dividends, cash management funds, distributions from trusts and rental properties.

3. Income from an enterprise- where profit is systematically sought. This is clearly distinct from a hobby.

Not assessable Income

- Gifts and presents
- Winnings from Lottery or betting
- Child support you receive
- Family Tax A & B

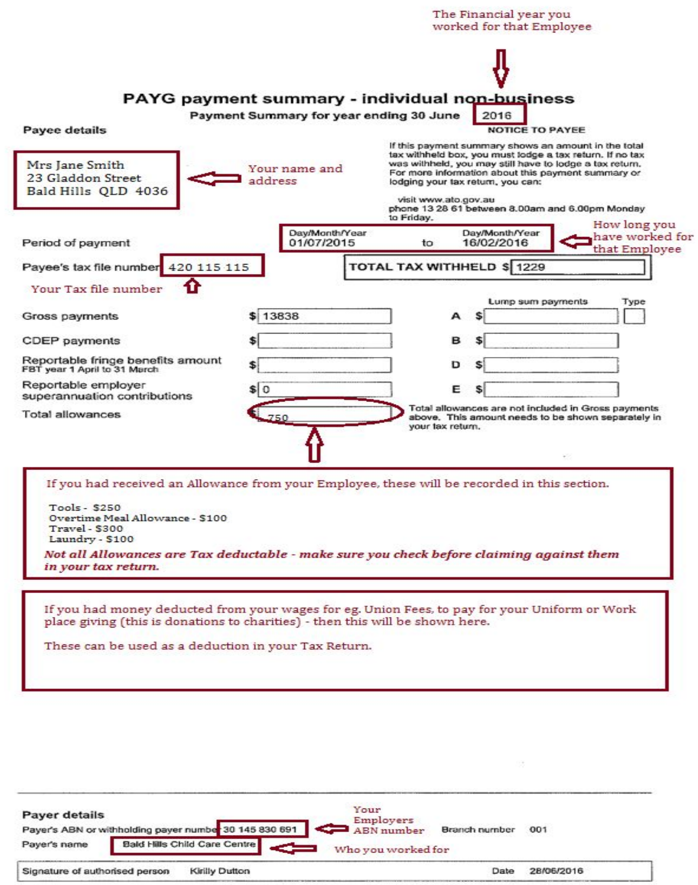


Item 1 - Salary and Wages

A person in employment will generally be issued an individual non-business payment summary with information to be transferred to the return.

A payment summary consists of:

1. Employer's (ABN) and title
2. Tax withheld
3. Gross salary or wages
4. Allowances – may be detailed
5. Lump sum payments – various types
6. Other income
7. Union fees, etc.
8. Reportable fringe benefits
9. Reportable superannuation contributions


The Financial year you worked for that Employee

PAYG payment summary - individual non-business

Payment Summary for year ending 30 June 2016

Payee details

Mrs Jane Smith
23 Gladdon Street
Bald Hills QLD 4036

Your name and address

NOTICE TO PAYEE

If this payment summary shows an amount in the total tax withheld box, you must lodge a tax return. If no tax was withheld, you may still have to lodge a tax return. For more information about this payment summary or lodging your tax return, you can:

visit www.ato.gov.au
phone 13 28 61 between 8.00am and 6.00pm Monday to Friday.

Period of payment: Day/Month/Year 01/07/2015 to Day/Month/Year 16/02/2016

How long you have worked for that Employee

Payee's tax file number 420 115 115

Your Tax file number

TOTAL TAX WITHHELD $ 1229

			Lump sum payments	Type
Gross payments	$ 13838	A	$	
CDEP payments	$	B	$	
Reportable fringe benefits amount FBT year 1 April to 31 March	$	D	$	
Reportable employer superannuation contributions	$ 0	E	$	
Total allowances	$ 750			

Total allowances are not included in Gross payments above. This amount needs to be shown separately in your tax return.

If you had received an Allowance from your Employee, these will be recorded in this section.

Tools - $250
Overtime Meal Allowance - $100
Travel - $300
Laundry - $100

Not all Allowances are Tax deductable - make sure you check before claiming against them in your tax return.

If you had money deducted from your wages for eg. Union Fees, to pay for your Uniform or Work place giving (this is donations to charities) - then this will be shown here.

These can be used as a deduction in your Tax Return.

Payer details

Payer's ABN or withholding payer number 30 145 830 691 — Your Employers ABN number — Branch number 001

Payer's name Bald Hills Child Care Centre — Who you worked for

Signature of authorised person Kirilly Dutton Date 28/06/2016

Item 2 - Allowances and Earnings

Allowances from an employer:

- **Car, travel or transport allowance** (domestic or overseas) - an allowance paid to employees to cover food or drink, or incidentals incurred by an employee in traveling away from home
- **Overtime meal allowance** - allowance paid to employees to enable him/her to buy food or drink in connection with overtime worked.
- **Clothing / uniform / laundry**
- **Tool Allowance**
- **Crib** – this is **not** an allowable deduction and is paid when working through the meal break
- **Dirt, height, site and risk allowance** - **not** an allowable deduction
- Allowances for **qualifications** e.g. first aid certificate
- **Sleepover allowance** for carers - this is **not** an allowable deduction.

Earnings include any income from which no tax was withheld:

- Tips – fully assessable when connected with the taxpayer's employment or occupation.
- Director fees / jury attendance fees
- Honoraria of official body
- Workers compensation – if received for lost wages and distinguishable from other components.

Reimbursements

If an employer reimburses your for an expense, then this is not income nor is it an deduction.

Item 3 – Employer Lump Sum Payments

What are Lump Sum Payments?

"Lump sum payments" are those amounts shown at labels **A to E** on an employee's payment summary. *These amounts relate to annual leave and long service leave which the taxpayer has received in a lump sum in connection with, or as a result of, retirement or termination of employment.*

Lump sum payments are classified according to type and when they were paid. As they relate to different time periods the taxation treatment of them differs.

- **Lump Sum A** – leave (long service, holiday or annual) accrued after 15 August 1978 – fully assessable.
- Codes: *R* (redundancy, invalidity or approved retirement scheme) and *O* (any other reason)
- **Lump Sum B** – Leave accrued prior to 15 August 1978 – 5% assessable
- **Lump Sum D** – Bone fide redundancy. This is not included in the return as it is not taxable.
- **Lump Sum E** – Back payment of salary or wages. Declared at Item 24 – Other Income.

Item 4 - Employment Termination Payments

When a taxpayer's employment is terminated they may receive two different payment summaries:

- Employment termination payment, and a;
- Superannuation lump sum

ETPs can include:

- Any part of a genuine redundancy or early retirement scheme payment that exceeds the tax free limit
- Amounts in lieu of notice, unused rostered days off or unused sick leave
- A gratuity or ‘golden handshake’
- An employee’s invalidity payment (for permanent disability, other than compensation for personal injury
- Certain payments after the death of an employee, and;
- Compensation for loss of job or wrongful dismissal

Item 5 - Australian Government Allowances and Payments

- Parenting payment (partnered)
- Newstart allowance
- Youth allowance
- ABSTUDY living allowance
- Sickness allowance
- Austudy

Item 6 – Australian Government Pensions and Allowances

Most Commonwealth Government pensions depending on the type of pension and the age of the recipient are assessable. In certain circumstances, tax offsets are available to reduce or eliminate tax on assessable pensions and benefits. **Any income declared at Item 6 the client is then entitled to the Senior and Pensioners Tax Offset (SAPTO).**

Pensions declared under this item are:

- Age pension
- Age service pension
- Carer payment
- Disability support pension and the taxpayer has reached pension age
- Education entry payment
- Parenting payment (single) / sole parent's pension
- Widow B pension
- Wife pension and either partner was of pension age
- Income support supplement

Exempt Income

Not all payments are assessable. Exempt income is not included except at Label Q, under spouse details and/or **IT3** - Tax-free government pensions.

- **Disability support pension** paid by Centrelink to a person who is under age-pension age
- **Wife pension** where both the recipient and their partner are under age-pension age or the recipient is under the age-pension age and their partner has died
- **Carer payment** under Part 2.5 of the *Social Security Act 1991* (note this is not the carer allowance under Part 2.19 of the *Social Security Act 1991*)
- **Pension for defence**, peacekeeping or war-caused death or incapacity or any other pension granted under Part II or Part IV of the *Veterans' Entitlement Act 1986*
- **Invalidity service pension** where the veteran is under age-pension age
- **Partner service pension**
- **Income support supplement**

Exempt Australian Government payments not to be included on the Tax Return:

- Australian Government disaster recovery payments
- Carer allowance paid under the *Social Security Act 1991*
- Child care benefit
- Child care rebate
- Child disability assistance
- DFISA bonus and DFISA bonus bereavement payment
- Family Tax Benefit A & B
- Household Assistance Package payments

Item 7 – Australian annuities and superannuation income streams

Annuities are paid to you by Australian life insurance companies and friendly societies.

Superannuation income streams are paid to you by Australian superannuation funds, retirement savings account (RSA) providers and or life insurance companies.

Both these payments will be shown on a *PAYG payment summary*

Item 8 – Australian superannuation lump sum payments

Super lump sum payments can be assessable income if paid to the following:

- a person under 60
- a person 60 and over where the payment contained a taxable component with an untaxed element
- a non-dependant in the event of another person's death
- the trustee of a deceased estate.

Item 9 - Attributed Personal Services Income

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

Item 10 - Gross Interest

Interest received by a resident is usually assessable income whatever the source or the form of payment.

Interest that is included here:

- Interest earned from bank accounts eg. Saving or Term Deposits
- Earned interest from a child’s savings account if you are the Trustee of the account.
- Interest received (or credited) from the ATO

Item 11 – Dividends

A dividend is any distribution made by a company to its shareholders. There are two types of dividends:

- franked dividends - income on which the company has already paid income tax and the shareholder is entitled to a tax offset, and;
- unfranked dividends - where there will be no offset in respect of any company tax paid.

Item 12 – Employee share schemes

Employees may receive shares from their employer at a discounted price. This is considered to be assessable income.

The scheme may be:

- Taxed upfront – possibly eligible for a $1,000 reduction
- Tax deferred – if less than $5,000 under salary sacrifice arrangements or at risk of forfeiture

Lesson 3

Deductions

Item D1 – Work Related Car Expenses

Car expenses incurred in the gaining of assessable income or in travelling between two workplaces for the purpose of producing assessable income may be claimed as a deduction.

Item D2 – Work Related Travel Expenses

There are generally two categories of expenses which may be claimed at this item:

1. Expenses in relation to a vehicle that is not a car, including:

- motorcycles, utilities, vehicles with 1 tonne or more carrying capacity, vehicles able to carry 9 passengers or more.
- public transport or taxi fares, bridge or road tolls (if logbook not 100%)

2. Incidental travel expenses associated with travel away from home for business purposes including:

- accommodation
- transport fares eg taxi, train, Flights
- meals

Item D3 – Work related uniforms

P – Protective clothing

C – Compulsory uniform/wardrobe

N – Non-compulsory uniform/wardrobe

S – Occupation Specific

Item D4 – Work Related Self Education Expenses

To claim a deduction for self-education expenses, you must have met one of the following conditions when you incurred the expense:

- **K** - the course maintained or improved a skill or specific knowledge required for your then current work activities
- **I** - you could show that the course was leading to, or was likely to lead to, increased income from your then current work activities, or;
- **O** - other circumstances existed which established a direct connection between the course and your then current work activities

The first $250 of Self Education expenses is not claimable, however there are certain expenses that are not claimable but can be used to offset this.

A deduction is not allowed for the cost of English language courses undertaken by an employee. It would still be considered a private expense if the employee was encouraged by the employer.

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D5 Other work-related expenses

- union fees and subscriptions to trade, business or professional associations
- overtime meal expenses, provided that
    - you have included the amount of the meal allowance as income at item **2**,
- professional seminars, courses, conferences and workshops
- reference books, technical journals, trade magazines and stationery
- tools and equipment; that cost $300 or less
- sun protection
- the work-related proportion of the following costs
    - repair costs for the computer
    - internet access charges
    - phone calls
    - Depreciation amounts
    - home office running expenses - calculated at .45c and hour

Item D6 – Low Value Pool Deduction

Assets costing between $300 and $1,000 can be put into a Low Value Pool

Item D7 – Interest Deductions

Should a taxpayer incur any expenditure in the earning of interest income, then a deduction is allowable and may be claimed at this item.

Account keeping fees, debits tax (generally no longer applicable), interest on loans to acquire shares and management fees are all examples of deductible expenses.

Item D8 - Dividend deductions

Expenses may include:

- management fees and fees for investment advice relating to changes in the mix of your investments
- interest charged on money borrowed to purchase shares or similar investments
- costs relating to managing your investments, such as travel and buying specialist investment journals or subscriptions.

Item D9 – Gifts or donations

A donation or gift of $2 or more where there is no expectation of any 'gain' or 'profit' by the taxpayer may be claimed at this item. The donation needs to be made to a registered gift deductible recipient and must be either money or property.

Note that the purchase of raffle tickets or a 'badge' from a charity constitutes a purchase and not a gift and does not qualify as a deduction.

Item D10 – Cost of Managing Tax Affairs

- expenses you incurred in managing your tax affairs, including fees paid to a recognised tax adviser for doing your tax return
- an interest charge that the ATO imposed on you

Lesson 4

Depreciating Assets

If you have purchased an Asset which you use for work related purposes and the item cost over $300, then the Asset must be depreciated.

You can claim a deduction for the decline in value, depreciation, of capital assets such as buildings, motor vehicles, furniture, and machinery and equipment.

Where an asset has been only partly used for business (therefore taxable) purposes, the allowable deduction for the decline in value is reduced by the proportion of private use.

There are two methods for calculating the decline in value of an item.

1. **Prime cost method**

2.

Diminishing Method

$$\text{Base value} \times \frac{\text{days held}}{365} \times \frac{200}{\text{effective life}}$$

Calculate the depreciation deduction claim amount:

1. Mary purchased a Laptop on the 01/07/2017 for $2,499 and uses this 85% for Business. Effective life of the Laptop is 2 years.

2. Shane purchased a Tool Box (effective life of 5 years) on the 01/01/2018 for $1,445 and uses this 100% for work.

3 Pauline has previously depreciated her iPad (cost $1,200) which she uses 60% for business, OWDV $620 with an effective life of 3 years.

Calculate the depreciation deduction claim amount:

1. Mary purchased a Laptop on the 01/07/2017 for $2,499 and uses this 85% for Business. Effective life of the Laptop is 2 years.

$2,499 x 100% = $2,499 x 85% business use = **$2,124.15 deduction claim**

2. Shane purchased a Tool Box (effective life of 5 years) on the 01/01/2018 for $1,445 and uses this 100% for work.

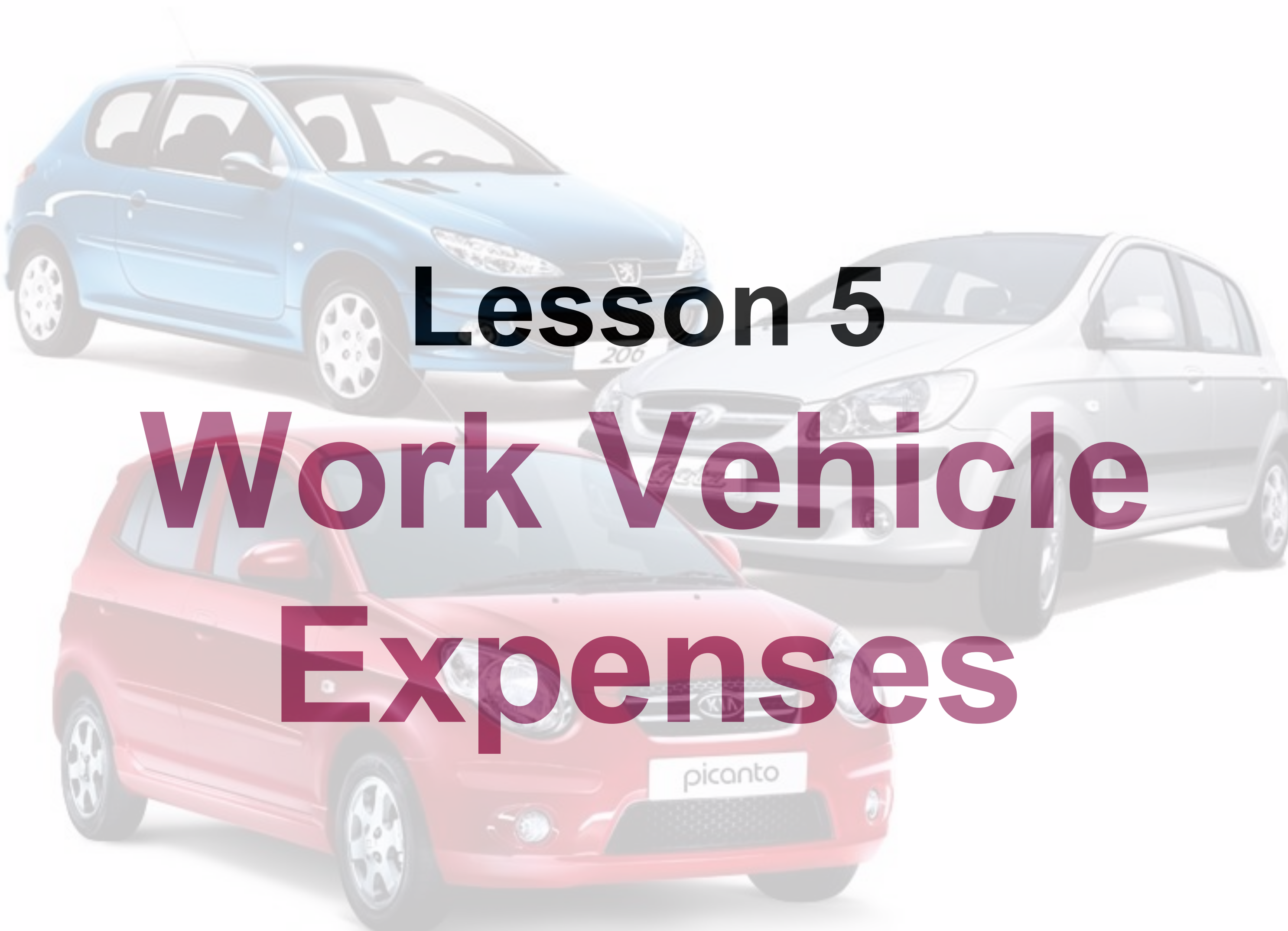
$1,445 x 181/365 x 40% = **$286.62 deduction claim**

3 Pauline has previously depreciated her iPad (cost $1,200) which she uses 60% for business, OWDV $620 with an effective life of 3 years.

$620 x 66.67% = $413.35 x 60% business use = **$248.01 deduction claim**

Depreciation of Motor Vehicles

There is a limitation placed on the 'cost' of a car for which depreciation can be claimed for. The current cap is $57,581.



Lesson 5

Work Vehicle Expenses

Travel between the workplace and home is a private expense and is generally not allowable. There are a few exceptions to this:

- Travel while on stand-by duty eg **Doctor**

- Your home was a base of employment (that is, you started work at home and travelled to a workplace to continue your work for the same employer)

- Employment duties of an **<u>itinerant</u>** nature – travel from home is accepted as business travel if the employee has "shifting places of work".

- Transporting of equipment – this is an allowable claim if the use of the vehicle can be attributed to the necessary carrying of heavy **(over 20-30kgs)** or bulky equipment (for example, a ladder or cello)- . A deduction will not be allowed if there is a secure area for storage at the workplace but the employee transports it as a matter of convenience or personal choice.

There are two methods for claiming car expenses from the 2017/2018 Financial Year. These are:

1. **Log book method**

2. **Cents per kilometer**

Log book method

A taxpayer may claim the usual costs associated with owning and operating a car.

A log book must be used for a <u>minimum of 12 weeks</u> of the year.

The following must always be entered into a log book:

1. When the log book period begins and ends
2. The car's odometer readings at the start and end of the time period
3. The total number of kilometres traveled in the time period
4. The number of the kilometres traveled that were for producing assessable income as well as any private use on journeys entered into the logbook

Logbook method

$$\frac{\text{Business Km's travelled in 12 weeks}}{\text{Total Km's travelled in 12 weeks}} \times 100 = \text{Business \%}$$

***** Make sure you calculate the percentage with 2 decimal places *****

Calculate the Business % for the following:

1. Lisa drives a Toyota Hilux and has kept a logbook stating:
   Opening km's - 4,220
   Closing km's - 18,010
   Business km's travelled - 10,884

2. Sarah has a Mazda 6 and has kept a logbook stating:
   Opening km's - 1,050
   Closing km's - 12,910
   Business km's travelled - 11,355

Logbook method

Calculate the Business % for the following:

1. Lisa drives a Toyota Hilux and has kept a logbook stating:
   Opening km's - 4,220
   Closing km's - 18,010
   Business km's travelled - 10,884

1. Calculate km's travelled in the 12 weeks = 18,010 - 4,220 = 13,790km's
2. Business km's/ Total Km's travelled x 100 = 10,884/13,790 x 100 = **78.92%**

2. Sarah has a Mazda 6 and has kept a logbook stating:
   Opening km's - 1,050
   Closing km's - 12,910
   Business km's travelled - 11,355

1. Calculate km's travelled in the 12 weeks = 12,910- 1,050 = 11,860km's
2. Business km's/ Total Km's travelled x 100 = 11,860/12,910 x 100 = **95.74%**

Cents per kilometre

The cents per kilometre method is used when the total distance traveled is less than 5,000 kilometres for each car used for business purposes.

Substantiation in the form of a diary or logbook is required for this method.

Codes for Motor Vehicle Expenses

B -Log <u>B</u>ook method

S -Cent<u>s</u> per kilometre

Lesson 6

Medicare Levy
And
Tax Calculations

After deductions are subtracted from assessable income, the result is known as **TAXABLE INCOME**.

Tax and Medicare Levy is always based upon an individual's taxable income rather than their gross income.

Non Residents are not entitled to the $18,200 threshold and are taxed at higher rates.

The Medicare Levy

A compulsory levy is payable on the taxable income of all Australian residents who earn income greater than their relevant threshold.

The basic rate is 2% of taxable income for singles and families above their relevant thresholds.

No levy is payable beneath these thresholds.

For levels of income between the lower income threshold and the higher income threshold, a reduced levy is payable for Individual.

This is calculated as 10% of excess of income above the threshold amount.

The Medicare Levy

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Example:- Single Parent with 2 children with a taxable income of $44,000

Threshold amounts

	Lower	Upper Limit Taxable income Equal to or exceeding
Two children	$43,253	$54,066

$44,000 (taxable income) - $43,253 (lower threshold amount) = $747 (excess amount)

$747 x 10% = $74.70 (reduced Medicare Levy amount payable)

Medicare Levy Exemption

You may be exempt from paying the Medicare Levy if any of the following applied during all or part of the year:

- you were a blind pensioner
- you received sickness allowance from Centrelink (exempt for period received)
- you were entitled to full free medical treatment for all conditions under Defence Force arrangements or Veterans' Affairs Repatriation Health Card (Gold Card) or repatriation arrangements
- were a temporary resident and you did not have any dependants or they were all in an exemption category for that period
- were not an Australian citizen

Please note that if you had any dependents that were not a 'prescribed person' and they did not pay any Medicare Levy themselves, then you may only be entitled to a 50% exemption.

To claim an exemption you must have a Medicare Entitlement Statement from the Department of Human Services. A letter from Medicare is not sufficient.

Medicare levy surcharge

The Medicare levy surcharge (MLS) is designed to reduce the demand on the public health system.

You will be required to pay the Medicare Levy Surcharge if your income for Medicare Levy Surcharge purposes is above the base income threshold and you or your family do not have an appropriate level of **private patient hospital cover**.

The base income threshold is $90,000 for singles and $180,000 for families.

This applies unless you are exempt from paying the Medicare levy and you and your dependents have an appropriate level of ***private hospital cover.***

Adjustments – A1: Under 18 excepted net income

A special rate of tax applies to under 18 year olds in some areas.

For under 18 year olds, “good income” is taxed at normal rates and “bad income” at a higher rate.

Item A2 - Part-year Tax-free threshold

The full tax-free threshold is not available in a financial year in which a taxpayer is not a resident for the full year.

Item A3 - Super co-contribution

Super co-contributions help eligible people boost their retirement savings.

If you're a low or middle-income earner and make personal (after-tax) contributions to your super fund, the government also makes a contribution (called a co-contribution) up to a maximum amount of $500

HECS, HECS-HELP or SFSS

The government provides financial assistance (in the form of loans) to people undertaking higher education, trade apprenticeships and other training programs.

When your income exceeds a certain threshold amount you are then obligated to repay a percentage of your income, back to the government to reduce your Government Education debt.

Repayments are calculated on the taxpayers ‘repayment’ income and NOT on the amount of debt owing.

HELP, SSL, ABSTUDY SSL and TSL repayment thresholds and rates for 2017-2018

Repayment Income	Repayment Rate	Repayment Income	Repayment Rate
Below $55,874	Nil	$77,619 - $84,062	6.0%
$55,874 - $62,238	4.0%	$84,063 - $88,486	6.5%
$62,239 - $68,602	4.5%	$88,487 - $97,377	7.0%
$68,603 - $72,207	5.0%	$97,378 - $103,765	7.5%
$72,208 - $77,618	5.5%	$103,766 and above	8.0%

***RI = Taxable income plus any total net investment loss (which includes net rental losses), total reportable fringe benefits amounts, reportable super contributions and exempt foreign employment income.**

Calculate the repayment amount:

1. Lisa has a TSL debt amount of $24,000 and a taxable income of $97,500
2. Gabriella has a HELP debt amount of 3,425 and a taxable income of $58,000, she also receives reportable fringe benefits to the amount of $16,000
3. Wayne has a SSL debt amount of $6,500 and his taxable income is $36,000 plus $12,000 reportable fringe benefits plus made a loss on his rental property of -$7,200.

HELP, SSL, ABSTUDY SSL and TSL repayment thresholds and rates for 2017-2018

Calculate the repayment amount:

1. Lisa has a TSL debt amount of $24,000 and a taxable income of $97,500

   $97,000 x 7.5% = **$7,312.50**

2. Gabriella has a HELP debt amount of 3,425 and a taxable income of $58,000, she also receives reportable fringe benefits to the amount of $16,000

   $58,000 + $16,000 = $74,000 (RI)
   $74,000 x 5.5% = $4,070
   DEBT Owing is only **$3,425** therefore this is the amount of repayment

3. Wayne has a SSL debt amount of $6,500 and his taxable income is $36,000 plus $12,000 reportable fringe benefits plus made a loss on his rental property of -$7,200.

   $36,000 + $12,000 + $7,200 = $55,200
   Under threshold amount of $55,874
   $0.00 amount to be repaid

Income Tests IT1 - IT7

IT1 - Total Reportable Fringe Benefits Amounts

The Reportable Fringe Benefits amount is not included in your assessable income and is therefore not subject to income tax. However, the amount is used to determine entitlement to, or liability for, a number of benefits including, Medicare Levy Surcharge and repayment of HELP debts etc.

IT2 - Reportable Employer Superannuation Contributions

Reportable employer superannuation contributions are additional to the compulsory contributions your employer must make. An example of a reportable employer superannuation contribution is a contribution made on your behalf under a salary sacrifice arrangement. Once again the amount is used to determine entitlement to, or liability for, a number of benefits including, Medicare Levy Surcharge and repayment of HELP debts etc.

IT3 - Tax-free Government pensions

Exempt Australian Government pensions, allowances and payments include:

- Carer adjustment payment (CAP)
- Carer payment
- Disability support pension paid by Centrelink to a person under age-pension age

IT4 - Target Foreign Income

- any income earned, derived or received from sources outside Australia
- a periodical payment by way of gifts or allowances from a source outside Australia
- a periodical benefit by way of gifts or allowances from a source outside Australia

provided that the amount has neither been included in your taxable income, nor received in the form of a fringe benefit.

IT5 - Net Financial Investment Loss

Any losses as a result of financial investments from shares, managed investment schemes, distributions from a partnership that had income or losses from any investments or similar need to be shown at this item.

It does not include rental property losses, capital gains or losses, or interest from everyday bank accounts.

IT6 - Net Rental Property Loss

If your total rental expenses exceed your gross rental income, you have incurred a net rental property loss. This is often referred to as negative gearing. The amount of the loss is included in your adjusted taxable income and may be used in calculating various tax obligations, tax offsets and entitlement to other tax related concessions.

The information provided at these questions, along with other income details, is reported to the Department of Human Services. They use this information to determine their customers' entitlements and obligations, including family assistance and child support.

IT7 - Child Support Paid

Amounts you paid or benefits you provided to another person other than your partner for the maintenance of your natural or adopted child.

IT8 - Number of dependent children

A dependent child is your child who is:

- **under 21 years old, or**
- **21 to 24 years old and a full-time student**

regardless of their income.

The child must be an Australian resident and you must have contributed to their maintenance.

We use this information to determine whether you are entitled to an increase in the income test threshold for the:

- **private health insurance rebate**
- **net medical expenses tax offset, and**
- Medicare levy surcharge.

Spouse details - married or de facto

Your spouse includes another person (of any 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 you on a genuine domestic basis in a relationship as a couple.

You will need:

- your spouse's *taxable income*
- the relevant distribution statements, if any, for trust income and family trust distribution tax
- if your spouse had child support obligations, the details of the amount of child support they paid (your spouse can get this information from the Department of Human Services)
- if your spouse received foreign income, the details of the amount of foreign income received
- if your spouse had financial investment losses, the net financial investment loss amount
- if your spouse had rental property losses, the net rental property loss amount
- if your spouse has claimed a deduction for personal superannuation contributions, the details of the amount claimed.

ATO data matching

The ATO is able to match data with a number of agencies who declare information on income paid to individuals including employment income, government benefits, interest and dividend income, health insurance premiums, managed funds income, ETP and superannuation lump sum payments and any spouse or children declared as at the previous financial year.

Sources of information - The ATO collect information from a wide range of third-party sources, with more than 600 million transactions report to them annually.

Validating the data we receive - The ATO conduct integrity checks on all data they receive before matching it to information reported in tax returns.

Legislated data collection - Some organisations, such as banks, employers and health insurers, have a legal obligation to report information to the ATO.

Your privacy - Strong laws protect your privacy in the ATO's data-matching processes.

It allows the ATO to detect people and businesses operating outside the tax system, detect fraud against the Commonwealth, and recover debt.

Lesson 7

Tax Offsets

A tax offset is an amount that may be subtracted from the tax payable by a taxpayer. An offset acts to directly reduce the amount of tax a taxpayer must pay. Tax offsets are often known as rebates.

A distinction needs to be made between deductions that are subtracted from assessable income before tax is worked out, and offsets which are subtracted from the actual tax payable on that assessable income.

Generally, tax offsets can only reduce the amount of tax payable by a taxpayer to zero. That is, if your tax offsets are greater than the tax due, a refund is not given for the excess amount. There are exceptions to this known as *refundable* tax offsets:

- Private health insurance rebate
- Franking tax offset (dividend imputation)

What is Adjusted taxable income (ATI)?

"Adjusted Taxable Income" is an income formula used as a means test to determine eligibility for several tax offsets calculations.

A person's ATI is the sum of the following amounts:

- taxable income
- reportable fringe benefits
- reportable employer superannuation contributions
- deductible personal superannuation contributions
- certain tax-free government pensions or benefits received by the person
- target foreign income
- net financial investment loss
- net rental property loss

T1 - Senior and Pensioners Tax Offset (includes self-funded retirees)

A - You showed income at item 6 on your return:

- an Australian Government pension or allowance from Centrelink, or
- a pension, allowance or benefit from the Department of Veterans' Affairs (DVA).

B - You satisfied the Centrelink age pension age requirement and were eligible for an Australian Government age pension, but did not receive it because you did not make a claim or because of the application of the income test or the assets test.

2017-18 Senior Australian and Pensioners Tax Offset (SAPTO)

Family status	Maximum tax offset	Shade-out income threshold	Cut-out income threshold
Single	$2,230	$32,279	$50,119
Married or de facto (each)	$1,602	$28,974	$41,790
Separated due to illness (each)	$2,040	$31,279	$47,599

Note: Offset entitlements reduced by 12.5c for each $1 of rebate income in excess of the shade-out threshold. No entitlement when rebate income reaches the cut-out threshold.

1. **Maximum offset**
2. **Reduction in offset (taxpayer's income- lower SAPTO threshold) x 12.5c in every dollar over the threshold.**
3. **Maximum offset amount - reduction offset amount.**

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Calculate the SAPTO rebate:

1. A single age pensioner has a rebate income level of $35,000.

2. A married person who has rebate income of $28,400 and spouse's income is $25,000

3. A single pensioner with a rebate income of $ 58,000

Queensland TAX Income Tax Specialists

Calculation of SAPTO

1. A single age pensioner has a rebate income level of $35,000.
   a. Maximum offset amount = $2,230
   b. Reduction in offset = ($35,000 - $32,279) x 0.125= $340.125
   c. Tax offset allowed = $2,230 (max offset amount) - $340.125 (reduction amount)
   = $1,889.87
   = **$1,890** (rounded to the nearest whole dollar

2. A married person who has rebate income of $28,400 and spouse's income is $25,000
   a. Maximum offset amount = $1,602
   b. Reduction in offset = under threshold amount
   C. **$1,602** rebate

3. A single pensioner with a rebate income of $ 58,000
   a. Maximum offset amount = $2,230
   b. Reduction in offset = over the upper threshold amount
   c. **NOT entitled** to the offset

Seniors and pensioners tax offset code letters	
You were single, separated or widowed.	**A**
You and your spouse • were both eligible for the seniors and pensioners tax offset, and • 'had to live apart due to illness'* or lived apart because one of you was in a nursing home.	**B**
Your spouse was not eligible for the seniors and pensioners tax offset, and you and your spouse lived apart due to illness or because one of you was in a nursing home.	**C**
You and your spouse lived together and you were both eligible for the seniors and pensioners tax offset.	**D**
You and your spouse lived together, but your spouse was not eligible for the seniors and pensioners tax offset.	**E**

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Item T2 – Australian superannuation income stream

T2 Australian superannuation income stream S .00

If you have shown income from an Australian superannuation income stream at item 7 on your tax return, you may be entitled to a tax offset equal to:

- 15% of the taxed element, or
- 10% of the untaxed element of your superannuation income stream benefit.

The tax offset amount will be shown on your *PAYG payment summary – superannuation income stream*.

You are not entitled to a tax offset for the taxed element of any superannuation income stream you received before you reached your preservation age, unless the superannuation income stream was either:

Low Income Tax Offset (LITO)

LITO amount	$445
Taxable income the LITO begins to be reduced at	$37,000
You are no longer eligible for LITO if your taxable income is	$66,667 and over
Withdrawal rate	1.5% (0.015)

1. Taxable income – LITO reduction threshold ($37,000) = Threshold excess (A)
2. Threshold excess (A) x 0.015 = Amount to reduce LITO amount by (B)
3. Therefore, $445 – (B) = Taxpayer's LITO amount.

To calculate an individual's LITO amount, use the following formula:

Taxable income – LITO reduction threshold ($37,000) = Threshold excess (A)

Threshold excess (A) x 0.015 = Amount to reduce LITO amount by (B)

Therefore, $445 – (B) = Taxpayer's LITO amount.

1. An individual with a taxable income of $40,000.
2. An individual with a taxable income of $59,750.
3. An individual with a taxable income of $36,980.
4. An individual with a taxable income of $45,250.

1. An individual has a taxable income of $40,000.

$40,000 - $37,000 = $3,000
$3,000 x 0.015 = $45
$445 - $45 = **$400**

2. An individual with a taxable inc

$59,750 - $37,000 = $22,750
$22,750 x 1.5% = $341.25
$445 - $341.25 = **$103.75**

3. An individual with a taxable inc

$36,980 is under threshold amount of $37,000
Entitled to full offset amount of **$445**

4. An individual with a taxable income of $45,250.

$45,250 - $37,000 = $8,250
$8,250 x 1.5% = $123.75
$445 - $123.75 = **$321.25**

Private health insurance policy details

Private health insurance policy details

You must read **Private health insurance policy details** in the instructions before completing this item.
Fill all the labels below unless directed in the instructions.

Health insurer ID **B**

Membership number **C**

Your share of premiums paid in the financial year **J** .00

Your share of Australian Government rebate received **K** .00

Benefit code **L**

Tax claim code. Read the instructions. CODE

Appropriate private health insurance cover exists if:

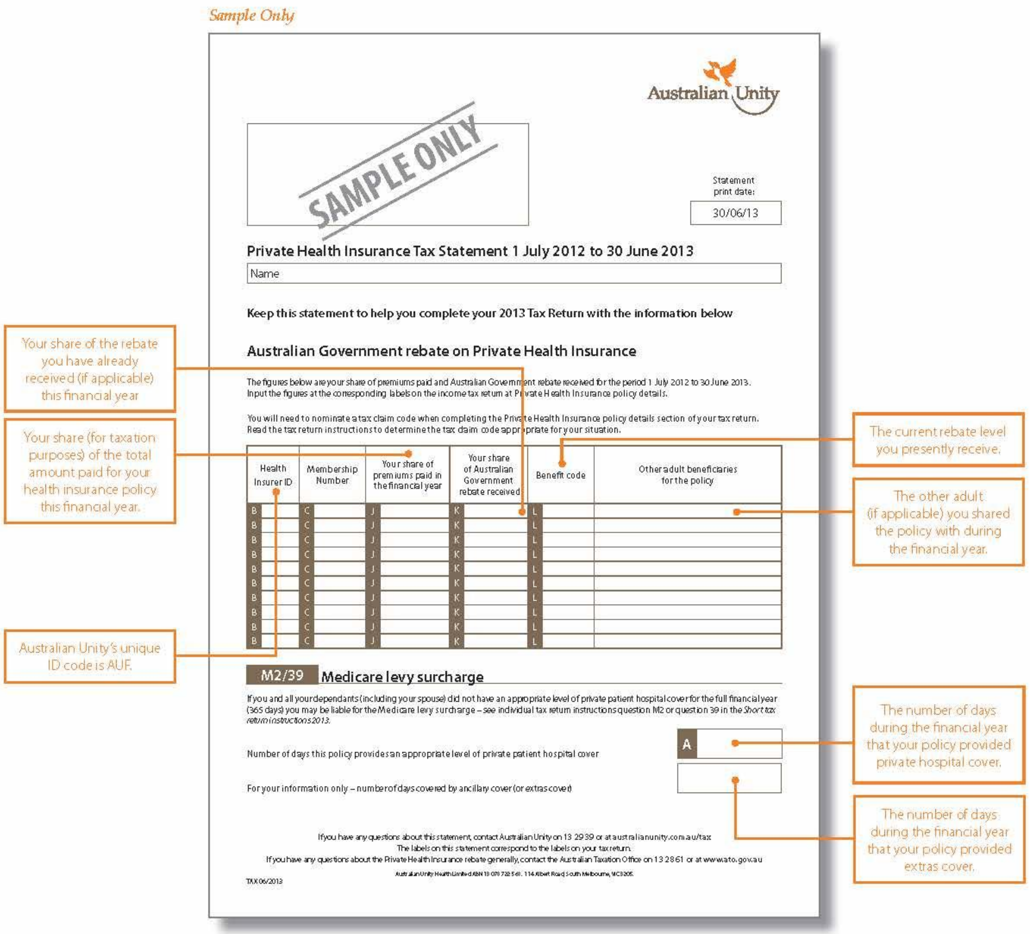
- The policy is under an approved health fund
- The policy provides hospital or combined hospital and extras cover
- Meets other complying private health insurance policy requirements

Private Health Insurance Rebate

- ➢ The private health insurance rebate is an amount the government contributes towards the cost of your private hospital health insurance premiums.
- ➢ This rebate is income tested, which means your eligibility to receive it depends on your income.
- ➢ Most people claim the private health insurance rebate as a reduction in the amount of private health insurance premiums they pay to their insurer. n.
- ➢ The rebate percentage is adjusted on 1 April each year.

Each policy needs:

- A health fund ID (3 letter code)
- A membership
- The type of po
- Policy Code (3
- No of days cov
  hospital cover



Sample Only

Australian Unity

SAMPLE ONLY

Statement print date: 30/06/13

Private Health Insurance Tax Statement 1 July 2012 to 30 June 2013

Name

Keep this statement to help you complete your 2013 Tax Return with the information below

Australian Government rebate on Private Health Insurance

The figures below are your share of premiums paid and Australian Government rebate received for the period 1 July 2012 to 30 June 2013. Input the figures at the corresponding labels on the income tax return at Private Health Insurance policy details.

You will need to nominate a tax claim code when completing the Private Health Insurance policy details section of your tax return. Read the tax return instructions to determine the tax claim code appropriate for your situation.

Health Insurer ID	Membership Number	Your share of premiums paid in the financial year	Your share of Australian Government rebate received	Benefit code	Other adult beneficiaries for the policy
B	C	J	K	L	
B	C	J	K	L	
B	C	J	K	L	
B	C	J	K	L	
B	C	J	K	L	
B	C	J	K	L	
B	C	J	K	L	
B	C	J	K	L	
B	C	J	K	L	
B	C	J	K	L	

M2/39 Medicare levy surcharge

If you and all your dependants (including your spouse) did not have an appropriate level of private patient hospital cover for the full financial year (365 days) you may be liable for the Medicare levy surcharge – see individual tax return instructions question M2 or question 39 in the *Short tax return instructions 2013.*

Number of days this policy provides an appropriate level of private patient hospital cover | A

For your information only – number of days covered by ancillary cover (or extras cover)

If you have any questions about this statement, contact Australian Unity on 13 29 39 or at australianunity.com.au/tax
The labels on this statement correspond to the labels on your tax return.
If you have any questions about the Private Health Insurance rebate generally, contact the Australian Taxation Office on 13 28 61 or at www.ato.gov.au

Australian Unity Health Limited ABN 13 078 722 568. 114 Albert Road, South Melbourne, VIC 3205.

TAX 06/2013

Queensland QTAX Income Tax Specialists

Private Health Insurance Rebate

	Base Tier	Tier 1	Tier 2	Tier 3	Code
Single	$90,000 or less	$90,000 - $105,000	$105,001 - $140,000	$140,000 or more	
Family	$180,000 or less	$180,001 - $210,000	$210,001 - $280,000	$280,000 or more	
Age	**Rebate for premiums paid, 1 July 2017 - 31 March 2018**				
Under 65 years	25.934%	17.289%	8.644%	0%	30
65 - 69 years	30.256%	21.612%	12.966%	0%	35
70 years or over	34.579%	25.934%	17.289%	0%	40
Age	**Rebate for premiums paid, 1 April 2018 - 30 June 2018**				
Under 65 years	25.415%	16.943%	8.471%	0%	31
65 - 69 years	29.651%	21.180%	12.707%	0%	36
70 years or over	33.887%	25.415%	16.943%	0%	41

Private Health Insurance Rebate

Health Insurer ID	Membership Number	Premiums paid	Government Rebate	Benefit Code	Other adult beneficiaries for the policy
MBP	3694568	$3,175	$823	30	James Win
MBP	3694568	$2,366	$601	31	James Win

1. Sandra is 59 years old has an Income of $70,000 and her husband James has an Income of $65,000.

2. If James has earnt $120,000 for the financial year giving them a combined income amount of $190,000, then we need to calculate the difference in the Government Rebate entitlement.

1. **Sandra is 59 years old has an Income of $70,000 and her husband James has an Income of $65,000.**

Combined Income is $135,000, so they fall in the **Base Tier** for the family income threshold amount of $180,000 or less.

Calculation is as follows:

$3,175 x 25.934% = $ 823.40 $2,366 x 25.415% = $601.32
= **Correct premiums paid**

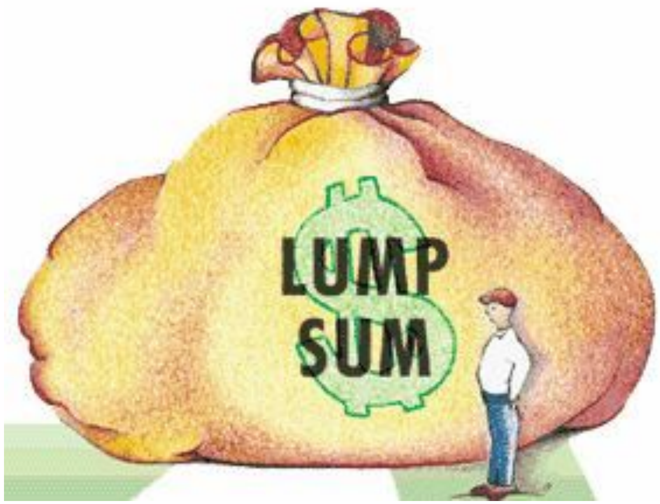
2. If James has earnt $120,000 for the financial year giving them a combined income amount of $190,000, then we need to calculate the difference in the Government Rebate entitlement.

Calculation: **Tier 1** - $180,000 - $210,000 = 17.289% for code 30 and 16.943% for code 31

$3,175 x 17.289%= $ 548.92 $2,366 x 16.943% = $400.87
Government rebate received = $823 + $601 = $1,424
Rebate entitled to = $548.92 + $400.87 = $949.79

Therefore Sandra and James will need to pay back $1,424 - $949.79 **= $474.21**

Lump sum offsets



Lump sums relating to annual leave, long service leave or termination of employment may be eligible for a tax offset. These are calculated by Handi-Tax or by the Australian Tax Office.

Lump sums of holiday pay and long service leave shown at letter 'A' are taxed at no more than 30 cents in the dollar.

Queensland QTAX Income Tax Specialists

ALL SUBSTANTIATION RECORDS MUST BE KEPT FOR A MINIMUM OF FIVE YEARS!