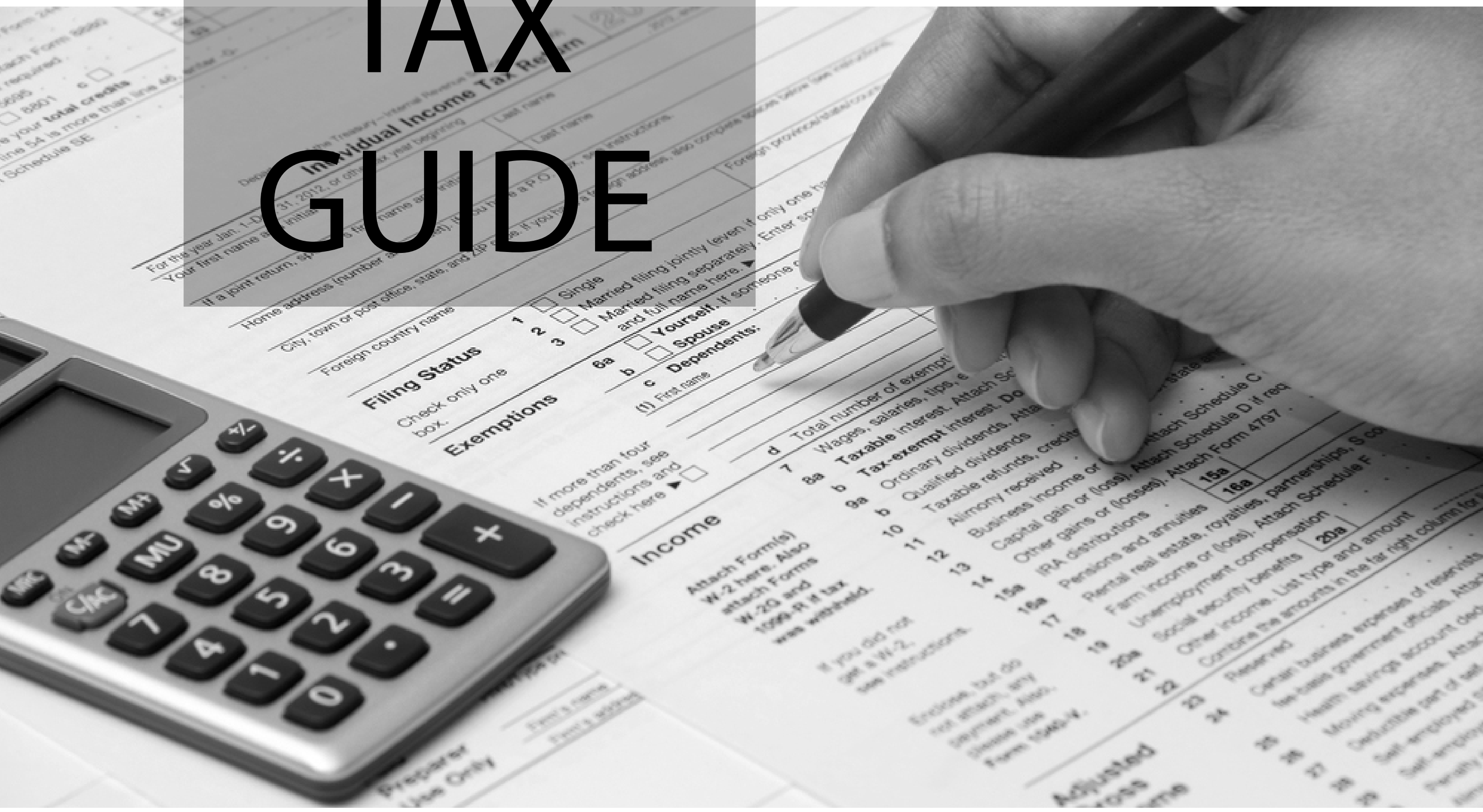
PROFESSIONALS AUSTRALIA

2013 TAX GUIDE

Exclusively available to Professionals Australia members thanks to Matchett Partners Pty Ltd Accountants and Taxation Consultants



Professionals Australia

CONTENTS

1. About This Brochure

1.1 Introduction

This Tax Guide summarises the major factors that need to be considered when preparing an income tax return for the year ended 30 June 2013. This guide is prepared as assistance to APESMA members and is for information only. While every care has been taken to ensure that the information is correct, the Association can carry no responsibility for the application of this information. If you need any advice or assistance in the preparation of your income tax return, please contact your accountant or contact our partner Matchett Partners on 9809 4469.

Detailed below is an overview of the Guide's contents.

1.2 Taxable Income

Taxable income is generally calculated as:–

*Assessable Income **Less** Allowable Deductions.*

Tax payable on taxable income will be reduced by the effect of any tax offsets and dividend imputation that may be available.

1.3 Returns and Assessments (refer Section 4)

Resident individual taxpayers whose taxable income during the year ended 30 June 2013 exceeded $18,200 must generally lodge an income tax return. Return forms to be used are:–

Individual:	Form I
Companies:	Form C
Partnerships:	Form P
Trusts:	Form T

Substantiation

The emphasis of the taxation system is on self assessment. Accordingly, most allowable deductions (e.g. claims for employment related expenses, motor vehicle and travel expenses) must be substantiated by documentary evidence.

Objections

Following receipt of an income tax assessment, an objection may be lodged if the assessment is not considered to be correct (generally within 4 years of the date the assessment). Appeals against a decision on your objection may be made to the Small Claims Tribunal, Administrative Appeals Tribunal and Federal Court.

1.4 Tax Rates (refer Section 5)

Tax rates vary according to the nature of a taxpayer (e.g. adult, child, company). Individuals must also pay a Medicare Levy of 1.5% where their taxable income exceeds $20,542 (or for a family, taxable income exceeds $33,693 + $3,094 per dependent child).

1.5 Assessable Income (refer Section 6)

Assessable income means all amounts received (except exempt income) which are taxable. It includes salaries and wages, unemployment and sickness benefits, some pensions and retirement allowances, other allowances, rental income, interest and dividends.

1.6 Allowable Deductions (refer Section 7)

Deductions are allowed for expenses incurred in gaining assessable income and can include work-related expenses such as travel, clothing, self-education, association fees, accountant's fees, trade journals etc.. A number of methods of calculating motor vehicle expenses can be used (e.g. Log Book, 1/3 of total car expenses, 12% of cost, set rate per business kilometre).

Donations and gifts may also be allowable deductions as are certain superannuation contributions, prepayments and home office expenses.

1.7 Capital Gains Tax (refer Section 8)

This tax applies generally to gains made on the disposal of assets by taxpayers, which were acquired after 19 September, 1985. Specific exemptions exist for principal residences, life policy proceeds, personal use assets, motor vehicles and betting and gambling wins.

1.8 Tax Offsets (refer Section 9)

Rebates of tax can be claimed for dependents such as spouses. They are also available to low income earners and for out-of-pocket medical expenses.

1.9 Tax Rulings (refer Section 10)

If a contentious item exists, consider seeking a private tax ruling from the ATO.

1.10 Termination Payments (refer Section 11)

Employment termination payments are payments made in consequence of termination, which can be subject to special tax treatment. They may be rolled over to defer tax.

1.11 Tax Planning (refer Section 12)

A number of legal, tax-planning techniques exist including diverting income to persons with lower tax rates, establishing companies, trusts and partnerships, deferring the receipt of income and bringing forward deductions. Make sure you consider these techniques before the end of the financial year.

1.12 Negative Gearing (refer Section 13)

Gearing simply means borrowing to invest. Where interest on the borrowings used to finance the acquisition of an income producing asset exceeds the net income derived from the asset, it is being negatively geared. In order to be a useful tax planning tool, the asset must be increasing in capital value over its life.

1.13 Superannuation (refer Section 14)

Superannuation funds, if they comply with legislative arrangements receive concessional tax treatment. Contributions to such funds will be deductible in most instances and can reduce tax payable in a given year.

IN SUMMARY

- The contents of this guide should assist with tax return preparation
- The Income Tax Legislation is detailed. Seek appropriate professional advice where necessary
- If you are in doubt about your tax return or tax in general, contact your accountant

2. The Budget

2.1 Overview

The Federal Government recently handed down the 2012/13 budget. Key facets of the budget from a taxpayer's perspective (some of which are explained in more detail below) include:–

- Individuals with 'income' greater than $300,000 in 2012/13 will have their concessional contributions taxed at 30% and not 15%.
- The Net Medical Expenses Tax Offset will only be available in 2013/14 if it was claimed in 2012/13. It will continue to be available for disability aids, attendant care or aged care expenses until 30/6/19.
- Self education expenses capped at $2,000 from 2014/15.
- No HELP/HECS discount from 1/1/14.

2.2 Private Health Rebate Rates and Medicare Levy Surcharge

From 1 July 2012 to 30 June 2013	Private Health Insurance Rebate			Medicare levy Surcharge Rates
Income levels	Below 65 years	65 years or over	70 years or over	
$84,001 single or $168,001 family	20%	25%	30%	1%
$97,001 single or $194,001 family	10%	15%	20%	1.25%
$130,001 single or $260,001 family	0%	0%	0%	1.50%

Private Health Rebate Rates and Medicare Levy Surcharge

From 1 July 2013	Private Health Insurance Rebate			Medicare levy Surcharge Rates
Income levels	Below 65 years	65 years or over	70 years or over	
$88,001 single or $176,001 family	20%	25%	30%	1%
$102,001 single or $204,001 family	10%	15%	20%	1.25%
$136,001 single or $272,001 family	0%	0%	0%	1.50%

3. Taxation Treatment of Certain Loans

A number of changes previously occurred in relation to loans from companies. Set out below is a listing of major changes which it should be stressed is not exhaustive.

3.1 Private Company Distributions (Division 7A)

Division 7A of the Income Tax Assessment Act (1936) (the ITAA (1936)) ensures that the making of a payment or loan by a private company to a shareholder (or associate), or the forgiveness of a debt owed by the shareholder (or associate) to the private company, is treated as an assessable unfranked dividend to the shareholder (or associate) for the amount of that payment, loan or debt forgiveness.

The underlying purpose of these anti-avoidance provisions is to ensure that shareholders and associated parties cannot indirectly access the private company's realised or unrealised profits by making disguised distributions of profits without being subject to tax. Thus, any personal expenses (e.g. school fees) paid by a private company in respect of a shareholder or an associate (e.g. spouse) of the company, or any funds withdrawn from the private company by that shareholder to fund the payment of a private mortgage will be treated as a deemed dividend to the shareholder if all the eligibility provisions of Division 7A are met.

3.1.1 Application

For Division 7A to apply, the following elements must exist:–

- there must be an payment, loan or debt forgiveness;
- made by a private company;
- to a shareholder or an associate of a shareholder (but not another company);
- which is not otherwise "excluded" under a specific exemption; and
- the company has a distributable surplus (which is the company's net assets at year end adjusted for various specific factors).

The terms payment, loan and debt forgiveness are all extensively defined for Division 7A under specific provisions.

Following recent amendments a payment will also arise where a private company provides a company owned asset such as real estate, a car or a yacht for the private use of the shareholder or associate at either a free or discounted rate. The amount of the dividend is the market value of such use less any consideration paid. However, the deemed dividend will not arise if the annual value of the benefits received was less than $300, the private usage would otherwise have been allowable as a once-only deduction or where certain dwellings are provided for private use by the company.

In addition, a private company will be taken to have made a payment or loan to a target shareholder (or associate) where such a payment or loan is made to that target entity via one or more interposed entities.

3.1.2 Exclusions

Broadly, these measures will not apply to certain "excluded loans or payments" which include the following:

- repayments of genuine debts owed to the company;
- payments and loans to other companies (other than corporate trustees) even if it is a shareholder or an associate;
- payments and loans that are otherwise assessable or which are specifically excluded from assessable income;
- distributions or loans made by a liquidator in the course of winding up a company;
- ordinary business loans made on the company's usual terms for arm's length loans of that type;
- loans made for the purpose of enabling a shareholder or associate to acquire an interest under an eligible employee share scheme;
- any loan which is fully repaid in the same income year in which the loan was first paid or credited. An anti avoidance provision ensures that this exclusion is not abused by, for example, the loan being repaid in late June and then re-lent in early July; and
- an 'excluded loan' which is in writing and meets the prescribed minimum interest rate and maximum term criteria of seven years for unsecured loans and 25 years for unsecured loans. The prescribed minimum interest rate for the 2013 year is 7.05%, and the written agreement loan must be made before the lodgment day of the private company's return for the year in which the loan was made.

Where a private company makes a non-excluded payment to an entity it may also be possible for the payment to be converted into a loan before the lodgment day of the private company's income tax return for the year in which the payment arose.

The following exemptions apply in respect of any debt forgiveness made by the private company:

- where the debtor is another company;
- the debt is forgiven because the debtor becomes a bankrupt;
- the debt forgiven has already been subject to Division 7A as a loan which has been treated as a deemed dividend; or
- the Commissioner exercises a discretion to not apply Division 7A on the basis that it would cause undue hardship.

4. Returns and Assessments

4.1 When to Lodge a Return

Resident taxpayers whose taxable income during the financial year ended 30 June 2013 exceeds the non-tax threshold of $18,200 must generally lodge an income tax return.

All returns prepared by taxpayers must be lodged by 31 October 2013. If you are unable to lodge the return by the due date you should write to the ATO asking for an extension of time to lodge, giving reasons, before the due date for lodgement.

Taxpayers who lodge their returns through a registered tax agent may avail themselves to a general extension of time granted to tax agents to lodge a return.

If a taxpayer has a business or professional income schedule to complete, the income tax return must be lodged electronically.

4.2 Type of Return

The return form to be used by individual taxpayers is a "Form I". The ATO releases an electronic version only (equivalent to the former "Tax Pack" document) which contains step-by-step instructions for completing a "Form I". To access this information, type "Tax Time 2013 Essentials" into the search engine at www.ato.gov.au. Other forms are:

- "C" returns are prepared by all companies.
- "P" returns are used for all partnerships.
- "T" returns are used for Trust estates, including deceased estates and discretionary/fixed/unit trusts.

To search for guides on these forms, search "Tax Time 2013 essentials" at www.ato.gov.au and then click on "Instruction Guides".

4.3 Death of a Taxpayer

Two returns are needed in the event of a taxpayer's death:

(i) an "I" return for the period up to the date of death; and

(ii) a "T" return from the date of death to the end of the financial year and for subsequent years until the deceased's estate is fully settled.

4.4 Self Assessment

The emphasis in the taxation systems is on self-assessment. This means that the taxpayer is required to claim taxation deductions on the basis of receipts and other documentary evidence available.

Under this system, the Tax Commissioner will make an assessment of the taxable income and tax payable and then forward a notice of assessment to the taxpayer.

While the scrutiny of the returns by the Commissioner prior to raising the assessment is now minimised under self-assessment, the Commissioner can issue an amended assessment some years after the original assessment has been issued (in fact, within four years from the date the tax became due, or two years in the case of simple returns).

However, where there has been an avoidance of tax and the Commissioner considers that the avoidance of tax is due to fraud or evasion, he can amend the assessment at any time.

The Commissioner relies on a number of methods to determine whether a taxpayer has included all assessable income and correctly claimed deductions. This can be achieved by requests to the taxpayer to provide further information and receipts, details provided by external organisations or alternatively by interview with a ATO auditor. More complex returns may be subject to a general audit.

4.5 Substantiation

Generally, all claims for employment-related, motor vehicle and travel expenses must be supported by documentary evidence. The evidence must support not only the amount of the expenditure, but also the reason for it being incurred.

Substantiation requirements and the basis of claiming motor vehicle expenses are detailed at Section 7.5 of this Guide.

Documentary evidence required under substantiation is a receipt, invoice or similar document that includes:

a) the date of the document;

b) the name of the supplier;

c) the amount of the expense and the currency; and

d) the nature of the goods or services.

The rules for substantiation can be summarised as follows:–

(1) Business Travel Expenses

Written evidence must be obtained and kept by the taxpayer if the travel involved at least one night away from home.

A travel diary, or similar document, must be kept if the taxpayer is away from his or her ordinary residence for six or more nights in a row.

(2) Work Expenses

Written evidence is not required for:

(i) **work expenses that total $300 or less** including laundry expenses but excluding travel or meal allowance expenses;

(ii) **laundry expenses totalling $150 or less**, even if work related expenses exceed $150;

(iii) **an expense on a motor vehicle that is not a car** (e.g. motor cycle) or is not owned or leased, unless it is a taxi fare or similar expense;

(iv) **expenses covered by an award transport payment**, if the taxpayer does not claim more than the award payable at 29 October, 1986;

(v) **overtime meal allowance expenses covered by an allowance**, presently $27.10 per meal, if the expense claimed is reasonable.

(vi) **expenses covered by a travel allowance** which is considered by the Commissioner to be a reasonable amount if travel occurred in Australia or overseas (travel records must still be kept), except accommodation for overseas travel.

(3) Car expenses

Current exemptions from substantiation that still exist are:

(i) **Claims for expenses of less than $10 each**, where in total such claims do not exceed $200 in a year, although you must record the following information as soon as possible after the time of incurring the expense in English:

(a) the name of the supplier;

(b) the amount of the expense;

(c) the nature of the goods or services; and

(d) the day of the expense.

(ii) **Employment-related expenses** if the total claimed does not exceed $300 during the year (including laundry expenses)

(iii) **Claims in respect of reasonable domestic travelling allowances** received by employees (Section 82KZ(4)). Taxation Ruling TR2003/7 states that a domestic travelling allowance will be treated as reasonable if it does not exceed the daily rates set for members of the Australian Public Service (APS). The current daily rates are set out overleaf:

APS RATES FOR DOMESTIC BUSINESS TRAVEL

Salary Levels Below $104,870						
Location	Accom	Food & Drink			Incidentals	Total
		B/Fast	Lunch	Dinner		
Adelaide	157.00	24.35	27.35	46.70	17.85	273.25
Brisbane	201.00	24.35	27.35	46.70	17.85	317.25
Canberra	165.00	24.35	27.35	46.70	17.85	281.25
Darwin	189.00	24.35	27.35	46.70	17.85	305.25
Hobart	132.00	24.35	27.35	46.70	17.85	248.25
Melbourne	173.00	24.35	27.35	46.70	17.85	289.25
Perth	233.00	24.35	27.35	46.70	17.85	349.25
Sydney	183.00	24.35	27.35	46.70	17.85	299.25
High-cost country ctrs	see below	24.35	27.35	46.70	17.85	see below
Tier 2 country ctrs	127.00	21.80	24.90	42.90	17.85	234.45
Other c ctrs	106.00	21.80	24.90	42.90	17.85	213.45

Salary Levels Between $104,871-$186,520						
Location	Accom	Food & Drink			Incidentals	Total
		B/Fast	Lunch	Dinner		
Adelaide	186.00	26.50	37.50	52.55	25.50	328.05
Brisbane	233.00	26.50	37.50	52.55	25.50	375.05
Canberra	220.00	26.50	37.50	52.55	25.50	362.05
Darwin	264.00	26.50	37.50	52.55	25.50	406.05
Hobart	176.00	26.50	37.50	52.55	25.50	318.05
Melbourne	228.00	26.50	37.50	52.55	25.50	370.05
Perth	239.00	26.50	37.50	52.55	25.50	381.05
Sydney	229.00	26.50	37.50	52.55	25.50	371.05
High-cost country ctrs	see below	26.50	37.50	52.55	25.50	see below
Tier 2 country ctrs	152.00	24.35	24.90	48.50	25.50	275.25
Other c ctrs	127.00	24.35	24.90	48.50	25.50	250.25

Salary Levels $186,521 and above						
Location	Accom	Food & Drink			Incidentals	Total
		B/Fast	Lunch	Dinner		
Adelaide	209.00	31.30	44.25	62.00	25.50	372.05
Brisbane	236.00	31.30	44.25	62.00	25.50	399.05
Canberra	232.00	31.30	44.25	62.00	25.50	395.05
Darwin	284.00	31.30	44.25	62.00	25.50	447.05
Hobart	195.00	31.30	44.25	62.00	25.50	358.05
Melbourne	265.00	31.30	44.25	62.00	25.50	428.05
Perth	309.00	31.30	44.25	62.00	25.50	472.05
Sydney	265.00	31.30	44.25	62.00	25.50	428.05
Country centres	190.00	31.30	44.25	62.00	25.50	see below

Accommodation at High Cost Country Centres

A. Springs NT	150.00	Exmouth WA	255.00	Newman WA	195.00
Bourke NSW	165.00	Geelong VIC	136.00	Norfolk Island	190.00
Bright VIC	136.00	Geraldton WA	135.00	PtHedl'nd WA	259.00
Broome WA	210.00	Gladstone QLD	187.00	Pt Pirie SA	140.00
Bunbury WA	155.00	G'd Coast QLD	149.00	Thurs Is QLD	180.00
Burnie TAS	135.00	Halls Creek WA	165.00	Wgga-W NSW	134.00
Cairns QLD	140.00	Horn Is QLD	169.00	Weipa QLD	138.00
Carnarvon WA	151.00	Jabiru NT	192.00	Wilpena-Pd SA	167.00
Castlem'e VIC	133.00	Kalgoorlie WA	159.00	W'gong NSW	136.00
Chinchilla QLD	133.00	Karratha WA	347.00	Whyalla SA	145.00
C'mas I'd WA	150.00	Katherine NT	134.00	Yulara NT	244.00
Dampier WA	175.00	Kununurra WA	202.00		
Derby WA	182.00	Mackay QLD	141.00		
Echuca VIC	123.00	Mt Isa QLD	160.00		
Emerald QLD	141.00	Newcastle NSW	143.00		

Tier 2 Country Centres

Albany WA	Esperance WA	Port Augusta SA
Ararat VIC	Gosford NSW	Portland VIC
Armidale NSW	Goulburn NSW	Port Lincoln SA
Bairnsdale VIC	Hamilton VIC	P't Macquarie NSW
Ballarat VIC	Hervey Bay QLD	Queanbeyan NSW
Bathurst NSW	Horsham VIC	Renmark SA
Bendigo VIC	Innisfail QLD	Rockhampton QLD
Bordertown SA	Kadina SA	Roma QLD
Broken Hill NSW	Kingaroy QLD	Seymour VIC
Bundaberg QLD	Launceston TAS	Swan Hill VIC
Ceduna SA	Maitland NSW	Tamworth NSW
Cocos (Keeling) I'ds	Mildura VIC	Tennant Creek NT
Coffs Harbour NSW	Mount Gambier SA	Toowoomba QLD
Cooma NSW	Mudgee NSW	Townsville QLD
Devonport TAS	Muswellbrook NSW	Tumut NSW
Dalby QLD	Naracoorte SA	Warrnambool VIC
Dubbo NSW	Orange NSW	Wonthaggi VIC

Travel Claims

Commencing from 2001/02, the ATO has changed its methodology for working out reasonable overseas travel allowances. Table 1 sets out the cost group for each destination and Table 2 sets out the reasonable allowance in Australian dollars

Table 1: Cost Groups

Canada	4	Malaysia	2
China Beijing	4	Singapore	4
China Hong Kong	4	South Africa	1
France	6	Thailand	3
Germany	5	United Kingdom	5
Indonesia	3	USA	4
Italy	5	Vietnam	2

Table 2: Reasonable Allowances ($AUS)

Cost group	Salary $104,870 and below			Salary $104,871 to $186,520			Salary above $186,521		
	Meals	Incid	Total	Meals	Incid	Total	Meals	Incid	Total
1	55	25	80	75	25	100	95	30	125
2	85	30	115	110	35	145	140	40	180
3	110	35	145	135	40	175	170	45	215
4	130	35	165	170	45	215	205	50	255
5	185	40	225	230	50	280	285	60	345
6	220	45	265	280	50	330	330	60	390

Substantiation requires that, for all claims other than those exempt items, receipts and invoices verifying the expenditure must be kept and if requested should be furnished to the Commissioner within 28 days. Receipts and invoices must be retained for a period of 5 years.

The Commissioner however has the discretion not to apply the substantiation requirements in respect of a particular expense item where the requirements would otherwise operate to deny a deduction for the expense. The substantiation requirements would not apply where, having regard to the nature and quality of the evidence available to substantiate the taxpayer's claim and any special circumstances affecting the taxpayer, the Commissioner is satisfied that the expense has been incurred.

4.6 Objections

Following the receipt of an income tax assessment notice from the Taxation Commissioner, an objection may be lodged if it is considered that the assessment is not correct. The objection must normally be lodged within 4 years of service of assessment notice.

An objection against an amended assessment or determination must be lodged within the later of:

- 4 years after service of the notice of assessment of determination that has been amended; or
- 60 days after service of the notice of the amended assessment or amended determination.

Where the objection is not dealt with by the Commissioner within 60 days, the taxpayer can serve a written notice requiring the Commissioner to make a decision within a further 60 days. Note that where the Commissioner has not replied, it should be taken as though the Commissioner has disallowed the deduction.

The content of the formal objection is particularly important to ensure that your rights are protected. Professional advice is usually required in formulating an objection.

4.7 Appeals

A taxpayer who is not satisfied with the Commissioner's decision on the objection has three options:

(a) Small Taxation Claims Tribunal for claims under $5,000 - Application fee $81;

(b) Apply to the Administrative Appeals Tribunal (and lodging a $816 fee); or

(c) Appeal to the Federal Court (and paying the prescribed fee for both the lodging fee and settling hearing date fee).

These options can be costly, particularly as there is a long waiting list for appeals. In addition, the tax must usually be paid (or extra refund delayed) pending the outcome of the appeal.

IN SUMMARY

- Lodge your tax return by 31 October if an individual
- Be aware that generally deductions require documentary evidence
- Objections and appeals can be lodged against assessments but this may be costly

5. Tax Rates

5.1 Individual Tax Rates

Tax rates applicable to Australian residents for 2012/2013 are as follows:

Resident Tax Rates – 2012/2013

Taxable Income $	Tax Payable $
0 – 18,200	*Nil*
18,201 – 37,000	*Tax is 19% of the part over 18,200*
37,001 – 80,000	*3,572 + 32.5% of the part over 37,000*
80,001 – 180,000	*17,547 + 37% of the part over 80,000*
180,001+	*54,547 + 45% of the part over 180,000*

NOTE: These rates do not include the Medicare Levy.

5.1.1 Employment Termination Payment Rates (ETP)

An ETP is a lump sum payment made as a consequence of the termination of an employee or office holder. Essentially a termination must arise in consequence of the termination of a person's employment. Alternatively, a death benefit termination payment is an ETP received by a taxpayer after another person's death in consequence of the other person's death (ie the employer dies).

Common examples of ETPs are:

- Golden handshakes;
- Unused rostered days off;
- Amounts in lieu of notice; and
- Genuine redundancies.

As a result, the circumstances and documentary evidence surrounding the payment is critical.

The following table illustrates the maximum tax rates that can apply to the taxed element of the post 30 June 1983 component of an ETP (any pre 30 June 1983 component is tax-free). Where the rate of tax would otherwise be less than the relevant maximum, then the actual rate applies and the specified maximum is irrelevant. Medicare levy is added to whatever rate (other than nil) is applicable.

Age	Maximum Rates For 2012/2013	
	1-54 Years of Age	55+ Years of Age
• up to $175,000	30%	15%
• $175,000 +	45%	45%

5.1.2 Taxation of Superannuation Fund Income

From 1 July, 1988 a concessional rate of tax of 15% was introduced on all taxable contributions made to superannuation funds provided that the funds are complying superannuation funds. Non-complying funds are taxed at the top marginal rate (2012/2013 – 45%). From 1 July 2012, at additional 15% tax is payable by individual taxpayers with their income for surcharge purposes exceeds $300,000.

In addition the net investment income of complying funds is also taxed at 15%, and CGT applies to disposals of assets by all superannuation funds (with a 1/3 discount for assets held for more than 12 months), approved deposit funds and pooled superannuation trusts made after 30 June, 1988.

The cost base of the assets held by the superannuation fund for the purpose of determining taxable gains on disposal, is whichever of the original cost or the market value at 30 June, 1988 yields the lower capital gain or capital loss.

An individual is liable to excess concessional contributions tax of 31.5% if their concessional contributions for the year exceed the concessional cap for that year. The cap is $25,000 for 2012/2013 for all taxpayers.

Concessional contributions are generally contributions that are deductible to the contributor e.g SG contributions, employer contributions made under salary sacrifice arrangement and deductible contributions made by a self-employed person.

5.2 Medicare Levy

The rate of Medicare Levy applicable for 2012/2013 is 1.5% of the taxpayer's taxable income. It should be noted that there is relief from the Medicare Levy for low income earners whose taxable income is $20,542 or less.

A phasing-in applies to reduce the Medicare Levy where taxable income exceeds $20,542 but does not exceed $24,166.

Medicare Levy exemption applies in respect of a family whose total taxable income does not exceed $33,693 with phasing-in applicable of $3,094 for each additional dependent.

The Medicare Levy low income threshold for those who qualify for Senior Australians Tax Offset pension age is $32,279. This will ensure pensioners do not pay Medicare when they do not have an income tax liability.

5.3 Children's Tax Rates

Children's tax rates apply to persons under 18 years on 30 June in the tax year but do not apply to:–

(i) Married persons at 30 June;

(ii) Anyone fully employed at 30 June;

(iii) Persons, who, having been fully employed for at least 3 months of the financial year, were not so employed at 30 June. There must be an intention at 30 June to become fully employed in the following year;

(iv) Handicapped persons;

(v) Double orphans; and

(vi) Permanently disabled persons.

The income which is affected is:

All assessable income which qualifies as "eligible income" unless specifically exempted as "excepted income".

"Excepted Income" includes:

(a) Employment income, such as salary and wages income subject to the PAYG withholding provisions;

(b) Business income derived by a person carrying on a business either alone or with another person. Anti-avoidance provisions included in the Income Tax Assessment Act restrict the amount of business income to that considered fair and reasonable by the Commissioner of Taxation;

(c) Investment income from damage awards;

(d) Income for death benefits and deceased estates;

(e) Income from public funds, divorces and lotteries;

(f) Non-business partnership income; and

(g) Investment income from accumulations derived from excepted income.

The income on which the special rates of tax apply, the eligible assessable income, is the total assessable income less the excepted income.

Children's Tax Rates	
Up to $416	Nil
$417 to $1,307	66% on income over $416
Over $1,308	45%

Note that children are not entitled to the low income rebate.

IN SUMMARY

- Personal Tax rates vary from nil to 45% + Medicare Levy
- ETPs and Superannuation Fund Income receives concessional tax treatment
- Children's tax rates apply for certain forms of income earned by minors

6. Assessable Income

6.1 What is Assessable Income?

Assessable income means all amounts received, other than exempt income, by way of remuneration, allowances and compensation by a person in respect of services rendered or goods sold.

It includes the following:-

6.2 Salary and Wages as per Payment Summary

If the original payment summary (formerly known as a Group Certificate) is lost, a copy will usually be sufficient. However, if that is not available, a statutory declaration on the required form should be lodged with the return.

6.3 Unemployment or Sickness Benefits

Benefits received from the Department of Social Security.

6.4 Workers' Compensation and WorkCare

Payments received for loss of wages.

6.5 Allowances

Travelling, tool and clothing allowances, etc.

6.6 Payments in lieu

Unused annual leave or unused long service leave paid as a lump sum upon retirement or resignation.

Retirement lump sum superannuation and other eligible termination payments.

6.7 Sale of Shares, Property

Short-term profits from property and shares, sales now may be subject to Capital Gains Tax. Generally only shares or property acquired after 19th September 1985 may be subject to capital gains tax which is explained later. Profits on sale of shares or property acquired for profit making purposes may be subject to income tax.

6.8 Rental Income

The gross rental income from an investment property, with deductions available for all applicable expenses.

6.9 Interest

From bank and other investments.

6.10 Dividends

All dividend income received from companies.

Note that a rebate of tax is available to the shareholder if such dividends have been "franked", i.e., tax has been paid by the company in respect of the dividends. Dividends received from foreign sources may have entitlements to a credit for foreign tax paid.

6.11 Back Payments

If a lump sum on back pay is received, it is assessable in the year of receipt but a rebate of tax may be allowable.

IN SUMMARY

Assessable income includes:–

- Salary and wages;
- Unemployment benefits;
- Investment income; and
- All other forms of income that are not exempt.

7. Allowable Deductions

7.1 What are Allowable Deductions?

Deductions are allowed for expenses incurred in gaining or producing assessable income or which are necessarily incurred in carrying on a business for the purpose of gaining or producing such income. Exceptions to this rule are losses of a capital, private or domestic nature.

The Commissioner has released a series of occupation based tax rulings detailing what work related deductions are allowable. These rulings cover the:–

- Airline industry
- Australian defence force
- Building Workers
- Cleaners
- Factory Workers
- Hairdressing
- Hospitality Industry Employees
- Journalists
- Lawyers
- Nursing
- Performing Arts
- Police officers
- Real Estate Employees
- Shop Assistants
- Teachers
- Truck drivers

7.2 Expense Deductions

Your APESMA subscription should be claimed under this item, along with any other subscriptions to professional societies relevant to your employment (e.g. Institution of Engineers, Australia, Australian Institute of Management, etc.) The ATO accepts that union subscriptions will be adequately substantiated if they are shown on payment summaries or pay slips for members who pay their APESMA subscription by payroll deduction.

7.3 Work-Related Deductions

Work related expenses may be claimed provided the taxpayer is able to comply with the substantiation rules.

Such expenses include:–

(a) Travel and car

(b) Tool and clothing

(c) Any other expenses, e.g. self education

7.4 Typical Deductions

Some examples of typical deductions likely to be incurred for business purposes are:–

- Association fees, subscriptions;
- Briefcase;
- Calculator;
- Carry forward of losses;
- Conferences and exhibition fees;
- Depreciation on professional library;
- Home laundry;
- Home office expenses;
- Meals in certain circumstances;
- Prepaid deductible expenses;
- Protective clothing and shoes;
- Self Education expenses and professional development;
- Sickness and accident premiums;
- Stationery;
- Tax Agent's and Accountant's Fees;
- Telephone;
- Tools of trade;
- Trade journals;
- Travelling and motor vehicle expenses.

Generally speaking, employee expenses or losses arising out of an express or implied term of the contract of employment are allowable.

Home Office Expenses

Home office expenses necessarily incurred by a professional for business purposes are deductible. A distinction is made between where the part of the home used for income producing activities has the character of a place of business and where the part of the home used for income producing activities does not constitute a place of business.

An area of the home generally has the character of a place of business where:–

(i) it is not readily suitable or adaptable for private or domestic use;

(ii) it is used exclusively or almost exclusively for the carrying on of a business; or

(iii) it is used regularly for visits of clients or customers.

Whether the area has the character of a place of business or not the following expenses could be claimed based on the floor space of the area used compared to the total space of the home:

(a) Lighting, heating and power (34c p/hr rate 2012/2013);

(b) Cleaning;

(c) Depreciation on the office furniture and equipment including computers and calculators used for business at the following rates:

rates:	Useful Life:	DV Rates:
Office Furniture & Fittings	15 years	13.33% DV
Computers	4 years	50.00% DV
Laptop	3 years	66.67% DV
Calculators	10 years	20.00% DV

Assets costing less than $1,000 can be depreciated in a Low Value Pool (at the rate of 18.75% in the year acquired and 37.5% in subsequent years.

Where the area of the home has the character of a place of business a proportion of expenses such as mortgage interest, rates, insurance and rent may also be claimed.

In such a case, a Capital Gain or Loss is deemed to have accrued to the taxpayer on disposal of the dwelling in proportion to the extent and period the dwelling was used for the purpose of gaining or producing assessable income.

Self-Education Expenses

Self education expenses are generally deductible under section 8-1 where the taxpayer can show that the expense was incurred in gaining or producing assessable income. The Commissioner's views as to the application of section 8-1 to self education expenses is outlined in TR 92/8. In summary, the Commissioner will look at the relevance of the claimed expenditure to the scope of the activities incurred in gaining or producing income. A professional needs to show that the self education expenses were relevant and incidental to their employment, i.e. a professional will need to establish a connection or *nexus* between the expense and the means in which you derive income.

Examples of what constitutes a nexus based on past case law includes:–

- increase in an employee's proficiency in the performance of their duties;
- improving an employee's opportunities for promotion; and/or
- maintaining a level of skill/knowledge to perform their employment requirements.

On the other hand where the self-education expenses are required to open up a new field of work or it is unrelated to their current employment, the courts have viewed such expenditure as being capital and non deductible.

TR 98/9 lists items which are deductible for self education expenses. They are as follows:–

1. ***Course or Tuition Fees (except for payments made under HELP)***

   Course and tuition fees of attending an educational institution or attending work related conferences or seminars. Note seminars must be an eligible seminar as defined in sec. 32-35 where it runs for more than 4 hours and a light lunch may be provided. The cost is deductible in full.

2. ***Books. Journals and Technical Equipment***

   The cost of professional and trade journals should be deducted as part of work related expenses and not self education. Text books used in a course are deductible if they cost less than $300 each otherwise they should be depreciated as part of a professional library. Where equipment such as a computer, calculator, desk etc. are required for study, the items can be depreciated and apportioned according to the level of use for study purposes.

3. ***Fares and Accommodation and Meals Expenses***

   Expenses incurred on overseas study tours, work-related conferences or seminars which requires the taxpayer to travel interstate or overseas are deductible

4. ***Motor Vehicle Expenses***

   Motor vehicle travel between place of work and the educational institution or vice-versa is tax deductible. The methods by which motor vehicle expenses can be claimed are outlined in Section 7.5.

5. ***Interest Expenses***

   Interest on money borrowed to pay for self education expenses is deductible on the condition that the self education expenses are deductible themselves.

   Where a claim for self education meets the requirements under section 8-1, then section 82A is activated.

   The section states that where a taxpayer is allowed a deduction under section 8-1 in respect of "expenses for self-education", then the deduction available to the taxpayer will be reduced by $250 and the net amount over $250, if any is claimable.

   The application of section 82A refers to "expenses of self education" which are defined as expenses necessarily incurred by the taxpayer for or in connection with a prescribed course of education. (i.e. a course of education provided by a school, college, university or other place of education) <u>and</u> undertaken by the taxpayer for the purpose of gaining qualifications for use in the carrying on of a profession, business of trade or in the course of any employment.

   A taxpayer may be able to show that an expense under section 8-1 falls outside the scope of section 82A on either of the two grounds listed below.

1. ***Purpose of the Course***

   Where the taxpayer's dominant subjective purpose for pursuing a course is not to gain qualifications for use in carrying on a profession or employment, then the amount does not fall within the ambit of self education. The Commissioner has stated that where the taxpayer attends short-term refresher courses, they are not considered a prescribed course of education. The purpose of the course in this case relates to on-the-job training or short-term staff development training courses of the kind where no qualifications are obtained and a 100% deduction can be claimed.

2. ***Place where course is conducted***

   Generally, where the course is conducted at a school, college, university or other place of education, they are viewed as having a primary function of education. If a course were conducted at an organisation where their primary function is something other than education such as APESMA, then the course would not satisfy the definition of prescribed course of education and hence the taxpayer may be entitled to a 100% deduction.

Protective Clothing

A deduction may be allowed if the taxpayer's clothing is necessary and peculiar to the occupation of the taxpayer, or the clothing is conventional but the taxpayer is required to incur abnormal expenditure in relation to such clothing because of taxpayer's occupation. Normal business attire is not allowable as a claim.

Travel Expenses - Employees

Professionals who travelled within Australia and overseas for their employers and incurred additional expenses which are not reimbursed by their employers can claim these expenses as deductions.

Travel expenses subject to special substantiation requirements are those incurred in relation to travel by employees:–

- overseas; or
- within Australia where the member has been away for a continuous period of more than five nights. For the expenses to be deductible, members have to prove that the travel expenses incurred related to the conduct of the business.

Employees are required to dissect the travel expenses for each trip into:

- Car hire, air, bus, train and taxi fares;
- Accommodation;
- Meals;
- Incidentals.

and state the total amount of expenses that are related to business purposes.

For overseas travelling and domestic travel over six or more nights, it is imperative that a business diary be maintained. Diary entries must contain sufficient detail to give a reasonable guide as to the extent to which the trip was undertaken for deductible purposes.

A travel diary may be any document that provides the following business details:–

- Where the activity took place;
- The date and time the activity commenced;
- The length of time taken on the activity; and
- The nature of the activity.

Taxation Ruling MT 2038 provides various guidelines for diary maintenance. A brief summary of the ruling is as follows:–

- A travel itinerary may be prepared in advance and endorsed by the employee that the schedule was followed with any variations recorded;
- A detailed conference schedule endorsed by the employer is recommended; and
- Where the employer requires a written report on a trip, provided that all the necessary details are incorporated into the report, then this would also satisfy the substantiation requirements.

Receipts, invoices or other evidence must also be kept to prove your travel claims.

Where a reasonable travel allowance is received, you can claim expenses up to the allowance. However, where no allowance is received, full substantiation is required.

The current rates are listed under Section 4.5 of this Guide.

If the member's claim for travelling expenses in respect of a travel allowance received does not exceed the limits, no substantiation is required.

However, the mere receipt of a travel allowance does not entitle an employee to a deduction for travel expenses whether or not the allowance is received under an industrial award.

Telephone

Telephone costs necessarily incurred for business purposes are deductible. Substantiation rules require that the expenses claimed must be supported by relevant copies of Telstra/Optus accounts and a reasonable estimation supporting the business usage claimed.

Carry-bags and Briefcases, etc.

Deductions are available for expenditure by professionals for their carry-bags and briefcases if used to gain or produce assessable income.

The bags may be used to carry books and/or equipment which must be used whilst on duty (e.g. professionals who are issued with technical manuals, etc.).

It is inherent in the duties of some professionals to use briefcases and in other cases the use of a suitcase may be necessary for an employee who is required to travel in the course of his/her duties.

If the cost does not exceed $300, a deduction may be allowed under section 8-1 for the cost in the year in which it is incurred. Articles costing more than $300 qualify as plant or capital items for which depreciation will be allowable to the extent they are used for the purpose of employment.

Work related computer expenses

You can claim a deduction for the work related portion of**:**

- the cost of repairs to your computer
- the interest on money borrowed to finance the cost of the computer, and
- the decline in value of your computer – depreciation

Computer software expenses

Expenditure incurred in acquiring computer software forms part of the cost of the unit of computer software acquired. The general rules for depreciating assets apply to these units of computer software. The decline in value is worked out using the prime cost method and an effective life of two and a half years.

Other tools and equipment

You can claim an immediate deduction for the full cost of tools and equipment bought on, or after, 1 July 2001 if:

- the cost of a particular item **does not exceed $300**, **and**
- you use the item predominantly for the purpose of producing assessable income that is not income from carrying on a business, **and**
- the item is not part of a set that you start to hold in that income year, where the total cost of the set exceeds $300, **and**
- the total cost of the item and any other identical or substantially identical item that you start to hold in that income year does not exceed $300.

If you do not meet all of the conditions listed above, you cannot claim an immediate deduction for the full cost of your tools and equipment.

However, you can claim a deduction for the decline in value of the tools and equipment (depreciation cost) you use for work based on their effective life.

Depreciation of Computer

You can claim a deduction for the decline in value of tools and equipment you use for work. Tools and equipment are depreciating assets; 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 held for use.

Apportioning expenses

If you use tools and equipment partly for work and partly for private purposes, you can only claim a proportion of the cost of repairs and a proportion of their decline in value. For example, if you use your computer 80% of the time for work and 20% for private computer use for your family, then you can only claim a deduction for 80% of the cost of repairs and 80% of the decline in value of the computer. In response to the Association's submission to the Commissioner of Taxation that claims for depreciation of microcomputers be deductible for professionals under Section 54 of the Income Tax Assessment Act, the Commissioner replied that, if the member can demonstrate the nexus of the claim for depreciation of the microcomputer with the production of assessable income, the claim for depreciation will be allowable.

Depreciation

Generally, the calculation of decline in value is based solely on the asset's effective life. Accelerated rates of depreciation can only be used if you were entitled to use them for that item of plant before the introduction of the Uniform Capital Allowance regime. Like the former depreciation provisions, for most new assets, you decide whether to adopt the Commissioner's determination or to make your own estimate of an asset's effective life.

Under the UCA, you still decide whether to calculate the decline in value of an asset using the prime cost or diminishing value method. Under the prime cost method, the decline is generally calculated as a percentage of the initial cost of the asset and reflects a uniform decline in value over time. Under the diminishing value method, the decline for each income year is calculated on the balance of the asset's cost that remains after the decline in value for previous income years has been taken into account.

The UCA rules provide that the decline in value of a depreciating asset will be its cost, that is, you will be entitled to an immediate deduction, if the asset satisfies all of the following conditions:

- it costs $300 or less
- it is predominantly used to produce assessable income other than from carrying on a business
- it is not part of a set acquired in the same income year that costs more than $300, and
- it is not one of a number of substantially identical items acquired in the same income year that together cost more than $300.

For certain taxpayers like salary and wage earners and rental property owners, this provision allows an immediate deduction for some depreciating assets. This is similar to the immediate deduction that was available under the former depreciation provisions.

SBE taxpayers can claim an immediate deduction for the taxable purpose proportion of depreciating assets costing less than $6,500 provided they commence to hold the asset while they are an SBE taxpayer.

If you are entitled to claim an input tax credit in respect of a depreciating asset, the cost of the asset for UCA purposes excludes that amount of input tax credit. If you are not entitled to claim an input tax credit, the cost of the asset includes the amount of GST included in the purchase price.

The decline in value of depreciating assets that do not satisfy the conditions for an immediate deduction will generally be calculated on the basis of the effective life of the asset. Alternatively, the decline in value of low-cost depreciating assets (those which cost less than $1,000) may be calculated through a Low Value Pool.

Tools of Trade

Reasonable costs in buying or repairing "tools of trade" are tax-deductible. Where the cost of an item exceeds $300 the article would be subject to depreciation.

Any item purchased that exceeds $300 should be depreciated over its effective life.

Sickness, Accident Premiums

Deductions will be allowed for sickness and accident premiums paid to an insurance company which provides the professional with benefits of an income nature during a period of illness or incapacity because of an accident.

Overtime Meal Allowances

Overtime meal allowances which are paid pursuant to an industrial award to an employee are deductible without the requirement of documentary evidence, provided they do not exceed the amount of the allowance and the Commissioner considers the allowance to be reasonable (currently $27.10 per meal). The employee is not entitled to a claim solely because an allowance has been received. To be eligible for a claim, the allowance must be expended on overtime meals.

7.5 Motor Vehicle Expenses

Several different methods of claiming motor vehicle expense deductions can be used to satisfy the substantiation rules.

If a taxpayer wishes to claim motor vehicle expenses by reference to actual expenses apportioned between income-producing use and private use of the car, then the expenses must be substantiated under what is called the "log book method". Under this method, claims must be supported by documentary evidence, log book records and odometer records.

Taxpayers can gain full or partial exemption from the substantiation rules by electing to make their claims on a arbitrary basis, i.e. using a method of deduction which is not directly related to the actual expenditure on business usage. The arbitrary methods are the one-third of total car expenses method, the 12% of cost method and the set rate per business kilometre method. The availability of these elections and the consequences of making them vary according to whether the taxpayer travels more than 5,000 kilometres on business in the car during the income year.

The various methods which can be used are summarised below:–

Methods of Calculating Motor Vehicle Expenses	
Method	**Extent of Substantiation Required**
Log Book Method	• Log books required to be kept for at least 12 weeks in first year and then every 5 years • Odometer records required • Written evidence of expenses (repairs, etc.) required • Fuel and oil expenses may be substantiated by odometer records
One Third of Total Car Expenses Method (if business use exceeds 5,000km)	• Written evidence of expenses required • Log book records not required • Fuel and oil expenses may be substantiated by documentary evidence or by odometer records
12% of Cost Method (if business use exceeds 5,000km)	• No substantiation required • Number of business kilometres based on reasonable estimate
Set Rate per Business Kilometre	• Method can be used at any time and substantiation is not necessary

Example:

A professional leases a new vehicle during the income year, travels 30,000 km in the car during the year, and incurs the following expenses.

Insurance (comprehensive)	*$1,000*
Lease payments	*3,670*
Petrol and oil	*3,000*
Registration and third party insurance	*600*
Repairs	*500*
Total	*$8,770*

The set rates per business kilometre for the 2012/2013 year (at the time of publication) are:–

Normal Engine	Rotary Engine	Rate/ km
Up to 1600cc	Up to 800cc	63.0
1061 to 2600cc	801 to 1300cc	74.0
Over 2600cc	Over 1300cc	75.0

The following table shows what method gives the best results in various situations. The table assumes that the market value of the vehicle at the time of the lease being taken is $24,000.

Methods of Deduction Compared		
Method of Deduction	**If 22,000km are for income producing purposes $**	**If 8,000km are for income producing purposes $**
Log book	6,431	2,339
12% of cost method	2,880	2,880
$^{1}/_{3}$ of total car expenses	2,923	2,923
Set rate per kilometre, max. 5,000 (over 2600cc)	3,750	3,750

The following vehicles are exempt from the substantiation requirements:-

1. Any vehicle designed to carry a load of more than one tonne or more than 9 passengers; and
2. A taxi, panel van, utility truck or a non-passenger commercial vehicle whose private use is restricted to travel between home and work or travel incidental to business travel.

Total business travel is not only from office to a client and return, but could include travel to and from home where business is run from home.

7.6 Donations

All donations over $2 to approved public hospitals, charities and overseas aid funds are tax-deductible as follows.

Gifts

Gifts to approved school building funds. Show in the return the total amount paid and the percentage advised as allowable for income tax purposes. However compulsory school enrolment fees which are paid or transferred to a school building fund are not deductible under Sec 30-15.

Contributions to Political Parties

Contributions on or after 1st July, 1991, over $2, by taxpayers (other than companies) to a registered Political Party, up to a maximum of $1,500 are deductible.

7.7 Superannuation

Deductions may be claimed for contributions to superannuation funds by self-employed persons and employees that do not have employer superannuation support.

For further information refer to Section 14 of this Guide

7.8 Tax Agent's Fees and Accountant's Advice on Taxation

Fees for the preparation of the tax return by a registered tax agent, tax planning, disputing an assessment or decision of the ATO, ATO Audit and any other accounting assistance are deductible when the expense is paid.

7.9 Carry Forward of Losses

The previous requirement that losses incurred from investments must be claimed within seven years of their occurrence was abolished from 1st July 1989. Losses incurred in the 1989/1990 and later income years may be carried forward indefinitely until absorbed.

7.10 Prepaid Deductible Expenses

Where an employee pays for a service in advance of receiving that service, the prepayment can be deducted in the year in which the payment was made provided the services will be wholly provided within 12 months of the date the expenditure was incurred.

For example, the prepayment of an accident insurance premium invoiced in June 2013 but which is not due to be paid until July 2013 can be claimed in the 2012/2013 tax return. The same would apply to APESMA fees.

IN SUMMARY

Allowable tax deductions include:–

- Travel and Motor Vehicle Expenses
- Tools
- APESMA Fees
- Self Education

Pay close attention to the substantiation requirements of the ATO.

8. Capital Gains Tax

The capital gains tax (CGT) provisions apply to CGT events that happen to CGT assets acquired by a taxpayer on or after 19 September 1985. A taxpayer may make a capital gain or a capital loss when a CGT event happens such as on the disposal of an asset under a sale contract.

A CGT asset is any kind of property, and includes, amongst others, real estate, shares or units in a unit trust, goodwill and intellectual property, personal use assets (e.g. boats) and collectables (e.g. jewellery).

8.1 Exemptions

Generally speaking you *disregard* a capital gain or capital loss on an asset you acquired before 20 September 1985.

In addition, various other CGT assets are specifically CGT exempt including the following:

- cars, motorcycles and similar vehicles designed to carry less than 1 tonne and fewer than 9 passengers;
- superannuation lump sums and employment termination payments;
- depreciating assets and trading stock (which are each subject to other provisions under the tax law);
- compensation you received for personal injury;
- disposal of your main residence;
- a collectable you acquired for $500 or less – for example, a print, etching, drawing, sculpture or similar work of art, jewellery, rare folios, manuscripts and books, postage stamps, coins and medallions, antiques;
- a personal use asset - for example, boats, furniture, electrical goods and household items used or kept mainly for personal use or enjoyment. If you acquired it for more than $10,000, you only disregard capital losses. If you acquired it for $10,000 or less, you disregard both capital gains and capital losses;
- betting and other gambling wins; and
- decorations for valour unless they were purchased by the taxpayer.

8.2 When CGT occurs

In applying the CGT provisions you need to typically determine the date on which the ownership of an asset changed. This will usually be the date on which a contract for the sale of an asset was signed as which time the seller will be regarded as having disposed of that asset and the purchaser having acquired that asset. Where there is no sale contract the relevant date will be the date that the entity disposing of the asset stops being the asset's owner. Other separate rules apply in less typical circumstances where a CGT event occurs which does not involve a change in the ownership of an asset.

8.3 Calculation of capital gains and losses

To calculate a capital gain or capital loss it is necessary to determine the sale proceeds (i.e. capital proceeds) arising from the CGT event and the cost (i.e. cost base) of the asset.

Where the capital proceeds exceed the cost base, a capital gain arises. If the capital proceeds are less than the cost base, then it is necessary to determine the asset's reduced cost base (i.e. the cost base less allowable deductions and certain asset holding costs). If the reduced cost base exceeds the capital proceeds, there is a capital loss.

The capital proceeds from a CGT event comprises the total of the money the taxpayer has received, or is entitled to receive, plus the market value of any property the taxpayer received, or is entitled to receive. Capital proceeds also included any liability owed by the seller of the asset which are assumed by the purchaser as part of the sale agreement.

The cost base of a CGT asset (other than a personal use asset) will comprise the following elements:

- the money paid, or required to be paid, in acquiring the asset and the market value of any property given, or required to be given;
- certain incidental costs relating to the acquisition or disposal of the asset including fees paid to a surveyor, valuer, auctioneer, accountant, broker, agent, consultant or legal adviser; transfer costs; stamp duty; advertising and marketing costs; valuation and apportionment costs; search fees; conveyancing kit costs and borrowing expenses such as loan application and mortgage discharge fees;
- certain non-capital costs incurred in owning a CGT asset acquired after 20 August 1991 where no deduction is allowed for such costs including interest on money borrowed to acquire the asset, repairs and insurance, rates or land tax and interest on money borrowed to make capital improvements. For example, these costs would arise where a holiday home is used for private purposes and no rental income is derived. However, these costs are excluded from the calculation of an asset's reduced cost base in calculating a capital loss;
- improvements to an asset being capital expenditure incurred for the purpose of increasing or preserving the asset's value; and
- capital expenditure incurred to establish, preserve or defend title to the asset or a right over the asset.

8.4 Calculation of net capital gain

The CGT rules affect a taxpayer's income tax liability because assessable income includes a net capital gain for the income year. A net capital gain is the total of a taxpayer's capital gains for an income year reduced by any current or prior year capital losses.

Such a net capital gain may be further reduced by 50% where the CGT asset was acquired by an individual taxpayer at least 12 months before the CGT event. This 12 month period excludes both the day of acquisition and the day of the CGT event. Therefore, a period of 365 days (or 366 in a leap year) must elapse between the day of acquisition and the happening of the CGT event to satisfy this 12 months rule. The 50% CGT Discount can also be claimed by a trust and a 33.33% CGT Discount by a superannuation fund. A capital gain may be further reduced where a taxpayer is eligible to apply the small business CGT concessions which are discussed further below.

Where an asset was acquired before 11.45 a.m. on 21 September 1999, and the CGT event occurs after that time, an individual taxpayer has the option of calculating the capital gain based on the asset's indexed cost base (including indexation for movement in the CPI between the quarter in which the asset was acquired up to the quarter ended 30 September 1999) in lieu of applying the 50% CGT Discount. Where this method applies the capital gain is the difference between the capital proceeds and the asset's indexed cost base. Should such capital gain arise that gain can then be reduced by any available capital losses.

The indexed cost base is calculated as follows:–

$$\frac{\text{CPI at time of sale (frozen at 30 Sept 1999 if CGT event occurred after that date)}}{\text{CPI at time of purchase}} \times \text{cost base}$$

The relevant CPI factors used in working out an asset's indexed cost base include:

CPI at:	March	June	Sept	Dec
1985			71.3	72.7
1986	74.4	75.6	77.6	79.8
1987	81.4	82.6	84.0	85.5
1988	87.0	88.5	90.2	92.0
1989	92.9	95.2	97.4	99.2
1990	100.9	102.5	103.3	106.0
1991	105.8	106.0	106.6	107.6
1992	107.6	107.3	107.4	107.9
1993	108.9	109.3	109.8	110.0
1994	110.4	111.2	111.9	112.8
1995	114.7	116.2	117.6	118.5
1996	119.0	119.8	120.1	120.3
1997	120.5	120.2	119.7	120.0
1998	120.3	121.0	121.3	121.9
1999	121.8	122.3	123.4	124.1
2000	125.2	126.2	-	-

In practice, it is necessary to compare whether the application of the CGT Discount or indexation method results in the lowest capital gain on the disposal of an asset acquired on or before 11.45 a.m. on 21 September 1999. In most cases it is the application of the CGT Discount which will lead to the lowest capital gain.

For example, on 12 November 1995 Bill acquired shares for $4,000. He later sold these shares on 12 May 2013 for $14,164. Applying the indexation method Bill has made a net capital gain of $10,000 being the capital proceeds of $14,164 less the asset's indexed cost base of $4,164 (being $4,000 X 1.041 (123.4/118.5)). However, if Bill applied the 50% CGT Discount instead of indexation he would make a capital gain of $5,082 (being $14,164 - $4,000 = $10,164; $10,164 X 50% = $5,082).

A capital gain arising in respect of an asset acquired on or after 11.45 a.m. on 21 September 1999 cannot be reduced using the indexation method. Accordingly, any gain can only be potentially be reduced under the 50% CGT Discount where it has been held for more than 12 months.

For example, on 28 November 2006 Ben acquired shares which have a cost base of $6,000. He later sold these shares on 12 May 2013 for $14,000. Ben will have made a notional gain of $8,000 which can be reduced to $4,000 by applying the 50 CGT Discount.

8.5 Main residence exemption

Broadly, a capital gain or loss an individual makes in respect of a CGT event (e.g. sale) which occurs in respect of a dwelling that was that person's main residence is disregarded for CGT purposes.

A dwelling comprises a unit of residential accommodation such as a building, caravan or houseboat. In addition, land which is adjacent to a dwelling will also be eligible for the exemption if it was used for private and domestic purposes and its maximum area does not exceed two hectares.

Various special rules apply in administering the CGT main residence exemption. These include the following:-

- Where an individual has a main residence and acquires another dwelling which is to become their main residence, both dwellings may be treated as the individual's main residence for the shorter of six months ending when the ownership interest in the existing main residence ends, or the period between the acquisition of the new ownership interest and the end of the old ownership period. To qualify for this concession, the existing main residence must have been used as the individual's main residence for a continuous three month period during the 12 month peroid ending at the time of disposal of that dwelling. In addition, it is a requirement that the existing residence must not have been used to derive income;
- Where an individual builds, repairs or renovates a dwelling on land which they own, an individual may treat the dwelling as their main residence for up to four years before the individual takes up residence so long as the dwelling becomes the main residence as soon as practicable after the work is finished and it continues to be the main residence for at least three months thereafter; and
- Where an individual occupies a dwelling as that person's main residence, and then is absent from the dwelling, that individual can choose to continue to treat the dwelling as his or her main residence for a maximum period of six years if that dwelling is used for the purpose of producing assessable income during that person's period of absence. An individual is also entitled to another maximum period of six years each time the dwelling again becomes and ceases to be the individual's main residence. Where such a dwelling is not used to derive income whilst the individual is absent it will continue to be indefinitely qualify for the main residence exemption provided that individual does not acquire any other dwelling as a main residence.

8.6 Records

It is imperative that accurate records are retained detailing acquisition and disposal dates and all eligible cost base items for all assets purchased on or after 19 September 1985. Additionally, all supporting documentation should be kept for at least five years after the assets are subsequently sold in case they are required for a tax audit. Where an asset is sold at a capital loss such records must be kept until the loss is recouped which will arise when the taxpayer makes sufficient capital gains to absorb the loss.

8.7 Companies in Liquidation

Broadly, where a taxpayer owns shares in a company, and a liquidator or administrator declares in writing that there are reasonable grounds to believe that there is no likelihood the shareholders will receive any further distributions on those shares, the taxpayer can elect to make a capital loss equal to the reduced cost base of the shares. Such a capital loss can be applied to reduce a capital gain.

8.8 Small Business Concessions

As discussed, the balance of a capital gain can also be reduced under the small business CGT concessions.

The small business CGT concessions were enacted to streamline and expand CGT concessions available for 'small business', and to recognise that the disposal of CGT assets held by such taxpayers in carrying on their businesses were often relied upon by small and medium sized enterprises to either fund replacement businesses or their retirement.

A taxpayer must satisfy the basic conditions set out in order to claim any of the four small business concessions potentially available.

The basic conditions will be met where:

- a CGT event happens in respect of a CGT asset owned by the taxpayer;
- the CGT event would have resulted in a capital gain if the small business concessions did not apply to the taxpayer;
- at least one of the following conditions is satisfied:
    - the taxpayer is a small business entity with an aggregated turnover of less than $2 million for the income year in which the CGT event occurs;
    - the taxpayer satisfies the $6 million maximum net asset value test;
    - the taxpayer is a partner in a partnership that is an eligible small business entity for the income year in which the CGT event occur, and the CGT asset is an interest in an asset of the partnership;
    - the taxpayer does not carry on business during the income year (other than in partnership), the asset is used in a business carried on by an affiliate or an entity connected with the taxpayer and the affiliate or connected entity is a small business entity for the income year in which the CGT event occurs; or
    - the taxpayer does not carry on business in the income year (other than in partnership), the taxpayer is a partner in a partnership which is a small business entity for the income year in which the CGT event occurs, the CGT asset is not an interest in the asset of the partnership and the asset is used in the business carried on by the partnership; and
- The CGT asset must satisfy the active asset test.

In calculating the maximum net asset value test, the net value of CGT assets held by the taxpayer (and by any connected entity or affiliate of the taxpayer) will be the amount of the market value of those CGT assets less any liabilities that are directly related to those assets and the provisions for annual leave, long service leave, unearned income and tax of each entity included in the test.

By contrast an individual, company, trust or partnership will be regarded as being a small business entity for an income year where it both carries on business in that year and satisfies the $2 million aggregated turnover test. Essentially, the $2 million aggregated turnover test requires that the total turnover (i.e. GST exclusive ordinary business income) of the taxpayer and any affiliate or connected entity of the taxpayer must be less than $2 million.

A CGT asset is an active asset where the taxpayer owns the asset and it is used, or held ready for use, in the course of carrying on a business by the taxpayer, an affiliate of the taxpayer or an entity that is connected with the taxpayer. It will also include an intangible asset (e.g. goodwill) that is owned by the taxpayer which is inherently connected with a business carried on by the taxpayer, or by an affiliate or an entity connected with the taxpayer. Shares in an Australian resident company or interests in an Australian resident trust will also potentially qualify as active assets where 80% of the market value of all the assets of the company or trust comprise the market value of active assets and cash and financial instruments which are inherently connected with the carrying on of the business.

In addition, where the CGT asset is a share in a company or an interest in a trust the basic conditions will only be satisfied where the shareholder or interest holder is a CGT concession stakeholder. Very broadly, an individual will be a CGT concession stakeholder of a company or trust at a particular time where the individual is a significant individual in the company or trust, or the spouse of a significant individual who holds a beneficial ownership in the company or trust at that time which is greater than zero. An individual will in turn be a significant individual where that person directly or indirectly holds a 20% beneficial ownership in the object company or trust. Furthermore, where the shares in the company or interests in the trust are owned indirectly via an interposed entity one or more CGT concession stakeholders must have a 90% or more ownership interest in the interposed entity as well as satisfying the requirement that they are a CGT concession stakeholder in the object company or trust.

The four available small business concessions are:

- the 15 year exemption;
- the 50 per cent reduction;
- the retirement concession; and
- the small business rollover.

8.8.1 The 15 year Exemption

Any capital gain made by an individual, company or trust which meets the requirements of the 15 year exemption is fully disregarded for CGT purposes. Accordingly, unlike the CGT Discount and the other three CGT small business concessions there is no need to apply any carried forward or current year capital losses to reduce any capital gain disregarded under this exemption. Nor will it be necessary to consider the availability of the other three CGT small business concessions as the capital gain exempted will have been reduced to nil.

Where it is an individual which has made the capital gain the 15 year exemption will be available where:

- the basic eligibility conditions are met;
- the individual continuously owned the CGT asset for the 15 year period ending just before the CGT event; and
- the individual was 55 or over at the time of the CGT event and the event happens in connection with the individual's retirement, or the individual was permanently incapacitated at the time of the CGT event.

Furthermore, where the CGT asset owned by the individual is a share in a company or an interest in a trust, that company or trust must also have had a significant individual for a total of 15 years during the period in which the taxpayer owned the shares or trust interest in order for the 15 year exemption to apply. This will be the case even if the 15 year period is not continuous in duration or where more than one individual has been a significant individual during this 15 year period.

It should be noted that for a retirement to occur for a person aged 55 or over there must be a significant reduction in the number of hours the individual works and/or there is a significant change in the number of activities undertaken by that individual. Conversely, an individual will be permanent incapacitated where ill-health (whether physical or mental) means that the person is reasonably unlikely to engage again in the gainful employment for which that person is reasonably qualified by education, training or experience. Where this requirement is met the age of the individual will not be relevant.

As discussed, the full gain can be exempted where the conditions of the 15 year exemption are met. For example, Bob owns a farm which he has used to carry on a grazing business for 20 years. On 1 June 2013 he sold the farm at a capital gain of $1.2 million as he had turned 60 and was permanently retiring. This gain will be fully disregarded under the 15 year exemption and Bob will not need to apply any capital losses he may have to reduce that gain.

8.8.2 The 50 per cent reduction

Where the basic conditions are met, the balance of any net capital gain after applying any eligible capital losses and the CGT Discount (if applicable) is reduced by a further 50% without any other conditions needing to be satisfied. In practice, the 50% reduction is often applied in tandem with the application of unutilised capital losses, the 50% CGT Discount and the small business retirement exemption and/or the small business rollover.

For example, Michael operated a garage for 10 years as a sole trader. On 2 May 2013 he sold the business for $800,000 and made a capital gain of $200,000. He has prior year capital losses totalling $20,000. Assuming all the basic conditions are met and Michael applies the CGT Discount his capital gain is calculated as follows:-

Capital gain	$200,000
Less	
Prior year losses	$20,000
	$180,000
Less	
50% CGT Discount	$90,000
	$90,000
Less	
50% active asset reduction	$45,000
Less	
Retirement exemption	$45,000
Balance of gain	$Nil

8.8.3 The retirement exemption

Where an individual taxpayer wishes to choose to disregard all or part of a capital gain under the retirement exemption it is a threshold requirement that all of the basic conditions be met. In making such a choice the amount exempted cannot exceed the individual's CGT retirement exemption limit of $500,000.

Unlike most other choices the individual must specify the amount of the gain which will be treated as a CGT exempt amount under the retirement exemption in. Such a written election must be made by the day that the individual lodges the income tax return for the year in which the capital gain arose.

Where such a choice is made the capital gain equal to the CGT exempt amount (which is capped to the individual's CGT $500,000 retirement exemption limit) will be disregarded. Accordingly, where the individual is aged 55 or over at the time the individual chooses to apply the retirement concession, the amount that can be exempted under the concession can be treated as a CGT exempt amount in the hands of that individual. That is, it can be received tax free.

Conversely, where the individual is aged less than 55 at the time the choice is made an amount equal to the CGT exempt amount must be paid to a complying superannuation fund or retirement savings account. Hence, whilst the gain is not included in the calculation of the individual's net capital gain in respect of a particular asset it must nonetheless be paid as a superannuation contribution in order for the gain to be disregarded.

For example, Barry is aged 50 and has decided to sell the goodwill of his engineering practice. After applying the CGT Discount and the 50% active asset reduction he has a net capital gain of $400,000 which can be exempted under the retirement exemption. However, that amount must be paid to a complying superannuation fund or retirement savings account to be exempted under the retirement exemption as he is aged less than 55 at the time he chooses that exemption.

A company or a trust may claim the retirement exemption subject to certain additional criteria being met.

8.8.4 The small business rollover

Broadly, the small business rollover allows a taxpayer to either fully or partly choose to defer a capital gain arising from a CGT event, and use the deferred gain to acquire either a replacement active asset and/or improve an existing active asset where the basic conditions are satisfied. Typically the small business rollover is applied after either or both the 50% active asset reduction and retirement exemption have been applied to reduce or eliminate a capital gain. This is often done in tandem with the application of the 50% CGT Discount.

However, where no part of the deferred gain under the rollover is applied to acquire a replacement active asset and/or to improve an existing active asset within the replacement asset period, the gain originally deferred under the small business rollover will become assessable again on the expiry of that period under CGT event J5. Similarly, here only part of the deferred gain is applied to acquire either a replacement active asset and/or an improve an active asset within the replacement asset period, a capital gain will arise under CGT event J6 to the extent to which the deferred gain has not been applied for those purposes as at the end of the replacement period.

For the above purposes the 'replacement asset period' is defined to start one year before, and end 2 years after, the last CGT event in the tax year in which the rollover was obtained. The practical effect of the rollover is that a taxpayer will typically have two years under the small business rollover to determine the extent to which the deferred gain should be applied to fund the acquisition of a new replacement active asset or be incurred on improving an existing active asset.

9 Tax Offsets

9.1 Introduction

A tax offset reduces a taxpayer's basic income tax liability. Tax offsets are generally only available to resident individuals.

The following table summarises the rebates for the 2010/2011 year:–

Rebate	Maximum Rebate for 2012/13
Dependents	
Spouse (legal or de facto)	$2,423
Seniors and pensioners	
- single (each)	$2,230
- couple (combined)	$3,204
- couple apart (each)	$2,040
Superannuation contributions on behalf of your spouse	$540
Low income earner <$37,000	$445
Medical expenses	20% of excess of net medical expenses over $2,120 or 10% of excess of net medical expenses over $5,000 for higher income earners
Private Health Insurance • Hospital, Ancillary or combined	30%, 35% or 40% of premiums paid depending upon age
Zone Rebates • Ordinary Zone A	$338 or $1,550 if you are eligible to claim the maximum dependent spouse tax offset
• Ordinary Zone B	$57 or $542 if you are eligible to claim the maximum dependent spouse tax offset
• Special Area	$1,173 or $2,385 if you are eligible to claim the maximum dependent spouse tax offset
• Overseas Forces	$338 + $1,550 if you are eligible to claim the maximum dependent spouse tax offset

9.2 Spouse Tax Offset

The maximum dependent spouse rebate available to a taxpayer for 2012/2013 is $2,423. Where the spouse derives separate net income, the rebate otherwise allowable is reduced by $1 for every complete $4 by which the separate net income exceeds $282. The 2010/2011 spouse rebate therefore cuts out when the spouses separate net income exceeds $9,974.

Further, to be eligible for the spouse tax offset, your spouse will need to have been born before 1 July 1952. Further, your adjusted taxable income must be $150,000 or less. If you or your spouse are entitled to family tax benefit B, no entitlement to this tax offset is available.

9.3 Seniors and Pensioners Tax Offset

You may be entitled to the seniors and pensioner tax offset if you are eligible for an Australian Government pension or are of pension age have a low enough level of income (to cover self-funded retirees).

The thresholds under which no income tax is payable are: $32,279 if you did not have a spouse (phasing out at $50,119); a combined income of $57,948 if you did have a spouse and lived together (phasing out at $83,580); or $62,558 if you did have a spouse and both of you had to live apart due to illness or one of you was in a nursing home (phasing out at $95,198).

9.4 Australian Superannuation Income Stream Tax Offset

If you have income from an Australian superannuation income stream, you may be entitled to a tax offset equal to:

- 15% of the taxed element of the superannuation income stream benefit; and
- 10% of the untaxed element of the superannuation income stream benefit.

No tax offset is available if you are less than 55 years of age unless the superannuation income stream benefit was either:

- A disability superannuation benefit; or
- A death benefit income stream.

9.5 Superannuation Contributions on behalf of your Spouse

A spouse superannuation contribution is an after-tax contribution to your spouse's superannuation fund. Such contributions can be made at any time before the spouse's 65th birthday regardless of whether or not they are working. If your spouse worked at least 40 hours in 30 consecutive days, such a superannuation contribution can be made up until their 70th birthday.

To obtain the full tax offset, you need to contribute at least $3,000 to your spouse's account and your spouse's assessable income plus reportable fringe benefits plus reportable superannuation contributions is less than $10,800 for the year (above this amount the tax offset phases out by $1 per $1 over this amount)). The tax offset is 18% of the amount contributed, up to a maximum of $540.00

9.6 Medical Expenses Rebate

Where a taxpayer's net medical expenses in the year of income exceeds $2,120, a tax offset at the rate of 20% of the excess over $2,120 is allowed after deducted reimbursements. In the case of a single taxpayer with an adjusted taxable income of more than $84,000, a tax offset at the rate of 10% of the excess over $5,000 is allowed after deducted reimbursements. In the case of a family with an adjusted taxable income of more than $168,000, a tax offset at the rate of 10% of the excess over $5,000 is allowed after deducted reimbursements. These amounts are increased by adjusted taxable income thresholds are further increased by $1,500 for each dependent child after the first.

Medical Expenses may include:

- payments to hospitals, doctors and nurses, chemists, dentists, opticians and optometrists.
- payments for therapeutic treatment and for medical or surgical appliances.
- remuneration paid to an attendant of an incapacitated person.
- payments for the maintenance of a guide dog.

Contributions to medical or hospital funds or to other health insurance funds do not qualify for the rebate.

Note that the rebate applies to the medical expenses paid by the taxpayer in respect of himself and of any resident dependants net of any Medicare reimbursements received or receivable.

In the case of a spouse (legal or de facto) or child under age 21, that person's separate net income does not affect the taxpayer's claim.

9.7 Low Income Rebate

Where a taxpayer's income is less than $37,000, the maximum rebate available is $445. Where the income falls between $37,000 and $66,666, the rebate is reduced by 1.5 cents in every $1 by which the taxpayers taxable income exceeds $37,000.

9.8 Part-Year Claims

If the taxpayer is not married for the full tax year, then any income earned by the spouse prior to marriage is not to be included in any calculation of separate net income of the spouse for the purposes of calculating spouse rebate.

The taxpayer will not be entitled to the full spouse rebate. This will be decreased by the fraction of the year for which the taxpayer was unmarried. A further reduction of the rebate will occur if the spouse continues to earn income after the marriage as described earlier (see spouse rebates).

9.9 Dividend Imputation

A shareholder will be entitled to a rebate or a reduction in tax liability, equal to the amount of the imputation credit on dividends received.

From 1 July 2000, taxpayers who are eligible for franking rebates will be entitled to a refund if their franking rebates exceed their tax payable (ITAA97 sec 67-25). Venture capital franking rebates are also refundable.

The new rule, based on a recommendation of the Ralph Review of Business Taxation ensures that resident individuals and other eligible taxpayers will be taxed on dividends at the appropriate tax rates. Once imputation credits have been used to offset any income tax liability, any excess credits will be refunded. The law applies to imputation credits relating to dividends paid on or after 1 July 2000. For most taxpayers, this means that it will apply from the start of their 2000/2001 income year. If the imputation credit is obtained by a beneficiary of a trust or a partner in a partnership because the trust or partnership is paid a franked dividend, the measure applies only if the original dividend is paid on or after 1 July 2000.

The taxpayers entitled to the refund are resident: (I) individuals; (ii) certain exempt institutions; (iii) trustees assessed on a resident beneficiary's share of trust income; (iv) superannuation funds, ADF's and PST's; and (v) life assurance companies. Trustees are entitled to a refund only if they are liable to be assessed under ITAA36 sec 98 or 99. Trustees who are assessed at the maximum rate under ITAA36 sec 99A cannot receive a refund.

9.10 Private Health Insurance Rebate

A tax offset is available for individual taxpayers who have private health insurance. The current tax offset / benefit incentive scheme has applied since 1 January 1999. It replaced a previous health insurance incentive scheme (PHIIS) which operated between 1 July 1997 and 31 December 1998.

IN SUMMARY

- A variety of dependent and other rebates are available to taxpayers
- Such rebates may or may not be income tested
- Such rebates may be available where part-year eligibility exists

10 Request for Private Ruling

Where the treatment of an item for taxation purposes is in contention the taxpayer may request a private ruling from the Commissioner of Taxation. Generally you should seek private rulings prior to lodging your return. Assistance should be sought to ensure that your argument is structured in a way acceptable to the Commissioner.

11 Termination Payments

11.1 Introduction

Employer Termination Payments (ETP's) are payments from superannuation funds, payments made in consequence of the termination of employment and other related payments, which are subject to special tax treatment, depending on the period of service and the age of the employee.

ETP's arise on retirement, resignation, dismissal or on any other cessation of employment for whatever cause. These payments include:–

- retiring allowances, "golden handshakes" and other severance payments, whether paid in the form of a lump sum or by instalments;
- contractual termination payments;
- payments in lieu of unused sick leave (but not long service leave or annual leave);
- payments from approved deposit funds; and
- payments from superannuation funds.

11.2 Components

1. Employer Termination Payments not rolled over in part or in full - pre. 1st July 1983.

   This component relates to ETP's apportioned to a service period pre 1st July 1983. Of this component, 5 per cent is assessable income and is taxed at ordinary rates of tax (no rebate of tax).

2. Eligible Termination Payments not rolled over in part or in full-post 30th June, 1983.

   This component relates to ETP's apportioned to service period post 30th June, 1983.

   Concessional tax treatment is given to bona fide redundancy payments and early retirement benefits made on or after 1 July 1994 which are exempt from tax as long as they do not exceed a prescribed limit.

For 2012/2013 the limit is calculated as follows:–

$8,806 + ($4,404 x number of completed years of services).

Amounts received which are in excess of the amount calculated will be assessed as an ordinary eligible termination payment.

Invalidity payments made after 1 July 1994 are exempt from tax.

12 Tax Planning

12.1 Introduction

The objective of any tax planning arrangement is to reduce the tax payable in respect of income earned at a given point of time.

The best methods of tax planning are those that will achieve the results with a minimum of cost and disruption to the efficient conduct of the financial affairs of the taxpayer.

This section will attempt to examine some of the common methods of tax planning that are of benefit to employee professionals.

12.2 Transferring Income to Another Taxpayer Who Has a Lower Tax Rate Than Your Own

Transfer income-producing assets, (e.g. open your next income-earning account in your spouse's name assuming that they have a lower taxable income) provided the recipient retains control of the capital.

Form a partnership with your spouse in order to lower the average taxable income. A formal partnership deed should be enacted and your taxation adviser consulted before proceeding with this course of action, as in some circumstances, the Commissioner does not allow the operation of Partnerships. Consideration also needs to be given to the effects of the Alienation of Personal Services Income legislation.

12.3 Reduce Assessable Income

Use income exemption provisions, (e.g. by investing surplus funds) in companies which pay "Franked" dividends

Restructure your remuneration package, (e.g. salary packaged company vehicles or additional superannuation contributions).

12.4 Increase The Amount of Tax Deductions From Assessable Income

Top up your superannuation deductions to the maximum limits.

Also consider:–

- Gift Deductions
- Prepayments.

12.5 Change the Timing

Change the timing of the receipt of the assessable income either to bring the income within the period in which the effective rate of tax is lower or to postpone the payment of tax and retain use of the tax money.

Arrange interest earned from deposits to mature in a tax year when you will be subject to lower tax rates (if possible).

12.6 Trusts and Companies

Trusts

Trusts which have distributed all income to beneficiaries or unit holders are not taxed. Taxable income distributed in the terms of the trust agreement to the trust beneficiaries who are presently entitled and not under any legal disability, is declared by the beneficiaries as taxable income for the year in which it is derived.

The advantage of trusts is that income may be distributed at the end of the financial year to beneficiaries who are in a lower tax bracket. Possible beneficiaries could include your spouse, parents, children, relatives, related companies and related trusts.

At present, children under the age of 18 are taxed at penalty rates on income from a trust. Above $1,307, the rate is the top marginal tax rate, plus Medicare.

Adult beneficiaries are taxed at the normal marginal tax rates.

It is also possible to distribute income to overseas beneficiaries through trusts, however non-resident rates of taxation would apply.

It is clear however that a person cannot avoid being taxed on salary or wages income earned by him in his own right by interposing a trust between himself and his employer. Such arrangements may be characterised as arrangements entered into primarily or principally to avoid liability for income tax by means of splitting of the income.

This income is commonly described as "personal exertion" income and applies to income arising under a contract wholly or principally for the labour of the person.

This does not extend to the true business situation. Where there are assets such as plant and machinery, trading stock, goodwill, etc, these may be transferred into the trust for the benefit of the beneficiaries. The income in this situation is not characterised as personal exertion income as it flows from the ownership of the business assets.

Companies

Companies are taxed at 30 per cent.

If a company dividend is declared, then that should be included in the shareholders' individual returns.

Any dividend declared and paid should be included by the shareholder in his/her individual income tax return with special treatment for "Franked" Dividends.

The comments concerning "personal exertion income" under trusts would apply equally to companies where income splitting or diversion of personal exertion income is involved.

12.7 Remuneration Packaging

Despite changes to the Fringe Benefits Tax Act, remuneration packaging still has some benefits (albeit such benefits are included on your group certificates when calculating your liability to levies such as the Medicare Levy surcharge and HELP debt repayments, etc).

In the past, access to remuneration packaging has been primarily confined to the private sector and in the health sector.

The trend with remuneration packaging is, first of all, to identify the total employment cost associated with employment.

This total covers the cost to the employer of salary, superannuation and any other "fringe benefits".

Having calculated the total employment cost, employers are increasingly providing scope for employees to configure their remuneration package (total employment cost) in a way which is most suited to the employee's circumstances.

In determining the most suitable and tax effective configuration, a number of fringe benefits receive concessional taxation treatment.

Employees in government and local government employment have additional scope because of the absence of company tax on their employer.

This remuneration packaging for optimised tax effectiveness is also referred to in some areas as salary sacrificing (to finance the fringe benefits).

Concessional Benefits

The areas which receive concessional treatment (ie: are most tax effective) for private and public-sector employees are:

Superannuation

An important part of any remuneration package should be allocated to Superannuation. There are, however, some points to bear in mind in relation to taxation on Superannuation:

- 15% of the contributions paid from a pre-tax remuneration package is deducted as Superannuation contribution tax.

Motor Vehicles

If a motor vehicle is included in the remuneration package, the FBT payable on the vehicle depends on the number of kilometres travelled each year. The table below represents the rates for the FBT year ending 31 March 2013 for cars provided before 11 May 2011:–

Distance Travelled	**FBT Payable**
0 – 14,999 kms	Value of Car x .26 x 46.5 x (T1) or (T2)
15,000 - 24,999 kms	Value of Car x .20 x 46.5 x (T1) or (T2)
25,000 - 40,000 kms	Value of Car x .11 x 46.5 x (T1) or (T2)
40,000 + kms	Value of Car x .07 x 46.5 x (T1) or (T2)

Note:

(T1) Type 1 benefit – use gross up rate of 2.0647 if employer is entitled to input tax credits

(T2) Type 2 benefit – use gross up rate of 1.8692 if employer is not entitled to input tax credits

Over the four years from 10 May 2011, the above statutory fractions ranging from 7% to 26% applied when working out the taxable value of a car fringe benefit using the 'statutory formula' method will be phased out and replaced by a flat rate of 20% (the only rate to apply from 1 April 2014).

Where the vehicle is used for both business and private use, the FBT can be calculated according to the formula above or by using a log book to record business and private use over a 12 week period.

The log book is accepted by the ATO as an accurate representation of the proportion of business and private use, and FBT is payable on the private use proportion of the total costs associated with the provision and running of the motor vehicle.

The cost to the remuneration package is also calculated as the proportion of the costs attributable to private travel (including FBT).

Car Parking

The cost of car parking is subject to FBT, where an employer provides car parking facilities to an employee free or at reduced cost.

The taxable value will be -

(i) the lowest fee for all day parking charged by any commercial car parking station within 1km of the place where the car is parked; or

(ii) a market value provided by a suitably qualified valuer, for the car park hiring space actually provided.

Professional Subscriptions

Within a remuneration package it is possible to allocate a certain sum of money for the payment of subscriptions to professional associations (APESMA, The Institution of Engineers, Australia, The Australian Institute of Management, etc.)

As these subscriptions would normally be tax-deductible, no Fringe Benefits Tax is payable on them.

Low Interest Loans (Employer-provided)

Where an employer provides an employee with a low-interest loan at, say, 4%, FBT is payable on the difference between the rate paid and the current statutory interest rate of 7.40% (for year ending 31 March, 2013).

"Deductible" Fringe Benefits

Where a provision of a benefit is caught by fringe benefits FBT, the taxable value can be reduced by the otherwise deductible rule.

The rule recognises that a fringe benefit used fully or partially for "business" purposes should be subject to less tax than one only for private purposes. In essence, if the employee were to pay for the benefit themselves and receive tax deductions as part of their related expenses then the employer should not be taxed.

For the employer to apply the otherwise deductible rule, the fringe benefit must be one of the following; a loan, expense payment, airline transport, board, property, or residual fringe benefit. In addition, the employee must provide the employer with a statement detailing that the benefit will be deducted had the employee paid for it.

Due to recent changes in the FBT legislation, you may be worse off by packaging some benefits. The exception to this is the packaging of motor vehicles. Due to the method of the calculating motor vehicle fringe benefits, it may still lead to an increase in net disposable income.

IN SUMMARY

- Tax Planning can take various forms including:–
- Diverting Income/Reducing Income/Prepaying Expenses
- Establishing Companies or Trusts
- Changing the terms of receipt of income
- ETPs/Remuneration Policy
- Always consult your advisor before entering tax-planning

schemes

13 Negative Gearing

13.1 Introduction

Negative gearing has long been one of the most tax-effective means for high-income earners to accumulate assets.

Gearing simply means borrowing to invest. Gearing provides access to a larger capital base and magnifies the benefits of potential growth returns, on both the investor's funds and the borrowed amount. It can also magnify the losses.

Property or share-based investment offers the additional benefit of tax-free (or tax-deferred) income. This stems from dividend imputation (in the case of shares and equity trusts) and depreciation allowances (property or property trusts).

13.2 Property

A property is said to be "negatively geared" when the annual interest on borrowings used to finance the acquisition of the rental property investment and costs such as rates, repairs, etc, is greater than the net rental income derived from that property.

"Negative" refers to the taxpayer's negative cash flow and the property is "geared" because the taxpayer borrows to purchase the property.

Taxation Implications

Where interest on borrowing's used to purchase a rental property exceeds the net rental income (i.e. rental income less expenses such as rates, insurance, property maintenance and management), the loss resulting will be fully deductible against income from any source earned in the same year.

Income from other sources includes salary and wages, interest income from deposits in banks or building societies and "unfranked" dividend income on shares.

Accordingly, the deductible tax loss resulting from the negative-geared investment property will enable a taxpayer to reduce his or her tax payable on his or her salaries.

This tax feature will enable in particular, PAYG employees, to restructure their investment strategies as well as their tax planning to take advantage of the tax system legally in reducing their tax liabilities.

Further tax benefits are also available by way of a building depreciation allowance of 2.5 or 4 per cent, depending on the date the construction of the building commenced or of the contract entered into.

Cash Flow Implications

It is important to emphasise that while there may be tax savings derived from negatively geared investments, the taxpayer still has to fund the cash shortfall between rental income and expenses from some other source.

It is possible to vary your PAYG Withholding from salary where the deductions claimable for negative gearing would result in a refund to the taxpayer of 10% of PAYGW deducted or $500, whichever is the lesser.

Where the PAYGW variation (sec 15-15) is approved by the Commissioner, the surplus can be used to partially fund the cash flow deficit upon negative gearing.

The taxpayer's cash position should be preserved in the long run when the capital appreciation of the property covers the cash losses sustained, plus any capital gains tax liability arising from the sale of the property.

Example of "negative gearing" and its tax benefits is as follows.

Percentage of Borrowed Funds	100%	80%	60%
	$	$	$
Cost of Property	100,000	100,000	100,000
Net Rental Income (i.e. after deduct rates, repairs, etc.)	5,900	5,900	5,900
Interest (10%)	10,000	8,000	6,000
Net Loss	4,100	2,100	100
Tax Benefit (46.5%)	1,906	976	46
After Tax Cost	2,194	1,124	2,054
ADD Opportunity cost of taxpayer's fund (5% interest rate)	-	1,000	2,000
Total Cost	2,111	2,087	2,052
Capital gain required to break even (subject to Capital Gains Tax Payable, if any)	2.1%	2.1%	2.1%

List of deductible expenses for rental property owners

1. Accounting - Tax agent for preparation of returns or bookkeeping of account books.
2. Advertising - Advertising for tenants.
3. Borrowing Cost - Legal fees and mortgage transfer, etc. to be amortised over five years or term of the loan, whichever is the lesser. If borrowing costs incurred are $100 or less, they are wholly deductible in the year incurred.
4. Cleaning and Repairs - Dry cleaning of curtains, carpets, etc.
5. Commissions Paid - Fees for rental collection to real estate agents.
6. Depreciation of Household Items -

   Depreciation rates are:–

	Effective Life	Prime Cost %	Diminishing Value %
Carpets	10	10.0	20.0
Cupboards	10	10.0	20.0
Curtains	6	16.67	33.33
Furniture	15	6.7	10.0
Heater	10	10.0	20.0
Hot Water Services	15	6.67	13.33
Lawn Mower	7	14.29	28.57
Light Fittings	5	20.0	40.0
Linoleum	10	10.0	20.0
Refrigerators	10	10.0	20.0
Stove	12	8.33	16.67
TV Sets	10	10.0	20.0
Vacuum Cleaners	10	10.0	20.0
Washing Machine	7	14.29	28.57

7. Depreciation of building - where construction of building commenced:-

Type of Construction	Start Date	Rate (%)	Years
Short-term traveller accommodation [1]	22/8/79 – 21/8/84	2.5	40
	22/8/84 – 17/7/85 [1]	4	25
	18/7/85 – 15/9/87 [2]	4	25
	16/9/87 – 26/2/92	2.5	40
	27/2/92 [1]	4	25
Non-residential income-producing buildings [3]	20/7/82 – 21/8/84	2.5	40
	22/8/84 – 15/9/87 [2]	4	25
	16/9/87 –	2.5	40
Buildings used for eligible industrial activities	27/2/92 –	4	25
Residential income-producing building	18/7/85 – 15/9/87 [2]	4	25
	16/9/87	2.5	40
Income-producing	27/2/92 –	2.5	40

structural improvements			
R&D Buildings [3]	21/11/87 [2]	2.5	40
Environment protection earthworks	19/8/92 –	2.5	40

1. *If the building is being used for another purpose, or had less than 10 accommodation units, there is:*
   - *no deduction for pre-18 July, 1985 constructions;*
   - *2.5% deduction for post-26 February, 1992 constructions*
2. *Or a contract was entered into before this date*
3. *The rate of 4% may apply if construction commenced after 26 February, 1992.*

8. Gardening and lawn mowing expenses - maintenance expenses not paid by the tenant.
9. Legal Fees - Lease preparation or renewal and collection of arrear rents.
10. Management Fees - Fees paid to agent to oversee the property.
11. Pest Control - Fumigation, etc.
12. Printing & Stationery - Rent receipt book, etc.
13. Repairs and Maintenance - All repairs relating to the property which are part of the tenancy agreement.
14. Rates and Taxes - All rates paid to various municipal or public utility bodies.
15. Travel Expenses - Inspection of property.

It should be noted, you can negatively gear a share portfolio. The same principles as a property apply, and in fact, given the ease and low cost of share disposals, the benefits can often exceed those of negatively geared property.

13.3 Features and risks of real estate investments

The features of good quality real estate investments are:

- Regular cashflow in the form of periodic rent;
- Potential appreciation in value over time;
- A hedge against inflation and, on sale, profit can be taxed under the concessional capital gains legislation;
- Possibility of favourable rezonings;
- Possibility of withdrawing capital gains from a property without disposing of it by refinancing the property, because a mortgage up to a high percentage of its value can be secured against good quality property, and provided that these funds are used to make further income producing investments, interest will be deductible;
- Special tax deductions on newer buildings provide a non-cash expense to reduce taxable income, but not cash flow;
- Unlike share investments, banks rarely make "calls" on the loan in the event that the value of the property falls; and
- Increased return through use of gearing.

The risks attached to real estate investments are:

- Investigating real estate alternatives requires knowledge, time, and often money;
- High entry costs (mainly stamp duty) mean an investor may need to borrow a substantial part of the investment, magnifying both the return and the risk;
- Relatively slow marketability, depending on the property and its location;
- Vacancies being higher and rent being lower than anticipated;
- Inflation and inflationary expectations;
- Paying more than a property is worth as an investment;
- Fluctuations in real estate price values;
- Interest rate fluctuations;
- Devaluation during ownership caused by external factors such as rezonings or a freeway construction nearby;
- Compulsory acquisition by a government authority;
- Difficulty of converting property to cash because of its illiquid nature;
- Damages caused by tenants which are not recoverable;
- The possibility of legislation which is detrimental to property owners, such as rent control or increased tenants' rights.

IN SUMMARY

- Negative gearing is an effective tax minimisation tool
- Do not negatively gear if the asset acquired is not expected to appreciate in capital value
- Gearing can increase the rate of return
- Gearing can also increase the potential of losses.

14 Superannuation

Tax Deductibility of Member Contributions

The tax treatment of a member's contributions to a superannuation fund depends on whether or not the member falls within either of the following categories.

(a) Self employed and unsupported eligible persons; or

(b) Supported members (due to the introduction of the superannuation guarantee from 1 July 1992).

14.1 Self Employed or Unsupported Eligible Persons

From 1 July 2012, self employed and unsupported persons are now able to claim up to $25,000 as a deduction, regardless of their age. From 1 July 2013, the amount increases to $35,000 for those aged 59 as at 30 June 2013.

It should be noted that with the introduction of compulsory Superannuation Guarantee contribution by employers it is extremely rare that an employee would be an unsupported eligible person.

A substantially self employed person will be treated as wholly "self employed" where that person's income from employment in respect of which employer financed superannuation is provided is less than 10% of the person's assessable income plus reportable fringe benefits and reportable superannuation contributions.

A deduction for a member's contributions cannot exceed the member's assessable income for the year. It cannot create or increase a loss to be carried forward to future years.

Complying funds pay tax on deductible contributions which they receive.

A taxpayer will be eligible for a deduction for personal contributions to a complying superannuation fund only if the taxpayer has given a notice to the fund stating that he or she intends to claim a deduction for those contributions and has received acknowledgment of the notice from the fund. This requirement applies to contributions made to a fund on or after 1 July 1992, other than contributions made by a person who has ceased to be a member of the fund before the amending legislation receives assets.

14.2 Government Super Contributions

From 1 July, 2003 the government introduced superannuation contribution where an eligible individual makes contributions from after tax earnings of up to $1,000.

The co-contribution matching rate is 100%, with the maximum co-contribution that is payable on an individual's eligible personal non-concessional super contributions at $500 for people with incomes of up to $31,920 in 2012/2013 (with the amount phasing down for incomes up to $61,920 by reducing the contribution by 3.333c/$1). This law will continue to freeze these thresholds at $31,920 and $46,920 respectively.

14.3 Superannuation Guarantee Levy

Employers who fail to provide each employee with a prescribed level of superannuation support will be subject to a non-tax deductible Superannuation guarantee levy. The minimum level of employer superannuation support that has applied from 1 July 1992 to avoid the superannuation guarantee charge is set out in the following table:

Financial Year	Charge Percentage (%)
2002/03 and subsequent years	9
2013/14	9.25
2014/15	9.5
2015/16	10
2016/17	10.5
2017/18	11
2018/19	11.5
2019/20	12

The charge percentage is applied against each employee's salary and wages, based on ordinary hours of work, up to a maximum contribution base of $45,750 per quarter for 2012/13. For 2013/14, the maximum contribution base is $48,040 per quarter. Compliance with superannuation guarantee is determined each quarter (the contribution must be in the superannuation fund within 28 days of the end of each quarter). For the June quarter to be deductible in that financial year, it must be in the superannuation fund by 30 June, otherwise that amount will not be deductible until the following financial year (assuming it is paid by 28 July).

Portable Superannuation for Professionals

The Member Advantage Superannuation Fund has been established by APESMA to provide portability of Superannuation for its members.

The Fund has the following components:

1. A Superannuation fund to which employers can direct the Superannuation Guarantee contributions.
2. A Superannuation fund to which employers can contribute in respect of their employees and to which those employees can contribute themselves.
3. The fund provides the facility to "roll-over" any Superannuation payments received when changing employment (and thus defer the Superannuation tax).
4. The Fund provides generous death and disability benefits.

Components of 1,2 and 3 of the Fund are "accumulation funds". This means that the benefit payable in respect of each component is the accumulated contributions with interest compounded at the Fund earning rate less insurance and administration charges.

15. Alienation of Personal Services Income

The alienation of personal services income (PSI) rules were introduced to effectively tax contractors, who were deriving their income from their own skills, expertise or the provision of personal services, on a similar basis as employees. The rules applied regardless of whether the contractor operated as a sole trader or through a company, trust or partnership entity.

The PSI rules apply only to personal services income. They do not apply to independent contractor (or their entity) that is accepted as conducting a personal service business. That would include:

- Independent contractors (or their entities) that contract on a results basis;
- Independent contractors (or their entities) that have self assessed and satisfied one of the following tests:
  - the unrelated clients test,
  - the employment tests, or
  - the business premises test;
- Agents that satisfy the unrelated clients tests; or
- Independent contractors (or their entities) that obtained a personal services business determination from the ATO.

Where the alienation measures apply, an individual will be assessed at a personal level on income derived from personal services, regardless of the structure used to conduct such activities. Further, certain 'business' expenses will not be allowable deductions (e.g. bookkeeping by a spouse, certain motor vehicle deductions, certain home-related costs, etc).

16. Goods and Services Tax (GST)

16.1 What is GST?

From 1 July 2000, GST applies to supplies of goods and services. GST is a broad-based tax of 10 per cent on the supply of most goods and services consumed in Australia. The consumer bears the cost of GST, not the business producing the goods and services. However, the liability to pay GST to the ATO rests on the supplier of the goods and services, not on their customer.

16.2 How does GST work?

Businesses will generally charge 10 per cent GST when they make a supply of most goods and services as part of their business. They will collect GST they have charged to customers and report it monthly or quarterly to the ATO on a Business Activity Statement.

Special rules will apply for GST-*free* supplies and input taxed supplies. Businesses will also be charged GST by suppliers on the things they purchase or acquire for their business. They can claim this GST back from the ATO on their Business Activity Statement.

The difference between the GST collected at the GST charged is the amount a business owes or is owed by the ATO.

16.3 Why should you choose to register for GST?

If you are not required to register (because your turnover is less than $75,000 per annum), you may still decide to register so that you can claim input tax credits for GST you have paid on things you acquire for use in carrying on your enterprise.

16.4 What is the ABN?

The Australian Business Number (ABN) is a single identifier for all business dealings with the ATO and for dealings with other government departments and agencies. Businesses will need an ABN to register for the goods and services tax and other elements of The New Tax System.

16.5 What if you don't have an ABN?

If you don't have an ABN:–

- you can't register for GST and claim back the GST your business pays. If you can't claim your GST credits, you may find your pricing is uncompetitive;
- other businesses obligated to withhold tax from payments to you at the top marginal rate, plus Medicare levy (currently 46.5%). They may also be unwilling to deal with your because it may complicate their accounting processes; and
- you will not be able to 'simplify' your dealings with the ATO and other government departments and agencies.

17. CHECK LIST FOR PREPARING INCOME TAX RETURNS

17.1 Income

	Yes	**No**
Salary or wages	☐	☐
Allowances, earnings, tips, director's fees etc	☐	☐
Employer lump sum payments	☐	☐
Employment termination payments (ETP)	☐	☐
Australian Government allowances and payments like Newstart, youth allowance and Austudy payment	☐	☐
Australian Government pensions and allowances	☐	☐
Australian annuities and superannuation income steams	☐	☐
Australian superannuation lump sum payments	☐	☐
Attributed personal services income	☐	☐
Gross interest	☐	☐
Dividends	☐	☐
Employee share schemes	☐	☐
Partnerships and trusts – Primary production	☐	☐
Partnerships and trusts – Non-primary production	☐	☐
Partnerships and trusts – Share of credits from income and tax offsets	☐	☐
Personal services income (PSI)	☐	☐
Net income or loss from business	☐	☐
Deferred non-commercial business losses	☐	☐
Net farm management deposits or repayments	☐	☐
Capital gains	☐	☐
Foreign entities	☐	☐
Foreign source income and foreign assets or property	☐	☐
Rent	☐	☐
Bonuses from life insurance companies and friendly societies	☐	☐
Forestry managed investment scheme income	☐	☐
Other income	☐	☐

17.2 Deductions

	Yes	No
Work related car expenses	☐	☐
Work related travel expenses	☐	☐
Work related uniform, occupation specific or protective clothing, laundry and dry cleaning expenses	☐	☐
Work related self-education expenses	☐	☐
Other work related expenses	☐	☐
Low value pool deduction	☐	☐
Interest deductions	☐	☐
Dividend deductions	☐	☐
Gifts or donations	☐	☐
Cost of managing tax affairs	☐	☐
Tax losses of earlier income years	☐	☐
Deductable amount of undeducted purchase price of a foreign pension or annuity	☐	☐
Personal superannuation contributions	☐	☐
Deduction for project pool	☐	☐
Forestry managed investment scheme deduction	☐	☐
Other deductions	☐	☐

17.3 Tax Offsets

	Yes	No
Spouse (without dependent child or student)	☐	☐
Seniors and pensioners (includes self-funded retirees)	☐	☐
Australian superannuation income stream	☐	☐
Medicare levy reduction or exemption	☐	☐
Medicare levy surcharge (MLS)	☐	☐
Superannuation contributions on behalf of your spouse	☐	☐
Zone or overseas forces	☐	☐

Total net medical expenses	☐	☐
Dependent (invalid and carer)	☐	☐
Landcare and water facility	☐	☐
Net income from working – supplementary section	☐	☐
Other non-refundable tax offsets	☐	☐

17.4 Medical

	Yes	No
Private health insurance policy details	☐	☐
Medicare Levy exemption	☐	☐