

Index

● A ●

- absorption cost method of
 - valuing goods and work in progress, 163
- account-based pensions, 233–235
- accruals or earnings basis for
 - business accounts, 160–161
- adjacent land, liability for CGT, 71
- age restrictions
 - on accessing preserved benefits, 224–227
 - on super fund contributions, 219
- allocated pensions, 233–235
- allowances, receiving, 53, 54–55
- amendments to assessments, 48
- anti-avoidance tax provisions and children, 75–77
- apportioning expenses of
 - property, 108
- approved early retirement scheme payments, tax on, 59–60
- assessable income
 - and capital losses, 132–133
 - definition, 16–19
 - including dividends and franking credits, 94–95
 - test for business loss claim, 178
- assessment
 - amending and objecting to, 48
 - notice of, 38
- assets
 - depreciating for rental properties, 108–111
 - disposal of, 71
 - subject to CGT (other than collectables and personal use), 125–126
 - taxing after death, 244–246

- audits. *See* tax audits
- Australian Business Number (ABN), 106, 154
- Australian Tax Office (ATO)
 - functions and website, 8–9
 - help from, 251
 - record-keeping for, 155–156

● B ●

- bad debts, dealing with, 171–172
- balancing adjustment events, 110
- bank deposits, tax on interest, 87–90
- beneficiaries of trusts, determining, 79–82
- beneficiaries of wills, dependant status, 240
- betting winnings, tax on, 21
- binding death benefit nomination form, 240
- blackhole expenditure, 26
- bona fide redundancy payments, tax on, 59
- bond money, tax on, 106
- bonds, life insurance, 90
- borrowing expenses for small business, 173, 175
- borrowings, interest on, 98–100, 172–173
- building contractors, taxable payments by, 47–48
- business activity statement (BAS), preparing, 155
- business entities, choosing one, 137–139
- business expenditure.
See expenditure
- business losses, claiming for, 178–179

business premises, CGT on transfer to SMSF, 133–134
 business real property, definition, 213
 business vs hobby, determination, 21, 162
 businesses
 keeping records up-to-date, 258–259
 starting up, 153–154
 succession planning, 165–166
 taxation of proceeds from, 18
 buy contract notes, 100

• C •

capital expenditure, test for, 25–26
 capital gain on selling investment property, 112
 capital gain on shares, case study, 99
 capital gains, calculating, 127–128
 capital gains tax (CGT)
 avoiding when buying property through SMSF, 120
 before and after 21 September 1999, 130–132
 capital works deduction case study, 112
 common mistakes in, 205, 261–262
 concessions for small business, 159, 201–205
 discount method of calculation, 131–132
 index cost-based method of calculation, 132
 liability of non-residents for, 267
 qualifying for relief from, 200
 on sale of deceased person's assets, 244–246
 capital loss on selling investment property, 112
 capital loss on shares, case study, 101
 capital losses
 and assessable income, 132–133
 calculating, 133
 offsetting, 252

capital nature of losses, determining, 25–26
 capital payments, 17
 capital proceeds, 128
 capital works deductions on rental properties, 111–112
 carer allowance, 238
 cars
 CGT exempt, 125
 claiming work-related expenses for, 34, 63
 depreciation limit on, 169
 FBT on, 191, 194–195
 GST-free for disabled people, 186
 luxury tax threshold, 169
 cash or receipts basis for
 business accounts, 160–161
 cents per kilometre method for car expenses, 34
 CGT assets
 cost base of, 129–130
 rules for paying tax on, 121–126
 taxing, 11
 taxing on leaving Australia, 126
 child care rebate, 84
 child-minding expenses, 27
 children, employing, 77, 155
 children under 18
 distribution of trust income to, 78–82
 on low incomes, 77
 taxation of, 76
 clothing expenses, 27
 co-contributions to super, 57, 221–222
 collectables, taxing, 123–124
 companies
 liability for FBT, 197
 pros and cons of, 144–148
 tax rates, 97
 taxing, 13–14
 company tax returns, preparing, 41
 compensation payments, as exempt income, 19

complying super funds
 calculating taxable income of, 216
 features of, 209–210
 rules for contributing to, 217–222
 concessional contributions to
 super, 56–57, 174–175, 218–219
 condition of release for accessing
 super, 196, 222–223
 contractor, definition, 53–54
 cost base of CGT assets, 129
 cost price valuation method, 163
 customs duty, 9

• D •

death benefit employment
 termination payment (ETP),
 241–242
 death benefit income stream,
 242–244
 deceased estates, taxation of,
 241–242
 decline in value of assets, 108
 deductions
 claiming, 61–65
 general, 22–29
 overstating, 260
 timing of, 255
 default fund. *See* super funds
 defence force allowances, as
 exempt income, 19
 dependants, tax issues for, 242, 244
 dependent reversionary
 beneficiaries, 242–244
 depreciating assets
 for rental properties, 108–111
 simpler rules for, 158–160
 writing off for business, 170–171
 depreciation deduction claim, case
 study, 110
 diminishing value method (DVM) for
 depreciation calculation, 109
 discount capital gains on shares
 calculating, 131–132
 tax on, 100–102

disposal under CGT provisions, 71
 dividends paid on shares
 claiming tax deductions for,
 97–98
 franking credits, 92–96
 to non-residents, 269–270
 dividends vs interest, case
 study, 89
 Division 6AA tax, payable by
 trustees, 79
 domestic expenditure, tests for,
 26–28
 donations as tax-deductible
 expense, 36

• E •

early retirement scheme payments,
 tax on, 59
 educational assistance allowances,
 as exempt income, 19
 employee, definition, 53–54
 employees
 contributions to super funds by,
 56–57, 220
 requirements on taking on,
 156–158
 employer contributions to super
 funds, 55–56, 220
 employment income of children,
 taxing, 77
 employment status, determining, 52
 employment termination
 payments. *See* termination
 payments
 excise duty, 9
 excepted assessable income of
 minors, 82
 excepted persons (minors), 82
 executors of deceased estates, 241
 exempt income, 19–22
 expenditure
 capital, 25–26
 income-producing test for, 23–24
 private or domestic, 27–28

expenses

- claiming deductions for super funds, 217
- claiming deductions for work-related, 62–64
- determining tax-deductibility, 167–170
- incorrectly claiming, 261
- incurring, 28–29
- substantiating work-related, 63

• **F** •

- family assistance allowance, as exempt income, 19
- family discretionary trusts, 81
- Family Tax Benefit (Parts A & B), 82–83
- family tax offsets, 82–84
- federal taxes, 7–8, 9
- 15 year exemption CGT concession, 202
- 50 per cent reduction concession for CGT, 203
- final withholding tax, 270
- first home owner grant, eligibility, 69–70
- first positive limb, 23–24
- five percent tax discount, 159
- food and drink, expenditure on 27
- franking credits
 - calculation, 95
 - definition, 92–96
 - non-residents, 269–270
- fringe benefits tax (FBT)
 - calculating, 192–193
 - calculation methods for cars, 194–195
 - conditions for liability, 189–192
 - exemptions from, 157
 - liability for, 189–191
- fuel tax 9
- fully franked dividends
 - case study, 92–93
 - companies not paying, 96
 - definition, 93

• **G** •

- gambling winnings, tax on, 10, 21
- general deduction provisions, 22–29, 167–170
- gifts as tax-deductible expense, 35
- going concern, selling business as, 186
- Goods and Services Tax (GST)
 - act of Parliament, 181
 - common mistakes, 259
 - liabilities for rental properties, 116–119
 - paying, 158, 188
 - registering for, 154, 187–188
 - tax concessions on, 156–160
 - types of sales or supplies, 182–185
- government bonds, tax on interest from, 92
- government pensions and allowances, eligibility for, 235–238
- grossing-up, 94
- GST. *See* Goods and Services Tax (GST)
- GST-free sales or supplies, 185–187

• **H** •

- Higher Education Loan Program (HELP), paying back, 83
- hobby vs business, determination, 21, 162
- home office, claimable expenses for, 72–73
- home office running expenses as tax deduction, 75
- home-work travel expenses, 27

• **I** •

- improvement vs repair, of rental properties, 113–114
- income
 - assessable, 16–19
 - characteristics of, 20

- exempt from tax, 19–22
 - five things to know about 49
 - international sources of, 11, 13
 - recognising, 160–161
 - sources of, 10–11
 - taxing after death, 241–242
 - understatement of, 259–260
 - income and deductions, accounting for, 255
 - income streams, taxing, 10–11
 - income tax assessment Acts 7
 - income tax law vs trust law, 80
 - income tax rates for individuals, 8–9, 60–61
 - income-producing expenditure, test for, 22–23
 - income-producing properties. *See* rental income; rental properties
 - incurred expenses, tests for, 28–29
 - indexed cost base method for assets, 132
 - individual tax returns
 - case study, 38–40
 - preparing, 32–37
 - inheriting assets, taxes on, 244–246
 - input taxed sales or supplies, 185
 - instalment activity statements, 88
 - instant asset write off, 158–159
 - insurance payments for loss of rent, tax on, 106
 - interest
 - on borrowings, 98–100
 - incurred while earning income, 89–90
 - paid on borrowings, 172–173
 - tax payable on, 87–88, 173
 - interest vs dividends case study, 89
 - interest-bearing securities, taxing interest from, 87–88
 - international sources of income, 11, 13
 - invalid and invalid carer tax offset, 37
 - investment accounts, children's, 76
 - investment bonds, tax on, 90
 - investment properties, repairs to, 113–114
 - investments
 - decrease in value of, 251–252
 - reminders about tax on, 85
- L ●
- land area limit, 71, 72
 - land tax 10
 - lease document expenses, 176
 - leasing main residence, 71
 - legal costs for small businesses, 174–175
 - legal disability of trust beneficiaries, 79
 - life insurance bonds, tax on, 90
 - lifetime pensions. *See* non-account-based pensions
 - limbs and tax deductions, 23–28
 - living-away-from-home allowance (LAFHA)
 - as fringe benefit, 197
 - paying tax on, 54–55
 - local taxes, 10
 - log book method for car expenses, 34
 - losses
 - dealing with, 251–252
 - determining whether capital in nature, 25–26
 - low income earners, tax breaks for, 77
 - low income tax offset, claiming, 36–37, 77, 237–238
 - low income threshold, taking advantage of, 253
 - low rate cap amount (LRCA), 225
 - low value pools method of depreciation, 111
 - low-income earners, tax incentives for making super contributions, 221–222
 - lump sum payments from super funds, receiving, 224–227

• M •

- main residence
 - definition, 67–68
 - effect of business use, 72–73
 - exemption from tax on, 70–71
 - tax concessions on buying, 68–70
- managed investment trusts (MITs), investment by non-resident in, 270
- manufacturing businesses, valuing goods and work in progress, 166
- marginal tax rates, definition, 8
- market selling value valuation method, 163
- marriage breakdown and property transfer, 73
- medical expenses (net) tax offset, claiming, 36
- Medicare levy
 - exemption from, 9
 - surcharge and rebate on, 10
- minors as trust beneficiaries, 79–82
- mortgage discharge expenses for small businesses, 176
- motor vehicles. *See* cars
- myGov account creation, 32
- myTax application from ATO, 32

• N •

- negative gearing
 - of rental properties, 114–115
 - tax incentives for, 254–255
- negative limbs, 24–28
- net capital gains, calculating, 127–128
- net medical expenses tax offset, claiming, 36
- new developments, keeping up with, 250–251
- non-account-based pensions, 232–233

- non-cash benefits, taxing, 21
- non-commutable pensions, 230–231
- non-complying super funds, 209–210
- non-concessional contributions to super, 57, 218–219
- non-deductible holding costs of rental properties, 116, 117 of shares, 99
- non-dependants, tax issues for, 242, 244
- non-discount capital gain on shares, tax on, 99–104
- non-final withholding tax, 270
- non-lodgement of tax returns, 33, 42
- non-resident beneficiaries of trusts, 80
- non-residents of Australia, tax liabilities of, 265–270
- notice of assessment, 38

• O •

- objections to assessments, 48
- offsets. *See* tax offsets
- operating cost method of FBT calculation for cars, 195
- ordinary income, definition, 18
- other assets test for business loss claim, 179
- otherwise deductible rule for FBT, 191
- outgoings, determining whether capital in nature, 24–25
- overseas rental properties, rent from, 119–120
- overseas share markets, investing in 102–103

• P •

- paid parental leave scheme, 83
- paper tax returns, 32–33
- part-time employment, child in, 77

- partially franked share
dividends, 94
- partnerships
law of, 141–142
preparing tax returns for, 40–41
pros and cons of forming, 141–144
taxation principles, 142–143
- Pay As You Go (PAYG)
employees and withholding tax system, 88, 156
receiving payment summary, 33
- payroll tax, 10
- penal rate of income tax under
Division 6AA, 80
- pensions from super, tax status,
222–223
- personal contributions to super,
56–57, 176–177
- personal exertion, income from, 18
- personal grooming expenses 27
- personal use assets, taxing, 124
- positive limbs, 23–24
- prepaid business expenses, claiming
CGT deductions for, 159
- prepaid rent, tax on, 106
- prescribed persons, definition, 81
- preservation age, 224
- preserved benefits
age restrictions on accessing,
224–227
of super, 223
- primary production businesses, tax
concessions for, 178
- prime cost method for depreciation
calculation, 109–110
- prior year's tax returns, neglecting
to lodge, 42
- private companies, 144–148
- private expenditure, tests for, 26–28
- private health insurance and
Medicare levy, 10
- privileged paperwork, 45
- profits, test for business loss
claim, 179
- property
income from, 18, 105–106
renovation as a business, 119
public companies, 144–148
- **R** ●
- real estate, non-compliance with
tax rules for, 264
- real property test for business loss
claim, 179
- rebates. *See* tax offsets
- recognising income, 160–161
- record-keeping for businesses
importance of, 249–250
obligations, 155–156
- redundancy payments, types and
tax on, 59–60
- relationship breakdown and
property transfer, 73
- relocation expenses, 28
- rental income
claiming deductions for, 108–120
claiming on expenses in earning,
107–108
from overseas properties,
119–120
from part of property, 108
tax on, 105–106
- rental properties
calculating non-deductible
expenditure on, 116, 117
claimable expenses for, 107–108
GST for, 116–118
negative gearing of, 114–115
tax mistakes with, 264
tax-deductible repairs, 113–114
- replacement value method for
trading stock, 163
- residency status, effect on tax
liability, 12
- restricted non-preserved benefits of
super, 223
- retirement concession for CGT, 203

retirement and tax
 considerations, 207
rollover concessions for CGT,
 204–205

• S •

salary packaging
 benefits of, 253–254
 and FBT, 196–198
salary and wages income, 51–60
Schoolkids cash bonus, 84
second positive limb, 24
securities, tax on interest-bearing,
 87–88
self-assessment, honesty in, 43–44
self-education expenses, claiming,
 64–65
self-employed persons
 allowable super deductions for,
 174–175
 contributions to super fund, 221
 definition, 215
self-funded retirees, types of super
 pension for, 230–235
self-managed super funds (SMSFs)
 borrowing from for investment
 properties, 115
 entitlement to franked
 dividends, 96
 improper running of, 262–263
 lodging tax return for, 42
 non-adherence to guidelines of
 pension fund, 263
 rules for, 211–214
 selling or transferring business
 premises to, 133–134
sell contract notes, 100
Seniors and pensioners tax offset
 (SAPTO), 237–238
service fees, claiming, 177
share trading businesses,
 running, 97
shares, dividend payments from,
 91–98

small business
 claiming deductible expenses,
 170–178
 claiming for losses, 178–179
 not adhering to tax requirements,
 257–258
 and tax, 135
 tax concessions for, 158–160
small shareholder exemption
 provisions for franking
 credits, 95
SMSFs. *See* self-managed super
 funds
sole trader, pros and cons of,
 139–141
special disability trusts, 82
split loan facilities, 114
spouse contributions to super
 funds, 222
spouses, employing, 157
stamp duty relief on buying main
 residence, 70
state taxes, 10
statutory formula method of
 calculating FBT for cars, 194
statutory income, tax liability
 for, 19
stocktaking, 161–165
subdivision of main residence land,
 effect on CGT liability, 72
substantiating expenses, 62
succession planning in small
 businesses, 165–166
sufficient connection test, 20–21
superannuation deductions for self-
 employed people, 176–177
superannuation funds
 age restrictions on contributing
 to, 215, 219
 choosing, 210–214
 co-contributions to, 57
 complying and non-complying,
 209–210
 components of payments from,
 222–223

- conditions for release of benefits, 196, 222–223
 - contributions on behalf of employees, 155
 - desirability of contributing to, 252
 - employee contributions, 220
 - employer contributions, 220
 - self-employed contributions, 221
 - setting up, 155
 - tax deductibility of contributions, 252–253
 - tax incentives for low-income earners, 221–222
 - tax liability sources, 214–215
 - types of contributions, 218–222
 - unclaimed benefits in, 56
 - superannuation guarantee (SG)
 - employer contributions, 55–56
 - personal contributions, 56–57
 - superannuation pensions
 - minimum payments, 234
 - payment after death to beneficiary, 242–244
 - tax status, 222–223
 - types, 230–235
- T •**
- tax
 - getting advice on, 175–176
 - and investments, 85
 - retirement considerations, 207
 - taking advantage of initiatives, 250–251
 - tax audits
 - common mistakes, 46–48
 - preparing for, 46
 - procedure, 44–45
 - tax concessions for small business, 158–160
 - tax deductions
 - allowable expenses, 167–170
 - claiming, 61–65
 - limbs concept, 22–29
 - Tax Determination, annual, 35
 - tax errors
 - in GST, 205, 257
 - in record-keeping, 258–259
 - in small business, 257–258
 - tax file number (TFN), obtaining, 51–52, 154, 266
 - tax formula components, 16
 - tax law partnerships, 141
 - tax liability on statutory income, 19
 - tax offsets
 - definition, 29
 - invalid and invalid carer, 37
 - low income, 36–37, 233–234
 - lump sum payment in arrears, 37
 - net medical expenses, 36
 - zone, 37
 - tax residents, conditions for being, 266
 - tax returns
 - amending and objecting to, 48
 - company, 41
 - late lodgement, 42
 - lodging on leaving Australia, 266
 - partnerships, 40–41
 - preparing individual, 32–40
 - for super funds, 214
 - trusts, 41
 - tax treaties with other countries, 270
 - tax-deductible expenses, methods of determining, 167–170
 - tax-exempt government payments, 238
 - tax-free component of super payout, 222
 - tax-related expenses for small businesses, 175–176
 - taxable component - taxed element, of super payout, 223
 - taxable component - untaxed element of super payout, 223
 - taxable income
 - calculation for complying super fund, 216
 - definition, 15–16

taxable sales or supplies, 182–185
temporary absence rule, 71
Temporary Budget Repair
levy, 80
temporary residents, tax situations
for, 266–267
termination payments
tax on, 57–59
treatment after death, 241–242
TFN amounts withheld from
dividends, 91
TFN amounts withheld from gross
interest, 87–88
theft, losing money by, 174
timing adjustments for income and
deductions, 255
trading stock
simplified rules for, 158
valuing, 163–165
transition to retirement pensions,
230–231, 232
travel expenses for work, claiming,
34–35, 62–63
trust law vs income tax law, 80
trustee resolutions, 79
trusts
components of, 78
entitlements of beneficiaries,
78–82
income distribution 78–82
preparing tax returns for, 41
running businesses through,
148–151
21 September, 1999
CGT after, 130–131
CGT before, 131–132
20 percent significant individual
test, 201

• **U** •

unfranked share dividends, 94
unrestricted non-preserved benefits
of super, 220
untaxed plan cap amount
(UPCA), 224

• **W** •

wages and salary income, 51–60
wash sales of shares, 101–102
wills
preparing, 239–241
status of dependants as
beneficiaries, 240
withholding tax on interest, 87–88
work-related expense claims
car, 64, 63
other, 63–64
self-education, 64–65
substantiation of, 62–64
travel, 34–35, 62–63
worthless shares in liquidated
company, 104
writing-off
business related costs, 26
depreciating assets, 170–171

• **Y** •

yearly basis of accounts for taxable
income, 255

• **Z** •

zone tax offset, claiming, 37

