

ezytax
BLUE

chapter 2
income



CHAPTER 2 - INCOME

WHAT IS INCOME? – Division 6 of Income Tax Assessment Act 1997

The Income Tax Act **does not** contain a definition of the word income. It is important that you fully understand the difference between various types of income in determining what amount is to be included in a taxpayer's assessable income. Reliance must be placed on general concepts and usage, assisted by current tax rulings and court decisions.

1) Assessable Income

Is defined under the Income Tax Act as Ordinary Income (according to ordinary concepts) or Statutory Income. It includes income from personal exertion and property. It is the income you will use as the first step in calculating tax.

Ordinary Income:-

- Personal earnings – salary, wages
- Pensions, Benefits, allowances
- Business income

Statutory Income:-

- Dividends
- Rent
- Trust Distributions

NOTE: Assessable income may fall in to both ordinary income and statutory income, it is only included in assessable income once.

2) Exempt Income

Exempt Income is income specifically exempted under the Income Tax Act.

3) Non-Assessable Non-Exempt Income

Income that is not assessable income and not exempt income is non-assessable non-exempt income (NANE). This income has often been the subject of an administrative ruling or a legal decision.

NANE income is income that the law expressly says is neither assessable nor exempt.

NANE income is ignored when calculating taxable income and tax losses. Thus it is effectively treated as if it were not income.

CATEGORIES OF INCOME

1) ASSESSABLE INCOME

Assessable income consists of both ordinary and statutory income.

Income according to ordinary concepts which is called ordinary income:

- Salary and wages
- Professional fees
- Retail sales income
- Interest
- Cash receipts for services
- Illegal transactions

Statutory Income:

- Benefits - non cash
- Dividends
- Royalties
- Capital Gains
- Employment allowances including car allowance
- Eligible termination payments
- Leave (holiday) payments
- Partnership income
- Trust Distributions

2) NON-ASSESSABLE INCOME

- Income from Hobbies
- Bequest under a will
- Gambling wins eg: A win at the roulette table
- Gifts unrelated to services rendered eg: Birthday presents
- Lottery wins (unless from an investment related lottery)

3) EXEMPT INCOME

Made exempt from income tax under Sec 11 ITAA 1997 or other Commonwealth law:

- Government co-contribution
- Exempt fringe benefits
- Family Tax Assistance – FTB Part A and FTB Part B (mistakenly called Parenting Payment or Child Support)
- Some income from overseas employment
- Payments to Defence Force Personal in war zones
- Income earned on Norfolk Island
- Social security or like payments such as disability payments (DSP), Rental Assistance, Maintenance payments (Child Support).

4) NON-ASSESSABLE NON-EXEMPT INCOME (NANE)

- GST payable/refundable
- Reportable fringe benefits
- Non-resident income (interest, dividends) subject to foreign withholding tax.
- Covid-19 Disaster Payment

How is assessable income calculated?

Assessable Income	=	Income according to Ordinary Concepts	-	Exempt Income	+	Statutory Income	-	Non- assessable Income
------------------------------	---	--	---	------------------	---	---------------------	---	------------------------------

“PAY AS YOU GO” Summary (PAYG)

PAYG consists of two main components:

- PAYG Instalments; and
- PAYG Withholding.

PAYG Instalments

Means individuals and entities with business or investment income will provide for their own tax liability by paying instalments. It has abolished provisional tax. Investment income includes interest, gross rent, dividends, annuity income, superannuation fund pensions, income from any trusts, royalties and partnership income.

PAYG Withholding

Means workers are subject to withholding and have some tax deducted from payments they receive.

There are three new withholding situations:

- Payments by an entity carrying on a business of arranging people to perform work for entity's clients.
- Payments to individual who has an ABN (Australian Business Number), covered by a voluntary agreement.
- Payment for supplies between two businesses where the recipient of the payment does not quote an ABN on an invoice.

There are a number of Payment Summaries:

- PAYG payment summary- Individual Non Business (formerly **Group Certificate**)
- Payment Summary- Voluntary Agreement (formerly PPS)
- Payment Summary- Labour Hire and Other Specified Payments
- Payment Summary- Withholding Where ABN Not Quoted.

SINGLE TOUCH PAYROLL

Single Touch Payroll (STP), is an Australian Government initiative to reduce employers' reporting burdens to government agencies. STP started on 1 July 2018 for employers with 20 or more employees and 1 July 2019 for employers with 19 or fewer employees and is a mandatory obligation.

As a result, all reporting obligations including the need to issue Payment Summaries is obsolete and all information is now now found on the Tax Agent Portal. Employers have until 14 July each year to “Finalise” their STP Payroll obligations.

CLIENT PREFILL

Click 'Lodgments' > 'Client reports'.

BOOTH, BENJAMIN TFN
822 812 323

Summary Profile Accounts and payments **Lodgments** Super Business

For action

Lodgments

Account	Description	
Income tax 551	Jul 2019 - Jun 2020 Tax	17

- Activity statements
- Income tax
- Non-lodgment advice
- Taxable payments annual report
- Client reports**
- Client forms

Click the relevant '**Financial Year**' > click '**Generate**' bottom right-hand side (RHS) of the page.

Reports

Pre-fill and pre-generated reports

Pre-filled reports

Financial year

[2020](#)

[2019](#)

[2018](#)

[2017](#)

Reports

Pre-filled report for the 2020 financial year

All fields marked with * are mandatory.

Name
BARNETT, JESSICA

TFN
431 077 839

Report format *

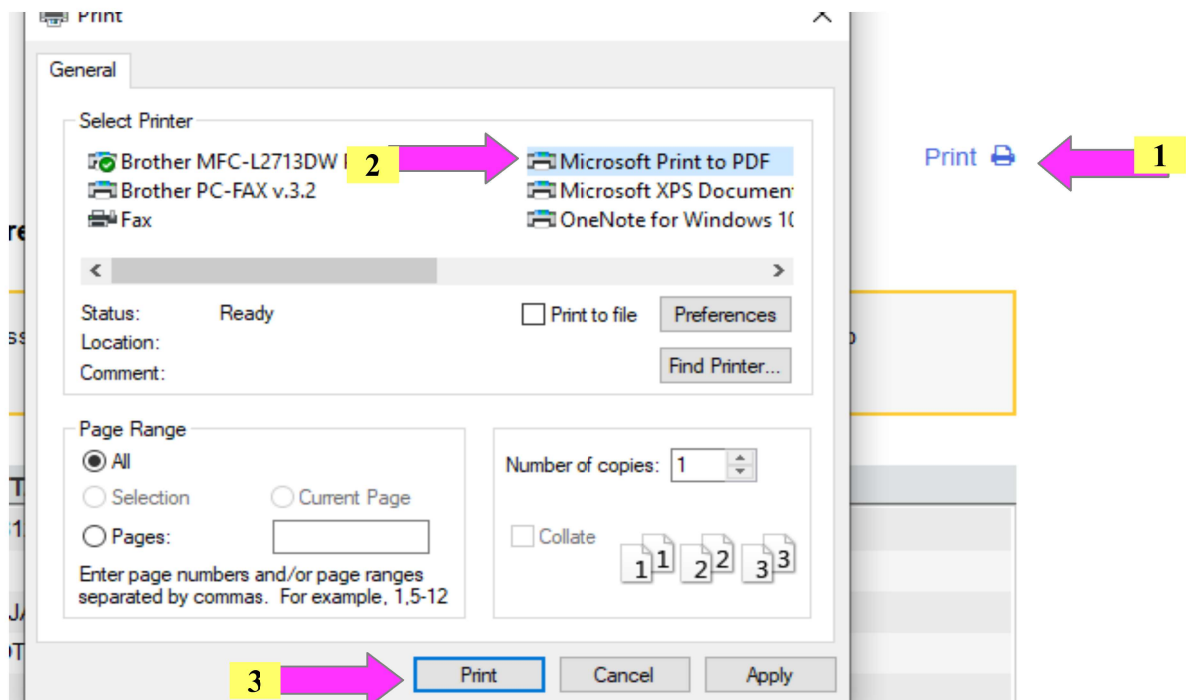
View in browser

Back

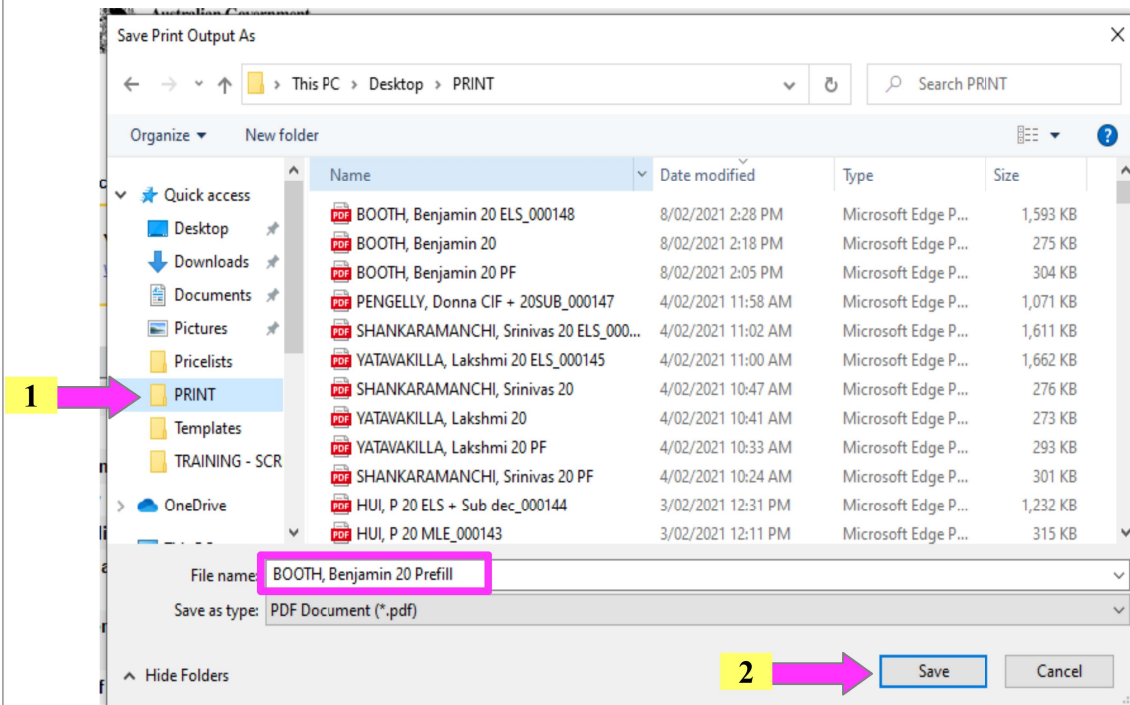
Cancel

Generate

Once the prefill is generated, you must **SAVE** the report > click '**Print**' > select '**Microsoft Print to PDF**' as the printer > click '**Print**' > Option to Save box will pop up



Left-hand side (LHS) taskbar > click '**PRINT**' folder > File name is '**LASTNAME, FirstName YEAR Prefill**' > Click '**Save**'.



ITEM 1 – SALARY OR WAGES

Main salary or wages occupation

Include an accurate description of the taxpayer's main salary or wage income earning activity (eg Tiler) and appropriate 6 digit code from the publication Salary or Wages Occupation Codes .

Do not use last year's occupation without checking with the client.

Most people who file tax returns have PAYG Payment Summary income i.e. they are employees.

NOTE: Under the new PAYG system, all payments should be on a PAYG summary at the end of the tax year. The only details recorded at ITEM 1 are extracts from the PAYG Payment Summary - Individual Non Business.

Ask Client what their job was. Click '**Income**' tab > Click '**Occupation code**' dots to search for an occupation. For Clients who have multiple jobs, enter the occupation code related to their main source of income.

Front cover **Income** Deductions & Losses Tax offsets Medicare Adj Credits Income tests Spouse details Business items

Income

1 Salary or Wages

Only show Individual non-business PAYG summaries and/or PAYG payment summaries - foreign employment received from **AUSTRALIAN** employers

Occupation code

Your main salary and wage occupation

Payer's ABN	Tax withheld	Income	Type
<input type="text"/>	<input type="text"/>	C <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	D <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	E <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	F <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	G <input type="text"/>	<input type="checkbox"/>

(Press enter to open the Foreign employment income PS)

In the white box enter occupation (eg: Retail) > click '**Search**'.

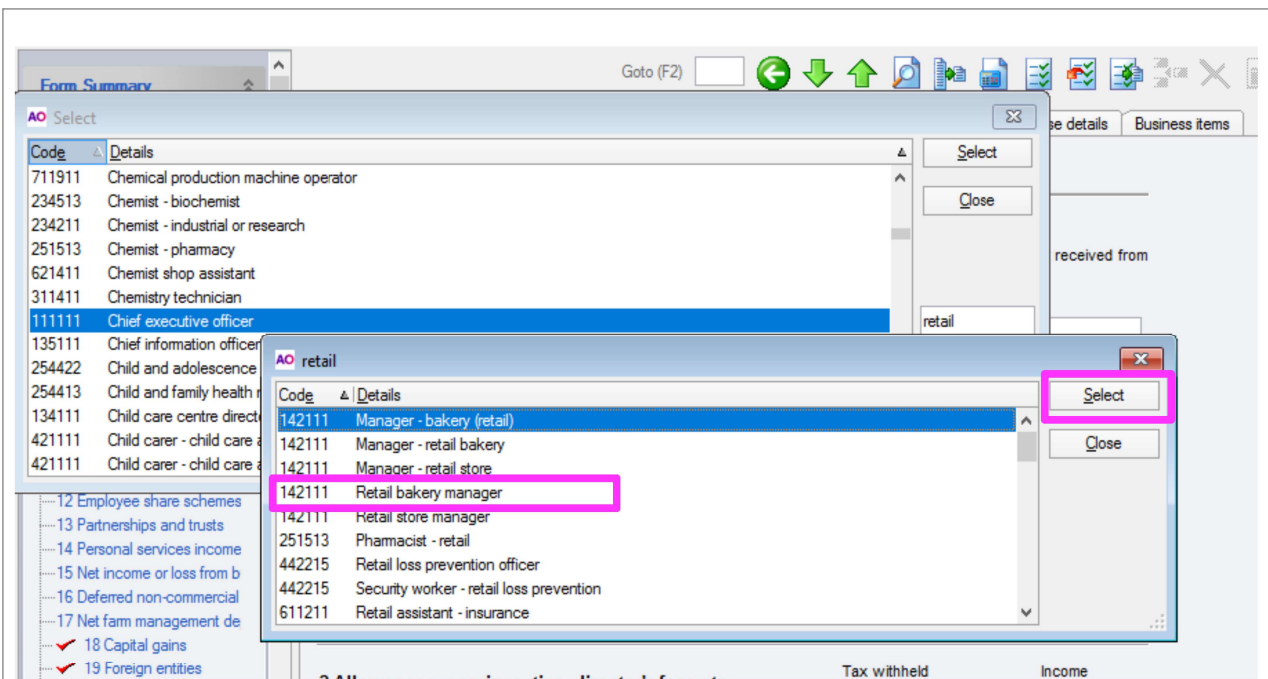
Form Summary Goto (F2)

AO Select

Code	Details
711911	Chemical production machine operator
234513	Chemist - biochemist
234211	Chemist - industrial or research
251513	Chemist - pharmacy
621411	Chemist shop assistant
311411	Chemistry technician
111111	Chief executive officer
135111	Chief information officer
254422	Child and adolescence mental health nurse
254413	Child and family health nurse
134111	Child care centre director
421111	Child carer - child care aide
421111	Child carer - child care assistant

12 Employee share schemes
13 Partnerships and trusts

Choose the occupation that matches the Client's job > click '**Select**'.



'Income' tab > click 'C' to open the 'Salary or Wages' schedule.

Front cover **Income** Deductions & Losses Tax offsets Medicare Adj Credits Income tests Spouse details Business items

Income

1 Salary or Wages

Only show individual non-business PAYG summaries and/or PAYG payment summaries - foreign employment received from AUSTRALIAN employers

Occupation code Your main salary and wage occupation

Payer's ABN	Tax withheld	Income	Type
<input type="text"/>	<input type="text"/>	<input type="text" value="C"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text" value="D"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text" value="E"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text" value="F"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text" value="G"/>	<input type="checkbox"/>

(Press enter to open the Foreign employment income PS)

Enter details per Prefill or Payment Summary.

Salary or Wages Payment Summary

Parental Leave Payments from Centrelink must be entered at item 1.

Foreign Payment Summaries

Enter foreign payment summaries in the Foreign employment income payment summary worksheet (fei).

Did you earn this income while you held a Working Holiday visa (subclass 417) or Work and Holiday visa (subclass 462)? ... **1**

2	Payer's ABN	Payer's WPN	Tax withheld	Amount
	66 329 169 412		4340	27355
3	DEPARTMENT OF HEALTH QLD			
	Allowances including commissions, director's fees, bonuses, tips or consultation fees etc.			32
	Is the employer exempt from FBT under section 57A of the FBTA 1986?	Y		
	Reportable fringe benefits - employer exempt from FBT			12412
	Reportable fringe benefits - employer not exempt from FBT			
	Community Development Employment Project (CDEP)			
	Salary or wages reportable employer superannuation contributions			1085
9	Salary or wages lump sum A			
	Salary or wages lump sum B			
	Salary or wages lump sum D			
	Salary or wages lump sum E			

14

Reportable fringe benefits - employer exempt from FBT	
Reportable fringe benefits - employer not exempt from FBT	
Community Development Employment Project (CDEP)	
Salary or wages reportable employer superannuation contributions	
Salary or wages lump sum A	
Salary or wages lump sum B	
Salary or wages lump sum D	
Salary or wages lump sum E	

Enter the lump sum in arrears amount for each year, to a maximum of 5 years

	Year	Amount
Salary or wages lump sum in arrears (lump sum E)		


Exempt foreign employment income

	Foreign tax withheld	Amount
Exempt foreign employment income		
Exempt foreign employment income lump sum in arrears		

Country where exempt foreign employment income was earned

Enter the lump sum in arrears amount for each year, to a maximum of 5 years


	Year	Amount
Salary or wages lump sum in arrears (Exempt FEI)		

- Working Holiday Visa 417 or 462 – Unless Client says they are a WHM, leave blank. If client is WHM > click '**Yes**' > go to '**Front Cover**' > '**Residency**' > '**No**'.
- Payer's ABN – Copy/Paste from Prefill
- Payer's Name - Copy/Paste from Prefill
- Tax Withheld – Enter Tax Withheld from Prefill.
- Amount – Enter Gross Payment from Prefill. **DO NOT** get Gross Payment and Tax Withheld mixed up. **CHECK YOUR WORK!**
- Allowances – Enter from Prefill. **DO NOT** leave this out. **CHECK YOUR WORK!**
- Exempt from FBT – Choose '**Y**' or '**N**' per Prefill.
- Reportable Fringe Benefits (RFBA) – Enter per Prefill. The correct box will be chosen based on #6 above.
- Reportable Employer Super Contributions (RESC) – Enter per Prefill.
- Lump Sum A – Enter per Prefill.
- Lump Sum B – Enter per Prefill.
- Lump Sum D – **DO NOT ENTER**. It is exempt income.
- Lump Sum E – Enter per Prefill. Must also complete #13 below and Item 24.
- Salary or wages in arrears Lump Sum E – Choose 2022 and enter per Prefill which will be the same as #12 above.
-  – Press the '**Back-arrow**' to exit schedule.

CHECK YOUR WORK BEFORE EXITING

See example of Prefill below. Prefill will have labels on the RHS that correspond to the Item number in MYOBAO.

2019-20 PAYG PAYMENT SUMMARIES as at 7 July 2020

Type of payment summary:	INB payment summary		
Single Touch Payroll Status:	Finalised 		
Available for pre-filling:	07/07/2020		
ABN:	2	66329169412/1	
Employer's name:	3	DEPARTMENT OF HEALTH QLD (Type S)	
Period from:	01/07/2019		
Period to:	30/06/2020		

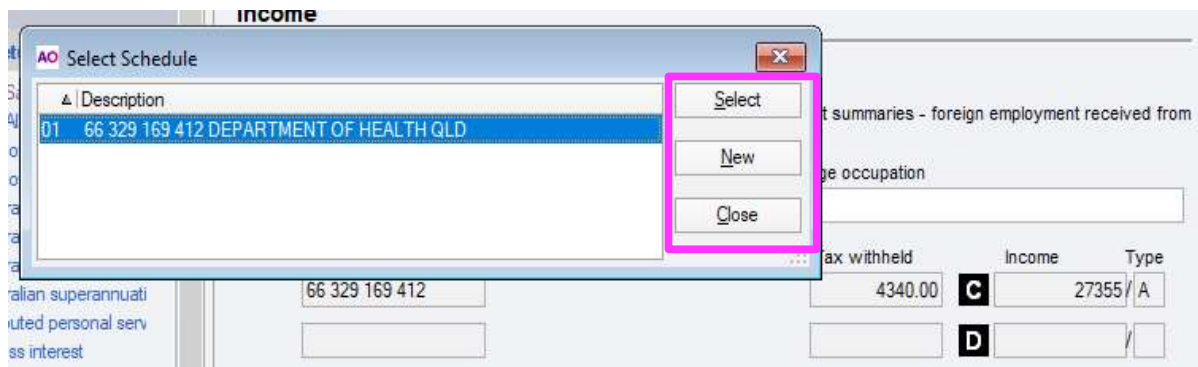
Description	Type	Tax withheld	Income	Label
Gross payments 4			\$27,355.00	1
Total tax withheld 4		\$4,340.00		1
Allowances 5			\$32.00	2
Reportable fringe benefits 7			\$12,412.00	IT1N
Is the employer exempt from FBT under section 57A of the FBTAA 1986? 6	Yes			
Reportable employer superannuation contributions 8			\$1,085.00	IT2

Note the Payment Summary says '**Finalised**' – this means the employer has finalised the information. If the Payment Summary says '**Unfinalised**' > warn the client > question them about the accuracy of the information > if client wishes to continue, warn them this information could change and therefore could change their refund. Make a note on MYOBAO notes.

To enter multiple PAYG summaries > click '**New**'. Then follow the same steps as above for each Payment Summary.

Click '**Select**' to open highlighted Payment Summary to amend/review.

Click '**Close**' to exit schedule.



ITEM 2 – ALLOWANCES, EARNINGS, TIPS, DIRECTOR'S FEES ETC

Income you must show here includes:-

- Allowances or benefits paid by employers – this will be found on the **PAYG Payment Summary**
- Director's fees
- Commissions (unless self-employed)
- Tips, gratuities, honoraria (payments for voluntary services)
- Income from casual work
- Income shown on PAYG Payment Summary with no tax withheld
- Jury duty fees, unless the taxpayer has to pay the fees to their employer because the taxpayer received normal work payment income while they were on jury duty. Do not include travel payments.

Reference to a taxpayer's payslip may often show allowances, which are not shown separately on a PAYG Payment Summary but are included in gross salary eg dirt allowance.

Allowances on PAYG Payment Summary may show amounts as Taxed and Non Taxed. This refers to whether tax has been withheld from these amounts.

NOTE:

Just because the taxpayer has an allowance does not mean they are entitled to claim a deduction against the allowance eg height allowance and site allowance.

Item 2 is entered at Item 1 per Prefill.

ITEM 3 – EMPLOYER LUMP SUM PAYMENTS

Item 3 includes Lump Sum A, Lump Sum B, Lump Sum D and Lump Sum E. Item 3 is entered at Item 1 per Prefill.

ITEM 3 CODES:

If the taxpayer left their job because of bona fide redundancy, invalidity or under an approved early retirement scheme – **code R**

If the taxpayer left their job for any other reason – **code T**

LUMP SUM D (IS NOT ASSESSABLE AND DOES NOT APPEAR ON THE TAX RETURN)!!!

ITEM 4 – EMPLOYMENT TERMINATION PAYMENTS (ETP)

These payments are payments received/paid on termination of employment and do not include annual leave, long service leave or lump sum D or E. These are shown on a PAYG Payment Summary – Employment Termination Payment. It also includes:

- Death benefit ETPs
- Foreign ETPs
- Late termination payments
- Transitional termination payments

Click 'I' to open schedule.

4 Employment termination payments (ETP)		Tax withheld	Taxable component	CODE
Date of payment	E <input type="text"/>	<input type="text"/>	I <input type="text"/>	<input type="text"/>
Payer's ABN	F <input type="text"/>			

Employment Termination Payment Summary

To maximise the offset for the taxpayer, enter the excluded payment ETP first (Codes R and S), followed by the Non-excluded ETP (Codes O and P).
 Where there is more than one ETP the taxable amount from the first ETP will be carried forward automatically to the next ETP.
 Note that ETP Codes O and P relate to payments that are subject to the Whole of Income cap.

Amount of cap previously used (for estimate calculation purposes only)

Is this payment part of a payment made in an earlier income year? ... **1**

Amount of ETP paid in an earlier year for same termination

Amount of Transitional ETP paid in an earlier year

Amount of Death benefit ETP paid in an earlier year to a non-dependant

Note: ETPs made in the same financial year from different employers also reduce the available cap.

For Calculation of Estimate only:

Amount of ETP cap previously used (prior year plus current year Taxed elements)

Amount of Death benefit Cap paid in an earlier year to a non-dependant plus current year Taxed element

Payment details

Country ...

2 → Date of payment

3 → Tax withheld

4 → Taxable component (For Death Benefit Dependents: Only include amounts over \$210,000)

5 → Tax free component

CODE

CODE

Employment termination payment (ETP) ... **6**

Was the deceased a member of the Australian Defence Forces or Australian Police Force or Protective Services who died in the line of duty? ...

7 → Payer's ABN

Payer's WPN


8 → Payer's Name

For calculation of Tax on Taxable Income

These amounts are taxed at top marginal rates.

Excess over the Low rate cap

Excess over the Death Benefits cap

- Is this payment part of a payment made in an earlier income year? - Enter 'N'. #2-#5 will open up to be completed.
- Date of payment – Enter per Prefill.
- Tax withheld – Enter per Prefill.
- Taxable component – Enter per Prefill.
- Tax free component – Enter per Prefill.
- Employment termination payment (ETP) – Enter code per Prefill. Click on the dots to view options.
- Payer's ABN – Enter per Prefill.
- Payer's Name – Enter per Prefill. **CHECK YOUR WORK BEFORE EXITING**
-  – Press the 'Back-arrow' to exit schedule.

To add multiple schedules, refer to the steps at Item 1.

CHECK YOUR WORK BEFORE EXITING

ITEM 5 – AUSTRALIAN GOVERNMENT ALLOWANCES

Commonwealth of Australia government allowances and payments like Newstart, Youth allowance and Austudy payments

This includes:

1. Parenting payment (partnered)
2. Newstart allowance
3. Youth allowance
4. Mature age allowance where the taxpayer started to receive the allowance on or after 1 July 1996
5. Partner allowance
6. Sickness allowance
7. Special benefit
8. Widow allowance
9. Austudy payment
10. Exceptional circumstances relief payment, restart payment, restart income support, farm household support (by way of financial assistance)
11. ABSTUDY living or dependent spouse allowance or payment under the Veterans'

- Children Education Scheme and the taxpayer was 16 year or over
- 12. Training for Employment Program allowance, New Enterprise Incentive Scheme allowance, textile and footwear special allowance, Green Corps training allowance or other taxable Commonwealth education or training payments
- 13. An income support component from a Community Development Employment Project (CDEP)- shown as 'CDEP Salary or Wages' on the PAYG Payment Summary- Individual Non-Business
- 14. A CDEP Scheme Participant Supplement paid by Centrelink.

Make sure you **READ** the Prefill and enter at the **CORRECT** Item. See **Centrelink Terminology** for a list of various Centrelink payments.

Click on the black box to open schedule > type in '**Description**' eg: NSA/Newstart > enter any Tax Withheld > enter Gross Amount.

CHECK YOUR WORK BEFORE EXITING

5 Australian Government allowances and payments like Newstart, Youth Allowance, Jobseeker and Austudy payments

	Tax withheld	Income
Australian government allowance and payments	<input type="text"/>	<input type="text"/>
Community Development Employment Project payments	<input type="text"/>	<input type="text"/>
	<input type="text"/>	<input type="text"/>

Description	Tax Withheld	Gross Amount
Austudy		327

Austudy	01/07/2019	01/07/2019	\$0.00	\$0.00	\$327.00	5
Parenting Payment Single	01/07/2019	30/06/2020	\$0.00	\$0.00	\$14,060.00	6

 Press the '**Back-arrow**' to exit schedule.

CHECK YOUR WORK BEFORE EXITING

ITEM 6 – AUSTRALIAN GOVERNMENT PENSIONS

Commonwealth of Australia government pensions and allowances

This includes:

- Age pension
- Bereavement allowance
- Carer payment
- Disability support pension and the taxpayer has reached pension age
- Mature age allowance and the taxpayer started to received the allowance before 1 July 1996
- Mature age partner allowance
- Parenting payment (single)
- Widow B pension
- Wife pension
- Age service pension
- Carer service pension
- Income support supplement
- Invalidity service pension and the taxpayer has reached age pension age
- Partner service pension

Centrelink will issue a PAYG Statement. Although some of the above are called allowances.

Some exempt pensions become taxable when the recipient reaches pension age.

The most common example is Disability Support Pension.

Click on the 'B' > type in 'Description' eg: NSA/Newstart > enter any Tax Withheld > enter Gross Amount.

6 Australian Government pensions and allowances		Tax withheld	Income		
You must complete item T1		<input type="text"/>	<input type="text"/>		
Description					
PPS			14060		
Austudy	01/07/2019 01/07/2019	\$0.00	\$0.00	\$327.00	5
Parenting Payment Single	01/07/2019 30/06/2020	\$0.00	\$0.00	\$14,060.00	6



Press the 'Back-arrow' to exit schedule.

CHECK YOUR WORK BEFORE EXITING

NOTE:

Parenting Payment Partnered is a **Centrelink Allowance** and is entered at Item 5.

Parenting Payment Single is a **Centrelink Pension** and is entered at Item 6.

ITEM 7 – AUSTRALIAN SUPERANNUATION INCOME STREAM

SUPERANNUATION INCOME STREAMS:

These are paid to self-funded retirees. Any superannuation pension received is shown on a PAYG Payment Summary. In some instances a taxpayer at retirement can commute some or all of their superannuation benefit to a pension. The lump sum amount not taken as a pension will be treated as an ETP and the appropriate ETP Payment Summary will be issued.

ANNUITIES:

These are another form of retirement income that is purchased as either a lump sum or by rollover of an eligible termination payment. It takes the form of regular payments and a PAYG Payment Summary is issued at the end of the financial year. An annuity can be purchased for a fixed term or life. It can also have an amount of capital to be refunded at the end of the term. This is called the Residual Capital Value (RCV).

Click 'J' to open schedule > Enter details per Prefill/PAYG.

7 Australian annuities and superannuation income streams		Tax withheld
		<input type="text"/>
Taxable component	Taxed element	J <input type="text"/>
	Untaxed element	N <input type="text"/>
Assessable amount from capped defined benefit income stream		M <input type="text"/>
Lump sum in arrears - taxable component	Taxed element	Y <input type="text"/>
	Untaxed element	Z <input type="text"/>



Australian superannuation income stream payment summaries

Payer's name

ABN

Are you under 60 years of age and a death benefit dependant where the deceased died at 60 years or over?

Payment period start End date

Total tax withheld

Australian Annuities and Superannuation income streams - Before 60th birthday

	Current stream	All streams
Taxed element amount paid before 60th birthday	<input type="text" value="18790"/>	<input type="text" value="18790"/>
Untaxed element	<input type="text"/>	<input type="text"/>
Tax-free element	<input type="text"/>	<input type="text"/>

[A Superannuation offset may be available. Complete item T2]

Lump sum in arrears - Taxable Component

	Current stream
Taxed element amount paid before 60th birthday	<input type="text"/>
Untaxed element	<input type="text"/>
Tax-free element	<input type="text"/>

Breakdown of the lump sum in arrears

Enter the lump sum in arrears amount for each year, to a maximum of 5 years

Year	Amount
<input type="text" value=""/>	<input type="text"/>

Superannuation income stream tax offset

Is this payment subject to defined benefit income cap rules?

Tax offset as per payment summary

Capped defined benefit income stream - After 60th birthday or reversionary

	Current stream	All streams
Taxed element amount paid at or after 60th birthday or other eligible defined benefit income stream received	<input type="text"/>	<input type="text"/>
Untaxed element	<input type="text"/>	<input type="text"/>
Tax-free element	<input type="text"/>	<input type="text"/>

Total (for Assessable amount calculation)


	Current stream	All streams
Total tax free and taxed element amount paid at or after 60th birthday	<input type="text"/>	<input type="text"/>
Defined benefit income cap	<input type="text"/>	<input type="text"/>
Assessable amount	<input type="text"/>	<input type="text"/>

Quick access to Australian annuities schedule?

1
2
3
4 5
6

7
8
9

10
11

1. Payer's Name – Enter per Prefill.
2. ABN – Enter per Prefill.
3. Are you under 60 years of age? 'Y' or 'N' – check Client's date of birth. They must be under 60 as at 30th June 2023.
4. Payment Period Start – Enter per Prefill.
5. End Date – Enter per Prefill.
6. Total Tax Withheld – Enter per Prefill. **CHECK YOUR WORK!**
7. Taxed Element Amount Paid Before 60th Birthday – Enter per Prefill. **CHECK YOUR WORK!**
8. Untaxed Element – Enter per Prefill. **CHECK YOUR WORK!**
9. Tax-Free Element – Enter per Prefill. **CHECK YOUR WORK!**
10. Is This Payment Subject to Defined Benefit Income Cap Rules – 'Y' or 'N'. Enter per Prefill.
11. Tax Offset per Payment Summary – Enter per Prefill. You **MUST** go to T2 and enter this amount directly into the box. Do **NOT** open schedule.
12.  Press the '**Back-arrow**' to exit schedule.

CHECK YOUR WORK BEFORE EXITING

ITEM 8 – AUSTRALIAN SUPERANNUATION LUMP SUM

PAYMENTS

Formerly Superannuation ETP's, Lump sum payments received from:

- Superannuation funds
- Approved deposit funds
- Retirement savings account providers
- Life insurance companies
- Death benefits received from any of the above

Do NOT show the 'Tax-free component' anywhere on the tax return as this is non-assessable non-exempt income and does NOT form part of a taxpayer's taxable income.

Click 'Q' to open schedule > Enter details per Prefill/PAYG.

8 Australian superannuation lump sum payments		Tax withheld	Taxable component
Date of payment	<input type="text"/>	<input type="text"/>	<input type="text"/>
Payer's ABN	<input type="text"/>	Type <input type="text"/>	<input type="text"/>

(highlighted in pink) is located in the Taxable component field.

 is located in the Untaxed element field.

Go to **9** →

Australian Superannuation Lump Sum Payment

Information for Death Benefit payments:
 The taxed and untaxed elements of a superannuation lump sum death benefit paid to a dependant of the deceased is not assessable not exempt income and should not be included in the taxpayer's tax return. If this is the case, please do not complete this schedule.

Amount of cap previously used

Did you receive a superannuation lump sum payment in a previous year for which you received a Superannuation lump sum tax offset? (If the payment is a Death Benefit answer No to this question) ← **1**

Check or enter previously used amounts

Payment details

2 → Payer's Name: SUNSUPER SUPERANNUATION FUND

3 → Payer's ABN: 98 503 137 921

4 → Payment date: 03/02/2020

5 → Tax withheld: 4132.00

6 → Tax free component: 6216

7 → Taxed element: 18783

8 → Untaxed element: 0


Is the payment subject to the Untaxed Plan cap?

If more than one Untaxed Plan, the number of this Plan

Is this payment a death benefit?

1. Did you receive a super lump sum payment in a previous year? 'Y' or 'N' – can

check on prior year prefill or prior year tax return.

2. Payer's Name – Enter per Prefill.
3. Payer's ABN – Enter per Prefill.
4. Payment Date – Enter per Prefill.
5. Tax Withheld – Enter per Prefill. **CHECK YOUR WORK!**
6. Tax Free Component – Enter per Prefill.
7. Taxed Element – Enter per Prefill. **CHECK YOUR WORK!**
8. Untaxed Element – Enter per Prefill.
9.  Press the '**Back-arrow**' to exit schedule.

Type of payment summary:	Superannuation lump sum payment summary (Original)			
Available for pre-filing:	20/08/2020			
ABN:	3	98503137921/1		
Payer's name:	2	SUNSUPER SUPERANNUATION FUND		
Date of payment:	4	03/02/2020		
Description	Type	Tax withheld	Income	Label
Total tax withheld	5	\$4,132.00		8
Taxable component - taxed element	7		\$18,783.00	8Q
Tax free component	6		\$6,216.00	
Death benefit		1	No	

CHECK YOUR WORK BEFORE EXITING

ITEM 10 – GROSS INTEREST

Interest received from banks, building societies, or any other Australian source is assessable income. Details are obtained from print outs, statements and passbooks.

In the case of passbooks interest is not always clearly shown. It may be shown as “transfer”, “direct credit”, NBD (non-book deposit), Dep, Int, or T/D. Care must be taken in deciding what is interest and what is capital as illustrated below-

Entries from passbook- 24/05 Int \$749.59 - this is term deposit interest.
 26/05 Dep \$190000 - this is term deposit capital being deposited.
 26/08 Dep \$795.14 - this is term deposit interest (notice NOT called interest).
 30/06 Int \$290.10 - this is interest on the passbook account.
 30/06 T/D \$11093.53 - this is a combination of \$10000 capital and interest.
 \$1093.53

Date/Narration	Withdrawal	Deposit	Balance
			40545.21
24/05 Int		749.59	41294.80
	20000		21294.80
26/05 Dep		190000.00	211294.80
28/05	190000		21294.80
28/05	2.50		21292.30
	1000		20292.30
	200		20092.30
28/06 Deposit		795.14	20887.44
30/06 Int		290.10	21177.54
	200		200977.54
30/06 T/D		11093.53	212071.07

Most major investment bodies now issue Annual Interest Statements for debentures and term deposits. Interest taken from passbooks should always be cross checked with debentures and term deposit statements to stop calculation.

The following Annual Statement shows the interest earned on each investment for the year but the interest could have been credited to his passbook monthly, quarterly, etc.

Challenge Bank

Deeming Account

Account Name

Annual Information

For the period 1 July 2022 to 30 June 2023

For account:

Total interest credited \$625.84

These details are provided for your records and taxation purposes

NOTE – Always ensure that the whole of the financial year is accounted for, it may be in more than one book or credited after the 30th June.

Some banks will print out interest for taxpayers as shown below, detailing accounts and interest received.

**Customer Tax information for financial year 2022/2023
Bank of Western Australia LTD**

Name:
Address:

Account number	Rel	Credit Interest	Debit Interest	TFN	Non-res	
	Own	625.25		0.00	0.00	0.00
	Joint	326.20		0.00	0.00	0.00
	Joint	0.00	2650.35		0.00	0.00

Please verify this statement to your records and report any discrepancy

TERM DEPOSITS

The interest will need to be declared from a term deposit in the financial year that it is credited to the taxpayer's account. This applies even if the interest cannot be accessed until the end of the term, i.e. date of maturity.

The Bank or Financial Institution will provide these details at the end of each financial year showing how much interest has been credited on term deposits.

Example.....

Jill invests in a five-month term deposit on the 12 August 2022. On the 12 January 2023 the term deposit matures and Jill is credited with the interest. Jill will need to declare the interest in her 2023 tax return.

Example.....

Jack invests in a twelve-month term deposit on the 18 September 2022. Interest from the term deposit will be credited to him quarterly (i.e. 18 December 2022, 18 March 2023, 18 June 2023 and 28 September 2023) but won't be accessible until the date of maturity. Although Jack cannot access the interest until the end of the term, he still needs to declare the interest credited on the 18 December 2022, 18 March 2023, and 18 June 2023 in his 2023 tax return.

Example.....

Sandy invests in a twelve-month term deposit on the 10 September 2022. Interest from the term deposit will be credited to her on the date of maturity, which is the 10 September 2023. As interest won't be credited until the 10 September 2023 Sandy will not have to declare the interest until the 2023 tax return.

Commonwealth Bank
ABN 48-23-23-124

Term Deposit Number
(066163)
Investment Balance
\$12386.31
Invested on
5th September 2022
At an interest rate of
5.000% PA
To mature on
5 September 2023
Date Printed
30 June 2023
Interest option chosen
Compound
Inquiry Number
132221

END OF FINANCIAL YEAR TERM DEPOSIT NOTICE

Please keep for taxation purposes

YOUR TAXATION RECORD You have a term deposit with us in the name of
This money has earned interest during the last financial year
You may need to declare this interest for taxation purposes.

INTEREST DETAILS AND DEDUCTIONS Total interest for the financial year ending 30 June 2018 (use this amount for
taxation purposes..... \$386.31

This notice replaces ant previous details for this term deposit.

Challenge Bank

Term Deposit Statement of Interest Paid

14 July 23

Term deposit held in the name of:

We are pleased to provide this statement showing the interest we have paid to you on your Term Deposit(s) between 1 July 2022 to 30 June 2023.

All Term Deposit(s) held in the above name with us during the year are listed, including those which matured during the year and have been repaid to you.

Withholding Taxes may have been deducted from the interest earned. If part/all of the tax has been refunded it is marked with an asterisk (*).

If tax has not been refunded you may be able to claim it through your tax return. Any enquiries should be directed to your Tax Advisor or the Australian Tax Office.

If an Early Termination fee was charged on your deposit, you may be able to claim a deduction through your tax return.

Term Deposit was account number applicable)	Interest	Withholding tax deducted from interest	Government duties/taxes deducted from interest	Amount Paid to you	Deposit repaid on (if
		\$	\$	\$	
	835.61	0.00	0.45	835.16	25/01/23
	2,443.28	0.00	27.70	2,415.58	Still open
TOTAL	3,278.89	0.00	28.15	3,250.74	

JOINT ACCOUNTS

The presumption at tax law is that holders of accounts in joint names have joint beneficial ownership of the moneys in equal shares; therefore interest is to be returned equally.

Ownership of money – other than equal shares

Where the facts of a particular case show that beneficial ownership of the moneys is other than in equal shares, the interest should be apportioned on the basis of that beneficial ownership.

Example...

Keith and Jan have an account in joint names. All the capital in the account came to Jan from an inheritance and she alone operates the account. With this evidence, the interest income would all be Jan's.

Providing evidence to confirm ownership

It may be necessary to provide evidence to confirm the basis of unequal apportionment. Evidence might include:

- who contributed funds to the account and in what proportion
- the nature of the contributions, and
- how the funds have been used.

CHILDREN'S SAVINGS ACCOUNTS

Who declares the interest on children's savings accounts?

Irrespective of the type of account opened or the name of the account holder, the essential question is, "Whose money is it?" that is, who owns or used the funds of that particular account?

If the money really belongs to the parent in the sense that he or she provided the money

and may spend it as he or she likes, then the parent should include the interest in his or her return.

Listed are some common examples.

In all other situations, the answer to the question “Whose money is it?” must be determined on the facts of each individual case.

If...	Then...
<p>A person, other than the account holder(child):</p> <ul style="list-style-type: none"> • has provided the funds for the child's account, and • spends or uses the funds in the account as if they belonged to him or her 	<p>That person needs to declare the interest from that account in his or her own tax return.</p> <p><u>Example.....</u> <i>Wayne opens an account for his son by depositing \$5000. Wayne is the signatory to the account because Jack is two years old.</i></p> <p><i>Wayne makes regular deposits and withdrawal to pay for Jack's pre-school expenses. Interest earned from that account is considered to be Wayne's.</i></p>
<p>The funds in the account are made up of money received as birthday or Christmas presents, pocket-money, or savings from newspaper rounds, etc. and</p> <ul style="list-style-type: none"> • these funds are not used by any person other than the child 	<p>The interest earned is considered to be the child's income.</p> <p><u>Example.....</u> <i>Shauna is aged 8. She has a savings account in her names. Shauna's mother Jill is signatory to the account.</i></p> <p><i>The source of funds (totalling \$90) is birthday and Christmas presents from Shauna's relatives.</i></p> <p><i>Interest earned from the account is considered to be Shauna's.</i></p> <p>Caution: If the amount deposited to the account is considered excessive, further examination is needed to decide where the money came from and whose money it really is. Refer to Taxation Ruling IT 2486.</p>

INTEREST FROM ATO:-

The ATO will pay interest on over paid tax (eg amendments) and from early payment of tax. This is assessable income (Item 24Y).

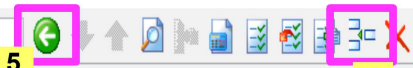
Interest from Australian Bank Accounts will *usually* appear on prefills (as shown below). A summary of the interest from all accounts is shown above the individual bank accounts on prefill. **ALWAYS** ask Client if they have any other accounts that earn interest.

10 Gross interest

Gross interest **L**

Tax file number amounts withheld **M** from gross interest

Click 'L' to open the interest schedule > Enter amounts in accordance with the Prefill.

Goto (F2) **5**  **4**

Interest Income

Country of residence is not required if an Australian resident for the full year.

Financial institution and Account Number: CBA

Number of account holder: **1**

Country of residence when interest was paid or credited: **2**

Share account? N

3 TFN withholding Interest

Gross	6.00	22.32
Your share	6.00	22.32

Financial institution and Account Number: [Redacted]

Number of account holders: [Redacted]

Country of residence when interest was paid or credited: [Redacted]

Share account? N

TFN withholding Interest

Gross	[Redacted]	[Redacted]
Your share	[Redacted]	[Redacted]

2019-20 INTEREST INCOME as at 10 July 2020

Description	Gross	Apportioned	Label
TOTAL GROSS INTEREST	\$22.32	\$22.32	10L
TOTAL TFN AMOUNTS WITHHELD FROM GROSS INTEREST	\$6.00	3 \$6.00	10M

Company name: **1** COMMONWEALTH BANK OF AUSTRALIA

Available for pre-filling: 10/07/2020

Account number: 417810733728

Account name: LAKSHMI SAILJA YATAVAKILLA

Investment owners: **2** 1

Description	Gross	Apportioned
Gross interest	\$22.32	\$22.32
TFN amounts withheld from gross interest	\$6.00	\$6.00

1. Financial Institution and Account Number – Enter the name of the bank. You do not need to enter account number.
 2. Number of Account Holder – Enter per Prefill.
 3. TFN Withholding & Gross Interest – Enter per the '**Apportioned**' column on Prefill or enter per bank statement. Make sure you enter cents in the schedule.
- CHECK YOUR WORK!**
4. To add another box for multiple bank accounts, click the '**Insert**' button. OR top taskbar > '**Edit**' > '**Insert**'.
 5. Press the '**Back-arrow**' to exit schedule.

CHECK YOUR WORK BEFORE EXITING

ITEM 11 – DIVIDENDS

Dividends paid by resident companies are either **Franked, Unfranked, or partly franked**. A dividend is a taxpayer's share of the company profit according to the number of shares the taxpayer owns.

Unfranked dividend

Is the taxpayer's share of the profit where no company tax has been paid.

Franked dividend

The taxpayer's share of the profit where company tax has been paid.

Franking credit (franking rebate)

The company tax paid on the dividend.

Partly franked dividend

Where the rate is less than the Company tax rate.

Shareholders who receive dividends will receive a dividend statement from the paying company advising:-

- date dividend payable
- the amount of the dividend that is franked
- an amount know as the FRANKING CREDIT (formerly imputation credit or imputed credit)

- the amount of the dividend that is unfranked
- the amount of any TFN tax deducted
- % rate of franking credit (can be less than the Company tax rate).

The amount of the franking credit is not received as cash by the taxpayer, but must be included in the taxpayer's tax return. In other words the franked amount is the taxpayer's net income and the franking credit is the tax (paid on the taxpayer's behalf by the company). Therefore the taxpayer has to declare both amounts.

A DIVIDEND MUST ALWAYS BE DECLARED IN THE FINANCIAL YEAR IN WHICH IT IS PAID.

Example.....

Logan receives a dividend statement with a payment date of 25 June 20123 on the 3 July 2023. It is declared in the 2023 return even though Logan may not have received it until 3 July 2023.

Remember that 1st July 2023 onwards is considered the 2023 tax year.

Conversely, a dividend statement has a payment date 31 July 2023 being the final dividend for the year ending 30 June 2023 is not declared until the 2024

Example.....

In the dividend advice below from The Australia Gas Light Company (AGL) the taxpayer received \$775 but also has a franking credit of \$252.43.

AGL **Australian Gas Light Company**

DIVIDEND

Proprietor Number	
HIN	
Date dividend paid	11/04/23
Record Date	27/03/23
Rate of dividend (per share)	25 cents
Tax File Number/ Australian Business Number	Recorded
Number of Shares on which Dividend is Paid	3100
Gross Dividend	\$775.00
TFN Withholding Tax	\$0.00
Non resident Dividend withholding tax	\$0.00
Net Divided	\$775.00
Franked Amount	\$589.00
Franking Credits	\$252.43
Unfranked amount	\$186.00

DIVIDEND REINVESTMENT SCHEMES

In some case the taxpayer does not receive a cash dividend but shares in lieu i.e.

Dividend Reinvesting. This still has to be declared as taxable income.

From the example below, the amounts to be declared are:

- Franked Dividends \$2484 and
- Franking Credits of \$1065.

This advice also details the number of shares purchased and the price (i.e. 78 shares at \$31.96 per share). This advice MUST be kept for Capital Gains purposes.

**Commonwealth Bank
Commonwealth Bank of Australia
ABN 48 123 123 124**

Dividend Statement

**Payment Date: 12/03/23
Record date: 22/02/23**

Dear shareholder

The details below relate to the Commonwealth Bank of Australia fully franked interim dividend for the half year ended 31 December 2022 payable on ordinary shares entitled to participate in the dividend at the record date.

This dividend is fully franked at the company tax rate of 30%

Description	Dividend rate per share	Shares participating in DRP at record date	Total Amount	Unfranked Amount	Franked Amount	Franking Credit
Ordinary Shares	68 Cents	3.653	\$4,484.04	0.00	\$2484.04	\$1064.59

	Dividend Payable:	\$2484.04
	Add previous cash balance brought forward:	\$25.61
	Amount available for reinvestment:	\$2509.65
	Amount applied to the allotment of 78 shares at \$31.96 per share:	\$2492.88
	Cash balance to be carried forward to the next dividend:	\$16.77

Total Shares now held including this DRP Allotment 3,731.

BONUS SHARES IN LIEU OF DIVIDEND

Dividend Reinvestment Schemes should not be confused with Bonus Share Plans.

Bonus Share Plans distribute bonus shares from an untainted Capital Account

(previously called Share Premiums Reserve Account) in lieu of receiving a dividend. Provided the bonus shares are paid from this account the value is not taxable. Bonus shares received under these schemes have no tax consequences until disposal, when the capital gain is calculated.

ALWAYS ask the client as not all dividends appear on Prefill.

Click 'S' to open the interest schedule > Enter amounts in accordance with the Prefill.

11 Dividends


Unfranked amount **S**

Franked amount **T**

Franking credit **U**

Tax file number amounts withheld from dividends **V**

For non-residents select the withholding tax rate %
(for calculation of estimate only)

Goto (F2) 

Dividends Received
Excluding distributions from Cash Management, Property and certain other Unit Trusts

Company or Trust name **1**

Reference number # of account holders **2**

Country of residence for tax purposes when the dividend was paid or credited Share account?

	Total amount	Your share
Unfranked dividends	382.79	382.79
Franked dividends	615.87	615.87
Franking credits	<input type="text" value="263.94"/>	263.94
TFN withholding	<input type="text"/>	<input type="text"/>
Exploration credits	<input type="text"/>	<input type="text"/>
Listed investment company capital gain deduction	<input type="text"/>	<input type="text"/>

For non-residents select the withholding tax rate %
(for calculation of estimate only)

Totals - Your Share

Unfranked dividends	Franked dividends	Franking credits	TFN withholding	Exploration credits	Listed inv. company capital gain deduction
<input type="text" value="382.79"/>	<input type="text" value="615.87"/>	<input type="text" value="263.94"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Totals only include amounts where country of residence is Australia, Christmas, Norfolk, Cocos (Keeling) or Heard and McDonald Islands

Quick access to D8 Dividend deductions

1. Company or Trust Name – Enter the name of the company/trust who paid the dividend. You do not need to enter reference number.
2. # of Account Holder – Enter per Prefill.
3. Unfranked Dividends, Franked Dividends, Franking Credits, TFN Withholding – Enter per the '**Apportioned**' column on Prefill or enter per dividend statement. Make sure you enter cents in the schedule. **CHECK YOUR WORK!**
4. To add another box for multiple bank accounts, click the '**Insert**' button. OR top taskbar > '**Edit**' > '**Insert**'.
5. Press the '**Back-arrow**' to exit schedule.

CHECK YOUR WORK BEFORE EXITING

2018-19 DIVIDEND INCOME as at 17 July 2019				
Description	Gross	3	Apportioned	Label
TOTAL UNFRANKED DIVIDENDS	\$382.79		\$382.79	11S
TOTAL FRANKED DIVIDENDS	\$615.87		\$615.87	11T
TOTAL FRANKING CREDITS	\$263.94		\$263.94	11U

Company:	1	AMP LIMITED		
Available for pre-filling:		17/07/2019		
SRN or HIN:		*****961		
Name:		MR GARRY SCIBERRAS		
Investment owners:	2	1		
Description	Gross	Apportioned	Label	
Unfranked dividends	\$382.79	\$382.79		
Franked dividends	\$615.87	\$615.87		
Franking credits	\$263.94	\$263.94		

ITEM 12 – EMPLOYEE SHARE SCHEME (ESS)

ESS interests are:

- shares
- stapled securities (provided at least one of the stapled interest is a share in a company)
- rights to acquire shares and stapled securities.

The ESS interests can be:

- from an Australian company or a foreign company
- related to your employment inside or outside Australia.

You will be taxed on the discount in the year in which you acquired the ESS interest. This is known as a 'taxed upfront scheme'. However, if the scheme meets certain conditions the taxing point is deferred until a later time. These schemes are known as 'deferral schemes'.

You can no longer choose when to be taxed on the discount you receive on ESS interests. The conditions of the scheme in which you participate determine when you pay tax on the discount you receive.

Click 'D' to open the dividend schedule > Enter amounts in accordance with the Prefill.

12 Employee share schemes

Discount from taxed upfront schemes - eligible for reduction	D	<input type="text" value="973"/>
Discount from taxed upfront schemes - not eligible for reduction	E	<input type="text"/>
Discount from deferred schemes	F	<input type="text"/>
Total assessable discount amount	B	<input type="text"/>
TFM amounts withheld from discounts	C	<input type="text"/>
Foreign source discounts	A	<input type="text"/>

Goto (F2)

4

Employee share schemes

Ensure that you complete the relevant IT1 to IT6 item labels as the discount may be disallowed if the adjusted income for these purposes is greater than \$180,000.

Employer's name 1

ABN 2

Taxed up-front scheme - eligible for reduction

Discount from taxed up front schemes - eligible for reduction 3

Taxed up-front scheme - not eligible for reduction

Discount from taxed up front schemes - not eligible for reduction

Deferral schemes

Discount from deferral schemes

TFN amounts withheld from discounts (total includes cents)

Foreign sourced discounts (to be advised by taxpayer as not included on ESS Statement)

Discounts included in D,E and F above that are foreign sourced

Employee share scheme foreign tax paid

2018-19 EMPLOYEE SHARE SCHEMES as at 9 July 2019

- Your client may be entitled to reduce the amount of the discounts received under 'taxed upfront schemes'. For more information, go to <https://www.ato.gov.au/General/Employee-share-schemes/> (<https://www.ato.gov.au/General/Employee-share-schemes/>).

Employer's name: 1 WESFARMERS LIMITED

Employer's ABN: 2 28008984049

Available for pre-filing: 09/07/2019

Plan reference number: EXU

Description	Amount	Label
Discount from taxed upfront schemes - eligible for reduction	3 \$973.00	12D

1. Employer's Name – Enter the name per Prefill.
2. ABN – Enter per Prefill.
3. Amount – Enter the amount in the correct box. Label should correspond to label on Prefill. **CHECK YOUR WORK!**
4. Press the '**Back-arrow**' to exit schedule.

CHECK YOUR WORK BEFORE EXITING

ITEM 13 – PARTNERSHIPS AND TRUST INCOME

Income from partnerships and trusts are broken up into four areas. Questions to consider are – was the income derived from Primary Production or Non-Primary Production and was it from a Partnership or Trust.

Item 13N Income from a Primary Production Partnership

Item 13L Income from a Primary Production Trust

Item 13O Income from a Non-Primary Production Partnership

Item 13U Income from a Non-Primary Production Trust

If the taxpayer has a Loss on the Partnership an **L** is entered into the box at the right of labels **N** or **O**, Item P9 – **Business loss activity details** on page 11 of the return form also needs to be completed. This is dealt with in Chapter 14 (Business & Partnership Income)

Items 13X and **13Y** claim any other deductible expenses incurred by the taxpayer which relate directly to assessable Trust income derived by the taxpayer.

Items 13P, Q, R and S are for the share of any tax credits the taxpayer is entitled to claim.

The most common income at **Item 13** is trust income from a managed fund. The taxpayer invests money and receives a statement at the end of the tax year.

There are 5 common types of trust:-

- **Equity trust (investing in the share market)**
- **Property trust (investing in property)**
- **Cash management trust (investing on the short term money market)**
- **Deceased Estate trust**
- **Discretionary trust**

The Trust Deed sets out how the trust is to operate, with its rules and regulations. If the Trust Deed allows, a trust may invest in Australia and Overseas. For example an Equity Trust may invest on the New York Stock Exchange.

A trust may derive income from interest, rent, dividends and profit from sale of investments resulting in a capital gain (in and out of Australia).

Income from these trusts must be shown at their relevant sections:-

- A capital gain (including foreign capital gain) must be shown at the capital gain section (Item 18 covered in Chapter 2C)
- Foreign income must be shown at other foreign income section (Item 20)
- All other income distributed from any trust must be shown at trust income (Item 13).

A trust's financial year ends as at 30th June.

The trust books close as at the 30th June. Unit holders are entitled to receive distributions as at that date. The distributions are usually received at the later date but **MUST** be included in the financial year ending June 30.

An annual statement will normally be issued. Often the final distribution and annual statement is not received until August or September, which will delay the preparation of the tax return.

A recommended Standard Distribution Statement has been developed for managed funds to report tax information to investors.

The recommended format is based on the usual tax information requirements of a resident individual unit holder in a unit trust operated by the funds management industry.

The recommended Standards Distribution Statement has three parts:

Part A of the recommended Standard Distribution Statement is designed to directly highlight the 2011 Tax return (supplementary section) Items 13, 18 and 20 required to be completed by an investor in a managed fund.

Part B contains specific information required by a unit holder to determine their foreign tax credit entitlement in accordance with the 1936 Act.

Part C provides details of the components of the distribution made that investors require in certain circumstances; such as for applying capital losses, the CGT schedule, foreign loss quarantining, cost base adjustment information and to allow a reconciliation of the net cash amount distributed to the unit holder.

The Tax Office expects that as fund managers adopt the recommended format, investors

and practitioners will find it easier to complete the relevant tax return items for the unit trust distributions due to the consistency of terms and presentation of trust distribution information.

Sample Recommended Standard Distribution Statement

2011 Tax Return Information
Resident Individual unit holder of year ending 30 June 2011

When transferring the amounts from the trust statements to the tax return, only the amounts in the boxes in Part A and Part C are included. The other figures on a trust statement are for information only.

PART A Summary of 2011 Tax Return (supplementary section items)

Tax Return (supplementary section)	Amount	Label
Non-Primary Production Income	165.00	12 U
Other deductions relating to distributions	4.00	12 Y
Franking Credits	30.00	12 Q
TFN Withholding credit	10.00	12 R
Credit for tax paid by trustee	0.00	12 S
Total current year capital gains	230.00	17 H
Net capital gain	160.00	17 A
Assessable foreign source income	220.00	19 E
Other net foreign source income	220.00	19 M
Foreign Tax Credit	31.00	19 O

PART B Foreign Tax Credit information
Additional Information for Schedule 19 Q

Foreign income categories:	Amount	Foreign Tax Paid
Passive income *	235	25
Other income	14	6
*includes foreign net capital gains and attaching foreign tax as follows:		
-discount capital gains	16	
-other capital gains	44	

PART C Components of Distribution

	Cash Distribution	Tax paid/ Offset	Taxable Income
Australian Income			
Dividends – Franked	70.00	30.00	100.00
Dividends – Unfranked	50.00		50.00
Interest	10.00		10.00
Other income	5.00		5.00
Non-Primary Production Income	135.00	30.00	165.00
Capital Gains			
Discounted Capital Gains	70.00		70.00
CGT Concession amount	70.00		0.00
Capital gains – Indexation Method	60.00		60.00
Capital gains – other Method	30.00		30.00
Distributed capital gain			
Net capital gain	230.00		160.00
Foreign Income			
Interest Income	90.00	10.00	100.00
Modified Passive Income	85.00	15.00	100.00
Other assessable foreign income	14.00	6.00	20.00
Assessable foreign income	189.00	31.00	220.00
Other non-assessable Amounts			
Tax exempted amounts	25.00		
Tax free amounts	15.00		
Tax deferred amounts	14.00		
Less TFN amounts withheld	-10.00		
Less other expenses	-4.00		
Net cash distribution	620.00		
Additional capital gains Information			
Capital Gains – discount method	140 (Grossed up amount)		
Capital gains – Indexation Method	60		
Capital gains – other Method	30		
Total current year capital gains	230		

This is only a small sample and every Trust presents its income to be included by the taxpayer in a different way. These examples are to show you what to look for when interpreting Trust statements.

IF YOU ARE IN ANY DOUBT, TRUSTS ALSO PROVIDE INSTRUCTION BOOKLETS WITH THESE STATEMENTS SHOWING HOW TO INTERPRET TRUST INCOME.

Example Cash Management Trust

COMMONWEALTH

Commonwealth Managed Investments Limited
ABN 33 084 198 180

Page Number 1 of 2
Account Number
Enquiries 13 20 15
(8am to 8PM Mon to Fri)
(Sydney Time)

Taxation Statement 30 June 2023

Accountholder (and Client name)

Completing your tax return

To assist you in completing your 22/23 tax return, we have summarised the relevant information that you require below:

Tax Return Summary	Tax Pack 2023 Supplement Reference	Amount
Non-Primary Production Income	Question 13, page S2, Item U	\$6795.73
Share of franking credits	Question 13, Page S2, Item Q	\$1027.49
TFN/ Withholding Tax deduction	Question 13, Page S2, Item R	\$ 0.00
Total current year capital gains	Question 18, Page S16, Item H	\$2903.78
Net Capital Gains	Question 18, Page S16, Item A	\$1451.89
Assessable foreign income	Question 20, Page S20, Item M & E	\$2557.84
Share of foreign Tax Credits	Question 20, Page S20, Item O	\$ 94.46

More details relating to the components of your distribution can be found overleaf

Please retain this statement for taxation purposes

Below is a good example why you have to read the statement carefully and if in any doubt refer to the instructions. Look at Management fee rebate and the adviser remuneration refund on the statement below.

Example – Fixed Unit Trust.....

**MLC MasterKey Unit Trust
Annual Taxation Statement3
for the year ended 30 June 2023**

40

Copyright © 2023
Streamline CA Pty Ltd T/A EzyTax BLue
ACN: 117 905 236
PO BOX 4711, CAIRNS QLD 4870

Account Name
Mr An Example
123 Capital Street
North Sydney NSW 2066

National

Important Information
Please retain this statement for taxation purposes

Please refer to the 2023 taxation statement guide for explanation of the terms used on the consolidated Components for your tax return. The detailed breakdown of distributions of the capital gains tax summary for the redemption of units. The unit trust 2023 taxation statement guide provides information for most Australian resident tax payers to complete the tax pack 2023 details relating to an investment in the MCL MasterKey Unit trust.
1. Franking Credits
2 Foreign Tax Paid

MLC MasterKey Unit Trust

Account Number	Units	Unit Price	Value at 30/06/23
101045799			

MLC MasterKey Horizon 4	2297.77	\$1.2771	\$2934.48
Income Builder	1526.44	\$1.9635	\$2997.16
MCL Premium Gold Fund	1730.80	\$ 1.6259	\$2814.11
Property Securities Fund	2217.24	\$ 1.4762	\$3273.09
MCL Vanguard Australia Share Index Fund	1616.06	\$ 1.8481	\$2986.64
Total in this account			\$15005.48

Consolidated Components for your Tax Return

	Distribution Components	Tax Credits	Taxable Income
Australian Income- non primary production	\$192.55	\$9.98	\$202.53
Foreign Income	\$2751.83	\$354.12	\$3105.95
Capital Gains Distributed			
- Discount	\$112.00		\$112.00
- Other Gains	\$0.00		
- Indexed Gains	\$0.00		
CGT concession	\$187.90		
Tax deferred	\$0.00		
Other Expenses	-\$300		
Income tax deducted	\$0.00		
Total distributions	\$3,241.28		
Total year Capital Gains (See Note >)			\$224.00
Management Fee Refund (See Note >)			\$863.04
Advisor service fee (See Note >)			\$70.01
Advisor Remuneration Refund (See Note >)			\$250.20

> Total year capital gains
This is the sum of distributed Capital Gains. If you had redemption or switched during the year, please use the total current year capital gain amount shown on the tax summary for redemption of units. Refer to the 2023 unit trust taxation guide for details.

> Management fee refunded
This should be entered in Item 24 Box V and the description Management Fees refund. Shown in the space provided next to the type of income – Category 2. Refer to pages s30 to s33 of the tax pack 2023 for details

> Advisor service fee
The advisor service fee may be entered in item D7 of the tax pack 2023. Refer to page 56 of the 2023 tax pack for details

> Advisor Remuneration refund
This should be entered in Item 24 Box V and the description Advisor remuneration refund. Shown in the space provided next to type of income- Category 2

NOTE – There is also a deduction of \$70 to be claimed at Item D7, this is covered in Chapter 3.

TRUST CODES

Input the trust code letter which best describes the type of trust from which an amount is shown at label **13L and 13U**.

Code Letter Description


















L	Tax loss
D	Deceased estate
F	Fixed trust – other than a fixed unit trust or a public unit trust described in U, P or Q
H	Hybrid trust
S	Discretionary trust – where the main source of income of the trust is from service and/or management activities
T	Discretionary trust – where the main source of income of the trust is from trading activities
I	Discretionary trust – where the main source of income of the trust is from investment activities
M	Cash management unit trust
U	Fixed unit trust- other than a public unit trust described in P or Q
P	Public unit trust – listed, other than a cash management unit trust
Q	Public unit trust – unlisted, other than a cash management unit trust

If more than one type of trust print the code letter for the trust type with the largest amount of distribution.

Type of trust

Description

Fixed trust	-	A trust in which a person(s) have fixed entitlements to all of the income and capital of the trust at all times during the income year.
Hybrid trust	-	A trust which is not a fixed trust but in which person(s) have fixed entitlements to income or capital of the trust during the income year.
Discretionary Trust-		A trust which is neither a fixed trust nor a hybrid trust and under which person(s) benefit from income or capital of trust on the exercise of a discretion by person(s), usually the trustee.
Fixed unit trust	-	A fixed trust in which interests in the income and capital of the trust are represented by the units.
Public unit trust	-	A fixed unit trust that is widely held unit trust at all times during the income year.

Goto (F2)                 

Distributions received from Trusts

Averaging: If PP income exists but is NIL, please key a zero in the PP income column.

Trust name **1**

Tax file number Trust type **2**

This worksheet is not to include distributions from Managed Funds. These are now included in the Distributions from Managed Funds worksheet (dim).

Share of Income and credits/offsets

PP income \$	Non-PP inc Less Cap gains, foreign inc and MIS inc Label U	Share of label U Income related to financial invest. \$	Share of label U Other \$	Franked distributions label C \$
<input type="text"/>	94	94	0	211

Franked distrib relating to invest. in label C \$	Other Franked distributions from Trusts in label C	ABN Credit \$ c	Franking credit \$ c	TFN withheld \$ c	TFN withheld from closely held trust \$ c
211	0	<input type="text"/>	93.94	<input type="text"/>	<input type="text"/>

Share of FRW (excl. capital gains) \$ c	NRAS tax offset \$ c	Credit for tax paid by trustee \$ c	Share of net small business income \$	Share of Exploration cr. to be claimed at T10	Share of Cr. FRW capital gains claimed at item 18
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Share of ESVCLP tax offset claimed at T7 \$ c	Share of ESIC tax offset claimed at T8	Share of income from trusts \$ c	Tax credits from tax paid by trustee \$ c
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

3

Reason the trustee paid tax from managed fund

1. Trust Name – Enter the name per Prefill or Managed Fund statement.
2. Trust Type – Choose from the list per the codes above
3. Share of Income and Credits/Offsets – Enter the amounts in the correct box. Label on ITR should correspond to label on Prefill. **CHECK YOUR WORK!**
4. Capital Gains – Enter the amounts per Prefill.
5. Foreign Income – Enter per Prefill.
6. Less: Deductions – Enter per Prefill.
7. Press the '**Back-arrow**' to exit schedule.

CHECK YOUR WORK BEFORE EXITING

Reason the trustee paid tax from managed fund

Capital gains

Indexation	Discount (Net)	Other
<input type="text"/>	273	<input type="text"/> 4

Capital gains/losses on disposal of units in a Unit Trust

Loss	Indexation	Discount (Net)	Other
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Foreign income

Income	Tax credit	Type	Deduction
136	18.83	D ...	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Less: Deductions relating to distributions from Trusts - Only include expenses you have incurred personally as a beneficiary of this trust. In most cases such deductions would apply to Distributions from Managed Investment Trusts.

PP	Non-PP	Details
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	Amounts from the depreciation worksheet
<input type="text"/>	<input type="text"/>	Amounts from the motor vehicle worksheet
<input type="text"/>	<input type="text"/>	Subtotal

Note: The managed investment scheme deductions relating to amounts shown at labels U and C has been defaulted to the first of the deductions dissection fields. These amounts will also be used by the ATO to reconcile total deductions at label Y

2018-19 MANAGED FUND DISTRIBUTIONS as at 26 July 2019

- Use the information from the distribution statement if the details differ from those reported for pre-filling.
- The amount reported at Total current year capital gains includes the grossed up Capital gains discounted method amount.

Fund or trust: COLONIAL FIRST STATE INVESTMENTS LIMITED **1**

Available for pre-filling: 26/07/2019

SRN or HIN: *****633

Name: FIONA ANNE DONALD

Investment owners: 1

Description	Gross	Apportioned	Label
Net income from trusts less capital gains, foreign income and franked distributions	\$94.35	3 \$94.35	13U
Franked distributions from trusts	\$211.05	\$211.05	13C
Franking credit from franked dividends	\$93.94	\$93.94	13Q
Net capital gain	4 \$272.81	\$272.81	18A
Total current year capital gains	\$545.62	\$545.62	18H
Capital gains discounted method	\$272.81	\$272.81	
Assessable foreign source income	\$136.33	5 \$136.33	20E
Other foreign source income	\$136.33	\$136.33	20M
Foreign income tax offset	\$18.83	\$18.83	20O
AMIT cost base net amount - excess	\$1.34	\$1.34	

IN SUMMARY – WHEN TO DECLARE

Dividend income is declared **when paid** i.e. date of cheque.

Trust income is declared **in the financial year to which it relates**. If it is earned by a trust for the year ended 30th June but not established until later, it must still be declared in the year that the trust earned the income.

ITEM 14 – PERSONAL SERVICES INCOME (PSI)

New rules for the treatment of PSI may affect the PSI of contractors and consultants started 1 July 2000. Income is personal services income if it is mainly a reward for an individual's personal efforts or skills. This applies regardless of whether the income is received directly by the individual or is received by a company, trust or partnership (personal services entity).

Personal services income will be treated as the taxpayer's income and must be included on their individual tax return.

The changes do not apply to personal services income earned by employees, except where the individual is an employee of a personal services entity.

The changes clarify what deductions can be claimed against affected personal services income and limit some deductions. In addition, a personal services entity may have an additional PAYG withholding obligation in relation to affected income that has not been paid out within a certain time as salary or wages to the individual service provider.

Personal services income as a sole trader includes:

- Personal services income paid under a Pay As You Go (PAYG) **Voluntary Agreement**.
- Personal services income from which an amount was withheld because the taxpayer **did not quote an Australia Business Number (ABN)**.
- Personal services income as an independent contractor under a **Labour Hire** agreement.
- Other personal services income.

This is income that is mainly a reward for an individual's personal efforts or skills. It does not include income that is :

- for supplying or selling goods (for example, from retailing, wholesaling or manufacturing), or

- generated by an income-producing asset, (such as a bulldozer), or
- for granting a right to use property (for example, the copyright to a computer program), or
- generated by a business structure (for example, an accountant working for a large account firm).

If PSI is channelled through a company, partnership or trust (personal services entity), it is still the individual's personal services income for income tax purposes.

Example....

Tom owns and drives a semi-trailer that he used to transport goods. The income is not Tom's personal services income because it is produced mainly by the use of the semi-trailer and not by his personal efforts or skills.

Example....

Steve has a Partnership with his spouse that provides computer programming services but Ronnie does all the work involved in providing those services. Ronnie uses the client's equipment and software to do the work. Income from providing the services is Ronnie's personal services income because it is a reward for her personal efforts and skills.

For any taxpayer who is considered self employed you need to decide if it is declared at Item 13 – personal service income or Item 14 – business income.

Follow the steps outlined in this flowchart to work out whether the taxpayer's personal services income affected by the changes to the tax law. If the personal services income is paid to a company, partnership or trust, the words 'you' and 'your' refer to that entity.

		Step 1- Personal Services Income Do you receive income that is mainly a reward for personal efforts or skills?	No	The changes in the tax law do not apply to you and will not affect your Tax obligations. You don't need to contact the ATO
		Yes		
		Step 2- Results Test Do you meet the results test?	Yes	The changes in the tax law do not apply to you and will not affect your Tax obligations. You don't need to contact the ATO
		No		
The changes to the tax law will apply to you and this may affect your tax obligations unless you obtain a	Yes	Step 3- The 80% Rule Does 80% or more of your personal services income come from 1 client?		

determination from the ATO.				
		No		
If you are not sure or if unusual circumstances prevent you from meeting one or more of the tests you can apply to the ATO for a determination that the changes of the tax law don't affect you	Not Sure	Step 4- The Other Tests Do you meet one or more of the following tests: 13. Unrelated clients 14. Employment 15. Business Premises	Yes	The changes in the tax law do not apply to you and will not affect your Tax obligations. You don't need to contact the ATO
		No		
		The changes to the tax law will apply to you and this may affect your tax obligations unless you obtain a determination from the ATO.		

RESULTS TEST

If the taxpayer earned PSI, they will meet the Results Tests in the income year if they can answer YES to ALL the following questions in relation to their work.

10. Under the contract or arrangement, is the personal services income paid to achieve a specific result or outcome?
11. Does the taxpayer have to provide the tools or equipment necessary (if any) to do the work? (if no tools or equipment are required, answer YES).
12. If the taxpayer liable for rectifying defects in their work?

You can ascertain whether the taxpayer meets the other tests at step 4 without contacting the ATO.

80% RULE

If the taxpayer does not meet the Results Test and 80% or more of their personal services income in the income year comes from one client, the taxpayer cannot self-assess whether they meet other tests at step 4. The changes to the tax law apply to them unless a determination is obtained from the ATO.

If the taxpayer does not meet the Results Test, they can self-assess against the other tests at step 4 if less than 80% of their personal services income comes from each client.

You can work out whether the taxpayer meets the Results test without contacting the ATO.

OTHER TESTS

If the taxpayer meets one or more of the following tests in the income year, the changes will not apply to them.

Unrelated clients test

The taxpayer will meet the unrelated clients test in the income year if they can answer YES to the following question:

8. Does the individual doing the personal services work have personal services income from two or more clients who are not associated with each other or with taxpayer (or the individual, if the taxpayer is a personal services entity)?

NOTE: The personal services must also be provided as a direct result of making offers to the public (e.g by advertising or word of mouth). Do not count clients obtained by leaving your name with a labour hire firm, placement agency or similar organisation.

Employment test

The taxpayer will meet the employment test in the income year if they can answer YES to either of the following questions:

1. Does the taxpayer have employees or engage sub-contractors or entities who perform at least 20% (by market value) of the principal work?

NOTE: Principal work is the main work that generates the personal services income and does not usually include support work such as secretarial duties.

A spouse or family member who does principal work can be counted but not companies, partnership or trusts associated with the taxpayer. If the taxpayer operates through a personal services entity do not count them as an employee.

- Does the taxpayer have apprentices for at least half the income year?

Business Premises Test

The taxpayer will meet the business premises test if they can answer YES to ALL of the following questions:

At all times in the income year are the business premises-

- owned or leased by the taxpayer?
- Mainly used for personal services work (e.g more than 50% of the time) by the individual doing the work?
- Used exclusively by the taxpayer?
- Physically separated from private residence of the individual doing the personal services work, or their associates?
- Physically separate from the business address of the taxpayer's clients, or their associates?

IF THE TAXPAYER PASSES ONE OR MORE OF THE TESTS

The changes to the law do not apply to you and will not affect your tax obligations.

IF THE TAXPAYER DOES NOT PASS ANY OF THE TESTS

The changes to the tax law will apply to the taxpayer and this may affect their tax obligations, unless they receive a personal services business determination.

The changes affect only the income tax treatment of the taxpayer's personal services income. They do not affect their legal, contractual or workplace arrangements – they won't be treated as a result of the changes to the tax law.

If the changes apply to the taxpayer, there are three main effects:-

4. The personal services income earned will be treated as income, and must be included in the taxpayer's individual income tax return.
5. The taxpayer's company, partnership or trust must either:
 - pay the personal services income promptly as salary or wages (and withhold tax and send it to the ATO), or
 - withhold tax on the personal services income attributed to the taxpayer, and send it to the ATO.
6. The taxpayer will not be able to claim certain deductions.

PERSONAL SERVICES BUSINESS DETERMINATION

This is a notice from the Commissioner stating that the taxpayer is conducting a personal services business and that the changes to the tax law do not apply to the personal services income.

A determination can be applied for it:

- the taxpayer is not sure in relation to steps 2 or 4 in the flowchart, or
- the taxpayer doesn't meet the Results Test and 80% or more their personal services income comes from one client, or
- unusual circumstances prevent the taxpayer from meeting one or more of the tests in steps 2 or 4 in the flowchart.

NOTE: Even if the taxpayer is not affected by the Alienation of Personal Services Income legislation, the general anti-avoidance provisions of Part IVA may apply to a scheme where the dominant purpose is to reduce a taxpayer's income tax liability, e.g by income splitting.

A private binding ruling can be sought from the ATO on any issue of law, including whether the taxpayer receives personal services income, whether they meet any of the tests for conducting a personal services business, or whether the Part IVA provisions apply to them.

DEDUCTIONS AGAINST PERSONAL SERVICES INCOME

A deduction **cannot** be claimed for:

- An amount that relates to gaining or producing personal services income where that amount would **not** have been deductible if the taxpayer had received the income as an employee (e.g employees cannot, in general, deduct amounts for travel to and from work. Therefore people earning personal services income as independent contractors rather than employees cannot deduct those amounts).
- An amount of rent, mortgage interest, rates and land tax for some or all of the taxpayer's, or their associates residence.
- Any payment made to an associate or any amount incurred arising from an obligation to an associate except where the associate performs part of the principal work for which personal services income is gained or produced.
- A contribution the taxpayer makes to a fund or a RSA to provide for superannuation benefits payable for their associate except where the associate performs part of the principal work for which personal services income is gained or produced. This deduction cannot exceed the amount the taxpayer would have to contribute for the benefit of the associate for Superannuation Guarantee purposes.

The following table shows how the changes to the tax law for contractors and consultants may affect the deductions a taxpayer can claim against personal services income.

Deduction	Can I claim it if the changes apply to me?	Can I claim it if the changes don't apply to me?
Premiums for workers compensation, public liability and professional indemnity insurance	Yes	Yes
Bank and other account-keeping fees and charges	Yes	Yes
Tax related expenses, such as the cost of preparing and lodging tax returns or BAS forms	Yes	Yes
Registration renewals or licensing fees	Yes	Yes
Expenses for advertising, tendering and quoting for work	Yes	Yes
Depreciation	Yes	Yes
Running expenses for your home office (not including rent, mortgage interest, rates or land	Yes	Yes

taxes, see below		
Rent, mortgage interest, rates and land tax for your home that is a place of business	No	Yes
If you are a personal services entity, expenses or FBT for more than one car that is used partly or solely for private purposes	No	Yes
Salary and wages for an arm's length employee (not an associate)	Yes	Yes
Salary and wages paid to the principal worker within 14 days of the end of each PAYG withholding payment period	Yes	Yes
Contributions to a super fund on behalf of the principal worker or an arm's length employee (not associate)Yes	Yes	Yes
Reasonable amounts paid to an associate for principal work	Yes	Yes
Contributions up to the super guarantee amount for an associate doing up to, but less than, 20% of the principal work	Yes	Yes
Reasonable amounts paid to an associate for non-principal work	No	Yes

This table is a guide only. Further information may be needed to determine whether a specific deduction is available to the taxpayer in their circumstances. Remember, a deduction can be claimed for an amount paid or incurred only if it related to gaining or producing assessable income. This applies for an individual or an entity.

Exceptions

These restrictions on deductions do not apply to an salary, wages, payment or contribution:

1. if it is from the taxpayer conducting a personal services business;

RECORDS THAT ARE NEEDED

The taxpayer is required to normal record keeping requirements. To deduct any expenses they need to be able to substantiate them by obtaining written evidence. (Note: some of the substantiation rules do not apply if they are not an employee). These records need to be kept for a period of 5 years from the date of lodgement of the return

in which the claims are made. However, the retention period is extended if, when the 5 years ends, the taxpayer is involved in a dispute with the Commissioner that relates to that expense.

Click 'G' to open the PSI schedule > Enter amounts in accordance with the Prefill

14 Personal services income (PSI)

Tax withheld - voluntary agreement **G**

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

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

Net PSI - transferred from label A item P1 **A**

Goto (F2) **8**

Business Income Statements and Payment Summaries

Note: Each schedule covers payments received from one Payer and up to 5 transactions for that payer.

Payer's details:

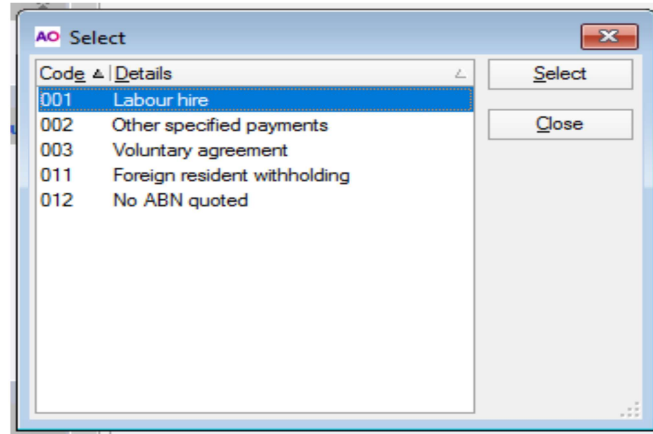
Payer name **1**

ABN **2**

If there are more than 5 transactions for this payer, create another Payment Summary schedule.

3 Income Type	4 Payment Type	5 Industry Production Type	6 Tax Withheld \$ c	7 Gross payment \$	Reportable employer super contributions \$
<input type="text" value="P"/>	<input type="text" value="001"/>	<input type="text" value="N"/>	<input type="text" value="9390.00"/>	<input type="text" value="33240"/>	<input type="text" value="0"/>
<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>
<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>
<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>
<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>
Total payments			<input type="text" value="9390.00"/>	<input type="text" value="33240"/>	<input type="text" value="0"/>

1. Payer Name – Enter the name per Prefill.
2. ABN – Enter per Prefill.
3. Income Type – **P** = Personal Services or **B** – Business. Nearly always P.
4. Payment Type – Click the correct type per Prefill > click **Select**



5. Industry Type – **N** = NPP or **P** = PP. Always choose **N**.
6. Tax Withheld – Enter per Prefill. **CHECK YOUR WORK!**
7. Gross Payment – Enter per Prefill. **CHECK YOUR WORK!**
8. Press the '**Back-arrow**' to exit schedule.

CHECK YOUR WORK BEFORE EXITING

Type of payment summary:	Business and personal services income payment summary			
Single Touch Payroll Status:	Finalised			
Payment type: 4	Labour hire			
Available for pre-filling:	10/07/2020			
ABN: 2	35004609616/1			
Payer's name: 1	PAXUS AUSTRALIA PTY LIMITED			
Period from:	24/02/2020			
Period to:	30/06/2020			
Description	Type	Tax withheld	Income	Label
Gross payments 7			\$33,240.00	
Total tax withheld 6		\$9,390.00		

ITEM 15 – NET INCOME OR LOSS FROM BUSINESS

(This is to be covered later, in a separate Chapter.)

ITEM 16 – DEFERRED NON-COMMERCIAL BUSINESS

LOSSES

(This is to be covered later, in a separate Chapter.)

ITEM 17 – NET FARM MANAGEMENT DEPOSITS OR WITHDRAWALS

(This is out of the scope of this course for more details check the CCH Master Tax Guide)

ITEM 18 – CAPITAL GAINS

(This is to be covered later, in a separate Chapter.)

ITEM 19 – FOREIGN ENTITIES

(This is out of the scope of this course for more details check the CCH Master Tax Guide)

ITEM 20 – FOREIGN INCOME

Assessable income of an Australian resident taxpayer includes the gross income derived from all sources, whether in or out of Australia. This includes foreign pension, foreign employment income while working overseas, rents, dividends and interest they receive from overseas.

A resident taxpayer is not generally entitled to an exemption on foreign-taxed income. Foreign income exempted under international agreements overrules relevant provisions of the ITA ACTS 1936 & 1997 e.g. foreign pensions, unless exempted under a double tax agreement, such as US Government pensions. Earnings from approved overseas projects may be exempt. Salary and wage income which may be exempt may however be taken into account when calculating tax liability.

All foreign income, deductions and foreign tax *must* be converted to Australia dollars. Conversion into Australian dollars is either the average exchange rate for the year, or at the rate applicable when received.

ITEM 20L and 20D FOREIGN PENSIONS / ANNUITIES

Foreign assessable pensions are taxed in Australia under existing Taxation Agreement. However, some foreign pensions are exempt from Australian Taxation as those agreements overrule the relevant provisions of the Tax Act(s).

These agreements provide that any pension income received during the year must be included in the assessable income. The pension will be converted into Australian dollars at the exchange rate applicable when received.

Many foreign pensions are paid because the taxpayer contributed to a fund during his working life. It is necessary to therefore be aware that a UPP (Undeducted Purchase Price) may be available as a deduction.

If the foreign pension does not have a UPP it is put at Item 20L.

If the foreign pension does have a UPP it is put at Item 20D.

- Tax on Foreign pensions/annuities

If tax has been deducted it may be able to be claimed as credit for the amount paid up to the taxpayer's average rate of Australian tax.

- Arrears of foreign pensions

Many taxpayers are now receiving back payments of foreign pensions. When this occurs an arrears tax offset may be applicable.

If a UPP applies to the pension it will also apply to the arrears proportionately.

Arrears of foreign pensions are included at Item 24. Do not include at Item 20. An income in arrears rebate may apply (see Chapter 4).

ITEM 20L – FOREIGN EMPLOYMENT INCOME

Foreign employment income is income that is derived from working as an employee outside Australia by Australian residents. It includes:

- salary
- wages
- commission
- bonuses, and

- allowances.

The income may be paid by an overseas or an Australian employer.

Some of this income may be exempt from tax in Australia. Even if the income is exempt from Australian tax, it may affect the amount of tax you pay on your Australian income, if you had any. You will need to report it on your tax return.

Your taxable foreign employment income is your assessable employment income from foreign sources, less any deductible expenses you incurred in relation to earning that income. This amount will be taxed in Australia at normal marginal tax rates (plus Medicare levy and Medicare levy surcharge if applicable) if it does not qualify as exempt foreign employment income.

If any foreign tax has been paid on your overseas income and it is not exempt foreign employment income you:

- add foreign tax back to your net employment income (called grossing up) to determine the assessable amount, and
- claim a foreign tax credit for the tax you have already paid.

In some circumstances foreign employment income may be exempt from Australian tax.

You don't have to pay Australian tax on your foreign income if:

- you are an Australia resident, **and**
- you are engaged in continuous foreign employment in a foreign country as an employee for 91 days or more.

Foreign salary and wages derived by an Australian resident on an approved overseas project may also be exempt in Australia even though income from these projects is usually exempt in the overseas country.

Where no tax has been levied in the foreign country, normally the income will be assessed fully in Australia. There are a few circumstances where this will not happen. Details can be found in your ATP.

The assessable income is shown at Items 1 and 20U and exempt income shown at Item 20N on the tax return and is taken into account in calculating the taxpayer's liability. There is an effect on taxation of other income in both cases.

Goto (F2) 

Foreign Employment Income Payment Summary

For the correct calculation of FTO, Foreign tax paid shown on a Foreign payment summary must be entered in foreign employment income foreign tax paid and not tax withheld

Payer's Name

Payer's ABN

Payer's WPN

Foreign employment income type

Foreign employment income residency status

Foreign employment income residency to

Foreign employment income country of residence

	Tax withheld	Amount
Foreign employment income	<input type="text" value="2982"/>	<input type="text" value="42028"/>
Foreign employment income foreign tax paid	<input type="text" value="8324.00"/>	

Is the employer exempt from FBT under section 57A of the FBTA 1986?

Reportable fringe benefits - employer exempt from FBT

Reportable fringe benefits - employer not exempt from FBT

Foreign employment income reportable employer superannuation contributions

Foreign employment income lump sum A

Foreign employment income lump sum D

Foreign employment income lump sum E

Type of payment summary: Foreign employment income payment summary

Single Touch Payroll Status: Finalised

Payment type: Foreign employment income

Available for pre-filing: 01/07/2019

ABN: 47009105980/1

Employer's name: SODEXO REMOTE SITES AUSTRALIA PTY. LIMITED

Period from: 01/07/2018

Period to: 21/11/2018

Description	Type	Tax withheld	Income	Label
Gross payments			\$42,028.00	1, 20
Total Australian tax withheld		\$2,982.00		1
Foreign tax paid		\$8,324.00		20
Is the employer exempt from FBT under section 57A of the FBTA 1986?	No			

ITEM 20M – FOREIGN SOURCE INVESTMENT INCOME

Income from interest, dividends, rental income, offshore banking and other overseas investment are included in assessable income. Foreign capital gains must be included with Australian capital gains at Item 18.

Income must be expressed in Australian dollars and grossed up to include tax withheld etc. It should be converted at the exchange rate applicable when received otherwise the average rate for the year may be used. The ATO publish a list of exchange rate for this purpose.

Example (INCLUDES ASSESSABLE FOREIGN INCOME).....

A Taxpayer derived gross interest from New Zealand of \$1256 (NZ). Cost relating to the investment came to \$130 (NZ). Tax withheld was \$125 (NZ). Exchange rate applicable is 1.3103. (You will look up the exchange rate for the year.)

Interest 958 (1256/1.3103)

Deductions 99 (130/1.3103)

859

Tax Withheld \$95.40 (125/1.3103)

Foreign tax credit would be limited to tax payable on this income at the average rate of Australian tax.

ITEM 20M – FOREIGN DIVIDENDS

If a taxpayer invests in a foreign company there will usually be a dividend statement. Only close examination will show that it is a foreign dividend unless you are familiar with the company. There is no compensation for foreign imputation credits.

ITEM 20F – AUSTRALIAN FRANKING CREDITS from a NEW ZEALAND COMPANY

From 1 October 2003, a New Zealand company that has chosen to join the Australian imputation system may pay dividends franked with Australian franking credits. Australian residents who own shares in a New Zealand company or who receive a distribution from a partnership or trust that includes dividend income from the New Zealand company may be able to claim a tax offset for the Australian franking credits. This reform is known as the Trans-Tasman imputation reform.

The imputation system allows the payment of company tax to be imputed, or attributed, to shareholders. The tax paid by the company is allocated or attributed to shareholders by way of franking credits attached to dividends they receive. A dividend that carries franking credits is called a franked dividend.

NOTE – Not all dividends from New Zealand companies have Australian franking credits attached.

ITEM 200 – FOREIGN TAX CREDITS

When foreign income has been included in taxable income, a foreign tax credit may apply. A foreign tax credit cannot exceed tax payable on this income at the Australian average rate of tax, nor can it exceed tax liability. The credit can only be used to offset further tax liability from foreign source income.

Click the relevant '**Letter**' to open the foreign income schedule > Enter amounts in accordance with the Prefill or information provided by client.

20 Foreign source income and foreign assets or property

Dissection of Assessable Foreign Income

Assessable foreign pensions/annuities

Assessable foreign employment income nps

Assessable other foreign income

Assessable foreign source income **E**

Other net foreign employment income **T**

Net foreign pension or annuity income WITHOUT an undeducted purchase price **L**

Net foreign pension or annuity income WITH an undeducted purchase price **D**

Net foreign rent **R**

Other net foreign source income **M**

Also include at label F, Australian franking credits from a New Zealand franking company that you have received indirectly through a partnership or trust distribution

Australian franking credits from a New Zealand franking company **F**

Net foreign employment income - payment summary **U**

Exempt foreign employment income **N**

ITEM 21 – RENTAL INCOME

(This is to be covered later, in a separate Chapter)

ITEM 22 – BONUSES FROM LIFE ASSURANCE COMPANIES AND FRIENDLY SOCIETIES

(This is to be covered later, in a separate Chapter)

ITEM 23 – FORESTRY MANAGED INVESTMENT SCHEME INCOME (FMIS)

(This is to be covered later, in a separate Chapter)

ITEM 24 – OTHER INCOME

At this item all assessable income of the taxpayer that was not shown at items 1 to 23.

Label Y – Category 1

Show at label Y the total amount of assessable income derived by the taxpayer of the following kinds:

2. Reimbursement of tax-related expenses and election expenses that were claimed as a deduction by the taxpayer in a previous tax return.
3. Lump sum payments in arrears – except for lump sum payments in arrears of Australian pensions and annuities required to be shown at label V. Refer to the first dot point of label B – category 2.
4. Allowances or payments to members of local council not shown at either item 1 or 2 on the tax return.

Print the type of income you have shown at label Y in the Type of income – Category 1 box at the left of label Y. If more than one type of income is included at label Y, attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION – Item 24 – Category 1 income, setting out the taxpayer's name, address, TFN, details of each type of Category 1 income and the amount of each type of income. Ensure the taxpayer signs the schedule.

Label V – Category 2

Show at label V, Item 24, the total amount of assessable income derived by the taxpayer of the following kinds:

- Lump sum payments in arrears of Australian pensions or annuities referred to at Item 7 – Other Australian pensions or annuities – including superannuation pensions on page 2 of the tax return and foreign pensions or annuities that have or had an undeducted purchase price.
- A non-qualifying component of an eligible termination payment (ETP) discussed in Chapter 2.
- Foreign exchange gains (not from individuals personal funds e.g. Spending money)
- Employee share scheme
- Royalties
- Taxable scholarships, bursaries, grants or other educational awards unless already shown at items 1, 2, 14 or 15
- Benefits or prizes from investment related lotteries
- Assessable professional income – author of a literary, dramatic, musical or artistic work, inventor, performing artist, production associated or an active sports person. Do not show at label V any amount of assessable professional income that already been included in items 1, 2, 14 and 15. Show at Taxable professional income, label Z the assessable professional income less amounts that reasonably relate to the assessable professional income
- Balancing adjustment profit from the disposal, loss or destruction of any item of plant, including the taxpayer's car for which depreciation was claimed – refer to Chapter 9.
- Payments under a sickness or accident insurance policy, except for payments already shown at items 1 or 2.
- Interest firm infrastructure borrowings if the taxpayer intends to claim a tax offset at item T14 – other tax offsets.
- Rebateable interest derived under the land transport facilities tax offset scheme
- Gains on disposal or redemption of traditional securities
- Any other assessable income.

Print the type of income you have shown at label V in the Type of income – Category 2 box at the left of label V. If more than one type of income is included at label V, attach to page 3 of the tax return a SCHEDULE OF ADDITIONAL INFORMATION – Item 24 – Category 2 income, setting out the taxpayer's name, address, TFN, details on each type of Category 2 income and the amount of each type of income. Ensure the taxpayer signs the schedule.