



ezytax
BLUE

chapter 6
adjustments

CHAPTER 6 - ADJUSTMENTS/CREDITS

ITEM A1 – MINOR'S INCOME

Special rules apply in calculating the tax payable on income of a minor, under Div. 6AA a minor (under the age of 18 years at the 30 June).

Persons to whom the special rules apply are called “prescribed persons”.

Persons to whom the special rules do not apply are called “excepted persons”.

A TAXPAYER IS CONSIDERED AN “EXCEPTED PERSON” IF:-

1. They are in full time employment.
2. They are working full time for 3 months of the year and not intending to return to school in the following income year.
3. They are entitled to disability support.
4. They are permanently disabled or a double orphan.

Where a taxpayer is under 18 at June 30 it is necessary to define which income is not subject to minor's rates, i.e. “excepted net income”.

“EXCEPTED NET INCOME” INCLUDES:-

- Salary and wages or business income.
- Compensation, superannuation or pension benefits.
- Income from property transferred to a minor as a result of family breakdown.
- Income from reinvesting any of the above income types.
- Income from a deceased estate.

Income which is caught by Div 6AA and is therefore classes as eligible income

- Dividends and interest
- Rent and other income from property
- Royalties
- Capital gains

Although all the income is shown at the relevant items on the return, the “excepted net income” is also shown at Item A1 on the return and coded according to the following table.

- | | |
|----------|---|
| A | Taxpayer is an excepted person under 18 . |
| M | Excepted net income for minor. Income shown is Net Excepted Income |

Example.....

Suzanne, a 16 year old taxpayer has a part time job from which she earned \$5500 with tax withheld \$150. This income will be taxed at ordinary rates because it is excepted net income. For this to apply income has to be shown at Item A1 code M as well as Item 1.

Example.....

Joel, a 14 year old, has bank account interest of \$800 from money his parents have put into the account. As this is NOT excepted net income this will be taxed at the higher rate and shown at Item 10.

NOTE – For taxpayer who were under 18 years of age at 30 June 2021 Item A1 must be completed.

PRACTICE 6.1

1. Samantha, a 16 year old, working part time earned \$3,000 tax withheld \$200. Where would you show this on the return and why?
2. Darren, a 16 year old has left school and has been working full time for the whole year. He has earned \$9,120 with tax withheld \$1,040. Where would you show this on the return and why?

Goto (F2)

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

Adjustments

A1 Under 18

If you were under 18 years of age on 30 June 2020 you must complete this item or you may be taxed at a higher rate.

Excepted net income **J**

Excepted primary production income

Eligible primary production income

Excepted non-primary production income

STUDY AND TRAINING LOAN REPAYMENT

The repayment thresholds and rates are updated annually for the compulsory repayment of

- Higher Education Loan Program (HELP)
- VET Student Loan (VSL)
- Student Financial Supplement Scheme (SFSS)
- Student Start-up Loan (SSL)
- ABSTUDY Student Start-up Loan (ABSTUDY SSL)
- Trade Support Loan (TSL).

All study and training loans are covered by one set of thresholds and rates.

The hierarchy in which compulsory repayments are applied to study and training loans is:

- HELP
- VSL
- SFSS
- SSL
- ABSTUDY SSL
- TSL

NOTE repayment income (RI) is taxable income plus any total net investment loss (which includes net rental losses), total reportable fringe benefits amounts, reportable super contributions and exempt foreign employment income.

Access HELP/HECS repayment threshold for current and prior years here:

<https://www.ato.gov.au/Rates/HELP,-TSL-and-SFSS-repayment-thresholds-and-rates/#HELPandTSLrepaymentthresholdsandrates201>

Study and training loan repayment

Higher Education Loan Program (HELP)	<input type="text" value="3303"/>
VET Student loan (VSL)	<input type="text"/>
Student Financial Supplement Scheme (SFSS)	<input type="text"/>
Student Start-up Loan (SSL)	<input type="text"/>
ABSTUDY Student Start-up Loan (ABSTUDY SSL)	<input type="text"/>
Trade Support Loan (TSL)	<input type="text"/>

2018-19 ATO DATA

Income Contingent Loan Debts

The repayable debt pre-filled may be different to amounts shown in the client's statement of account. Compulsory repayments are calculated using the pre-filled repayable debt amount.

- The repayable HELP debt as at 21 July 2019 is \$3,302.96.

2022–2023 repayment income thresholds and rates

Repayment income (RI)	Repayment rate
Below \$48,361	Nil
\$48,361 – \$55,836	1.0%
\$55,837 – \$59,186	2.0%
\$59,187 – \$62,738	2.5%
\$62,739 – \$66,502	3.0%
\$66,503 – \$70,492	3.5%
\$70,493 – \$74,722	4.0%
\$74,723 – \$79,206	4.5%
\$79,207 – \$83,958	5.0%
\$83,959 – \$88,996	5.5%
\$88,997 – \$94,336	6.0%
\$94,337 – \$99,996	6.5%
\$99,997 – \$105,996	7.0%
\$105,997 – \$112,355	7.5%
\$112,356 – \$119,097	8.0%
\$119,098 – \$126,243	8.5%
\$126,244 – \$133,818	9.0%
\$133,819 – \$141,847	9.5%
\$141,848 and above	10%

ITEM A2 – PART-YEAR TAX-FREE THRESHOLD

RESIDENT – PART YEAR

The tax-free threshold is pro-rated in a year of income where a person becomes a resident of Australia, or ceases to be a resident of Australia.

The tax-free threshold for a full year is \$18,200 for year 2023.

The tax-free threshold for a month is \$1516.67 (1/12 of \$18,200). A part month is included as a full month.

Examples.....

- *A non-resident who qualifies for residency on the 10/08/17 will be entitled to a threshold of \$16,683.37 i.e. 11 months x \$1,516.67 per month.*
- *A resident who leaves Australia permanently on 28/04/17 will be entitled to a threshold of \$15,166.70 i.e. 10 months x \$1,516.67 per month.*

In general a person qualifies for Australia residency for tax purposes on the date of arrival in Australia and a person ceases to be a resident on the date of leaving Australia permanently.

NOTE: IF A PERSON IS IN RECEIPT OF AN AUSTRALIAN GOVERNMENT PENSION – THE TAX-FREE THRESHOLD IS NEVER PRO-RATED.

CEASING FULL TIME EDUCATION

The tax-free threshold is pro-rated in the first year in which BOTH of the following conditions are met:-

- The person ceases to be engaged in a course of full-time education; and
- The person is not engaged in such a course at the end of the year of income.

When a person ceases a full-time education course less than four months before the end of year of income, pro-rating will not apply if the person commences another course within four months of ceasing the earlier one. This is so, even if the person is not engaged in a course at the end of the year of income.

Full-time education may be at school, college, university or similar situation. Normal vacation breaks during the course are related as part of the course.

ADJUSTING THE THRESHOLD FOR CEASING FULL TIME EDUCATION WILL ONLY HAPPEN ONCE.

Examples

Thomas leaves school in November 2017 and for the rest of the income year is either working or on holidays. Conditions 1 and 2 are satisfied and the 2018 threshold is pro-rated.

Percy leaves college in November 2017, commences another course in February 2018 and at the 30 June 2018 is on vacation break between semesters. Condition 1 is satisfied but Condition 2 is not and the 2018 threshold is not pro-rated.

Daisy leaves college in May 2017 and commences a new course in August 2017. Condition 1 and 2 are satisfied. Daisy falls within the four-month rule and the 2018 threshold is not pro-rated.

THRESHOLD PRO-RATED

The threshold is pro-rated according to the number of months in the year in which the person is NOT engaged in full time education (including the month in which the course ceased).

The relevant threshold is \$500 per month AFTER they have ceased full-time education. **This threshold is increased by any income derived during the period of full-time education less any allowable deductions.** The maximum threshold is of course \$6,000.

Examples.....

Edward ceases full-time education on the 15/11/17 and received no income during the study period. His tax-free threshold will be $8 \times 1,516.67 = \$12,133.36$.

Gordon ceased full-time education on the 15/11/17 and earned \$1,000 whilst studying. The tax-free threshold will be $8 \times 1,516.67 = 12,133.36$ plus 1,000 = \$13,133.36.

NOTE: Interest and dividends income derived during the year is apportioned on the daily basis.

When adjusting a tax-free threshold the extra income that the taxpayer has to pay tax on is always taxed at 15% no matter what the taxable income is.

A2 Part-year tax-free threshold

Australian residency start End date Months eligible for threshold

Beginning Residency – Enter date they became a resident and the end date is 30/06/23

Ceasing Residency – Enter start date as 01/07/22 and end date is the day they cease residency.

ITEM A3 – SUPER CO-CONTRIBUTION

This item applies if:

- you made an eligible personal super contribution (for which you are not claiming a deduction) to a complying super fund or retirement savings account
- you were under 71 years old on 30 June 2018, and
- your taxable income for 2017–18 was less than \$61,920.

A3 Government super contributions

Income from investment, partnership and other sources	F	<input type="text"/>	<input type="checkbox"/>
Other income from employment and business (Do NOT include any amount from items 1, 2, 9, 12, 14, 15A or 15B. Do include income from Partnerships and other business income from working.)	G	<input type="text"/>	
Other deductions from business income	H	<input type="text"/>	
Quick access to Government Co-Contributions What-If?			<input type="checkbox"/> <input type="text"/>

ITEM A4 – WORKING HOLIDAY MAKER NET INCOME

Your **working holiday maker net income** is the income you earned or derived while you were on a 417 or 462 working holiday visa, less deductions relating to earning that income.

Working holiday maker income does not include any employment termination remainder. This amount is taxed according to your residency status.

The first \$45,000 of your working holiday maker net income is taxed at 15%. All other income is taxed according to your residency status.

In most cases, income statements and payment summaries from your employer show the payment **Type H** to indicate that you earned or derived working holiday maker income.

If your income statement or payment summary does not show the payment **Type H** but you earned or derived the income while you were on a 417 or 462 visa, then include that income in this step. You must also show the payment type **H** against this income at item **1**.

WORKING OUT YOUR WORKING HOLIDAY MAKER NET INCOME

1. Add up your working holiday maker income, that is salary and wages, that
 - you showed at item **1** on your tax return, and
 - you earned or derived while you were on a 417 or 462 visa.
2. Add up your working holiday maker income, other than salary and wages, that
 - you showed on your tax return, and
 - you earned or derived while you were on a 417 and 462 visa.
3. Add together the totals from step 1 and step 2 to get your gross working holiday maker income.
4. Subtract any deductions at **D1** to **D10** that relate to earning your working holiday maker income. The result is your working holiday maker **net** income.

If this amount is less than zero, your working holiday maker **net** income is \$0.

Example.....

Kiara is on a working holiday in Australia, on a 417 visa.

Between September 2020 and June 2021 Kiara worked on a number of farms in NSW and earned a total of \$30,000. Her deductions relating to this income are \$800.

Kiara will show \$29,200 at D item A4 (\$30,000 income from the farms less \$800 deductions relating to earning that income).

Kiara also includes her deductions in the deductions section of the tax return.

A4 Working holiday maker net income	
Working holiday maker gross income	<input type="text"/>
Working holiday maker related deductions and business losses	<input type="text"/>
Working holiday maker net income	<input type="text"/>

Type of payment summary: INB STP unfinalised income statement

Single Touch Payroll Status: Unfinalised

Available for pre-filing: 25/06/2020

ABN: 14153419946/1

Employer's name: C & S PERERA PTY LTD (Type H)

Period from: 26/02/2020

Period to: 30/06/2020

Description	Type	Tax withheld	Income	Label
Gross payments			\$2,515.00	1
Total tax withheld		\$377.00		1
Allowances			\$0.00	2

Goto (F2)

All amounts entered are for the visa holder for the 2019-20 tax year only.

Total salary or wages at item 1 for WHM

Other income earned during the 2019-20 tax year while on a 417 or 462 visa

Working holiday maker gross income

Less expenses incurred in earning that income claimed at Items D labels

Work related motor vehicle expenses - D1

Work related travel expenses - D2

Work related uniform, occupation specific or protective clothing, laundry and dry cleaning expenses - D3

Work-related self-education expenses - D4

Other work related expenses - D5

Low value pool deduction - D6

Interest deductions - D7

Dividend deductions - D8

Gifts or donations - D9

Cost of managing tax affairs - D10

Working holiday maker related deductions and business losses

Working Holiday net income (Integrated to item A4 label D)

1. **Adj/Credit** tab > **A4** > Click '**D**'
2. **Total Salary or Wages** will auto fill from Item 1
3. **Other Income Earned** – Enter total here for any income such as interest, ABN, CGT, etc.
4. **D1 to D10** – enter per the totals you entered at D1 to D10

5. Press green back-arrow to close schedule.

**ITEM A5 – AMOUNT ON WHICH FAMILY TRUST
DISTRIBUTION HAS BEEN PAID**

Never used.

ITEM C1 – CREDIT FOR INTEREST ON TAX PAID

Never used.