

The following are some examples of frequently asked questions relevant to Individuals & Family. In no way do they replace personal advice for personal circumstances and, in the interests of keeping answers brief, are intended as a guide only. Most of the topics are dealt with in greater detail in our fact and flash sheets – if you require more information, please refer to these, and remember you should always contact our office to discuss and confirm how each topic affects you individually.

The questions are organised in sections, as follows:

- [Individuals – Income Tax and Income Tax Returns](#)
- [Individuals – Income](#)
- [Individuals – Deductions](#)
- [Individuals – Income Tax Rebates](#)
- [Individuals – Superannuation](#)
- [Individuals – Special Topics](#)
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You can proceed directly to each section by clicking on the hyperlinks above.

### Individuals – Income Tax and Income Tax Returns

#### What are the current income tax rates?

If you are a resident individual, the following income tax rates apply, effective 1 July 2011:

Taxable Income (column 1)	Tax on Column 1	% on excess (marginal rate)
6,000	Nil	15
37,000	4,650	30
80,000	17,550	37
180,000	54,550	45

If you are a non-resident individual, the following income tax rates apply, effective 1 July 2011:

Taxable Income (column 1)	Tax on Column 1	% on excess (marginal rate)
6,000	Nil	29
37,000	10,730	30
80,000	23,630	37
180,000	60,630	45

The current company tax rate is 30% and the superannuation fund tax rate is 15%. Trusts and partnerships do not pay tax, rather the trust beneficiaries and partners respectively pay the required tax in their own names.

### When is my income tax return due?

If you do not use a tax agent, your income tax return is due for lodgement by 31 October of the year following the income year in question. If you do use a tax agent, the following table will provide an indication of lodgement due dates:

Type of Taxpayer	Due Date (if prior year return lodged on time)	Due Date (if prior year return not lodged on time)
Individuals	Mid-May of year following <sup>1</sup>	31 October of year following
Partnerships	Mid-May of year following <sup>1</sup>	31 October of year following
Companies	Mid-May of year following <sup>1</sup>	31 October of year following
Trusts	Mid-May of year following <sup>1</sup>	31 October of year following
Superannuation Funds	31 March of year following	31 October of year following

<sup>1</sup> If you are classified as a "large" taxpayer, you are required to lodge your income tax return by 31 March of the year following.

### What information do you need to complete my income tax return?

Our Tax Checklists should list the generic information required to complete your income tax return, however if you feel you may need to provide additional information due to unique circumstances, please contact our office to discuss.

We have tax checklists for the various types of entities which are updated annually – please see our "Checklists & Key Dates" webpage to download copies.

### How long until I receive my assessment / refund cheque from the ATO?

Assessments and refund cheques normally issue within 2 – 3 weeks from date of lodgement of your income tax return. However expect delays during peak periods such as July – August and the various income tax return lodgement deadlines.

### I have been issued an income tax assessment by the ATO and I have an income tax liability that needs to be paid. What should I do if I cannot pay the amount by the due date?

If you are experiencing cash flow difficulties and believe you need a payment extension, contact us immediately. We will contact the ATO accordingly and if the ATO is in agreement, a payment plan will be arranged. It is important to note that despite the payment plan you will be charged GIC (General Interest Charge) on amounts not paid by the due date over the period that they remain unpaid.

## Individuals – Income

### I earn salary / wages as an employee but I also run a business on the side. What do I need to bear in mind?

If you operate a business that is secondary to your main source of income either as a sole trader or in partnership, you need to be aware of legislation that impacts the claiming of any net losses that your business may incur. This legislation is referred to as the “non-commercial loss” provisions.

Under the non-commercial loss provisions you cannot claim the loss against your primary and unrelated source of income unless certain conditions are met. Any business losses that cannot be claimed in the year they are incurred are carried forward to be offset against future business profits.

If you operate your business via a company or trust structure, you should also be aware of the Personal Services Income legislation. Refer to our FAQs for Business in the ‘Businesses – Special Topics’ section for further information.

### I earn income from a hobby. Is this income taxable?

Income earned from hobbies is not assessable therefore any income you receive from conducting a hobby can be disregarded from your taxable income. It can sometimes be difficult to distinguish a business from a hobby – one characteristic which would indicate a hobby is conducting the activity purely for recreational enjoyment.

## Individuals - Deductions

### What costs can be claimed as home office deductions?

If you undertake work activities at home, the first distinction that needs to be made is whether your home is a “place of business” or simply somewhere where you conduct a portion of your work for personal convenience. If the latter applies, and it typically will apply if you are a salaried employee catching up on some work after hours, you can claim costs associated with running a home office, such as:

- Pro-rated electricity costs
- Pro-rated contents insurance costs
- Pro-rated telephone costs
- Depreciation on furniture and equipment used in the home office

You cannot claim mortgage interest and rates as home office expenses.

An alternative method of claiming home office expenses is the cents per hour method endorsed by the ATO, currently 34 cents per hour. You determine the number of hours worked at home throughout the year and multiply by this set rate in order to determine the home office deduction.

If your home is a “place of business”, the deductions available to you are broader – please refer to our fact sheet on claiming home office deductions for more detail.

### What methods are available to claim work-related car deductions and what substantiation do I require?

Provided you use your vehicle in the course of your employment, there are four methods for calculating work-related car deductions, listed in the table below ranked in order of complexity and substantiation requirements:

Method	Description	Substantiation Requirements
Cents per Kilometre	Number of business kilometres you travel throughout the year is multiplied by a set rate determined by the ATO. The set rate is designed to capture the types of car expenses, including depreciation, you incur throughout the year. This claim is limited to the first 5,000 business kilometres travelled	None
12% of Cost of Vehicle	Provided annualised business kilometres exceed 5,000km you may claim 12% of the cost of your vehicle each year as a work-related motor vehicle deduction. The cost base used is limited to the applicable depreciation cost limit	<ul style="list-style-type: none"> <li>• Proof that annualised business kilometres exceed 5,000km</li> <li>• Purchase contract for vehicle</li> </ul>
One-Third Operating Costs	If business use is not known, 1/3 of all running costs incurred throughout the year, including depreciation, are claimed	<ul style="list-style-type: none"> <li>• Evidence of running expenses incurred</li> </ul>
Log Book	As per one-third operating costs method, however business use percentage per log book determines the pro-rata claim	<ul style="list-style-type: none"> <li>• Evidence of running expenses incurred</li> <li>• Log book</li> </ul>

The log book method generally gives the highest claim provided you use your vehicle mostly for work-related purposes.

It is important to note that travelling between home and work does not count as business use, unless your home is your place of business.

### Individuals – Income Tax Rebates

#### What income tax rebates are available to individuals?

The following is a list of the common income tax rebates currently available to individuals:

- Low Income Rebate
- Senior Australians Tax Offset
- Mature Age Worker Tax Offset
- Education Tax Refund
- Medical Expenses Rebate
- Private Health Insurance Offset

These are discussed briefly below:

- **Low Income Rebate:** a tax rebate of up to \$1,500 is available to resident taxpayers whose taxable incomes are \$67,500 or less, with the maximum amount being available if your taxable income is less than \$30,000. The rebate is limited to the amount of tax otherwise payable. The low income rebate effectively raises the tax-free threshold for residents from \$6,000 to \$16,000
- **Senior Australians Tax Offset (or Low Income Aged Persons Rebate):** a tax offset of up to \$2,230 is available to taxpayers who are eligible for either the age pension or war veterans' pension. The amount available depends on your marital status. The following table summarises the available entitlements:

Status	Rebate Entitlement	Income Threshold
Single	\$2,230	Maximum available if "rebate income" is \$30,685 or less. Rebate cuts out when rebate income exceeds \$48,525.
Couple	\$1,602 per partner	Maximum available if "rebate income" of each partner is \$26,680 or less. Rebate cuts out when rebate income of partner exceeds \$39,496.
Illness-separated couple	\$2,040 per partner	Maximum available if "rebate income" of each partner is \$29,600 or less. Rebate cuts out when rebate income of partner exceeds \$45,920.

The offset is limited to the amount of tax otherwise payable however partners within a couple can transfer unused rebate entitlements between themselves.

- **Mature Age Worker Tax Offset:** a tax offset of up to \$500 is available to resident taxpayers who are 55 or over at the end of the income year and have earned a net income from working of \$63,000 or less
- **Education Tax Refund:** refer FAQ below
- **Medical Expenses Rebate:** a tax rebate is available to resident taxpayers who incur more than \$2,000 in out-of-pocket medical expenses during an income year. The rebate is calculated as 20% of the excess over \$2,000. The medical expenses must be "eligible medical expenses". Similar to the low income rebate, the amount of the rebate is limited to the amount of tax otherwise payable
- **Private Health Insurance Offset:** if you have private health insurance you are entitled to a tax offset of between 30% and 40%, depending on your age and income. To be entitled to claim this through your income tax return, you must not have already claimed the offset by way of reduced insurance premiums payable to your health insurer during the year

### Am I entitled to the Education Tax Refund? How does it work?

You are entitled to the Education Tax Refund if you:

- Are entitled to Family Tax Benefit Part A, or would be if you or your child were not receiving certain government allowances, and
- You have incurred eligible education expenses

A 50% refund is available on eligible education expenses up to:

- \$794 per child undertaking primary studies (maximum refundable tax offset of \$397 per child p.a.)
- \$1,588 per child undertaking secondary studies (maximum refundable tax offset of \$794 per child p.a.)

Eligible education expenses include:

- Laptops, home computers and associated costs
- Home internet connection
- Education software
- School textbooks and material
- Prescribed trade tools

You can maximise your Education Tax Refund by pooling eligible education expenses and spreading the costs across multiple children within the one family, provided that all the children have access to the purchased items.

Education expenses in excess of what can be claimed in a financial year are able to be carried over to the following financial year, but if the excess cannot be utilised in that subsequent year they lapse.

Finally, the Education Tax Refund cannot be claimed for expenses for which a tax deduction or government payment is available in respect of that expense.

### Individuals – Superannuation

#### What are the current contributions limits?

Year	Concessional	Non-Concessional	Small Business CGT Concession
2011-2012	\$25,000	\$150,000	\$1,155,000

If are 50 years old or over, you can contribute \$50,000 in concessional contributions for the year ended 30 June 2012.

If you are 64 years old or less on 1 July of the financial year, you are able to bring forward the next two years of non-concessional contributions provided certain conditions are met. This means you can effectively contribute up to \$450,000 in non-concessional contributions at once, but you cannot make further non-concessional contributions until the bring forward period (ie: 2 years) passes.

### Can I split superannuation contributions with my spouse?

Yes, you can split superannuation contributions with your spouse as follows:

Type of superannuation contribution	Amount that can be split
Employer contributions	85% of contributions up to concessional cap
Personal superannuation contributions for which a deduction has been claimed	85% of contributions up to concessional cap
Personal superannuation contributions for which a deduction has not been claimed	100% of contributions up to non-concessional cap

### What is the current government superannuation co-contribution offering?

The government currently offers a superannuation booster for taxpayers earning less than \$61,920 as follows:

Period	Lower income threshold	Higher income threshold	Co-contribution	Maximum entitlement
1 July 2009 to 30 June 2012	\$31,920	\$61,920	\$1 for every \$1 you contribute, up to your maximum entitlement	\$1,000, reduced by 3.333c for every \$1 of taxable income over \$31,920. The entitlement cuts out once taxable income exceeds \$61,920.

## Individuals – Special Topics

### I have bank / margin accounts denominated in foreign currency. What are the tax implications of this?

If you have accounts denominated in foreign currency, you potentially realise foreign currency gains / losses on certain types of transactions within those accounts. These gains / losses are revenue in nature, therefore gains will be assessed as ordinary income and losses will be outright deductible. For example, if you sell shares and receive proceeds in \$US, your gain on the sale of shares will be calculated with reference to the \$US/\$A exchange rate on that day. If you later convert the \$US to \$A, you will trigger a foreign currency gain / loss based on the movement in exchange rates from the day the \$US proceeds were received, and the day they were remitted to \$A. This secondary amount will need to be included in your income tax return.

Certain elections can be made over accounts denominated in foreign currency which impact the foreign currency gains / losses you must declare in your income tax return. From a tax planning perspective it is important to contact us if you have accounts denominated in foreign currency and are considering any significant transactions, such as significant deposits or withdrawals, so we can advise you of any foreign currency gains / losses that may potentially be realised.

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### **I receive options / shares as a result of participation in an Employee Share Scheme. What do I need to know?**

From 1 July 2009, if your employer issues rights / shares at a discount to you as a result of your participation in an employee share scheme, the discount is taxed up-front unless the options / shares are:

- At "real risk of forfeiture", or
- Obtained under a salary sacrifice arrangement and certain conditions are met

Share or rights subject to performance hurdles is one example of grants considered to be at real risk of forfeiture. If a real risk of forfeiture is deemed to exist, the taxing point is deferred until the earliest of the following:

- The date the real risk of forfeiture ceases to exist
- The date any disposal restrictions present at grant date no longer exist
- The date employment ceases
- 7 years lapses

A \$1,000 reduction in assessable discount is potentially available provided certain conditions are satisfied.

If you participate in an employee share scheme, your employer is now required to provide you with an annual employee share scheme statement notifying you of the assessable income, if any, received as a result of rights or shares granted to you during the income year. You should provide a copy of this statement to us when forwarding your tax records, and we will include the necessary details in your income tax return.

## **PAYG Instalments**

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### **What is a PAYG Instalment?**

The PAYG (Pay As You Go) Instalment system is the means by which the ATO taxes you on your expected taxable income that is not taxed at source. For example, business income and investment income (excluding net capital gains). Individuals, companies and superannuation funds can potentially be captured in the PAYG Instalments system.

The ATO will determine either (or both):

- A dollar-based instalment amount you must pay, or
- An instalment rate which must be multiplied by the gross income you earn in the reporting period in order to arrive at a PAYG instalment you must pay

Both the dollar-amount and the instalment rate are determined with reference to the tax liability of your most recent income tax return lodged, plus an uplift factor for expected growth. PAYG Instalments are paid progressively throughout the income year that the instalments relate to – either quarterly or annually.

PAYG instalments are reported and paid on Instalment Activity Statements or Business Activity Statements issued to taxpayers by the ATO, depending on whether you are registered for GST. The frequency of paying and lodging these statements is determined by:

- The size of the assessed PAYG Instalments, and
- Whether you are registered for GST and whether you have made an annual GST election

If you are registered for GST, you remit your GST quarterly, and have an annualised PAYG Instalment liability which exceeds \$8,000, you are required to pay your PAYG Instalments in quarterly instalments.

#### Can I vary my PAYG Instalment?

Yes, you can vary your PAYG Instalment or Instalment Rate. If you expect the component of your taxable income not taxed at source to vary significantly, you can apply to either increase or decrease your PAYG instalments accordingly. This can be done on your next Instalment / Business Activity Statement. It is important to note the following when varying your PAYG Instalments:

- You cannot vary PAYG Instalments that have passed their due date for payment
- You may be subject to penalties for underestimating your PAYG Instalment liability when lodging your income tax return for the year in question therefore:
  - Be conservative in your estimations
  - Vary again if your circumstances change such that your untaxed income increases since the initial variation, or
  - Consider leaving your PAYG Instalments as is if you expect fluctuating or unpredictable untaxed income

*Disclaimer: The information contained in this fact sheet is not intended as specific advice. Please contact Isaacs & Cole to discuss your individual situation.*