

Everything you need
without the degree

Tax Refunds

FOR DUMMIES[®]

IN THIS CHAPTER

- How to do your own Tax Return
- What you can and can't claim
- Maximising your Tax Return
- Lodging a compliant Tax Return and minimising audit

IT'S LIKE HAVING
AN ACCOUNTANT
IN YOUR POCKET

by
OneClicktax
Numbers Geeks

TRANSLATED BY REAL PEOPLE





Training Manual 2019

1. Introductions

- Introduction to Xero Tax and One Click Tax
- Creating a new client

2. Income

- **Ordinary**
Ordinary income is income according to ordinary concepts. Generally, this is amounts that everyone would consider to be income. Such as what you see on your PAYG Payment Summary.
- **Statutory**
Statutory income is income that is not ordinary income and that you include in assessable income because of a specific rule in the tax law. For example, a net capital gain is statutory income. If a receipt is classed as both ordinary income and statutory income, the statutory rule prevails.
- **Exempt**
Exempt income is income on which you don't pay tax. However, certain exempt income may be taken into account when calculating the tax losses of earlier income years that you can deduct and the adjusted taxable income of your dependants. Such as Government Pension, Carer Payments, Insurance Payments (death/TPD) and certain AUS Defence & Federal Police Payments.
- **Fringe Benefits Tax (FBT)**
FBT is paid by employers on certain benefits they provide to their employees or their employees' family or other associates. FBT applies even if the benefit is provided by a third party under an arrangement with the employer.
- **Foreign pensions**
Most foreign pensions and annuities are taxable in Australia, even if tax was withheld from your payment by the country from which the payment came. If your foreign pension or annuity is not taxable in Australia, do not show it anywhere on the tax return.
Don't forget to work out the Undeducted purchase price (UPP) or the foreign tax offset.
- **Tax Agent Portal**
The Tax Agent Portal is a secure website where registered agents and their

authorised staff can access a range of tools, services and information about clients' records.

- **ATO Prefill Reports**

This is a cheat sheet that Tax Agents use when preparing a tax return. Generally, by mid-July the client's tax information is available on the Tax Agent Portal via the Prefill Report. Here you will find their PAYG Payment Summaries, Bank Interest, Share Sales & Dividends, Private Health Insurance details and an insight to what was claimed last year.

3. Deductions

- **General Deductions**

- D1 Car Expenses
 - i. Log Book Method
 - ii. Cents Per Kms Method
 - D2 Travel Expenses
 - D3 Uniform, clothing and laundry Expenses
 - D4 Self-Education Expenses
 - i. the course maintained or improved a skill or specific knowledge required for your then current work activities
 - ii. you could show that the course was leading to, or was likely to lead to, increased income from your then current work activities, or
 - iii. other circumstances existed which established a direct connection between the course and your then current work activities.
 - D5 Other Work-Related Expenses
 - D6 to D8 – not applicable
 - D9 Donations
 - D10 Tax Agent Fees or ATO Interest
 - D15 Other Deductions
 - i. Income Protection
- **Capital allowances / Depreciation**
 - Assets over \$300 will need to be depreciated.

4. Tax Offsets

- **Credits & Rebates**
 - Low Income Tax Offset (LITO) – Refer to table on page 6
 - Low-Middle Income Tax Offset (LMITO) – Refer to table on page 7

- Zone offset
 - Seniors and Pensioners (includes Centrelink individuals)
- Spouse
- Lump sum / ETP

5. Medicare

- Medicare Levy
- Medicare Levy Surcharge
 - Thresholds and Private Health Insurance with Hospital Cover
- Reductions & Exemptions
 - Single with kids
 - Workings Holiday Visa
 - Student Visa

6. Capital Gains Tax

- Investment Property
- Shares

7. Business (ITR only)

- Business Summary
- PSI
- Taxations of Individual/Sole Trader
- Non-Commercial losses
- New Asset Write-off amount for SBE

8. Soft Skills Training

- Insurance
 - Audit Protection
 - Income Protection (D15)
- Phone skills

Handy tips and Summary tables

Income

- Hobbies do not constitute income
- Beware of **PSI Payments Summaries** and income that is PSI!
- Employer lump sum D payments are exempt
- Employment termination payments – Employment termination payment schedule (main menu)

Resident Individual rate of tax for 2019

Taxable income	Tax on this income
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$90,001 – \$180,000	\$20,797 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$54,097 plus 45c for each \$1 over \$180,000

The above rates **do not** include the Medicare levy of 2%.

The above rates include changes announced in the 2018-19 Federal Budget.

* *Budget Repair Levy no long applies for 2019*

Low Income Tax Offset

Low income tax offset 2018-19	
\$0 - \$37,000	\$445
\$37,001 - \$66,666	\$445 less 1.5% of excess over \$37,000
\$66,667 and above	Nil

Low and Middle Income Tax Offset

LMITO as currently legislated

Income	Offset
up to \$37,000	\$200
\$37,001 to \$48,000	\$200 plus 3 cents for each dollar over \$37,000
\$48,001 to \$90,000	\$530
\$90,001 to \$125,333	\$530 less 1.5 cents for each dollar over \$90,000

Offset to be increased – Budget 2019 (subject to legislation)

Announced as part of the 2019 budget measures (2 April 2019) the LMITO base amount is to be increased from \$200 to \$255; the maximum amount will increase from \$530 to \$1080. Revised taxable income tests are also to be applied.

LMITO from 1 July 2018 (Subject to legislation)

Income	Offset
up to \$37,000	\$255
\$37,001 to \$48,000	\$255 plus 7.5 cents for each dollar over \$37,000
\$48,001 to \$90,000	\$1,080
\$90,001 to \$126,000	\$1,080 less 3 cents for each dollar over \$90,000

Working holiday makers

From 1 January 2017 – as a working holiday maker – the first \$37,000 of your income is taxed at 15%, with the balance taxed at ordinary rates.

You are a working holiday maker if you have a visa subclass:

- 417 (Working Holiday)
- 462 (Work and Holiday).

Taxable income	Tax on this income
\$0 – \$37,000	15c for each \$1
\$37,001 – \$90,000	\$5,550 plus 32.5c for each \$1 over \$37,000
\$90,001 – \$180,000	\$22,77 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$56,075 plus 45c for each \$1 over \$180,000

** This does not include the introduction of the 2% temporary Budget Repair Levy on income earners over \$180,000. The levy will be imposed until 30 June 2017.*

Temporary budget repair levy

The Temporary Flood Levy was introduced for 2010 to 2012 financial year and the Budget Repair Levy was introduced from 1 July 2014. The levy is payable at a rate of 2% of each dollar of a taxpayer's taxable income over \$180,000.

In some cases, the levy is payable even if you have a taxable income of \$180,000 or less.

If the levy applies to your income, it will generally appear on your Notice of Assessment you receive after you lodge your 2017 tax return.

The last year that the levy will be imposed is in 2017. The Budget Repair Levy does not apply in 2018 & 2019.

Deductions

- Total work-related expenses are \$300 without receipts – Put in D5

D1 Work related car expenses

- Deductions are not allowed for traffic or parking fines

Cents per Kilometre method

- When using cents per kilometre method, maximum allowance is 5,000 kilometres
- Flat rate for 2016, 2017, 2018 - **\$0.66** per business kilometre
- Flat rate for 2019 - **\$0.68** per business kilometre

Rate 2014 & 15 FY

Engine capacity		Cents per kilometre
Ordinary engine	Rotary engine	Rate
1.6 litre (1,600cc) or less	0.8 litre (800cc) or less	65 cents
1.601-2.6 litre (1,601-2,600cc)	0.801-1.3 litre (801-1,300cc)	76 cents
2.601 litre (2,601cc) and over	1.301 litre (1,301cc) and over	77 cents

Logbook method

- Logbook needs a 12 week record of typical travel mileage and calculate business proportion use
- Calculate total car expenses including vehicle depreciation and multiple by business proportion percentage

D2 Work related travel expenses

Common examples:

- Accommodation
- Meals
- Travel lounges
- Flights
- Parking
- Travel Insurance
- Tolls
- Public transport and taxi's (Site to site/clients)

Expenses above may have to be apportioned if the client's trip was also for leisure/private. (e.g. 30% work & 70% for private = claim only 30% of each expense)

D3 Work related uniform expenses

Laundry:

- **Maximum** laundry claim without receipts is **\$150** (Show your Workings!)
- Commissioner's rates are **\$1 per load** three times a week and **\$0.50 for mixed load**.

D4 Work related self-education expenses

- Includes travel to venue, cost incurred for the course and textbooks.

- **Excludes the first \$250 of total cost**, however this \$250 may be taken from the closing WDV of the depreciating asset, thereby increasing the client's current year claim.

D5 Other work-related expenses

- Safety items: Sunglasses (for driving or outside); sunscreen; hardhat; sunhat
- Overtime meal allowances – if entered under 'Allowances' in Item 1 must be entered in D5, otherwise allowances will be taxed. This is only deductible if a meal allowance under an industrial award has been paid. If meals cost more than **\$30.60**, receipts **must** be provided.
- Truck drivers **\$101.45 per day, must** receive a **travel allowance** from employer – TR 2018/11
- Union fees
- Tools and materials
- Interest on loans for tools
- Home office claimed under the commissioner's fixed rate of **\$0.52 per hour** (room is not able to be used for any other function- ie. It has no bed and no TV in it and is not open to any other rooms, other than through a closable door)
- Home **internet, mobile** and **phone** calculated at proportional usage
- Tools and equipment greater than \$300 need to be depreciated
- Seminars/courses/conferences
- Reference books
- Membership registration/subscriptions fees

D9 Gifts and donations

- **\$10 'bucket donation'** receipt not required
- Donations must be donations – there must be nothing received for the money paid, not even raffle tickets!
- Tithing and Zakat is generally not a tax deductible donation!

D10 Cost of managing tax affairs

- Accountant/advisor fees
- Travel for services rendered – see **D1 Work related expenses** cents per kilometre method
- Deductions are not allowed for failure to lodge penalties
- ATO Interest (From Prefill Report)

Depreciation

If the effective life can be justified to be lower than the ATO's workings. You can put that in, for example a hand drill may last only 1 year for a cabinet maker compared to a plumber. If so put the full amount as a deduction.

Full List:

<http://law.ato.gov.au/atolaw/view.htm?locid=%27ITD/EF20151%27&PiT=99991231235958>

Most common depreciating asset	Effective life in years	Depreciation rate
Computers		
• Desktops	4	25%
• laptops & tablets/smartphones	3	33.33%
Curtains and drapes	6	16.67%
Motor Vehicles		
• cars generally	8	12.50%
Power tools (hand operated, air or	5	20.00%
Power tools (hand operated, battery)	3	33.33%
Tools (loose)	5	20.00%

HELP, SSL, ABSTUDY SSL, and TSL repayment thresholds and rates

2018–19

Repayment income (RI)	Repayment rate
Below \$51,957	Nil
\$51,957 – \$57,729	2.0%
\$57,730 – \$64,306	4.0%
\$64,307 – \$70,881	4.5%
\$70,882 – \$74,607	5.0%
\$74,608 – \$80,197	5.5%
\$80,198 – \$86,855	6.0%
\$86,856 – \$91,425	6.5%
\$91,426 – \$100,613	7.0%
\$100,614 – \$107,213	7.5%
\$107,214 and above	8.0%

*RI=Taxable income + any total net investment loss (which includes net rental losses), + total reportable fringe benefits amounts, + reportable super contributions and + exempt foreign employment income.

Private health insurance income thresholds for 2018/19

Status	Income thresholds			
	Base tier 0%	Tier 1 1%	Tier 2 1.25%	Tier 3 1.5%
Single	\$90,000 or less	\$90,001 – \$105,000	\$105,001 – \$140,000	\$140,001 or more
Family	\$180,000 or less	\$180,001 – \$210,000	\$210,001 – \$280,000	\$280,001 or more
Age	Rebate for premiums paid 1 July 2018 – 31 March 2019			
Under 65 yrs	25.415%	16.943%	8.471%	0%
65–69 yrs	29.651%	21.180%	12.707%	0%
70 yrs or over	33.887%	25.415%	16.943%	0%
Age	Rebate for premiums paid 1 April 2019 – 30 June 2019			
Under 65 yrs	25.059%	16.706%	8.352%	0%
65–69 yrs	29.236%	20.883%	12.529%	0%
70 yrs or over	33.413%	25.059%	16.706%	0%

You are considered to be a member of a family during any period of the year where you contributed to the maintenance of a dependant (ATO QC27044).

For MLS purposes, your dependants (regardless of their income) are your:

- spouse, even if they worked or had their own income
- children under 21 years old
- children 21–24 years old who are full-time students.

Entering the Private Health Insurance details

Use the client's end of year Statement from the insurance provider to fill in:

M2 –B, M2- C, M2-J, M2-K, M2- L.

Australian Government Rebate on private health insurance

Health insurer ID	Membership Number	Your premiums eligible for Australian Government rebate	Your Australian Government rebate received	Benefit code	Other adult beneficiaries for the policy					
B	HBF	C	H1234567	J	\$1500	K	\$450	L	30	Sally Sample
B	HBF	C	H1234567	J	\$520	K	\$150	L	30	Sally Sample

IMPORTANT - If you have more than one line of information in the table above, make sure each line is input separately into your income tax return. Do not add-up amounts reported in any column or row and input a total.

For legislative purposes, any amounts detailed in the table above are rounded to a whole dollar and exclude Lifetime Health Cover Loading (if applicable).

If you and all your dependants (including your spouse) did not have an appropriate level of private patient hospital cover for the full financial year (365 days) you may be liable for the **Medicare Levy Surcharge** - see 2018 Individual tax return instructions question M2.

Number of days this policy provides an appropriate level of private patient hospital cover	A	365
--	---	-----

When filling in the Tax Claim code use the following:

Where the Private Health Insurance policy Tax claim codes are:

- A** You were single on 30 June 2019 and had no dependants.
- B** you are a single parent with a dependent child or children, or you have a dependent sibling.
- C** you had a spouse on 30 June 2019* and **you are claiming your share** of the rebate entitlement in relation to the policy, or you are claiming for a dependent child only policy.
- D** you had a spouse on 30 June 2019** and you were covered by the same complying private health insurance policy for the same amount of time, and You claimed your share of the policy using Tax claim code C are **claiming your spouse's share** of the rebate entitlement in relation to the policy.
- E** you had a spouse on 30 June 2019, and you were covered by the same complying private health insurance policy, and **your spouse is claiming your share** of the rebate entitlement for you in their tax return.
- F** If you are a dependent child on a family private health insurance policy or you are covered by a dependent child only policy, you are therefore not entitled to any private health insurance rebate.

* or you had a spouse who died during the year and you did not have another spouse before the end of the year

** or you had a spouse who died during the year and you did not have another spouse before the end of the year.

Table 15: Guide to benefit codes

Age of oldest person covered	Benefit code	
	Premiums paid between 1 July and 31 March	Premiums paid between 1 April and 30 June
Under 65 years old	30	31
65–69 years old	35	36
70 years old or over	40	41

The level of your rebate is calculated on the age of the oldest person covered by the policy. We use the benefit code to apply the right level of rebate. Note that

- valid benefit codes are 30, 31, 35, 36, 40 and 41
- benefit codes 30, 35 and 40 are used for any premiums paid between 1 July and 31 March
- benefit codes 31, 36 and 41 are used for any premiums paid between 1 April and 30 June.

Personal services business flow chart

