

Visions Accounting Consultants Pty Ltd

ACN 081 189 424 ABN 24 081 189 424



2004 Tax Return Checklist for Individuals

This checklist has been prepared by the CPA Board Tax Practice Committee to assist public practice members in discharging their obligations in preparing 2004 individual tax returns. It is recommended that the checklist be considered for all individual clients.

Step 1 – Obtain a copy of the Prior Year Return.

Step 2 – Confirm that the Front Cover of Prior Year Return has not altered, including Bank Account Details.

Step 3 – Complete the Checklist.

Legend:

Column 1: Column 1 requires the user to indicate whether they were either Advised ('A') of the information or Sighted ('S') documentation or whether No Substantiation is required ('N/A').

Column 2: Column 2 requires the user to indicate whether an additional work paper (WP) should be completed in respect of that item, (e.g. list of dividends, interest, depreciation schedule etc).

Column 3: Column 3 indicates whether an attachment was obtained in respect of that item (e.g. copy of bank statement, log book etc).

Tax Return Reference	Section of the Income Tax Return	Col 1 (A)(S) (N/A)	Col 2 WP (Y or N)	Col 3 Attach ment (Y or N)
Income From Personal Exertion				
1	Salary or Wages Obtain and attach PAYG payment summaries.			
2	Allowances, Benefits, Earnings, Tips, Director's fees, etc. Receipt of an allowance does not automatically entitle an employee to a deduction for that amount (e.g. tool allowance).			

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3	<p>Lump Sum Payments</p> <p>These payments are in respect of unused annual and long service leave paid out on termination of employment. Label A and B of the client's PAYG payment summary should contain the relevant information. Also, obtain and attach a copy of a statement of termination from the client's employer.</p>			
4	<p>Eligible Termination Payments (ETPs)</p> <p>Obtain and attach any ETP payment summaries, employer termination statements, and RBL determinations.</p>			
5	<p>Commonwealth of Australia Government Allowances and payments</p> <p>Youth Allowance, Newstart, Sickness Allowance or Special Benefit, or another educational or training allowances.</p>			
6	<p>Commonwealth of Australia Government Pensions and other Allowances</p>			
7	<p>Other Australian Pensions or Annuities</p> <p>Obtain details of taxable and rebatable components of pension.</p>			
8	<p>Attributed Personal Services Income</p> <p>Obtain all Payment Summaries – personal services attributed income and details of any other personal services attributed to the taxpayer.</p>			
9	<p>Total Reportable Fringe Benefits Amounts</p> <p>Source from relevant payment summaries.</p>			
Other Income				
10	<p>Gross Interest</p> <p>Interest that is received or credited in a year is taxable. Care should be taken to gross interest up where TFN tax has been deducted.</p>			
11	<p>Dividends</p> <p>Unfranked, partly franked and fully franked</p>			

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	<p>dividends are assessable for taxation purposes.</p> <p>Tax Tip – Where a reinvestment program has been entered into the value of that dividend reinvestment is taxable. Carefully consider the taxation implications of bonus share issues to individuals.</p>			
12	<p>Partnerships and Trusts</p> <p>Details of the partnership or trust and type of income received are required. Carefully identify tax credits that may be utilised.</p>			
13	<p>Personal Services Income</p> <p>Is the client a sole trader? If yes ask client if they received income predominantly (80% or more) from the one source and did not have a Personal Services Business Determination. If this is the case then the Business and Professional items section should be completed.</p>			
14	<p>Net Income or Loss from Business</p> <p>If the taxpayer derived income from any business other than personal service income included at item 13, complete and attach a business and professional items schedule.</p>			
15	<p>Deferred Non-Commercial Business Losses</p> <p>This item relates to losses made from activities that constitute carrying on a business (eg. sole trader or partnership) from 1 July 2000. If applicable, complete item P9 in the business and professional items schedule.</p>			
16	<p>Net Farm Management Deposits or Withdrawals</p> <p>This item is for primary producers only.</p>			
17	<p>Capital gains</p> <p>Obtain a description of the asset, the purchase date, the purchase cost, the date and amount of any expenditure incurred by the taxpayer that forms part of the cost base, the sale date, and the sale proceeds amount.</p> <p>Take account of new rules applicable to assets sold from 21 September 1999 (i.e. removal of averaging, 50% discount method and freezing of indexation as at 30 September 1999).</p> <p>Tax Tip: Capital losses are applied before capital gain can be discounted.</p>			

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18	Foreign Entities			
19	<p>Foreign Source Income and Foreign Assets or Property</p> <p>Obtain details of country, amount received, exchange rate utilised, foreign tax withheld. Care must be shown with foreign source salary and wage income that may be exempt from tax.</p>			
20	<p>Rent</p> <p>Obtain details of:</p> <ul style="list-style-type: none"> ▪ Rental income earned ▪ Interest charged on money borrowed for the rental property ▪ Details of other expenses relating to the rental property ▪ Details of any capital works expenditure to the rental property <p>Borrowing costs are claimed over the life of the loan or five years, whichever is the lesser.</p> <p>Assess whether the client can claim a deduction for the construction costs of the property, or any structural improvements.</p>			
21	<p>Life Insurance Companies and Friendly Societies</p> <p>Obtain documentation regarding bonuses received on insurance bonds issued by life insurance companies and friendly societies. Bonuses are tax free if cashed in after 10 years. If not, the bonuses may be taxable and a rebate can be claimed.</p>			
22	<p>Other income</p> <p>Ask client whether they received any other benefit / income during the year that has not been discussed. Examples include:</p> <ul style="list-style-type: none"> • A non-qualifying component of an ETP • Discounts on shares or rights received under an employee share scheme • Lump sum payments in arrears • Foreign exchange gains • Royalties • Scholarships, bursaries, grants • Any assessable balancing adjustment for a depreciating assets • Jury service fees 			

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D1	<p>Work related car expenses The four methods available are:</p> <ol style="list-style-type: none"> 1. Cents per kilometre method Claim is based on a set rate for each business kilometre. Rates are based on engine capacity. Taxpayer is able to claim a maximum of 5,000 business kilometres. 2. 12% of original value method Claim is based on 12% of the original value of the car. Maximum car value that can be claimed is \$57,009. The taxpayer's car must have travelled greater than 5,000 business kilometres. 3. One-third of actual expenses method Claim is based on one third of car expenses. Examples of car expenses include fuel, repairs, maintenance, registration, lease costs, depreciation, interest on borrowings, car wash and parking. The taxpayer's car must have travelled greater than 5,000 business kilometres. 4. Logbook method Claim is based on the business use percentage of car expenses. Ensure log kept for 12 consecutive weeks and business use percentage did not vary more than 10%. The resulting business use percentage may then be applied to all car expenses to calculate a deductible amount. 			
D2	<p>Work related travel expenses</p> <p><u>Domestic Travel</u> Generally requires client to sleep away from home. Expenses include meals, accommodation, car hire and incidentals, such as tolls, parking and hire of third party vehicles.</p> <p><u>Overseas Travel</u> Must obtain documentary evidence as well as diary. Substantiation is not required where 'reasonable allowance' paid to employee for accommodation (domestic only), food, drink and incidentals if allowance within ATO limits. (Refer to Taxation Ruling TR 2003/7)</p>			
D3	<p>Work related uniform, occupation specific or protective clothing, laundry and dry cleaning expenses</p>			

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	<p>Protective clothing and safety footwear – clothing or footwear that is specifically designed to protect, or:</p> <ul style="list-style-type: none"> • Compulsory uniforms – non-conventional clothing that the employee is compelled to wear; or • Occupational-specific – clothing that identifies a person as a member of a specific profession, trade, vocation, occupation, or calling <p>No substantiation for reasonable claims up to \$150 in respect of above mentioned clothing. Refer to TR 94/22 and TR 98/5.</p> <p>Tax tip: you can only claim laundry and dry cleaning expenses in respect of work-related uniforms and occupation specific clothing</p>			
D4	<p>Work related self-education expenses</p> <p>Examples include student union fees, books, stationery, consumables, travel, and depreciation.</p> <p>Tax tips: the ATO pays particular attention to these items, so ensure that all claims can be substantiated appropriately. Note also the 1st \$250 expenditure rule that may apply.</p>			
D5	<p>Other work related expenses</p> <p>Examples include union fees, seminars, overtime meals, home office, telephone, subscriptions, briefcase, calculator, electronic organiser, and assets not exceeding <\$300.</p> <p>Note: Deductions differ for a home office depending on whether it is a place of business against that of an office used away from the normal workplace.</p> <p>Refer to Taxation Ruling TR 93 / 30</p>			
General Deductions				
D6	<p>Low value pool deduction</p>			
D7	<p>Interest and dividend deductions</p> <p>Cannot be claimed unless income at question 10 or 11.</p>			
D8	<p>Gifts or donations</p> <p>Ensure that all donations are made to ATO endorsed deductible gift recipients and that the client did not receive any tangible benefit from making the donation.</p>			

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D9	<p>Deductible amount of undeducted purchase price of Australian pension or annuity</p> <p>This amount represents the return of capital to the client and does not usually change from year to year.</p>			
D10	<p>Cost of managing tax affairs</p> <p>Note: This also includes GIC and travel to tax agent.</p>			
L1	<p>Tax losses of earlier income years deducted this year</p> <p>A superannuation deduction cannot increase a carry forward loss.</p>			
D11	<p>Australian film Industry incentives</p>			
D12	<p>Deductible amount of undeducted purchase price of foreign pension or annuity</p>			
D13	<p>Non-employer sponsored superannuation contributions</p> <p>Strict rules apply to when an employee can claim a tax deduction. Usually self- employed persons claim the first \$5,000 and 75% of any excess contribution up to specified age-based limits.</p>			
D14	<p>Deduction for project pool</p>			
D15	<p>Other deductions</p> <p>For example accident and sickness insurance premiums.</p>			
Tax Offsets				
T1	<p>Spouse (without dependent child or student), child-housekeeper, or housekeeper</p> <p>Enquire as whether the client had a dependent spouse (de facto or married), a child-housekeeper, or a housekeeper. If they did, obtain the separate net income of the dependent to determine how much offset can be obtained.</p>			
T2	<p>Senior Australians (age pensioners, service pensions and self funded retirees)</p>			
T3	<p>Pensioner - other than those mentioned in T2</p>			
T4	<p>Superannuation contributions, annuity and pension</p> <p>A tax offset for non-deductible superannuation contributions is available for certain low income</p>			

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	employees. An offset can also be claimed in respect of certain annuity/pension payments.			
T5	30% private health insurance Obtain details of client's health fund and ascertain whether the rebate was claimed via the fund or from Medicare before determining whether an offset can be claimed through the return.			
T6	Ongoing baby bonus claim Tax Tip: Only complete where a claim was made in 2002.			
T7	Superannuation contributions on behalf of your spouse Tax Tip: The maximum rebate that can be claimed is \$540.			
T8	Zone or overseas forces If the client lived or worked in a remote or isolated area of Australia, or served overseas as a member of Australia's Defence Forces, they may be eligible for this offset.			
T9	20% tax offset on net medical expenses over the threshold amount Obtain details of medical expenses and refunds the taxpayer received or is entitled to receive from Medicare or a private health fund. The threshold amount to be used for this question is \$1,500			
T10	Parent, spouse's parent or invalid relative Tax offset only available where parent, etc resides in Australia and is a dependent maintained by the taxpayer.			
T11	Landcare and water facility rebate 30% tax offset for one third of eligible expenditure in lieu of deduction for eligible expenditure			
T12	Other tax offsets			
Medicare Related Items				
M1	Medicare levy reduction or exemption Available for low income individuals/families and other prescribed persons.			
M2	Medicare levy surcharge			

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	<p>Note: this item is compulsory.</p> <p>Applicable to individuals/families on higher incomes who do not have private patient hospital cover.</p>			
Adjustments				
A1	<p>Under 18 excepted net income</p> <p>Special tax on unearned income of minors.</p>			
A2	<p>Part year tax free threshold</p> <p>Completed for students entering the workforce and taxpayers who were Australian residents for part of the income year.</p>			
A3	<p>Amount on which family tax distribution tax has been paid</p> <p>Relevant where a trust, company, or partnership within a 'family group' has distributed to an entity outside the family group.</p>			
A4	<p>Amount on which Ultimate Beneficiary non-disclosure tax is imposed</p> <p>Source from relevant Ultimate Beneficiary Statements.</p>			
C1	<p>Credit for interest on tax paid</p>			