

ENTERING THE AUSTRALIAN TAX SYSTEM

WHAT YOU NEED TO KNOW

tax file number
medicare levy
residency
privacy
superannuation
why do we pay taxes?
lodging a tax return
payment summaries
HECS



Lodge online with *e-tax* at www.ato.gov.au

NAT 2705—6.2003

Where you fit and what you need to know

		What you need to know					
		Why do we pay tax? Page 4	Residency Page 5	Tax file number (TFN) Page 6	TFN declaration Page 7	Tax-free threshold Page 8	Payment summaries Page 10
Secondary and tertiary students	Part-time or casual job			✓	✓	✓	✓
	Applying for benefits (eg youth allowance and austudy)			✓	✓	✓	✓
	Investments (eg bank interest, shares)			✓			✓
Tertiary students only	About to start university			✓			
	Leaving university					✓	
Employment	Getting a job	✓		✓	✓	✓	✓
	Having more than one job	✓			✓	✓	✓
Overseas students	About to start work	✓	✓	✓	✓	✓	
	Opening a bank account		✓	✓			
Working holiday makers	About to start work	✓	✓	✓	✓	✓	
	Opening a bank account		✓	✓			
Foreign national working in Australia	- Sponsored - Contract - Temporary	✓	✓	✓	✓	✓	✓
	Investing in Australia		✓				

Where you fit

Lodging a tax return Page 11	Medicare levy Page 14	Under 18 years income Page 15	Capital gains tax Page 16	Refund of imputation/franking credits Page 17	Foreign income Page 18	HECS SFSS Page 19	Super-annuation Page 20
✓	✓	✓					✓
✓	✓	✓					
	✓	✓	✓	✓			
		✓				✓	
						✓	
✓		✓				✓	✓
✓		✓					✓
✓					✓		✓
					✓		
✓	✓				✓		
	✓						
✓	✓				✓		✓
	✓		✓	✓	✓		

About this publication

This publication is available free from the Australian Taxation Office (ATO). The ATO prohibits any party from selling it. We regularly revise our publications to take account of changes to the law.

If you have an enquiry relating to your circumstances which this publication does not cover, phone the Personal Tax Infoline on **13 28 61** or get help from a tax adviser.

Disclaimer and Commissioner's guarantee

The information in this publication is current at April 2003 and we have made every effort to ensure it is accurate.

As part of our commitment to produce accurate publications you will not be subject to penalties if you can demonstrate that you relied on something in this publication that was wrong or misleading. You may have to pay a general interest charge on omitted income or over-claimed deductions and tax offsets, depending on the circumstances of your case.

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NAT 2705—6.2003

Your rights	
<i>Taxpayers Charter</i>	1
Privacy of information	1
The Privacy Act	1
Disclosure of your information	1
Self assessment	2
Private rulings	2
Binding oral advice	3
What you need to know	
Why do we pay tax?	4
What is an income year?	4
Tax rates	4
Residency (for tax purposes)	5
Tax file number (TFN)	6
How to apply for a TFN	6
Privacy	6
Tax file number declaration	7
Tax-free threshold	8
When do you pay taxes?	9
Payment summaries	10
When you stop work	10
Lodging a tax return	11
What is a tax return?	11
How do you lodge a tax return?	11
When do you lodge a tax return?	12
Failure to lodge on time penalty	12
What will you receive after your tax return is processed?	13
Record keeping	14
Medicare levy	14
Guidelines for income earned by individuals under 18 years of age	15
Capital gains tax	16
What is capital gains tax?	16
What is a CGT asset?	16
Refund of imputation/franking credits on Australian shares	17
Foreign income including overseas pensions	18
Other tax issues	
Higher Education Contribution Scheme (HECS)	19
What is HECS and why was it introduced?	19
Paying your HECS debt?	19
Student Financial Supplement Scheme (SFSS)	19
Superannuation	20
Non-residents	20
Need more information?	21
Goods and services tax (GST)	21
The cash economy	21
How to pay a tax debt	22
Glossary of terms	23
How to contact us	inside back cover



Welcome to the Australian tax system

The Australian Taxation Office (ATO) is responsible for the administration of the tax system in Australia. The ATO is committed to meeting the expectations of both the Government and the community in the way that it legally collects revenue for the country.

The ATO is committed to helping you comply with your tax obligations at minimum cost, and at convenience to you. You can expect the ATO to offer you professional service and assistance to help you understand and meet your tax obligations. The service you can expect from the ATO is outlined in the *Taxpayers' Charter*.

Entering the Australian tax system—what you need to know is designed for people entering the tax system for the first time. It has been put together with community consultation and its aim is to help make your experiences with the ATO easier, cheaper and more personalised.

If you are new to Australia, about to start your first job, returning to the workforce after an absence, applying for a government benefit, or going to study at university, this guide will help you understand your obligations and your role in the tax system.

A handwritten signature in black ink that reads "Michael Carmody". The signature is written in a cursive style and is positioned above a horizontal line.

Michael Carmody
Commissioner of Taxation

Taxpayers' Charter

The *Taxpayers' Charter* outlines your rights under the law and the service standards you can expect when dealing with the Australian Taxation Office (ATO).

It also explains what you can do if you are dissatisfied with the ATO's decisions or actions and sets out your obligations as a taxpayer.

The *Taxpayers' Charter* is available on the ATO website at www.ato.gov.au under 'Your rights'.

Privacy of information

In administering the tax laws, the ATO needs to collect information about you, which we can get from you and/or other parties.

In some circumstances, the law authorises disclosure of your information to others for specific purposes. There are laws that protect the privacy of individuals in relation to this information.

The Privacy Act

The *Privacy Act 1988* contains a number of binding provisions (information privacy principles) designed to safeguard personal information about individuals.

The Privacy Act applies to information that is collected and handled by Commonwealth Government agencies such as the ATO and also includes credit providers, credit reporting agencies and tax file number recipients.

Disclosure of your information

The ATO will not disclose your information to any person or organisation unless the disclosure is authorised by the laws administered by the ATO. Disclosure is usually for the purpose of checking eligibility for government benefits, for law enforcement purposes or for collecting statistics. These agencies can only use the information for the purpose for which it was disclosed to them. This is outlined in the Privacy Act and the secrecy provisions in the tax laws.

Self-assessment

Australia's tax system is based on self-assessment. Under the self-assessment system, the ATO accepts the claims you make on your tax return, usually without adjustment, and we issue a notice of assessment. Even though we may initially accept details on your tax return, it may still be subject to further review.

To ensure the integrity of the tax system, the law provides the ATO with a period where it may review a tax return to make sure all income has been included. At this time the ATO may increase or decrease the amount of tax payable. The ATO may amend an assessment up to four years (or two years if your tax affairs are straightforward and you qualify for the shorter period of review) after tax became due and payable under the assessment. The Commissioner can extend this time for specific circumstances—for example, in cases of fraud.

Private rulings

If you have a complex enquiry about your tax affairs, you may want to ask for a private ruling.

Your request for a private ruling must be in writing. You should fully and accurately disclose all relevant facts and provide copies of all relevant documents. If your application is incomplete, we will ask you to provide further information before we give you a private ruling.

To help you provide all the necessary information, we provide a standard *Application for a private ruling for individuals* (NAT 4106—3.2001). You can get this application on the ATO website at www.ato.gov.au or by phoning our Publications Distribution Service on **1300 720 092** to have one sent to you.

The ATO publishes all notices of private rulings as an integrity measure. Your private ruling will be published in an edited form to safeguard your privacy. You will have the opportunity to comment on the edited version of your private ruling before its publication.

Binding oral advice

You may get binding oral advice (BOA) on certain matters from the ATO, either in person or over the phone, which you may rely on when conducting your tax affairs. An oral ruling is binding on the ATO in much the same way as a private ruling.

Certain conditions apply if you use the BOA service. Your tax affairs must be simple in nature and you must be able to confirm your identity. Your tax file number and most recent notice of assessment will usually be sufficient proof of identity.

We will confirm your eligibility for BOA by asking you a series of questions to confirm that your enquiry and tax affairs are simple. If you receive BOA, the ATO will provide you with a registration number for your ruling.

To get further information or to apply for BOA, phone the Personal Tax Infoline on **13 28 61**. Information on BOA is also available on the ATO website at **www.ato.gov.au**

Why do we pay tax?

Tax is money that people and businesses pay the government. The ATO collects income tax and other Commonwealth taxes. Taxes that are paid to the Commonwealth Government are used to provide services to the community such as health, education, defence, roads and railways, social security and welfare.

What is an income year?

An income year (financial year) is a period of 12 months that commences on 1 July and ends on 30 June. At the end of the income year, you have until 31 October to lodge your income tax return (unless your tax return is prepared by a registered tax agent).

Tax rates

Resident for full year

<i>Taxable income</i>	<i>Tax on this income</i>
\$1–\$6,000	Nil
\$6,001–\$21,600	17 cents for each \$1 over \$6,000
\$21,601–\$52,000	\$2,652 + 30 cents for each \$1 over \$21,600
\$52,001–\$62,500	\$11,772 + 42 cents for each \$1 over \$52,000
\$62,501 and over	\$16,182 + 47 cents for each \$1 over \$62,500

Non-resident for full year

<i>Taxable income</i>	<i>Tax on this income</i>
\$1–\$21,600	29 cents for each \$1
\$21,601–\$52,000	\$6,264 + 30 cents for each \$1 over \$21,600
\$52,001–\$62,500	\$15,384 + 42 cents for each \$1 over \$52,000
\$62,501 and over	\$19,794 + 47 cents for each \$1 over \$62,500

NOTE These figures apply for the 2003–04 income year.

Residency (for tax purposes)

Generally, the ATO considers you to be an Australian resident for tax purposes if:

- you have always lived in Australia or you have come to Australia to live
- you have been in Australia for more than half of the income year (unless your usual home is overseas and you do not intend to live in Australia—for example, you are a working holidaymaker), or
- you are an overseas student enrolled in a course of study for more than six months duration.

The tax rates that apply to your taxable income depend on whether or not you are an Australian resident. A higher rate of tax is applied to a non-resident's taxable income and non-residents are not entitled to a tax-free threshold. See the previous page for further information.

The standards the ATO uses to determine your residency status are not the same as those used by the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA).

If you need help in deciding whether or not you are an Australian resident for tax purposes, phone the Personal Tax Infoline on **13 28 61**.

Tax file number (TFN)

A TFN is a unique number issued by the ATO to individuals and organisations for identification and record keeping purposes. Generally, if you intend to earn money in Australia, regardless of your age, it would be to your advantage to apply for a TFN. If you do not have a TFN, you may have more tax withheld than is necessary.

How to apply for a TFN

TFN application forms are available from the ATO or Centrelink offices. You will need to provide original, unaltered documents proving your identity. The TFN application lists the types of documents accepted by the ATO. It takes less than 28 days for the ATO to process and send your TFN to your nominated postal address. If you are a secondary school student, you can apply for a TFN through your school if it participates in the ATO's schools program.

If you are a temporary visitor (and you have appropriate work rights), you can apply for your TFN online. No identification documents will be required. You can apply by accessing the ATO website at www.ato.gov.au select 'For individuals' then go to 'Online individual tax file number (TFN) registration'.

Privacy

Only certain people and organisations can ask for your TFN. Where you are requested to provide your TFN you have the right to be informed:

- of the legal basis for requesting it
- that declining to provide your TFN is not an offence, and
- of the consequences of not providing your TFN.

You do not have to give your TFN to the organisation authorised to request it but there may be consequences if you do not. For example, if you earn interest on money you have invested and you choose not to give your TFN to the financial institution, they may be required to withhold tax at the highest rate plus Medicare levy from that interest and remit this tax to the ATO. You can claim this tax amount as a credit when you lodge your income tax return.

Tax file number declaration

It would most likely be to your advantage to complete a TFN declaration when you start work with a new payer (employer). Your payer should provide you with the TFN declaration, if not, contact the ATO. The information you provide on this form is used by your payer to determine how much tax to take out of your payment.

The TFN declaration prompts you to quote your TFN. If you choose not to quote your TFN, tax may be deducted by your payer at 48.5% (the maximum rate plus Medicare levy). If you do not have a TFN, you may apply for one at any time (for further details, see **How to apply for a TFN** on the previous page).

If you have applied for a TFN, tick the relevant box on the TFN declaration.

When you start a new job, you have 28 days from the day you start work to give your TFN to your payer before tax is deducted at the maximum rate plus Medicare levy.

TIP The TFN declaration is not an application for a TFN.

The image shows a scan of the Australian Tax File Number Declaration form. The form is divided into two main sections: 'Section A: To be completed by PAYEE' and 'Section B: To be completed by PAYOR'.

Section A: To be completed by PAYEE

- 1. Your details:** Includes fields for name (individual or company), address, and contact information.
- 2. Do you have an Australian TFN?** A yes/no question with a box to quote the TFN number.
- 3. Are you an Australian resident for tax purposes?** A yes/no question.
- 4. Are you entitled to claim a tax offset for your TFN?** A yes/no question.
- 5. Are you a resident of another country?** A yes/no question.
- 6. Are you a resident of another country for tax purposes?** A yes/no question.
- 7. Are you a resident of another country for tax purposes?** A yes/no question.
- 8. Are you a resident of another country for tax purposes?** A yes/no question.
- 9. Are you a resident of another country for tax purposes?** A yes/no question.
- 10. Are you a resident of another country for tax purposes?** A yes/no question.

Section B: To be completed by PAYOR

- 1. Are you a resident of another country for tax purposes?** A yes/no question.
- 2. Are you a resident of another country for tax purposes?** A yes/no question.
- 3. Are you a resident of another country for tax purposes?** A yes/no question.
- 4. Are you a resident of another country for tax purposes?** A yes/no question.
- 5. Are you a resident of another country for tax purposes?** A yes/no question.
- 6. Are you a resident of another country for tax purposes?** A yes/no question.
- 7. Are you a resident of another country for tax purposes?** A yes/no question.
- 8. Are you a resident of another country for tax purposes?** A yes/no question.
- 9. Are you a resident of another country for tax purposes?** A yes/no question.
- 10. Are you a resident of another country for tax purposes?** A yes/no question.

The form includes a barcode at the top right and a footer with contact information for the Australian Taxation Office (ATO).

Tax-free threshold

The tax-free threshold is the amount of income you can earn before tax must be paid. If you are a resident of Australia for tax purposes for the whole of the income year, you are entitled to the full tax-free threshold. The tax-free threshold is \$6,000.

You will receive the benefit of the tax-free threshold by correctly filling in a TFN declaration when you commence work or start receiving payments from Centrelink. You cannot claim it from more than one payer at the same time as this may result in an underpayment of tax. A payer can also be a government department—for example, Centrelink.

If you:

- became a resident of Australia during the year
- ceased being an Australian resident during the year, or
- ceased full-time education for the first time during the year

your tax-free threshold will be apportioned according to the number of months you were a resident or were not enrolled in a full-time course.

If you ceased full-time education for the first time during the year, any net income you earned while you were a full-time student is also taken into account in working out your part-year tax-free threshold (see example below).

Example

David is a student who works part time at a department store on Saturday mornings. During the period July to October, David earned \$1,000. He stopped full-time study at secondary school in November. To work out his tax-free threshold, David would need to complete the following steps:

1 Work out the number of months in the income year that he was not in full-time education. This would include the month that he stopped full-time education.

The number of months is 8.

2 Multiply the number of months by \$500.

$$8 \times \$500 = \$4,000$$

3 Add the amount of net income (\$1,000) he earned while in full-time education to the amount at step 2.

$$\$4,000 + \$1,000 = \$5,000$$

4 If the amount he worked out at step 3 is less than \$6,000, this amount would be his part-year tax-free threshold. If the total was \$6,000 or more, his tax-free threshold would be \$6,000.

David's part-year tax-free threshold would be \$5,000.

When do you pay taxes?

You are required to pay tax on any assessable income you earn. Australian residents for tax purposes are entitled to a maximum tax-free threshold of \$6,000. This means that you don't pay tax on the first \$6,000 you earn per income year.

If you are paid on a weekly basis, it means that you don't pay tax on the first \$112. If you are paid on a fortnightly basis, it means that you don't pay tax on the first \$224 and if you are paid on a monthly basis, you don't pay tax on the first \$485.

Payers automatically take tax out of your salary or wages each pay.

If you are a non-resident for the whole of the income year, you cannot claim the tax-free threshold. You pay tax from the first dollar of taxable income.

For more information about the tax-free threshold, refer to *TaxPack* or visit the ATO website at www.ato.gov.au

Payment summaries

Payment summaries are issued to you by your payer at the end of each income year. Your payment summary shows the total amount of income you earned from that payer, how much tax was withheld and the period of employment. It could also include allowances, lump sum payments and the value of certain fringe benefits provided to you—known as the reportable fringe benefits amount.

Keep your payment summary in a safe place as you may need to attach a copy to your tax return.

When you stop work

You should request your payer to provide your payment summary. It must be provided to you within 14 days of your request.

Thousands		Hundreds		Tens		Units	
TWO	NINE	ONE	FIVE				

PAYG Payment Summary—Individual Non Business
Australian Taxation Office

Payment Summary for year ending 30 June 2003

FBT year 1 April to 31 March
Reportable fringe benefits amount \$

Payer's details
Payer's ABN or Withholder Payer Number 45 612 378 910 Branch number
Payer's name SUNLINE AND DIBBITY NEWSPAPERS

Payee details
Payee's tax file number 9999 888 777 Payee's date of birth (optional) 19/11/1985
Payee's surname or family name KENT
Payee's given name(s) CLARENCE
Payee's address—Street number and street name 2154 LOUISE DRIVE
Suburb (and locality) DARK POINT State WA Postcode 6005

Period during which payments were made 14/01/2003 to 30/06/2003

Total tax withheld (whole dollars) \$ 2915.00

Total tax withheld—whole dollars only in words

Gross payments (whole dollars) (excluding amounts shown under Allowances, Lump sum payments, CDEP salary or wages and any Other income) \$ 75000.00

CDEP salary or wages (whole dollars) \$

Other income (whole dollars) \$

Union fees, etc. Name of organisation HEADLINE UNION Amount (whole dollars) \$ 725.00

Signature of authorised person E Scrooge Date 2 / 7 / 03

NAT 46—3,2000

ATO Original

Lodging a tax return

What is a tax return?

A tax return is a form on which you disclose your income, tax withheld from payments to you (known as pay as you go withholding), deductions and/or tax offsets for an income year.

As an individual, you need to lodge an income tax return if:

- you paid tax during the year
- your taxable income exceeded the following thresholds:
 - \$6,000** if you were an Australian resident for tax purposes for the full year
 - \$772** if you were under 18 years of age at 30 June and your income was not salary or wages. Note—a threshold of \$643 applies for the 2002–03 income year.
 - \$1** if you were a non-resident and you had income taxable in Australia—excluding income that has non-resident withholding tax deducted from it
- you received a Centrelink allowance or payment (other than a pension) and you had received other income, and your taxable income was more than \$7,382. (A threshold of \$6,883 applies for the 2002–03 income year.)

NOTE Higher thresholds apply if you received a taxable pension from Centrelink or the Department of Veterans' Affairs or if you are of age pension age and qualify for the Senior Australians tax offset.

See *TaxPack* or visit the ATO website at www.ato.gov.au for further information. Other conditions also apply which may determine whether you need to lodge a tax return.

How do you lodge a tax return?

There are several ways to lodge your tax return.

Use e-tax and lodge your income tax return over the internet.

e-tax is available free from the ATO website and will help you to prepare your income tax return easily, quickly and securely using the internet. The *e-tax* software helps you by asking you questions and completes your tax return based on your answers. *e-tax* has a calculator to work out any capital gain or capital loss as well

as estimate your tax refund or tax debt. Most tax returns lodged through the internet using *e-tax* are processed within 14 days. If you have a tax debt, the earliest you will have to pay your tax debt is 21 November. *e-tax* is available from 1 July. Visit the ATO website at www.ato.gov.au and lodge your tax return using *e-tax*.

TaxPack

TaxPack is the ATO's guide designed to help individuals complete their tax returns. *TaxPack* is available at newsagencies from July to October or you can phone the ATO Publications Distribution Service on **1300 720 092** for a copy to be sent to you. Put your completed tax return in the envelope provided and post it to the ATO.

Tax Help

Tax Help is a network of community volunteers and centres providing free assistance for people on low incomes with their tax responsibilities from July to October. You may be able to have your tax return completed for free. For further information, including Tax Help centre locations, phone **13 28 61** (press **4**, then **4**).

A registered tax agent

You can appoint a registered tax agent who will prepare and lodge your tax return for a fee. To ensure the person is a registered tax agent, check their registration certificate. If you are still unsure, phone the Tax Agents' Board on **13 72 86** (press **3**, then **4**) or visit their website at www.tabd.gov.au

Lodging from overseas

If you are lodging your tax return from overseas, you may:

- prepare and lodge your tax return electronically using *e-tax* and lodge through the internet
- use *TaxPack* and lodge your completed tax return at an Australian embassy or consulate, or
- use *TaxPack* and mail your tax return to the ATO.

When do you lodge a tax return?

You have from 1 July to 31 October to lodge your tax return unless it is prepared by a registered tax agent. Register with your tax agent before 31 October and they will advise you when your tax return needs to be lodged.

If, due to circumstances beyond your control, you cannot lodge your tax return by 31 October, phone **13 28 61** as soon as possible (before 31 October) to find out if you can lodge at a later date.

Failure to lodge on time penalty

We may apply a failure to lodge on time penalty if you lodge your tax return late. However, our policy is not to apply a penalty where your tax return:

- is lodged voluntarily, and
- does not result in any tax payable.

We are likely to apply a penalty if:

- you have more than one tax return outstanding
- you have a poor lodgment history, or
- you have not complied with a request to lodge your tax return.

If your tax return is incomplete—for example, if it is not signed or a payment summary is missing—we may send it back to you. Where that happens, we consider that your tax return is lodged on the date it is returned to us complete.

What will you receive after your tax return is processed?

The ATO will send you a notice of assessment. The notice of assessment is an itemised account of the amount of tax you owe on your taxable income, taking into account any tax offsets you are entitled to. Your notice of assessment also contains other details which are not part of the assessment such as the amount of credit for tax you have already paid through the year.

When you receive your notice of assessment, check it to make sure that everything is correct.

Unless you are using electronic funds transfer (direct credit, direct debit or BPAY®), the bottom section of your notice of assessment will be either your refund cheque or, if you owe tax, your payment advice.

Remember to keep your notice of assessment as the details on this notice will help the ATO confirm your identity when you contact us by phone.

Record keeping

You must keep all the records you used to prepare your tax return. If you are claiming deductions, you must keep written evidence to prove claims for those deductions. Keep your records for five years from when you lodge your tax return. However, you only have to keep them for two years if you are subject to a shorter period of review. The ATO will notify you on your notice of assessment if you qualify for the shorter period of review.

Medicare levy

Most residents of Australia have to pay the Medicare levy. Income raised from the levy is used to pay for health services. The levy is calculated as a percentage of your taxable income. You will not have to pay the levy if your taxable income is below the Medicare levy threshold shown in *TaxPack* or you receive free medical treatment.

A person visiting Australia for a short period whose usual home is outside Australia is treated as a non-resident for income tax purposes and is not liable for the levy. However, where a visitor is considered to be residing in Australia and is therefore a resident for tax purposes, they will be liable for the Medicare levy. Such visitors could include persons working in Australia for a limited period.

Guidelines for income earned by individuals under 18 years of age

Certain types of income earned by individuals under 18 years of age can be taxed at higher rates. Normal tax rates apply to income earned from employment and Centrelink payments. If this income is then invested the resulting investment income would also be taxed at normal rates.

Example

Peter works part time at a fast food store and earns \$70 per week. He invested this money in the bank and earned \$3.50 interest. All of this income (\$73.50) will be taxed at normal rates.

On the other hand, if a relative deposited \$70 into Peter's account, the interest earned would be taxed at higher rates.

The tax return has a separate question which must be completed by people who are under 18 years of age on 30 June. You must complete this correctly as it is designed to ensure the correct tax rate applies to your different types of income.

See *TaxPack* or visit the ATO website at www.ato.gov.au for more information.

Capital gains tax

What is capital gains tax?

Capital gains tax (CGT) is a component of income tax that applies when a CGT event occurs. The most common event occurs when certain types of assets that you own are bought and sold for a profit (this does not include your primary residence). CGT affects your income tax liability because your assessable income includes any net capital gain you made in the income year (unless you have prior year capital losses to offset). Any capital loss for this year is generally held to offset against future capital gains.

What is a CGT asset?

Assets include:

- land and buildings—for example, investment properties
- shares
- units in a trust or managed investment fund, and
- collectables—for example, jewellery.

For more information on CGT, visit the ATO website at www.ato.gov.au or phone **13 28 61**. To get CGT publications, phone the Publications Distribution Service on **1300 720 092**.

Refund of imputation/franking credits on Australian shares

If you received franked dividends from Australian shares or managed funds, you may be entitled to a refund of imputation/franking credits. (Imputation credits are also known as franking credits.)

If you lodge a tax return, you will need to declare the information in the income section and the ATO will calculate your entitlement. If your imputation/franking credits exceed the total amount of tax you have to pay, the excess may be refunded to you.

If you do not need to lodge a tax return, you can use a separate application in the publication *Refund of imputation credits instructions and application for individuals* (NAT 4105—6.2003). To be eligible to use this application you must be an Australian resident for the whole income year for which the claim is made. Further details about the other conditions that apply are contained in the publication. Phone the Personal Tax Infoline on **13 28 61** for more details, or to get the instructions and application, phone **1300 720 092**.

Foreign income including overseas pensions

Many people receive pensions and other income from other countries. If you are an Australian resident who has received income from overseas, you must show your assessable foreign income and some kinds of exempt income on your tax return.

To fill in your tax return you may need:

- details of any foreign income (this information might be found on a payslip, bank statement, foreign tax assessment or company distribution advice)
- details of any expenses you incurred in earning your foreign income, and
- details of any foreign tax paid.

Most foreign pensions and annuities are taxable in Australia even if tax was taken from your payment by the country that paid you.

Higher Education Contribution Scheme (HECS)

What is HECS and why was it introduced?

HECS was introduced for students to contribute to the cost of their higher education. A student's HECS contribution is a small percentage of the total cost of their course while the Commonwealth pays the major part of it. The money collected through HECS is spent on the higher education system.

Paying your HECS debt

HECS applies to most university courses funded by the Commonwealth Government.

You have three choices to pay your HECS debt:

- paying the whole amount upfront and receiving a 25% discount
- paying at least \$500 upfront and deferring the remainder, and
- deferring the whole amount for payment later through the tax system.

You must start repaying your accumulated HECS debt when your HECS repayment income reaches the minimum threshold for compulsory repayment. HECS repayment income is your taxable income for an income year, plus any amount your taxable income has been reduced by a net rental loss, plus your total reportable fringe benefits amount shown on your *PAYG payment summary—individual non business*.

For more information, get the publication *Repaying your HECS debt* (NAT 3913—6.2002) or phone the ATO on **13 28 61**.

For general HECS enquiries, such as who pays HECS and remission of debt, contact the Department of Education, Science and Training on **1800 020 108**.

Student Financial Supplement Scheme (SFSS)

The SFSS is a voluntary loan scheme for tertiary students to help cover their expenses while they study. Five years after the loan is taken out, the ATO takes responsibility for collecting the balance of the outstanding loan, which becomes

an accumulated Financial Supplement debt when your taxable income reaches the minimum threshold for compulsory repayment.

For more information about Financial Supplement repayments, get the publication *Repaying your Financial Supplement loan* (NAT 2789—10.2002) or phone the ATO on **13 28 61**.

Superannuation

Superannuation is a system where money is placed in a fund to provide for your retirement. The Superannuation Guarantee means that most Australian workers are provided with superannuation support by their employer.

Your employer should contribute to a complying superannuation fund or retirement savings account (RSA) for you, or pay the Superannuation Guarantee Charge to the ATO on your behalf.

The superannuation contributions received by the fund will be invested for you to use when you retire.

Non-residents

While you are working in Australia, your employer may contribute to a superannuation fund or RSA on your behalf.

In most cases, superannuation benefits are required to be 'preserved' in a superannuation fund or RSA until you reach a specified age and permanently retire from the workforce.

However, a person who entered Australia on an eligible temporary residents visa (which is specified in the Superannuation Industry [Supervision] Regulations 1994) and who has permanently departed Australia, may receive payment of superannuation accumulated during the time spent in Australia. These rules generally do not apply to New Zealand citizens.

NOTE Any payment made to you of accumulated superannuation benefits on permanent departure from Australia will be subject to withholding tax in Australia.

For advice on whether you can withdraw your benefits on permanent departure from Australia, please contact your superannuation fund or RSA provider in the first instance. Your employer will have their contact details.

Need more information?

Your employer will be aware of their Superannuation Guarantee obligations. You should ask your employer if you have any questions. You can also phone the ATO Superannuation Infoline on **13 10 20** or visit the ATO website at **www.ato.gov.au**

Goods and services tax (GST)

The GST is a broad-based tax of 10% on most goods and services. In most cases GST is included in the price you pay. However, you will generally be able to work out the amount of GST on fully taxable goods and services by dividing the price by 11. Only registered business entities are entitled to a tax credit. The effect of this is that consumers are not reimbursed for the GST paid on purchased goods and services.

Most food, including meat, fruit and vegetables, is GST-free. However, some food and beverages have GST included —for example, prepared food, takeaway food, restaurant meals, confectionery, ice cream, snack foods, alcoholic beverages and soft drinks. Other GST-free items include most education and health services, eligible child care, and a range of other goods and services.

The cash economy

Tax evasion is a serious crime. An example of tax evasion is working for cash and not declaring all of it on your tax return. This is called the cash economy and represents a major cost to the Australian community in lost revenue and is an unfair shouldering of the tax burden on those who pay the right amount of tax. Always ensure that you keep correct records of all income you receive, including pay details, and declare these when you lodge your tax return.

How to pay a tax debt

Electronic funds transfer (EFT)

You can pay your tax by:

- direct credit
- BPAY®, or
- direct debit.

®Registered to BPAY Pty Ltd ABN 69 079 137 518

Mail

You can mail a cheque or money order to the address printed on your payment advice. Cheques should be made payable to the 'Deputy Commissioner of Taxation' and crossed 'Not negotiable'.

TIP Do NOT send CASH.

At the post office

Payments can be made by cash (a \$3,000 limit applies), cheque or money order.

TIP The ATO does not accept credit card payments.

Late or early payments

Late payment may incur penalties. Early payment may result in interest being payable to you.

Glossary of terms

Australian business number (ABN)

An identifier for certain dealings with the ATO and other government departments and agencies

Annuity

A series of payments purchased with a lump sum, usually from a life insurance company

Assessable income

Income including salary or wages, dividends, pensions, interest and rent before any deductions are allowed

Assessable income also includes net capital gains, eligible termination payments (ETPs) and other amounts that are not ordinarily classed as income.

Asset

Any form of property

Centrelink

Commonwealth Government agency that delivers various services, including payments of benefits and allowances to the community

Complying superannuation fund

A superannuation fund that has elected to be regulated under the *Superannuation Industry (Supervision) Act 1993*

Deduction

Money you spend to enable you to earn income—allowable deductions only—such as stationery, equipment, rent, electricity, phone and tools

The value of the deduction is subtracted from assessable income to calculate your taxable income.

Dividend

Generally a distribution from a company to a shareholder out of company profits

Fringe benefits

Benefits received by payees from their payer in place of salary or wages such as the use of a car for private purposes

Imputation/franking credit

Your share of tax paid by a company on the profits from which your dividends or distributions are paid

Imputation credits are also known as franking credits.

Income

The amount of money earned from personal exertion and investments

Instalment Activity Statement

Businesses that are not registered for GST and individuals who are required to pay PAYG instalments or PAYG withholding (such as self-funded retirees), use this form to pay PAYG instalments.

Interest

Money earned from investments in financial institutions

Payer

The person or organisation that makes a payment—this could be your employer or Centrelink

Pay as you go (PAYG)

A single, integrated system for reporting and withholding amounts of tax on business and investment income

Pension

A series of regular payments made as an income stream

Working holidaymakers

Visitors to Australia who have obtained a visa allowing them to work during their holiday

How to contact us

ATO contact numbers

Personal Tax Infoline	13 28 61
Refunds—ATO Personal Direct <i>(Automated self-help service to check on the progress of your refund. Available 24 hours a day, every day)</i>	13 28 65
Superannuation enquiries	13 10 20
National Aboriginal and Islander Resource Centre	13 10 30
National Relay Service <i>(For people with a hearing or speech impairment)</i>	13 36 77
<i>A Fax from Tax</i>	13 28 60
Translating and Interpreting Service	13 14 50
Refund of imputation/franking credits	13 28 61
Business infoline	13 28 66

Other contact numbers

Centrelink	Check local phone book
Department of Veterans' Affairs	Check local phone book
Department of Immigration and Multicultural and Indigenous Affairs	13 18 81
Department of Education, Science and Training	1800 020 108

ATO websites

Australian Taxation Office	www.ato.gov.au
Family Assistance Office	www.familyassist.gov.au
HECS	www.hecs.gov.au
Tax Agents Board	www.tabd.gov.au

Other websites

Department of Veterans' Affairs	www.dva.gov.au
Centrelink	www.centrelink.gov.au
Child Support Agency	www.csa.gov.au

ATO email

Individuals email enquiry service	individuals@ato.gov.au
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ENTERING THE
AUSTRALIAN
TAX SYSTEM
WHAT YOU NEED
TO KNOW

tax file number
medicare levy
residency
privacy
superannuation
why do we pay taxes?
lodging a tax return
payment series

Produced by

Personal Tax Publishing Group

Australian Taxation Office 2003