Individual Tax Return Checklist 2023

# Individual Tax Return Checklist 2023

This checklist will assist public practice members in discharging their obligations in preparing 2023 individual tax returns. It is recommended that the checklist be considered for all individual clients.

This information is based on legislation current as at 12 April 2023.

**About the author**

This checklist was prepared by SW Accountants and Advisors on behalf of CPA Australia.

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# Individual Tax Return Checklist 2023

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| INSTRUCTIONS | |
| Step 1 | Obtain a copy of the prior year return. |
| Step 2 | Confirm that the front cover of the prior year return has not altered, including the bank account details which must be provided where the individual is to receive a refund.  **Note:** details of any financial institution account details should include the BSB number (being six digits without spaces or hyphens), the account number (being nine digits without spaces or hyphens) and the account name as it appears on the bank account records (which cannot exceed 32 characters). |
| Step 3 | Obtain a copy of the client’s pre-filling report for the current year from Online services for agents (and compare to the information provided by the client) and try to reconcile any discrepancies. |
| Step 4 | Determine if the client is a resident or non-resident for Australian tax purposes. |
| Step 5 | 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.

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| **ITEM** | **SECTION OF THE INCOME TAX RETURN** | | | **Column 1 (A) (S) (N/A)** | | **Column 2 WP (Y or N)** | | | | **Column 3 Attachment (Y or N)** |
| **INCOME** | | | | | | | | | | |
| 1 | **Salary or wages**  Income included at item 1 includes any salary or wages from which Pay As You Go (PAYG) tax has been withheld including salary and wages, commissions, bonuses, income from part-time or casual work, parental leave pay, dad and partner pay and amounts for loss of wages paid under an income protection policy.  Obtain and attach income statements which the client can download from their myGov account, or rely on any payment summary that may be issued by the client’s employer. Note that the employer is no longer obliged to give employees a PAYG payment summary where they report through STP.  Compare the details obtained from the income statement or payment summary to the equivalent details shown in the client’s pre-filling report. | | |  | |  | | | |  |
| **INCOME** | | | | | | | | | | |
| 1 | **Salary or wages (continued)**  Check and, if necessary, update the client’s occupation code. Where the client has multiple employers list the code that is the client’s main occupation as an employee.  Ensure that your client is aware of the need to retain tax records for the required period. Generally, records should be retained for five years from the date of lodgement of the income tax return although different retention periods may apply in particular circumstances.  For further information see the [ATO website](https://www.ato.gov.au/General/COVID-19/Government-grants,-payments-and-stimulus-during-COVID-19/Tax-implications/).  Check if your client has sourced income from ‘gig work’ during the income year. Gig work is certain activity you do to earn income, such as:   * driving a car or motorcycle for a ride-sharing or delivery service, * renting out a property or part of it, * selling goods online, * providing creative or professional services, * providing other temporary, on-demand or freelance work.   Please note the section 396-55 TAA 1953 has been amended to extend the Taxable Payments Reporting System to include transactions undertaken through electronic distribution platforms that operate in the share economy. The amendment applies on transactions for ride-sharing or short term accommodation effective from 1 July 2023 and all other reportable transactions from 1 July 2024. | | |  | |  | | | |  |
| 2 | **Allowances, earnings, tips, director’s fees etc.**  Allowances include, amongst others, car, travel and transport allowances; award transport payments paid under an industrial award; tool, clothing and laundry allowances; dirt, height, site, first-aid and risk allowances and meal and entertainment allowances.  Receipt of an allowance does not automatically entitle an employee to a deduction for expenditure to which the allowance relates (e.g. tool or laundry allowance).  Other amounts that should be included at this item include payments from your employer for which tax was not withheld; tips, gratuities and payments for services rendered; director’s fees; consultation fees and honoraria payments for voluntary services. | | |  | |  | | | |  |
| 3 | **Employer lump sum payments**  These lump sum 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 income statement or payment summary should contain the relevant information.  Also, obtain and attach a copy of a statement of termination from the client’s employer.  There is an offset capping tax at 32% (inclusive of the 2% Medicare Levy) on payments for unused annual leave or unused long service leave made in connection with a genuine redundancy, invalidity or early retirement scheme. | | |  | |  | | | |  |
| **INCOME** | | | | | | | | | | |
| 4 | **Employment termination payments (ETPs)**  Obtain and attach any income statement, ETP payment summary and employer termination statement in respect of an ETP received as a result of a termination of employment.  The taxable component of the ETP should be disclosed on the income statement or payment summary. | | |  | |  | | | |  |
| 5 | **Australian Government allowances and payments like Newstart, youth allowance and Austudy payments**  Obtain details of any youth allowance, Newstart allowance, Jobseeker Payment, sickness allowance, special benefit, widow allowance, partner allowance, parenting payment (partnered), farm household allowance, disaster recovery allowance, Austudy payment or other educational or training allowance.  The recipient of such an allowance or payment should have been issued a payment summary or a letter from the agency that paid the allowance or payment.  Check to see if the beneficiary tax offset may be available in respect of certain Centrelink benefits and Commonwealth education allowances.  Do not include any Australian Government allowances and payments that are not taxable at this item as they should be shown at item IT3 (under the section concerning ‘Income tests’ set out below). | | |  | |  | | | |  |
| 6 | **Australian Government pensions and other allowances**  Include the age pension, bereavement allowance, carer payment, disability support pension for those who have reached pension age, education entry payment, parenting payment (single), widow B pension, wife pension, age service pension, income support supplement, certain Defence Force income support pensions, payments and allowances, certain veteran’s affairs payments, invalidity service pension for those who have reached pension age and partner service pension. The recipient should have a payment summary or a letter from the agency that made such payments.  Note that Economic Support payments made to individuals in response to COVID-19, residing in a COVID-19 hotspot area for loss of work and cost of living increases are exempt from income tax (e.g. the $250 economic support payment made in April 2022 to eligible income support recipients and concession card holders). For further information see the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2022/In-detail/Publications/Business-and-professional-items-2022/). | | |  | |  | | | |  |
| 7 | **Australian annuities and superannuation income streams**  Australian annuities are paid by Australian life insurance companies and friendly societies. The payment of such annuities should be disclosed on a PAYG payment summary.  Australian superannuation income streams (including lump sum in arrears amounts) are paid by Australian superannuation funds, retirement savings accounts (RSA) providers or life insurance companies. Such superannuation income streams can include account-based income streams and certain capped defined benefit income streams. The payment of such income streams should be shown on a separate PAYG payment summary concerning superannuation income streams. | | |  | |  | | | |  |
| **INCOME** | | | | | | | | | | |
| 7 | **Australian annuities and superannuation income streams (continued)**  It is proposed in the Treasury Laws Amendment (2022 Measures No. 4) Bill 2022 that certain defined benefit pensions commenced on or after 30  September 2007 will be classified as superannuation income streams. This proposed change has not come into law as of 12 April 2023.  Further details on the treatment of such superannuation income streams under Item 7 can be found on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Income-questions-1-12/7-Australian-annuities-and-superannuation-income-streams-2023/).  Obtain details of taxable elements, untaxed elements and rebatable components of any of the above income streams | | |  | |  | | | |  |
| 8 | **Australian superannuation lump sum payments**  Check to see whether any Australian superannuation lump sum payment or superannuation death benefit has been received from a superannuation fund, approved deposit fund, retirement savings account (RSA) provider or life insurance company.  Superannuation lump sums paid from a taxed source to a person aged 60 or over are tax-free whilst lump sums paid by a taxed fund to persons aged under 60 are still taxable so it is necessary to obtain details of the recipient’s age and the taxable and untaxed components of the lump sum payment.  Any lump sum should be shown on a separate PAYG payment summary concerning superannuation lump sum payments.  Do not include any tax free component of any superannuation lump sum; lump sum payments received as a death benefits dependent; taxed element of a superannuation lump sum payment received after attaining age 60 unless it is a death benefit superannuation lump sum payment received as a non-dependent; amounts released under a release authority following the issue of an excess contributions tax assessment; amounts paid in relation to a terminal medical condition, COVID-19 early release of superannuation payment or a departing Australian superannuation payment. | | |  | |  | | | |  |
| 9 | **Attributed personal services income**  Obtain all payment summaries in respect of personal services income (PSI) attributed from a Personal Services Entity (PSE) which has been paid a salary, and details of any other personal services attributed to the taxpayer.  Consider the application of the PSI attribution rules in relation to any income derived by an interposed entity that is PSI of the individual and as such PSI should be included in the individual’s personal income tax return. PSI is income that is mainly a reward for an individual’s personal efforts or skills. Please refer to the CPA Australia [2023 PSI/PSB self-assessment checklist](https://www.cpaaustralia.com.au/tools-and-resources/taxation/tax-time-year-end-updates-and-resources) for further guidance.  Where payment for personal services was made to an individual acting in the capacity of a sole trader it is necessary to answer Item 14 below and not include any PSI at item 9.  Further guidance can be found in the Taxation Ruling TR 2022/3 . The finalised Ruling provides general guidance on the operation of the PSI rules and combines the ATO’s previous rulings on these rules: *Taxation Ruling TR 2001/7* (on the meaning of PSI) and *TR 2001/8* (on the meaning of a personal services business (PSB), which were withdrawn on 23 November 2022. In addition, TR 2022/3 takes into account significant court and AAT decisions handed down since the release of the previous rulings. | | |  | |  | | | |  |
| **INCOME** | | | | | | | | | | |
| 10 | **Gross interest**  Obtain bank statements to ensure that any interest received or credited from an Australian source is included in assessable income under Item 10.  This includes any ATO interest received on early payments and overpayments as shown on a statement of account or notice of assessment issued by the ATO. Care should be taken to gross interest up where Tax File Number (TFN) withholding tax has been deducted. If the client is lodging a return before pre-fill data is available in August conduct extra checks to ensure the amount and details of interest income is correct.  The ATO takes the view in *Taxation Determination TD 2017/11* that interest income on a bank account is assessable to the person(s) who beneficially own the money in the account. Unless there is evidence to the contrary, it is therefore presumed that joint account holders beneficially own the shares in the bank account in equal shares.  Where a parent operates an account on behalf of a child the amount will be assessable to that child (and potentially subject to tax at punitive rates under Division 6AA of the *Income Tax Assessment Act 1936* *(ITAA 1936)* provided the Commissioner of Taxation is satisfied that the child beneficially owns the money in the account which will not be the case if the parent makes regular deposits and withdrawals from the account to pay school fees and other expenses.  Interest received from a foreign source should be included at Item 20 as an amount of foreign income. | | |  | |  | | | |  |
| 11 | **Dividends**  Obtain dividend statements for any unfranked, partly franked and fully franked dividends received from Australian resident companies. Also, include any deemed dividends arising under Division 7A of the *ITAA 1936*.  Care should be taken to gross up a dividend where TFN withholding tax has been deducted. The amount of any franking credit received on any dividend should also be included in assessable income.  Where a dividend reinvestment plan has been entered into, the value of that dividend reinvestment is taxable. Also, carefully consider the taxation implications of bonus share issues to individuals.  Dividends also include distributions by a corporate limited partnership; dividends paid by a corporate unit trust or public trading trust; dividends paid by a listed investment company and an income distribution on a non-share equity interest**.**  Franking credits may not be available where the holding period rule, related payments rule and dividend washing integrity rule apply. The holding period rule requires you to hold shares ‘at risk’ for at least 45 days (90 days for certain preference shares).  The related payment rule applies to arrangements entered pre 13 May 1997 and applies if you had no interest in a dividend because you were under an obligation to make, or were likely to make, a related payment to another party for the dividend and you did not hold your shares ‘at risk’.  For further details regarding the holding period and related payment rules, please see the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Income-questions-1-12/11-Dividends-2023/). If the client is lodging a return before complete pre-fill data is available conduct extra checks to ensure the dividend income is correct. Dividends received from a foreign source should be included at Item 20 as an amount of foreign income. |  | | | | |  |  | | |
| **INCOME** | | | | | | | | | | |
| 12 | **Employee share schemes (ESS)**  The discount given on the ‘ESS interest’ (being a share or a right to acquire a share) under an ESS is assessable for taxation purposes in the year that the ESS interest was acquired unless the deferral concession applies to you. The discount is the difference between the market value of the ESS interest and the amount paid to acquire that interest. Relevant information would generally be set out in an employee share scheme statement issued by the employer. It should be noted that discounts on eligible ESS interests provided by an eligible start-up company will not be included at Item 12.  Effective from 1 July 2022, the removal of cessation of employment as a deferred taxing point will now apply to all new and existing ESS interests that have not reached an ESS taxing point before 1 July 2022.  Effective from 1 October 2022, the Treasury Laws Amendments (Costs of Living Support and Other Measures) Act introduced a new ESS regime. The new Division 1A was introduced into the Corporations Act 2001, with the intention of the New Regime to simplify the process of incentivising participants under ESS.  Many of the amendments are focused on simplifying the legislative regime applicable to unlisted entities. |  | | | | |  |  | | |
| **SUPPLEMENT INCOME OR LOSS** | | | | | | | | | | |
| 13 | **Partnerships and trusts**  Details of the partnership, trust or a managed investment trust fund distribution and the type(s) of income received are required. Obtain a statement of distribution or advice from the partnership or trustee.  Carefully identify tax credits that may be utilised. Such credits could include credits for amounts of tax withheld because a partnership or trust failed to quote an ABN; credits for amounts of tax withheld by the trustee of a closely held trust because the client did not provide a TFN; allowable franking credits in respect of the client’s share of franked distributions; credit for TFN amounts withheld; and credit for tax paid by the trustee where applicable such as where the client is under a legal disability.  Check to see if the client is entitled to a small business tax offset on that person’s share of net small business income derived where the trust or partnership would be regarded as a small business entity for the 2023 year. A partnership or trust will be regarded as a small business entity for these purposes if it carries on a business and its aggregated turnover is less than $5 million for the 2023 year. The offset is equal to 16% of the income tax payable on the client’s total net small business income which is capped to a maximum amount of $1,000. An individual is only able to claim one small business entity tax offset for an income year regardless of the number of sources of net small business income derived by that individual and the maximum amount of any offset is capped to $1,000 for each individual per year.  Separate disclosure is required in respect of partnership and trust distributions that relate to primary production and non-primary production activities.  Payments of salary to partners are not deductible and are treated as a partnership distribution. See *Taxation Ruling TR 2005/7* for further details.  Check any trustee resolution or distribution statements about the client’s share of any trust income. |  | | | | |  |  | | |
| **SUPPLEMENT INCOME OR LOSS** | | | | | | | | | | |
| 13 | **Partnerships and trusts (continued)**  Trustees of certain closely held trusts and family trusts are required to withhold tax at a rate of 47% from distributions to individual beneficiaries who have not provided their TFN. Beneficiaries who have had such amounts withheld from their trust distributions can claim a credit under this label.  Amounts which have been subject to family trust distribution tax should not be included under this item but at Label A5. |  | | | | |  |  | | |
| 14 | **Personal services income (PSI)**  Is the client a sole trader? If yes, apply the CPA [2023 PSI/PSB self-assessment checklist](https://www.cpaaustralia.com.au/tools-and-resources/taxation/tax-time-year-end-updates-and-resources) to determine if the client is subject to the personal services income provisions by determining whether or not they are conducting a personal services business (PSB).  If the individual is carrying on a PSB the ‘Business and professional items schedule for individuals 2023' should be completed. A copy of the schedule and related instructions are available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Income-questions-13-24/14-Personal-services-income-2023/). If the individual is not carrying on a PSB that person will not be entitled to deductions for rent, mortgage interest, rates or land tax, or for payments or superannuation contributions made in respect of an associate such as a spouse. |  | | | | |  |  | | |
| 15 | **Net income or loss from business**  If the taxpayer derived income from any business (other than the personal service income included at item 14), complete and attach a 2023 Business and professional items schedule.  The client may be entitled to a small business tax offset of up to $1,000 if the client is a small business entity for the 2023 year. The tax offset will be available where the client’s aggregated turnover is less than $5 million for the 2023 year, and the offset is equal to 16% of the income tax payable on the client’s total net small business income which is capped to a maximum amount of $1,000.  A copy of the Business and professional items schedule for individuals for 2023 is available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Income-questions-13-24/15-Net-income-or-loss-from-business-2023/).  Separate disclosure is required in respect of a net income or loss from a business carrying on primary production and a business carrying on non-primary production activities.  Did the client make a gain or loss from the disposal of a cryptocurrency such as a bitcoin in the year ended 30 June 2023? If so, there are likely to be tax consequences. These vary depending on the nature of the client’s circumstances. If a taxpayer is carrying on a business that involves transacting with cryptocurrency the trading stock rules apply, rather than the Capital Gains Tax (CGT) rules. Proceeds from the sale of cryptocurrency held as trading stock in a business are ordinary income, and the cost of acquiring cryptocurrency held as trading stock is deductible.  The October 2022-23 Federal Budget confirmed that legislation will be introduced to clarify that cryptocurrency is not taxed as foreign currency, consistent with the Commissioner’s view as set out in TD 2014/25.  More information on whether a taxpayer is carrying on a business that involves transacting in a cryptocurrency is available on the [ATO website](https://www.ato.gov.au/Business/Income-and-deductions-for-business/Crypto-assets-and-business/Crypto-assets-used-in-business/).  Everyone involved in acquiring or disposing of cryptocurrency needs to keep records in relation to such transactions. |  | | | | |  |  | | |
| **SUPPLEMENT INCOME OR LOSS** | | | | | | | | | | |
| 15 | **Net income or loss from business (continued)**  Further, if the transaction occurs in a foreign country, there may also be taxation consequences in that foreign country. |  | | | | |  |  | | |
| 16 | **Deferred non-commercial business losses**  This item relates to losses made from activities that constitute carrying on a business (i.e. as a sole trader or as an individual partner in a partnership). If applicable, complete item P9 in the business and professional items schedule.  For a loss to be claimed in the current period, the client must either operate a primary production or professional arts business (subject to a $40,000 limit on other sources of income excluding net capital gains).  Alternatively, if a taxpayer satisfies one of four exemptions (i.e. the real property test, the profits test, the other assets test or the assessable income test) losses from conducting certain business activities will be able to be offset against other income. More information on the four tests outlined above is available on the [ATO Website](https://www.ato.gov.au/Business/Non-commercial-losses/Four-tests/). If these tests are failed (and the Commissioner does not exercise a discretion) such losses must be quarantined and carried forward.  Only taxpayers with adjusted taxable income of less than $250,000 will be able to apply the non-commercial loss tests against salary and wages income in the current year. Taxpayers with adjusted taxable income greater than $250,000 must request the Commissioner to exercise a discretion to offset such losses against their other income or must only apply such deferred losses against future income derived from the same business activity. Adjusted taxable income is the total of the taxpayer’s taxable income, reportable fringe benefits, reportable superannuation contributions and total net investment losses. The non-commercial loss rules under Division 35 of the *Income Tax Assessment Act 1997 (ITAA 1997)* do not apply to the utilisation of capital losses incurred by an individual taxpayer as the carrying forward and recoupment of capital losses is fully determined under the CGT provisions. In applying the non-commercial loss rules, it may be necessary to group together business activities of a similar kind to satisfy the above commercial loss tests where an individual is a partner in a partnership.  Separate disclosure is required in respect of a loss from a business carrying on primary production and a business carrying on non-primary production activities.  A taxpayer may offset a non-commercial loss due to flood, bushfire, or COVID-19 related restrictions if the taxpayer satisfies the safe harbour conditions listed in PCG 2022/1. The guideline applies to non-commercial losses incurred from the 2019-20 to 2022-23 income years, except for the amounts deferred in previous income tax years under the non-commercial loss rules. |  | | | | |  |  | | |
| 17 | **Net farm management deposits or repayments**  This item is for primary producers only. Ensure any amounts that make up the net farm management deposits or repayments (e.g. deductible deposits, early repayments for natural disaster and other repayments) are disclosed in Labels D, N or R. Further information on these amounts can be downloaded from the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Income-questions-13-24/17-Net-farm-management-deposits-or-repayments-2023/). |  | | | | |  |  | | |
| **SUPPLEMENT INCOME OR LOSS** | | | | | | | | | | |
| 18 | **Capital gains**  Check whether a CGT event occurred during the 2023 year. If so, 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 asset’s cost base including eligible incidental costs, the sale date and the sale proceeds amount. Care should be taken in applying any CGT exemption or rollover including the application of the correct code. For more information see the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Income-questions-13-24/18-Capital-gains-2023/).  Note that if a non-contingent liability to pay a specified amount is included in the cost base of a CGT asset under either s 112-35 or ss 110-25(2) of ITAA97 and that specific amount is deductible for income tax purposes, it is set out in TD 2022/14 that the amount does not form part of the cost base of the CGT asset under ss 110-45(2).  *CGT discount and concessions*  Capital losses are applied against gross capital gains before the 50% discount and/or small business CGT concessions are applied in calculating any net capital gain other than when the small business 15 year exemption is satisfied. When applying the CGT discount check to see if the asset has been held for the full 12 months before any sale at year-end.  It should be noted that the date of acquisition and the date of the CGT event are not included in satisfying the 12-month holding period (see *Taxation Determination TD2002/10*). Also, determine whether the capital gain is non-discountable because it arose in respect of a CGT event which resulted in the creation of the CGT asset as set out in section 115-25(3) of the *ITAA 1997*.  Foreign resident or temporary resident individuals that make capital gains in relation to CGT events that occur after 7:30 pm on 8 May 2012 will not be able to discount the gain that ‘accrues’ after this time. This means that a foreign resident or temporary resident may need to calculate the ‘pre’ and ‘post’ 8 May 2012 portions of their capital gain. This is because the ‘pre-8 May 2012’ portion can continue to be discounted but the ‘post 8 May 2012’ portion is ineligible to the extent that the individual was a foreign resident or temporary resident on or after that date.  *Main residence exemption for foreign residents*  Foreign resident individuals who held Australian property prior to 7.30pm (AEST) on 9 May 2017 can only claim the CGT main residence exemption for disposals occurring on or before 30 June 2020.  If the property is disposed of on or after 1 July 2020 (regardless of the purchase date), the CGT main residence exemption is only available if the individual satisfies the ‘life events’ test. To satisfy the life events tests all of the following elements need to be satisfied:   * the individual was a foreign resident for a continuous period of six years or less at the time of the CGT event * at least one of the following occurred: |  | | | | |  |  | | |
| **SUPPLEMENT INCOME OR LOSS** | | | | | | | | | | |
| 18 | **Capital gains (continued)**   * + during all or part of the period of a person’s foreign residency, either they, their spouse or their child who was under 18 years of age had a terminal medical condition   + during all or part of the period of a person’s foreign residency, their spouse, or their child who is under 18 years of age at the time of their death died   + the CGT event occurs in a matter involving the distribution of assets between the person and their spouse in a family law context, such as in the event of divorce or separation or similar maintenance agreements.   All other requirements to claim the main residence exemption must also be satisfied.  *Other CGT matters*  Various eligibility conditions which must be met in order for a capital gain to be reduced under the small business CGT concessions. For more information on this topic refer to the CPA Australia [2023 Tax preparation checklist.](https://www.cpaaustralia.com.au/tools-and-resources/taxation/tax-time-year-end-updates-and-resources)  Disclose any unapplied net capital losses from earlier years at Label V.  Claim a credit for any amount withheld under the foreign resident capital gains tax withholding rules at Label X.  Foreign resident capital gains withholding tax of 12.5% must be retained by a purchaser at settlement from the purchase price of a property. However, such tax does not need to be retained from the purchase price of the property if the vendor obtains a clearance certificate from the ATO prior to settlement or if an exemption or variation otherwise applies. It should be noted that the foreign resident CGT withholding obligation does not arise in relation to a CGT asset if the market value of that asset is less than $750,000, and the CGT asset is either taxable Australian real property or certain indirect taxable Australian real property interests.  Did the client make a gain or loss from the disposal of a cryptocurrency such as a bitcoin during the year ended 30 June 2023? If so, there are likely to be tax consequences. These vary depending on the nature of the client’s circumstances. If the client acquired a cryptocurrency as an investment, the client may make a capital gain or loss on disposal. If your client made a capital gain on the disposal of a cryptocurrency, some or all of the capital gain may be taxed.  A CGT event occurs when a taxpayer disposes of their cryptocurrency. A disposal can occur when a taxpayer:   * sells or gifts cryptocurrency * trades or exchanges cryptocurrency (including the disposal of one cryptocurrency for another cryptocurrency) * converts a cryptocurrency to fiat currency like Australian dollars, or * uses cryptocurrency to obtain goods or services. |  | | | | |  |  | | |
| **SUPPLEMENT INCOME OR LOSS** | | | | | | | | | | |
| 18 | **Capital gains (continued)**  If the client holds a cryptocurrency as an investment, they will not be entitled to the personal use asset exemption. Certain capital gains or losses from disposing of a cryptocurrency that is a personal use asset are disregarded. Cryptocurrency may be a personal use asset if it is kept or used mainly to purchase items for personal use or consumption. Everyone involved in acquiring or disposing of cryptocurrency needs to keep records in relation to such transactions. Further, if the transaction occurs in a foreign country, there may also be taxation consequences in that foreign country.  Only capital gains made from personal use assets acquired for less than $10,000 are disregarded for CGT purposes. However, all capital losses made on personal use assets are disregarded. If the disposal is part of a business the taxpayer carries on, the profits on disposal will be assessable as ordinary income and not as a capital gain. |  | | | | |  |  | | |
| 19 | **Foreign entities**  Applies where the taxpayer has a direct or indirect controlling interest totalling 10% or more in a controlled foreign company (CFC) or at any time transferred property or services to a non-resident trust.  The CFC rules may also apply where the CFC is a CFC because of the de facto control test, you have an interest of at least 1% in the foreign company and you are part of a group of five or fewer Australian entities who, alone or with associates, controls the CFC.  Where interests are held in such foreign entities it is necessary to work out the taxpayer’s share of any attributable income in relation to any CFC or transferor trust at this item. |  | | | | |  |  | | |
| 20 | **Foreign source income and foreign assets or property**  Amounts included at Item 20 include income received from foreign employment; a foreign pension or annuity; a lump sum payment from a foreign superannuation fund; an amount transferred from a foreign superannuation fund to an Australian superannuation fund; and any other foreign source income received including interest, dividends, royalties, rent, business income or a share of income from a partnership or a trust.  Where such foreign income is received it is necessary to obtain details of the foreign country, the foreign income received, the exchange rate utilised and any foreign tax withheld or foreign tax paid. Care must be shown with foreign source salary and wage income that may be exempt from tax.  The documentation required to be retained will differ according to the nature of the foreign income derived. However, some of the documentation that may be required includes, amongst others, a payment summary in respect of foreign employment; foreign tax assessments; distribution advices from companies, partnerships and trusts; and details of any expenses incurred in earning foreign income.  Under Section 23AG of *ITAA 1936,* income derived by an Australian resident from foreign employment lasting greater than 91 consecutive days is not exempt for an Australian Government employee unless the client is a member of a disciplined force (e.g. Australian Defence Force or Australian Federal Police) delivering Australian official development assistance.  . |  | | | | |  |  | | |
| **SUPPLEMENT INCOME OR LOSS** | | | | | | | | | | |
| 20 | **Foreign source income and foreign assets or property (continued)**  If the client has had any foreign tax paid or withheld from assessable foreign source income (e.g. interest and dividends) it should be added to the amounts received. |  | | | | |  |  | | |
| 21 | **Rent**  Obtain details of:   * all rental income earned * interest charged on money borrowed in respect of the rental property * details of any capital works expenditure to the rental property * details of other expenses relating to the rental property.   Borrowing costs are claimed over the life of the loan or five years, whichever is the lesser. If the total deductible borrowing expenses are $100 or less, they are fully deductible in the income year they are incurred.  Assess whether the client can claim a capital works deduction for the construction costs of the property, or of any alterations, extensions or improvements to the rental property. Such amounts may be deductible at a rate of 2.5 or 4% depending on the date the capital works began.  A deduction may also be available at a rate of 2.5% for structural improvements made to parts of the property other than the building (e.g. sealed driveways, fences and retaining walls).  Rental income is the full amount of income earned from renting out a property including the rental of a room through the sharing economy. It must also include any bond money retained in place of rent or kept because of damage to the property requiring repairs. An insurance payout for loss of rent is also to be included in income. Rental expenses can only be claimed for the period during which the property was rented or made available for rent.  Section 26-31 of the *ITAA 1997* denies a deduction for a loss or outgoing incurred by an individual to the extent it is attributable to travel which has been incurred in gaining or producing assessable income from the use of residential premises as residential accommodation. Such costs are also not included in the cost base of the rental property for CGT purposes or deductible as blackhole expenditure under section 40-880 of the *ITAA 1997*.  Section 40-27 of the *ITAA 1997* denies a deduction for the decline in value of a depreciating asset acquired by an individual on or after 9 May 2017 to the extent that the asset is used or installed in residential rental premises and was previously used by another entity as a depreciating asset or the depreciating asset was used by the taxpayer for some non-taxable purpose. These rules are subject to certain transitional arrangements. For more information on the limit on deductions for the decline in value of second-hand depreciating assets refer to the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Income-questions-13-24/21-Rent-2023/).  The ATO has previously advised that it is paying particular attention to the basis on which rental income and expenses is apportioned between property owners; deductions being claimed for initial repairs which should be included in the cost base of the rental property for capital gains tax purposes; excessive rental interest expense claims; holiday homes that are not genuinely available for rent; and non-commercial rental agreements.  Any net rental income or loss on a foreign property should also be included at Item 20. |  | | | | |  |  | | |
| **SUPPLEMENT INCOME OR LOSS** | | | | | | | | | | |
| 21 | **Rent (continued)**  For more information on this topic refer to the CPA Australia [2023 Residential rental property checklist](https://www.cpaaustralia.com.au/tools-and-resources/taxation/tax-time-year-end-updates-and-resources). Also refer to item D7 below in relation to denial of holding costs associated with vacant land. |  | | | | |  |  | | |
| 22 | **Bonuses from life companies and friendly societies**  Obtain documentation or advices regarding bonuses received on insurance bonds issued by life insurers and friendly societies. Bonuses are likely tax free if cashed in after 10 years. If not, the bonuses may be taxable, and an offset may be available which will be calculated by the ATO. |  | | | | |  |  | | |
| 23 | **Forestry managed investment scheme (FMIS) income**  Check with the client whether they have received income from a FMIS. Separate rules apply to initial and subsequent participants in qualifying schemes. Further FMIS rule details are summarised on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Income-questions-13-24/23-Forestry-managed-investment-scheme-income-2023/). |  | | | | |  |  | | |
| 24 | **Other income**  Ask the client whether they received any other benefit or income during the 2023 year that has not been included in the preceding Items.  Such residual income is split into the following three categories included in Labels Y, X, R and V of Item 24:  Label Y includes ‘Category 1’ income comprising, amongst others, certain lump sum payments in arrears (e.g. back payments of salary or pensions); realised non-business foreign exchange gains; prizes from investment related lotteries and some gam-show winnings; reimbursement of tax-related expenses (other than interest remitted by the ATO); income you earned from the sharing economy and an assessable balancing adjustment on the disposal of a depreciating asset; assessable gains on the disposal or the redemption of traditional securities under section 26BB of ITAA36; assessable work-in-progress amounts under section 15-50 of ITAA97.  Label X includes ‘Category 2’ income being the remission of an ATO interest charge that is claimable or has been claimed as a tax-related deduction.  Label R includes ‘Category 3’ income being assessable First Home Super Saver Scheme (FHSS) released amounts.  Label V includes ‘Category 4’ income being any income which is not described in the above there categories, Such amounts include, amongst others, income from activities as a special professional (e.g. an author of a literary, dramatic, musical or artistic work, inventor, performing artist, production associate or sportsperson); jury service fees; certain royalties, taxable scholarships, bursaries or grants and any taxable allowances or payments received from the Department of Human Services which have not been included in Items 5 and 6 above. |  | | | | |  |  | | |
| **DEDUCTIONS** | | | | | | | | | | |
| The ATO is paying particular attention to work-related expense deduction claims. Accordingly, claims should only be made where the work-related expenses were necessarily incurred in deriving employment income; the expense can be substantiated as required and the expense was not reimbursed by another party. | | | | | | | | | | |
| **DEDUCTIONS** | | | | | | | | | | |
| It is important to note that the ATO may contact a client’s employer to verify that the expense relates to their job (and earning their assessable income) and that the expense has not been reimbursed.  It is recommended that the client complete a substantiation declaration in respect of work, car and travel expenses for the 2023 year which is available on the [CPA Australia’s website](https://www.cpaaustralia.com.au/tools-and-resources/taxation/tax-time-year-end-updates-and-resources). | | | | | | | | | | |
| D1 | **Work-related car expenses**  Deduction for work-related car expenses claimed under Item D1 are in respect of a car which an employee owns, leases or hires under a hire-purchase agreement.  Deductions can only be claimed for the use of the client's car in performing work-related duties; attending work-related conferences away from the client's normal workplace; travelling between two separate places of employment where one of those places is not the client's home; travel from the client's normal workplace to an alternative workplace; and travel from the client's home to an alternate workplace and then to the client's normal workplace.  Accordingly, a deduction is not available for travel between home and work except in limited circumstances such as the demonstrated need to carry bulky goods. The client cannot claim a deduction for car expenses if reimbursed by the employer.  A motor vehicle will only be a car if it is not a motorcycle or similar vehicle and has been designed to carry a load of less than one tonne and fewer than nine passengers.  The client may choose which of the following two methods is applied to calculate the deduction:  1. *Cents per kilometre method*  The claim is based on a set rate for each business kilometre travelled, being $0.78 cents per kilometre regardless of the vehicle’s engine capacity as per updated in the LI 2022/24, commencing from 1 July 2022. Business kilometres includes kilometres travelled in the car in the course of earning assessable income including any work-related activities. The taxpayer can claim a car expense deduction by applying that set rate up to a maximum of 5,000 business kilometres.  Taxpayers must be able to show how they reasonably estimated the amount of business kilometres travelled. For example, the client may have documented their eligible work-related trips in a diary or some other written record. However, it is not necessary to comply with the substantiation provisions. The ATO has previously expressed the view that it is concerned that car expense claims based on the cents per kilometre method may be overstated in certain cases as it is necessary to establish that the claim is based on work-related or business kilometres travelled which must be based on documented reasonable estimates.  2. *Log-book method*  The claim for each car expense deduction (e.g. fuel, repairs, registration insurance, and the decline in value of the car) is multiplied by the business use percentage of a car as determined using a log-book for a continuous 12-week period.  This business percentage is the amount of business kilometres travelled divided by the total number of kilometres travelled during the 12-week period. |  | | | | |  |  | | |
| **DEDUCTIONS** | | | | | | | | | | |
| D1 | **Work-related car expenses (continued)**  The business use percentage established in the log-book can then generally be used in the subsequent four years to calculate car expense deductions unless there has been a change in the pattern of use of the car. In addition, written evidence of car expense deductions must be retained including receipts, invoices and credit card statements as required under the substantiation provisions.  Review a valid logbook to ensure that it is representative of the client’s circumstances for the 2023 year. If a log-book relates to an earlier year ask if circumstances changed during the 2023 year (i.e. did the client change jobs, areas worked or have there been other changes to the pattern of the work-related use of the car). Further details on what records need to be maintained under the log-book method are available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Deduction-questions-D1-D10/D1-Work-related-car-expenses-2023/). |  | | | | |  |  | | |
| D2 | **Work-related travel expenses**  Travel expenses claimed at item D2 include:   * public transport, air travel and taxi fares * bridge and road tolls, parking fees and short-term car hire * expenses for motorcycles and vehicles with a carrying capacity of one tonne or which holds nine or more passengers such as utility truck and panel vans * expenses incurred such as petrol and repair and maintenance costs on a car that is not owned or leased by the client but some other person.   If your client’s employer requires the client to travel overnight, some associated costs like accommodation, meals and incidental expenses may be deductible. To make a claim the client must be able to show that:   * the travel was undertaken for work purposes * the client was away from home for a relatively short period (e.g. overnight) * the client must have a permanent home at a location away from the work location to which they are travelling * the expense has been incurred by the client and not reimbursed * the client kept a diary (for certain travel which is six or more nights away from home).   Further details as to when work-related travel may be deductible is set out in *Taxation Ruling TR 2021/1* and *Taxation Ruling TR 95/34.*  Receiving a travel allowance does not automatically entitle the client to a travel expense deduction. Substantiation is not required where a ‘reasonable allowance’ is paid to an employee for accommodation (domestic only), food, drink and incidentals if the allowance is within ATO limits. The client still needs to show that the money was spent and the client may be required to explain the basis of any claim.  Refer to *Taxation Ruling TR 2004/6* and *Taxation Determination TD 2022/10*  for details on what constitutes reasonable travel and overtime meal expense amounts for the 2023 year. In TD 2022/10, the reasonable amount for overtime meal expenses is increased to $33.25 for the 2022-23 income year.  Refer to *Taxation Ruling TR 2021/4* for details on the deductibility of accommodation/meals and *PCG 2021/3* for practical compliance guidelines |  | | | | |  |  | | |
| **DEDUCTIONS** | | | | | | | | | | |
| D2 | **Work-related travel expenses (continued)**  to determine if employee benefits/allowances relate to travel on work vs living at a location.  A claim cannot be made in relation to travel expenses in respect of a vehicle which constitutes a car fringe benefit under the *Fringe Benefits Tax Assessment Act* *1986*. |  | | | | |  |  | | |
| D3 | **Work-related uniform, occupation specific or protective clothing, laundry and dry-cleaning expenses**  The purchase and laundering of the following clothing may be deductible:   * protective clothing and safety footwear: clothing or footwear that is specifically designed to protect against risk of death, disease, injury or damage * compulsory uniform: non-conventional clothing that identifies the employee as being employed by a particular employer which is a policy strictly enforced by the employer   Where the client did the laundry themselves, they are allowed to use a reasonable basis to calculate the deduction such as $1 per load for work-related clothing or $0.50 per load if other laundry items were included.  Refer to *Taxation Ruling TR 98/5* for further details on calculating and claiming a deduction for laundry expenses.  The client cannot claim the cost of purchasing or laundering conventional clothing (like black pants or white shirts), even if the employer requires them to wear it.  Further information is available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Deduction-questions-D1-D10/D3-Work-related-clothing,-laundry-and-dry-cleaning-expenses-2023/). |  | | | | |  |  | | |
| D4 | **Work-related self-education expenses**  Self-education expenses are generally allowable where the course of study is to maintain the taxpayer’s skills in their current employment or increase the taxpayer’s skills in that person’s current occupation, which will result (or will be likely to result) in an increase in income from their current employment.  Examples of such costs include course fees, tuition fees, student union fees, textbooks, stationery, computer consumables (e.g. printer cartridges), trade and professional journals, certain travel expenses, internet and phone usage and depreciation.  Where applicable such costs must be apportioned between eligible expenses incurred for study purposes and those for private purposes. Receipts, invoices and diary records must be retained to evidence claims. Non-deductible self-education costs include child-care costs, non-deductible travel costs and HELP loan repayments.  In certain circumstances, you may have to reduce the self-education expenses by up to $250. There is a self-education expenses calculator on the [ATO website](https://www.ato.gov.au/Calculators-and-tools/Self-education-expenses/).  The Treasury Laws Amendment (2022 Measures No. 2) Bill 2022 removes the $250 non-deductible threshold for work-related self-education expenses from the 2022-23 income year. |  | | | | |  |  | | |
| **DEDUCTIONS** | | | | | | | | | | |
| D5 | **Other work-related expenses**  Examples of other work-related deductions include union fees, professional seminars, conferences and workshops, certain overtime meals, home office expenses, business or professional subscriptions, purchasing a briefcase or a calculator, reference books, technical journals, safety items and work-related computer, phone and internet expenses.  However, deductions should only be claimed to the extent that the expense (e.g. phone or internet) was used to derive salary and wages income.  A non-business depreciating asset whose cost does not exceed $300 is also deductible to the extent that the asset (e.g. briefcase or calculator) is used for income producing purposes.  Deductions differ for a home office depending on whether it is a place of business or an office used away from the normal workplace. If it is the latter and the appropriate diary has been maintained for the required four-week period, you can use the cents per hour method (currently 67 cents per hour) when calculating the amount of the deduction for additional costs of running the home office on a per hour basis. Refer to *Taxation Ruling TR 93/30 f*or further information on eligible home office expenses.  From 1 July 2022, there are two ways individuals can calculate their work from home expenses (PCG 2023/1):   1. 67 cents per work hour for heating, cooling, lighting, cleaning and the decline in value of office furniture, plus the work-related portion of phone and internet expenses, computer consumables, stationery and the decline in value of a computer, laptop or similar device 2. Actual work-related portion of all running expenses, which needs to be calculated on a reasonable basis.   The ATO is continuing to focus on excessive work-related expense claims and the client should be made aware that the ATO is using sophisticated data matching techniques to ensure that deductions have been incurred and are allowable, and therefore any unusually large claims may be scrutinised.  Where the 67 cents per hour method is used, the number of hours worked needs to be recorded (i.e. timesheet, roster, diary or similar document that shows the hours worked).  The ATO has issued a range of [guides](https://iorder.com.au/publication/searchpublications.aspx?1=1&cid=103097&t=103097) for deductions that can be claimed by employees in certain occupations. The occupation guides include those for miners, doctors and other medical practitioners, IT professionals, flight attendants, cleaners, real estate professionals, truck drivers, construction workers, teachers, public servants, office workers, police officers, nurses and midwives, salespersons, retail workers and members of the Australian Defence Force.  Please be aware the cost of taking a COVID-19 test to attend a place of work will be tax deductible for individuals from 1 July 2021. Further details on the deductibility of COVID-19 tests are summarised on the [ATO website](https://www.ato.gov.au/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/personal-grooming-health-and-fitness/covid-19-test-expenses/). . |  | | | | |  |  | | |
| D6 | **Low-value pool deduction**  The claim for the decline in value of low-cost and low-value depreciating assets which have been allocated to a low-value pool which were used in the course of producing assessable income should be shown at this item in the tax return. Low-cost assets are depreciating assets costing less than $1,000 |  | | | | |  |  | | |
| **DEDUCTIONS** | | | | | | | | | | |
| D6 | **Low-value pool deduction (continued)**  whilst low-value assets are assets whose cost was in excess of $1,000 but which have been written off to less than $1,000 under the diminishing value method as at 1 July 2021. Further details on the low-value pool deductions are summarised on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Deduction-questions-D1-D10/D6-Low-value-pool-deduction-2023/). |  | | | | |  |  | | |
| D7 | **Interest deductions**  Eligible deductions include bank charges and interest on funds borrowed to purchase interest bearing investments. These cannot be claimed unless interest income is declared at Item 10.  From 1 July 2019, an individual is not allowed a deduction for holding costs associated with vacant land, such as interest, land tax, council rates and maintenance costs unless:   * the vacant land is used (or available to use) in a business carried on by the taxpayer (or related or affiliated entity) for the purpose of gaining or producing assessable income * the vacant land is vacant because of a natural disaster or exceptional circumstances * the taxpayer (or related or affiliated entity) carries on a primary production business on the vacant land or * the land is leased or hired (under an arm’s length dealing) and is used or available for use in carrying on a business. * Disallowed deductions may form part of the cost base of the vacant land for CGT purposes. |  | | | | |  |  | | |
| D8 | **Dividend deductions**  Eligible deductions include interest charged on funds borrowed to purchase shares or similar investments and the purchase of specialist investment journals or subscriptions.  These cannot be claimed unless dividend income is declared at Item 11. |  | | | | |  |  | | |
| D9 | **Gifts or donations**  Ensure that all donations have been made to endorsed deductible gift recipients (DGR) and that the client did not receive any tangible benefit from making the donation and that receipts or credit card statements have been retained to evidence the making of such donations. Note that The Treasury Laws Amendment (2022 Measures No. 4) Bill 2022 proposes to update the list of DGR, which has not come into law as of 12 April 2023.  For gold-coin donations (bucket collections) the client can claim a deduction equal to the contribution, up to $10 total, without a receipt.  Section 26-55 of the *ITAA 1997* limits the amount of the donation deduction as the making of a deductible gift cannot create or increase a tax loss. |  | | | | |  |  | | |
| D10 | **Cost of managing tax affairs**  Any deductions for the cost of managing tax affairs allowable to the client under section 25-5 of the *ITAA 1997* are claimedat Item D10.  The following amounts should be respectively disclosed at Labels N, L and M of Item D10: |  | | | | |  |  | | |
| **DEDUCTIONS** | | | | | | | | | | |
| D10 | **Cost of managing tax affairs (continued)**  Label N – Interest charged by the ATO such as General Interest Charge (GIC) imposed on income tax not paid by the due date; Shortfall Interest Charge (SIC) imposed on additional income tax payments following the issue of an amended assessment; and interest on the late payment of taxes. However, no amount can be claimed in respect of any tax shortfall or any penalty imposed for failing to meet income tax obligations.  Label L – Litigation costs include the cost of applications to the courts or the Administrative Appeals Tribunal about the client’s affairs as well as fees paid to solicitors and barristers (and other legal costs) incurred in managing the client’s tax affairs.  Label M – Other expenses incurred in managing the client’s tax affairs, including the preparation and lodgement of an income tax return or activity statement by a recognised tax adviser; obtaining tax advice from a recognised tax adviser; travel costs incurred in obtaining tax advice from a recognised tax adviser; purchasing tax return preparation software; and buying tax reference material. However, this residual category of deductible tax-related expenses does not include the payment of Pay As You Go (PAYG) instalments or capital expenditure such as the purchase of a computer used by the client to manage their tax affairs, (although such a depreciating asset may be depreciable to the extent it is used for such a purpose).  A recognised tax adviser is a registered tax agent, barrister or solicitor.  Any amount incurred for income tax advice provided by a person who is not a recognised tax adviser is not deductible.  The ATO confirmed in *Taxation Determination TD2017/8* that the cost of travelling to have a tax return prepared by a recognised tax adviser is deductible under section 25-5 of the *ITAA 1997*. However, such travel costs must be reasonably apportioned where the travel was undertaken partly for the purpose of having a tax return prepared and partly for some other purposes such as a private holiday.  Taxpayers are required to demonstrate the reasonableness of the apportionment method adopted including retaining any relevant evidence. |  | | | | |  |  | | |
| SUPPLEMENT DEDUCTIONS | | | | | | | | | | |
| D11 | **Deductible amount of undeducted purchase price of a foreign pension or annuity**  Where an amount has been included as a foreign pension or annuity at Item 20 a deduction may be available if the pension or annuity has an undeducted purchase price (UPP).  The UPP is the amount of personal contributions made towards the purchase price of the pension or annuity. Such an amount should be tax free as it represents a return of the personal contributions originally made. Care should be taken as only some foreign pensions and annuities have a UPP. | |  | |  | | |  | | |
| D12 | **Personal superannuation contributions**  An individual will be entitled to a deduction for personal superannuation contributions provided such contributions are received by a complying | |  | |  | | |  | | |
| **SUPPLEMENT DEDUCTIONS** | | | | | | | | | | |
| D12 | **Personal superannuation contributions (continued)**  superannuation fund or retirement savings account (RSA) in the year ended 30 June 2023 and the following conditions are all satisfied.   * Certain aged based conditions are met. Firstly, the contributions must be made by a person aged 18 or over (unless a person aged under 18 as at 30 June 2023 earned salary or wages or income in return for the provision of personal labour and skills or from carrying on a business).   Secondly, a contribution cannot be made more than 28 days after the end of the month in which the individual turns 75 years of age.   * The individual gave a valid [written notice of intention](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Deduction-questions-D1-D10/D4-Work-related-self-education-expenses-2023/) to claim a deduction to their complying superannuation fund or RSA in respect of the personal superannuation contribution made during the 2023 year. Such a notice must be provided by the earlier of the date on which the individual lodges their 2023 income tax return or 30 June 2024. In addition, the trustee of the fund or RSA must provide the individual with a written acknowledgement of the notice received before a deduction is claimed for the superannuation contributions made for the 2023 year. * The fund must not be a Commonwealth public sector defined benefit fund; a constitutionally protected fund or other untaxed fund; or a fund that has notified the Commissioner before the start of the 2023 year that they have elected to treat all member contributions as being non-deductible.   Both employees and self-employed individuals can make a personal superannuation contribution although care should be taken to ensure that the concessional contributions cap of $27,500 is not exceeded. This cap increased from $25,000 to $27,500 from 1 July 2021.  Accordingly, any individual intending to claim a deduction for personal superannuation contributions for the 2023 year should consult an appropriately licensed financial adviser to consider the merits of making concessional superannuation contributions by 30 June 2023.  Any contributions exceeding the concessional contributions caps are included in the taxpayer’s assessable income in the year in which the excess contributions are made together with an excess concessional contributions charge being essentially an interest charge reflecting the fact that tax is collected at a later time than if such excess contributions had not been made.  Whilst such an amount will be taxed at the taxpayer’s marginal tax rate it will be subject to a non-refundable tax offset of 15% in respect of the excess concessional contributions.  However, individuals have the option of withdrawing up to 85% of the excess contributions within 21 days of the Commissioner issuing a Determination concerning the excess contributions.  It should be noted that Division 293 imposes an additional 15% tax where the combined total of the individual’s adjusted taxable income and low tax contributions exceed $250,000 for the year ended 30 June 2023. Further details on Division 293 are summarised on the [ATO website](https://www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Division-293-tax---information-for-individuals/?=redirected_division293).  Division 293 tax is payable on the excess over the $250,000 threshold or the concessional contributions (whichever is the lesser).  In this context adjusted taxable income for Division 293 purposes is the aggregate of income for Medicare levy surcharge purposes (other than | |  | |  | | |  | | |
| **SUPPLEMENT DEDUCTIONS** | | | | | | | | | | |
| D12 | **Personal superannuation contributions (continued)**  reportable superannuation contributions), and low tax contributions means concessional contributions up to the amount of the prevailing concessional contributions cap in the relevant year.  A deduction for personal superannuation contributions cannot create or increase a tax loss pursuant to section 26-55 of the *ITAA 1997*. | |  | |  | | |  | | |
| D13 | **Deduction for project pool**  Relates to certain capital expenditure, which is directly connected with a project carried on, or proposed to be carried on, to gain or produce assessable income (i.e. this expenditure can be allocated to a project pool and written off over the project life but the expenditure must not otherwise be deductible or form part of the cost of a depreciating asset).  The scope of eligible project expenditure under this deduction is very limited.  Details of eligible project amounts can be found on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Deduction-questions-D11-D15/D13-Deduction-for-project-pool-2023/). | |  | |  | | |  | | |
| D14 | **Forestry managed investment scheme (FMIS) deduction**  Check with the client whether they are entitled to a deduction for an investment in a FMIS. Separate rules apply to initial and subsequent participants in qualifying schemes.  Further details on the FMIS rules are summarised on the [ATO website](https://www.ato.gov.au/Individuals/Tax-Return/2023/Supplementary-tax-return/Deduction-questions-D11-D15/D14-Forestry-managed-investment-scheme-deduction-2023/). |  | | |  | | | |  | |
| D15 | **Other deductions**  Item D15 is a residual category of deductions not claimable elsewhere in the tax return.  Expenses potentially deductible at this item include, amongst others, election expenses for local, territory, state or federal candidates; income protection, sickness and accident insurance premiums; realised foreign exchange losses; certain debt deductions; a deduction for the net PSI loss of a PSE; self-education expenses related to satisfying the study requirements of the taxable scholarship; expenses incurred in earning income from the sharing economy and business capital expenditure deductible under the blackhole costs of section 40-880 of the *ITAA 1997.* |  | | |  | | | |  | |
| SUPPLEMENT LOSSES | | | | | | | | | | |
| L1 | **Tax losses of earlier income years**  Ensure that there is a split between primary and non-primary production losses, where applicable.  Any prior year losses should be shown at Item 18.  Deferred non-commercial losses should be disclosed at Label P8 of the Business and professional expenses for a sole trader and at Item 13 for an individual partner in a partnership. |  | | |  | | | |  | |
| SUPPLEMENTARY TAX OFFSETS | | | | | | | | | | |
| T1 | **Senior Australians and pensioners (includes self-funded retirees)**  Ensure that the client meets all the eligibility conditions for Australian Government pensions and similar payments and income before utilising this offset. If the senior had a spouse you also need to determine if they are also eligible for the offset, and if so whether they were living together or apart.  Further details are available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Tax-offset-questions-T1-T2/T1-Seniors-and-pensioners-tax-offset-2023/). |  | | |  | | | |  | |
| T2 | **Australian superannuation income stream**  A tax offset is available for any Australian superannuation income stream included at Item 7 of the return. The offset is equal to 10% of the untaxed element and 15% of the taxed element of the income stream which should be shown on the taxpayer’s PAYG payment summary – superannuation income stream. The 10% tax offset on the untaxed element is limited to $10,625 for the 2022-2023 income year. Further details are available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Tax-offset-questions-T1-T2/T2-Australian-superannuation-income-stream-2023/). |  | | |  | | | |  | |
| T3 | **Superannuation contributions on behalf of your spouse**  Clients can claim a full offset of $540 for superannuation contributions made on behalf of a resident spouse (married or de facto) to a complying superannuation fund or retirement savings account (RSA) where the aggregate amount of the spouse’s assessable income (excluding any assessable FHSS amount or COVID-19 early release of superannuation payment), reportable fringe benefits and reportable employer superannuation contributions is less than $40,000. Further details are available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Tax-offset-questions-T3-T9/T3-Superannuation-contributions-on-behalf-of-your-spouse-2023/). The client and the spouse must both be Australian residents when the contributions were made and the spouses cannot be living separately or apart on a permanent basis.  The offset is 18% of eligible contributions of up to $3,000. Accordingly, the maximum offset that can be claimed is $540 which will be available where the spouse’s total ‘income’ does not exceed $37,000, However, the offset is reduced by each dollar derived by the spouse which is in excess of $37,000, and therefore fully phases out where the spouse’s income is $40,000 or more.  However, the offset will not be available where the spouse’s non-concessional contributions exceed the annual non-concessional contributions cap for the 2023 year, or where the spouse’s total superannuation balance exceeds the general transfer balance cap of $1.7 million as of 30 June 2023. Note that the general transfer balance cap is due to increase to $1.9 million from 1 July 2023. |  | | |  | | | |  | |
| T4 | **Zone or overseas forces**  If the client lived or worked in a remote or isolated area of Australia classified as a Zone A or B area or served overseas as a member of Australia’s Defence Forces, they may be eligible for this offset. Eligibility for the zone offset is based on the taxpayer’s usual place of residence. If your usual place of residence was not in a zone, you are not eligible for the zone tax offset such as would be the case for certain fly-in-fly-out workers.  Details of eligible A and B zones can be found on the [ATO website](https://www.ato.gov.au/Individuals/Tax-Return/2023/Supplementary-tax-return/Tax-offset-questions-T3-T9/T4-Zone-or-overseas-forces-2023/).  A member of the Australian Defence Force or a United Nations armed force may be eligible for the overseas forces tax offset where their income was not specifically exempt from tax. Periods of service for which your income was |  | | |  | | | |  | |
| SUPPLEMENTARY TAX OFFSETS | | | | | | | | | | |
| T4 | **Zone or overseas forces (continued)**  ‘exempt foreign employment income’ are excluded in working out your eligibility for the offset.  Localities which qualify for the overseas forces tax offset can be found on the [ATO website](https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Tax-offsets/Zone-and-overseas-forces-tax-offsets/?anchor=Specifiedoverseaslocality#Specifiedoverseaslocality). |  | | |  | | | |  | |
| T5 | **Invalid and invalid carer**  Tax offset is only available where the taxpayer maintains an invalid or an invalid carer who is an eligible dependent. Please note you cannot claim the tax offset where the combined adjusted taxable income is more than $104,432for the 2023 year. Further details can be found on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Tax-offset-questions-T3-T9/T5-Invalid-and-invalid-carer-2023/). |  | | |  | | | |  | |
| T6 | **Landcare and water facility**  Tax offset for certain expenditure on land care works and water conserving facilities is available to certain primary producers and other taxpayers in limited circumstances. |  | | |  | | | |  | |
| T7 | **Early stage venture capital limited partnership**  Check to see if the client is eligible for an Early Stage Venture Capital Limited Partnership (ESVCLP) non-refundable tax offset as either a limited partner of the ESVCLP or as an investor in an ESVCLP through a partnership or trust.  Check to see whether there is an amount of unused ESVCLP tax offset shown on a notice of assessment or a notice of amended assessment for the year ended 30 June 2022 which may be available to be utilised.  A summary of the various eligibility rules concerning the tax offset are available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Supplementary-tax-return/Tax-offset-questions-T3-T9/T7-Early-stage-venture-capital-limited-partnership-2023/). |  | | |  | | | |  | |
| T8 | **Early stage investor**  Check to see if your client is eligible for a tax offset as an investor in a qualifying Early Stage Innovation Company (ESIC) in the 2023 year. Special rules must be met by both the investor and the ESIC before this offset will be available.  An investor making a direct investment in a qualifying ESIC will be entitled to a non-refundable tax offset of 20% on such an investment up to a maximum tax offset amount of $200,000 if that person is a sophisticated investor. Investors who are not sophisticated investors are not eligible for the concessional treatment if they invest more than $50,000 in ESICs during the 2023 year.  Any unused portion of the offset may be potentially carried forward to subsequent years.  See the [ATO website](https://www.ato.gov.au/Business/Tax-incentives-for-innovation/In-detail/Tax-incentives-for-early-stage-investors/?anchor=Qualifying_for_the_tax_incentives#Qualifying_for_the_tax_incentives) for a summary of the eligibility rules for the tax offset. |  | | |  | | | |  | |
| T9 | **Other non-refundable tax offsets**  Check whether the taxpayer is eligible for the low-income tax offset (LITO) which is available for resident taxpayers that have a taxable income of less than $66,667 for the 2023 year. The maximum tax offset is $700, which is available to a taxpayer whose taxable income is $37,500 or less. The offset is reduced by 5 cents for each dollar over $37,500 up to $45,000. |  | | |  | | | |  | |
| SUPPLEMENTARY TAX OFFSETS | | | | | | | | | | |
| T9 | **Other non-refundable tax offsets (continued)**  For resident taxpayers that have a taxable income of $45,001 to $66,667 the amount of offset is $325 less 1.5 cents for each dollar above $45,000.  Minors (i.e. children under 18 years of age) are not eligible to receive the LITO to reduce tax payable under Division 6AA of the *ITAA 1936.*  The low and middle-income tax offset (LMITO) is available to Australian resident individuals from 1 July 2018 until 30 June 2022. Note that there was no announcement in the October 2022-23 Federal Budget regarding the extension of LMITO to 30 June 2023, therefore 2021-22 was the last income year for which LMITO was available to eligible taxpayers.  Other non-refundable tax offsets available include offsets concerning work or services performed in the Joint Petroleum Development Area (JDPA) of the Timor Sea and for interest under an infrastructure borrowings scheme. |  | | |  | | | |  | |
| MEDICARE LEVY-RELATED ITEMS | | | | | | | | | | |
| Check that any spouse and child details are included to ensure that all questions on the Medicare levy are correctly answered. | | | | | | | | | | |
| M1 | **Medicare levy reduction or exemption**  Available for low-income Australian resident individuals / families and other prescribed persons.  The May 2023-24 Federal Budget announced changes to the Medicare levy reduction thresholds. The Government will look to increase the Medicare levy low-income thresholds for seniors, pensioners, families, and singles from 1 July 2022 so that low-income individuals continue to be exempt from paying the Medicare levy. Starting from 1 July 2024, eligible lump sum payments in arrears from the Medicare levy will be exempt for low-income taxpayers who have been eligible for reduction in the Medicare levy in the 2 most recent years. The lump sum payment must also account for at least 10% of the total income in the year of receipt.  The threshold for:   * Singles will be increased from $23,365 to $24,276 * Families will be increased from $39,402 to $40,939 * Single seniors and pensioners, the threshold will be increased from $36,925 to 38,365 * Senior and pensioner families will be increased from $51,401 to $53,406 * For each dependent child or student, the family income thresholds will be increased by a further $3,760 instead of the previous amount of $3,619 |  | | |  | | | |  | |
| M2 | **Medicare levy surcharge (MLS)**  The Medicare levy surcharge is payable in addition to the Medicare Levy if a taxpayer and at least one dependent is not covered by an appropriate health insurance policy providing private hospital patient cover and total income for surcharge purposes exceeds certain thresholds. An additional 1% Medicare levy surcharge is imposed on single taxpayers and families who derive total surcharge income in excess of $90,000 and $180,000 respectively for the 2023 year. |  | | |  | | | |  | |
| **MEDICARE LEVY-RELATED ITEMS** | | | | | | | | | | |
| M2 | **Medicare levy surcharge (MLS) (continued)**  Where the total surcharge income exceeds $105,000 for singles and $210,000 for families the Medicare levy surcharge rate is increased to 1.25%, and where the total surcharge income exceeds $140,000 for singles and $280,000 for families the Medicare levy surcharge rate is 1.5% for the 2023 year.  The income threshold for a family for surcharge purposes is increased by $1,500 for each dependent child after the first child. Total surcharge income comprises taxable income (excluding any assessable FHSS amount), reportable fringe benefits, reportable superannuation contributions, any net investment loss and the net amount on which any family trust distribution tax has been paid. |  | | |  | | | |  | |
|  | **Private health insurance policy details**  Determine whether the client has received details of their membership of the health fund and ascertain whether any offset has been claimed via the fund by way of reduced premiums before determining whether a tax offset can be claimed through the return. Where no statement is provided refer to the client’s 2023 pre-filling report.  The amount of any private health insurance rebate entitlement will vary depending on the amount of income for surcharge purposes, whether derived by a single person or as a family, and whether the policy covers one or more persons aged 65 or over. |  | | |  | | | |  | |
| ADJUSTMENTS | | | | | | | | | | |
| A1 | **Under 18**  Requires minors under the age of 18 at 30 June 2023 to include certain income (e.g. net business and employment income, certain taxable pensions or income from a deceased estate) which should not be subject to punitive higher tax rates under Division 6AA of the *ITAA 1936.* |  | | |  | | | |  | |
| A2 | **Part-year tax-free threshold**  Completed where a taxpayer becomes an Australian resident for tax purposes part way through the year, or the taxpayer stops being an Australian resident part way through the income year which will affect the amount of the tax-free threshold available to the client for that year. Accordingly, it is necessary to write the date on which the client became an Australian resident or stopped being an Australian resident, and to write the number of months that the person was an Australian resident in the 2023 year at Label N. |  | | |  | | | |  | |
| A3 | **Government super contributions**  Concerns eligibility for the superannuation co-contribution payment or the low-income superannuation offset. A person will only be eligible for the superannuation co-contribution where an eligible personal superannuation contribution was made to a complying superannuation fund or retirement savings account (RSA) which has not been claimed as a deduction and was not an eligible Downsizer contribution, the individual was under 71 years of |  | | |  | | | |  | |
| **ADJUSTMENTS** | | | | | | | | | | |
| A3 | **Government super contributions (continued)**  age as at 30 June 2023 and their eligible total income was less than $57,016.  Total income for these purposes is the sum of the person’s assessable income, reportable fringe benefits total and reportable employer superannuation contributions less any First home super saver released amount and allowable business deductions, and 10% or more of that total income must be from employment and/or business income.  In addition, individuals will not be eligible for the superannuation co-contribution if their non-concessional contributions exceeded the non-concessional contributions cap for the year, or if their ‘total superannuation balance’ was equal to or more than the $1.7 million general transfer balance cap as at 30 June 2022.  A person will be eligible for the low-income superannuation tax offset if their adjusted taxable income was less than or equal to $37,000, Details on how to calculate adjusted taxable income can be found on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Adjustment-questions-A1-A4/A3-Government-super-contributions-2023/) |  | | |  | | | |  | |
| A4 | **Working holiday maker net income**  Check whether the client was on a 417 or 462 working holiday visa between 1 July 2022 and 30 June 2023. Where this is the case the client needs to calculate any working holiday maker net income for this period. Such income will be taxed at 15% up to $45,000 and all other income will be taxed according to the client’s residency status. Further details on these rules is available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Adjustment-questions-A1-A4/A4-Working-holiday-maker-net-income-2023/).  The recent High Court case of *Addy v Commissioner of Taxation* found the tax rate that applies to working holiday visa holders may contravene a non-discrimination article contained in a Double Tax Agreement (DTA). This decision impacts all working holiday makers who are residents of countries that include the non-discrimination article in their DTA with Australia. Any working holiday maker who may potentially be affected by this decision should check the ATO website prior to lodging or amending a return. |  | | |  | | | |  | |
| A5 | **Amount on which family tax distribution tax has been paid**  Relevant where a trust, company or partnership within a ‘family group’, subject to a family trust election or interposed entity election, has made a distribution to the client being an entity outside the family group which has been subject to family trust distribution tax. Such an amount needs to be reduced by any related deductions and the net amount is included at this Item to determine liability for the Medicare Levy Surcharge. |  | | |  | | | |  | |
| C1 | **Credit for interest on tax paid**  Credit for interest on early payments of tax – the amount of such interest is shown at this Label. |  | | |  | | | |  | |
| **INCOME TESTS** | | | | | | | | | | |
| IT1 | **Total reportable fringe benefits amount**  Disclose if the reportable fringe benefits amount that the client has received is $3,773 (grossed up value) or more. This amount will appear on the client’s income statement or payment summary. |  | | |  | | | |  | |
| **INCOME TESTS** | | | | | | | | | | |
| IT2 | **Reportable employer superannuation contributions**  Reportable employer superannuation contributions are superannuation contributions that an employer makes which are in addition to those contributions required to be made for superannuation guarantee purposes, and includes any contributions made under a salary sacrifice arrangement.  The amount of such reportable employer superannuation contributions should be disclosed at this Item. This amount will appear on the client’s income statement or payment summary. |  | | |  | | | |  | |
| IT3 | **Tax-free government pensions**  Disclose if the client has received pensions which are not subject to tax (e.g. disability support pension, wife pension, invalidity service pension) paid to a person who is below pension age; and certain pensions or compensation payments made under the *Military Rehabilitation and Compensation Act 2004.*  Do not include any amounts treated as assessable income under Items 5 and 6. |  | | |  | | | |  | |
| IT4 | **Target foreign income**  Disclose if the client has received income from sources outside Australia that is neither part of their taxable income nor received as a fringe benefit.  Examples of target foreign income include regular receipts of money and gifts from relatives living overseas, income from foreign business interests and investments which are exempt from Australian tax, exempt foreign income derived by a temporary resident and any exempt employment income shown at Item 20.  Show all foreign income in Australian dollars. Further details are available on the [ATO website](https://www.ato.gov.au/Individuals/Tax-return/2023/Tax-return/Income-test-questions-IT1-IT8/IT4-Target-foreign-income-2023/). |  | | |  | | | |  | |
| IT5 | **Net financial investment loss**  Disclose the loss amount by which the client's financial investment deductions exceed their financial investment income on any particular investment.  This item is not about capital losses.  Obtain account statements or other documentation from the financial institution or other sources that show the financial investment income or loss. If the client is a partner in a partnership, they will need a statement or advice showing the amount of net financial investment income or loss. |  | | |  | | | |  | |
| IT6 | **Net rental property loss**  Disclose the rental property loss by which rental deductions exceeded rental income. The ATO will calculate the net rental property loss from information provided in the return.  The client is still able to claim allowable tax deductions for expenditure on your rental properties. For more guidance refer to CPA Australia’s [2023 Residential rental property checklist.](https://www.cpaaustralia.com.au/tools-and-resources/taxation/tax-time-year-end-updates-and-resources) |  | | |  | | | |  | |
| **INCOME TESTS** | | | | | | | | | | |
| IT7 | **Child support you paid**  Obtain records to work out the total amount of child support that the client paid or benefits provided in respect of a natural or adopted child during the 2023 income year. |  | | |  | | | |  | |
| IT8 | **Number of dependent children**  Identify the number of dependent children (if any) of the client. A dependent child is either the taxpayer’s child under 21 years or a child between 21 and 24 years old and a full-time student at a school, college or university. The child must be an Australian resident and the client must have contributed to their maintenance. This information is used to determine if the client is entitled to the private health insurance offset and the net medical expenses offset or subject to the Medicare levy surcharge. |  | | |  | | | |  | |
| Other | **Spouse details – married or de facto**  Disclose all requested 2023 information regarding the client's spouse. As there is certain information requested which relates to the spouse’s 2023 income tax return, you should prepare and finalise both returns in conjunction with each other in order to disclose accurate information. |  | | |  | | | |  | |
| **REMINDER**  Have you compared the pre-filled information provided by the client on Online services for agents with other information used to prepare the client’s tax return and reconciled any differences? | | | | | | | | | | |