

INDIVIDUAL TAX RETURN CHECKLIST 2018

BE HEARD.
BE RECOGNISED.



Individual Tax Return Checklist 2018

This checklist will assist public practice members in discharging their obligations in preparing 2018 individual tax returns.

It is recommended that the checklist be considered for all individual clients.

Disclaimer

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This information is based on legislation current as at 5 June 2018.

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-filing report for the current year from the Australian Taxation Office (ATO) portal (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.

Tax Return Reference	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	<p>Salary or wages</p> <p>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.</p> <p>Obtain and attach PAYG payment summaries. Consider contacting the employer for any missing payment summary.</p> <p>Note: 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.</p> <p>Note: 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 lodgment of the income tax return although different retention periods may apply in particular circumstances. For further information see the ATO website.</p>			

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Tax Return Reference	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 (continued)				
2	<p>Allowances, earnings, tips, director's fees etc.</p> <p>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.</p> <p>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).</p> <p>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 and honoraria payments for voluntary services.</p>			
3	<p>Employer lump sum payments</p> <p>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 PAYG payment summary should contain the relevant information. Also, obtain and attach a copy of a statement of termination from the client's employer.</p> <p>Note: there is an offset capping tax at 30% on a payment for unused annual leave or unused long service leave which was made in connection with a genuine redundancy, invalidity or early retirement scheme.</p>			
4	<p>Employment termination payments (ETPs)</p> <p>Obtain and attach any ETP payment summaries and employer termination statements in respect of an ETP received as a result of a termination of employment.</p> <p>Note: the taxable component of the ETP should be disclosed on the payment summary.</p>			
5	<p>Australian Government allowances and payments like Newstart, youth allowance and Austudy payment</p> <p>Obtain details of any youth allowance, Newstart allowance, 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.</p> <p>Note: 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.</p> <p>Note: check to see if the beneficiary tax offset may be available in respect of certain Centrelink benefits and Commonwealth education allowances.</p> <p>Note: 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).</p>			
6	<p>Australian Government pensions and other allowances</p> <p>Such pensions 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, 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.</p>			

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Tax Return Reference	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 (continued)				
6	<p>Australian Government pensions and other allowances (continued)</p> <p>Note: 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.</p> <p>Note: do not include any Australian Government pensions or allowances that are not taxable as these are shown at item IT3 under Tax free government pensions (under the section concerning 'Income tests' set out below).</p>			
7	<p>Australian annuities and superannuation income streams</p> <p>Australian annuities are paid by Australian life insurance companies and friendly societies.</p> <p>Note: the payment of such annuities should be disclosed on a PAYG payment summary.</p> <p>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.</p> <p>Note: the payment of such income streams should be shown on a separate PAYG payment summary concerning superannuation income streams.</p> <p>Note: further details on the treatment of such superannuation income streams under Item 7 can be found on the ATO website.</p> <p>Obtain details of taxable elements, untaxed elements and rebatable components of any of the above income streams.</p>			
8	<p>Australian superannuation lump sum payments</p> <p>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.</p> <p>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 under 60 years of age are still taxable. Accordingly, it is necessary to obtain details of the recipient's age and the taxable and untaxed components of the lump sum payment.</p> <p>Note: any lump sum should be shown on a separate PAYG payment summary concerning superannuation lump sum payments.</p> <p>Note: do not include any tax free component of any superannuation lump sum; lump sum payments received as a death benefits dependant; 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 and a departing Australian superannuation payment.</p>			
9	<p>Attributed personal services income</p> <p>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.</p>			

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INCOME (continued)				
9	<p>Attributed personal services income (continued)</p> <p>Note: consider application of the PSI attribution rules in relation to any income derived by an interposed entity that is PSI of the individual 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 2018 PSI/PSB self-assessment checklist for further guidance.</p> <p>Note: 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.</p>			
10	<p>Gross interest</p> <p>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 TFN withholding tax has been deducted.</p> <p>Note: if the client is an early lodger (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.</p> <p>Note: the ATO takes the view in <i>Taxation Determination TD2017/11</i> 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.</p> <p>Note: 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 <i>Income Tax Assessment Act (1936)</i> 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.</p> <p>Note: interest received from a foreign source should be included at Item 20 as an amount of foreign income.</p>			
11	<p>Dividends</p> <p>Obtain dividend statements for any unfranked, partly franked and fully franked dividends received from Australian resident companies.</p> <p>Also, include any deemed dividends arising under Division 7A of the <i>Income Tax Assessment Act (1936)</i>.</p> <p>Care should be taken to gross up a dividend where TFN withholding tax has been deducted. Amount of any franking credit received on any dividend should also be included in assessable income.</p> <p>Note: where a dividend reinvestment program has been entered into, the value of that dividend reinvestment is taxable. Also, carefully consider the taxation implications of bonus share issues to individuals.</p> <p>Note: 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.</p> <p>Note: franking credits may not be available where the holding period rule, related payments rule and dividend washing integrity rule apply. For further details see the ATO website.</p> <p>Note: if the client is an early lodger (lodging a return before pre-fill data is available in August) conduct extra checks to ensure the dividend income is correct.</p> <p>Note: dividends received from a foreign source should be included at Item 20 as an amount of foreign income.</p>			

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INCOME (continued)				
12	<p>Employee share schemes (ESS)</p> <p>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.</p> <p>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.</p> <p>In some circumstances, the assessable discount may be reduced by \$1,000.</p> <p>Note: the ability to reduce the amount of any discount of an ESS interest which is taxed upfront by \$1,000 only applies if, amongst other things, the following amounts total \$180,000 or less:</p> <ul style="list-style-type: none"> • taxable income (calculated on the basis that the employee is not entitled to the \$1,000 reduction) • total reportable fringe benefits amount • reportable employer superannuation contributions • net financial investment loss • net rental property loss • deductible personal superannuation contributions. <p>Where certain conditions are met in relation to the terms of the ESS you may defer including the assessable discount in your assessable income until a later income year.</p> <p>Note: for interests acquired pre 1 July 2009 the discount is included in the 2018 income tax return if the 'cessation time' occurred during the 2018 income year. Changes to employee share schemes also took effect on 1 July 2015 and apply to ESS interests acquired on or after that date. These changes include a tax concession through which some discounts on ESS interests in start-up companies will not be taxed under the employee share scheme regime, as long as certain eligibility criteria are met. Subsequent gains on the disposal of these ESS interests will be taxed under the capital gain tax rules. There were also changes to the 'deferred taxing point' under these rules.</p> <p>Note: an ESS interest will be taken to have been acquired by an employee even where that ESS interest is acquired by an associate (e.g. spouse) where the interest was issued in respect of the employment of the employee.</p> <p>Note: the employer should have provided the employee with an Employee share scheme statement showing any discounts received on ESS interests received in the 2018 year. Each statement should disclose whether the discount is from a taxed-upfront scheme eligible for reduction; a taxed-upfront scheme not eligible for reduction; a tax deferral scheme or a pre-1 July 2009 scheme which has a cessation time which occurred during the 2018 year.</p>			
SUPPLEMENT INCOME OR LOSS				
13	<p>Partnerships and trusts</p> <p>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 of advice from the partnership or trustee.</p> <p>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.</p>			

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SUPPLEMENT INCOME OR LOSS (continued)				
13	<p>Partnerships and trusts (continued)</p> <p>Note: 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 2018 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 2018 year. The offset is equal to 8% 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 small business income derived by that individual and the maximum amount of any offset is capped to \$1,000 for each individual per year. The amount of any offset will be calculated by the ATO.</p> <p>Note: separate disclosure is required in respect of partnership and trust distributions that relate to primary production and non-primary production activities.</p> <p>Note: payments of salary to partners are not deductible and are treated as a partnership distribution. See <i>Taxation Ruling TR 2005/7</i> for further details.</p> <p>Note: check any trustee resolution or distribution statements about the client's share of any of the trust's net income.</p> <p>Note: 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 tax file number (TFN). Beneficiaries who have had such amounts withheld from their trust distributions can claim a credit under this label.</p> <p>Note: amounts which have been subject to family trust distribution tax should not be included under this item but at Label A5 (under the section concerning 'Adjustments' set out below).</p>			
14	<p>Personal services income (PSI)</p> <p>Is the client a sole trader? If yes, apply the CPA Australia 2018 PSI/PSB self-assessment checklist 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).</p> <p>Note: if the individual is carrying on a PSB the Business and professional items schedule for individuals 2018 should be completed. A copy of the schedule and related instructions are available on the ATO website.</p> <p>Note: 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.</p>			
15	<p>Net income or loss from business</p> <p>If the taxpayer derived income from any business (other than the personal service income included at item 14), complete and attach a 2018 Business and professional items schedule.</p> <p>Note: 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 2018 year. The tax offset will be available where the client's aggregated turnover is less than \$5 million for the 2018 year, and the offset is equal to 8% of the income tax payable on the client's total net small business income which is capped to a maximum amount of \$1,000. This offset will be calculated by the ATO.</p> <p>Note: a copy of the Business and professional items schedule for individuals for the 2018 year, and related instructions, are available on the ATO website.</p> <p>Note: 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.</p>			

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SUPPLEMENT INCOME OR LOSS (continued)				
16	<p>Deferred non-commercial business losses</p> <p>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.</p> <p>Note: 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).</p> <p>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. If these tests are failed (and the Commissioner does not exercise a discretion) such losses must be quarantined and carried forward.</p> <p>In addition, 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, total reportable fringe benefits, reportable superannuation contributions and total net investment losses.</p> <p>Note: the non-commercial loss rules under Division 35 of the <i>Income Tax Assessment Act (1997)</i> 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.</p> <p>Note: in applying the non-commercial loss rules it may be necessary to group together business activities of a similar kind in the satisfying the above commercial loss tests where an individual is a partner in a partnership.</p> <p>Note: 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.</p>			
17	<p>Net farm management deposits or repayments</p> <p>This item is for primary producers only.</p> <p>Note: ensure that 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.</p>			
18	<p>Capital gains</p> <p>Check whether a CGT event occurred during the 2018 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.</p> <p>Also, consider the CGT rules applicable to assets sold from 21 September 1999 (i.e. 50% CGT discount method, the small business CGT concessions and freezing of CGT indexation as at 30 September 1999).</p> <p>Note: 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.</p>			

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SUPPLEMENT INCOME OR LOSS (continued)				
18	<p>Capital gains (continued)</p> <p>Note: 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 <i>Taxation Determination TD2002/10</i>). 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 <i>Income Tax Assessment Act (1997)</i>.</p> <p>Note: 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 will now be ineligible to the extent that the individual was a foreign resident or temporary resident on or after that date.</p> <p>Note: 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 2018 Tax planning checklist.</p> <p>Note: the <i>Treasury Laws Amendment (Reducing Pressure on Housing Affordability Measures No.2) Bill 2018</i> proposes that the CGT main residence exemption would be removed for foreign residents who would otherwise have been entitled to the exemption effective from 9 May 2017. The residency tests that generally apply for income tax purposes will be applied to determine whether an individual is a foreign resident at the time at which they enter into a contract for the sale of their main residence. Accordingly, where a person is a foreign resident at that time he or she will have to recognise any capital gain or loss arising on a disposal of that main residence where the contract for sale is entered into on or after 9 May 2017. However, under transitional provisions the proposed amendments do not apply to dwellings held by such individuals before 9 May 2017 provided the sale of the ownership interest in the dwelling happens on or before 30 June 2019.</p> <p>Note: disclose any net capital loss to be carried forward to later years at Label V.</p> <p>Claim a credit for any amount withheld under the foreign resident capital gains tax withholding rules at Label X</p> <p>Note: the rate of foreign resident CGT withholding tax that must be retained by a purchaser at settlement from the purchase price of a property was increased from 10% to 12.5% effective from 1 July 2017. 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.</p>			
19	<p>Foreign entities</p> <p>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. 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.</p>			
20	<p>Foreign source income and foreign assets or property</p> <p>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.</p>			

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SUPPLEMENT INCOME OR LOSS (continued)				
20	<p>Foreign source income and foreign assets or property (continued)</p> <p>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. Care must be shown with foreign source salary and wage income that may be exempt from tax.</p> <p>Note: 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.</p> <p>Note: income derived by an Australian resident from foreign employment lasting greater than 91 consecutive days is no longer 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.</p> <p>Note: 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.</p>			
21	<p>Rent</p> <p>Obtain details of:</p> <ul style="list-style-type: none"> • 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. <p>Borrowing costs are claimed over the life of the loan or five years, whichever is the lesser.</p> <p>Assess whether the client can claim a 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.</p> <p>A deduction may also be available at a rate of 2.5% for structural improvements made to parts the property other than building (e.g. sealed driveways, fences and retaining walls).</p> <p>Note: for more information on this topic refer to the CPA Australia 2018 Residential rental property checklist.</p> <p>Note: 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 rent is also be included in income. Rental expenses can only be claimed for the period during which the property was rented or made available for rent.</p> <p>Note: section 26-31 of the <i>Income Tax Assessment Act (1997)</i> denies a deduction for a loss 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 effective from 1 July 2017. 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 <i>Income Tax Assessment Act (1997)</i>.</p>			

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SUPPLEMENT INCOME OR LOSS (continued)				
21	<p>Rent (continued)</p> <p>Note: section 40-27 of the <i>Income Tax Assessment Act (1997)</i> 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 effective from 1 July 2017. 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.</p> <p>Note: 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.</p> <p>Note: any net rental income or loss on a foreign property should be included at Item 20.</p>			
22	<p>Bonuses from life companies and friendly societies</p> <p>Obtain documentation or advices regarding bonuses received on insurance bonds issued by life insurers and friendly societies. Bonuses are 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.</p>			
23	<p>Forestry managed investment scheme (FMIS) income</p> <p>Check with the client whether they have received income from a FMIS. Separate rules apply to initial and subsequent participants in qualifying schemes.</p> <p>Note: further details on the FMIS rules are summarised on the ATO website.</p>			
24	<p>Other income</p> <p>Ask the client whether they received any other benefit or income during the 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 and V of Item 24:</p> <p>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; jury service fees; certain royalties; taxable scholarships, bursaries or grants; reimbursement of tax-related expenses (other than interest remitted by the ATO) and an assessable balancing adjustment on the disposal of a depreciating asset.</p> <p>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.</p> <p>Label V includes 'Category 3' income including, 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 sports person) and any taxable allowances or payments received from the Department of Human Services which have not been included in Items 5 and 6 above.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
DEDUCTIONS				
<p>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. It is important to note that the ATO may contact a client's employer to verify that the expense relates to their job (earning their income) and has not been reimbursed. It is recommended that the client complete a substantiation declaration in respect of work, car and travel expenses for the 2018 year which can be found on CPA Australia's website.</p>				
D1	<p>Work-related car expenses</p> <p>Deduction for work-related car expenses are claimed under Item D1 in respect of a car which an employee owns, leases or hires under a hire-purchase agreement. Deductions can only generally be claimed for the use of your car in performing work-related duties; attending work-related conferences away from your normal workplace; travelling between two separate places of employment where one of those places is not your home; travel from your normal workplace to an alternative workplace; and travel from your home to an alternate workplace and then to your 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. You cannot claim a deduction for car expenses if reimbursed by your employer.</p> <p>Note: a motor vehicle will only be a car if it is not a motor cycle or similar vehicle, and has been designed to carry a load of less than one tonne and fewer than nine passengers.</p> <p>The client may choose which of the following two methods is applied to calculate the deduction:</p> <p>1. Cents per kilometre method</p> <p>The claim is based on a set rate for each business kilometre travelled, being \$0.66 cents per kilometre regardless of the vehicle's engine capacity. Business kilometres includes kilometres travelled in the car in the course of earning assessable income including any work-related activities. The taxpayer can claim costs by applying that set rate up to a maximum of 5,000 business kilometres.</p> <p>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.</p> <p>Note: 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 reasonable estimates.</p> <p>2. Log book method</p> <p>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. 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.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
DEDUCTIONS (continued)				
D1	<p>Work-related car expenses (continued)</p> <p>Note: further details on what records need to be maintained under the log book method are available on the ATO website.</p> <p>Note: review a valid logbook to ensure that it is representative of the client's circumstances for the 2018 year. If a log book relates to an earlier year ask if circumstances changed during the 2018 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).</p>			
D2	<p>Work-related travel expenses</p> <p>Travel expenses claimed at item D2 include:</p> <ul style="list-style-type: none"> • 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 some panel vans • expenses incurred on petrol repair and maintenance costs on a car that is not owned or leased by the client but some other person. <p>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:</p> <ul style="list-style-type: none"> • 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 more than six nights away from home). <p>Note: further details as to when work-related travel may be deductible is set out in <i>Draft Taxation Ruling TR 2017/D6</i> and <i>Taxation Ruling TR 95/34</i>.</p> <p>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.</p> <p>Note: refer to <i>Taxation Ruling TR 2004/6</i> and <i>Taxation Determination TD 2017/19</i> for details on what constitutes reasonable travel and overtime meal expense amounts for the 2018 year.</p> <p>Note: a claim cannot be made in relation to travel expenses in respect of a vehicle which constitutes a car fringe benefit under the <i>Fringe Benefits Tax Assessment Act (1986)</i>.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
DEDUCTIONS (continued)				
D3	<p>Work-related uniform, occupation specific or protective clothing, laundry and dry cleaning expenses</p> <p>The purchase and laundering of the following clothing may be deductible:</p> <ul style="list-style-type: none"> protective clothing and safety footwear: clothing or footwear that is specifically designed to protect against risk of death, disease, injury or damage or 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 or non-compulsory uniform: non-mandated uniform or clothing which clearly identifies an individual's employer which is registered with AusIndustry or occupation specific clothing: clothes that identify a person as a member of a specific profession, trade, vocation, occupation or calling and which are not for everyday use. <p>Refer to <i>Taxation Ruling TR 98/5</i> for further details.</p> <p>The client must have receipts, invoices or other written evidence (such as diary records) in relation to laundry and dry cleaning expenses if the amount of any claim is greater than \$150 or if the total claimed for work-related expenses exceed \$300. 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 of other laundry items were included. Further information is available on the ATO website.</p> <p>Note: 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.</p>			
D4	<p>Work-related self-education expenses</p> <p>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 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. For further details of eligibility requirements and types of deductions available refer to <i>Taxation Ruling TR 98/9</i>.</p> <p>Note: clients are unable to claim fees for courses that only relate to the client's current employment in a general way or which are undertaken to help gain new employment or an initial qualification.</p> <p>Note: the ATO pays particular attention to these items so ensure that all claims can be substantiated appropriately. Note also that \$250 of eligible self-education expenditure is not allowable.</p> <p>Note: deductions for self-education costs cannot be offset against Government assistance programs including Austudy, ABSTUDY and youth allowance.</p> <p>Note: deductions for the cost of formal education courses provided by professional associations and seminars, education workshops or conferences connected to work should be disclosed at Item D5 concerning 'Other work-related expenses'.</p>			

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Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
DEDUCTIONS (continued)				
D5	<p>Other work-related expenses</p> <p>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, work-related computer and 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.</p> <p>Note: 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 45 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 <i>Taxation Ruling TR 93/30</i> for further information on eligible home office expenses.</p> <p>Note: the ATO is continuing to focus on excessive work-related expense claims and the Federal Government announced in the Federal Budget on 8 May 2018 that the Federal Government would provide \$130.8 million to the ATO from 1 July 2018 to increase compliance activities targeting individuals and their tax agents which includes additional funding for audit activity. 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.</p> <p>Note: the ATO has issued a range of general guides 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.</p>			
D6	<p>Low-value pool deduction</p> <p>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 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 2017.</p> <p>Note: once a client has allocated a low-cost asset to a low-value pool all low-cost assets subsequently acquired must be allocated to that pool.</p> <p>Note: certain assets cannot be pooled including non-business assets costing \$300 or less, certain portable electronic devices, horticultural plants, assets previously depreciated under the prime cost method and assets subject to the small business entity depreciation rules.</p>			
D7	<p>Interest deductions</p> <p>Eligible deductions include bank charges and interest on funds borrowed to purchase interest bearing investments.</p> <p>Cannot be claimed unless interest income at question 10.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
DEDUCTIONS (continued)				
D8	<p>Dividend deductions</p> <p>Eligible deductions include interest charged on funds borrowed to purchase shares or similar investments and the purchase of specialist investment journals or subscriptions.</p> <p>Cannot be claimed unless dividend income at question 11.</p>			
D9	<p>Gifts or donations</p> <p>Ensure that all donations have been made to endorsed deductible gift recipients 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.</p> <p>Note: for gold-coin donations (bucket collections) the client can claim a deduction equal to the contribution, up to \$10 total, without a receipt.</p> <p>Note: section 26-55 of the <i>Income Tax Assessment Act 1997</i> (ITAA 1997) limits the amount of the donation deduction as the making of a deductible gift cannot create or increase a tax loss. Where the deductible donation amount exceeds this limit, you may elect to carry forward the donation deduction and claim this over a maximum of five years (for certain gifts where the conditions of subdivision 30DB of the ITAA 1997 are met).</p>			
D10	<p>Cost of managing tax affairs</p> <p>Any deductions for the cost of managing tax affairs allowable to the client under section 25-5 of the <i>Income Tax Assessment Act (1997)</i> are claimed at Item D10.</p> <p>The following amounts should be respectively disclosed at Labels N, L and M of Item D10:</p> <p>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.</p> <p>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.</p> <p>Label M – Other expenses incurred in managing the client’s tax affairs, including the preparation and lodgment 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).</p> <p>Note: a recognised tax adviser is a registered tax agent, barrister or solicitor.</p> <p>Note: any amount incurred for income tax advice provided by a person who is not a recognised tax adviser is not deductible.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
DEDUCTIONS (continued)				
D10	<p>Cost of managing tax affairs (continued)</p> <p>Note: the ATO confirmed in <i>Taxation Determination TD2017/8</i> that the cost of travelling to have a tax return prepared by a recognised tax adviser is deductible under section 25-5 of the <i>Income Tax Assessment Act (1997)</i>. 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.</p>			
SUPPLEMENT DEDUCTIONS				
D11	<p>Deductible amount of undeducted purchase price of a foreign pension or annuity</p> <p>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).</p> <p>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.</p>			
D12	<p>Personal superannuation contributions</p> <p>An individual will be entitled to a deduction for personal superannuation contributions provided such contributions are received by a complying superannuation fund or retirement savings account (RSA) in the year ended 30 June 2018 and the following conditions are all satisfied:</p> <ul style="list-style-type: none"> • 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 2018 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 an intention to claim a deduction to their complying superannuation fund or RSA in respect of the personal superannuation contribution made during the 2018 year. Such a notice must be provided by the earlier of the date on which the individual lodges their 2018 income tax return or 30 July 2019. In addition, the trustee of the fund or RSA must provide the individual with a written acknowledgement in respect of the notice received • 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 2018 year that they have elected to treat all member contributions as being non-deductible. <p>Note: an individual should consult an appropriately licensed financial planner to consider the merits of maximising concessional superannuation contributions by 30 June 2018 if the cap has not been fully utilised for that year.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
SUPPLEMENT DEDUCTIONS (continued)				
D12	<p>Personal superannuation contributions (continued)</p> <p>Note: from 1 July 2017, the requirement that an individual be either self-employed or substantially self-employed in order to claim a deduction for personal superannuation contributions has been removed. Accordingly, employees will no longer be prevented from claiming a deduction for personal superannuation contributions in the 2018 year (or in subsequent years). This is because the condition that an individual must derive less than 10% of their total assessable income, reportable fringe benefits and reportable employer superannuation contributions from employment activities has been repealed.</p> <p>Note: individuals seeking to claim personal superannuation contributions must expressly answer a question at item D12 confirming that the individual has provided the fund or RSA with a written notice of an intention to claim a deduction for personal superannuation contributions, and that the individual has received an acknowledgement such a notice has been received by the fund or RSA. A deduction cannot be claimed for such contributions until both of these conditions have been satisfied.</p> <p>Note: in claiming a deduction for personal superannuation contributions care should be taken to avoid breaching the annual superannuation concessional contributions cap, which is \$25,000 for all individuals for the year ended 30 June 2018 regardless of age.</p> <p>Note: 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.</p> <p>Note: 'Division 293 tax' imposes an additional 15% tax on concessional contributions where the total of the individual's adjusted taxable income and low tax contributions exceed \$250,000 for the year ended 30 June 2018 (rather than when such an amount exceeded \$300,000 as was the case in prior years).</p> <p>Note: a deduction for personal superannuation contributions cannot create or increase a tax loss pursuant to section 26-55 of the <i>Income Tax Assessment Act (1997)</i>.</p>			
D13	<p>Deduction for project pool</p> <p>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).</p> <p>Note: the scope of eligible project expenditure under this deduction is very limited. Details of eligible project amounts can be found on the ATO website.</p>			
D14	<p>Forestry managed investment scheme (FMIS) deduction</p> <p>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.</p> <p>Note: further details on the FMIS rules are summarised on the ATO website.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
SUPPLEMENT DEDUCTIONS (continued)				
D15	<p>Other deductions</p> <p>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 personal services income loss of a PSE; self-education expenses related to satisfying the study requirements of the taxable scholarship; and business capital expenditure deductible under the blackhole costs of section 40- 880 of the <i>Income Tax Assessment Act (1997)</i>.</p>			
SUPPLEMENT LOSSES				
L1	<p>Tax losses of earlier income years</p> <p>Note: 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.</p>			
SUPPLEMENT TAX OFFSETS				
T1	<p>Senior Australians and pensioners (includes self-funded retirees)</p> <p>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.</p> <p>Note: further details on the eligibility conditions are available on the ATO website.</p>			
T2	<p>Australian superannuation income stream</p> <p>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 of the income stream which should be shown on the taxpayer's "PAYG payment summary – superannuation income stream".</p>			
T3	<p>Superannuation contributions on behalf of your spouse</p> <p>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, reportable fringe benefits and reportable employer superannuation contributions is less than \$37,000. 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.</p> <p>Note: the offset is 18% of eligible contributions of up to \$3000. 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 2018 year, or where the spouse's total superannuation balance exceeds the general transfer balance cap of \$1.6 million as at 30 June 2017.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
SUPPLEMENT TAX OFFSETS (continued)				
T4	<p>Zone or overseas forces</p> <p>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.</p> <p>Note: 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.</p> <p>Note: 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 '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.</p>			
T5	<p>Total net medical expenses for disability aids, attendant care or aged care</p> <p>From 1 July 2015 claims under this offset are limited to net eligible medical expenses for disability aids, attendant care or aged care.</p> <p>Disability aids are items of property manufactured as an aid to the functional capacity for person with a disability (but which does not include ordinary household or commercial appliances).</p> <p>Attendant care is care provided to a person with certain disabilities to assist with everyday living such as the provision of personal assistance, home nursing, home maintenance and domestic services to a person who is blind or permanently confined to a bed or wheelchair.</p> <p>Aged care expenses relate to services and accommodation provided by an approved aged care provider to a person who is a care recipient as defined under the <i>Aged Care Act (1997)</i>.</p> <p>The gross cost of such expenses must be reduced by refunds the taxpayer received or is entitled to receive from the National Disability Insurance Scheme or a private health insurance fund to determine the net medical expenses of an individual and/or certain dependants.</p> <p>A 20% offset will be available where the total of eligible net medical expenses of a taxpayer (and dependants) exceeds \$2,333 for individuals whose adjusted taxable income is equal to or less than \$90,000 for singles or \$180,000 for families for the 2018 year. For taxpayers with adjusted taxable income above \$90,000 for singles, or \$180,000 for families, a 10% offset will be available for net medical expenses of a taxpayer (and dependants) exceeding \$5,504 for the 2018 year. The family income threshold is increased by \$1,500 for each dependent child after the first child.</p> <p>Note: the tax offset is being phased-out and will be abolished from 1 July 2019.</p>			
T6	<p>Invalid and invalid carer</p> <p>Tax offset is only available where the taxpayer maintains an invalid or an invalid carer who is an eligible dependant. In addition, access to the offset is income tested where the combined adjusted taxable income is more than \$100,000 for the 2018 year.</p>			
T7	<p>Landcare and water facility</p> <p>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.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
SUPPLEMENT TAX OFFSETS (continued)				
T8	<p>Early stage venture capital limited partnership</p> <p>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.</p> <p>Note: a summary of the various eligibility rules concerning the tax offset are available on the ATO website.</p> <p>Note: 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 2017 which may be available to be utilised.</p>			
T9	<p>Early stage investor</p> <p>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 2018 year. Special rules must be met by both the investor and the ESIC before this offset will be available. Broadly, 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 (or \$10,000 if that person is not a sophisticated investor). Any unused portion of the offset may be potentially carried forward to subsequent years.</p> <p>Note: a summary of the various eligibility rules concerning the tax offset are available on the ATO website.</p>			
T10	<p>Other non-refundable tax offsets</p> <p>Check whether the taxpayer is eligible for the non-refundable low-income tax offset (LITO) which is available for resident taxpayers that have a taxable income of less than \$66,667 for the 2018 year. The maximum tax offset is \$445 which is available to a taxpayer whose taxable income is \$37,000 or less and which is reduced by 1.5 cents for each dollar over \$37,000. This offset does not need to be disclosed in the income tax return as it will be automatically calculated by the ATO.</p> <p>Note: since 1 July 2012 minors (i.e. children under 18 years of age) have not been eligible to receive the LITO to reduce tax payable in respect of income (e.g. investment income) subject to tax under Division 6AA of the <i>Income Tax Assessment Act (1936)</i>.</p> <p>Note: the Federal Government proposed in the 2018-19 Federal Budget on 8 May 2018 that a new non-refundable low and middle-income tax offset would be introduced from the year ended 30 June 2019. This proposed offset would provide an additional tax offset of \$200 for taxpayers with a taxable income of \$37,000 or less; the value of the \$200 offset will further increase by 3 cents for each dollar for taxpayers deriving taxable income between \$37,000 and \$48,000 up to a maximum tax offset of \$530; a tax offset of \$530 will be available for those taxpayers with a taxable income between 48,001 and \$90,000; and the \$530 offset will phase out at a rate of 1.5 cents per dollar for every dollar between \$90,001 and \$125,333. The proposed new low and middle-income tax offset is included in the <i>Treasury Laws Amendment (Personal Income Tax Plan) Bill 2018</i> which addresses the Federal Government's broader seven year personal tax reform package, which is yet to be enacted by the Parliament.</p> <p>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.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
SUPPLEMENT TAX OFFSETS (continued)				
T11	<p>Other refundable tax offsets</p> <p>Tax offsets are available to certain beneficiaries of special disability trusts for tax paid by the trustee, and for exploration credits received during the income year where the taxpayer was an Australian resident for the whole of the income year.</p> <p>Note: further details of eligibility conditions which must be satisfied to claim the above tax offsets can be found on the ATO website.</p>			
MEDICARE LEVY RELATED ITEMS				
Check that spouse and child details (if any) are included to ensure that all questions on the Medicare levy are correctly answered.				
M1	<p>Medicare levy reduction or exemption</p> <p>Available for low income individuals / families and other prescribed persons.</p> <p>Note: no Medicare levy is payable for the 2018 year if taxable income for a resident individual whose taxable income does not exceed \$21,980 or for a married couple with no children whose taxable income does not exceed \$37,089. The income threshold for a married couple is increased by \$3,406 for each dependent child or student.</p>			
M2	<p>Medicare levy surcharge (MLS)</p> <p>The Medicare levy surcharge is payable in addition to the Medicare Levy if a taxpayer and at least one dependant 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 2018 year. Furthermore, 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% for the 2018 tax year, 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 2018 year. The income threshold for a family for surcharge purposes is increased by \$1,500 for each dependent child after the first child.</p> <p>Note: Total surcharge income comprises taxable income, reportable fringe benefits, reportable superannuation contributions, any net investment loss and the net amount on which any family trust distribution tax has been paid.</p>			
	<p>Private health insurance policy details</p> <p>Obtain details of the client's 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.</p> <p>Note: 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.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	Section of the Income Tax Return	Column 1 (A) (S) (N/A)	Column 2 WP (Y or N)	Column 3 Attachment (Y or N)
ADJUSTMENTS				
A1	<p>Under 18</p> <p>Requires minors under the age of 18 at 30 June 2018 to include certain income (e.g. net business and employment income, certain taxable pensions or income from a deceased estate) at this item which should not be subject to punitive higher tax rates under Division 6AA of the <i>Income Tax Assessment Act (1936)</i>.</p>			
A2	<p>Part-year tax-free threshold</p> <p>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 2018 year at Label N.</p>			
A3	<p>Government super contributions</p> <p>Concerns eligibility for the superannuation co-contribution payment or the low-income superannuation offset.</p> <p>Note: 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, the individual was under 71 years of age as at 30 June 2018 and their eligible total income was less than \$51,813. Total income for these purposes is the sum of the person's assessable income, reportable fringe benefits total and reportable employer superannuation contributions, 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 \$1.6 million general transfer balance cap as at 30 June 2017.</p> <p>Note: 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.</p>			
A4	<p>Working holiday maker net income</p> <p>Check whether the client was on a 417 or 462 working holiday visa between 1 July 2017 and 30 June 2018. Where this is the case the client needs to calculate any working holiday net income for this period. Such income will be taxed at 15% up to \$37,000 and all other income will be taxed according to the client's residency status.</p> <p>Note: further details on these rules is available on the ATO website.</p>			
A5	<p>Amount on which family tax distribution tax has been paid</p> <p>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 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.</p>			
C1	<p>Credit for interest on tax paid</p> <p>Credit for interest on early payments of tax – amount of interest.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	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 TESTS				
IT1	<p>Total reportable fringe benefits amount</p> <p>Disclose if the reportable fringe benefits amount that you have received is \$3,773 (grossed up value) or more.</p> <p>Note: This amount will appear on the payment summary.</p>			
IT2	<p>Reportable employer superannuation contributions</p> <p>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.</p> <p>Note: this amount will appear on the payment summary.</p>			
IT3	<p>Tax-free government pensions</p> <p>Disclose if you have received pensions which you do not need to pay tax on (e.g. certain pensions [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 <i>Military Rehabilitation and Compensation Act (2004)</i>)</p> <p>Note: do not include any amounts treated as assessable income under Items 5 and 6.</p>			
IT4	<p>Target foreign income</p> <p>Disclose if you have received income from sources outside Australia that is neither part of your taxable income nor received as a fringe benefit.</p> <p>Note: 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.</p> <p>Note: show all foreign income in Australian dollars.</p>			
IT5	<p>Net financial investment loss</p> <p>Disclose the loss amount by which your financial investment deductions exceeded your financial investment income on any particular investment.</p> <p>Note: this item is not about capital losses.</p> <p>Obtain account statements or other documentation from your financial institution or other sources that show your financial investment income or loss. If you are a partner in a partnership you will need a statement or advice showing the amount of net financial investment income or loss.</p>			
IT6	<p>Net rental property loss</p> <p>Disclose the rental property loss by which your rental deductions exceeded your rental income. The ATO will calculate the net rental property loss from information provided in the return.</p> <p>Note: you are still able to claim allowable tax deductions for expenditure on your rental properties. For more guidance refer to CPA Australia's 2018 Residential rental property checklist.</p>			

Individual Tax Return Checklist 2018

Tax Return Reference	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 TESTS (continued)				
IT7	<p>Child support you paid</p> <p>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 2018 income year.</p>			
IT8	<p>Number of dependent children</p> <p>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.</p>			
Other information	<p>Spouse details – married or de facto</p> <p>Disclose all requested 2018 information regarding your spouse.</p> <p>Note: as there is certain information requested which relates to your spouse's 2018 income tax return, you should prepare and finalise both returns in conjunction with each other in order to disclose accurate information.</p>			
<p>REMINDER</p> <p>Have you compared the pre-filled information provided by the client on the ATO portal with other information used to prepare the client's tax return and reconciled any differences?</p>				