

2008 Individual Tax Return Checklist



This checklist has been prepared by CPA Australia to assist public practice members in discharging their obligations in preparing 2008 individual tax returns.

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

Step 1	Obtain a copy of the Prior Year Return.
Step 2	Confirm that the Front Cover of Prior Year Return has not altered, including Bank Account Details.
Step 3	Complete the Checklist.

Legend:

- Column 1:** Column 1 requires the user to indicate whether they were either Advised ('A') of the information or Sighted ('S') documentation or whether No Substantiation is required ('N/A').
- Column 2:** Column 2 requires the user to indicate whether an additional work paper (W.P.) 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	Salary or Wage Obtain and attach PAYG payment summaries.			
2	Allowances, Earnings, Tips, Director's fees, etc. Receipt of an allowance does not automatically entitle an employee to a deduction for expenditure to which the allowance relates (e.g. tool allowance).			
3	Employer Lump Sum Payments These payments are in respect of unused annual and long service leave paid out on termination of employment. Label A and B of the client's PAYG payment summary should contain the relevant information. Also, obtain and attach a copy of a statement of termination from the client's employer.			
4	Employment Termination Payments (ETP's) Obtain and attach any ETP payment summaries and employer termination statements.			
5	Australian Government Allowances and payments like Newstart, youth allowance and austudy payment Provide details of all Youth Allowance, Newstart, Sickness Allowance or Special Benefit, or other educational or training allowances.			
6	Australian Government Pensions and other Allowances			
7	Other Australian Pensions or Annuities – including superannuation pensions Obtain details of taxable and rebatable components of pension.			

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8	<p>Australian superannuation lump sum payments</p> <p>Superannuation lump sums paid from a taxed source to a person aged 60 or over are tax free. Lump sums paid to persons under 60 are still taxable.</p> <p>Obtain details of recipients age and amount of the lump sum payment.</p>			
9	<p>Attributed Personal Services Income</p> <p>Obtain all Payment Summaries – personal services attributed income and details of any other personal services attributed to the taxpayer.</p> <p>Note: Consider application of the personal services income attribution rules in relation to any income derived by an interposed entity that is personal services income of the individual. Refer to <i>TR 2003/16: Attribution of Personal Services Income</i> for an explanation of the rules.</p>			
10	<p>Total Reportable Fringe Benefits Amounts</p> <p>Source this information from relevant payment summaries.</p>			
11	<p>Gross Interest</p> <p>Interest that is received or credited in a year is taxable. Care should be taken to gross interest up where TFN withholding tax has been deducted.</p>			
12	<p>Dividends</p> <p>Unfranked, partly franked and fully franked dividends are assessable for taxation purposes.</p> <p>Tax Tip – Where a reinvestment program has been entered into the value of that dividend reinvestment is taxable. Carefully consider the taxation implications of bonus share issues to individuals.</p>			
Supplement Income or Loss				
13	<p>Partnerships and Trusts</p> <p>Details of the partnership, trust or a managed investment trust fund payment and type of income received are required. Carefully identify tax credits that may be utilised.</p>			
14	<p>Personal Services Income</p> <p>Is the client a sole trader? If yes, ask client if they received income predominantly (80% or more) from the one source and did not have a Personal Services Business Determination in place. If this is the case then the Business and Professional items section should be completed.</p> <p>Note: If you derived income from business and you are a Small Business Entity (formerly known as the simplified tax system (STS)) you may be eligible to claim the entrepreneurs tax offset.</p> <p>Note: There are special rules for the tax treatment of personal services income earned by sole traders including contractors and consultants. Reference should be had to the ATO publication <i>Business and professional items</i> (NAT 2543) before completing this section.</p>			

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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 13), complete and attach a business and professional items schedule.</p> <p>Note: Reference should be had to the ATO publication <i>Business and professional items</i> (NAT 2543) before completing this section.</p>			
16	<p>Deferred Non-Commercial Business Losses</p> <p>This item relates to losses made from activities that constitute carrying on a business (e.g. sole trader or partnership) from 1 July 2000. 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 source income) or meet one of the four exemption tests, or have the Commissioner exercise his discretion to allow the loss.</p>			
17	<p>Net Farm Management Deposits or Withdrawals</p> <p>This item is for primary producers only.</p>			
18	<p>Capital gains</p> <p>Obtain a description of the asset, the purchase date, the purchase cost, the date and amount of any expenditure incurred by the taxpayer that forms part of the asset's cost base, the sale date, and the sale proceeds amount.</p> <p>Take account of rules applicable to assets sold from 21 September 1999 (i.e. removal of CGT averaging, 50% CGT discount method and freezing of indexation as at 30 September 1999).</p> <p>Tax Tip: Capital losses are applied against gross capital gains before discount is applied.</p>			
19	<p>Foreign Entities</p>			
20	<p>Foreign Source Income and Foreign Assets or Property</p> <p>Obtain details of country, amount received, exchange rate utilised, foreign tax withheld. Care must be shown with foreign source salary and wage income that may be exempt from tax.</p>			
21	<p>Rent*</p> <p>Obtain details of:</p> <ul style="list-style-type: none"> • Rental income earned • Interest charged on money borrowed for the rental property • Details of other expenses relating to the rental property • Details of any capital works expenditure to the rental property <p>Borrowing costs are claimed over the life of the loan or five years, whichever is the lesser.</p> <p>Assess whether the client can claim a deduction for the construction costs of the property, or any structural improvements.</p>			

*For more information on this topic, refer to the CPA Australia Residential Rental Property Checklist.

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22	<p>Bonuses from Life Companies and Friendly Societies</p> <p>Obtain documentation 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 a rebate can be claimed.</p>																			
23	<p>Forestry managed investment scheme income</p> <p>Have managers of forestry schemes included the investors' contributions in their assessable income in the year in which the deduction is first available to the investor for those contributions?</p>																			
24	<p>Other income</p> <p>Ask client whether they received any other benefit / income during the year that has not been discussed. Examples include:</p> <ul style="list-style-type: none"> • A non-qualifying component of an ETP • Discounts on shares or rights received under an employee share scheme • Lump sum payments in arrears • Foreign exchange gains • Royalties • Scholarships, bursaries, grants • Any assessable balancing adjustments on depreciating assets • Jury service fees 																			
Deductions																				
D1	<p>Work related car expenses</p> <p>The four methods available are:</p> <p>1. Cents per kilometre method</p> <p>Claim is based on a set rate for each business kilometre travelled. Rates are based on the vehicle's engine capacity. Taxpayer is able to claim costs by applying the set rate up to a maximum of 5,000 business kilometres. The rates for the 2008 year are as follows:</p> <table border="1" data-bbox="357 1556 1050 1711"> <thead> <tr> <th>Engine capacity (non-rotary)</th> <th>Rate per kilometre</th> </tr> </thead> <tbody> <tr> <td>Up to 1600cc</td> <td>58 cents</td> </tr> <tr> <td>1,601 to 2,600cc</td> <td>69 cents</td> </tr> <tr> <td>Over 2,600cc</td> <td>70 cents</td> </tr> </tbody> </table> <table border="1" data-bbox="357 1736 1050 1890"> <thead> <tr> <th>Engine capacity (rotary)</th> <th>Rate per kilometre</th> </tr> </thead> <tbody> <tr> <td>Up to 800cc</td> <td>58 cents</td> </tr> <tr> <td>801 to 1,300cc</td> <td>69 cents</td> </tr> <tr> <td>Over 1,300cc</td> <td>70 cents</td> </tr> </tbody> </table> <p>2. 12% of original value method</p> <p>Claim is based on 12% of the original value of the car. Maximum car value that can be claimed is \$57,123.</p> <p>The taxpayer's car must have travelled greater than 5,000 business kilometres.</p>	Engine capacity (non-rotary)	Rate per kilometre	Up to 1600cc	58 cents	1,601 to 2,600cc	69 cents	Over 2,600cc	70 cents	Engine capacity (rotary)	Rate per kilometre	Up to 800cc	58 cents	801 to 1,300cc	69 cents	Over 1,300cc	70 cents			
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D1 (continued)	<p>3. One-third of actual expenses method</p> <p>Claim is based on one third of car expenses. Examples of car expenses include fuel, repairs, maintenance, registration, lease costs, depreciation, interest on borrowings, car wash and parking.</p> <p>The taxpayer's car must have travelled greater than 5,000 business kilometres.</p> <p>4. Logbook method</p> <p>Claim is based on the business use percentage of car expenses. Ensure log kept for 12 consecutive weeks and business use percentage did not vary more than 10%. The resulting business use percentage may then be applied to all car expenses to calculate a deductible amount.</p>			
D2	<p>Work related travel expenses</p> <p>Domestic Travel</p> <p>Generally requires client to sleep away from home. Expenses include meals, accommodation, car hire and incidentals, such as tolls, parking and hire of third party vehicles.</p> <p>Overseas Travel</p> <p>Must obtain documentary evidence as well as diary. Substantiation is not required where 'reasonable allowance' paid to employee for accommodation (domestic only), food, drink and incidentals if allowance within ATO limits.</p> <p>(Refer to Taxation Ruling TR 2003/7 & TR 2004/6)</p>			
D3	<p>Work related uniform, occupation specific or protective clothing, laundry and dry cleaning expenses</p> <p>Protective clothing and safety footwear – clothing or footwear that is specifically designed to protect, or:</p> <ul style="list-style-type: none"> • Compulsory uniforms – non-conventional clothing that the employee is compelled to wear; or • Occupational-specific – clothing that identifies a person as a member of a specific profession, trade, vocation, occupation, or calling <p>Substantiation not necessary for reasonable claims up to \$150 in respect of above mentioned clothing. Refer to TR 94/22 and TR 98/5.</p> <p>Tax Tip: you can only claim laundry and dry cleaning expenses in respect of work-related uniforms and occupation specific clothing.</p>			
D4	<p>Work related self-education expenses</p> <p>Examples include student union fees, books, stationery, consumables, travel, and depreciation. For further details of eligibility requirements and types of deductions available, refer to Taxation Ruling 98/9</p> <p>Tax Tips: the ATO pays particular attention to these items, so ensure that all claims can be substantiated appropriately. Note also that the first \$250 expenditure is not allowable.</p>			

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D5	<p>Other work related expenses</p> <p>Examples include union fees, seminars, overtime meals, home office, telephone, subscriptions, briefcase, calculator, electronic organiser, and assets not exceeding <\$300.</p> <p>Note: Deductions differ for a home office depending on whether it is a place of business against that of an office used away from the normal workplace. If the appropriate diary has been maintained, you can use the cents per hour method (currently 26 cents) when calculating the amount of the deduction for additional running expenses able to be claimed.</p> <p>Refer to Taxation Ruling TR 93/30</p>			
D6	<p>Low value pool deduction</p>			
D7	<p>Interest and dividend deductions</p> <p>Cannot be claimed unless income at question 10 or 11.</p>			
D8	<p>Gifts or donations</p> <p>Ensure that all donations are endorsed deductible gift recipients and that the client did not receive any tangible benefit from making the donation.</p>			
D9	<p>Cost of managing tax affairs</p> <p>Note: This also includes GIC and travel to tax agent.</p>			
Supplement Deductions				
D10	<p>Australian film Industry incentives</p>			
D11	<p>Deductible amount of undeducted purchase price of a foreign pension or annuity</p>			
D12	<p>Personal superannuation contributions</p> <p>Strict rules apply to when an employee can claim a tax deduction. Following recent changes, a self-employed taxpayer may be able to claim all their contributions to a complying superannuation fund as fully tax deductible up to age 75, provided no more than 10 per cent of their assessable income or reportable fringe benefits is attributable to their employment as an employee.</p>			
D13	<p>Deduction for project pool</p> <p>Relates to certain capital expenditure incurred after 30 June 2001 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 nor form part of the cost of a depreciating asset).</p>			

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D14	<p>Forestry managed investment scheme deduction</p> <p>Initial investors in forestry managed investment schemes (forestry schemes) will receive a tax deduction equal to 100 per cent of their contributions.</p> <p>Subsequent investors will receive a tax deduction for their ongoing contributions to forestry schemes, provided that at least 70 per cent of the scheme manager's expenditure under the scheme is expenditure attributable to establishing, tending and felling trees for harvesting (direct forestry expenditure or DFE).</p>			
D15	<p>Other deductions</p> <p>For example, blackhole expenditure, accident and sickness insurance premiums.</p>			
Losses				
L1	<p>Tax losses of earlier income years</p> <p>Tax Tip: A superannuation deduction cannot increase a carry forward loss.</p> <p>Ensure that there is a split between Primary and Non Primary production losses where applicable.</p>			
Tax Offsets				
T1	<p>Spouse (without dependent child or student), child-housekeeper, or housekeeper</p> <p>Enquire as to whether the client had a dependent spouse (de facto or married), a child-housekeeper, or a housekeeper. If they did, obtain the separate net income of the dependent to determine how much offset can be obtained.</p>			
T2	<p>Senior Australians (includes age pensioners, service pensioners and self-funded retirees)</p>			
T3	<p>Pensioner</p> <p>Do not complete this if you completed T2 Senior Australians.</p>			
T4	<p>Superannuation, annuity and pension</p> <p>A tax offset for non-deductible superannuation contributions is available for certain low income employees. An offset can also be claimed in respect of certain annuity/pension payments.</p>			
T5	<p>Private health insurance</p> <p>Obtain details of client's health fund and ascertain whether the 30% rebate was claimed via the fund or from Medicare before determining whether an offset can be claimed through the return.</p>			
T6	<p>Ongoing baby bonus claim</p> <p>Tax Tip: Only relevant if your client had a baby or gained legal responsibility of a child aged under five between 1 July 2001 and 30 June 2004.</p>			

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Supplement Tax Offsets				
T7	<p>Superannuation contributions on behalf of your spouse</p> <p>Client can claim rebate on superannuation contributions made on behalf of a spouse where the aggregate amount of the spouse's assessable income and reportable fringe benefits does not exceed \$13,800.</p> <p>A full 18% rebate is available for contributions of up to \$3,000 where the spouse's aggregate amount is \$10,800 or less. The rebate reduces for every \$1 in excess of \$10,800 and phases out if the spouse's aggregate amount exceeds \$13,800.</p> <p>Tax Tip: The maximum rebate that can be claimed is \$540.</p>			
T8	<p>Zone or overseas forces</p> <p>If the client lived or worked in a remote or isolated area of Australia, or served overseas as a member of Australia's Defence Forces, they may be eligible for this offset.</p>			
T9	<p>20% tax offset on net medical expenses over the threshold amount</p> <p>Obtain details of gross medical expenses (and subtract related refunds the taxpayer received or is entitled to receive from Medicare or a private health fund).</p> <p>The 20% rebate will be available where the total of all the net medical expenses of a taxpayer (and dependents) exceeds \$1,500.</p> <p>Tax Tip: The rebate applies to most medical and related therapeutic treatment of a taxpayer and dependents</p>			
T10	<p>Parent, spouse's parent or invalid relative</p> <p>Tax offset only available where parent, etc. resides in Australia and is a dependent maintained by the taxpayer.</p>			
T11	<p>Landcare and water facility rebate</p> <p>30% tax offset for one third of eligible expenditure in lieu of deduction for eligible expenditure.</p>			
T12	<p>Net income from working</p>			
T13	<p>Entrepreneurs tax offset</p> <p>25% tax offset is available if taxpayer is a small business entity and the aggregated turnover of the individual's business is less than \$50,000. If the aggregated turnover exceeds \$50,000, the offset is phased out until it reaches \$75,000.</p>			
T14	<p>Other tax offsets</p>			

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)
Medicare Levy Related Items				
M1	<p>Medicare levy reduction or exemption</p> <p>Available for low income individuals/families and other prescribed persons.</p>			
M2	<p>Medicare levy surcharge</p> <p>Note: this item is compulsory.</p> <p>Applicable to individuals/families on higher incomes who do not have private patient hospital cover. Individuals and couples are liable to the surcharge when their taxable income and reportable fringe benefits exceed \$50,000 and \$100,000 respectively.</p>			
Adjustments				
A1	<p>Under 18</p> <p>Special tax on unearned income of minors.</p>			
A2	<p>Part year tax free threshold</p> <p>Completed for students entering the workforce and taxpayers who were Australian residents for part of the income year.</p>			
A3	<p>Amount on which family tax distribution tax has been paid</p> <p>Relevant where a trust, company, or partnership within a 'family group' has distributed to an entity outside the family group.</p>			
C1	<p>Credit for interest on tax paid</p> <p>Credit for interest on early payments - amount of interest.</p>			

Note: Have you considered the ATO Portal to check whether pre-filled information provided by the ATO in respect of payments and other details have been included in the preparation of the individual tax return?