

## Your tax obligations

INDIVIDUAL taxpayers are required to lodge an income tax return if assessable income from any source was received during the year ended June 30 2005 (refer to page 2 of *TaxPack 2005*).

When preparing the 2005 income tax return, ADF members should review *TaxPack 2005* and *TaxPack 2005 Supplement* carefully and follow the appropriate instructions in order to complete their return correctly.

### Retention of records

It is important to note that as a taxpayer, you are required by law to keep certain tax records for a period of five years in the event that the particular income tax year needs to be revisited for review or the ATO requires certain information at some later date.

For capital items on which you claim a capital allowance, you must keep records for the entire period over which you claim a capital allowance. Records must be kept for a further five years from the date of the last claim on the item.

Supporting documents and records of all the purchase costs of items such as shares or an investment property, should be kept for use in the calculation of capital gains or loss when the asset is sold. All records should be kept for five years from the year the sale was reported in your tax return.

### TaxPack lodgement or E-Tax

ADF members should lodge their returns at the nearest branch of the ATO on or before October 31 2005. Page 113 of *TaxPack 2005* has further details showing where returns should be lodged. If a registered tax agent completes and lodges the return, different lodgement deadlines apply.

ADF members may use the ATO's secure electronic tax return preparation and lodgement software, *e-tax 2005*, instead of *TaxPack 2005* to prepare and lodge their income tax returns. This Internet software program will take members through an on-screen interview, complete their tax returns and provide an estimate of any tax payable or refund applicable. Tax returns lodged via e-tax will generally be processed within 14 days. More information on e-tax can be found on the ATO's website at e-tax essentials.

ADF members lodging their own returns may apply to the ATO for an extension of time if they are unable to lodge their returns by the due date. Reasons for the failure to lodge the return by the due date should be sent in writing to the branch of the ATO where you last lodged. An extension will not necessarily be granted if the reasons provided are not considered adequate. Penalties may be imposed for late lodgement. ADF members on an overseas deployment may be able to obtain an extension to lodge their return where their circumstances make this necessary.

The ADF member is required to sign the return and any relevant declarations. An income tax return is not considered lodged until it is correctly completed and received by the ATO.

If members lose their original payment summary, they should contact Defence Force Pay Accounting Centre (DEFPAC) direct to obtain a copy and other documentation that will need to be supplied to the ATO. If members consider there is an error in, or an omission from, their payment summary, they should contact DEFPAC and request a pro-forma to be issued to correct the information.

If a member considers that the reportable fringe benefits amount on their payment summary is incorrectly reported, they should contact DTMO in the first instance. The members must state in their email to DTMO their name, service number, amount on the payment summary, and detailed reasons why they consider the amount is incorrect. DTMO will investigate the query and inform DEFPAC of any corrections so that they can issue a revised payment summary to the member. DTMO and DEFPAC aim to have a turnaround time of 15 working days. Therefore your co-operation and provision of timely detailed explanation will assist in expediting the process.

From page 15

The amount you receive in later years is subject to income earned in the years after you become responsible for the child and the amount of tax paid in the base year.

Instructions on claiming the baby bonus are detailed at pages 96-97 of *TaxPack 2005*.

Who is it for?

If you had a baby or you gained legal responsibility of a child aged under five (for example, through adoption), after June 30 2001 – whether or not you already have other children – you could receive the baby bonus.

The baby bonus is paid whether or not you currently get any other family benefits. There is no upper limit on taxable income when getting the baby bonus.

How much will you get?

How much baby bonus you get each year depends on your taxable income in the nominated base year and your taxable income for the next five years. If your taxable income for the base year was \$25,000 or less, you will be entitled to an annual amount of \$500, although this will be less in the first year, calculated from the baby's date of birth (or the date you gained legal responsibility).

If your taxable income was higher, you will receive a higher amount each year, subject to your taxable income in the years after you became responsible for the baby.

For how long will you get the bonus?

It depends on your own taxable income each year, but you could claim the baby bonus for one child at the end of each income year until your child turns five.

How do you make a claim?

You cannot claim the baby bonus at this question. How you can claim the baby bonus for this year depends on whether you are required to lodge a tax return this year.

If you are required to lodge a tax return for 2004-2005, you need to obtain the 2005 baby bonus instructions and claim (ATO form number NAT 6580-6.2005), complete the claim and lodge it with your tax return.

If you are not required to lodge a tax return for 2004-2005, you can lodge your baby bonus on its own by:

- using e-tax and completing and lodge your claim over the Internet;
- Using the 2005 claim form and posting your claim to the ATO; or
- Going to a registered tax agent.

Lodge your claim at the end of the income year – any time after June 30 2005.

From July 1 2004, baby bonus was replaced by a maternity payment administered by Centrelink. Those who have already claimed under the baby bonus scheme can continue to claim until the child turns five.

### Q-T7 – Superannuation contributions on behalf of your spouse (Supplement p s43)

A tax offset of up to \$540 may be available where you have made non-deductible superannuation contributions on behalf of your spouse and:

- you and your spouse were Australian residents when the contributions were made;
- you and your spouse were not living separately and apart on a permanent basis at the time the contributions were made; and
- the sum of your spouse's assessable income and total reportable fringe benefits was less than \$13,800.

The amount of the tax offset is 18 per cent of the lesser of:

- \$3000, reduced by \$1 for every \$1 that the sum of your spouse's assessable income and fringe benefits exceeded \$10,800; or
- the total of your contributions for your spouse for the year.

Refer to page s43 of *TaxPack 2005 Supplement* for more information on super contributions on behalf of your spouse.

### Q-T8 – Zone or overseas forces (Supplement pp s44-50)

Zone tax offset

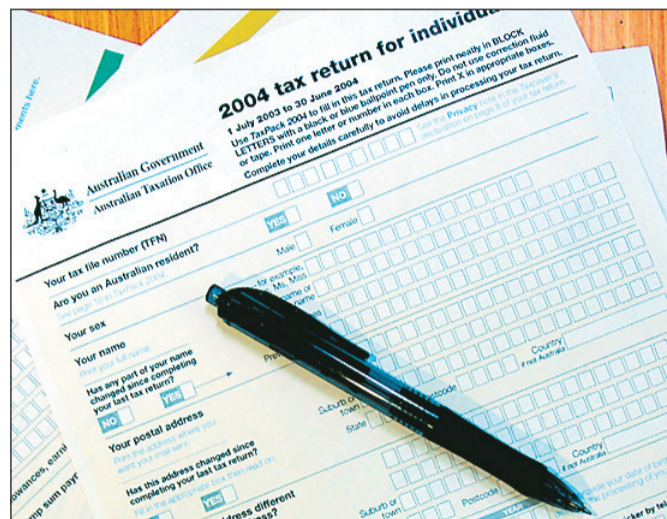
ADF members living or serving in certain parts of Australia are entitled to a zone tax offset. The tax offset is granted because of the isolation and cost of living in those areas.

Zone A and Zone B are eligible. Also, certain areas within those two zones are described as special areas and residents of those areas are entitled to a higher tax offset.

A listing of localities within Zone A and Zone B and the special areas within those zones can be obtained from the ATO by viewing the ATO internet site or ringing the ATO Personal Tax infoline. A brief listing of selected localities within these zones and special areas can also be found at pages 49 to 50 of the *TaxPack 2005 Supplement*.

To be eligible for the tax offset, the member must have resided or served in the area for more than 183 days of the 2004-2005 income year, or for more than 183 days during the period July 1 2004 to June 30 2005, including at least one day in the 2004-2005 income year and where no tax offset was claimed in your 2004 tax return.

Members who lived in a zone for less than 183 days in 2004-2005 may still be eligible for tax offset if:



- the member lived in a zone area for one half or less of the 2004-05 income year and for one half or less of the 2003-04 income year and the total of the two periods is more than 183 days; or
- the member lived in a zone area for one-half or less of the 2004-2005 income year and for one-half or less of any of the previous four income years (except the 2003-2004 year) and the total of the two periods is more than 183 days.

In both of the two exceptions above, the member couldn't claim the first year, as he or she was there less than 183 days.

The factors which the ATO considers in deciding if someone has resided in a zone area are set out in Taxation Ruling TR 94/27. These include:

- the intended and actual length of the taxpayer's stay in the relevant area; and
- whether the taxpayer maintains a place of abode inside the relevant area.

Having a usual place of residence in a zone area may constitute residing in a zone area even though the member did not physically reside there for more than half the year.

For more information on the relevant tax offsets please refer to pages s44-51 of *TaxPack 2005 Supplement*.

### Overseas forces tax offset

Section 79B of the *Income Tax Assessment Act 1936* (ITAA 1936) provides that taxpayers who served in a specified over-

seas locality (for more than half a year) as a member of the ADF and were allotted for duty on the specified non-warlike operation, are entitled to claim a tax offset. Service in a locality for less than half the income year attracts a portion of the tax offset.

Please note that the relevant service period should not relate to earnings that are specifically exempt from tax under section 23AD of the *ITAA 1936* (which deals with warlike operations). After July 1 2001, the offset excludes any period of service for which an exemption from income tax applies under section 23AG of the *ITAA 1936* (see the relevant Tax Supplement for more information). All amounts that are exempt from tax under section 23AG (generally non-warlike) are required to be included in your tax return (See page 21 of *TaxPack 2005 Supplement* Question 19, Label N) to correctly determine your tax liability.

The following localities, listed in Taxation Ruling TR 97/2, qualify under the *ITAA 1936* for Overseas forces tax offset in the 2004-2005 tax year. Note that not all these localities may have had ADF personnel deployed in them during 2004-2005.

- Malaysia and its contiguous waters for a distance of 100 nautical miles seaward.
- The areas in Syria, the Arab Republic of Egypt, Jordan, Lebanon and Israel, includ-

■ Area comprising Sierra Leone.

If, during the same income year, ADF members reside or serve in a zone area of Australia and in a specified overseas locality, both periods are taken into account in determining eligibility for the offset. As stated above, periods where the member earned exempt income do not count for overseas forces or zone tax offset. If members qualify for both a zone offset and an overseas forces offset, they may only claim for one of them. Members should claim the higher of the two offset amounts. See pages 44-50 of *TaxPack 2005 Supplement* for information about how you can do this.

### Q-M1 – Medicare levy reduction or exemption (pp 101-104)

The Medicare levy for 2004-2005 is 1.5 per cent of taxable income and will apply as follows:

- Single ADF members without dependants are exempt from the Medicare levy.
- Married ADF members with a working spouse, who is not an ADF member, and no children. If the spouse earns sufficient income and the spouse pays the full levy, the ADF member can claim an exemption from the standard Medicare levy of 1.5 per cent. If not, the member is subject to half of the Medicare levy of 1.5 per cent.
- For members with children and a working spouse, if the spouse is liable for the levy and contributes to the maintenance of the children, the ADF member is exempt from the Medicare levy. But if the spouse did not contribute to the upkeep of a child, the ADF member will be liable for a half Medicare levy in respect of that child. Where the spouse lives with the children, the ATO will accept they contribute to the maintenance of the child.
- Members with children or a non-working spouse (who is not liable to pay the Medicare levy) are subject to a half Medicare levy.
- Married ADF couples without children continue to be exempt from the Medicare levy.
- In the case of married ADF couples with children, if both members contribute to the maintenance of their children, only one member is liable for the half levy. The other member is exempt from the Medicare levy. The couple decides who will be subject to the half Medicare levy. To qualify, the couple must enter into a "family agreement" stating the child is a dependant of the members. The agreement form is contained in *TaxPack 2005* and must be retained for five years. Failure to complete and retain the agreement results in both spouses being liable to pay the full Medicare levy. Where only one member is maintaining the child, the election is not available. The member maintaining the child will be liable for the half Medicare levy.
- A dependant of an ADF member, who is entitled to free medical treatment while overseas because they are related to or associated with the ADF member is exempt from the Medicare levy. But if the dependant remains in Australia then they are not entitled to the exemption and the member would have to pay the half Medicare levy.

A limited Medicare levy exemption is available for members of the Reserves rendering part-time service. With regard to continuous training, an exemption is granted for the number of days involved. For home training, the following applies:

- Where a member attends a home training parade for a period of six hours or more in one day, the member is entitled to one day's exemption.
- Where a member attends a home training parade for a period of less than six hours, the member is entitled to a portion of one day's exemption, three hours attendance equates to a half day's exemption.

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