

Individual Tax Return Checklist 2015/16

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

Step 1	Obtain a copy of the prior year return (if new client)
Step 2	Confirm that the front cover of the prior year return has not altered, including bank account details which must be provided where the individual is to receive a refund
Step 3	Complete the below checklist

Legend

Column 1: Column 1 requires the user to indicate whether an additional paper work (WP) should be completed in respect of that item e.g. list of dividends, interest, depreciation schedule etc

Column 2: Column 2 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 WP (Y or N)	Column 2 Attachment (Y or N)
Income			
1	Salary or Wages 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 to expenditure to which the allowance relates (e.g. tool or laundry allowances)		
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 allowances, Newstart, sickness allowance, special benefit, Austudy payment or other educational or training allowances.		

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6	<p>Australian Government pensions and other allowances</p> <p>Do not include any Australian government pensions or allowances that are not taxable, these are shown at item IT3 Tax free government pensions</p>		
7	<p>Australian annuities and superannuation income streams</p> <p>Obtain details of taxable and rebatable components of pension</p>		
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 recipient's age and amount of the lump sum payment.</p>		
9	<p>Attributed personal services income</p> <p>Obtain all payment summaries – include 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 (PSI) attribution rules in relation to any income derived by an interposed entity that is personal services income (PSI) of the individual. (PSI is 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 CPA Australia's 2014 PSI/PSB self-assessment checklist for further information.</p>		
10	<p>Gross Interest</p> <p>Interest that is received or credited in a year is taxable. This includes any ATO interest received. Care should be taken to gross interest up where TFN withholding tax has been deducted.</p>		
11	<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>		

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12	<p>Employee Share Scheme (ESS)</p> <p>The discount given on the 'ESS interest' (being a share or a right to acquire a share) under the ESS is assessable for taxation purposes unless the deferral concession applies to you.</p> <p>In some circumstances, the assessable discount may be reduced by \$1,000.</p> <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 2016 income tax return is the 'cessation time' occurred during the 2016 income year.</p>		
Supplement Income or Loss			
13	<p>Partnerships and Trusts</p> <p>Details of the partnership, trust or managed investment trust fund payment and type of income received are required. Carefully identify tax credits that may be utilised.</p> <p>Note: Trustees of certain closely held trusts and family trusts are required to withhold tax at a rate of 46.5% 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>		
14	<p>Personal Services Income (PSI)</p> <p>Is the client a sole trader? If yes, ask the client if they have 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: 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 (NAT 2543)</i>' 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 (NAT 2543)</i> before completing this section.</p>		
16	<p>Deferred non-commercial business losses</p> <p>This item related to losses made from activities that constitute carrying on a business (e.g. sole trader or 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 source income) or meet one of the four exemption tests, or have the Commissioner exercise his discretion to allow the loss.</p> <p>Note: taxpayers that have not received the Commissioner's discretion (to not have the non-commercial business loss rules apply) that have adjusted taxable income over \$250,000 will only be able to deduct expenses from non-commercial business activities income from those activities (i.e. this means any resultant against other taxable income).</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 exceptional circumstances and early repayments for natural disaster are disclosed in labels D, C, N or R.</p>		

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18	<p>Capital Gains</p> <p>Obtain a description of the asset, the purchase date, the purchase costs, date and amount of any expenditure incurred by the tax payer that forms part of the asset's cost base including incidental costs, the same date and the sale proceeds amount.</p> <p>Take account of the rules applicable to assets sold from 21 September 1999 (i.e. removal of CGT averaging, 50% discount method, the small business CGT concessions and freezing of indexation as at 30 September 1999).</p> <p>Tax tip: Capital losses are applied against gross capital gains before the 50% discount and/or small business concessions are applied.</p> <p>Note: Foreign resident individuals that make capital gains in relation to CGT events that occur after 7:30pm on 8 May 2012 will not be able to discount the gain that "accrues" after this time. This means that a foreign resident will now 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.</p>		
19	<p>Foreign entities</p> <p>Include any attributable income in relation to any controlled foreign company or transferor trust at this item.</p>		
20	<p>Foreign source income and foreign assets or property</p> <p>Obtain details of country, amount received, exchange rate utilised and foreign tax withheld. Care must be shown with foreign source salary and wage income that may be exempt from tax.</p> <p>Note: income derived from foreign service lasting greater than 91 consecutive days is no longer exempt unless the employment is related to specific activities e.g. deployment by the Australian Armed Forces.</p>		

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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>		
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 (FMIS) income</p> <p>Check with the client whether they have received income from a FMIS. If so, have managers of forestry schemes included the investor's contributions in their assessable income in the year which the deduction is first available to the investor for those contributions.</p>		
24	<p>Other income</p> <p>Ask the 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 • Lump sum payments in arrears • Foreign exchange gains • Royalties • Taxable scholarships, bursaries or grants • Any assessable balancing adjustments on depreciating assets • Jury service fees 		

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Deductions			
D1	<p>Work related car expenses</p> <p>The w methods available are:</p> <p>1. Cents per kilometre method</p> <p>The claim is based on a set rate for each business kilometre travelled. The taxpayer is able to claim costs by applying the set rate up to a maximum of 5,000 kilometres.</p> <p>The rate for 2016 is 66 cents per kilometre.</p> <p>2. Logbook method</p> <p>This claim is based on the business use percentage of car expenses. Ensure log is 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> <ul style="list-style-type: none"> • Generally required client to sleep away from home. Expenses include meals, accommodation, car hire and incidentals (such as tolls, parking and hire of third party vehicle) <p>Overseas travel</p> <ul style="list-style-type: none"> • 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 is within ATO limits. <p>Note: refer to Taxation Ruling (TR2004/6 and Taxation Determination TD2013/16 for details on what constitutes reasonable travel and overtime meal expense amounts for the 2016 year.</p>		
D3	<p>Work related uniform, occupation specific or protective clothing, laundry and dry cleaning expenses</p> <ul style="list-style-type: none"> • Protective clothing and safety footwear; clothing or footwear that is specifically designed to protect against death, disease, injury or damage or; • Compulsory uniform; non-conventional clothing that the employee must wear which is strictly enforced by an employer or 		

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	<ul style="list-style-type: none"> • 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. <p>Refer to Taxation Ruling TR 98/5 for further details. Substantiation is not necessary for reasonable claims up to \$150 in respect of the laundry and dry cleaning of such 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 TR 98/9.</p> <p>Tax Tip: The ATO pays particular attention to these items to ensure that all claims can be substantiated appropriately. Note also that \$250 of eligible self-education expenditure is not allowable.</p>		
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>		
D6	<p>Low-value pool deduction</p> <p>The claim for the decline in value of low-cost and low-value assets used in the course of producing income shown in the tax return.</p>		
D7	<p>Interest deductions</p> <p>Cannot be claimed unless income at question 10.</p>		
D8	<p>Dividend deductions</p> <p>Cannot be claimed unless income at question 11.</p>		
D9	<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> <p>Note: section 26-55 of the <i>Income Tax Assessment Act 1997 (ITAA 1997)</i> limits the amount of the donation deduction, such that the donation deduction cannot create a tax loss. Where the deductible donation amount exceeds this limit you can elect to carry forward the donation deduction and claim this</p>		

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	over a maximum of five years (for certain gifts where the conditions of subdivision 30DB of the ITAA 1997 are met).		
D10	<p>Cost of managing tax affairs</p> <p>Note: this also includes GIC and travel to tax agent.</p>		
Supplement Deductions			
D11	Deductible amount of un-deducted purchase price of a foreign pension or annuity		
D12	<p>Personal superannuation contributions</p> <p>Strict rules apply to when an employee can claim a tax deduction. A self-employed or substantially 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% of their assessable income, reportable fringe benefits and reportable employer superannuation contributions is attributable to their employment as an employee.</p> <p>Note: Care should be exercised to avoid breaching the annual superannuation concessional contributions cap for the individual which is set at \$25,000 for each individual for the 2016 year, regardless of age. Where this threshold is breached, excess concessional contributions tax at a rate of 31.5% will be imposed.</p> <p>You may receive an offer from the ATO to have the excess concessional contributions refunded and assessed at your marginal tax rate, rather than pay excess contributions tax. This may occur if:</p> <ul style="list-style-type: none"> You have exceeded your concessional cap for the first time since the 2011-12 financial year The amount above the concessional cap is \$10,000 or less You have lodged a tax return for the relevant income year within 12 months of the end of that year (or within a longer period if the Commissioner allows it). 		
D12	<p>Personal superannuation contributions</p> <p>This is a once-only offer from the ATO: once you have made your choice, it can't be reversed, and, having received an offer, you will not receive a further offer in later years. If you have exceeded your concessional contributions cap by more than \$10,000, you will not be eligible for the refund offer and will be subject to excess contributions tax.</p>		

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	<p>If you are eligible for the refund offer, the ATO will send you a letter detailing the amount of your excess concessional contributions and your options. You can choose to either accept the refund offer or pay your excess contributions tax liability.</p> <p>Note: From 2013, the effective rate for individuals earning more than \$300,000 has increased from 15% to 30% (excluding Medicare Levy). The extra 15% tax becomes payable on the amount (if any) which exceeds the individual's combined income for Medicare Levy Surcharge purposes (ignoring reportable employer superannuation contributions) and eligible concessional contributions which exceeds \$300,000.</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 nor form part of the cost of a depreciating asset.</p>		
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% of their contributions.</p> <p>Subsequent investors will receive a tax deduction for their ongoing contributions to forestry schemes, provided that at least 70% of the scheme manager's expenditure under the scheme is expenditure attributable to establishing, tending and felling trees for harvesting (direct forestry expenditure of DFE).</p>		
D15	<p>Other deductions</p> <p>Other deductions not claimable elsewhere in the tax return. For example: black-hole 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>		

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Tax Offsets			
T1	<p>Spouse (without dependent child or student)</p> <p>Enquire as to whether the client has a dependent spouse (de facto or married). If they did, obtain the separate net income of the dependent to determine how much offset (if any) can be obtained.</p> <p>Note: to be able to access this offset your spouse must be born before 30 June 1952.</p>		
T2	<p>Senior Australians and pensioners (includes self-funded retirees)</p> <p>Ensure that the client meets the Australian Government pensions and similar payments and income conditions before utilising this offset.</p>		
T3	<p>Australian superannuation income stream</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>		
Supplement Tax Offsets			
T4	<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, reportable fringe benefits and reportable employer superannuation contributions does not exceed \$13,800.</p> <p>Tax Tip: the maximum offset that can be claimed is \$540.</p>		
T5	<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>		
T6	<p>Total net medical expenses</p> <p>20% tax offset on net medical expenses over the threshold amount</p> <p>Obtain details of gross medical expenses, and subtract related refund the taxpayer received or is entitled to receive from Medicare or a private health 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 all the net medical expenses of a taxpayer (and dependants) exceeds \$2,120 for individuals whose adjusted taxable income is</p>		

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	<p>equal to or less than \$84,000 for singles or \$168,000 for families for the 2016 year.</p> <p>For taxpayers with adjusted taxable income above \$84,000 for singles, or \$168,000 for families, a 10% offset will be available for net medical expenses of a taxpayer (and dependants) exceeding \$5,000.</p> <p>Tax Tip: the rebate applies to most medical and related therapeutic treatment of a taxpayer and dependents but excludes certain cosmetic surgery.</p> <p>Note: The medical expense offset is phased out from 1 July 2013. Only those taxpayers who received an offset in their 2013-14 income tax assessment will continue to be eligible for the offset for the 2014-15 income year if they have eligible out-of-pocket medical expenses above the relevant claim threshold.</p> <p>The proposed changes will not apply to all taxpayers – the offset will continue to be available for taxpayers with out-of-pocket medical expenses relating to disability aids, attendant care or aged care expenses only until 1 July 2019.</p>		
T7	<p>Dependant (invalid and carer)</p> <p>Tax offset only available where a dependant relative etc. resides in Australia and is a dependent maintained by the taxpayer.</p>		
T8	<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>		
T9	<p>Net income from working</p>		
T10	<p>Other non-refundable tax offsets</p>		
T11	<p>Other refundable tax offsets</p>		
Medicare Levy Related Items			
M1	<p>Medicare levy reduction or exemption</p> <p>Available for low income individuals/families and other prescribed persons.</p> <p>Note: the Medicare levy threshold for families for the 2016 year is \$45,001 and \$4,132 for each dependent child.</p>		
M2	<p>Medicare levy surcharge (MLS)</p> <p>Applicable to individuals/families on higher incomes who do not have private patient hospital cover. Individuals and families are liable to the surcharge when their income for</p>		

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	<p>surcharge purposes exceeds \$90,000 and \$180,000 respectively. The family threshold is increased by \$1,500 for each client after the first child.</p> <p>Note: broadly, income for surcharge purposes is the sum of an individual's taxable income, exempt foreign employment income, reportable fringe benefits, reportable superannuation contributions and total investment loss.</p>		
	<p>Private health insurance</p> <p>Obtain details of the client's health fund and ascertain whether any rebate has been claimed via the fund or from Medicare before determining whether an offset can be claimed through the return.</p> <p>Note: the amount of the private health insurance rebate entitlement will vary depending on which income threshold tier the individual falls into – this is based on the individual's income (either as a single or family) and their age. Broadly, singles and families will not be entitled to any private health insurance offset where the income for surcharge purposes is \$136,001 or \$272,001 for singles and families for the 2016 year.</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>Government super contributions</p> <p>The labels are not compulsory disclosures.</p> <p>Note: non completion may lead to a reduced co-contribution payment.</p>		
A4	<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>		

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Income Tests			
IT1	<p>Total reportable fringe benefits amount</p> <p>Disclose if the reportable fringe benefits amount that you have received is \$3,774 (grossed up value) or more.</p>		
IT2	<p>Reportable employee superannuation contributions</p> <p>Disclose if your PAYG payment summaries show an amount of reportable employer superannuation contributions.</p>		
IT3	<p>Tax-free government pensions</p> <p>Discloser if you have received pensions which you do not need to pay tax on.</p> <p>Note: they are taken into account when working out your adjusted taxable income for eligibility to certain tax offsets</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 a fringe benefit.</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.</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.</p> <p>Note: you are still able to claim allowable tax deductions for expenditure on your rental properties.</p>		
IT7	<p>Child support you paid</p> <p>Obtain records to work out the amount of child support that you paid during the 2016 income year.</p>		
IT8	<p>Number of dependent children</p>		

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Other information	<p>Spouse details – married or de facto</p> <p>Disclose all requested 2016 information regarding your spouse.</p> <p>Tip: As there is certain information requested which relates to your spouse's 2016 income tax return, you should prepare and finalise both returns in conjunction with each other in order to disclose accurate information.</p>		