

Tax Matters for Under 20s

A publication outlining the basics of taxation and superannuation, with the aim of educating those who are planning on entering the workforce or receiving taxable benefits for the first time.



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Updated on 8 September 2020

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Introduction

Entering the work force for the first time can be daunting. There is quite a bit of preparation involved, and it can be overwhelming when you are trying to figure out all of the rules associated with taxation. This publication sets out all of the basics of taxation and superannuation, and some other tips to help you make decisions concerning your career and personal finances.

This publication was created by the JCU Tax Clinic and is for the purpose of providing general information. The JCU Tax Clinic is part of the National Tax Clinic Program, which is a government funded initiative with the objective of helping unrepresented persons requiring assistance with their taxation affairs.

The JCU Tax Clinic recommends that you seek professional advice should you require assistance understanding your personal circumstances and how they relate to the concepts covered in this publication. If you are not represented by a tax professional or cannot afford professional assistance on taxation matters, you are welcome to contact the JCU Tax Clinic by submitting an online enquiry accessible through the following link: <https://www.jcu.edu.au/college-of-business-law-and-governance/tax-clinic>.

Tax File Numbers

To begin, the publication will explore tax file numbers and the associated application process. Having a tax file number is essential for anyone working in Australia, whether or not they are an Australian resident. Tax file numbers enable you to lodge a tax return, apply for Centrelink or other government benefits and apply for an Australian Business Number (ABN).¹ When you get to the point in your life where you require a tax file number, there are a number of simple ways you can apply.

How to Apply for a Tax File Number

Australian Residents

Apply at Australia Post

Australia Post facilitates the tax file number application process, which is free for Australian residents. You can apply for a tax file number by:

1. Completing the online application, which is available through the following link: <https://identityservice.auspost.com.au/ato/landing>.
2. Print the application summary and ensure you have a record of the application reference number – you will need this for Step 3.
3. Attend an interview at your local Australia Post outlet. You will be required to bring your printed application summary, application reference and original

¹ 'How to get a Tax File Number (TFN)', *Australian Taxation Office* (Web page, 13 February 2020) [1] <[https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Tax-for-individuals/How-to-get-a-tax-file-number-\(TFN\)/](https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Tax-for-individuals/How-to-get-a-tax-file-number-(TFN)/)>.

proof of identification documents. Not all Australia Post outlets accept Tax File Number applications, so ensure you make an enquiry about whether your local store accepts applications, and whether or not you will be required to book an interview at the particular store.²

Apply at Services Australia

If you are applying for a Tax File Number to enable your application for a Centrelink or other government benefit, you will be able to complete a tax file number application in person at Services Australia with the help of a Services Australia representative. Services Australia will also be required to sight original proof of identification documents at the time of this application. If you authorise Services Australia to receive your tax file number from the Australian Taxation Office ('ATO') on your behalf, all you need to do is select 'to give to Services Australia' as your reason for applying for a Tax File Number. Then, when your Tax File Number application is approved, your Tax File Number will be provided directly to Services Australia from the ATO.³

Sending your Application via Post

In the event that you are unable to attend an Australia Post interview, or are not applying for a Tax File Number to support a Services Australia application, you have the option of completing a paper Tax File Number application. The form is available online, and is named 'Tax File Number – Application or Enquiry for Individuals (NAT 1432) form. This form is available to download through the following link: <https://iorder.com.au/publication/publicationdetails.aspx?pid=3092-06.2019&page=home>.

Insufficient Identity Documents

If you do not have sufficient identity documents to allow you to complete any of the Tax File Number application listed above, there is another option available to you. The paper 'Tax File Number – Application for Aboriginal and Torres Strait Islander People (NAT 1589) is available to persons who do not have sufficient proof of identification to use the ordinary application form. To begin the application process and access this form, you will be required to call the Indigenous Helpline on 13 10 30.⁴

Sending Identification via Post

If you choose to send your tax file application to the ATO via postal services, you must remember to accompany your application with certified copies of your proof of identification documents. Your proof of identification must be certified by an ATO approved certifier. An ATO approved certifier may be anyone listed below:

- Justice of the Peace

² 'How to get a Tax File Number (TFN)', *Australian Taxation Office* (Web page, 13 February 2020) [2] <[https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Tax-for-individuals/How-to-get-a-tax-file-number-\(TFN\)/#Paperform](https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Tax-for-individuals/How-to-get-a-tax-file-number-(TFN)/#Paperform); <https://auspost.com.au/id-and-document-services/apply-for-a-tax-file-number>>.

³ 'How to get a Tax File Number (TFN)', *Australian Taxation Office* (Web page, 13 February 2020) [3] <[https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Tax-for-individuals/How-to-get-a-tax-file-number-\(TFN\)/#Paperform](https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Tax-for-individuals/How-to-get-a-tax-file-number-(TFN)/#Paperform)>.

⁴ 'How to get a Tax File Number (TFN)', *Australian Taxation Office* (Web page, 13 February 2020) [4] <[https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Tax-for-individuals/How-to-get-a-tax-file-number-\(TFN\)/#Paperform](https://www.ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Tax-for-individuals/How-to-get-a-tax-file-number-(TFN)/#Paperform)>.

- Barrister
- Solicitor
- Doctor
- Judge
- Minister of religion (whom is authorised to celebrate marriage)
- Police officer
- A bank, building society or credit union officer whom has completed at least five years of service in their position
- Sheriff's officer
- Commissioner of Declarations (in Queensland only).⁵

Foreign Residents

If you are not a resident or citizen of Australia, you may still be able to apply for a Tax File Number online if your circumstances satisfy the following three conditions:

1. You hold a foreign passport and are a permanent migrant or temporary visitor;
2. You are already in Australia; and
3. Your visa is one of the types listed below:
 - a. Permanent resident visa.
 - b. A visa with work rights (this includes working holiday makers (subclass 417), entertainment (subclass 420), sport (subclass 421) and work and holiday makers (subclass 462).
 - c. A visa permitting you to stay in Australia indefinitely (including citizens/residents of New Zealand whom are automatically granted a visa on arrival in to Australia).
 - d. An overseas student visa.

As a foreign resident, you are not required to send passport or other identification documents to the ATO to support your application for a tax file number; your identity will be verified using the Department of Home Affairs' records.⁶ The online tax file number application for foreign residents is available through the following link: <https://iar.ato.gov.au/IARWeb/default.aspx?pid=4&sid=1&outcome=1/>.

Lodging your First Tax Return

The Tax Free Threshold

If you are working in Australia, following the end of the financial year you will either have to lodge a tax return or a non-lodgement advice. A non-lodgement advice is a simple form that you are able to submit online, which requires you to provide the ATO

⁵ 'Copies of Documents – Applicants within Australia', *Australian Taxation Office* (Web page, 16 March 2020) [3] <https://www.ato.gov.au/Individuals/Tax-file-number/In-detail/Copies-of-documents---applicants-within-Australia/?page=1#ATO_approved_certifiers>.

⁶ 'Foreign Passport Holders, Permanent Migrants and Temporary Visitors – TFN Application', *Australian Taxation Office* (Web page, 16 March 2020) <<https://www.ato.gov.au/individuals/tax-file-number/apply-for-a-tfn/foreign-passport-holders,-permanent-migrants-and-temporary-visitors---tfn-application/>>.

with a reason for you not lodging a tax return. For example, your reason for non-lodgement may be that you earned no income for the particular financial year.

The tax free threshold reduces the amount of tax withheld from your income throughout the year. That is, you are not taxed on the first \$18,200 that you earn in each financial year (each financial year is from 1 July – 30 June). When you start a new job, your employer will hand you a tax file number declaration to complete. If you choose to claim the tax free threshold, you will be required to select Yes at question 9, where it asks 'Do you want to claim the tax-free threshold from this payer?'

Changing your Tax Free Status

In the event that you have two regular jobs, or have one job and receive a government allowance, the ATO recommends that you claim the tax free threshold on the payment that you receive the most income from only.⁷ You should only claim the tax free threshold on both income streams if you are absolutely certain that the combined value of both payments will not exceed \$18,200 in each financial year. In the event that you elect to claim the tax free threshold from both payers and your combined earnings subsequently exceed the \$18,200 threshold, you will be required to complete a withholding declaration and hand it to your employer. When completed appropriately, this form notifies your employer that you are no longer claiming the tax free threshold on the salary or wages that you earn from them.⁸ Accordingly, your employer will begin withholding tax from your salary or wages on a weekly basis. The purpose of making this change is to prevent you from receiving a large tax bill when the time comes for you to lodge your tax return.

Pay scaling

Even if you do earn less than \$18,200 per income year, your income tax withholding is determined based upon your earnings on a weekly basis, not your cumulative earnings per annum. That is, if in one week you earn an amount that if earned each week for a full income year would put you above the income free threshold, tax will be withheld from this pay. To work out the amount of tax that is required to be withheld from your income for a particular week, refer to the tax withholding calculator prepared by the ATO. This tax withholding calculator is available through the following link: <https://www.ato.gov.au/Rates/Weekly-tax-table/>.

Who Needs to Lodge a Tax Return?

Any person who earns above the tax free threshold of \$18,200 is required to lodge a tax return. If you are earning wages or a salary below the tax free threshold of \$18,200,⁹ if you have had any tax withheld from your pay during the financial year you

⁷ 'Income from More than One Job', *Australian Taxation Office* (Web page, 10 June 2020).

⁸ Ibid.

⁹ 'Income from more than one job', *Australian Taxation Office* (Web Page, 10 June 2020) <<https://www.ato.gov.au/Individuals/Working/Working-as-an-employee/Income-from-more-than-one-job/#:~:text=The%20tax%2Dfree%20threshold%20is,your%20pay%20during%20the%20year.>>>.

will also be required to lodge a tax return. In addition to this, there are a couple of other circumstances that will require you to lodge a tax return, which are described as follows:

1. You are a foreign resident and earned any amount over \$1 in Australia during the financial year;
2. You are planning on leaving Australia permanently (for more than one year); or
3. You want to claim tax deductions for expenses incurred throughout the financial year.¹⁰

Income Earned Overseas

Are you an Australian Resident for Tax Purposes?

The ATO has its own rules for determining whether an individual is an Australian resident for taxation purposes. These rules are not the same as those used by the Department of Home Affairs, meaning that you can be an Australian resident for taxation purposes without actually being an Australian citizen or resident. Alternatively, you may hold a visa permitting you to enter Australia, but that does not necessarily mean you are an Australian resident for taxation purposes either.¹¹

The ATO relies on the 'resides' test as its primary test of Australian residency. The factors the ATO considers to determine if a person is an Australian resident for tax purposes includes:

1. Physical presence;
2. Intention and purpose;
3. Family;
4. Business or employment connections;
5. Maintenance and location of assets; and
6. A person's social or living arrangements.¹²

If you do not satisfy the resides test, you may still be an Australian resident for tax purposes if your circumstances satisfy one of the three statutory tests of Australian residency. These tests are outlined below.

1. Domicile Test

You are an Australian resident for taxation purposes if your domicile is located within Australia.¹³ Domicile means your permanent home or permanent residence, distinguishable from a place of abode that is merely temporary or transient. Your domicile may be your domicile of origin; being the place you were born, or your

¹⁰ 'Do you need to lodge a tax return?', *Australian Taxation Office* (Web page, 12 September 2019) <<https://www.ato.gov.au/Individuals/International-tax-for-individuals/Coming-to-Australia/Paying-tax-and-lodging-a-tax-return/Do-you-need-to-lodge-a-tax-return/>>.

¹¹ 'Work out your tax residency', *Australian Taxation Office* (Web page, 4 December 2019) <<https://www.ato.gov.au/Individuals/International-tax-for-individuals/Work-out-your-tax-residency/>>.

¹² *Ibid.*

¹³ *Income Tax Assessment Act 1936* (Cth) s 6(1)(a)(i).

domicile of choice; where you have changed homes with the intention of making the new home permanent.¹⁴

2. 183 Day Rule

The 183 day rule only applies to individuals that are arriving or have arrived in Australia. You will be considered an Australian resident for taxation purposes under this rule where you have been in Australia, either continuously or with breaks, for at least half of the income year (183 days).¹⁵ As part of this test, whether you have a constructive residence in Australia will be considered. If you demonstrate no intention to take up residence in Australia, the 183 day rule generally will not be satisfied.¹⁶

3. The Commonwealth Superannuation Test

This test applies only to members of a Commonwealth Superannuation Scheme (CSS) or Public Service Superannuation Scheme (PSS), which are available to Australian government employees who are completing work whilst being posted overseas.^{17, 18} If you are a member of a CSS or PSS your spouse and all of your children under 16 years of age are considered to be residents of Australia, regardless of any contrary intention or evidence.¹⁹

If you are an Australian resident for tax purposes

If you are an Australian resident for tax purposes, you must remember to include all of your worldwide income within your Australian tax return. This includes income from foreign business activities, employment or personal services, investments and any capital gains or foreign assets.²⁰

If you are a Foreign Resident for Tax Purposes

If you are a foreign resident for tax purposes, you only need to declare your Australian sourced income on your Australian tax return. As a general rule, you are not required to declare foreign income on your Australian tax return if you are a non-resident.²¹ However, an exception to this rule may be applicable to you if you are a non-resident who is a recipient of the Higher Education Loan Program (HELP), Trade Support Loan (TSL), or VET Student Loan (VSL). If this meets your circumstances, you will either be required to declare your world-wide income on your Australian tax return or submit a non-lodgement advice (justifying your reason for not lodging a tax return).²²

¹⁴ 'Work out your tax residency', *Australian Taxation Office* (Web page, 4 December 2019) <<https://www.ato.gov.au/Individuals/International-tax-for-individuals/Work-out-your-tax-residency/>>.

¹⁵ *Income Tax Assessment Act 1936* (Cth) s 6(1)(a)(ii).

¹⁶ 'Work out your tax residency', *Australian Taxation Office* (Web page, 4 December 2019) <<https://www.ato.gov.au/Individuals/International-tax-for-individuals/Work-out-your-tax-residency/>>.

¹⁷ 'Commonwealth Superannuation Scheme (CSS)', *Department of Finance* (Web page, 6 November 2019) <<https://www.finance.gov.au/government/superannuation/arrangements-australian-government-employees-statutory-office-holders/commonwealth-superannuation-scheme-css>>.

¹⁸ *Income Tax Assessment Act 1936* (Cth) s 6(1)(a)(iii).

¹⁹ 'Work out your tax residency', *Australian Taxation Office* (Web page, 4 December 2019) <<https://www.ato.gov.au/Individuals/International-tax-for-individuals/Work-out-your-tax-residency/>>.

²⁰ 'Foreign Income', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/individuals/income-and-deductions/income-you-must-declare/foreign-income/>>.

²¹ *Ibid.*

²² *Ibid.*

Marginal Tax Rates

If you are earning income that exceeds the tax free threshold, any income exceeding the tax free threshold will be taxed at marginal tax rates. These marginal tax rates are applied incrementally, and vary depending on whether you are an Australian resident or foreign resident for tax purposes. To view the marginal tax rates per taxation year, or to access the ATO's income tax calculator, use the following link: <https://www.ato.gov.au/rates/individual-income-tax-rates/>.

What if you are not required to lodge a tax return?

If you have not earned any income in the past financial year, nor received any government payments or allowances you may not be required to lodge a tax return. Instead, you must lodge a Non-lodgement Advice. This is a simple form that can be lodged online, that simply provides the ATO with the reason that you have not completed a tax return. For example, you have not earned any taxable income for the particular financial year. To access the Non-lodgement Advice form, or to do more reading on this topic, you can visit the ATO website using the following link: <https://www.ato.gov.au/Individuals/Lodging-your-tax-return/Do-you-need-to-lodge-a-tax-return/>.

How to Lodge a Tax Return

If you are not represented by a tax agent, you are required to lodge your tax return for the previous financial year between 1 July and 31 October. To lodge your tax return yourself, you can prepare and lodge your form through myTax on the myGov website or by completing a paper tax return form and sending it by post to the ATO. Completing lodgement online through myTax is the easiest way to complete your return, because most of your information will already be prefilled for you.²³

Tax Offsets and Rebates

Tax Offsets

A tax offset (otherwise referred to as a rebate) directly reduces the amount of tax that you are liable to pay. A tax offset can only reduce the amount of tax you are liable to pay to zero – if an offset reduces your tax payable balance to a negative figure, you are not entitled to receive a refund.²⁴ Additionally, tax offsets do not affect your Medicare Levy or Medicare Levy Surcharge. The Medicare Levy charge is currently 2% of your taxable income, which is a separate charge to any tax you have paid or is

²³ 'Lodging your Tax Return', *Australian Taxation Office* (Web page, 1 July 2020) <<https://www.ato.gov.au/Individuals/lodging-your-tax-return/#:~:text=Tax%20returns%20cover%20the%20financial,complete%20a%20paper%20tax%20return.>>>.

²⁴ 'Low and Middle Income Earner Tax Offsets', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/Individuals/Income-and-deductions/Offsets-and-rebates/Low-and-middle-income-earners/>>>.

payable on your taxable income.²⁵ Additionally, if you are under 18 years of age as at June 2020, and have received unearned income, offsets cannot reduce your tax payable on the unearned income you received.²⁶

After you lodge your tax return, the ATO will work out any offsets available to you and apply them on your behalf. The offsets will then appear on your notice of assessment, which you receive into your myGov inbox when your tax return is finalised. Some examples of common tax offsets are described below.

Low Income Tax Offset

The low income tax offset ('LITO') is available, either in full or partly, for individuals that have taxable income of less than \$66,667. The maximum value of the LITO is \$445. If you have taxable income totalling less than \$37,000 you are entitled to the maximum offset, being \$445. However, if your taxable income is between \$37,000 and \$66,667, you are entitled to all or part of the LITO as determined by the ATO.²⁷

Low and Middle Income Tax Offset

The low and middle income tax offset ('LMITO') is applicable for the 2018-19, 2019-20, 2020-21 and 2021-22 financial years. The value of the LMITO varies between \$255 and \$1,080, and to be a tax payer eligible for LMITO you must earn between \$37,001 and \$126,000. The LMITO is paid in addition to the LITO, and the value of offset you receive from LMITO depends on your income earned and the amount of tax that you have already paid.

To determine how much of an offset you are entitled to receive pursuant to the LMITO, refer to the table below:

Low and Middle Income Tax Offset	
Taxable Income	Offset
\$37,000 or less	\$255
\$37,001 - \$48,000	\$255 plus 7.5 cents for every dollar above \$37,000, up to a maximum offset value of \$1,080
\$48,001 - \$90,000	\$1,080
\$90,001 - \$126,000	\$1,080, minus 3 cents for every dollar earned above \$90,000

²⁵ Ibid.

²⁶ Ibid.

²⁷ 'Low and Middle Income Earner Tax Offsets', *Australian Taxation Office* (Web page, 15 June 2020) <

Zone Rebates

For the income years 2014-15 to 2019-20, your eligibility for a zone rebate depends on which 'zone' your ordinary residence falls within. A zone is defined by the ATO to be a remote or isolated area that falls within the Australian Zone List. You must have lived at your elected place of residence for at least half (or 183 days) of the particular financial year. Importantly, the number of days living at the particular residence need not be continuous. The value of the zone rebate you receive will depend on the type of zone you reside in (Zone A, Zone B or a Special Zone), any remote area allowance you received during the income year, and whether you have any dependents in your care.²⁸

To determine if you are eligible for a zone rebate, use the following hyperlink to access the ATO's zone rebate calculator: <https://www.ato.gov.au/Calculators-and-tools/Host/?anchor=ZTO&anchor=ZTO&anchor=ZTO#ZTO/questions>.

To learn more about the tax offsets or rebates that may be applicable to you in the future, click on the following hyperlink: <https://www.ato.gov.au/Individuals/Income-and-deductions/Offsets-and-rebates/>.

Tax Deductions

What are Tax Deductions?

Deductions are derived from the expenses you incur in the course of earning your assessable income²⁹ and directly reduce the amount of assessable income that you are liable to pay tax on.³⁰ To claim an occupation-related deduction, you must have incurred the expense yourself without reimbursement, the expense must have related directly to your income earning activity, and you must have sufficient written evidence of the expense³¹ (e.g. receipts, a diary of expenses).

What Can I Claim?

Clothing and Laundry

You can only claim tax deductions for clothing that you purchase where it is occupation specific, protective clothing, or clothing that is the distinctive uniform of your place of work.³² To claim deductions for clothing and laundry you need to keep a diary and written evidence of your expenses. Written evidence must be recorded for at least one month where the amount you intend to claim exceeds \$150, or where your total claim for work related expenses exceeds \$300.³³

²⁸ 'Zone or Overseas Forces Tax Offset Calculator', *Australian Taxation Office* (Web page, 1 July 2020) <<https://www.ato.gov.au/Calculators-and-tools/Zone-or-overseas-forces-tax-offset/>>.

²⁹ 'Deductions You Can Claim', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/>>.

³⁰ *Income Tax Assessment Act 1997* (Cth) s 4-15(1).

³¹ 'Deductions You Can Claim', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/>>.

³² 'Clothing, Laundry and Dry Cleaning Expenses', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/individuals/income-and-deductions/deductions-you-can-claim/clothing-laundry-and-dry-cleaning-expenses/>>.

³³ *Ibid*.

If your employer gives you a uniform or laundry allowance, you must include this allowance as assessable income on your tax return. Then, you may claim a deduction for the amount of this allowance that you actually spent on clothing or laundry.³⁴

Self-Education

Self-education is a popular general deduction, however self-education expenses can only be claimed if:

1. The self-education expenses are connected to the tax payer's current income earning activity;^{35, 36}
2. The self- education allows the tax payer to remain up to date with developments in their field;^{37, 38}
3. The self-education improves the taxpayer's ability to perform their existing income producing duties;^{39, 40}
4. The self- education is likely to lead to an increase in the tax payer's income;^{41, 42} or
5. The self-education is linked to other types of assessable income of the tax payer.⁴³

It is important to note, in respect of point 5, that self-education expenses are not deductible where the expenses are incurred in the course of gaining or maintaining eligibility for a rebatable benefit (e.g. self-education expenses that must be incurred to satisfy eligibility for Youth Allowance or other similar benefits).⁴⁴

Travel and Vehicle Expenses

One example of a common deduction is for travel and vehicle expenses. These expenses must be connected to or incurred in the course of earning assessable

³⁴ Ibid.

³⁵ *Income Tax Assessment Act 1997* (Cth) s 8-1(1)(a); *Fletcher & Ors v Federal Commissioner of Taxation* (1991) 173 CLR 1, 17.

³⁶ 'Self-education Expenses', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Self-education-expenses/>>.

³⁷ *Federal Commissioner of Taxation v Finn* (1961) 106 CLR 60, 68-69.

³⁸ 'Self-education Expenses', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Self-education-expenses/>>.

³⁹ *Federal Commissioner of Taxation v Wilkinson* 83 ATC 4295.; *Federal Commissioner of Taxation v Studdert* (1991) 33 FCR 75.

⁴⁰ 'Self-education Expenses', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Self-education-expenses/>>.

⁴¹ *Federal Commissioner of Taxation v Highfield* 82 ATC 4463.

⁴² 'Self-education Expenses', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Self-education-expenses/>>.

⁴³ *Commissioner of Taxation v Anstis* (2010) 241 CLR 443.

⁴⁴ *Income Tax Assessment Act 1997* (Cth) s 26-19(1).

income. Deductions are not available where the travel is for private purposes.⁴⁵ Travel for private purposes is not connected to income earning activities, and includes travel to and from work in the morning/ afternoon, or travel for the purpose of completing an interview to find new employment. There is one statutory exception to this rule, which provides that travel directly between two places of work is deductible⁴⁶ so long as your residence is not one of these places.⁴⁷

To be able to claim expenses related to travel on work and vehicle expenses as a deduction, you must ensure you keep adequate records. The record keeping requirements vary, depending on whether travel was domestic or international, greater than or less than six nights in a row, and whether or not you received a travel allowance.⁴⁸ The most common category is domestic travel, that is less than six nights in a row, where no travel allowance was provided. In this situation, you are required to produce written evidence of the travel or vehicle expenses, but are not required to keep a travel diary.⁴⁹ If your circumstances fall outside this scenario, please refer to the ATO website via the link below for further information about your record keeping obligations:

Keeping Travel Expense Records: <https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Vehicle-and-travel-expenses/Keeping-travel-expense-records/#Ifyoudidnotreceiveatravelallowance>

Record Keeping

It is important to remember to keep receipts and records of any transactions that you intend to claim a tax deduction for in the future. The ATO has recently introduced the ATO app, which allows you to record any expenses that you intend to claim deductions for in the myDeductions tab. myDeductions allows you to save screen captures of your receipts and upload all of the information directly to your tax return at tax time.

To learn more about myDeductions, or to download the ATO app, follow the hyperlink below:

<https://www.ato.gov.au/general/online-services/ato-app/mydeductions/>

After you lodge your tax return, it is recommended that you keep records of all relevant information relating to previous tax periods. These records can be in a digital or paper format, however it is always recommended that you keep an electronic copy of your records as back-up. Specifically, if you are disputing a claim with the ATO or expect that the ATO may suspect you of making a fraudulent claim, it is recommended that you keep records of your income and expenses at least five years after lodging your tax return or five years after your dispute has been resolved. Also, concerning

⁴⁵ 'Vehicle and Travel Expenses', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Vehicle-and-travel-expenses/>>.

⁴⁶ *Income Tax Assessment Act 1997* (Cth) s 25-100(1).

⁴⁷ *Income Tax Assessment Act 1997* (Cth) s 25-100(3).

⁴⁸ 'Keeping Travel Expense Records', *Australian Taxation Office* (Web page, 15 June 2020) <<https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Vehicle-and-travel-expenses/Keeping-travel-expense-records/#Ifyoudidnotreceiveatravelallowance>>.

⁴⁹ *Ibid*.

depreciation, it is recommended that you retain records of your depreciation schedule at least 5 years after your last claim for a depreciation-related deduction has been made.⁵⁰

Superannuation

What is superannuation?

Superannuation, often abbreviated and referred to as 'super', is money invested by your employer into your nominated fund and made available for you to live on when you reach retirement.⁵¹ Alternatively, if you are self-employed, you will have the option of making superannuation contributions on your own behalf.⁵² You want to start thinking about your superannuation early, because the more money you are able to accumulate over your working life (particularly early on in your career), the more money you will have available to live on and enjoy when you reach retirement.

The action of your employer paying amounts into your nominated super fund is called making superannuation guarantee payments or concessional contributions.⁵³ The funds you contribute to superannuation are invested on your behalf by the superannuation company, and are invested in things like shares, property and managed funds.⁵⁴ That is why it is important to start thinking about super early – the longer your money is invested in your super fund, the greater the amount of interest that will be accumulated/ earned on your contributions.

If you are over the age of 18 and earn \$450 per month or more from your employer you are entitled to superannuation guarantee entitlements. If you are under 18 years of age, or are a private or domestic worker, you must also work for at least 30 hours a week to be eligible for compulsory superannuation guarantee payments to be made to you by your employer. Private or domestic work is work related to you personally or to your home, is not related to a business of yours, and includes nannying, housekeeping or working as a carer.⁵⁵

⁵⁰ 'Keeping your Tax Records', *Australian Taxation Office* (Web page, 15 June 2020) <

⁵¹ 'Your Superannuation Basics', *Australian Taxation Office* (Web page, 13 October 2017) <

⁵² 'Getting your Super Started', *Australian Taxation Office* (Web page, 28 November 2018) <

⁵³ 'Super', *Australian Taxation Office* (Web page, 28 November 2018) <

⁵⁴ 'Getting your Super Started', *Australian Taxation Office* (Web page, 28 November 2018) <

⁵⁵ 'Working Out if you Have to Pay Super', *Australian Taxation Office* (Web page, 7 October 2019) <

What if your Employer isn't Paying Superannuation?

If your employer is not meeting their obligations to pay your superannuation guarantees, it is important that you take actions to report this. Non-payment of your superannuation is very serious, as it deprives you of the money plus interest accruing which comprises your superannuation once you retire.

You can report non-compliance by your employer online through the ATO portal. Non-compliance by your employer includes where they have failed to pay your superannuation, paid your superannuation late, or paid your superannuation into the incorrect fund. The ATO will investigate any reports of incorrect superannuation guarantee payments by employers, but can only do so after their quarterly lodgement due date.⁵⁶

To report your employer's failure to meet superannuation guarantee obligations, use the following hyperlink to access the ATO website: <https://www.ato.gov.au/calculators-and-tools/report-unpaid-super-contributions-from-my-employer/>.

Beware: Depreciation

When spending your well-earned money, it is important to consider the affect that depreciation will have on the value of your purchases or investments in the long term. Depreciation, put simply, is the decrease in the value of an asset⁵⁷ over its useful life.

When you are looking at purchasing a new car, for example, the car's resale value will unlikely be at the forefront of your mind. However, there is a high probability that you will want to sell it at some point in the future. Therefore, before splurging on an expensive new car, it is important to consider what this car will be worth in a few years' time. On average, new cars depreciate by 19% of their as new value in their first year of being driven alone!⁵⁸ So if you are interesting in buying a new car for \$50,000, you should be prepared for your car's value to depreciate by \$10,000 in one year. That is a significant loss on top of the ordinary running expenses of the vehicle plus any interest you are paying on top of finance for the car. So, if you buy a car on finance, you must remember that you will be unable to discharge (pay off) the loan by simply selling your vehicle. As soon as it drives off the show room floor, it is will lose value.

Investments and Trading

Trading is defined as the participation in investment activities, including the acquisition and disposal of stocks, bonds, commodities, foreign currencies and other financial instruments.⁵⁹ By purchasing shares in a company, you become a part owner/ shareholder of that company. As a shareholder, you may be entitled to receive

⁵⁶ 'Report Unpaid Super Contributions from my Employer', *Australian Taxation Office* (Web page, 28 June 2019) <<https://www.ato.gov.au/calculators-and-tools/report-unpaid-super-contributions-from-my-employer/>>.

⁵⁷ 'Depreciation', *moneysmart.gov.au* (Web page, date unknown) <<https://moneysmart.gov.au/glossary/depreciation>>.

⁵⁸ 'Top 10 Cars that Depreciate Slowly', *Canstar* (Web page, 6 January 2017) <<https://www.canstar.com.au/car-insurance/top-10-cars-depreciate-slowly/>>.

⁵⁹ Riccardo Guglielmo, Lucia Loime and Luigi Janiri, 'Is Pathological Trading an Overlooked form of Addiction?' (2016) 8(3) *Addiction and Health* 207, 207.

dividends based upon your percent shareholding in the company, and a range of other benefits.⁶⁰

We are now faced with an abundance of stock trading platforms, which are all easily accessible on our smart phones or computers. This has caused some traders to become obsessed, to the point that pathological stock trading on financial markets is now categorized as a type of gambling addiction.⁶¹ Obsessive trading can lead to a loss of control over your investing behaviours over time, which may lead to you suffering from withdrawal symptoms similar to those present in suffers of substance abuse disorders.⁶² To avoid becoming addicted to stock trading, it is important to focus on growing your portfolio with an aim of creating long term gains as opposed to short term gambles.

To reduce the risk of losing your investment capital due to unexpected market behaviour, it is always best to invest in a diverse range of shares as opposed to only those in one industry.⁶³ You should also stay up to date by consuming reliable information concerning market and economic conditions, as well as trading information concerning the companies you have invested in. Examples of reliable sources of information are:

- The Reserve Bank of Australia's website, particularly its quarterly Statement on Monetary Policy and observation of the Australian economy;
- Reputable websites, magazines and newspapers that regularly publish economic information; and
- Publications released by the research department of banking and stockbroking firms.⁶⁴

The Implications of Centrelink Benefits

It is important to remember when applying for and receiving Centrelink benefits or allowances that a lot of Centrelink payments are classed as assessable income. That is, you must add the value of your Centrelink benefits to your income earned through salary or wages for each financial year to determine your personal tax liability. If you expect that your benefit in addition to your earned income will exceed the tax free threshold, you may elect to have tax withheld from your Centrelink benefits so you are not left with a tax debt payable at the end of each financial year.⁶⁵

⁶⁰ 'How to Buy and Sell Shares', *moneysmart.gov.au* (Web page, date unknown) <<https://moneysmart.gov.au/shares/how-to-buy-and-sell-shares>>.

⁶¹ Granero et al, 'Gambling on the Stock Market: An Unexplored Issue' (2012) 53 *Comprehensive Psychiatry* 666, 666.

⁶² Riccardo Guglielmo, Lucia Loime and Luigi Janiri, 'Is Pathological Trading an Overlooked form of Addiction?' (2016) 8(3) *Addiction and Health* 207, 207.

⁶³ 'Choosing Shares to Buy', *moneysmart.gov.au* (Web page, date unknown) <<https://moneysmart.gov.au/shares/choosing-shares-to-buy>>.

⁶⁴ Ibid.

⁶⁵ 'Paying Tax on Centrelink Payment', *Services Australia* (Web page, 23 June 2020) <<https://www.servicesaustralia.gov.au/individuals/topics/paying-tax-centrelink-payment/29651#setuptaxdeduction>>.

Some taxable Centrelink payments that you need to be aware of include:

- ABSTUDY
- Austudy
- Jobseeker Payment
- Youth Allowance

Additionally, if you are receiving an additional payment attached to your main Centrelink benefit, these amounts are also taxable. You cannot elect to have tax deducted from these amounts per se. What you can do is request that Centrelink withhold a fixed dollar or percentage amount of the combined total of your Centrelink benefits. Examples of common 'add-on' payments or benefits include:

- Additional assistance – Regular
- Living Allowance, term or school boarder
- National Work Experience Program
- PaTH Internship Incentive
- School Fees Allowance Group 2 or Board.

To see a full list of taxable Centrelink Payments and 'add-on' benefits, visit the ATO website through the following hyperlink: <https://www.servicesaustralia.gov.au/individuals/topics/paying-tax-centrelink-payment/29651>.

Higher Education/ Study Loans

Compulsory Repayments

Compulsory repayments of your higher education loans are made through the income tax system. At the time of lodging your tax return, you will not be required to fill in any of your loan details. Instead, if when you lodge your tax return and your earnings are above the minimum threshold, the ATO will calculate your minimum compulsory higher education debt repayment and include it on your notice of assessment. Compulsory repayments may even be included on your notice of assessment for income years predating your study.⁶⁶

Your compulsory payment amount is calculated based upon a percentage of your taxable income, and this calculation is based upon your income only – your spouse's or parents income is not considered in this calculation.⁶⁷

Voluntary Repayments

You are able to make voluntary repayments at any time to reduce your HELP debt. These voluntary repayments are considered to be made in addition to your compulsory

⁶⁶ 'Compulsory Repayments', *Australian Taxation Office* (Web page, 30 January 2020) <<https://www.ato.gov.au/individuals/study-and-training-support-loans/compulsory-repayments/>>.

⁶⁷ Ibid.

repayments and, most importantly, are not refundable.⁶⁸ When considering whether to make a voluntary repayment, it is important to think about any other expenses or savings goals that you currently have. For example, are you trying to save up for a car, holiday or even house deposit? Is repaying your student debt faster more important to you than these personal savings goals? An even more important consideration that you have to make before making a voluntary repayment is whether you have any other short term, high interest liabilities outstanding, such as a credit card debt or personal loans. If you have short term liabilities accruing a high rate of interest, it is recommended you consider paying these off before thinking about repaying your interest free, higher education debt.⁶⁹

When Should I Make my Voluntary Repayments?

If making voluntary repayments is a realistic and financially viable option for you, it is recommended that you make your voluntary repayment prior to lodging your tax return or notice of worldwide income. This is to ensure your voluntary repayment is credited to your account before your notice of assessment is released. Additionally, where possible, it is desirable to make a voluntary repayment prior to your loan's date of indexation, which is the 1st June each year. You want to make your repayment far enough in advance of 1st June to ensure your payment is processed and applied before this date.

What is Indexation?

Annually, on 1 June, any balance of an accumulated training or study loan that you hold is subject to indexation. The loans subject to indexation include:

- ABSTUDY SSL – ABSTUDY Student Start-up Loan;
- HELP – Higher Education Loan Program;
- SFSS – Student Financial Supplement Scheme;
- SSL – Student Start-up Loan;
- TSL – Trade Support Loan; and
- VSL – VET Student Loan.

Indexation refers to the process of adjusting the value of the loan in line with changes in the cost of living, as measured by the Consumer Price Index (CPI). This commonly results in an increase in the existing balance of your student loan. In the past two years (2019 and 2020), the indexation rate for training or study loans was 1.8%.⁷⁰

⁶⁸ 'Voluntary Repayments', *Australian Taxation Office* (Web page, 1 July 2019) <<https://www.ato.gov.au/Individuals/Study-and-training-support-loans/Voluntary-repayments/>>.

⁶⁹ Elizabeth Hatton, 'Student Loans: Should I Pay Off my HECS_ HELP Debt Early', *Canstar* (Web page, 20 January 2020) <<https://www.canstar.com.au/budgeting/paying-off-hecs-early/>>.

⁷⁰ 'Study and Training Loan Indexation Rates', *Australian Taxation Office* (Web page, 9 June 2020) <<https://www.ato.gov.au/Rates/Study-and-training-loan-indexation-rates/>>.

Professional and Personal Consequences of Pursuing your Occupation Overseas

Making the move overseas to pursue your chosen occupation is an exciting step! However, it is important that you remain well-informed of the practical implications of making such a decision. For example, by choosing to pursue your career overseas temporarily, you will be missing out on the ability to network and make contacts at home.⁷¹ It is likely you will need these if and when you decide to re-enter the Australian workforce. Also, in terms of housing, the cost of living can vary between countries and is always subject to change. Therefore, it is important to keep an eye on the housing market in Australia even if you do not reside here. If you plan to move back in the future, you need to make sure you are prepared to financially support yourself if there is a dramatic change in market conditions (for example, significant increases in the cost of housing).

Lastly, if you are making the move with a new or existing employer, ensure you make sufficient enquiries about any insurance they provide for medical expenses, theft or damage to baggage and in the event of cancellation or delay of flights.⁷²

Summary

We hope the information provided in this publication has provided clarity on your reporting requirements after entering the work force or applying for taxable benefits. The key point to take away from this publication is to always think in advance, and plan your present behaviours and investing activities so they align with what is in your best interest in the future. This applies not only to entering into expenses for tax deductions, but also to activities like share trading and purchasing other assets.

⁷¹ 'Going Overseas to Live or Work', *smartraveller.com.au* (Web page, Date unknown) <<https://www.smartraveller.gov.au/before-you-go/activities/living-overseas>>.

⁷² Ibid.

