It’s that time of year again when everyone has to think about tax. Heather Zubek dusts off her calculator as she looks into the complex world of taxes.

Happy New Year! Before you light the sparklers and sing Hold Langs Lyde, it’s not the beginning of a new calendar year but a new financial one. Each new year is not really a cause for celebration, although there are rumours that some accountants do a little dance every July 1.

So why is July 1 June 30 called a financial year?

The financial year, sometimes called the fiscal year, is the period used for accounting and budgeting purposes by the government. This period is also used for calculating your taxable income.

A Financial Year in the Life of Jason and his Family

Meet Jason. He is a teacher and is paid monthly. He earned $72,000 for the year that will have to pay about $15,000 of this as income tax.

A Tax File Number (TFN) is a number given to all taxpayers by the Australian Taxation Office (ATO) for tax administration purposes. Taxpayers need to quote their TFN to their employer and bank.

If Jason forgets to lodge his tax return one year, the ATO issued him with a penalty (or fine). If Jason paid too much, he will get a refund and if too little, he would have to pay extra.

Jason has to work out whether he has paid too much or too little tax during the financial year. If the difference is $5,000 or less, Jason can quote his TFN on his tax return. If the difference is more than $5,000, he will receive a penalty.

In 2010, the Russian Emperor Peter the Great placed a tax on beards. He wanted men to be clean-shaven. In 1854, England had a window tax, which taxed the owners on the number of windows they had. People started breaking up windows to avoid paying the tax.

Did you know that you could deduct . . .

• The cost of a dog if you use it for your work.
• The cost of sunscreen and a hat if you work outside.
• The cost of Xboxes and X-Boxes if your business uses them for helping employees relax.
• Company Tax: a tax on the profit of a business. Small businesses pay a rate of 27.5 per cent. Larger businesses pay 30 per cent.
• A superannuation fund is money that is put into a fund or special account, usually by an employer. This is to provide income for employees when they retire. Just as Jason has to file a tax return, Julie has to file one for her business. Julie Bookshop is a TFN as well as an Australian Business Number (ABN). Julie must spend money on her business, which she can claim back as a tax deduction. These include the shops rent, the cost of using the internet and electricity.

From each pay packet, the employer takes out income tax and pays it to the Australian Taxation Office. The more a taxpayer earns, the more income tax they pay.

The tax collected by the Australian Taxation Office (ATO) is used to pay for government services including aged care, weather benefits, healthcare and education. The Medicare levy that Jason pays helps to pay for government services.

One of Julie’s friends, Dome, owns a bookstore called Julie’s Bookshop. The business is able to pay 25 per cent company tax on any profit generated. One of Julie’s friends is a bookkeeper, which means she can claim back some of his wages but also claim back superannuation fund. Dome has a responsibility for different purposes. Taxpayers need to quote their TFN to their employer and bank.

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A Tax return is a form that a taxpayer must complete to show how much income they have earned and the amount of expenses that can be deducted from that income.

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