How to prepare Income tax return with provided source

- If you were an Australian resident need to lodge your tax return during every year to ATO.

- Before you lodge tax return, you should have all available information like TFN number, personal information like name, address, contact number, bank account details, income statement through STP or payment summaries from all your employers, receipts or statements for the expenses to claim deductions, your spouse income details & private health insurance to claim any cover.

- The Australian individual tax return labels are the codes that identify the different types of income, deductions, offsets, and adjustments that you need to report in your tax return.

- They are based on the questions and sections in the Tax return for individuals and the Tax return for individuals (supplementary section) forms.

- The below are the points how to prepare income tax return with provided source.

- As a first client will be assigning a new job based on their respective module. Normally ITR will be assigned as separate job, or it will be assigned with Group entities or with entity.

- For example, if any trust, partnership or company assigned along with that their trustees, partners or directors return will be assigned. And separate individual tax returns also will be assigned based on the client requirements.

- Once ITR job assigned read the instructions provided carefully and save all the communications & necessary documents in the respective folder.

- First go through the previous year workpaper along with the tax return to know what are all the income & expenses have been reported during that financial year.

- After that create a workpaper based on client requirement or client based and update the basic details wherever necessary.

- For ITR’s we need to check first prefilling report which is main document which was available in ATO portal. If ATO access is not available check whether it has been provided along with source document if not first request the Prefilling report from client before starting the job.

- Prefiling is nothing but allows you to cross-check information provided by your clients with information that ATO have been obtained from various organizations.

- ATO has provided information about clients' income and expenses as reported by those organizations.

- ATO also have other information you can use to complete clients' tax returns, including data from previous years.

- The details available in Prefill reports are information of clients like name Australian residency (at the report creation date), postal and residential address, date of birth which can be used to update or check the information in the client tax return (in the software which we are preparing).

- As next step in prefill report itself we can get the PYAG payment summaries and STP details which has been reported to ATO by their respective employees.

- Also, we can update the below income details from prefill report if they earned these income during that specific financial year.

  - payer details and income type (S – salary, P – pension, H – working holiday makers)
  - item **1** – salary or wages (including paid parental leave)
  - item **2** – allowances, earnings, tips, director's fees, etc
  - item **3** – lump sum payments
  - item **5** – Australian Government allowances and payments
  - item **6** – Australian Government pensions and allowances
  - item **7** – Australian annuities and superannuation income streams
  - item **20** – foreign source income
  - item **24** – other income, including lump sum E payments

- Apart from the above income we can get the some, income details which has been reported in Previous year tax return like rental income along with the property details, Capital losses carry forwarded and Business income or loss along with the business details.

- Hence, we can check if they earned those above mentioned during the year by verifying the documents and details provided for the respective income. If no details provided, we should raise query to client based on the PY reporting.

- So that we can get to know the details if rental property has been sold or any capital gain occurred, and business income or expenses details occurred during the respective financial year.

- In ATO prefilling report we can also get the details like dividend income, Managed fund distributions & ATO interest income if any.

- Also, client will provide the income details to report in their tax return. For example, if they bought any new rental property from that if they are earning income and income from any shares etc.

- Based on the above we can update the income in the client tax return & workpaper on the respective income labels.

- After completing income section need to update deduction labels. For deduction labels client will be providing the details to be claimed in their tax return.

- Normally in prefilling reporting details of deductions claimed in PY will be available. So that we can get to know what are the deductions have been claimed in PY based on that we can raise query to the client by requesting those details for the recurring nature deductions and we can update those details in the respective deduction labels.

- For deductions normally client will be providing log-book or KMS details for D1, Tickets & accommodation invoices for D2, and details of Home office hours & invoices for assets purchased, telephone internet expenses invoices along with work use percentage & other work-related invoices for D3 to D5.

- Donation invoices will be provided for D9 & Tax agent fees invoice for D10. So that we can update or claim these expenses based on the details provided in respective deductions labels.

- Before claiming any deductions or details check whether it is related to that financial year also need to check if that invoice, details or documents is related to that single client or shared with their spouse or someone by checking the name available in that. If not raise query to the client.

- After updating the details of deduction available raise query to the client if any has been claimed during PY but not available during the year also raise any general queries based on their income earned during the respective financial year.

- And complete the deduction labels with the available details in tax return.

- Please note that there will be detailed process guide available regarding documents needs to check or consider for each income and deductions label in LMS portal.

- And as next step update the details of private health insurance. These details will be available in prefill report also client will be provided the PHI summary.

- Also note that the prefill details will be get automatically updated of details if the specific client software is having the option of importing details from prefill.

- Even if updated please do a cross check the details have been updated correctly against with the report.

- Check if all the information has been entered correctly.

- Go through each heading separately and check the inputs. Also enter any relevant information received from client.

- Once all queries are answered, update ITR and workpaper, do self review and send for final review to reviewer.

- Once review done send the draft return along with workpaper for client's review. If any review queries provided by client fix that and discuss with reviewer and send for final review to client.

- Also please make note once you finalized the return processing validate the tax return in software by clicking that option before providing the tax return for internal review itself.

- So that it will show if any error in the tax return. We need to fix those errors by checking each errors. Once fixed again validate till it shows validated successfully and no errors or with Zero errors and then send for review.

- Even after fixing review points from client and if we are going to send finalized job to client before that make sure you have validated the return once again.