



MODULE 3: FINANCIAL LITERACY TOOLKIT

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*Everything
Taxation*

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Tax - What. Why and Who?

What is Tax?

- Tax is the money that people and businesses pay to the government at the federal, state, or territorial, and local level: federal, state, or territorial, and local. Each state and territory has its own level of government, as well as each city and town. The federal government is called the "Australian government." These governments use the money they get from taxes to buy things and services that the community needs.

Why pay tax?

- Governments have to pay for the things they do for the community, like education, health, defense, and things like roads. To do this, they need to use the tax system to get money, which is called revenue, to pay for things.
- Without taxes, the government would not be able to pay for any of the things it does. Without taxes, we'd live in a very different world than the one we do now.

Who pays tax?

- Tax is collected (levied) from individuals and businesses. The amount of tax levied is generally based on the amount spent on certain items or the level of income or profit.



Types of taxes and charges

Federal (Australian/Commonwealth)	State or territory	Local
Income tax	Payroll tax	Property rates
Medicare levy	Stamp duty	Rubbish disposal charges
Company tax	Land tax	
Goods and services tax (GST)	Special purpose levies	Building permits
Fringe benefits tax (FBT)		Fines
Capital gains tax (CGT)		Animal licences for pets
Customs duty on imports		
Excise on fuels, tobacco and other goods		
Departure tax at airports		
Petroleum resource rent tax		
Special purpose levies		

Tax information is recorded on a wide variety of documents. Examples include

- your payslip from work, which will show how much income tax has been deducted from your pay
- a sales invoice from a clothing store, which includes GST
- a rate notice for your family home

an invoice or receipt for the sale of a motor vehicle



How is tax revenue spent?

Welfare

Aged Care

Grants

Arts & Culture

Social Security

Immigration

Water & Electricity

Transport

Health

Trade

Environment

Police & Defence

Education

Postage and comms

The Court System

Infrastructure



Role of Australian Taxation Office (ATO)

- Almost everyone in Australia has to fill out an income tax return every year and pay tax on their wages. The ATO has a lot of contact with almost every part of the community.
- About 13 million people and 2 million businesses and non-profit organisations file taxes with the ATO each year.
- The Australian tax system is based on the idea of self-assessment. This means that when the taxpayer files their tax return, the information he or she provided is usually thought to be correct by the government. The ATO may check the information with the taxpayer and with other sources of information, later on, to make sure it is correct. Taxes are due if someone doesn't report all of their income, or claims for something they don't deserve. They may also have to pay a fine.

The main job of the ATO is to run the tax and superannuation laws that the Australian government makes. An important part of collecting money from people in Australia is the ATO. Over 80% of the money the Australian government gets comes from taxes, which pay for social and economic policies.



What you need to know about your tax lodgement

- You need to lodge your tax return before 31 October each year
- You can lodge your return via myGov or using the forms supplied via the ATO website
- Great resources available on www.ato.gov.au on your what is income and what is an expense (TaxPack is your bible! Available for download from the ATO website)
- Keep a record of your tax deductible receipts (work-related expenses, donations, etc) if you are looking to claim more than \$300
- If you require assistance with the lodgement of your returns or need further time to lodge your return, reach out to a registered tax agent.