

Question D6

INTEREST AND DIVIDEND DEDUCTIONS

D6

DEDUCTIONS



DO NOT SHOW AT THIS QUESTION:

- an amount for debits and duty tax on withdrawals relating to an account kept as an essential part of a business

Show this amount on your 2001 business and professional items schedule and claim it at item **14 Net income or loss from business** on your tax return (supplementary section).

- expenses incurred in earning foreign source interest or dividends. They may be taken into account in working out the amount you show at item **19 Foreign source income and foreign assets or property** on your tax return
- expenses incurred in relation to:
 - a **partnership or trust** distribution
 - **rental income**
 - **business income**
 - **tax costs**—such as the costs of managing tax affairs
 - the **land transport facilities tax offset scheme** or **infrastructure borrowings scheme**.

Other questions deal with these matters.

Refer to the relevant topics in the Index.

Did you have any expenses that you can claim as deductions against assessable interest and dividend income, such as:

- **Financial Institutions Duty (FID), government duty tax (GDT) or debits tax**
- **account keeping fees or management fees**
- **interest charged on money borrowed to purchase shares?**

You can claim a deduction against assessable interest and dividend income if you are able to show that the duties, taxes and expenses were incurred in earning that income.

You cannot claim a deduction for expenses incurred in deriving exempt income such as an exempt dividend on which family trust distribution tax has been paid. Refer to page 9 and question **A3** on page 103 for further details.

NO Go to question **D7**.

YES Read below.

Deductions you can claim against your assessable interest and dividends

FID and other taxes

State Governments charge FID, GDT and debits tax for operating certain types of accounts held with financial institutions such as banks, building societies and credit unions. If these were charged to your account, they will be shown on your statements or in your passbooks.

You can claim for FID charged on any deposit of assessable interest or dividend income paid into your account. You can claim that part of GDT or debits tax charged on payments from your account where the payment is for a deductible expense which is also claimed at this question.

Account keeping fees

Some financial institutions charge account keeping fees. You can claim for these fees where the account is held for investment purposes—for example, a term deposit. You will find these fees listed on your statements or in your passbooks.

Remember: If you are not the sole holder of an account you can only claim your share of charges or taxes on the account—for example, where you hold an equal share in an account with your spouse, you can only claim half of any allowable FID, GDT or debits tax paid on that account.

Other deductions

You can claim for ongoing management fees, retainers, interest incurred on money borrowed to purchase shares and other related investments and amounts paid for advice relating to changes in the mix of investment. If the money borrowed is used for both private and income producing purposes, then the interest must be apportioned between each purpose. Only that interest incurred for an income producing purpose is deductible.

You cannot claim:

- a fee charged for drawing up an investment plan unless you are carrying on an investment business
- a fee paid to an investment adviser for drawing up an initial investment plan which includes pre-existing investments.

- your bank or financial institution statements or passbooks
- other related documents

WHAT YOU MAY NEED

Step 1 Add up all your interest and dividend deductions.

Step 2 Write the total amount at **I** item **D6** on your tax return. Do not show cents.