

Understanding your Tax Refund

Not entirely sure how your tax refund works? You're not alone.

There are three important questions we will help you answer.



1 What is my total income?

2 How do deductions work?

3 How do these affect my refund?



1 What is my total income?

Your total income includes your employment income as well as any additional income, such as government payments or investment income.



2 How do deductions work?

Deductions reduce the amount of income that the ATO will tax you on. Your total income less your deductions is referred to as your **TAXABLE** income.



There are a wide variety of deductions you can claim, for example....



Home office expenses



Work uniform expenses



Motor vehicle expenses



Sun protection expenses

...and many, many more.

For more tips on deductions, see our articles page on our website at www.tdgbs.com.au/articles

3 How do these affect my refund?



The ATO uses your taxable income (total income less deductions) to determine your tax rate.

Your tax rate is used to calculate the total tax you owe. The ATO then subtracts the tax you've already paid through PAYG. If the result is negative, you get a refund.



Tax rates are available on the ATO website here: <https://www.ato.gov.au/rates/individual-income-tax-rates/>

Tax you've paid



Tax you owe based on your taxable income

OR

Tax you owe based on your taxable income

↑
REFUND



Tax you've paid

↑
What you still owe the ATO

Remember...

- ☞ A tax refund is not new money. It is your own money that you've already paid to the government.
- ☞ A deduction of \$5000 does NOT mean that the tax you owe is reduced by \$5000. It means your taxable income is reduced by \$5000.
- ☞ The PAYG rates assume a constant salary throughout the year. If your salary changed, you might owe or be owed some tax through changes to your PAYG rate.



Disclaimer: This is a general explanation only. For specific details and to make sure that you are taking advantage of all available tax deductions, you should consult with your accountant.

