

Thank you for your email. Below is further information that we have been sending out to parents across Australia. I hope this can help clarify some points for you.

Thank you for requesting more information on the First Child Tax offset (sometimes referred to as the original Baby Bonus).

In 2001 the government introduced the “First Child Tax Offset”. This was one of the first types introduced, unlike today's Baby Bonus Schemes it was not given much media attention and was quite confusing. As a result many parents have missed out on claiming this entitlement. There is no harm in finding out and it will cost you nothing.

## **NEXT STEPS – HOW TO FIND OUT HOW MUCH YOU CAN CLAIM.**

1. First we need some information from you and if you are able to, from your spouse. This information is found on your Notice of Assessment, (not your tax return) you will need to provide copies of these. Some parents will have these on file but if you don't you can ring up the tax office and ask for them to send you copies.
2. Copies of the tax assessments you will need are, the year before your child was born and up to 6 years after.  
e.g. if your child was born in 2003 you would need your assessments for years 2002, **2003**, 2004, 2005, 2006 and 2007, 2008 and 2009.
3. If you need to ring the tax office for copies.
  - a. Phone 13 28 61
  - b. Once answered press 4 then 3.
  - c. You can now either enter your tax file number or wait for the agent.
  - d. Request the years you need and ask them to mail it to you. Remember to ask them to mail it to your home address, as there may be a different registered address. It will take up to 5 days to get these.
4. Once you have your tax assessments for the years needed, send copies either by mail (PO Box 502, Sutherland, NSW 1499) or email ([childoffset@twelve.com.au](mailto:childoffset@twelve.com.au)) or fax 02 95453323 (Please do not send copies of your Tax Returns – as these are an estimate, we will be unable to process your claim.)  
Additional information we will require:  
Full names and date of births of all of your children  
Your full name and date of birth  
Your postal address and contact number
5. We will calculate an estimation of what you may be entitled to and email you a report. We will do all this completely FREE of charge. No risk to you all.

### **PLEASE NOTE**

- It does not have to be your first child, any child born/adopted between 1 July 2001 and 30 June 2004
- Your child must have been born in Australia
- It does not include Foster Children
- It is not income tested like today's entitlements

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**MORE INFORMATION BELOW** - for parents who would like to know more I have put together:

- 1) A brief description of what the Offset is
- 2) How it is calculated,
- 3) Examples of why people have not claimed their full entitlement,
- 4) What you can do to make sure you haven't missed out,
- 5) The reason why we are doing this, followed by
- 6) A step by step guide for you to make a claim if you think you have missed out.

**1. Background of the First Child Tax Offset.**

In 2001 the government introduced the "First Child Tax Offset". This was one of the first types of baby bonuses introduced, but unlike today's Baby Bonus Schemes it was not given much media attention and was quite confusing. As a result many parents have missed out on claiming this entitlement.

The Offset is available to a person who has had a reduction in their taxable income after gaining legal responsibility for a child on or after 1<sup>st</sup> July 2001 and prior to 30<sup>th</sup> June 2004. The offset was paid until the child turned 5 years old.

It isn't limited to the mother of the child, it can be transferred to the father or spouse (equal opportunity world we live in).

**2. How is it Calculated**

The entitlement is calculated by comparing a person's income in the year before the child was born or the same financial year as the baby was born – whatever is the highest (known as the Base Year), to their income in each of the 5 years after the child was born.

If their "Base Year" income is below \$25,000 and their income for any of the next 5 years is also under \$25,000, they will be entitled to the minimum \$500 pa claim. This is applicable even if their income actually increases in this period; EG Base Year Income = \$20,000. Claim Year income = \$21,000 – still entitled to claim \$500.

If their Base Year Income is greater than \$25,000, they will only be entitled to make a claim if any of their 5 following claim years is below the Base Year Income.

This is also applicable to the father/spouse, however the Base Year is the year the entitlement is transferred, not the year before the child was born (very important and can make a big difference to your claim).

The calculation is quite complex, however the maximum yearly entitlement is 1/5 of the tax paid by the person in their Base Year or \$2,500 (whatever is the lowest).

The government has realised that many people have missed out on making their full claim and have allowed an extension to the claim period until the end of this year.

**3. Examples of why some people may have missed out.**

We have noted the following reasons why people may NOT have claimed their full entitlement:

- 1) They claimed it the first year, but didn't realise they could claim it until the child turned 5.
- 2) Their Base Year Income was lower than the income in the next 5 years. If the Base Year is less than \$25,000 and any claim year is also less than \$25,000 (even if it is actually higher) you are still entitled to \$500 per year.

- 3) They didn't claim it because it was their Second Child. If your first child was born pre 1 July 2001, you can claim the bonus for your second child born post 1 July 2001, you cannot however claim the bonus for your third or subsequent children born post 1 July 2001.
- 4) They claimed it in the first, second, fourth and fifth years. They simply forgot to make a claim in the third year (it wasn't automatically done – you had to make the claim every year).
- 5) They didn't realise they could transfer it to their Spouse, particularly if their spouse's income dropped significantly from one year to the next.
- 6) Thought it could only be claimed in their Income Tax Return. An annual claim form can also be used.
- 7) They didn't realise they could claim for a child they adopted, even though the child was born prior to 1<sup>st</sup> July 2001. The date used is when they had legal responsibility, not the adopted child's date of birth.
- 8) They didn't realise they could claim for a child that died at birth. Unfortunately, you can only make a claim for one year.
- 9) Their child was born prior to 30<sup>th</sup> June 2004, when the \$3,000 lump sum Baby Bonus came in. People heard a lot about the New Baby Bonus but very little about the old one so they thought they had missed out. The old one in a lot of cases was more generous.
- 10) Some people thought they needed to be registered for Family Tax Benefits to claim the Offset. This is not true as it is not administered by Centerlink or Family Assistance Office.

#### **4. What can you do?**

If you think there is the possibility you may be entitled to anything, we strongly suggest that you ACT now before the end of year deadline.

We are generously offering to anyone who contacts us about this, a **FREE** review of what their entitlements for the First Child Tax Offset should be (see Steps below)

Even if you think you have claimed everything you are entitled to, I would encourage you to consider letting us have a look at your situation to see if there is any possibility there was something missed. It won't cost you anything.

We find many people don't understand the rules regarding the transfer of the entitlement between spouses (and back again) and miss out on sometimes thousands of dollars.

#### **5. Why am I doing this?**

I prepare and lodge over 1,200 Income Tax Returns every year. Most of my clients have young families and as a result I understand most of the issues regarding Family Tax Entitlements (Child Care, Family Tax Benefits, Baby Bonuses etc). I have written many articles and spoken at many seminars on these topics. I would be considered an expert in the field of Family Tax.

I have two boys, one born in March 2001 and another born in March 2003. I originally didn't make a claim because I thought it had to relate to your FIRST child (I'm a Chartered Accountant and I didn't understand).

A number of years later I realised my mistake and claimed 5x \$500 for my wife – sweet. It wasn't until a couple of years ago that I realised that I could transfer the claim from my wife to me, I had a spike in my income for one year (capital gain). This changed the claim to 5x \$2000+ - even sweeter.

From then on I have always been on the lookout to make sure my Tax Return Clients have claimed their maximum First Child Tax Offset entitlement. I've lost count of the number of people I have helped.

When I heard that they have now put a Deadline on when you can claim this (I was actually surprised that we still had a window of opportunity), I realised that it was my job to spread the word and make sure that as many people get their proper entitlements.

## 6. Step by step guide to make your claim.

### Step 1.

Do you have a child born between 1<sup>st</sup> July 2001 and 30<sup>th</sup> June 2004?

If you answered NO, there is nothing for you to claim under the First Child Tax Offset (please feel free to pass this information onto someone else).

If you answered YES, go to step 2.

### Step 2. (this is the hard bit)

You will need to gather up your Income Tax Assessments for each year starting with the year BEFORE your child was born. This also includes the Income Tax Assessment of your spouse (if applicable).

Your Income Tax Assessments are vital, as they will not only provide what your taxable incomes were, they will also indicate which years (if any) you did claim the First Child Tax Offset for and which years you didn't.

Some people have kept their Income Tax Assessments and other people will have to contact either the ATO or their Tax Agent for copies.

Once you have ALL of your Income Tax Assessments, go to Step 3.

### Step 3.

Scan/email/fax/post copies of your Income Tax Assessments to us. (Please do not send copies of your Tax Returns – as these are an estimate, we will be unable to process your claim.)

Additional information we will require:

Full names and date of births of all of your children

Your full name and date of birth

Your postal address and contact number

Email: [childoffset@twelve.com.au](mailto:childoffset@twelve.com.au)

Fax: 02 95453323

Post: PO Box 502, Sutherland, NSW 1499 (attention "BABY BONUS")

### Step 4.

We will provide a detailed written report (with calculations) as to what your entire First Child Tax Offset entitlement should have been. This will be the "best case" situation and may involve transferring the entitlement to your spouse to get the best result.

We will compare this to what you have actually received. We will then recommend to you if it is worth making a claim.

We will do all this completely FREE of charge. No risk to you all.

### Step 5.

If it is worth making a claim, you can either complete the forms yourself or if this sounds all too hard, we can make any claim on your behalf. Further information on how to do this will be provided if applicable.

Please feel free to email me with any questions, as I am here to help.

Warm wishes,

Derek Nolan



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