

Tax Tips

2018 / 19 Tax tips & hints to save you tax



Rachael Trethowan CA

Bachelor of Commerce

Rachael commenced at Strategem in 2012 originally in our Investment Services division before moving into the Business Services team.

She is driven to help individual clients and businesses in the small to medium sector to effectively manage their accounting and taxation requirements.

As part of our highly trained tax and accounting team, Rachael is also an experienced user of Xero, MYOB, QuickBooks and Reckon accounting software.

Rachael is focused in helping her clients manage their taxation affairs and looks forward to continuing providing excellent service to new and existing clients.

*"We contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle."
Winston Churchill*

With June 30 approaching it's time to take steps to maximise your 2018/19 tax refund.

WHAT'S NEW THIS YEAR? ...

MORE DETAILS NOW HAVE TO BE PROVIDED TO THE ATO

The ATO have for the first time introduced a 'Deductions Schedule' for tax-agent prepared returns that are lodged electronically.

This requirement will provide a lot more detailed information directly to the ATO and is no-doubt designed to help them more closely zero-in on potentially excessive claims in order to help them better-target future audit activity.

Based on an extremely small sample size of 858 audited tax returns (out of a total of around 9.6 million returns) the ATO have developed a 'tax-gap' analysis for individuals not in business of an estimated \$8.7 billion. They attribute the majority of this short-fall in tax collected to people incorrectly claiming work-related expenses.

Thus this year more than ever you should work with your accountant to ensure that work-related and other deductions are claimed correctly in accordance with ATO laws.

NEW 'LOW AND MIDDLE INCOME TAX OFFSET'

Last year the government introduced a non-refundable tax offset (first coming into effect in 2019 tax returns) to benefit taxpayers with a taxable income of up to \$125,334. This tax offset is currently legislated at \$200 for those with a taxable income of up to \$37,000, rising up to a maximum of \$530 for those with a taxable income of between \$48,001 up to \$90,000; then gradually falling to nil for those with \$125,334 or more.

... AND THEN WE HAVE A FEDERAL ELECTION IN MAY 2019!!

In the April 2019 Federal budget the Coalition Government announced that, if elected, they would increase the Low and Middle Income Tax Offset by up to \$550 to a new maximum of \$1,080, effective from the 2019 tax return year. They also pledged to increase the base amount by \$55 to become \$255 for those with a taxable income up to \$37,000; with the higher income threshold then to cut-out at \$126,000.

The Labor Party promptly broadly agreed to match this proposed increase to this new tax offset.

However as of mid-June 2019 this proposed increase in the Low and middle Income Tax Offset had not been formerly legislated.

WILL YOU RECEIVE TWO TAX REFUNDS THIS YEAR? ...

Prime Minister Scott Morrison has vowed to rush the required legislation to enact the increased new tax offset into parliament as soon as possible. Whilst the Coalition holds a majority in the House of Representatives it will require the support of either Labor or various minor party / independent Senators to make the increase law.

Mr Morrison has advised that the increased tax offset will probably be delayed until the election count has been finalised so that parliament can be recalled. If not passed before 1 July those people eligible will automatically receive a second tax refund without having to do anything!

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ATO's 'THREE GOLDEN RULES' TO CLAIM WORK-RELATED EXPENSES:

1. Make sure you spent the money yourself and that you were not reimbursed.
2. Make sure the expense is related to your job.
3. Make sure you have a record to prove that you paid the expense.

TAX TIP : If you own a Rental Property it has to be genuinely available for rental to potential tenants before you can start claiming associated expenses.

Often obtaining a Depreciation Report from a suitably qualified Quantity Surveyor can save you a significant amount of tax.

Please speak to us to ensure your rental expenses are maximised.

This information is general in nature and intended to be a guide only. You should not act on any of this information but instead you should seek professional advice specific to your circumstances.

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TOP TIPS TO SAVE YOU TAX

- (1) Purchase any required work-related items such as protective clothing, equipment and seminar/conference fees prior to 30 June.
- (2) Keep receipts for work-related expenses so you can prove how much you spent if required.
- (3) Consider making a donation to your favourite deductible gift recipient charity prior to 30 June.
- (4) If you have made a capital gain during 2018/19 consider also disposing of any under-performing investments prior to 30 June to realise potential offsetting losses.
- (5) Review contributions made to your superannuation fund/s for the year ended 30 June.
- (6) Keep a written record of kilometres travelled for work-related trips (noting date, reason for trip and km travelled).
- (7) Maintain a diary for at least a month recording the number of hours you spend performing work related at home after hours.
- (8) When staying away from home overnight on work trips, keep receipts for all meal, parking and other travelling expenses incurred (especially if these expenses are not reimbursed by your employer)
- (9) Keep diary or other records for at least a month in order to help determine the work-related usage portion of Internet and/or Telephone expenses.
- (10) Consider whether or not to take out a suitable Private Hospital Insurance policy if your income is high enough to be charged with the Medicare Levy Surcharge (over \$90,000 if single or \$180,000 for families).

ATO TO 'CLEAN UP' ON INCORRECT LAUNDRY CLAIMS ...

The ATO have advised that over six million taxpayers claimed work-related clothing and laundry expenses in 2018 ... they are concerned that a number of people wrongly claimed deductions for conventional clothing. Speak with us to ensure that you claim correctly and don't get 'washed up' and 'ironed out' by the increasingly aggressive ATO!

Personal Income Tax Rates

Below are the income tax rates for the 2018/19 and 2019/20 income years for Australian resident taxpayers (excluding Medicare Levy of 2%).

| 2018/19 Taxable income thresholds | Rate | Tax payable (excluding Medicare Levy of 2%) |
|-----------------------------------|-------|--|
| Nil to \$18,200 | 0% | Nil |
| \$18,201 - \$37,000 | 19% | Nil plus 19 cents for each \$1 over \$18,200 |
| \$37,001 - \$90,000 | 32.5% | \$3,572 plus 32.5 cents for each \$1 over \$37,000 |
| \$90,001 - \$180,000 | 37% | \$20,797 plus 37 cents for each \$1 over \$90,000 |
| \$180,001 and over | 45% | \$54,097 plus 45 cents for each \$1 over \$180,000 |

Head Office

P 03 5445 4777 F 03 5441 5264
35 Mundy Street, Bendigo, VIC 3550
PO Box 839, Bendigo, VIC 3552

Melbourne

P 03 8621 8100 F 03 8621 8199
Level 7, 333 Collins Street, Melbourne VIC 3000
PO Box 173 Collins St West, Melbourne VIC 8007

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