FINANCIALLY SORTED

Tax Planning Guide

Individuals

WELCOME

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Tax Insights

What to consider when tax planning for EOFY?

With the end of the financial year looming, it's time to think about your tax planning options before 30 June hits. We've curated a list of top things to focus on when organising your tax affairs for year-end, applicable to businesses, primary producers, trusts and individuals.

Individual Tax Planning

1. Bring forward deductions

Taxpayers who own an investment property or have an investment portfolio margin loan may consider prepaying interest up to 12 months in advance on investment loans and claiming a deduction in the financial year for the prepayment.

It is a once off benefit, effectively you are claiming two years worth of interest. If this option is chosen you are locked into prepayment for subsequent years.

2. Motor vehicle claims

If you frequently use your own vehicle for work related travel, a logbook may increase your motor vehicle deduction. A logbook must be kept for 12 consecutive weeks and must be updated every five years or whenever your vehicle use materially changes. In addition to maintaining a logbook ensure you keep written evidence of all motor vehicle expenses such as insurance, services, license and registration paid during the financial year.

If you do not maintain a logbook, the maximum kilometres an employee will be entitled to claim is 5,000 kilometres at a rate provided by the ATO.

It is important to note, in most cases, home to work travel is not included as work related.

3. Donations

A donation to a Deductible Gift Recipient (DGR) may be a great way to reduce your taxable income while contributing to a good cause.

If you intend to make a donation prior to 30 June, ensure that the donation is made to a DGR and that you maintain the receipt. A list of DGRs are available on the ATO's website.

4. Income protection policy

If your income protection policy is owned by you personally it is an income tax deduction in your individual tax return. It may be wise talking to your financial advisor about your income protection policy being in your personal name instead of your superannuation fund to result in a personal tax deduction. In addition, to increase your deduction it may be beneficial to pay your policy annually prior to year-end instead of monthly.

5. Capital Gain

You may consider reviewing any capital gains made during the financial year. If you have had a capital gains tax event during the year, evaluate any other assets you hold that are in a loss position and consider if it is an appropriate time to sell these to reduce your capital gains tax exposure.

Be aware that individuals have access to the 50% capital gain concession if they hold an asset for more than 12 months.

6. Superannuation Concessional contributions

Just before the financial year end is a great time to do a financial check of your superannuation funds and if you have any excess cash it might be worthwhile investing in your retirement and topping up your superannuation fund.

Any concessional contributions made into your superannuation fund up to the cap is an income tax deduction against your assessable income. Since 1 July 2017 you are now able to make concessional contributions to your superannuation fund regardless of how your income was received. This means even if you are not self-employed you can still make an eligible concessional contribution and have the amount deductible in your tax return.

However, if you are over 67 and under 75 you must still satisfy the "work test". This requires that you are employed and undertaking paid work for a minimum of 40 hours in any 30 consecutive day period to make voluntary contributions.

There is no age restrictions on your superannuation fund acceping mandated employer contributions.

The annual concessional contributions cap is now $27,500 for all individuals. For those with a super balance of less than $500,000 at the end of June 30 in the previous year, the new rules allow you to carry forward your unused concessional contributions cap amounts from 1 July 2018. The first year in which you can increase your concessional contributions cap by the amount of unused cap is 2020. Unused amounts are available for a maximum of five years and expire after this.

If you have had more than one job during the financial year you should make sure that you have not exceeded your concessional contribution cap as excess contribution amounts will be taxed at the marginal tax rate plus an excess concessional contributions charge.

To claim a deduction for superannuation contributions in your income tax return you must provide a signed notice (Section 290-170 notice) to your superannuation fund to notify them of your intention. You must receive an acknowledgement notice from the fund confirming your contribution, prior to the lodgement of your individual income tax return.

Non-concessional contributions (after–tax contributions)

For members under 65, non-concessional contributions may be up to $300,000 over a three-year period depending on their total superannuation balance.

Members over 65 but under 75 can still contribute up to $110,000 a year however are not eligible for the three year 'bring forward' non-concessional contribution.

Bring Forward Arangements

Contribution and 'bring forward' available to members under 65:

Superannuation balance	Contribution and bring forward available
Less than $1.48 million	Access to $330,000 cap (over three years)
Greater than or equal to $1.48 million and less than $1.59 million	Access to $220,000 cap (over two years)
Greater than or equal to $1.59 million and less than $1.7 million	Access to $110,000 cap (no bring-forward period, general non-concessional contributions cap applies)
Greater than or equal to $1.7 million	Nil

Members are not eligible to make non-concessional contributions once they are 75 or older.

Due to the strict rules and regulations around superannuation funds and member contributions we advise you to contact us prior to making any non-concessional contributions as excess contributions will be taxed at 47%.

7. Division 293 tax on superannuation contributions

Individuals with an adjusted taxable income over $250,000 will be subject to an additional 15% tax on their taxable superannuation contributions.

8. Medicare levy surcharge

Singles and families who do not have adequate private health insurance cover will be liable for the Medicare levy surcharge. This is determined by the income thresholds, set out in the table below.

	No change	Threshold 1	Threshold 2	Threshold 3
Singles	$90,000 or less	$90,001-$105,000	$105,001-$140,000	$140,001 or more
Families	$180,000 or less	$180,001-$210,000	$210,001-$280,000	$280,001 or more
Rate	0.0%	1.0%	1.25%	1.5%

Note: The family income threshold is increased by $1,500 for each dependent child after the first child.

- Ensure you have appropriate private health insurance going forward to avoid paying the Medicare levy surcharge.
- The above table is for the financial year ending 30th June 2021.

9. How to calculate car expense.

What's under the bonnet?

If you use your **own car** for work purposes, you can claim a deduction using the **cents per kilometre** method or **logbook** method.

If you use someone else's car for work purposes, you can only claim for direct costs you pay for – such as fuel.

You can claim a deduction for car expenses if:

- you use your car in the course of performing your work duties, or
- you attend work-related conferences or meetings away from your normal workplace, or
- you travel directly between two separate places of employment and one of the places is not your home, or
- you travel from your normal workplace to an alternative workplace and back to your normal workplace, or
- you travel from your home to an alternative workplace and then to your normal workplace, or
- you perform itinerant work.

Remember:

- You can't claim a deduction for normal daily journeys between home and work except in limited circumstances where you carry bulky tools or equipment (such as an extension ladder or cello) that:
    - your employer requires you to use for work,
    - you cannot leave at work.
- If travel is partly private, you can only claim the work-related portion.
- You can't claim a deduction for car expenses that have been salary sacrificed.
- You can't claim a deduction if you have been reimbursed for it.

You can calculate your car expenses in two ways

Cents per kilometre method

- You can claim a maximum of 5,000 business kilometres per car, using this method.
- Your claim is based on 70 cents per kilometre.
- You don't need written evidence but you need to be able to show how you worked out your business kilometres (for example, by producing diary records of work-related trips).

Logbook method

- Your claim is based on the businessuse percentage of expenses for the car.
- Expenses include running costs and decline in value. You can't claim capital costs, such as the purchase price of your car, the principal on any money borrowed to buy it and any improvement costs (eg, adding paint protection and tinted windows).
- To work out your business-use percentage, you need a logbook and the odometer readings for the logbook period. The logbook period is a minimum continuous period of 12 weeks.
- You can claim fuel and oil costs based on your actual receipts or you can estimate the expenses based on odometer records that show readings from the start and the end of the period
- you used the car during the year.
- You need written evidence for all other expenses for the car.

Your vehicle is not considered a car if it is a motorcycle or a vehicle with a carrying capacity of:

- one tonne or more, such as a utility truck or panel van, or
- nine passengers or more, such as a minivan.

Keep receipts for your actual expenses. You cannot use the cents per kilometre method for these vehicles. While it is not a requirement to keep a logbook, it is the easiest way to show how you have calculated your work-related use of the vehicle.

Keeping a logbook

Your logbook must cover at least 12 continuous weeks. If you started using your car for work-related purposes less than 12 weeks before the end of the year, you can extend the 12-week period into the next financial year.

If you are using the logbook method for two or more cars, keep a logbook for each car and make sure they cover the same period.

Your 12 week logbook is valid for 5 years. However, if your circumstances change (eg, you change jobs) and the logbook is no longer representative, you will need to complete a new 12 week logbook.

Your logbook can be electronic or paper. The example below has the details you need to keep.

Car details

Make:	Engine capacity:
Holden	2.4L
Model:	**Registration number:**
Barina	ABC 123

Journey start date	Odometer reading at start of journey	Journey end date	Odometer reading at end of journey	Reason for the journey	Total kilometres travelled
27 August 2021	10,200km	27 August 2017	10,210km	Private – take kids to school	10km
27 August 2021	10,210km	27 August 2017	10,230km	Private – travel to work	20km
27 August 2021	10,230km	27 August 2017	10,245km	Business – travel to offsite client meeting	15km
27 August 2021	10,245km	27 August 2017	10,260km	Business – return to office	15km
27 August 2021	10,260km	27 August 2017	10,280km	Private – travel from office to home	20km

Calculate your work-related car use

(Complete this section after 12 continuous weeks of logbook use)

Logbook period (dd/mm/yy to dd/mm/yy) 01/09/21 to 21/11/21

a) Calculate the **total** number of kilometres travelled during the logbook period:

4,200km

b) Calculate the number of kilometres you travelled in the course of earning your income during the logbook period

1,470km

c) Calculate the work-related use by dividing the amount at **(b)** by the amount at **(a).** Multiply this figure by 100.

Your business use percentage is: 35%

Once you've calculated your business use percentage, multiply it by your car expenses to figure out your claim.

Car expenses can include running costs such as fuel, oil, and servicing, registration, insurance and vehicle depreciation. You can claim fuel and oil costs based on receipts or you can estimate the expenses based on odometer records that show readings from the start and end of the period you used the car during the year.

You need written evidence for all other expenses for the car.

The **ATO app's myDeductions** tool can be used to record work-related car trips as well as any car expenses. You can share your myDeductions records directly with your agent at tax time. For more information, visit ato.gov.au/mydeductions.

For more information, speak with your tax agent or visit **ato.gov.au/carexpenses**
*reproduced from the ATO – Car Expenses Fact Sheet

10. Home Office Deductions

The Australian Taxation Office ('ATO') has announced a temporary simplified short cut method to make it easier for individual taxpayers to claim deductions for additional running expenses incurred (e.g., additional heating, cooling and lighting costs), as a result of working from home due to the Coronavirus pandemic. This is an alternative method to claiming home running expenses under existing arrangements, which generally require an analysis of specific running expenses incurred and more onerous record-keeping.

1. WFH - 1 July 2021 - 30 June 2022

The ATO will allow individuals to claim a deduction for all running expenses incurred during the period 1 July 2021 to 30 June 2022, based on a rate of **80 cents for each hour** an individual carries out genuine work duties from home.

Working from home deductions for the above period includes:

✓ Electricity expenses associated with heating, cooling and lighting the area at home, which is being used for work

✓ Cleaning costs for a dedicated work area,

✓ Phone and internet expenses,

✓ Computer consumables (e.g., printer paper and ink) and stationery,

✓ Depreciation of home office furniture and furnishings (e.g., an office desk and a chair),

✓ Depreciation of home office equipment (e.g., a computer and a printer).

Please note that under the 80 cents per hour method, separate claims cannot be made for any of the above running expenses (including depreciation of work-related furniture and equipment). As a result, using the 80 cents per hour method could result in a claim for running expenses being lower than a claim under existing arrangement.

WORKING FROM HOME - ELIGIBILITY GUIDELINES | 80 CENTS/HOUR

(a) there is no requirement to have a separate or dedicated area at home set aside for working (e.g., a private study)

(b) multiple people living in the same house could claim under this method (e.g., a couple living together could each individually claim running expenses they have incurred while genuinely working from home, based on the 80 cents per hour method)

(c) an individual will only be required to keep a record of the number of hours worked from home because of the Coronavirus, during the above period. This record can include time sheets, diary entries/notes or even rosters.

WORKING FROM HOME EXPENSES | PRE COVID-19 GUIDELINES

Working from home running expenses that are incurred before 1 March 2020 (and/or incurred from this date where an individual does not use the 80 cents per hour method) must be claimed using existing claim arrangements. Broadly, these existing claim arrangements require:

- an analysis of specific running expenses incurred because of working from home
- more onerous record-keeping (e.g., the requirement to provide receipts and similar documents for expenses being claimed
- the requirement to maintain a time usage diary or similar record to show how often a home work area was used during the year for work purposes).

Need clarification? – be sure to mention this to your Senior Client Manager before we commence your tax return in the up coming months!

11. Record Keeping

The Australian tax system relies on taxpayers self-assessing. This means you are responsible for working out how much you can declare and claim on your tax return. You also need to be able to show how you arrived at these figures – in some cases, you may be required to provide written evidence.

You can keep your records in paper or digital format. If you make paper or digital copies, they must be a true and clear copy of the original.

How long to keep your records?

Generally, you must keep your written evidence for five years from the date you lodge your tax return.

There are some more specific situations. If you:

- value (formerly known as depreciation) – keep records for the five years from the date of your last claim for decline in value
- acquire or dispose of an asset – keep records for the five years after it is certain that no capital gains tax (CGT) event can happen

12. Tools, equipment and other assets

If you buy tools, equipment or other assets to help earn your income, you can claim a deduction for some or all of the cost.

If you use the tools for both work and private purposes you will need to apportion the amount you claim. If you have a computer that you use for private purposes for half of the time you can only deduct 50% of the cost.

The type of deduction you claim depends on the cost of the asset:

- for items that aren't part of a set and cost $300 or less, or form part of a set that together cost $300 or less, you can claim an immediate deduction for their cost
- for items that cost more than $300, or that form part of a set that together cost more than $300, you can claim a deduction for their decline in value.

You can also claim the cost of repairing and insuring your tools and equipment and any interest on money you borrowed to buy these items.

If you use items for both personal and work-related purposes you need to keep records, such as a diary to show the purpose of use of the item. So that, if requested, you can show how you apportioned the amount of personal and work-related use.

Tax Checklists

Individual Tax Checklists + SMSF

INDIVIDUAL | CHECKLIST

INCOME TAX RETURN

To assist you with gathering the necessary information and documents for the preparation of your **Individual Income Tax Return**, we now provide you with a tailored checklist for your convenience. We recommend that this checklist is used as a guide to gather all appropriate documents. Failure to do so may mean we can't complete your tax return in the most efficient and timely manner.

Documents/Information	Information Required	Not Applicable
Income		
PAYG payment summaries (e.g. from employers)	☐	☐
Lump Sum payments (e.g. Employment Termination Payment)	☐	☐
Partnership and distribution statement, including copy of tax returns	☐	☐
Documentation of any foreign source income	☐	☐
Interest earned, including term deposits Summary of all dividends received, including imputation credits	☐	☐
Managed fund annual tax statement and capital gains tax statement	☐	☐
Buy/sell contract notes for shares (if any shares were sold)	☐	☐
Work Related Deductions		
Details of depreciable assets bought during the year (e.g. laptops/tools etc.)	☐	☐
Details for home office expenses (electricity, gas and telephone)	☐	☐
Professional journals/trade magazines/ memberships/subscriptions/union fees	☐	☐

Summary for continuing professional development courses, seminars or education	☐	☐
Summary of all motor vehicle expenses (if used for work purposes), including business kilometers travelled	☐	☐
Vehicle logbook percentage for motor vehicle expenses (if using the logbook method)	☐	☐
Summary of other work related deductions (e.g. protective clothing/uniform, tools and equipment, mobile and travel expenses	☐	☐
Other Deductions		
Summary of gifts or donations of $2 and over	☐	☐
Expenditure incurred in managing tax affairs (e.g. tax agent's fees)	☐	☐
Expenditure incurred in earning interest, dividends or other investment income (e.g. financial advice)	☐	☐
Income protection insurance premiums	☐	☐

Information	Information Provided	Not Applicable
Rental Properties		
Records detailing rental income received (annual statement from property agent)	☐	☐
Summary of interest paid on investment loan for the financial year	☐	☐
Rental property expenses (i.e. council rates, water charges, repairs and maintenance, land tax and insurance)	☐	☐
Details of depreciable assets or capital works on the property	☐	☐

If the property was disposed of during the income year, information relating to dates and costs associated with disposal of the property	☐	☐
Offsets/Rebates Details of dependents, including their age, occupation and income Private health insurance statement	☐ ☐	☐ ☐
Other Information Summary of PAYG instalments paid Any other information that you think is relevant or have provided in the past	☐ ☐	☐ ☐

Please complete the following details:

PLEASE NOTE: The ATO will no longer be issuing refund cheques and all refunds will be via EFT, so please ensure you have all you banking details to avoid any delays.

Account Name:

BSB Number:

Account Number:

Financial Institution:

Thank you for compiling all your information.

***Disclaimer**

Before acting on any information you've may received during a strategic financial consultation, or read about on our websites, email communications, guides including our newsletters, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs.

If any products are discussed, you should obtain a Product Disclosure Statement relating to the products and consider its contents before making any decisions.

It is recommended to seek advice from a qualified professional relevant to your particular needs or interests. (For instance, Tax Advice from a Tax Agent, Financial Advice from a Licensed Financial Adviser and so on and so forth).

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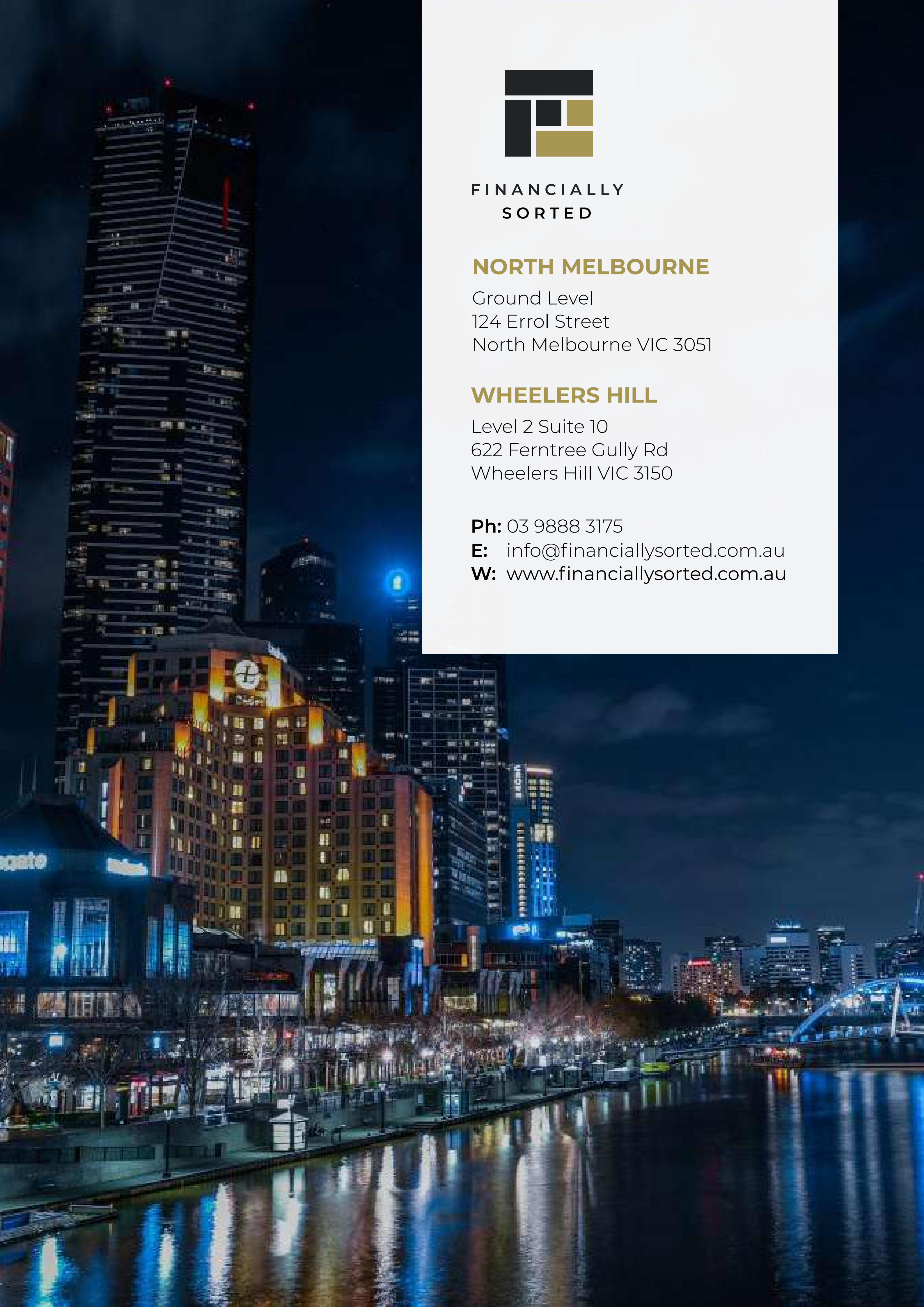

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