Personal Client Newsletter

Financial Year Ending 30 June 2021

COVID-19 has changed many things – from the way we interact with each other to the way we work and do business. Whilst year-end tax planning is always an important focus, a number of COVID-19 induced factors means that your year-end tax planning for this financial year will need to look a little different.

As your accountants, we believe our client brief includes helping you minimise your tax liability within the framework of the Australian taxation system and the purpose of this newsletter is to highlight some end of year tax planning opportunities you should consider

If you would like to discuss any of these, please don't hesitate to contact our office.

TAX TIPS FOR INDIVIDUAL TAX PAYERS

Do you know the tax deductions and offsets for which you might be eligible this financial year? The following tips may help you to legitimately reduce your tax liability in your 2020/21 return.

Most people like to save on tax and want to see their income working to its fullest potential so now is the time to review what strategies you can use to minimise your tax before 30 June 2021

While paying tax isn't a bad thing – if you're not earning any income you won't pay any tax at all, which can be a good and bad.

You need receipts for tax deduction claims, so you can show them to the ATO if they ask about your deductions. These days, the ATO is asking a lot of questions about tax deductions. Listed below are some strategies for you to consider:

Claim Work-Related Deductions

Consider whether any expenditure should be brought forward before 30th June 2021. Claiming all work-related deduction entitlements may save considerable income tax. Typical work-related expenses include employment-related mobile phone, internet usage, computer repairs, union fees and professional subscriptions that the employee paid themselves and for which they were not reimbursed.

Work From Home Deductions

If you have been working from home due to COVID-19, you may have expenses you can claim a tax deduction for. The ATO allows you to claim using a **"Shortcut Method" an amount of $0.80 per work hour** for the 2021 year. This amount covers all expenses from working from home, and you need to keep a record of how you calculated the number of hours you are claiming.

See below for a more detailed explanation on the deductions available this year.

Superannuation Contributions

Super contributions are one of the areas that individuals need to review now, even more so this year with the capital losses incurred by most super fund balances as a result of the economic downturn due to COVID-19.

Individuals should consider whether additional super contributions should be made personally to maximising their contributions for the 2021 year to save tax and to regain some lost ground. Please check all contributions received by your fund for the year before making further contributions.

NOTE: All individuals are now eligible to claim a tax deduction for personal contributions made to their complying super fund. You will need to ensure you notify your superannuation fund that you intend to claim these contributions as tax deductions AND that you receive a confirmation letter from the super fund acknowledging receipt of the election.

Concessional Contributions

Concessional contributions are before-tax contributions made into your super fund. They include employer contributions, salary sacrifice payments and personal contributions you claim as a tax deduction.

The concessional contributions cap is $25,000 for all ages for the 2020-21 financial year.

Individuals need to pass a work test if over age 67.

Spouse Superannuation Contributions

Consider whether to make a $3,000 spouse super contribution before 30 June 2021. A maximum tax offset of $540 is available if you make a contribution on behalf of your spouse, your spouse's total super balance is under $1,600,000 and their taxable income is under $37,000. The tax offset is then progressively reduced until the tax offset reaches zero for spouses who earn $40,000 or more.

Carried Forward Superannuation Contributions

Carry-forward contributions are not a new type of contribution, they are simply new rules that allow super fund members to use any of their unused concessional contributions cap on a rolling basis for five years.

This means if you don't use the full amount of your concessional contribution cap ($25,000 in 2019, 2020 and 2021), you can carry-forward the unused amount and take advantage of it up to five years later.

Carry-forward contributions are calculated on a rolling basis over five years, but any amount not used after five years expires. These carry-forward rules only relate to concessional contributions into super, not non-concessional contributions, as they have different caps.

It's important to keep track of the amount of your concessional (before-tax) contributions and when they are received by your super fund to avoid going over your cap. **If you are not sure how much of the concessional contributions cap you have used please contact this office.**

Claim Depreciation

Immediate deductions can be claimed for assets that cost under $300 to the extent the asset is used to generate income. Such assets may include tools for tradespeople, calculators, briefcases, computer equipment and technical books purchased by an employee, or minor items of plant purchased by a landlord.

Assets costing $300 or more that are used for an income producing purpose can be written off over a period of time as a tax deduction.

The amount of the deduction is generally determined by the asset's value, its effective life and the extent to which you use it for income-producing purposes.

Claim Donations

If you have the available cash, consider making a donation to an approved organisation or charity. This is always a good thing but what makes it even better is that the amount you donate is claimable on your tax return. That is definitely a win-win.

One thing about donations we should clear up: Your donations do not come straight back onto your tax refund. The amount is subtracted from your taxable income, which means you get a percentage back.

Work-Related Travel and Car Expenses

Do you travel for work? Whether it's meeting clients or suppliers, travelling to sites or between offices, make sure you claim your travel related expenses! This can include public and commercial transport or the cost of using your own vehicle for work-related travel.

Keep in mind, there are a few exclusions to observe and processes you will need to follow to claim these expenses. You usually can't include travel from home to work (or vice versa). And, to boost your claim if you're using your own car, you should document the number of kilometres in logbook over a period of at least 12 weeks, plus keep all car related receipts (e.g fuel, services, tires etc).

Please note, if you commence the logbook prior to the 30th June 2021, the usage determined will still be appropriate for the whole of 2020/21. As such, it is not too late to start preparing one for the current financial year.

Defer Investment Income & Capital Gains

Tax is normally payable on any capital gains you made during the year.

You should consider selling any non-performing investments as a result of possible depressed asset values from the COVID-19 impact on the economy you hold before 30 June 2021 to crystallise a capital loss and reduce or even eliminate any potential capital gains tax liability.

Unused capital losses can be carried forward to offset future capital gains.

Capital gains are determined on the date the relevant contract is entered into. If you are considering selling shares you may wish to bring forward or delay signing the contract until the new financial year, depending on whether you are seeking to crystallise a loss before year-end or delay a capital gain assisting in minimising taxation payable for the 2021 financial year.

Consider Salary Sacrifice Arrangements

You may wish to review your remuneration arrangements with your employer and forego future gross salary in return for receiving exempt or concessionally taxed fringe benefits and/or making additional superannuation contributions under a valid salary sacrifice arrangement.

Medicare Levy Surcharge Vs Private Health Cover

If you don't have private hospital cover and your income is more than $90,000 for singles or more than $180,000 for families, you will pay a minimum of 1% *Medicare Levy Surcharge*. That's on top of the compulsory 2.0% Medicare levy paid by most taxpayers.

A basic private health cover plan can cost less than the 1% of your gross income – less than the Medicare levy that you'll pay if you have no insurance – and that's why private cover may be worth a look. (Plus, private health cover has some other advantages like shorter waiting times.)

Do your homework before taking out private health cover. Make sure you get cover that's appropriate for your circumstances and your finances.

Adjust Your Finances With Your Partner

If you have a partner, it can be possible to adjust your finances between you, to optimise your tax circumstances. For example, if as a couple you have shared savings in a short-term account, earning some interest, it would be beneficial to invest that money in the name of the lowest income earner, because they will pay the least tax on the interest earned on that savings.

Ownership Of Investments

A longer-term tax planning strategy can be reviewing the ownership of your investments. Any change of ownership needs to be carefully planned due to capital gains tax and stamp duty implications. Please seek advice from your Accountant prior to making any changes.

Investments may be owned by a Family Trust, which has the key advantage of providing flexibility in distributing income on an annual basis and an ability for up to $416 per year to be distributed to children or grandchildren tax-free.

Income Protection Policy

If your income protection policy is owned by you personally it is an income tax deduction in your individual tax return. You may wish to increase your deduction this financial year by pre-paying your policy prior to 30 June 2021.

TAX TIPS FOR PROPERTY INVESTORS

The ATO's most recent random checks of rental claims found 90 per cent contained an error. As a result, the ATO has received a large boost in funding to close an estimated $8.7 billion tax gap by improving the checking of claims in real time and doubling the number of audits on rental deductions. Part of its focus is to ensure taxpayers are returning all rental income as well as claiming only the rental property expenses to which they are entitled.

From this financial year (30 June 2020), individuals with multiple properties, will be required to prepare and lodge a separate rental property schedule for each property held to help the Tax Office with their data matching program of rental income and deductions.

Owners of rental properties that are being rented out or are ready and available for rent should consider the following before 30 June:

Prepaid Expenses

Bring forward any maintenance expenditure that will need to be completed by 30 June. Ensure to distinguish between what the ATO considers a 'repair' and an 'improvement', as improvements are non-deductible.

In addition, if you **prepay** one (or more) of your rental property expenses, such as insurance, body corporate fees etc that covers a period of 12 months or less, and the period ends on or before June 30, you can claim an immediate tax deduction for these payments.

A prepayment that does not meet these two criteria and is $1,000 or more may have to be spread out over two or more years.

Interest

Pre-pay interest on property investment loans if you have adequate cash flow in order to claim an immediate deduction. Investors may choose to pay interest in advance in order to simplify finances by making one prepayment of interest upfront or protect against possible interest rate rises over the 12-month period.

Personal Expenses

Ensure that any claims or interest on borrowings for investments can be clearly separated from interest on borrowings of a personal nature.

Short-Term Holdings

If you have renovated a property with the view to sell it for profit in the short term, you may find yourself taxed as a 'profit making scheme'. This means you will not be able to take advantage of CGT concessions.

Depreciation Deductions

Consider arranging for a quantity surveyor to prepare a Property Depreciation Report to allow you to claim the maximum amount of depreciation and building write-off deductions available. This depreciation schedule, outlines the tax deductions that are available and help to provide a significant return. The cost of having a depreciation schedule prepared is also tax deductible.

However, depreciation is no longer allowed on previously used plant and equipment bought on or after 9 May 2017 (i.e. if you bought a residential property after 9 May 2017, you can only claim the building write-off deduction and not the depreciation on plant and equipment unless you buy it directly)

Repairs At Time Of Purchase

Expenses for repairs to property are generally deductible provided that they relate to wear and tear or other damage as a result of earning rental income. The cost of initial repairs at the time of purchase are not deductible.

Airbnb Rentals

Airbnb offers a great opportunity to rent out that spare room without the long-term commitment. Or, it's a handy way to lease a holiday home that would be quiet for much of the year. But some Airbnb hosts may not realise the effects and benefits come tax time.

Earning that extra income means you'll be charged more tax by the ATO at the end of the year. Keep records for everything to do regarding the room or property the same as you would for a regular tenant. This paperwork, come tax time, will ensure you can claim everything related to the Airbnb correctly.

WARNING: The ATO receives details from Airbnb and other providers which will be data matched against tax returns so ensure all income is declared.

WORKING FROM HOME: DEDUCTIONS YOU CAN CLAIM?

Many employees are now being required to work from home to meet social distancing requirements placed on them by COVID-19, and are now faced with meeting some of the costs associated with their job, such as heating, lighting and internet; costs that are normally paid by their employer.

Expenses incurred by employees that are related to their job can typically be claimed as a tax deduction.

Deductible running expenses include:

- Utilities such as heating, cooling and lighting.
- Cleaning costs for your work area.
- Mobile or landline phone expenses for work calls.
- Internet connection
- Computer consumables and stationery.
- Repair costs for home office equipment and furniture.
- Small capital items such home office equipment, computers, furniture and fittings can be claimed if they cost under $300. If the cost exceeds $300, then you need to depreciate the item and claim it over its useful life.

The ATO last year introduced a new ‘shortcut method,’ where you can claim additional running expenses at a rate of 80 cents for each hour you work from home as a result of COVID-19. A record of hours worked such as timesheets or rosters must be kept as proof.

If you only undertake minimal work tasks from home such as occasionally checking emails or taking calls, then you are not eligible for the deduction. Individuals can choose to deduct working from home expenses using either of the following methods:

- The actual cost method: individuals claim the actual portion of running expenses incurred for work by keeping a diary that details the work portion of your household running expenses. This can include receipts and documents supporting your claim.

- Shortcut method: a fixed rate of 80 cents per hour worked can be claimed. This applies for electricity and decline in furniture expenses, but the actual work-related portion of expenses must be calculated for phone and internet costs, the depreciation of office equipment and computer consumables and stationery.

Expenses such as rent, mortgage and insurance cannot be claimed unless you have a permanent home office.

TAX OFFICE CRACKDOWN ON WORK RELATED EXPENSES

WARNING: The Australian Taxation Office (ATO) continues to crack down on claims for work-related expenses (WREs), suggesting a significant loss to revenue from taxpayers overclaiming small amounts.

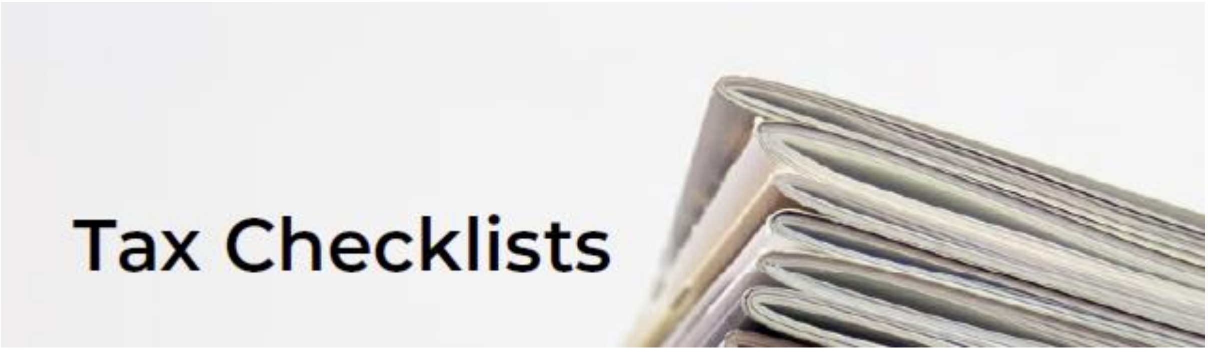
You should ensure that any unreimbursed claims for work-related expenses, car expenses and travel expenses are correctly allowable on the basis that such expenses were incurred in gaining or producing salary and wages income or other payments subject to the PAYG withholding regime (including any work-related claims below $300.00).

Where items are used both for work or business purposes and for private purposes (e.g. use of a mobile phone or home computer) it is also necessary to apportion deductions so that a deduction is only claim for the business portion of the expense.

In addition, all claims for work-related expenses must be substantiated by way of evidence such as invoices, receipts and credit card statements.

Care should be taken in claiming such deductions as the ATO is increasing its scrutiny of work-related expense claims and is using data analytics to detect deductions which are unusual or abnormally high relative to other persons in the taxpayer's occupation or profession.

A small but significant proportion of taxpayers will find themselves subject to some unwelcome scrutiny from the Tax Office. Tax audits and reviews can be stressful and potentially expensive in terms of extra tax payable, interest and penalties.



What are legitimate work related expenses?

In order for a deduction to be a legitimate work-related expense it needs to satisfy the following three criteria.

1. You must have paid for it and not been reimbursed
2. It must be directly related to earning your income and not a private expense
3. You must have a record to support your deductions

If you're in doubt about what's a legitimate claim and what might be considered "creative accounting", please see below for further clarification. For example, if you've been claiming car expenses for the trip between home and the office, there are some situations in which that's OK and others where it's not, you need to know the rules and we are here to help. Record keeping is key.

Substantiation Requirements

If you are audited by the Tax Office, it's really important to have good records of what you've claimed as a deduction, why it's justified and have appropriate documentation like receipts.

The substantiation provisions require taxpayers (which includes employees, self-employed taxpayers and partners in a partnership) to obtain and keep written evidence for work-related expenses for five years after you lodge your return.

If records are not kept, a deduction may be denied even though the expense was incurred in the determination of your assessable income.

In the old days, that meant a shoebox filled with little slips of paper that were a pain to sort through. However, the ATO is OK with you storing copies of documents electronically. There are many Apps on the market including the one designed by the ATO that scan and store every receipt in the cloud or your phone making them easily searchable. So, if you need to find a receipt for an audit or a warranty claim, you can search for it easily, rather than rustling through a box of tiny, and often faded, slips of paper.

Types Of Written Evidence

Generally speaking, taxpayers must obtain and retain written evidence to support their claim for expenses, or no deduction will be allowable. Written evidence can be obtained in one of the following ways:

a) Tax Invoice receive from the suppliers of the goods or services.

b) Alternative evidence the ATO is prepared to consider include;

- bank or credit card statements,
- email receipts,
- BPAY reference numbers combined with bank statements or tax invoices,
- paper copies of receipts,
- electronic receipts or electronic copies of receipts,
- PAYG payment summary (i.e. Union fees or donations).

Small Expenses:

- If the total of small expenses is $200 or less in an income year, taxpayers can make a record of these expenses in a daily expense diary instead of obtaining a document from the supplier.
- Small expenses mean that each expense must be $10 or less.

Car Expenses:

- Written evidence required for car expenses claimed under the cents per kilometer method (Maximum 5,000 kms) is diary records of work-related trips including date of trip, purpose of trip and kms traveled.
- Written evidence required for car expenses claimed under the logbook method is a complete and accurate logbook for at least a 12-week period, with a start date before 30 June 2021. You are also required to keep all receipts/invoices for your motor vehicle expenses per above requirements.

Home Office Expenses:

- Written evidence required to claim home office expenses at the fixed rate of $0.80 p/hour (shortcut method) could be timesheets, rosters, dairy records or similar document that shows the hours worked from home.

- Written evidence required to claim actual running expenses of a home office is a diary for four-weeks recording actual number of hours worked per day; calculation of the dedicated home office work area as a percentage of the whole house area. Written evidence of actual home office expenses for heating, cooling, lighting and decline in value assets.

Mobile Telephone:

- Written evidence required to claim mobile telephone expenses is a telephone bill for a month highlighting each business call as a percentage of all calls. You are also required to keep all receipts/invoices per above requirements.

Internet Access Expenses:

- Written evidence required to claim internet expenses is a diary for a four-week period recording actual number of hours the internet is used for work purposes as compared to private usage. You are also required to keep all receipts/invoices.

Domestic / Overseas Travel Expenses:

- The table below explains what records you need to keep if you are claiming domestic or overseas travel expenses for accommodation, food, drink or incidentals.

- **A travel diary** is a document in which the taxpayer records the nature of the activities, dates, places, times and duration of their activities and travel

Please note: although the Australian Taxation Office cannot make you produce receipts for amounts claimed against travel allowances where they are within the "Reasonable Amounts" (daily limits), they can still require you justify your claim. This is expected to be an area of growing audit activity.

TRAVEL EXPENSE RECORDS

	DOMESTIC TRAVEL		OVERSEAS TRAVEL	
	Written evidence	*Travel diary*	*Written evidence*	*Travel diary*
Where a travel allowance is not received:				
• travel less than 6 nights in a row	Yes	No	Yes	No
• travel 6 or more nights in a row	Yes	Yes	Yes	Yes
Where a travel allowance is received and the claim does not exceed the reasonable allowance amount:				
• travel less than 6 nights in a row	No	No	No*	No
• travel 6 or more nights in a row	No	No	No*	Yes**

Exceptions From Written Evidence Requirements

The ATO appears to be particularly troubled by taxpayers taking advantage of the limited number of concessions available to claim work-related deductions without substantiation, for instance the concession which allows up to $300 of deductions to be claimed without receipts.

If you intend to take advantage of the below concessions, you might not need receipts but you might still find the ATO asking for proof that you actually incurred the expenditure. These are the exceptions from keeping written evidence:

- Work expenses that total $300 or less (laundry expenses count towards this limit, but not travel or meal allowance expenses or expenses covered by an award transport payment
- Laundry expenses $150 or less
- Small expenses $10 or less but total not more than $200
- Overtime meal allowance expenses covered by an allowance payable under an Australian law
- Expenses covered by a travel allowance, if the Commissioner considers the amount the taxpayer claims as an employee is reasonable.

Please be aware that it is the obligation of a taxpayer to substantiate expenses and claims made as tax deductions. We strongly suggest that you routinely retain all expense receipts and invoices that you maintain continually throughout the year no matter how minor so that they may be able to be claimed when preparing your Income Tax Return.

SUPERANNUATION STRATEGIES FOR 2021

While you might not be flush with cash now and able to put large amounts into Superannuation, it's important that you are aware of what is possible to maximise your super balance and possibly reduce your tax at the same time.

As there are tax benefits in holding savings in your super account, the government has a strict annual cap (or limit) on concessional (before-tax) contributions into super. The limits apply to the **total of all your super accounts** across different super funds.

If you have a Total Super Balance of less than $500,000 on 30 June of the previous financial year, you can use any unused amount of your cap for up to 5 years to make a Carry-forward Contribution (*see section above for more details*).

Concessional Contribution Cap (Cc) Of $25,000 For Everyone

The $25,000 concessional (before-tax) contributions cap is the same for everyone, **regardless of your age,** this is set to increase to $27,500 from 1 July 2021.

It's important to keep track of the amount of your concessional (before-tax) contributions and when they are received by your super fund to avoid going over your cap. **If you are not sure how much of the concessional contributions cap you have used please contact this office.**

If you do exceed your concessional contributions cap you will have to pay extra tax. The actual amount of tax will depend on your age and the financial year in which your concessional contributions were made, but is generally your marginal tax rate plus an interest charge.

The advantage of making the maximum tax-deductible superannuation contribution before 30 June 2021 is that superannuation contributions are taxed at between 15% and 30%, compared to personal tax rates of between 32.5% and 45% (plus 2% Medicare levy) for an individual taxpayer earning over $45,000.

Division 293 Additional Tax of 15%

If your income plus any concessional (before-tax) super contributions is more than $250,000 in a particular financial year, you will be liable for the Division 293 Tax, which is an additional 15% tax on your concessional contributions above the $250,000 threshold.

If your income excluding your concessional contributions is less than the $250,000 threshold, but the inclusion of your concessional contributions pushes you over the threshold, then Division 293 tax will only apply to the concessional contributions that exceed the threshold.

How does Division 293 tax work?

Mark earns $245,000 as taxable salary for the 2017-18 financial year. On top of that, he receives concessional contributions of $23,000 to his super fund. This is how Division 293 tax affects Mark:

1. Income	$245,000
2. Concessional contributions	$23,000
3. Tax on contributions ($23,000 x 15%)	$3,450
4. Income plus concessional contributions (1 plus 2)	$268,000
5. Concessional contributions above $250K threshold	$18,000
6. Division 293 tax ($18,000 X 15%)	$2,700

Mark pays 'normal' contributions tax of $3,450 on the concessional contributions, then additional Division 293 tax of $2,700 because his income plus concessional contributions is above the $250,000 threshold.

If you are required to pay Division 293 tax, the AT0 will provide you with an assessment after the end of the financial year. You can pay the tax:

- out of your own pocket; or
- by using a Release Authority, which the ATO will include with the assessment, to instruct your super fund to deduct the money from your super account.

You can take the Release Authority to any super fund you belong to that can release the money. You should check before presenting the authority because some funds are not able to comply with the request. First State Super can accept your request.

Any Division 293 tax liability should be paid to the ATO by the due date to avoid paying interest.

Government Co-Contribution to Your Superannuation

The Government co-contribution is designed to boost the superannuation savings of low and middle-income earners who earn at least 10% of their income from employment or running a business. If your income is within the thresholds listed in the table below and make a 'non-concessional contribution' to your superannuation fund, you may be eligible for a Government co-contribution of up to $500.

To be eligible you must be under 71 years of age at June 30, 2021

In 2020/21, the maximum co-contribution is available if you contribute $1,000 and earn $39,837 or less. A lower amount may be received if you contribute less than $1,000 and/or earn between $39,837 and $54,837.

Year	Maximum entitlement	Lower income threshold	Higher income threshold
2021–22	$500	$41,112	$56,112
2020–21	$500	$39,837	$54,837
2019–20	$500	$38,564	$53,564

The matching rate is 50% of your contribution and additional eligibility requirements were added from 1 July 2017 which include:

- having a total superannuation balance of less than $1.6 million on 30 June of the year before the year the contributions are being made
- having not exceeded your non-concessional contributions cap in the relevant financial year.

For the purposes of this test, total income is assessable income plus reportable fringe benefits plus reportable employer superannuation contributions, less allowable business deductions.

Please ensure that your superannuation fund has recorded your Tax File Number. The Australian Taxation Office will use the information from your Income Tax Return and the information supplied by your Superannuation Fund to work out whether you are eligible.

When your Super Fund accepts the co-contribution payment, the Australian Taxation Office will provide a notice to this office which will be forwarded to you for your records. Your superannuation fund will also notify you of the amount of Super Co-contribution received on their bi-annual member’s statement.

Individuals in Business Tax Planning Guide

Tax Planning should be done on a regular basis throughout the year. However, given the current economic circumstances, these tips are especially relevant to consider just before the end of the financial year.

More detailed information can be found in the 2021 Business Client Newsletter

Non-Commercial Losses

Losses of a business carried on by an individual or partnership may be required to be quarantined until future years against income of that or of a similar / related business. The exceptions are:

- If there is assessable income from the business of >$20,000
- Profit in 3 out of the last 5 years
- Real property of $500,000 or more is used in the business;
- Other assets of $100,000 or more are used in the business;
- Commissioner's discretion is exercised in relation to that business.

In addition to the above, taxpayers with adjusted taxable incomes above $250,000 cannot use these tests and losses are quarantined until a year where income falls below $250,000.

Small Business Income Tax Offset

An individual is entitled to the small business income tax offset for the year ended 30 June 2021 being 13% of the income tax payable on their 'small business income'.

This non-refundable offset is available to

1) sole traders who would meet the requirements of being a small business entity,
2) Individuals who receive a share of the net income of a small business entity from a partnership or trust that is a small business entity.

An entity is a small business entity for these purposes if it carries on business and its aggregated turnover for the 2021 year is less than $5 million.

An individual is only able to claim one small business tax offset for an income year irrespective of the number of sources of small business income derived by that individual and the maximum amount of the offset is capped to $1,000 per year.

Other Personal Tax Planning Opportunities

Pay As You Go Withholding (PAYGW) Variation

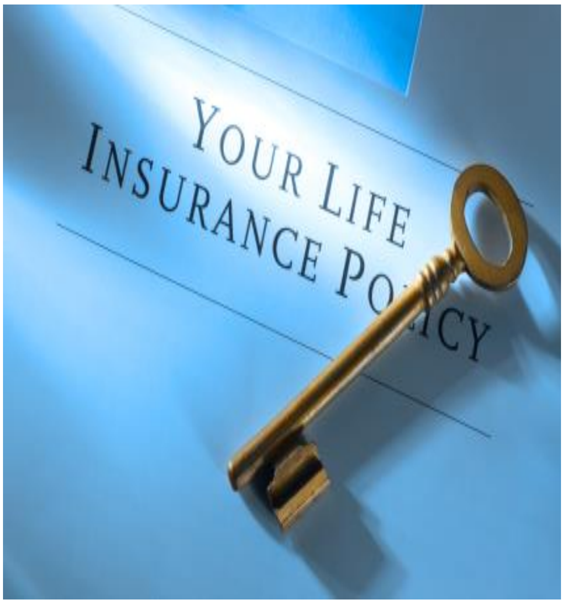
If you are an employee, your employer is obligated to deduct PAYG Withholding Tax from your regular salary. Assuming that your employer has withheld the correct PAYGW, when you lodge your tax return (and assuming you have minimal other income or tax deductions) there should be very little, if any, tax payable or refundable.

However, where you have significant tax-deductible expenses such as a net loss on your negatively geared investment property, you may be entitled to a significant tax refund. In this case it might be advantageous to vary the amount of the PAYGW tax that is deducted from your regular pay so you get the benefit of the large tax refund progressively through the year.

This is achieved by lodging a PAYGW variation with the ATO. Once processed by the ATO, your employer is authorised to reduce the amount of the tax withheld from your regular salary and wages so you effectively receive more money each pay day rather than waiting until the end of the year for your lump sum tax refund.

The PAYGW variation for the year ending 30 June 2022 can be lodged now to take effect from the first pay of the new financial year. Please contact our office if you would like to apply for a PAYGW variation.

Income Protection Insurance



Possibly your greatest financial asset is your ability to earn an income. Income protection insurance generally replaces up to 75% of your salary if you are unable to work due to sickness or an accident.

The insurance premium is normally tax deductible, plus you get the benefit of protecting your family's lifestyle if you cannot work due to sickness or an accident.

It's a small price to pay for peace of mind. Similar to rental property interest, income protection premiums can also be pre-paid for 12 months to increase your deductions.

Capital Gains Tax (CGT)

A longer-term tax planning strategy can be reviewing the ownership of your investments. Any change of ownership needs to be carefully planned due to capital gains tax and stamp duty implications. Please seek advice from your Accountant prior to making any changes.

Investments may be owned by a Family Trust, which has the key advantage of providing flexibility in distributing income on an annual basis and an ability for up to $416 per year to be distributed to children or grandchildren tax-free.

If any assets have been sold which have been held for more than 12 months, an individual will be able to access the general 50% CGT discount on the sale.

Foreign Resident CGT Withholding

A 12.5% foreign resident CGT withholding tax must be retained by a purchaser at settlement from the purchase price of certain property acquired from a foreign resident which must be remitted by the purchaser to the ATO.

However, such tax does not need to be retained from the purchase price of the property if the vendor obtains a clearance certificate from the ATO prior to settlement or if an exemption or variation otherwise applies.

It should be noted that the foreign resident CGT withholding obligation does not arise in relation to a CGT asset if the market value of that asset is less than $750,000 and the CGT asset is either taxable Australian real property or certain indirect taxable Australian real property interests.

Tax & Deduction Claims for Tradies / Tools and Equipment

Tradies use a variety of tools every day and the rule is that if you've paid for them and you use them as part of your job or business, you can claim them as a deduction against your tax.

Exactly how you do that depends on whether you run your own business or work for someone else.

If you run your own business, you can claim a deduction straight away for the cost of all tools costing less than $30,000 (if acquired after 2 April 2019, before that the cost limit was $20,000 up to 29 January 2019 and $25,000 between 29 January 2019 and 2 April 2019).

For most self-employed tradies, that means that pretty much all your tools can be written off straight away against your taxable income.

If you're employed by someone else, the rules are less generous. You can claim a deduction straight away for tools costing $300 or less but if the cost is more than $300, you'll need to write off the cost over the life of the tool, which could be several years.

WARNING: Take care if you purchase a set of tools – you can't claim each tool individually so unless the cost of the set is less than $300, you're looking at writing off the cost over a few years.

It's not just tools you claim either – the same rules apply to items of equipment for the office like computers, phones and printers as well as mobile phones and tablets.

Just remember to only claim the work or business use part of the cost. If you use the tools or equipment for private use, you'll need to apportion the cost.

PERSONAL TAX ITEMS

To assist in the preparation of your personal Income Tax Return, below we have provided other relevant information for you to consider.

Also, we ask your assistance in providing this office with the below information when we meet concerning the preparation of your individual income tax return for the year ended 30 June 2021

Income Tax Rates

There have been a number of tax rate changes that may influence your tax planning for the year ended 30 June 2021.

The Income tax rates for 2020/2021

The 2020/2021 tax rates for individuals remain unchanged from the preceding year as are detailed below:

Resident tax rates 2020–21

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $45,000	19 cents for each $1 over $18,200
$45,001 – $120,000	$5,092 plus 32.5 cents for each $1 over $45,000
$120,001 – $180,000	$29,467 plus 37 cents for each $1 over $120,000
$180,001 and over	$51,667 plus 45 cents for each $1 over $180,000

The above rates **do not** include the Medicare levy of 2%.

Low and Middle Income Tax Offset (LMITO)

The Low and Middle Income Tax Offset was introduced in the 2018/2019 Federal Budget and is available for Low and Middle Income earners from the 2018/2019 financial year to the 2021/2022 financial year. The amount of the offset will depend on taxpayers' income level.

Low and middle income tax offset

Taxable income	Offset
$37,000 or less	$255
Between $37,001 and $48,000	$255 plus 7.5 cents for every dollar above $37,000, up to a maximum of $1,080
Between $48,001 and $90,000	$1,080
Between $90,001 and $126,000	$1,080 minus 3 cents for every dollar of the amount above $90,000

The LMITO operates in addition to the Low Income Tax Offset (LITO) for the first four years and taxpayers may be entitled to receive both offsets during this time.

Low income tax offset

The maximum low income tax offset is $700 for the 2020–21 and later income years. This has been increased from $445 as a result of the 2020–21 federal Budget.

If your taxable income is:

- $37,500 or less – you will get the full offset of $700
- between $37,501 and $45,000 – you will get $700 minus 5 cents for every $1 above $37,500
- between $45,001 and $66,667 – you will get $325 minus 1.5 cents for every $1 above $45,000.

Medicare Levy Surcharge (MLS) - No change in 2021 year:

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: For families, the income thresholds increase by $1,500 for each MLS dependent child after the first

Ensure you have appropriate private health insurance going forward to avoid paying the Medicare levy surcharge.

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 below a 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.

Income:

- **Salary & Allowances -** From 1 July 2019 PAYG summaries have been replaced by Income Statement which will be available on taxpayers' myGov account
- **Eligible Termination Payment Summary** (if applicable);
- **Interest Income** – Interest received or credited to your private bank accounts, your 30th June bank statement should provide you with an annual interest figure. If the account is in joint names, please advise us of the names on the account;
- **Sale of Listed Company Shares** – Buy and Sell contracts relating to the disposal of the shares;
- **Share Dividends** – Dividend Statements;
- **Employee Share Scheme (ESC)** - if you participate in ESC to receive discounted shares or rights to acquire shares, please provide us with ESC documents.
- **Managed Fund Distribution** – Annual Tax Statement showing breakdown of cash and non-cash distributions made by the Managed Fund during the Financial Year.
- **Rental Income from Investment Property** – Property agent annual tax statement, details of any expenses paid directly, bank loan statements, copy of al repair tax invoices;
- **Sale of any property** – Contact this office for a comprehensive listing of what is required
- **Department of Human Services / Centrelink payments -** PAYG Summaries;
- **Income from Income Protection Insurance policy, sickness and accident insurance policy or worker's compensation scheme -** PAYG Summaries.

Allowable Deductions:

To be able to claim as tax deduction, you must have spent the money yourself and were not reimbursed. In addition, it must be directly related to raising income and must have a record to prove it. Also the expenses must not be private, domestic or capital in nature.

- **Work related car or travel expenses**
- **Work related uniform or occupation specific clothing**
- **Donations made to deductible gift recipients (DGRs) organisations**
- **Other Work related expenses**

  The expenses claimed must have a direct connection to you earning your income and includes such items as:

  1. union/membership fees
  2. overtime meals if allowance received under award
  3. attending formal education courses provided by professional associations
  4. professional seminars, conferences or education workshops
  5. reference books, journals and trade magazines
  6. tools and equipment
  7. protective items such as sunscreens and sunglasses
  8. computers and software
  9. telephone, internet and home office expenses

- **Self-education expenses**

  You may be eligible to claim costs for self-education expenses if there is a direct connection between your course of study and your current job or work activities i.e. your education will maintain or improve your skills. The first $250 may be reduced the amount of your claim (Subject to legislation approval this limit will be removed as per 2021 budget announcements, effective first income year after the date of Royal Assent). You cannot claim your education costs if you are studying so you can get a new job or open up a new business opportunity.

  Study expenses that may be claimed include:

  1. tuition and course fees (excluding HECS-HELP)
  2. textbooks
  3. professional and trade journals

4. stationery, for example pens and pencils
5. photocopying
6. accommodation and meal expenses if you are away from home overnight in connection with work related study activities
7. travel expenses to and from university of TAFE
8. the decline in value of equipment used in study, such as computer

- **Income Protection Insurance Premiums**
- **Interest and dividend deductions for investments**
- **Cost of managing your tax affair**

Thinking Further / Strategic Planning

Tax is the most significant burden on your personal wealth each year. Why not spend a bit of time each year coming up with strategies to help minimise tax and the impact it has on wealth creation goals?

Falling behind in your tax obligations is one of the major impediments for Australians achieving their wealth creation goals. In an increasingly complex tax environment, keeping up to date with taxation regulations is an absolute must for all individuals.

In conjunction with your year-end planning, it is also important to consider where you are and where you would like to be going forward. Often making investments or adopting new strategies at the wrong time can actually cost you thousands of dollars in lost future benefits, so understanding what your strategy is and why you are executing it is just as important.

There are many good reasons to restructure assets and ownership interests – from family succession and asset protection to streamlining business operations. Now is the time to seriously consider whether a restructure ought to be undertaken and quantify any savings likely to be realised by not delaying this exercise.

Given the complexity of some of the issues mentioned above and some other issues which may apply to you it is important that you obtain expert tax advice in relation to your particular circumstances.

The information in this Client Newsletter contains general advice or information only and no responsibility can be accepted for errors, omissions or possible misleading statements. It is not designed to be a substitute for professional advice and has been prepared without taking into account your personal objectives, financial situation or needs. Therefore, no responsibility can be accepted for any action taken as a result of any information contained in this newsletter.

You should consider any advice in this newsletter in light of your personal objectives, financial situation or needs before acting on it. It is recommended that you seek advice from a qualified professional relevant to your particular needs or interests.

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