Charlwoods

TAX PLANNING TIPS & TRAPS

Every year taxpayers should consider strategies that either reduce or delay their tax obligations.

BUSINESS TAX PLANNING

Review the Timing of Taxable Income

This may be beneficial if your taxable income for the year ending 30 June 2020 will be significantly higher than the year ending 30 June 2021.

This could happen if you have a ‘one-off’ capital gain or another irregular income amount in the 2019/20 year, or, you will not be working or earning as much in the year ending 30 June 2021.

Strategies include:

- Delaying receipt of assessable income (particularly larger invoices)
- Bringing forward deductible expenses or losses
- Pre-pay up to 13 months of next year’s expenses (if a small business taxpayer)
- Review strategies to distribute income (wages, trust distributions or dividends)
- Consider writing off obsolete stock, bad debts or redundant plant and equipment
- Consider changing your stock valuation method

Accelerated Depreciation - Instant $150,000 Asset Write Off*

Businesses, with an aggregated turnover under $500M, can immediately deduct the business portion of most assets if they cost less than $150,000. Assets can be new or second-hand. Motor vehicles with a carrying capacity of less than one tonne or less than 9 passengers are limited to a depreciation cost limit of $57,581.

**This measure has been extended until 31 December 2020.*

SUPERANNUATION

Despite recent changes to legislation, superannuation is still a tax effective strategy to save for your retirement. Before making any superannuation contributions we recommend you contact our office. There are strict eligibility requirements and contribution caps which need to be considered.

Superannuation contributions are tax effective

Consider making a tax deductible concessional contribution to your superannuation fund. For those on the marginal tax rate of 47%, a concessional contribution of $25,000 could save $8,000 in tax and boost retirement savings.

Concessional Contribution Caps:

Income Year	All Ages
2019/2020	$25,000*
2020/2021	$25,000*

* If you have a total superannuation balance of less than $500,000 at 30 June of the previous financial year, you may be entitled to contribute more than the general concessional contributions cap and make additional concessional contributions for any unused amounts.

Non-concessional Contribution Caps:

Non-concessional contributions are a way to get more money into the tax effective superannuation environment (tax on earnings is capped at 15%).

	Total Super Balance	Cap amount
2019/2020	< $1.6m	$100,000
3 Year Bring Forward 2019/ 2020 (must be under 65 y.o.)	<1.4m	$300,000
	$1.4m to <$1.5m	$200,000
	$1.5m to < $1.6m	$100,000
	$1.6m +	Nil

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Government Co-Contribution
If you have income less than $53,564, consider making a personal contribution into your superfund and receive up to $500 (tax free) from the government into your superfund.

Spouse Contributions
You may be eligible for a tax offset of up to $540 on superannuation contributions up to $3,000 you make on behalf of your spouse if your spouse's income is $37,000 or less.

CAPITAL GAINS TAX

By selling assets that trigger a capital loss, the loss can be used to offset capital gains realised this financial year. While there may be many opportunities to realise capital losses in the current circumstances, you should be aware that the deliberate realisation of capital losses for the purpose of reducing capital gains in some circumstances is not acceptable to the ATO.

Another potential strategy is deferring the sale of assets that would give rise to a capital gain until a future financial year.

PREPAY INTEREST ON LOANS

If you have borrowed money for investments, check with your lender to see if you can prepay interest. You may be able to claim a deduction for up to 12 months ahead. This is an option for investment loans on properties, margin loans on shares and business loans.

PROPERTY DEPRECIATION REPORT

If you have an Investment Property, a Quantity Surveyor's Report will allow you to claim depreciation and capital works deductions on capital items within the property and on the property itself.

The cost of this report is generally recouped several times over by the tax savings in the first year of property ownership.

MOTOR VEHICLE LOG BOOK

Ensure an accurate and complete Motor Vehicle Log Book is kept for at least a 12 week period. The start date for the 12 week period must be on or before 30 June 2020. You should make a record of your odometer reading as at 30 June 2020 and keep all receipts/invoices for your motor vehicle expenses. Once prepared, a log book can generally be used for a 5 year period.

PROPERTY INVESTORS

- ***Land Tax Deferrals:*** Many state governments are allowing landlords to temporarily offset losses by deferring land tax obligations.
- ***Prepaid Expenses:*** Bring forward any maintenance expenditure that will need to be completed by 30 June.
- ***Interest:*** Pre-pay interest on property investment loans if you have adequate cash flow in order to claim an immediate deduction.
- ***Depreciation deductions:*** The cost of having a depreciation schedule prepared by a qualified quantity surveyor is tax deductible and may contain significant tax deductions within.
- ***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.

WORKING FROM HOME

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
- Depreciation of home office equipment, computers, furniture and fittings.
- Small capital items can be claimed if they cost under $300. If the cost exceeds $300, depreciation can be claimed.

As a result of COVID-19, the ATO has introduced a new 'shortcut' method, where you can claim additional running expenses at a rate of 80 cents for each hour worked from home. The shortcut will apply from 1 March 2020 to 30 June 2020. A record of hours worked such as timesheets or rosters must be kept as proof.

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