

# MINIMISE YOUR PERSONAL TAX

## TAX PLANNING GUIDE

Now's the time to review what strategies you can use to minimise your tax before 30 June 2019.

Imagine what you could do with tax saved?

- Reduce your home loan
- Top up your super
- Have a holiday
- Deposit for an Investment Property
- Upgrade your Car

## KEY SUPERANNUATION CHANGES

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.

## NEW CONCESSIONAL CONTRIBUTION CAP (CC) OF \$25,000 FOR EVERYONE

The tax deductible super contribution limit (or "cap") is \$25,000 for all individuals under age 75. Individuals need to pass a work test if over age 65.

Consider making the maximum tax deductible super contribution this year before 30 June 2019.

The advantage of this strategy is that superannuation contributions are taxed at between 15% to 30% compared to typical personal income tax rates of



between 34.5% and 47%.

Ordinarily, self-employed individuals and those who earn their income primarily from passive sources make super contributions close to the end of the financial year and claim a tax deduction. However, this is the first financial year that individuals who are employees may also use this strategy.

**Individuals who may want to take advantage of this opportunity include those who:**

- work for an employer who doesn't permit salary sacrifice
- work for an employer who allows salary sacrifice, but it's disadvantageous due to a reduction in entitlements, and
- are salary sacrificing but want to make a top-up contribution to utilise their full CC cap.

## SPOUSE **SUPER CONTRIBUTIONS**

From 1 July 2017, higher income thresholds apply when determining eligibility for the spouse contributions tax offset.

From this date, you may be eligible for a tax offset of up to \$540 on super contributions of up to \$3,000 that you make on behalf of your spouse if your spouse's income is \$37,000 p.a. or less (previously \$10,800 p.a.).

The offset gradually reduces for income above \$37,000 p.a. and completely phases out at \$40,000 p.a. and above (previously \$13,800 p.a.).

## ADDITIONAL TAX ON SUPER CONTRIBUTIONS BY HIGH **INCOME EARNERS**

The income threshold at which the additional 15% ('Division 293') tax is payable on super \$250,000 p.a. Where you are required to pay this additional tax, making super contributions within the cap is still a tax effective strategy.

With super contributions taxed at a maximum of 30% and investment earnings in super taxed at a maximum of 15%, both these tax points are more favourable when compared to the highest marginal tax rate of 47% (including the Medicare levy).

## GOVERNMENT CO-CONTRIBUTION TO **YOUR SUPER**

If you are on a lower income and earn at least 10% of your income from employment or carrying on a business and make a "non-concessional contribution" to super, you may be eligible for a Government co-contribution of up to \$500.

In 2018/19, the maximum co-contribution is available if you contribute \$1,000 and earn \$37,697 or less. A lower amount may be received if you contribute less than \$1,000 and/or earn between \$37,697 and \$52,697.

## MAXIMISE DEDUCTIBLE **SUPER CONTRIBUTIONS**

The concessional superannuation cap for 2019 is \$25,000 for all individuals. Do not go over this limit or you will pay more tax!

Note that employer super guarantee contributions are included in these caps. Where a concessional contribution is made that exceeds these limits, the excess is included in your assessable income and taxed at your marginal rate, plus an excess concessional contributions charge.

## 10 ways to reduce your tax

### 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.

### PROPERTY **DEPRECIATION REPORT**

If you have an investment property, a Property Depreciation Report (prepared by a Quantity Surveyor) 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 that you have kept an accurate and complete Motor Vehicle Log Book for at least a 12-week period. The start date for the 12-week period must be on or before 30 June 2019. You should make a record of your odometer reading as at 30 June 2019 and keep all receipts/invoices for your motor vehicle expenses. Once prepared, a log book can generally be used for a 5-year period.

An alternative (with no log book needed) is to simply claim up to 5,000 business kilometres (based on a reasonable estimate) using the cents per km method.

## SACRIFICE YOUR SALARY TO SUPER

If your marginal tax rate is 19% or more, salary sacrifice can be a great way to boost your superannuation and pay less tax. By putting pre-tax salary into super rather than having it taxed as normal income at your marginal rate you may save tax. This can be especially beneficial for employees nearing their retirement age.

## PREPAY EXPENSES AND INTEREST

Expenses relating to investment activities can be prepaid before 30 June 2019. You can prepay up to 12 months of interest before 30 June on a loan for a property or share investment and claim a tax deduction this financial year. Also, other expenses in relation to your investments can be prepaid before 30 June, including rental property repairs, memberships, subscriptions, and journals.

## INSURANCE PREMIUMS

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. Like rental property

interest, income protection premiums can also be prepaid for 12 months to increase your deductions.

## WORK RELATED EXPENSES

Don't forget to keep any receipts for work-related expenses such as uniforms, training courses and learning materials, as these may be tax-deductible.

## REALISE CAPITAL LOSSES

Tax is normally payable on any capital gains. You should consider selling any non-performing investments you hold before 30 June 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.

## DEFER INVESTMENT INCOME & CAPITAL GAINS

If practical, arrange for the receipt of Investment Income (e.g. interest on term deposits) and the Contract Date for the sale of Capital Gains assets, to occur AFTER 30 June 2019.

The Contract Date (not the Settlement Date) is generally the key date for working out when a sale or purchase occurred.

## IS AN SMSF SUITABLE FOR YOU?

Now is a good time to seek specific advice in relation to this question, as it may be appropriate to establish an SMSF in conjunction with other tax planning opportunities, to maximise the benefit of the SMSF in your circumstances.

Talk to us TODAY before the 30 June 2019 deadline for assistance to reduce your tax!

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