

Issue – EOFY Tax Planning – June 2020

Individuals

Deductions

- Superannuation Co-Contribution – the government will give lower income earners (\$38,564 to \$53,564) \$0.50 for each \$1 they contribute to superannuation from their after-tax salary up to a maximum of \$500.
- Taxation Advice – fees payable to an accountant or registered tax agent for taxation advice can be claimed.
- Expense Substantiation – ensure that you can justify all employment-related expense amounts incurred.
- Working from Home Expenses – expenses can be claimed for working from home (as distinct from having a home office) but full records need to be kept so that the claim can be substantiated. The Australian Taxation Office has issued a ruling relating to people working from home during the COVID-19 crisis. The temporary simplified method applicable from 1st March 2020 to 30th June 2020, known as the "shortcut method", is \$0.80 per hour for all additional running expenses.
- Expenses for Shareholding Investments – expenses incurred in gaining income from shares are a tax deduction.
- Sickness and Accident Insurance – premiums for Sickness and Accident Cover are tax deductible. Payments can be made by the employer without incurring Fringe Benefits Tax.
- Home Office Expenses – if you use an area in your home, you can claim the expenses of a home office. Items that could be claimed include:
 - electricity (proportionate)
 - rent (proportionate)
 - cleaning (proportionate)
 - repairs and maintenance for the office
 - depreciation of fixtures and fitting and plant and equipment for the home office
- Work-Related Expenses – items such as travel (other than travel to and from work), uniforms, laundry of work clothes, subscriptions, union fees and self-education – but you must be able to substantiate your claim. A ban on travel related tax deductions for most real estate investors now apply. If you have used your own motor vehicle for business related purposes, you can claim motor vehicle expenses:
 - Cents per kilometre
 - Logbook method
- End of Year Tax Schemes – the Australian Taxation Office produces product rulings on various investment products that are marketed particularly around 30 June each year. To avoid confrontation with the Australian Taxation Office, it is best to consider investing in products that have obtained a product ruling. These product rulings are not a guarantee or government endorsement on the likely success, or profitability, of the investment.
- Managed Investment Schemes – it is recommended that you have a meeting with your professional accountant prior to committing to a Managed Investment Scheme (MIS) investment.

Income Issues

- Interest Earned – declare interest earned on bank accounts, loans, etc.
- Employee Share Schemes – if you are a member of an employee share scheme, you should ensure that any income earned is included in your income tax return.
- Scheme Formed After 1 July 2015 – Employee Share Scheme interests provided by eligible start-up companies will not be subject to up front taxation if the investment is held by the employee for at least three years. An eligible start-up company is one with aggregated turnover of less than \$50M unlisted and incorporated for less than ten years.

- Scheme Formed After 1st July 2009 – the discount on Employee Share Schemes are taxed either upfront or on a deferred basis. For 'qualifying' schemes, if the employee is earning less than \$180,000 taxable income plus reportable fringe benefits, reportable superannuation contributions and total investment losses, then the employee can claim a \$1,000 exemption from the inclusion of the assessable discount.
- Dividends, Interest, Managed Funds Distributions, etc. – the ATO matches information provided in tax returns with information received from external sources, such as public companies, banks, managed funds etc.

Offsets

- Zone Offset – This offset is based upon where you are considered to reside for the tax year, so your Zone Tax Offset is limited to where your main residence or home is located.
- Minimisation of Income Tax
- Salary Packaging – salary packaging can assist in the minimisation of income tax, particularly in the areas of voluntary superannuation contributions and acquisition of assets that are not subject to Fringe Benefit Tax. Your employer is required to report the value of fringe benefits in your payment summary. That may affect other government payments you receive.

Disclaimer:

Business Plus is distributed monthly by CBSW Tax & Business Advisors to provide information of general interest to our clients. The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their CBSW advisor for advice on any specific business matters.

Providing you
professional
direction



Our liability may be limited by a scheme approved under Professional Standards Legislation.