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## Winter 2011

The 2011 Tax Year is almost over and it's nearly time to do your tax returns again. This newsletter contains a few tips that may help reduce that tax burden slightly and some of the Budget changes, to apply from 1 July 2011 that may affect you this year.

Thank you again for your support, and we look forward to seeing you soon.

- Best wishes to you all, from the team at GLR

### Tax Saving Strategies Prior to 1 July 2011

The personal income tax rates have remained unchanged for the 2011/12 income year, but there are timing benefits to be had by accelerating any income tax deductions into the current income year.

#### Common Work Related Claims

The following outlines common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners, plus some strategies that can be adopted to increase deductions for the 2010/11 income year.

#### Equipment costing \$300 or less

Salary and wage earners and rental property owners will be entitled to an immediate deduction if plant costing \$300 or less is purchased before 1 July 2011. (For jointly owned rental properties the limit is \$600). Some purchases you might like to consider include:

- Mobile Phones (work use);
- Books and trade journals;
- Briefcases or luggage;
- Calculators;
- Electronic organisers;
- Software;
- Stationery; and
- Tools of trade

#### Clothing expenses

- Purchase or pay for work related uniform expenses prior to the end of the income year;
- Dry cleaning of work related clothing.

### Self education expenses

Pay for the following self-education items before the end of the income year:

- Course fees, student union fees, travel and tutorial fees;
- Interest on borrowings used to pay for any deductible self-education expenses;
- PELS course expenses incurred (Not HECS);
- Stationery and textbooks; and
- Printer Ink and computer consumables.

### Other work related expenses

Prepay any of the following expenses prior to 1 July 2011:

- Union fees;
- Subscriptions to professional or business associations;
- Magazine and newspaper subscriptions;
- Seminars and conferences;
- Income protection insurance (excludes death & permanent disability); and
- Interest on Rental Properties;

The tax rates for the 2011/12 income year are as follows:

Taxable Income	Tax Payable
\$0 - \$6000	Nil
\$6,001 - \$37,000	Nil + 15% on excess
\$37,001 - \$80,000	\$4,650 + 30% on excess
\$80,000 - \$180,000	\$17,550 + 37% on excess (down from 38%)
Over \$180,000	\$54,550 + 45% on excess

Note the Medicare levy of 1.5% and Flood Levy is in addition to these rates

### Capital Losses

Capital losses can only be offset against capital gains. So if you have realised some capital gains this year, look at realising some capital losses before year end if possible to offset it, particularly if you have shares. However, be careful not to sell off shares you want to keep anyway.

### Salary Packaging

Prior to 1 July 2009, employees were able to reduce their income by salary packaging into superannuation to be eligible for certain tax concessions and to avoid certain tax obligations. Since July 2009, these contributions for superannuation have been effectively assessed as 'income' for means-testing a range of tax-related concessions, e.g. CSA and Centrelink.

**FBT for cars** changed in the May budget, to bring in one 20% rate. This will be phased in over the next 4 years. Existing contracts will remain the same. The benefits of salary packaging cars is still worthwhile for most people. Especially, if you use the employee contribution method for a company car, if you earn less than \$180,000. Ask us if unsure.

### Superannuation Cap

Caps apply to contributions made to your super in a financial year. Any super contributed over a cap amount is subject to extra tax. For 2011 the cap for tax deductible contributions will be \$25,000 if you are under 50 yrs old, and \$50,000 if over 50 years old. **NB.** From 1 July 2012 the \$50,000 limit drops to \$25,000 if your super balance is over \$500,000. More details to come on this issue when they are available.

### Splitting superannuation guarantee contributions with your spouse

Effectively, 100% of your contributions after tax (i.e. 85%) can be transferred to your spouse's super account. Just put the contributions in as normal, and then at the end of each tax year, complete the form available through your Superfund to allocate your contributions to your spouse.

### Transition to Retirement Pension and Contributions

You are able to start a pension after age 55, even if you are still working. You are also able to contribute funds into your superfund until age 65. (Or 75 if you pass the work test). So if you are over 55, or close to it, we strongly recommend you consult your Financial Advisor or call us for advice.

### Spouse Super Tax Offset

The Tax Offset up to \$540 still exists. You may be able to claim an 18% tax offset on super contributions of up to \$3,000 you make on behalf of your non-working or low income-earning spouse. You are only eligible for this offset if you did not claim a tax deduction for the contribution, the sum of your spouse's assessable income (which includes reportable employer super contributions) and total reportable fringe benefits amounts for the financial year was less than \$13,800, and the contribution is made to a complying fund. After \$10,800, the offset is reduced by 18c per \$1 of income.

### The Education Tax Refund

This will apply again for your **2011** tax return only if you are eligible for Family Tax Benefit Part A. Different levels apply for primary (\$397) & secondary students (\$794) and eligible expenses include computers, internet, education software & some textbooks. Note that School Fees do not apply. Uniforms will not apply until the 2012 year.

### Super Co-Contribution

To be eligible for Super Co-Contribution in the 2011 financial year, your super fund must receive eligible contributions (up to \$1,000) by 30 June 2011. To be eligible for the scheme for the 2010/11 year, you must have received employment or business income, and your **total** income must be under \$61,920, or under \$31,920 to receive the full entitlement.

(For the income threshold purpose, your total income is the sum of the following:

- your assessable income
- your reportable fringe benefits
- your reportable employer super contributions)

The contribution must go in as a non-deductible **member contribution!**

### Speedo Readings

For those of you who use a log book for motor vehicle claims make sure that you record your odometer reading as at 30 June. The ATO can ask for this.

### Budget Changes

There were a number of changes in the budget that will not affect tax & super until the 2012 and future years. So we will advise you of these changes in future newsletters.

**Medicare Surcharge Threshold** – For the 2011 year the thresholds are \$77,000 for individuals & \$154,000 for families. This means you do not need to have private hospital cover to avoid the Medicare surcharge if you are under these income levels. However there are other considerations to take into account so please do not base your decisions purely on the income tests.

**NB.** Super salary sacrifice contributions will be added back to earnings to determine your adjusted taxable income for these limits.

If you had a child during the year and your income is over the threshold make sure you upgrade from single to family coverage or you will incur the surcharge.

**Medical Expenses Tax Offset** – Net medical expenses are the expenses you have paid less any refunds you got, or could get, from Medicare or a private health fund. The threshold above which you may claim a 20% offset has **increased from \$1,500 to \$2,000 from 1 July 2010.**

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*admin@gorrellong.com.au*

### LODGING TAX RETURNS

Please bring in your information ASAP if you have not lodged your 2010 and prior year tax returns.