TAX TIME – 2009
TAX TIPS – TO MAXIMISE YOUR TAX REFUNDS

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It is tax time again. The financial year closed for 2008-09 and everyone is going to lodge his or her tax return. If you are resident for Australian tax purpose you must do your tax return if any of the following applied for you:

- You had amounts of tax withheld from income your received or earned
- You paid an amount under the pay as you go (PAYG) instalment system during the year and
- You had amounts withheld from interest because you did not provide your tax file number (TFN) or Australian business number (ABN) to the investment body

These are the most common reasons to do your tax return; there are many other reasons, which may or may not applied for you.

Every one wants to maximise the tax refunds; some people maximise refunds through legitimately and some people do it illegally. You must know that Tax Office reserve the right to ask for proof of your deductions claimed during your tax return and therefore, you must make sure that you can substantiate your deductions claimed when Tax Office ask to do so.

When it comes to tax refunds and tax returns, the majority of people are not fully aware of just how much they can claim. On an average Australian financial year, approximately $10 billion is paid out by the Australian Taxation Office through tax refunds.

Tax time is generally viewed as a one of the more difficult times for both individuals and businesses but it doesn't have to be if you take measures to better understand your tax return and just what relates to you in order to maximize your tax refund.

Here are some common tax tips, which may help you to maximise your tax refunds:

Find yourself a good tax accountant/agent:

A good tax accountant is worth their weight in gold. They are responsible for knowing all the deductions those you are entitled to. A trusted and qualified accountant is important for you because he or she is:

- Trusted for your business and can meet your expectations
- Working with you as a partner not as a client
- Working alongside with you to build your wealth and assets
- Listen to you to learn your business
- Understand the needs to achieve your business goals
- Make things happen to the clients
- Make difference to your business
- Don't stop until succeed

Keep your receipts throughout the year – for EVERYTHING

The increase of tax refunds depend on the deductions you claim for the period. The more receipts you keep the more chance to get refunds. Your duty is to keep all the receipts and then your accountant will decide what is relevant and what is not.

Keep your receipts organised

The record shows that the Tax Office wins 90 per cent of its cases on record keeping rather than the merit of the argument so make sure your records are in order. The Tax Office says we believe you and give you the refund or charge you the tax. But they reserve the right to go back in a couple of years and say now prove it to me. If you can't, then you owe them money. So, get organised with your record keeping. Please note that it is you not your accountant to proof ATO regarding the deductions you have claimed to get tax refunds from the Tax Office.

You can avoid headaches at tax time by keeping track of your receipts and other records throughout the year. Good record-keeping will help you remember the various transactions you made during the year, which in turn may make filing your return a less taxing experience.

Good record-keeping throughout the year saves you time and effort at tax time when organizing and completing your return. If you hire a paid professional to complete your return, the records you have kept will assist the preparer in quickly and accurately completing your return.

Try to avoid for Medicare Levy Surcharge

The Medicare Levy Surcharge is levied on Australian taxpayers who do not have private hospital cover and who earn above a certain income. The surcharge aims to encourage individuals to take out private hospital cover, and where possible, to use the private system to reduce the demand on the public system.

The surcharge is calculated at the rate of 1% of taxable income. It is in addition to the Medicare Levy of 1.5%, which is paid by most Australian taxpayers. The Medicare Levy Surcharge is imposed on individuals earning over the threshold who do not have an appropriate level of hospital insurance. The threshold is $70,000 for individuals and $140,000 for families.

You do not have to pay the surcharge if your taxable income is below the income threshold. Therefore, it is better to have a private hospital cover rather than paying an extra 1.5% tax to ATO.

Claim for Education Tax Refund

If you're eligible, from 1 July 2009 you can claim the Education Tax Refund for eligible education spending from 1 July 2008 to 30 June 2009. This means you could get 50% back on a range of primary and secondary school education expenses.

Items which qualify as eligible education expenses

Eligible education expenses are items that support a child's or independent student's primary or secondary school education. They include the purchase, lease, hire or hire-purchase costs, repairs and running costs of:

- laptops, home computers and associated costs
- computer-related equipment such as printers, USB flash drives, as well as disability aids to assist in the use of computer equipment for students with special needs
- home internet connections, including the costs of establishing and maintaining them
- computer software for educational use
- word processing, spreadsheet, database and presentation software, internet filters and antivirus software
- school textbooks and other paper-based school learning material, including prescribed textbooks, associated learning materials, study guides and stationery, and
- prescribed trade tools - for example, tools required to complete a school-based apprenticeship.

Expenses that are not eligible

Education expenses that are not eligible include:

- school fees
- school uniform expenses
- student attendance at school-based extra curricular activities such as excursions and camps
- tutoring costs
- sporting equipment
- musical instruments
- school subject levies - for example, payment for consumables for particular subjects such as woodwork, art or home science
- building levies
- library book fees
- school photos
- donations
- tuck shop expenses
- waiting list fees
- transport
- membership fees, and
- computer games and consoles

Medical expenses tax offset – maximise your claim

Net medical expenses are the medical expenses you have paid less any refunds you got, or could get, from Medicare or a private health insurer. You can claim a tax offset of 20% – 20 cents in the dollar – of your net medical expenses over $1,500. There is no upper limit on the amount you can claim.

The medical expenses must be for:

- you
- your spouse – married or de facto – regardless of their income
- your children who were aged under 21 years, including adopted and stepchildren, regardless of their income
- any other child aged under 21 years – not a student – whom you maintained and whose separate net income (SNI) was less than $1,786 for the first child and less than $1,410 for the second child and any subsequent children.
- a student aged under 25 years whom you maintained and whose SNI was less than $1,786
- a child-housekeeper, but only if you can claim a tax offset for them.

- an invalid relative, parent or spouse's parent, but only if you can claim a dependant tax offset.

Medical expenses which qualify for the tax offset also include payments:

- to dentists, orthodontists or registered dental mechanics
- to opticians or optometrists, including for the cost of prescription spectacles or contact lenses
- to a carer who looks after a person who is blind or permanently confined to a bed or wheelchair
- for therapeutic treatment under the direction of a doctor
- for medical aids prescribed by a doctor
- for artificial limbs or eyes and hearing aids
- for maintaining a properly trained dog for guiding or assisting people with a disability (but not for social therapy)
- for laser eye surgery, and
- for treatment under an in-vitro fertilisation program

50% investment allowance – a one off tax bonus for business

In the 2009/10 Federal Budget the Rudd Government has expanded on the previous 30% tax deduction (also known as an Investment Allowance) for businesses. The scheme is now divided into two categories, small business and all other businesses.

A small business for the purpose of the tax deduction is classified as a business with a turnover of less than $2m per annum. These businesses will benefit from a 50% tax deduction to be claimed on applicable assets. This is to replace the previous 30%, meaning the total tax deduction business can claim is 50%.

All other businesses with a turnover of more than $2mil per annum the same policy still applies and they still get a 30% tax deduction on asset purchases. These tax deductions are on top of any normal depreciation claimed for the asset.

The bill has passed through the Senate on the 14th May and received Royal Ascent on the 22nd May.

Requirements

Business will be eligible to claim their relevant tax deduction if they fit in the following criteria:

Small Business

If you purchase an eligible asset for more than $1,000 between 13 December 2008 and 31 December 2009 and have installed for use by the 31 December 2010 then you can claim the 50% Tax Deduction. The asset must cost more than $1,000.

All Other Business

If you purchase an eligible asset for more than $10,000 between 13 December 2008 and 30 June 2009 and have installed for use by 30 June 2010 then you can claim the full 30% Tax Deduction. If you cannot meet the 30 June 2009 deadline then any assets you purchase between 31 June 2009 and 31 December 2009 and installed for use by 31 December 2010 will be eligible for a 10% Tax Deduction.

The tax deduction will apply the year the asset is bought ie an asset bought in June 2009 will apply to a companies 2008/09 tax return and an asset bought in December 2009 will apply to the company's 2009/10 tax return.

What can be claimed

Assets that are eligible will be tangible depreciating assets used in carrying on a business, for which a deduction is available under Division 40 of the Income Tax Assessment Act 1997 (ITAA97). These includes

- Vehicles used for business use
- Computers & office equipment
- Medical & Dental equipment
- Commercial and heavy vehicles
- Warehouse & factory equipment
- Heavy machinery & yellow goods
- Retail and restaurant equipment

The tax break is for new, tangible depreciation assets, and as such some assets cannot be claimed. These include:

- Second hand assets
- Land
- An item of trading stock
- Intangible assets eg. computer software
- Any assets that receive capital allowance deductions under Subdivision 40 F of the ITAA97

Personal super contributions for self-employed people

Under s82AAS of the Income Tax Assessment Act 1936 (ITAA36), the following people are entitled to claim an income tax deduction for personal superannuation contributions:

1. those who are self-employed;
2. those who do not receive superannuation support from their employer; and
3. those who are 'substantially self-employed'.

Individuals looking to maximise their super savings, especially those approaching retirement, should look to:

- either salary sacrifice in the case of employees
- or make a tax deductible contribution to a super fund if they are self-employed.

Effective from 1 July 2007, a universal limit of $50,000 for deductible contributions to superannuation irrespective of an employee's age. Additionally, employers will be able to claim a deduction on contributions up to age 75. A transitional period will apply until 2012 for those aged 50 and over allowing for deductible contributions to superannuation of up to $100,000. The deductible contributions cap of $50,000 will be indexed to AWOTE in increments of $5,000. The transitional cap of $100,000 will not be indexed. Contributions in excess of the deductible cap will be taxed at the highest marginal tax rate plus Medicare levy and will also count towards the undeducted contribution cap.

From 1st July 2009 the Government will halve the maximum limit on concessional contributions from $100,000 to $50,000 for those aged 50 or more and from $50,000 to $25,000 for younger investors. The new limits will apply from July 1, meaning this year's contributions will not be affected.

Most commons work related expenses

If you are working as an employee, you can claim for the following work relate expenses (most common)

- union fees
- overtime meals
- attending formal education courses provided by professional associations
- seminars, conferences or education workshops
- books, journals and trade magazines
- tools and equipment
- protective items, such as sunscreens and sunglasses
- computers and software, and
- telephone and home office expenses

Your accountant will be the best person to understand what you can claim and what you can not. It is always safe to claim what you entitled to claim. Claming for deductions which your are not entiled may bring you more pain in future, so make sure to keep the records for the deductions those you are claiming to maximise your tax refunds.