

Tax planning strategies 2020

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As we move towards the end of the 2020 financial year it is a good idea to start considering what tax planning strategies to put in place now to maximise benefits for the short, medium and longer-term. In addition, it is also important to consider 'giving back' to our communities in a structured way, while seeking to reduce tax exposure.

Individuals

Tax deductions

The key to any deduction is to make sure that it fits within legal parameters. Essentially, the expense you incur as an employee must be directly connected to your work. For example, if you are required to drive your car to complete a delivery for work, you can claim a deduction in connection with that trip.

Some of the standard deductions available are:

- Motor vehicle
 - \$0.68 per km
 - Logbook
- Laundry
- Travel costs
 - Other expenses incurred while away for work
 - Parking
- Self-education
 - If it is linked to your current employment
- Other work-related deductions such as
 - Phone
 - Professional memberships
 - Internet
 - Depreciation for home office items
 - Home office
 - COVID-19 hourly rate of \$0.80
 - Standard hourly rate of \$0.52

Superannuation

Concessional contributions (tax deductible)

It's not too late to put additional funds away for your future – previously individuals had to work with employers to sacrifice superannuation contributions.

However, this is no longer the case so as long you:

- Are not subject to any aged-based contribution restrictions (aged 65-74 work test).
- Will not exceed the superannuation contribution cap for an individual of \$25,000.

If you can make additional contributions into your superannuation fund and claim a personal tax deduction for the amount contributed.

Non-concessional contributions (not tax deductible)

If you would like to contribute beyond the concessional contributions cap you will not be able to claim a deduction for the additional contribution. This can be a sound strategy to bolster your superannuation balance, however there are restrictions on the amounts you can contribute.

It is recommended that you seek professional advice before implementing such a strategy as your ability to access those funds will be fully restricted until retirement.

Investment properties

While some properties have been subject to rental income reduction, there are other ways to 'cushion the blow' and maximise your associated tax refund.

- Quantity surveyors report - this report may allow you to gain further deductions for depreciation and allow you to reduce your taxable income.
- Repairs - if there are any repairs / works required, consider undertaking this work prior to 30 June so you can claim the deduction this financial year.

Philanthropy

During periods of uncertainty giving to those in need is more challenging for many. However, any amount of charitable giving is important to ensure all members of our community can access services and support during difficult times. As a further benefit you can claim a tax deduction for your donation.

With a high number of charities now struggling for regular donations from the public, it is a key opportunity for individuals to establish a structured giving strategy via a philanthropic foundation. The foundation can distribute a consistent, recurring income stream upon which charities can rely, whilst continuing to grow the value of the foundation into the future.

Of course, this does not mean you should not also donate directly to causes but rather to give some thought to the longer-term as part of your overall tax and wealth planning - establishing a charitable foundation can enable more structured philanthropic contribution into the future.

Business

Pre 30 June-business health check

- Ensure all compulsory superannuation contributions are paid
 - These are deductible when paid not accrued
- Review your debtors and write off bad debts
- Review your stock on hand and write off any obsolete items
- Review your plant and equipment and identify items that need to be written off

- Discuss with your business advisor whether owner wages need to be declared prior to 30 June

Instant asset write off and acceleration depreciation

If your business is eligible for the instant asset write-off, you need to consider if there are any necessary capital acquisitions prior to 30 June. However, I always caveat this by saying that you should only be investing the capital if it is going to add value to your business. Just be aware of the relevant thresholds for the instant asset write off:

Asset threshold	Date range for when the asset first used for your business	Eligibility
\$30,000	Up to 11 March 2020	turnover <\$50 Million
\$150,000	12 March to 30 June 2020	turnover <\$500 Million

Where a business does not qualify for the instant asset write-off, they may be eligible to claim the benefits of an accelerated tax depreciation. These provisions are unique based on the size of your business, the asset you are acquiring and the date that you acquire the asset or install it ready for use.

As these measures are generally complex, to ensure you can maximise your deductions please discuss all planning with your business adviser, so they may assist you with the process and ensure you make an informed decision.

COVID-19 federal and state incentives

As we are all aware that our governments have provided some considerable stimulus and incentives to assist us through this period. It is important however to understand the tax treatment of those incentives as detailed below:

Government incentive	Tax treatment
Cashflow boost	Not taxable
Jobkeeper payment	Taxable
Jobseeker payment	Taxable
Payroll tax refund	Taxable
Land tax discount	Taxable
Early release of superannuation	Not taxable
State government grants	Taxable
Liquor licence fee waiver	Taxable
50% apprentice wage subsidy	Taxable

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work closely with individuals and their financial planners to achieve outcomes.

If you have any questions about the topics covered in this article, or any other accounting related questions send Ben an email at BGreenwell@australianunity.com.au (<mailto:BGreenwell@australianunity.com.au>)

Sources:

[Australian Taxation Office - Individuals \(https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/\)](https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/)

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