

Tax Time 2016

There goes another year, and that means it is time to start gathering the records for your income tax return preparation. To ensure speedy preparation of your income tax return try to make sure that you have documents supporting all of your income (employment, investments and Centrelink). It is also important where possible to make sure you have a receipt or invoice for any amount which you are claiming as a tax deduction.

Income Tax Rates

Listed below are the tax rates for the 2016 financial year, which includes the 2% temporary budget repair levy for high income earners (*).

Tax rates for 2014/15 year Income range (\$)	Tax rate %	Tax rates for 2015/16 year Income range (\$)	Tax rate %
0 – 18,200	0	0 – 18,200	0
18,201 – 37,000	19	18,201 – 37,000	19
37,001 – 80,000	32.5	37,001 – 80,000	32.5
80,001 – 180,000	37	80,001 – 180,000	37
180,000+	47*	180,000+	47*

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Substantiation Reminder

In order to claim a deduction for work related expenses which you have incurred, you must have written evidence to verify your claim where the **total** amount of all your tax claims exceed \$300.

Written evidence can be in a variety of forms, with both electronic and written versions equally acceptable.

Common types of such written evidence include:

- Bank and credit card statements
- BPay reference numbers
- Email receipts
- Other paper or electronic copies of documents
- Tax invoices or receipts

Medicare Levy Increase

From 1 July 2014, the basic medicare levy has increased from 1.5% to 2% of taxable income. This 0.5% increase is due to the National Disability Insurance Scheme (NDIS) being introduced from 1 July 2014.

Individuals start to pay medicare levy where their taxable income exceeds \$21,335, or \$36,001 for families.

2016 Car Rates

The cents per km rate for the 2015/16 year have changed, there is now only one rate for the cents per kilometre deduction, it is **66 cents** per kilometre.

This rate is applicable to claims where the vehicle has travelled a maximum of up to 5,000 employment related kilometres for the year.

Safe Tax

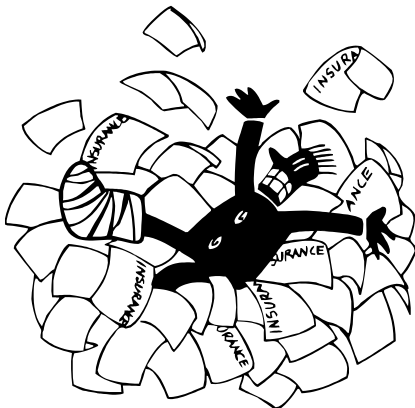
We are again offering our safe tax audit fee protection cover. This small tax deductible cost covers **all** types of audits that taxpayers can be subjected to, and provides you with the **peace of mind** that it will not cost you any extra in accounting fees to have us manage your audit.

History shows that the cost to prepare the required audit documentation can range anywhere from \$600 to \$2,000, and this may be more depending on the complexity and type of audit involved.

It is to your advantage to take up Safe Tax as soon as possible. Cover begins from the date of payment through to 30th June 2017. Please contact Trish at our office if you wish to take up safe tax or ask your accountant when your income tax return is prepared.

In addition to this, there are also a number of measures which you can take to minimise the risks and costs in the event of an audit including:

- Keeping all work related expense receipts in a secure place for five years.
- Remember to inform us if you own shares which have dividends that are reinvested under a dividend re-investment plan. These dividends are taxable as income.
- If you are claiming work related travel up to 5000 kilometres, keep a written record of trips which you have undertaken during the year to substantiate your claim.



Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2015-16 year. The maximum government co-contribution being \$0.50 for every \$1 personally contributed. The full co-contribution of \$500 is available to taxpayers who earn less than \$35,454 and contribute \$1,000. Above this income amount, the maximum co-contribution will be reduced by 3.333 cents for each dollar of income earned and to phase out completely when income reaches \$50,454.



Medical expenses tax offset reforms

The medical expenses tax offset has been phased out.

The offset will continue to be available for taxpayers with out-of-pocket medical expenses relating to disability aids, attendant care or aged care expenses until 1 July 2019.



Family Assistance claims

Families that choose to wait until the end of the financial year to claim their lump sum FTB entitlement or Child Care Benefit from Centrelink have a grace period of 1 year.

You will have to have your 2016 return lodged by the 30/6/2017 to be eligible to claim any lump sum FTB entitlements.

Bucket donations claimable

The Government has announced that the ATO will allow tax deductions without a receipt for donations up to \$10 made to "bucket appeals".

For donations over \$10 make sure you keep your receipts so you can claim the deduction in your tax return. For donations made via the web, a bank or credit card statement will be enough evidence to claim the deduction.



Zone Tax Offset abolished for fly-in fly-out workers

Previously to be eligible for the Zone Tax Offset a taxpayer must reside or work in a specified remote area for more than 183 days in an income year.

From 1 July 2015 you are no longer able to claim this offset unless you permanently reside in one of these remote zones.

Bring your bank account details with you to your appointment...A MUST

The Australian Taxation Office has advised that no Income Tax Returns will be processed unless valid bank account details are included on the return.

To avoid any delay with receiving your tax refund, please bring your BSB and account number so that the refund can be directly credited into your account.

If your bank account details have changed since last year, please bring in your new account details.

SUPERANNUATION: Concessional (tax deductible) contributions cap

You may be able to claim your superannuation contributions if less than 10% of your total assessable income is from salary & wages.

Taxpayers 49 years or over at 30 June 2015 will be eligible for the \$35,000 concessional contributions cap.

Taxpayers aged 48 years or under on 30 June 2015 will be eligible for the \$30,000 concessional contributions cap.

If you have a salary sacrifice agreement with your employer make sure that you will not go over your appropriate cap in the 2015/16 year otherwise excess contributions will be included in your assessable income and taxed at your marginal tax.



Minors

Minors (children under 18) will not be taxed until their annual income from passive investments (i.e. interest & dividends) exceeds \$416 for the 2015/16 year.

Self education expenses

Costs that you incur to maintain a course of study at a TAFE or university could be deductible in your income tax return.

A tax deduction for your self-education expenses is available if you can satisfy the conditions below:

- You are upgrading your qualifications for your **current employment**
- You are improving your knowledge or skills for your **current employment**
- You are employed as a trainee and you are undertaking a course that forms part of the traineeship
- You can show that at the time you were working and studying your study lead to an increase in employment income in the industry you currently work in.

Remember, the costs of studying to get a job in a new career are not claimable.

If you are eligible, you can claim the following self-education expenses as a tax deduction:

- Course fees (only those not paid using HECS-HELP)
- Textbooks and professional journals
- Stationary and photocopying
- Cost of repairing a computer you use for study purposes
- Interest on borrowings to purchase a computer
- Depreciation on a computer
- Student union fees
- Meal costs if participating in your course means being away from home for more than one night
- Running costs if you have a room for work related study
- Allowable travel (including travel from home to place of education and back, work to place of education and back)

When preparing your claim for work-related self-education expenses remember that you can only claim repair or depreciation costs that relate to your study.

For example, if you use a computer 40% for study and 60% for personal purposes, you can only claim 40% of repair or depreciation costs.

Low Income Tax Offset (LITO)

For the 2016 financial year, the Low Income Tax Offset will be \$445 and starts to phase out once taxable income reaches \$37,000. The LITO reduces by 1.5cents for every dollar of taxable income over \$37,000 and completely phases out once taxable income reaches \$66,667. Taxpayers who are eligible for the full LITO will not pay any tax until their annual income exceeds \$20,542.

Employee truck drivers

Employee truck drivers who are required to sleep away from home for their work are commonly paid travel allowances to cover the cost of meal expenses. Such expenses do not need to be substantiated if they do not exceed the ATO's reasonable amounts, and the allowance meets certain requirements.

The critical point to note when it comes to allowances paid to truck drivers is that, regardless of what label is given to the allowance (travel allowance, living allowance, hardship or inconvenience allowance), the exception from the requirements to substantiate meal expenses up to reasonable amounts is available only if certain conditions are satisfied.

The truck driver must be required to sleep away from home and the allowance must be paid to cover specific travel.

For example, the following travel allowances **would not qualify** for the concessions:

- Where a fixed annual travel allowance is paid, regardless of how often or whether travel is actually undertaken.
- Where a travel allowance is paid at a certain rate per hour for hours worked, even if deductible work-related travel is not undertaken.

However, accommodation expenses incurred by truck drivers as part of work-related travel must always be substantiated. That is because truck drivers generally do not incur accommodation expenses when travelling for work, as they sleep in their truck. The ATO therefore takes the view that no amount of accommodation expenses incurred by employee truck drivers can be reasonable.



Home office expenses

Where part of your home is used for income earning activities, you may be eligible to claim home office expenses. Individuals who have a home office can claim running expenses for that office.

To claim this, there is a standard rate of **45 cents per hour** of usage. This rate is designed to cover the basic home office operating expenses of electricity, gas and depreciation of office furniture.



Do we have your email address?

Here at Adams Accounting, we like to look after the environment.

We would like to collect your email address so that we can email you our newsletter and any other information, doing our bit for the environment along the way.

If you wish to receive future newsletters from us electronically, please provide your email address during your appointment.



HELP (HECS) repayment rates

The following repayment income and rates for the Higher Education Loan Programme (HELP) apply for the 2015/16 income year:

Tax payer's repayment income	Applicable repayment %
\$54,126 - \$60,292	4%
\$60,293 - \$66,456	4.5%
\$66,457 - \$69,949	5%
\$69,950 - \$75,190	5.5%
\$75,191 - \$81,432	6%
\$81,433 - \$85,718	6.5%
\$85,719 - \$94,331	7%
\$94,332 - \$100,519	7.5%
More than \$100,520	8%

There is no requirement to repay any of your HELP debt until your income exceeds \$54,126 for the 2015/16 year.

The ATO are no longer issuing paper HELP debt statements, if you wish to receive such statements you need to contact the ATO.

WHERE TO FIND US

170 Johnson Street Maffra Victoria 3860

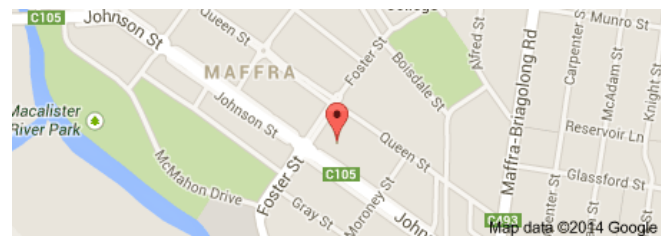
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2016 INCOME TAX RETURN CHECKLIST

Before coming to your interview this year please take the time to look over the list below of information which you may need to bring to your appointment.

Tick if applicable and bring to appointment:

Income:

- PAYG summaries (group certificates)
- Centrelink year end summary statement – newstart allowance, youth allowance, parenting payment, sickness payment or pension (note: Centrelink no longer sends these in the mail, you will have to print these off or request one to be sent prior to your appointment)
- Interest received
- Dividends from shares / investments held (*including any dividends which have been reinvested*)
- Trust and investment distributions (*please ensure you have the “Annual Taxation Statement” provided by the fund – some of these will not be provided until Aug/Sept*)
- Rental income received
- Lump sum and termination payments (*provide all documents including an ETP payment summary from the employer or fund*)
- Foreign source income and details of any tax credits (*employment and pension*)

Expenses:

- Motor vehicle travel (*details of the kilometres travelled for the cents per kilometre or log book method, or details of all motor vehicle expenses for the alternative methods*)
- Other travel costs (*parking fees, Citylink costs etc.*)
- Clothing / uniform purchases, cleaning and sun protection costs
- Donations of \$2 and over
- Income protection insurance
- Self-education expenses (*this may include costs such as: course fees, union fees, printing and stationery, parking, transport fees, journals and publications, books, internet, repairs to equipment and motor vehicle travel*)
- Any other work related expenses (*this may include costs such as: union fees, telephone / mobile phone, tools and equipment, home office, internet, printing and stationery, journals and publications, conferences and seminars, subscriptions, professional memberships and practising certificates*)
- Rental property expenses (*this may include costs such as: advertising, body corporate fees, cleaning, council rates, gardening, insurance, interest on loans, legal fees, pest control, agent fees and commissions, repairs and maintenance, stationery and postage, travel inspections, water charges and bank fees*)

Other:

- Private health insurance statement
- Spouse details (*if applicable – name, date of birth and taxable income for the year*)
- Capital gains details for real estate, shares, managed funds and other investment acquisitions or disposals (*purchase cost and date as well as sale price and date for disposals*)
- Personal superannuation contributions letter for your spouse or yourself (*if you are claiming as a tax deduction*)
- Medicare exemption certificate