

## Tax Time 2018

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 the income you earned (employment & investments). 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 2017/18 financial year. \*2017 included the temporary budget repair levy.

Tax rates for 2016/17 year Income range (\$)	Tax rate %	Tax rates for 2017/18 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 – <u>87,000</u>	32.5	37,001 – <u>87,000</u>	32.5
87,001 – 180,000	37	87,001 – 180,000	37
180,000+	47*	180,000+	45

## INSIDE THIS ISSUE

- 2** Safe Tax | Family Assistance claims
- 3** Superannuation / Work related expense claims
- 4** Workplace clothing deductions
- 5** Home office expenses | HELP voluntary repayment
- 6** Tax return checklist

## Medicare Levy thresholds

For the year ending June 2018, the Medicare levy surcharge (additional 1%) will apply to singles earning over \$90,000 and \$180,000 for those who are members of a family.

The surcharge increases to 1.25% if your earnings are over \$105,000 for singles, and \$210,000 for families.

The surcharge increases to 1.5% if your earnings are over \$140,000 for singles, and \$280,000 for families.

These thresholds apply to taxpayers who **do not** have private health insurance that includes hospital cover.

The Medicare Levy low-income thresholds for the 2017/18 year are \$21,655 for individuals and \$36,541 for families. These thresholds increase by \$3,356 per dependent child/student.

The low-income threshold for Senior Australian and Pension Offset (SAPTO) claimants is \$47,670.



## 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 2019. 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.



## Family Assistance claims

Families that chose to wait until the end of the financial year to claim their FTB entitlement or Child Care Benefit will **need to have your 2017 return lodged by the 30/6/2018** so that you can claim any Centrelink entitlements in time.



## Private Health Insurance (PHI) rebate means tested

You need to advise your PHI organisation of your estimated income for 2018-19 year so that the correct rebate amount is paid by the Government over the next twelve months.

Once the ITR is lodged, if the ATO see that you have overestimated your income, you will receive a refund for the overpaid premium amount via your notice of assessment (NOA).

If you have underestimated your income (and therefore received more of a PHI rebate than you should have) you are liable to pay the excess to the Commonwealth via your tax refunds and it will show on your NOA of funds paid for underpaid premiums.

## Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2017-18 year with the maximum government co-contribution being \$0.50 for every \$1 personally contributed. The maximum co-contribution of \$500 is available to taxpayers who earn less than \$36,813 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 \$51,813.

## Concessional superannuation (tax deductible) contributions cap

For the 17/18 year, the concessional contributions cap is \$25,000 regardless of age.

Legislation has also passed which allows any individual under age 75 to claim a tax deduction for personal superannuation contributions made to their fund, up to a limit of \$25,000. If you have a salary sacrifice agreement with your employer make sure that you will not go over your appropriate cap in the 2017/18 year otherwise excess contributions will be included in your assessable income and taxed at your marginal tax rate.



## Non-concessional (non- tax deductible) super contributions.

Taxpayers can make up to \$100,000 in non-concessional contribution to their superfund in 2017/18 year.

They can also access the 3 year \$300,000 bring forward cap up until 30 June 2018.

## ATO cracks down on work related expenses

Do you claim other work-related expenses such as telephone, stationery, internet and home office costs?

BEWARE - the Australian Taxation Office focus area for the coming financial year will be other work-related expenses!



Legitimate other work-related expenses can include home office, union fees, mobile phone and internet, tools, meals and equipment, but they are only deductible if they meet the ATO's three golden rules.

- Firstly, you must have paid for it and not been reimbursed.
- Secondly, it must be directly related to earning your income and not a private expense, and,
- Thirdly, you must have records to prove it.

Many of us claim our mobile phone costs for work but did you know if you claim mobile phone costs, and you are asked to prove your deduction, the ATO will ask for:

- A letter from your employer confirming you are required to use your own mobile telephone for work purposes and details of any allowances and/or reimbursements paid, including the name and contact details of the person making that statement.
- An explanation of how you calculated your claim
- Evidence of the total cost of the service for the year of income
- One itemised bill with the outgoing private and outgoing work-related calls clearly and distinctly marked and tallied **OR** a diary covering a representative four-week period showing the work-related and private use of the service

Do you have all this information at the ready for a potential ATO audit?

It is now more important than ever to make sure you keep all your receipts and proof of how it relates to your work.

If you have any questions about what records you need to keep for tax deduction claims please contact us to discuss the record keeping requirements.

## Workplace clothing deductions

Over the past five years, claims for uniform and laundry deductions have increased by around 20%. This has made the ATO sit up and take notice. The ATO have stated that too many taxpayers' beliefs around how to claim clothing deductions are wrong and remind them that you can only claim deductions for occupation-specific clothing.

There are a clear set of guidelines for employees regarding claiming clothing:

- You must have spent the money yourself and can't have been reimbursed,
- The claim must be directly related to earning your income,
- You need a record to prove it.

There is no doubt that uniform and laundry claims are on the ATO's radar, so let's clear up what you can and can't claim.

### What Precisely Can You Claim?

To claim a tax deduction for wearable items of clothing they need to be protective clothing or a registered uniform. Essentially, it must be something you would not wear outside of work.

### You Must Have Evidence

The ATO has made it clear that if requested, you should be able to provide supporting evidence on:

- How your laundry expenses were calculated
- Why you need to wear specific clothing to work
- How you calculated your final claim figure

### Dress Codes and Colour Requirements

Even if your employer asks you to wear clothes that meet a specific dress code, or colour requirement, you can't claim a deduction. This is because they are still classified as everyday clothing. It comes back to the point we mentioned earlier; you can only claim for items that you would not wear outside of work.

Individuals cannot make claims for everyday clothing even if it's a cultural expectation or specifically requested by their employer, that they appear a certain way at work. This means suits, business attire and formal wear are not tax deductible.

Also, if a business requires employees to wear that business' own products or brand, the employees still cannot claim a tax deduction.

### If You Received an Allowance

Finally, if your employer or your own business provides an allowance for clothing or laundry, or has already paid for clothes as a business expense, those claims are also not deductible. If you received an allowance for part of the clothing or cleaning from an employer, "you need to show the amount of the allowance on your tax return", the ATO advises.

If you're unsure about the tax deductibility of your work-related clothing, we invite you to contact us to discuss the rules and regulations.



## 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 mobile number?

Adams Accounting have implemented a text messaging system for appointment reminders or reminders to collect your tax returns, information and so on.

If we have your mobile number, we will be sending text messages instead of calling for reminders and collection notifications.

If you would like to opt out of our text messaging system, please let one of our administration team know.



## HELP (HECS) repayment rates

The following repayment income and rates for the Higher Education Loan Programme (HELP) apply for the 2017/18 income year:

Tax payer's repayment income	Applicable repayment %
\$55,874 - \$62,238	4%
\$62,239 - \$68,602	4.5%
\$68,603 - \$72,207	5%
\$72,208 - \$77,618	5.5%
\$77,619 - \$84,062	6%
\$84,063 - \$88,486	6.5%
\$88,487 - \$97,377	7%
\$97,378 - \$103,765	7.5%
More than \$103,766	8%

There is no requirement to repay any of your HELP debt until your income exceeds \$55,874 for the 2017/18 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

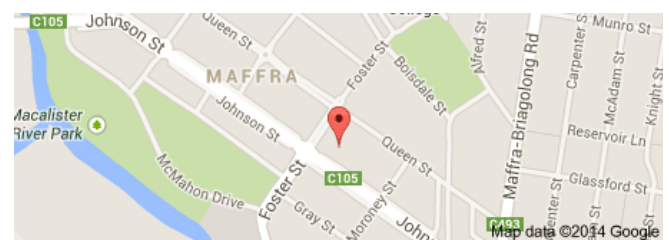
PO Box 251 Maffra Victoria 3860

Phone: (03) 5147 1525

Fax: (03) 5147 3211

Email: [admin@adamsaccounting.com.au](mailto:admin@adamsaccounting.com.au)

Website: [www.adamsaccounting.com.au](http://www.adamsaccounting.com.au)



## **2018 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 Payment 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 method, or details of all motor vehicle expenses for the log book method*)
- 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, 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 purchases or sales (*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