

With June 30th approaching, some super contributions, work-related expenses, as well as medical and education expenses might enable you to trim back your tax bill.



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When it comes to tax ... less is more

Australia may have escaped the worst of the global financial crisis, but only after some belt tightening. The government has cut back some of the more generous tax deductions for super as well as reducing its popular super co-contribution, but that's all the more reason to claim everything you are legally entitled to.

Super contribution caps

Super is still one of the most tax effective investments in the land, but the government placed new limits on the amount you can put into super at reduced rates of tax. Concessional contributions have been halved to \$25,000, or \$50,000 if you are over 50. This includes contributions made by your employer, and personal contributions claimed as a tax deduction by the self-employed. Any excess contributions will be taxed at an extra 31.5 per cent on top of the usual 15 per cent paid by your super fund.

Non-concessional contributions, that is, personal contributions you do not claim as a tax deduction, are still capped at \$150,000 p.a. or \$450,000 over 3 years if you are under 65, but any excess will be taxed at 46.5 per cent. Contributing too much can mean heavy penalties.

Super co-contribution

The government's super sweetener is still alive but a temporary reduction in the contribution rate means it has lost some of its kick this year. If you earn \$31,920 or less the government will match any personal super contributions you make dollar for dollar, up to a maximum of \$1,000. In other words, the government is offering to double your money. If you earn between \$31,920 and \$61,920 the government will make a lower contribution on a sliding scale. Check out how much you could receive by using the Tax Office's online co-contribution calculator (www.ato.gov.au).

Rental property deductions

If you own an investment property chances are you are already aware of the tax advantages of negative gearing. You are probably also claiming for repairs and maintenance of your property. But did you know you can also claim interest and other costs of borrowing incurred when you buy property?



When you take out a loan to purchase rental property you can claim borrowing expenses such as mortgage broker and loan establishment fees, mortgage stamp duty, lender's mortgage insurance and fees for title searches and valuations for loan approvals – these are usually spread over 5 years. In some cases you can even claim the costs of evicting non-paying tenants!

Work-related expenses

If you incur expenses while doing your job, then you may be able to claim a deduction. The sort of work you do will determine exactly what you can claim. If you work outdoors, then you can claim sunscreen, sunglasses and a hat. And if you're a sales manager you may be able to claim travel expenses.

Two areas that often cause problems are travel expenses and self education expenses. Travel to conferences or work-related events must be directly tied to your job. If you tag a holiday on the end or take family, you can only claim for the work portion of your expenses. And study must be connected to your current job, not to help you get a new job.

The good news is that you can claim up to \$300 of work-related expenses without any receipts. But you must be able to produce receipts if your total claim for work-related expenses is more than \$300.

Medical expenses tax offset

If you and your family have had a year of expensive medical bills the Tax Office has a handy rebate to ease the pain on your hip pocket nerve. You can claim 20 per cent of all out-of-pocket medical expenses over \$1,500. Botox injections and purely cosmetic surgery are out. But doctor and hospital bills, dentistry and optometry, prescribed medical aids, hearing aids, some residential aged care accommodation, and pharmacy bills can all be claimed. You can get a statement of your net medical expenses from Medicare, your private health fund or online through e-Tax. Your pharmacist can also provide a printout of deductible purchases.

Education tax refund

Despite the blaze of publicity about the new tax break for educational expenses, many people who were eligible failed to lodge a claim last year. You can claim 50 per cent of the cost of school textbooks, stationery, trade tools, computers and repairs, and software. The refund is capped at \$375 for primary school children and \$750 for high school students. So gather up those receipts!

For small business owners

Finally, a tip for small business operators. Don't forget to claim your tax deduction for vehicles and other eligible equipment under the federal government's one-off investment allowance. The 50 per cent deduction for assets of \$1,000 or more, purchased or ordered before the end of 2009, is in addition to normal depreciation.

Whilst these deductions are a good starting point to consider at tax time, you should speak with your accountant to determine exactly what is applicable to your situation.

Please seek personal financial and tax advice prior to acting on this information.



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