

# 2019/20 Financial Year End Tax Strategies and Must Dos Before 30 June, 2020

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Please note this booklet is updated in May each year. Until the budget is released our strategies for the year are not certain. This booklet is provided to give you some guidelines in planning but please check with your Accountant before you commit.

## Introduction

This booklet contains clever year-end strategies and helps ensure you avoid the common traps and pitfalls of your year-end tax planning. Please check through the headings that apply to you, and remember our contact details are above should you have any further questions.

Before embarking on any year-end tax strategy, it is first important to consider whether you are going to be in a higher tax bracket in the next financial year. For example, if you know you will sell an asset (your holiday home, a large parcel of shares), or if you suspect/know that your salary will be increasing in the following year.

Knowing what your tax bracket will be in the upcoming financial year helps you and your tax agent decide how to manage your income/deductions this year and next. For example, if you know that your income will increase in the upcoming year, it may be wise to delay paying for any work-related expenses (deductions) until next

financial year when your income will be higher. Conversely, you may declare any known one-off payments in the current financial year when your income is lower.

One of the most effective tax planning strategies is to even out your income over each member of your financially dependent family over 18. It is not the amount of income that is important, what matters is that all family members are in the same tax bracket.

Also consider your position with Centrelink. Is it worth dragging your income down this year to qualify for more because next year your youngest child will be too old for you to qualify for any payments? Centrelink recipients should be aware that increasing investment losses such as paying investment property interest in advance will be of no help because these losses are added back.

## Personal Income Tax Rates

The tax rates for the 2019-2020 financial year and the 2020-2021 financial year are the same. You pay no tax at all if your income is under \$20,542 due to the low-income tax offset. The marginal rates are:

<b>Your Taxable Income</b>	<b>Tax Offset</b>
0%	\$18,200
19%	\$18,201 to \$37,000
32.5%*	\$37,001 to \$90,000
37%	\$90,001 to \$180,000
45%	\$180,001 +

Note rates do not include Medicare Levy – generally 2%

\*Can be as much as 34% while low income tax offset shading out.

But, if your income is under \$90,000 you may also qualify for a tax offset.

<b>Your Taxable Income</b>	<b>Low to Middle Income Tax Offset</b>
Under \$37,001	\$255
\$37,000 to \$48,000	\$255 + 7.5% of amount your income exceeds \$37,000
\$48,001 to \$90,000	\$1,080
\$90,001	The offset starts to reduce at the rate of 3 cents for every dollar over \$90,001. Taxpayers earning \$126,000 a year will not be entitled to the Low to Middle Income Tax Offset.

The exciting thing about this offset is that it has not been included in your take home pay so there should be a sizable refund in your next tax return.

Note the above offsets are in addition to the existing low-income tax offset of \$445 that starts to shade out at the rate of 1.5 cents for every dollar over \$37,000 completely disappearing at \$66,667 for the 2019-2020 financial year.

By combining the loan income tax offset of \$445 and the minimum low to middle income tax offset of \$255 you can have a tax offset of \$700 on \$21,884 taxable income. That is enough to cover the tax on \$21,884 which means, thanks to the tax offsets you can really earn \$21,884 before you pay any tax.

The \$700 tax offset starts to shade out at the rate of 5 cents for every dollar between \$37,500 and \$45,000 after that it will only shade out at the rate of 1.5 cents in the dollar disappearing completely at \$66,667. Your combined tax offsets can be as high as \$1,360 at the \$48,000 mark (due to the middle one peaking at \$48,000 and the lower one dropping out at \$66,667). You are entitled to up to \$1,080 until you reach \$90,000 in taxable income.

## Foreign Residents

For Foreign Residents their tax rate starts from the first dollar at the tax rate for income under \$90,000, ie, 32.5%. Once income exceeds \$90,000, the rate is the same as it is for residents but no Medicare Levy.

## Have you Lodged your 2019 Tax Return?

If not, aside from the risk of being fined here are a couple of reasons to get your affairs sorted before 30 June, 2020.

- 1) If you receive family payments from Centrelink and have not lodge your 2019 tax return by 30 June, 2020 you will be required to repay all of your Centrelink payments.
- 2) If you want to claim a tax deduction for personal superannuation contributions in your 2019 tax return you need to have notified your superannuation fund by 30 June, 2020.

## Employees – Work Related Expenses

### Warning Some To dos before 30 June 2020

Diaries, log books and the like need to be started before 30 June 2020, if they are to be used to cover claims in your 2020 tax return.

**Phone** - You need a phone diary to claim more than \$50 for phone calls on a phone you own. This diary can be created from a detailed monthly statement you receive with your phone bill. Just go through and mark the work-related calls and work out what percentage they are of your total calls. If you don't get a detailed statement then you need to take a screen shot of your recent calls for the last month. Print it and work out the work-related calls.

**Home Office** - The ATO have made an absolute mess of this claim for 2019-2020. It looks like they are giving a higher deduction but then taking away other deductions at the same time. Further, they have changed the method you can use, part way through the year. The most important thing you need to do before 30<sup>th</sup> June, 2020 is keep a diary of your hours worked from home for a month. Download a template here <https://www.bantacs.com.au/shop-2/diary-template/> The choice from 1 March, 2020 is 52 cents an hour and claim other expenses such as stationery, internet and computers on the basis of actually incurred or 80 cents per hour to cover everything. Keep receipts for stationery and the like, and your Accountant can help you work out the best option when doing your tax return. If, in the meantime, you would like to know exactly what is going on, here is the blog:

<https://bantacs.com.au/Jblog/tax-deductions-when-working-from-home/#more-503>

**Car** - Make sure you take your odo reading at 30 June 2020 just in case we need it. If you need a logbook to claim your motor vehicle expenses make sure you start it before 30 June 2020. Without a log book you can only claim up to 5,000kms per car at 68 cents a kilometre. In that case you are required to have a detailed reasonable estimate of the deductible kilometres travelled. If the journeys are repetitive just keep a one month diary and multiply the kilometres by the relevant number of months, but don't forget holidays. For one offs, it is better to list each one of them with a date, where and why. If you forgot to set the trip meter [www.wheris.com](http://www.wheris.com) is a great help.

If you want to claim more than 5,000kms you need to base your claim on a percentage of the actual expense incurred which means you need to keep receipts (fuel can be calculated) all year, and a log book for 3 months every 5 years to work out the portion that will be tax deductible. The logbook does not have to be completed by 30 June, it just has to be started in the financial year in which you are making the claim. More on this in our booklet [http://www.bantacs.com.au/booklets/Claiming\\_A\\_Motor\\_Vehicle\\_Booklet.pdf](http://www.bantacs.com.au/booklets/Claiming_A_Motor_Vehicle_Booklet.pdf)

**Self Education** - You can claim a deduction for work related course fees you pay now even though you won't undertake the study until next year. Any study you claim as self-education must be connected to the income you are currently earning (either to maintain or improve your specific skills or knowledge) or is likely to result in increased income from existing income earning activities. Merely doing a course while working full time does not make the course deductible. Be careful of excessive claims for travel overseas and luxury courses. You need to prove that these expenses are essential to your current work. It is best for all courses that you get a letter from your employer saying they are relevant. Though if the ATO try and demand this from you, refer them to paragraph 32 of TR 2020/1.

**Work Related Expenses Claims in General** – The ATO have released an excellent ruling covering many of the issues around WRE and it includes a long list of other rulings on specific occupations or expenses with links so you can read all the detail on the areas that interest. TR 2020/1

<https://www.ato.gov.au/law/view/print?DocID=TXR%2FTR20201%2FNAT%2FATO%2F00001&PiT=99991231235958>

In an audit situation the ATO has a ‘one size fits all’ trump card. They simply ask you for a letter from your employer verifying all your claims. Without a letter they will deny even the most legitimate claims. The difficulty here is that audits tend to happen a couple of years after the expenses have been incurred. By then you may have a new job, your supervisor has left or your employer has gone broke. It is best to get a letter each year from your employer. The letter should cover the following points, if they apply to you:

- Whether you need to use your car for work
- Whether you need to use your phone for work
- Tools you need for the job, whether they in total would weigh more than 20kg
- Whether you are required to purchase your own tools, and whether you have been reimbursed
- That you are not provided with your own personalised locker to store your tools
- Requirement to wear a uniform with a logo (registered with the ATO) or protective clothing
- Details of any allowances appearing on your PAYG summary, ie, what they are for
- Whether there is a requirement to travel for your work, and the nature of such travel
- If you are undertaking any work-related studies a statement that this is relevant to your current employment or future promotion
- Whether you had more than one workplace in a day
- Whether you were required, on occasion, to work somewhere other than your normal workplace

As you can guess a letter of this nature may be difficult to obtain, but you can see why it is such a winner with ATO auditors. If your employer will not provide you with this letter then make sure you keep proof of their negative response as we believe this will be helpful, considering that there is no requirement for such letters in the substantiation legislation. If you think getting such a letter would be difficult now, consider how difficult it would be after you have left your employer, or your supervisor has left.

## Individuals in General

Before you make a donation, make sure it will qualify for a tax deduction by checking their ABN here <http://www.abn.business.gov.au/Tools/DgrListing>

Stay clear of tax minimisation products as these are often (almost always) scams. They are sold as investments specifically designed to reduce your taxable income, but the end result is that they just increase the scammer’s profit. They carefully arrange the investment so it is only marginally better than the tax saving, and then only if the forecasts are correct. Do not enter into these arrangements unless you have a product ruling from the ATO, and make sure the arrangement is in accordance with that ruling.

If you place money on term deposit and the interest is not payable until the next financial year the interest is not taxable until the financial year that you receive it.

## Companies

Companies need to consider which franking rate they are subject to in the 2019/20 tax year, and which rate they will be subject to next year. If the company is likely to move from a 30% franking rate in 2020 to a 27.5% franking rate in the 2020/21 tax year, there may be advantages in paying franked dividends prior to 30 June 2020. This does not apply to companies that only have passive income as their tax rate will continue to be 30%.

Do you owe your company any money? If possible, you need to pay this back before 30 June, 2020. Beware - don’t go just drawing the same amount back out again the next day!

## Trusts

Make sure you have a distribution minute in place before 30 June 2020.

If your trust has investments from which it will receive a franking credit, it is important that this franking credit can be distributed to a beneficiary in the current year, or it will be lost. To be able to distribute the franking credit you need to have profits to distribute and the franking credit does not count towards those profits. If in doubt please do interim accounts and see whether you need to draw income into 2020 rather than expenses or stop paying yourself wages.

## Self-Managed Superannuation

If your fund is in pension phase it is very important that you draw the minimum amount of pension required for your age, before 30 June, 2020. If you don't, instead of being tax free, all of the income for the year will be taxed at 15%! See below for the percentage of the fund that you must draw down, depending on your age. Note, the figures below are applicable for the 2020 and 2021 tax years, and vary from the 2019 tax year. They have been halved due to the downturn the stock market experienced as a result of the Coronavirus shutdown.

<b>Age</b>	<b>Minimum Pension Amount</b>
Under 65	2%
65-74	2.5%
75-79	3%
80-84	3.5%
85-89	4.5%
90-94	5.5%
Over 95	7%

With your own SMSF you can utilise a 'super in reserve' strategy that allows you to draw next year's \$25,000 contribution cap into this year. As explained in the introduction, this should only be considered when you expect your income to be lower next year as it is a one-off tax advantage.

A 'super in reserve strategy' allows you to make a contribution to the fund less than 28 days before the end of the financial year. The fund can hold it in reserves for that period and not declare it as your contribution until July, yet you still get a tax deduction in June. Needless to say, this is a complex strategy that requires professional advice. See below for further information.

TD 2013/22 says that the ATO accepts that a member of a SMSF who only qualifies for a \$25,000 cap can claim a tax deduction of \$50,000 by making two \$25,000 contributions in the same financial year.

Example:

- Harry's concessional contributions cap for the 2019/20 financial year is \$25,000. Harry is a member of a complying superannuation fund which is not a constitutionally protected fund (ie, a SMSF). Harry makes 2 personal contributions of \$25,000, one after 2 June 2020, which are received by his fund before 30 June 2020. The Trustees applies the second \$25,000 to an unallocated contributions account established in accordance with the governing rules of the fund. On 2 July 2020, the trustees allocates \$25,000 to Harry's member account in the fund with effect from 2 July 2020. This means that Harry does not breach the \$25,000 contributions cap in 2019/20.
- Harry's contribution is covered by a valid and acknowledged notice given to his fund under section 290-170 of the ITAA 1997 of his intention to deduct the amount of the contribution.
- The \$25,000 contribution is included in the amount of Harry's concessional contributions for the 2020-21 financial year as an amount covered under subsection 291-25(3) of the ITAA 1997.

Take care to read the ruling in detail before implementing this strategy, for example the governing rules of the fund must allow contributions to be placed in an unallocated account, and there must only be one member's contribution in that account. Seek professional advice!

# Small Business

**JobKeeper and Cash Flow Bonus** - Of course the big news for small businesses this year is JobKeeper (minimum payment of \$19,000) and the Cash Flow Bonus (minimum payment of \$20,000). All the detail is available in this blog <https://bantacs.com.au/Jblog/coronavirus-stimulus-package/#more-466> The important dates you have to be aware of before 30 June, 2020 are:

- **31 May** – If you have not enrolled for JobKeeper, and made your May estimate by 31 May you will miss out on your April payment for good. Importantly, you don't need to have employees in order to qualify, you can receive the payment for yourself, even if you are a sole trader. If you had an ABN before 12 March, 2020 and some business income between 1 July, 2018 and 12 March, 2020 it is worth asking your Accountant whether you are eligible.
- **14 June** – You must have advised the ATO of your May turnover and estimated your June turnover or you will not receive your May JobKeeper and it will be lost forever. You can lodge this information at the beginning of the month, the sooner you do, the sooner you will be paid.
- **30 June** - This is your last chance to qualify for the cash flow bonus. The cash flow bonus is paid to all small businesses that have an employee for whom they have reported wages in their BAS or IAS between March and June. Short term casuals count and there is no requirement that they be on your books before 1 March, 2020. There is of course a catch out for scams but if you think you need to employ in this quarter don't put it off as the cash flow bonus makes it well worth your while.
- **By 14<sup>th</sup> of each month going forward** – Be on red alert to make sure you have done your JobKeeper reporting by that date.

**Single Touch Payroll** - Any business that has an employee is now required to use single touch payroll from 1 July 2020, including businesses that only employ closely related individuals.

**Timing Your Superannuation Contributions** - You cannot accrue superannuation contributions. For a business to be entitled to a tax deduction for the superannuation contributions it makes for its employees, the money must have reached the superannuation fund's bank account before 30 June, 2020. Contact the super fund to find out what date you need to contribute by. Some are as early as 20 June to give them time to process it.

## Apportionment of Business and Private Expense

*Phone* - If you are not a sole trader, and your business owns your phone, and it is used more than 50% of the time for work purposes, the business can claim a full tax deduction for cost of the phone plan. If you do not qualify for this concession make sure you keep a record of one month's calls and dissect them between work and private use. You can use the itemised list of all calls that comes with your bill, or screen shot a month's recent calls.

*Home Office* - If you are doing some work from home, keep a diary for one month of the hours the home office is used.

*Car* - Take the speedo reading of all vehicles at 30 June 2020 and if it has been 5 years since the last one make sure you start a log book before the 30 June 2020.

**Stocktake** - If you estimate the difference between the value of your stock at 1 July 2019 and 30 June 2020 to be more than \$5,000, you need to do a stock take.

**Non Commercial Loss Rules** – You can't claim the loss from a sole trader or partnership against your other income (like you can with rental properties), unless your turnover is >\$20,000 so make sure you sell more than \$20,000 worth of goods. Note this won't work if your adjusted taxable income is more than \$250,000. For more information regarding this please visit this link:

[https://www.bantacs.com.au/booklets/Division\\_35\\_Offsetting\\_Business\\_Losses\\_Booklet.pdf](https://www.bantacs.com.au/booklets/Division_35_Offsetting_Business_Losses_Booklet.pdf)

**Ways to Reduce Business Income** - If you need to reduce your taxable income you could consider the immediate write off for asset acquisitions of up to \$150,000, GST exclusive if you are registered for GST. Make sure you do end of year tax planning / interim accounts and run this by your Accountant first. The immediate asset write-off threshold was increased from \$30,000 to \$150,000 on 12 March, 2020. For full details of how this operates and the tricks and traps read <https://bantacs.com.au/Jblog/the-25k-immediate-writeoff-clever->

[trick/#more-201](#) Further, if your low value pool balance is less than \$150,000 at 30 June 2020, you can write it off. Note, in order to claim the immediate write off deduction, the asset must be installed and ready for use in the year, you claim it. This concession will not apply to equipment you lease, so make sure you use another method of finance.

Once you have bought plant and equipment under the threshold and written it off, your responsibility does not finish there. Each year, for the next 3 years, you have to review whether the ratio of business and private use has remained the same. If it varies by more than 10% you have to make an adjustment to the amount you have written off.

The \$150,000 immediate write off has been extended to 31<sup>st</sup> December, 2020. At 30<sup>th</sup> June, 2020 many small businesses will be forced to automatically write off the total of their low value pool in their 2020 tax return. This and COVID could mean that they already have enough deductions for that year. Don't waste your tax free threshold, careful planning is necessary.

Since the small business write off threshold has increased above \$30,000 many taxpayers' thoughts turn to a car. In particular Uber drivers. There are a couple of good reasons to wait until the 2020/2021 financial year but must be installed ready for use by 31<sup>st</sup> December, 2020. Hopefully, you will be able to get a better price after the 30<sup>th</sup> June rush. Also the luxury car limit goes up from \$57,581 for 2019/2020 to \$59,136 for 2020/2021.

**Dealing with a Capital Gain** - Has your business made a capital gain that you were considering rolling into another asset? The small business rollover concession effectively allows you to ignore a capital gain until the replacement asset is sold. With the immediate write off concessions it is better to declare the capital gain, not roll it over, then buy the replacement asset and offset the immediate write off against the capital gain. This strategy cancel it out once and for all, rather than having it raise its ugly head again when you sell the replacement asset. In short, if the replacement asset is less than \$150,000 it is better not to utilise the CGT replacement asset rollover concession.

## Rental Properties

As discussed in the introduction check that you are not going to be in a higher tax bracket next year before you bring forward deductions from 2020/21 and bring them into 2019/2020.

You can only pay a maximum of 12 months in advance. In the case of interest payments check if the bank will let you do this and that they do treat it as an interest payment not just let it reduce the loan balance. If you pay rates, insurance or body corporate fees in advance think carefully about the no more than 12 months in advance rule. If your body corporate fees are already paid up to 31<sup>st</sup> December 2019 you can't pay another 12 months' worth, you need to just pay 6 months extra. Land tax is treated differently. When you receive land tax assessments in arrears, the amount of land tax is not deductible in the income year in which you pay the arrears. The land tax amounts are deductible in the respective income years to which the liability for the land tax relates.

With repairs and maintenance, you have to at least incur the expense before the end of this financial year. This means organising for the work to be done even if you have not paid for it yet. This is particularly important if your tenants have moved out and you do not intend re letting the property. If you don't incur the repairs now you will not be entitled to a tax deduction next year because the property has not earned any rental income in that year. Reference IT 180.

So just what is classed as a repair? Initial repairs are not deductible. If the house needed painting when you bought it then painting it would be an improvement so only depreciated at 2.5%pa. You do not need a quantity surveyors depreciation report to claim the depreciation, you simply need the receipts for the expenses you have incurred.

A repair is not deductible if it is an improvement. An improvement is restoring the property to a condition that is better than the state it was in when you bought it. A repair can become an improvement, if the repair goes beyond just restoring things to their original state, for example replacing a metal roof with tiles is not a repair. But a change is not always an improvement. The ATO says the cost of removing carpets and polishing the existing floorboards is a deductible repair, yet underpinning due to subsidence is considered to be an

improvement. Pulling up old floor tiles and replacing them with similar tiles would be a repair as long as the tiles were in disrepair when you purchased the property, and became damaged over the period of rental.

Take care to perform repairs only when the premises are tenanted or in a period where the property will be tenanted before and after with no private use in the middle. If a property is used only as a rental property during the whole year, then a repair would be fully deductible even though some of the damage may have been done in previous years when the property was used for private purposes.

Don't replace something in its entirety. For example, replace a worn fence a bit at a time over a few years rather than all at once. Replacing all of the cupboards in a kitchen so they match rather than just the damaged one will mean that none of the expenditure is deductible. On the other hand, replacing a vanity can be deductible as a repair if the pipes from the old vanity are used.

Tree removal is claimable if the trees have become diseased or infested during the time of ownership. Removal is also claimable if the tree is causing damage such as roots interfering with pipes, but not if the damage was not present when you purchased the property. If a tree is removed because it may cause damage in the future or you are fed up with the leaf litter that has always happened since you bought the property, then you are making an improvement which is not tax deductible, it will only be useful in your CGT calculation.

As plant and equipment are usually depreciated over many years buying them towards the end of the financial year could mean you only qualify for one month's depreciation which would be a very small fraction of what you have spent. Don't forget, unless it is brand new to you, there is no tax deduction. The \$150,000 immediate write off concession does not apply to items used to produce a passive income.

Items costing \$300 or less, per owner, can be written off immediately. A rangehood costing \$500 can be written off immediately if the property is owned as joint tenants. Like items must be added together when applying the \$300 test so it may be better to buy one set of curtains this year and wait until July before you buy the next set. Items costing under \$1,000 per owner, will qualify for depreciation of 18.75% in the first year, regardless of when you purchase them, then 37.5% in following years. A \$1,900 hot water system for a property owned by 2 people would qualify as under \$1,000, likewise

Properties in the ACT are subject to a 99-year lease. This means that the stamp duty you pay on purchasing the property qualifies as a tax deduction because it is a lease expense. There are also stamp duty exemptions in the ACT for commercial properties. If you buy and pay the stamp duty on a rental property in the ACT before 30 June you would be able to claim 100% of the stamp duty providing you intend to use it as a rental property all the time you own it, and it is in fact rented or available for rent from the first day of ownership. However, if you do not intend it to be a rental property the whole time you own it, you would claim a % of the stamp duty based on the time you are going to use it to produce rent vs total ownership time. If your intention at the time of purchase is to hold it as a rental property forever, then you can claim 100% of the stamp duty. In that situation, if later you do change your mind, you do not have to pay back the tax based on 100% claim, as long as there is a change of circumstances. Otherwise, the ATO will claim it had always been your intention not to use it 100% as a rental property. The portion, of the stamp duty that you don't claim can increase the cost base. References 25-20 ITAA 1997, PBRs 1012017306675 and 22429. Note this is not a recommendation to buy property in the ACT.

Be careful, some commercial tenants, for their own tax planning strategy, may want to pay rent in advance. This may suit the tenant, but may not suit you the landlord. Unless you can apply the Arthur Murray principle, ie claim that there is a risk that you may have to refund that income, then you are stuck with declaring it as income in the year received.

## Capital Gains

Are you considering selling a rental property before 30 June, 2020? The date the contract is signed determines the year that the capital gain is taxed, not the date it is settled, so take care, and plan.

Generally, the approach is to delay signing until after 30 June. If nothing else, at least you get to utilise the tax payable for a year. Just be careful. If you are going to be in a higher tax bracket next year, considering how low interest rates are, this could be a false economy.

Consider whether you are prepared to put some of the sale proceeds into superannuation in order to reduce the effective tax rate from your personal, marginal rate, to possibly as low as 15%. The cap for deductible contribution each year is \$25,000 and includes employer contributions so not a lot of room here. This year there is another consideration to throw into the mix, the 2019-2020 financial year is the first year you can use your carried forward unused superannuation cap from the previous year. From the 1 July 2018 we now have catch-up superannuation contributions. Provided your superannuation balance at the start of the financial year is less than \$500,000. This means that the unused portion of your 2018/2019 \$25,000 contributions cap can be carried over to 2019/2020 allowing you to make a contribution larger than \$25,000 in the 2019/2020 year.

For example, if your employer pays \$10,000 a year into super in both 2019 and 2020 then each year you have \$15,000 available that you can contribute yourself and claim a tax deduction in your personal tax return. If you sign the contract before 30 June, 2020 then you can only put \$30,000 of the sale proceeds into superannuation and claim a tax deduction for them. Alternatively, if you delay signing until July, 2020 you will be able to contribute and claim a tax deduction for \$45,000.

There are some twists and turns in working out whether you qualify to make superannuation contributions and what is unused. Your employer contributions may be made either side of 30 June. Here is a link to my blog on how this works and how to get your Accountant the information they need to help you.  
<https://bantacs.com.au/Jblog/how-to-make-your-own-super-contributions/#more-309>

If you are making a capital loss that can be carried forward to offset against future capital gains. But if you already have a capital gain in your 2020 income then you need to make sure this loss is in the 2020 financial year if you want to offset the gain you have already made. This means you should try and sign the contract before 30 June.

Trying to create an artificial capital loss by selling off undervalued shares and then buying them back won't wash with the ATO. According to TR 2008/1 they consider these wash sales a scheme with the dominant purpose of a tax benefit so caught by Part IVA.

## Superannuation

### *Catchup Contributions*

The big news this year is the catch-up superannuation contribution. Each individual is only allowed to claim a tax deduction of a maximum of \$25,000. The \$25,000 cap includes employer contributions. Starting this year, if you didn't use your full \$25,000 cap in the 2018/10 tax year, the unused portion can be used to increase your cap this year or be carried over to next year. The catch up only started on 1 July, 2018 so you can't use any unused cap from the 2018 financial year. Your strategy needs to consider whether next year could be a better year and maybe it is worth saving your excess contributions until then when you are in a higher tax bracket. Note there is a catch, your superannuation balance needs to be less than \$500,000 at the start of the year.

### *Concessional (tax deductible) Contributions:*

The laws have changed. Employees no longer need to salary sacrifice super to make tax deductible contributions. They can now make the contributions themselves and claim it as a tax deduction when they do their tax return. The contribution you make will be taxed at 15% going into the fund (30% if you are a high-income earner) but when you lodge your tax return you can expect to get a tax refund of the amount of the contribution multiplied by your marginal tax rate. You must make sure you lodge a notice of intent to claim a personal deduction for contributions made to super, prior to lodging your tax return, if you don't the deduction may not be permitted. Contact your super fund for how to do that.

If you want to make sure your whole \$25,000 cap is used up, then you need to know when your employer intends to make the super contributions for you. They have up to 28 days after 30 June, yet the cap is based on the actual amount received by the fund. Here is a link to a blog that explains what you need to do to take this

concession right up to the limit. <https://bantacs.com.au/Jblog/how-to-make-your-own-super-contributions/#more-309> When negotiating your salary package consider including a clause requiring your employer to physically make the superannuation contribution in the month that it is sacrificed. Due to data matching the ATO will always be informed should your cap be exceeded.

#### *Non-Concessional (non-deductible) Contributions:*

If you have more than \$1.6 million in superannuation, you will not be permitted to make any further non-deductible (non-concessional) contributions to super. You are only left with the \$25,000 concessional contribution if you otherwise qualify.

The non-concessional cap is \$100,000. You have to be under 75 years of age and if between 65 and 74 satisfy a work test (40 hours within 30 days). If you are under 65 you can use the draw forward provision to contribute \$300,000 in one year, but then can't contribute under this method for the following 2 years.

If you are looking to get the maximum amount into superannuation as soon as possible, consider making a \$100,000 contribution before 30 June then another \$300,000 in July.

#### *Spouse Contributions:*

If your spouse receives assessable income of \$37,000 or less (assessable meaning before deductions, fringe benefits and employer super contributions), and you make an after-tax contribution of \$3,000 into your spouse's superannuation account, then you can access the maximum tax offset of \$540. If you contribute less than \$3,000, the tax offset is 18% of the amount contributed. This contribution is not taxed going into the fund. 18% is not a bad return on investment but is not as good as making sure that the full \$25,000 cap is used up in the high income earner's name first. If your spouse's income is over \$37,000, the tax offset is then progressively reduced to zero once your spouse's income reaches \$40,000. If your spouse has exceeded their non concessional contributions cap for the financial year, or their superannuation balance exceeded \$1.6 million by the end of last financial year, then you do not qualify to receive a spouse contribution. Further, for you to receive the offset, your spouse needs to be under 65 or between 65 and 69 and pass the work test of 40 hours in a 30 day period. The relevant age is the age at the time the contribution is made.

#### *Co-contribution from the Government:*

The super co-contribution made by the government is up to 50% of your contribution to a maximum of \$500. Your income needs to be under \$38,564 for the full contribution of \$500, after that it shades out at the rate of 3.33% until your income reaches \$53,564, You need to be under 64 years of age, or if between 65 and 70 pass a work test of 40 hours in any 30-day period. Your contribution must be paid from after tax dollars. There is no tax payable when the contribution goes into the fund. You need to lodge a personal tax return to trigger the contribution into your superannuation fund.

#### *How to work out your income for spouse contribution and co-contribution:*

The income thresholds for the spouse contribution and the co contribution are based on the assessable income of the person receiving the contribution (gross or total income before deductions) plus reportable fringe benefits and salary sacrificed superannuation contributions. When it comes to rental properties, if that person owns them with someone else, then it is the net income from the rental property i.e. after deductions, but if they own the property in their name only, the deductions are ignored, and the gross rent is added to your assessable income.

If the person whose income is being measured has also made a deductible contribution for themselves their assessable income is not reduced by that contribution for the purposes of this test.

Temporary residents do not qualify for the spouse or co contribution, though it is hard to understand how the ATO would be able to spot this as temporary residents who have set up home here and have a job are classed as residents for tax purposes.

#### *Downsizing Home and Superannuation Contribution:*

If you are 65 years of age or older, you can make a downsizer contribution to your superannuation. It must not exceed the sale proceeds of your house, and cannot be more than \$300,000. Each member of a couple gets the

\$300,000 threshold even if the house is only in the name of one member. The property must have qualified for the CGT main residence exemption at least part of the time it was owned and it must have been owned for more than 10 years.

This concession can also be used when selling a farm with a home on it. The relevant sale proceeds in this case are the proceeds received for the whole farm. Reference GN 2018/2

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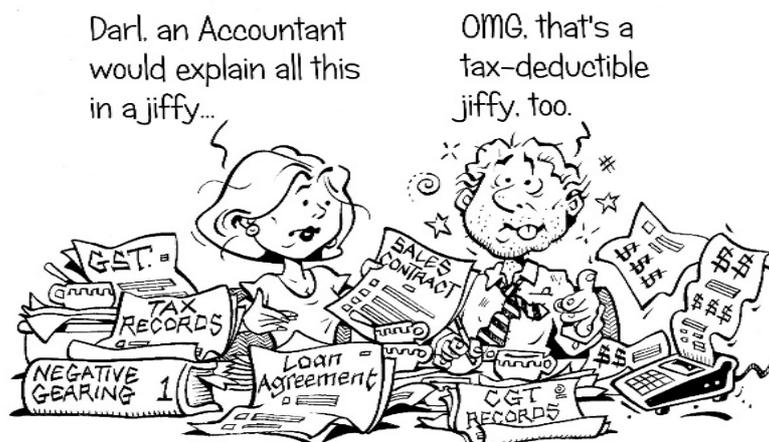
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