

As the financial year draws to a close there are some things to bring to your attention. Many of the tax concessions from the 2020 year have been carried forward and will continue to apply for the 2021 year.

The Australian Resident income tax rates for 2021 are as follows:

Resident taxable income thresholds for the 2020/21 income year	tax payable ⁽¹⁾
0 – \$18,200	Nil
\$18,201 – \$45,000	19% of excess over \$18,200
\$45,001 – \$120,000	\$5,092 + 32.5% of excess over \$45,000
\$120,001 – \$180,000	\$29,467 + 37% of excess over \$120,000
\$180,001 and over	\$51,667 + 45% of excess over \$180,000

1. The Medicare levy of 2% generally applies in addition to these rates.

Depending on individual circumstances there may be additional taxes such as Medicare Levy Surcharge, Excess Contributions Tax, HECS/HELP payments and Div 293 tax.

Tax saving strategies prior to 1 July 2021

A good strategy to reduce tax payable is normally to accelerate any income tax deductions into the current income year, which will reduce overall taxable income in the current year.

Common claims made by individuals

The following outlines common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners, plus some strategies that may be adopted to increase deductions for the 2020/21 income year.

1. Depreciable plant, etc, costing \$300 or less

Salary and wage earners and rental property owners will generally be entitled to an immediate deduction if certain income-producing assets costing **\$300 or less** are purchased before 1 July 2021.

Some purchases you may consider include:

- books and trade journals;
- briefcases/luggage or suitcases;
- calculators or electronic organisers;
- electronic tablets and accessories;
- software;
- stationery; and
- tools of trade.

2. Clothing expenses

Individuals can purchase or pay for work-related clothing expenses prior to the end of the income year such as:

- compulsory (or non-compulsory and registered) uniforms, and occupation specific and protective clothing; and
- other associated expenses such as dry-cleaning, laundry and repair expenses.

3. Self education expenses

Individuals could consider prepaying self-education items before the end of the income year:

- course fees (but not HECS/HELP repayments), student union fees, and tutorial fees; and
- interest on borrowings used to pay for any deductible self-education expenses.

Also, they could bring forward purchases of stationery and textbooks (i.e., those which are not required to be depreciated).

4. Other work-related expenses

Employees can also prepay any of the following expenses prior to 1 July 2021:

- union fees;
- subscriptions to trade, professional or business associations;
- magazine and professional journal subscriptions;
- seminars and conferences; and
- income protection insurance (excluding death and total/permanent disability).

5. Home Office

In previous years we have claimed home office expenditure at a rate of 52c per hour. This has included heating, cooling and lighting the area you use along with depreciation of any furniture utilized. We can then claim in addition to this amount any expenditure on phone & internet (subject to the four week diary), computer consumables and stationery and computer equipment (either depreciation or outright depending on the cost).

This year you can continue to use this method for the whole year OR alternatively use the 80c per hour short cut COVID-19 method.

The short cut method continues to include all phone, internet, consumables, stationery and equipment.

It is our suggestion that you keep a record of home office hours along with receipts for any purchases you have made. We will then be able to discuss the appropriate method when preparing your return.

6. Personal Superannuation Deductions

The concessional (deductible) superannuation contribution amount remains at \$25,000 pa for 2021 and will increase to \$27,500 for the 2022 financial year. This includes your employer 9.5% superannuation contribution. When negotiating Salary Packaging arrangements please remember that the employer super rate increases to 10% from 1 July.

In addition this year for the first time you are permitted to make "catch up" contributions if you did not contribute \$25,000 last year. There are some additional conditions for this type of contribution so please ensure you contact our office to clarify your position if you wish to make use of these new

provisions.

Remember superannuation contributions MUST be allocated to your account in your Superannuation Fund prior to June 30. If you are going to make an extra contribution, we suggest you do so before June 20 to ensure you meet the deadline.

If you wish to claim a personal income tax deduction YOU MUST notify your superannuation fund by providing them with a "Notice of Intention to claim" form. Prior to lodging your income tax return and claiming the deduction you must receive acknowledgement of receipt of this form from your superannuation fund. IF YOU DO NOT RECEIVE ACKNOWLEDGEMENT FROM THE SUPERANNUATION FUND the ATO will deny your claim.

7. Family Assistance

If you are entitled to Family Tax Benefit and did not receive any payments during 2019-2020, you will need to ensure you lodge a Lump Sum claim with Services Australia by 30 June 2021.

Information Required

We will need you to provide information to assist us in preparing your income tax return. Please check the following and provide any relevant statements, accounts, receipts, etc., to help us prepare your return.

Income/Receipts:

- details of your employer(s) and wages;
- lump sum and termination payments;
- government pensions and allowances;
- other pensions and/or annuities (including JobKeeper payments);
- allowances (e.g., entertainment, car, tools);
- interest, rent and dividends;
- distributions from partnerships or trusts; and
- details of any assets sold that were either used for income-earning purposes or which may be liable for capital gains tax ('CGT').

Expenses/Deductions (in addition to those mentioned above):

- award transport allowance claims;
- bank charges on income-earning accounts (e.g., term deposits);
- bridge/road tolls (travelling on business);
- car parking (when travelling on business);
- conventions, conferences and seminars;
- depreciation of library, tools, business equipment (incl. portion of home computer);
- gifts or donations;
- home office hours;
- interest and dividend deductions;
- interest on loans to purchase equipment or income-earning investments;
- motor vehicle expenses (work related);
- overtime meal expenses;
- rental property expenses – including:
 - advertising expenses

- council/water rates
- insurance
- interest
- land tax
- legal expenses/management fees
- genuine repairs and maintenance
- telephone expenses;
- superannuation contributions;
- sun protection items;
- tax agent fees;
- tools of trade.

To assist you in recording items and refreshing your memory when it comes time to prepare your documentation our Individual Income Tax Questionnaire is available for download.

If you have any queries regarding the above, please feel free to contact our office or alternatively to check the Resources page on our website ljackassociates.com.au

We look forward to assisting you again this year.