

 **L JACK & ASSOCIATES**

Chartered Accountants | Business Advisory | Taxation | Superannuation |
Financial Accounting | Financial Planning & Advisory | Estate Planning

Yet another financial year is drawing and the impact of COVID-19 continues to be felt by employees. Working from home continues and the introduction of the Rapid Antigen Test requirement by some employers has been felt. As a result there are some changes to specific deductions and it would be worthwhile to review the updated information.

The Australian Resident income tax rates for 2022 remain the same as those for 2021 and 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 addition taxes such as Medicare Levy Surcharge, Excess Contributions Tax, HECS/HELP payments and Div 293 tax.

The low and middle income tax offset remains for 2022 and has been increase to \$1500.00 for those with a taxable income between \$45,001 and \$90,000. For those with an income below \$45,000 or or between \$90,001 and \$126,000 there are shading

in and out calculations. If your income is \$126,001 and above I'm sorry but there is no joy here for you.

HECS/HELP Repayment thresholds

The repayment threshold for HECS/HELP loans has been reduced to \$47,014. Taxpayers with incomes of this amount or more will have a repayment requirement in the range of 1% to 10% of their total taxable income. This can be a significant amount so please ensure you have notified your employer that you have a HECS/HELP debt to ease the burden at tax time.

Tax saving strategies prior to 1 July 2022

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. Remember though that there is no benefit in spending money just for the sake of a tax deduction. You still have to pay some of it yourself!

Common claims made by individuals

Common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners include:

1. Depreciable equipment, 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 2022.

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.

You should be aware though that if you are using the 80c per hour COVID rate for [home office expenses](#) any equipment or supplies used in your home office will be included in this rate.

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.

[A Guide to Clothing Uniforms & Laundry is here.](#)

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.

The deductibility of self-education expenses is dependant on those expenses having direct connection to your CURRENT employment, or increasing skills to obtain advancement in your current employment. Education undertaken to change employment or to obtain employment is not deductible.

[A guide to Self Education Expenses is included here.](#)

4. Other work-related expenses

Employees can also prepay any of the following expenses prior to 1 July 2022:

- 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

Prior to the introduction of the special COVID home office rate 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 a requirement by the Australian Tax Office that you have a record of home office hours and receipts for any purchases you have made. We will be happy to assist in calculating your claim using the most appropriate method when preparing your return.

[A guide to Home Office is included here.](#)

6. Personal Superannuation Deductions

The concessional (deductible) superannuation contribution amount has been increased to \$27,500 pa for 2022 and subsequent years. This includes your employer 10% superannuation contribution. When negotiating Salary Packaging arrangements please remember that the employer super rate increases to 10.5% from 1 July.

In addition this year for the first time you are permitted to make "catch up"

contributions if you did not contribute \$27,500 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 acknowledgment of receipt of this form from your superannuation fund. IF YOU DO NOT RECEIVE ACKNOWLEDGMENT FROM THE SUPERANNUATION FUND the ATO will deny your claim.

[Notice of Intention to claim forms are available here.](#)

7. Family Assistance

If you are entitled to Family Tax Benefit and did not receive any payments during 2020-21, you will need to ensure you lodge a Lump Sum claim with Services Australia by 30 June 2022.

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 (traveling on business);
- car parking (when traveling on business);
- conventions, conferences and seminars;
- depreciation of library, tools, business equipment (incl. portion of home computer);
- gifts or donations;
- home office hours diary;
- interest and dividend deductions:
- interest on loans to purchase equipment or income-earning investments;
- motor vehicle expenses (work related), including diary or log book;
- 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.

[Download Here](#)

[In addition you can download an ATO guide on Record keeping to assist you in making sure you have kept the appropriate records for your claims.](#)

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 have also included on our resources page ATO Fact Sheets for 2022 on common occupations to assist you with any claims that may be of particular relevance to your employment.

There has been a significant increase in Tax Office audit activity over the last 3 months or so and we anticipate this will continue now the administration of various COVID related grants and concessions has been concluded. Please be aware of this when arranging your deductions to ensure you have the required substantiation documents. We are happy to store these documents electronically for you if required or alternatively we can assist you in utilising other electronic means.

We look forward to assisting you again this year.