

Tax Planning for Individuals – 2018

Prepaid Expenses

Expenses are deductible when they are incurred. For an individual this is when the expenses are paid, therefore wherever possible pay for deductible expenses prior to 30 June. This includes insurance and interest on rental properties.

Income Protection Insurance

A deduction is available for the cost of insurance to cover loss of income.

Superannuation Contributions

From 1 July 2017, caps on concessional super contributions, have been lowered to \$25,000 per year irrespective of age. Non-concessional contribution limits (after tax contributions) have been reduced to \$100,000 per year.

Previously, employees generally could not claim a tax deduction for personal superannuation contributions. From 1 July 2017, all individuals up to the age of 75 can claim a tax deduction for personal super contributions (up to their contributions cap) irrespective of their employment circumstances.

Eligibility for Super Co-Contribution

You will be eligible for the government super co-contribution (max. of \$500 in 2017-18) if you made personal super contributions to your superannuation account during the financial year (max. \$1,000), your total income is less than \$51,813 and 10% comes from employment related activities or carrying on a business and you were less than 71 years old at the end of the financial year.

Home Office

If you use a home office for 'income producing activities' you may be able to claim a proportion of some expenses as a tax deduction (e.g. telephone, electricity, gas). To be able to claim the deduction, you must keep entries for a representative period (minimum 4 weeks) to indicate the hours you spend in the home office.

A deduction is also available for work related telephone calls. You can substantiate deductions by:

- Identification from an itemised telephone account; or
- Diary entries for a minimum of a 4 week period, (together with telephone accounts).

Motor Vehicle

If you use your motor vehicle for work related purposes the following two methods can be used to calculate your deduction:

- Cents per kilometre
 - A set rate for each business kilometre
 - Claim to a maximum of 5,000 business kms
- Log book method
 - Based on the business use percentage as per the log book records
 - Odometer readings are required at the start and the end of the period
 - Written evidence of expenses is required

Personal Income Tax Rates

Current marginal tax rates are shown below:

Taxable income up to \$18,200	0% Rate
Taxable income from \$18,201 to \$37,000	19.0% Rate
Taxable income from \$37,001 to \$87,000	32.5% Rate
Taxable income from \$87,001 to \$180,000	37.0% Rate
Taxable income over \$180,000	45.0% Rate

These rates do not include the Medicare Levy (currently at 2%).

Travel Expenses

A deduction can be claimed for the expenses incurred in travelling for work related business purposes. If you did not receive a travel allowance:

- and travel is less than six nights in a row:
written evidence is required; and travel diary not required.
- and travel more than six nights in a row:
written evidence is required; and travel diary is required

Medicare Levy – low income thresholds

The Medicare levy low income threshold is \$21,980 for individuals, \$37,089 for families (with no children) and \$34,758 for seniors and pensioners for the 2017-2018 income year.

Net Medical Expenses Tax Offset

From 2015-2016 until 2018-2019, you will only be able to claim the offset for disability aids, attendant care or aged care expenses.

Private Health Insurance

From 1 April 2018, the rebate levels applicable are:

	Standard	Tier 1	Tier 2	Tier 3
Singles	≤ \$90,000	\$90,001-105,000	\$105,001-140,000	≥ \$140,001
Families	≤ \$180,000	\$180,001-210,000	\$210,001-280,000	≥ \$280,001

Rebate for premium paid 01/07/2018 - 31/03/2019

< Age 65	25.415%	16.943%	8.471%	0%
Age 65-69	29.651%	21.180%	12.707%	0%
Age 70+	33.887%	25.415%	16.943%	0%

Rebate for premium paid 01/04/2019 - 30/06/2019 will be published in March 2019

Medicare Levy Surcharge

All ages	0.00%	1.00%	1.25%	1.50%
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Depreciation

If you purchase assets to be used for a number of years you can claim a decline in value each year. 'Depreciator' is a business that specialises in the preparation of depreciation schedules for rental properties and can be used to:

- Obtain a Quantity Surveyor's report on any rental property Australia wide; or
- Obtain a report listing depreciation entitlements for that property on a yearly basis.

Therefore, if you have recently purchased a rental property, please contact us to discuss the preparation of a depreciation schedule.

Substantiation

To claim your personal tax deductions, ensure you are able to substantiate your expenses:

- Claims exceeding \$300 must be supported by written evidence for the entire amount, not just the amount over \$300.
- \$300 limit does not include award transport payments or car, meal or travel allowance expenses.
- For expenses \$10 or less, provided in total they do not exceed \$200, a written note detailing the same information as on a receipt (in a diary for example) is sufficient where you cannot obtain a receipt.

More Information

If you have any questions after reading this please contact your TAG Financial Services adviser on (03) 9886 0800 or via email.



Tony Rule, CA
Partner, Business Advisory and Tax
Ph.: 03 9886 0800
Fax: 03 9886 0844
Email: tonyr@tagfinancial.com.au