

2008/2009

Individual Tax Planning Strategies

Please review the information below and contact our office if you need assistance.

Tax saving strategies prior to 1 July 2009

Accelerating tax claims

As personal income tax rates are set to decrease from 1 July 2009, there may be an additional advantage to be had by accelerating any income tax deductions into the current income year.

The tax rates for resident individual taxpayers for the **2008/2009** income year are as follows:

Income threshold	Tax payable
0 - \$6,000	Nil
\$6,001 - \$34,000	Nil + 15% on excess over \$6,000
\$34,001 - \$80,000	\$4,200 + 30% on excess over \$34,000
\$80,001 - \$180,000	\$18,000 + 40% on excess over \$80,000
\$180,001 and over	\$58,000 + 45% on excess over \$180,000

Note: The Medicare levy is in addition to these rates.

Common work-related 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 can be adopted to increase deductions for the 2008/2009 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 plant costing \$300 or less is purchased before 1 July 2009.

Some purchases you may consider include:

- fax machines;
- beepers and pagers;
- books and trade journals;

- briefcases/luggage or suitcases;
- calculators, electronic organisers;
- software;
- stationery;
- tools of trade.

2. Clothing expenses

Purchase or pay for work-related clothing expenses prior to the end of the income year, such as:

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

3. Self education expenses

Consider pre-paying the following self education items before the end of the income year:

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

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

4. Other work-related expenses

Employees can prepay any of the following expenses prior to 1 July 2009:

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

Note: When prepaying any of the expenses above before 1 July 2009, ensure that any services are provided within 12 months of the payment and before 1 July 2010. Otherwise, the deductions must be claimed over the period of the prepayment.

5. Interest

Consider **prepaying** interest on tax deductible loans prior to 1 July 2009. Alternatively, if your investment income has been substantially lower in the 2009 financial year, you may elect **not** to prepay this financial year and prepay your interest in a future financial year where your income from investments is substantially higher.

5. Capital Gains

If you are considering disposing of an asset (e.g. investment property, shares etc), consider deferring the contract date to the next financial year. This enables you to defer your tax liability by up to 12 months. In addition, you may receive the benefit of lower marginal tax rates next financial year.