

## 2008 Tax Planning

With the end of the financial year fast approaching, the following brief thoughts might be useful for you to do something about reducing the amount of tax that you pay on your income.

As always, don't just adopt these ideas without a certain amount of thought and investigation on your behalf.

### For Investors...

- Undertake a maintenance programme on your properties to improve their appearance and value. By doing so, you may be able to ask for a higher rent; or, have the property revalued so that you can use this increased equity towards buying another property.
- Prepay next year's interest bill. This works well for those on higher tax brackets in 2007/2008 than they expect in 2008/2009 and especially with the new promised tax cuts and increased thresholds.
- Pay for the insurance, body corporate fees, council rates and other costs before the end of June to bring forward tax deductions into this financial year.
- If you have made Capital Gains during the year and you have shares or other assets that have lost money, you might like to consider selling those shares before the end of June to crystallise the loss....even if you buy them back again one day in the future. Just don't leave it to the last minute as this always attracts unwanted attention from the Tax Office and looks like it was done just to save tax....even if it was!
- Buy your stockbroker, financial planner, accountant, property manager, or mentor a small gift to thank them for their assistance with your wealth creation and income producing efforts.
- Buy your tenants a small gift to thank them for paying their rent on time and looking after your wealth creation assets for you.
- Where appropriate, consider another trip to inspect your properties, meet with your property manager or other professionals.
- Subscribe to investment related magazines for the coming year
- Ensure that you have a Quantity Surveyor's report identifying legitimate depreciation claims for every investment property.

## Generally...

- Consider having private health insurance if your income is above \$50,000 as a single or above \$100,000 for a family unit, to avoid the additional 1% Medicare Surcharge.
- If your out of pocket medical costs for the year are near or above \$1,500 after rebates then consider whether you need to see the dentist, top up on your prescriptions or need new glasses before the end of June to get full advantage of the medical rebate.
- Make donations to your favourite charity before the end of June in the name of the highest income earner.
- If your spouse does not work nor has very little taxable income consider making a contribution to his/her superannuation fund to claim the tax rebate available for these contributions. But, speak to your financial advisor about this option before hand to see if it is appropriate for your situation.
- Ensure that you have kept a log book for your work related travel to ensure that we can get the best possible result for you.
- Pay off your HECS debt before the end of June to enjoy a 15% discount or saving combined with a nice refund on your next assessment.
- If you are not an employee, consider making extra contributions into your own superannuation fund if this is an appropriate thing for you to do after talking to your financial advisor. Please note, for employees, this option will not save you any tax at all.
- Consider salary sacrifice arrangements for your employer to pay the interest on your investment mortgage if investment properties are held in joint names and only one of you have a substantial income.
- Talk to your financial advisor about so called “tax effective” investments that will genuinely improve your wealth and not just save you some tax. Be careful with this one as there is a lot of absolute rubbish out there. We find that some of the Macquarie Bank products appear to be more wealth focused than some of the other agriculture products on the market that may reduce your tax but are unlikely to improve your wealth.
- Take out income protection insurance if you do not already have this in place. It is tax deductible and will strengthen your financial situation, overall.
- Replace low cost items such as tools, briefcases, calculators etc used for your employment, business or in managing your tax affairs.

- Renew subscriptions to professional associations or union memberships prior to June 30 even if they do not fall due until next financial year.
- A double tax deduction might be possible for buying a laptop computer; mobile phone and other tools of trade. Essentially, you buy the item in your own name and then your employer (or own trust or company) reimburses you for the cost in lieu of your salary.
- Stocking up on consumable items that you might need and use within the next year in your home office.
- Review your personal spending during the last year to see if anything can be claimed as a tax deduction. From this perspective, don't be too frightened of giving us a list of possible tax deductions and allowing us to claim what we think we can. If you don't ask, you will miss out anyway so what have you got to lose?
- Review the structures that you might need in the coming year such as trusts or self managed superannuation funds and then set them up now in readiness.
- Check the fees that you pay to your child's school to see if there is a payment to a building or library fund. These can often be claimed as tax deductions.

**For businesses....**

- If your sales are under \$20,000 in a year then you may not be able to offset the losses in your business against your other income from employment or investment. Therefore, consider whether you can force sales over this threshold if you have expenses more than your income.
- Stock up on consumable items that you will need within your business in the next few months anyway.
- Make extra payments into superannuation on your own behalf, if this is appropriate for your cash flow and financial position.
- Buy those assets that you might need within your business as even with the STS there are significant advantages in doing so this late in the year.
- Prepay the next 12 months rent, insurance and other fixed costs.
- Undertake a maintenance programme on your business assets to keep them in peak working order and to avoid problems in the near future.
- Consider whether bonuses to your key staff are appropriate.

- Note the number of nights that you spent away from home on business related travel and remember to let us know.
- If your business has not quite finished a contract, hold off finishing it until the new financial year starts in July when you can invoice the work. However, please do not consider this option if the delay in being paid will have a harmful affect on your cashflow.
- Ensure that you have paid superannuation at a minimum of 9% of the gross wages of all your employees, including directors and business owners.
- Consider paying out annual leave and personal leave entitlements to your staff as a way of reducing your profits whilst allowing them to get a lump sum amount of money that might be useful to them in many ways.
- Consider small gifts (under \$300 per employee) for your staff, best customers, or business associates (such as bankers, insurers, etc)
- Ensuring that your PAYG summaries equal and reconcile to the BAS and IAS forms lodged with the Tax Office during the year; and, that the annual reconciliation also matches this information. Doing so, will reduce the risk of an audit.