EOFY 2015 NEWSLETTER

June 2015

Be prepared for tax time!

The end of the financial year is coming, and so too is that one thing everybody dreads doing – their tax return. Even though your tax return isn't due until 31 October 2015, you may need to act now to implement some of our tax reduction and wealth building strategies outlined in this newsletter. Make sure to pay attention to the items that require action in early June to meet the 30 June 2015 deadline, they may involve giving your HR department enough notice to take action.

Income tax preparation

When reviewing and preparing your income tax position for the 2014/2015 financial year we suggest you take into consideration the following four points:

1. Claim all deductible items

There are numerous expenses you can declare on your tax return that will reduce the amount of tax you pay. The most common tax deductions are work related expenses and charitable donations. Work related expenses are purchases made in the process of earning your assessable income. You can claim up to $500 of work related expenses without needing a receipt (unless a single expense exceeds $300), however, we advise that you keep proof of all purchases where possible.

2. Offset capital losses against your capital gains

You can also deduct any of your capital losses against your capital gains to reduce the amount of tax payable. For most people a capital gain will occur when they sell shares or property. If, at sale, these assets are worth less than when they were purchased then you can reduce your taxable captial gain for that financial year by the amount of the loss.

3. Review your investments

End of financial year is a good time to review how your investments are going and evaluate if they are performing to expectations, especially if you have recorded a capital gains loss in the current financial year. In some cases it may be appropriate to sell off an under-performing asset and realise a capital loss to potentially reduce the amount of tax you pay. You can use the money from that sale to invest in a new asset that is likely to grow going forward.

4. Plan for accessing your First Home Saver Account funds

The First Home Saver Account (FHSA) scheme was an initiative that helped first-time home buyers save money for a home with the incentive of government rebate. Even though the scheme was scrapped, the money in those accounts remained locked away until the end of the 2015 financial year. When your FHSA funds become available on 1 July 2015 you should update your savings plan, and consider withdrawing your entire balance and investing it in an account with higher interest earnings. When the FHSA scheme was first implemented there were restrictions on how you could use the money, however, from 1 July 2015 you are free to use the money for anything you wish.

Lodging your return

When it comes time to lodge your tax return you may be able to do it online using the government's myTax or e-Tax software. To do this, you will need to

- go onto the ATO website and create a myGov account
- download the relevant tax program (if you are claiming a capital gains loss you will need to download e-Tax)
- link your myGov account to the ATO through the tax program.

Once set up you may find that lodging your tax return online is easier. Also, you will receive your tax refund faster (usually within 14 days) than if you lodge your tax return through the mail.

Superannuation

Here are four things you can do before the end of the financial year to get the most benefit from superannuation laws and to maximise your retirement wealth. Be aware that one through to three require you to take action now to make sure they happen by the 30 June 2015 cut off.

1. Making an after tax contribution of $1,000 into your superannuation could earn you a government co-contribution of $500 to add to your superannuation account balance.

The government co-contribution is a scheme that rewards low income earners for making extra contributions into their superannuation fund. Currently the co-contribution is

- $500 if you earn less than $34,488
- $1-$500 on a sliding scale if you earn between $34,488 and $49,488.

So if you earn $34,888, or less, think of it as an instant 50% return on the money you have contributed! To be eligible to receive the government co-contribution you need to make your after tax contributions before 30 June 2015. Most super funds will allow you to make this contribution via BPay, EFT or a cheque payment. You can also contribute into your children's superannuation fund (as long as they are working and earn less than the $49,488 threshold) and earn a government co-contribution for them.

2. Help close the superannuation gap for your spouse by making an after tax contribution into their superannuation fund and you could be eligible for a spouse contribution rebate of $540.

The spouse contribution rebate allows one person in a relationship to contribute money into their spouse's superannuation account while earning a tax rebate for themselves. This is particularly relevant for families (de facto and married) that have only one full time working adult, as the income threshold is $13,800. You will receive a tax rebate of 18% for any money you contribute into your spouse's account up to a limit of $3,000 in contributions, the maximum rebate available is $540. To be eligible a spouse contribution must be made from your after-tax income and must be made before 30 June 2015.

3. Salary sacrifice extra money into superannuation and give your balance a boost (as long as you are under the concessional contributions cap).

A concessional contributions cap is the amount you can pay (tax effectively) into your super in any given year. The reason they are called 'concessional' is because these payments are taxed at 15% and not at your marginal income tax rate.

The dollar amount of all these contributions added together is capped. For the 2014/2015 financial year these concessional contribution caps are:

- $30,000 for anyone aged 49 or under as at 30/6/2015
- $35,000 for anyone aged 50 or over as at 30/6/2015

4. Consider contributing your tax refund to your superannuation, particularly if you are eligible to receive a government co-contribution.

Lastly, you may consider contributing your tax refund into superannuation. It may not be the most exciting way to spend your money but it does have the potential to make a big impact on your superannuation balance. In addition, if you are eligible to receive a government co-contribution then you should consider this option as it is a way of making your after tax contribution into superannuation with little effort on your part. We recommend this option because most people do not budget for their tax refund so it has little effect on their day-to-day spending. However, it is important to take your own personal situation into account and understand the consequences of investing your tax refund into superannuation before making a decision, in particular where you may have urgent liabilities to resolve.

The information provided is to be used as a guide only and should not be taken as financial advice or tax advice. If you would like any further clarification or information regarding these topics, and how you can make your money work harder for you, please do not hesitate to contact Harvest on 02 8908 4300 and speak to one of our experienced financial advisers.

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