MINIMISE YOUR PERSONAL TAX

2024 TAX PLANNING GUIDE

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18 ways to reduce your Tax in 2023

Key Tax Reduction Strategies for Individuals

Now's the time to review what strategies you can use to minimise your tax before 30 June 2024.

What could you do with the tax savings?

- Reduce your home loan
- Top up your super
- Deposit for an Investment Property
- Upgrade your car

Our advisors have prepared a list of the 18 key areas individuals may consider leading up to June 30, 2024.

1 HOME OFFICE EXPENSES

If you have been working from home, you may have expenses you can claim a tax deduction for. The ATO allows you to claim using **a "Revised Fixed Rate Method" an amount of $0.67 per work hour** for the 2024 year. This amount covers most expenses from working from home.

You must record the total number of hours you have worked from home and provide evidence that you paid for each of the expenses incurred.

You can also claim expenses using an "Actual Cost" method – so please keep all invoice and receipts during the entire year to prove all claims.

2 WORK RELATED EXPENSES

Don't forget to keep any receipts for work-related expenses such as uniforms, training courses and learning materials, as these may be tax-deductible if they have not been reimbursed by your employer

3 MOTOR VEHICLE LOGBOOK

Ensure that you have kept an accurate and complete Motor Vehicle Logbook for at least a 12-week period. The start date for the 12-week period must be on or before 30 June 2024. You should make a record of your odometer reading as at 30 June 2024 and keep all receipts/invoices for your motor vehicle expenses. Once prepared, a logbook can generally be used for a 5-year period.

An alternative (with no logbook needed) is to simply claim up to 5,000 business kilometres (based on a reasonable estimate) using the cents per km method.

4 UPGRADE TO AN ELECTRIC VEHICLE

Individuals opting for novated leases on electric vehicles can enjoy significant tax benefits. This presents a unique opportunity to upgrade your vehicle while enjoying tax benefits. Contact your advisor to discuss whether this is a viable option for you.

Super ways to reduce your tax bill

5 SUPERANNUATION CONTRIBUTIONS

While you might not be flush with cash now and able to put large amounts into superannuation, it's important that you are **aware of what is possible to maximise your super balance and possibly reduce your tax** at the same time.

6 DEDUCTIBLE SUPER CAP OF $27,500 FOR EVERYONE

The tax-deductible super contribution limit (or "cap") is $27,500 for all individuals under age 75. Individuals need to pass a work test if over age 67.

To save tax, consider making the maximum tax-deductible super contribution this year before 30 June 2024. The advantage of this strategy is that superannuation contributions are taxed between 15% to 30% compared to personal income tax rates of between 34.5% and 47%.

7 SPOUSE SUPER CONTRIBUTIONS

You can make super contributions on behalf of your spouse (married or de facto), provided you meet eligibility criteria, and your super fund allows it.

Doing this not only helps to boost your spouse's retirement savings, but it can also help you save tax if your spouse has limited income.

You may be eligible for a tax offset of up to $540 on super contributions of up to $3,000 that you make on behalf of your spouse if your spouse's income is $37,000 p.a. or less.

The offset gradually reduces for income above $37,000 p.a. and completely phases out at $40,000 p.a. and above.

8 GOVERNMENT CO-CONTRIBUTION TO YOUR SUPER

If you are on a lower income and earn at least 10% of your income from employment or carrying on a business and make a "non-concessional contribution" to super, you may be eligible for a Government co-contribution of up to $500.

In 2024, the maximum co-contribution is available if you contribute $1,000 and earn $43,446 or less. A lower amount may be received if you contribute less than $1,000 and/or earn between $43,446 and $58,445.

9 CARRIED FORWARD CONTRIBUTIONS

Carry-forward contributions are not a new type of contribution, they are simply new rules that allow super fund members to use any of their unused concessional contributions cap on a rolling basis for five years.

Individuals with a total super balance below $500,000 can carrying forward unused concessional contribution cap amounts in the current financial year.

This means if you don't use the full amount of your concessional contribution cap ($25,000 from 2019 to 2020, and $27,500 for 2021 to 2023), you may qualify to carry-forward the unused amount and take advantage of it up to five years later.

Carry-forward contributions are calculated on a rolling basis over five years, but any amount not used after five years expires. These carry-forward rules only relate to concessional contributions into super, not non-concessional contributions, as they have different caps.

10 ADDITIONAL TAX ON SUPER CONTRIBUTIONS BY HIGH INCOME EARNERS

The income threshold at which the additional 15% ('Division 293') tax is payable on super $250,000 p.a. Where you are required to pay this additional tax, making super contributions within the cap is still a tax effective strategy.

With super contributions taxed at a maximum of 30% and investment earnings in super taxed at a maximum of 15%, both these tax points are more favourable when compared to the highest marginal tax rate of 47% (including the Medicare levy).

Additional ways to minimise tax this year

11 OWNERSHIP OF INVESTMENTS

A longer-term tax planning strategy can be reviewing the ownership of your investments. Any change of ownership needs to be carefully planned due to capital gains tax and stamp duty implications. Please seek advice from your advisor prior to making any changes.

Investments may be owned by a Company or a Family Trust, offering flexibility in annual income distribution. Such structures also provide a way for long-term strategic tax planning for you and your family.

12 PROPERTY DEPRECIATION REPORT

If you have an investment property, a Property Depreciation Report (prepared by a Quantity Surveyor) will allow you to claim depreciation and capital works deductions on capital items within the property and on the property itself.

The cost of this report is generally recouped several times over by the tax savings in the first year of property ownership.

13 REALISE CAPITAL LOSSES

Tax is normally payable on any capital gains. You should consider selling any non-performing investments you hold before 30 June 2024 to crystallise a capital loss and reduce or even eliminate any potential capital gains tax liability. Unused capital losses can be carried forward to offset future capital gains.

14 INCREASE DONATIONS

Charitable donations of money or property can be claimed as deductions, consider increasing or bringing forward charitable contributions in 2024.

15 DEFER INVESTMENT INCOME & CAPITAL GAINS

If practical, arrange for the receipt of Investment Income (e.g. interest on term deposits) and the Contract Date for the sale of Capital Gains assets, to occur AFTER 30 June 2024.

The Contract Date (not the Settlement Date) is generally the key date for working out when a sale or purchase occurred.

16 SACRIFICE YOUR SALARY TO SUPER OR OTHER FBT EXEMPT ITEMS

If your annual income is $45,000 or more, salary sacrifice can be a great way to boost your superannuation and pay less tax. By putting pre-tax salary into super rather than having it taxed as normal income at your marginal rate. This can be especially beneficial for employees nearing their retirement age.

If you prefer not to top up your super, you can also salary sacrifice on the purchase of FBT exempt assets such as mobile phones and laptops.

17 PREPAY EXPENSES AND INTEREST

Expenses relating to investment activities can be prepaid before 30 June 2024. You can prepay up to 12 months of interest before 30 June on a loan for a property or share investment and claim a tax deduction this financial year. Also, other expenses in relation to your investments can be prepaid before 30 June, including rental property repairs, memberships, subscriptions, and journals.

18 INSURANCE PREMIUMS

Possibly your greatest financial asset is your ability to earn an income. Income Protection Insurance generally replaces up to 75% of your salary if you are unable to work due to sickness or an accident. The insurance premium is normally tax deductible, plus you get the benefit of protecting your family's lifestyle if you cannot work due to sickness or an accident. It's a small price to pay for peace of mind. Like rental property interest, income protection premiums can also be pre-paid for 12 months to increase your deductions.

Tax Planning Strategy Meetings

Keeping abreast of all your tax obligations and changes is a challenge.

Our Morrows advisors are here to help you navigate through these complexities and give you the confidence that your tax and finances are being well taken care of.

It's important to carefully consider the strategies before the 30 June 2024 deadline, to provide enough time to implement the relevant tax minimisation strategies.

IMPORTANT INFORMATION

This is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this document, you should assess your own circumstances or seek advice from your financial adviser and seek tax advice from your accountants at Morrows. Information is current at the date of issue and may change.

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Please contact us to learn more or to arrange a time to meet with your advisor.

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