

# Individual Tax Return

## 2019 ATO Focus

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### Shares and capital gains

The ATO is data matching share transaction data against gains declared by individuals in their tax return. The data matching program has been around since 2006 and tracks share transaction details from 1985 onwards (when the capital gains tax regime commenced). The current program is collecting information on over 61 million transactions.

If you have sold shares, it's important that the income from the sale is declared in your income tax return.

### Work related deductions

The ATO is unhappy about the level of work related deductions claimed in Australia. It's also an area that is difficult for the ATO to reign in as the amounts are often small and spread across a very large number of taxpayers. However, we are seeing clear evidence that the ATO is testing work related deductions, even when amounts are relatively small.

In general, you need to be able to prove that you incurred the expense (with receipts etc.), the expense was not private, it was incurred in the course of your income earning activities, and you were not reimbursed by someone else for the expense.

If the level of work related expenses you claim is higher than your industry standard, you can expect to be contacted by the ATO to substantiate the claim. If you have a high level of expenses, it's important to have all of your paperwork in place. Where you do not have evidence for your claim, diary entries might help in some cases (for example for meal expenses while travelling when you are in receipt of a genuine travel allowance etc.). Key areas include:

- **Cars** - You can only claim the business portion of expenses, you cannot claim for travel between a normal place of work and your home, if you have salary sacrificed your car you cannot generally claim car expenses, and if your employer has reimbursed the expense you cannot claim a tax deduction for it.
- **Clothing** - You can only claim a deduction for expenses for occupation specific clothing (like nurses), protective clothing and footwear (like steel cap boots if you are in construction or high-vis vests), uniforms (with logos or made specifically for the business). If you are required to wear certain clothes to work but it is not a uniform (like black trousers and a white shirt), you cannot claim the clothes or the cost of cleaning them.
- **Travel expenses** - Travel expenses are a major area of focus this tax time. If you travel for work, it will be essential that you get these claims right. If you receive a genuine travel allowance from your employer then there are some special rules that can apply, but you still need to be able to provide evidence of the expenses you have incurred – there is no such thing as a standard deduction for travel expenses.
- **Working from home** - Any expenses you claim for home office expenses need to be in proportion to your use of the home for work purposes. If you work from home as part of your employment, you may be able to claim items such as phone expenses, running costs for your home, and equipment.
- **Self-education** - Any study you claim as self-education must be connected to the income you are currently earning (either to maintain or improve your specific skills or knowledge) or is likely to result in increased income from existing income earning activities. Merely doing a course while working full-time does not make the course deductible.

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### Donations

You can claim donations you make to charities and causes that are deductible gift recipients. Raffles (i.e., RSL or Art Union), the purchase of fundraising items such as chocolates, and fundraising dinners, etc., are generally not deductible.

### Tax changes & issues

The 2019-20 Federal Budget contained a number of changes that are intended to apply from 1 July 2019. These changes are currently before Parliament and are not yet law.

#### Personal income tax cuts

As anticipated, the Budget celebrated the surplus with a \$19.5bn package of personal income tax cuts for Australian residents. This package revises the legislated seven year income tax plan.

The personal tax changes mean a tax saving of \$855 for someone on an annual taxable income of \$45,000 per annum until 2022, then \$1,080 until 2024 onwards.

Tax rate	Tax thresholds		
	From 1 July 2018	From 1 July 2022	From 1 July 2024
0%	\$0 - \$18,200	\$0 - \$18,200	\$0 - \$18,200
19%	\$18,201 - \$37,000	\$18,201 - <b>\$45,000</b>	\$18,201 - \$45,000
<b>30%</b>			<b>\$45,001 - \$200,000</b>
32.5%	\$37,001 - \$90,000	<b>\$45,001</b> - \$120,000	
37%	\$90,001 - \$180,000	\$120,001 - \$180,000	-
45%	>\$180,000	>\$180,000	>\$200,000
<b>LMITO</b>	<b>Up to \$1,080</b>		
<b>LITO</b>	Up to \$445	<b>Up to \$700</b>	<b>Up to \$700</b>

This round of tax cuts:

- Increases the top threshold of the 19% personal income tax bracket to \$45,000 from 1 July 2022
- Reduces the 32.5% marginal tax rate to 30% from 1 July 2024

From 1 July 2022:

- The top threshold of the 19% personal income tax bracket will increase from \$37,000 to \$45,000.
- The top threshold of the 32.5% personal income tax bracket will again increase from \$90,000 to \$120,000.
- The Low Income Tax offset will increase from \$445 to \$700.

From 1 July 2024:

- The 37% tax bracket will be removed.
- A new 30% tax bracket will be introduced with a top threshold of \$200,000.

#### Low and middle income tax offset (LMITO)

The low and middle income tax offset (LMITO) will increase from a maximum amount of \$530 to \$1,080 per annum and the base amount will increase from \$200 to \$255 per annum.

The LMITO will provide a reduction in tax of up to \$255 for taxpayers with a taxable income of \$37,000 or less. Between taxable incomes of \$37,000 and \$48,000, the value of the offset will increase at a rate of 7.5 cents per dollar to the maximum offset of \$1,080. Taxpayers with taxable

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incomes between \$48,000 and \$90,000 will be eligible for the maximum offset of \$1,080. From taxable incomes of \$90,000 to \$126,000 the offset will phase out at a rate of 3 cents per dollar.

The LMITO is received after you have lodged your tax return.

Taxable income	Low and Middle Income Tax Offset (LIMITO)
\$0 - \$37,000	Up to \$255
\$37,000 - \$48,000	Offset increase of 7.5 cents per dollar up to \$1,080
\$48,000 - \$90,000	Up to \$1,080
\$90,001 to \$126,000	Offset phases out at a rate of 3 cents per dollar

### Medicare levy low-income threshold

The Medicare levy low-income thresholds for singles, families, and seniors and pensioners will increase to take into account of movements in the CPI from 1 July 2019.

	Current	Proposed
Singles	\$21,980	\$22,398
Families	\$37,089	\$37,794
Single seniors and pensioners	\$34,758	\$35,418
Family threshold for seniors and pensioners	\$48,385	\$49,304
Each dependent child or student (increase to family threshold)	\$3,406	\$3,471

### For landlords

From 1 July 2017, the expenses that investors can claim relating to residential rental property were limited:

- Rental travel deductions - in general, you can no longer claim deductions for the cost of travel you incur relating to a residential rental property, for example travelling to inspect the property.
- Depreciation deductions for plant & equipment – in general, you can no longer claim depreciation deductions for second hand plant and equipment. Previously, you could for example, buy a rental property from someone else and then claim depreciation on the assets already in the property such as the kitchen appliances and carpet. From 1 July 2017, you can only claim deductions for assets you purchase new and install in the property.

### Superannuation

A number of superannuation measures and initiatives commenced on 1 July 2018:

#### Carry forward unused concessional contributions

Where a member:

- Has a total superannuation balance below \$500,000 as at 30 June, and
- Has not used the entire concessional contribution cap (\$25,000) for the year

They now have the ability to 'carry forward' the unused contribution amount on a rolling 5-year basis. Unused cap amounts can be carried forward from the 2018-19 financial year (with 2019-20 the first opportunity to access these unused concessional contributions).

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### Using super to save a deposit for first home owners

The First Home Super Saver Scheme (FHSS) enables first-home buyers to save for a deposit inside their superannuation account, attracting the tax incentives and some of the earnings benefits of superannuation. From 1 July 2017, home savers have been able to make voluntary concessional contributions (for example by salary sacrificing) or non-concessional contributions (voluntary after-tax contributions) of \$15,000 a year within existing caps, up to a total of \$30,000.

Withdrawals to purchase a first home can be made from 1 July 2018.

Mandated employer contributions cannot be withdrawn under this scheme, it is only additional voluntary contributions made from 1 July 2017 that can be withdrawn.

### Encouraging the over 65s to downsize

From 1 July 2018, those over the age of 65 can contribute to super up to \$300,000 from the proceeds of selling their home. These contributions will be excluded from the existing age test, work test and the \$1.6 million balance threshold (but will not be exempt from the \$1.6m transfer balance cap).

Both members of a couple can take advantage of the concession for the same home. So, if you have joint ownership of the property and meet the other criteria, both people can contribute up to \$300,000 (\$600,000 per couple).

The measure will apply to sales of a principal residence owned for the past ten or more years and where the contract of sale is exchanged on or after 1 July 2018.

Sale proceeds contributed to superannuation under this measure will count towards the Age Pension assets test.

### Minimising the cost of end of year compliance

Having your paperwork organised always makes life much easier. Preparing your end of year documents and information prior to coming to see us will save you time and money. This is a general list of what to have ready when we next meet with you.

- PAYG Payment Summary
- Interest income from banks and building societies
- Dividend statements for dividends received
- Tax statements of managed investment funds
- Rental property statements from real estate agent and details of other expenditure incurred
- For share sales or purchases, the purchase and sale contract notes
- For real estate sales or purchases, the solicitor's correspondence for the purchase and sale
- Any expenses related to your work you have not claimed from your employer
- Self-education expenses
- Travel expenses
- Donations to charities
- Payments for income protection or sickness and accident insurance
- Health insurance and rebate entitlement
- Family Tax Benefits received
- Commonwealth assistance notices
- Medical Expenses (if they relate to disability aids, attendant care or aged care services)
- IAS statements or details of PAYG Instalments paid
- Details of any transactions involving cryptocurrency (e.g., Bitcoin)