TAX TIPS FOR EMPLOYEES

Do you know the tax deductions and offsets for which you might be eligible this financial year?

The following tips may help you to legitimately reduce your tax liability in your 2018-19 return. With so much information being pre-filled into your tax return this year, it's best to wait until all the data is finalised before lodging.

For example, check that your income statement from your employer says 'tax ready' and your private health insurance statement is available before visiting your tax agent. Otherwise, you're potentially lodging your return with unfinalised data and due to this you may need to amend your tax return and pay additional tax.

Just remember that for an expense to qualify:

- you must have spent the money yourself
- it must be directly related to earning your income
- it must not have been reimbursed
- you must have the relevant records to prove it.

The ATO has been given additional funding to close the $8.7 billion individuals tax gap and part of its focus is on employee claims. The ATO will also receive the details of your work-related deductions data from your tax return, whether lodged through an agent or by yourself.

If you've used the myDeductions tool in the ATO app, you can email your data or upload it to prefill your tax return. If you use a tax agent, they can access your uploaded data through their practice management software.

CLAIM WORK-RELATED DEDUCTIONS

Claiming all work-related deduction entitlements may save considerable income tax. Typical work-related expenses include employment-related mobile phone, internet usage, computer repairs, union fees and professional subscriptions that the employee paid themselves and for which they were not reimbursed.

Be aware that the ATO has received a large boost in funding that enables a stronger focus on ensuring taxpayers claim only the work-related expenses to which they are entitled.

Some of this additional funding will go to improving the checking of claims in real time, additional audits and prosecutions.

CLAIM HOME OFFICE EXPENSES

When you are an employee who regularly works from home and part of your home has been set aside primarily or exclusively for the purpose of work, a home office deduction may be allowable. Typical home office costs include heating, cooling, lighting and office equipment depreciation.

To claim the deduction, you must have kept a diary of the hours you worked at home for at least four weeks.

CLAIM SELF-EDUCATION EXPENSES

Self-education expenses can be claimed provided the study is directly related to either maintaining or improving current occupational skills or is likely to increase income from your current employment. If you obtain new qualifications in a different field through study, the expenses incurred are not tax deductible.

Typical self-education expenses include course fees, textbooks, stationery, student union fees and the depreciation of assets such as computers, tablets and printers.

Higher Education Loan Program (HELP) repayments are not deductible. You must also disallow $250 of self-education expenses, which can include non-deductible amounts such as child-care costs.

CLAIM DEPRECIATION

Immediate deductions can be claimed for assets that cost under $300 to the extent the asset is used to generate income. Such assets may include tools for tradespeople, calculators, briefcases, computer equipment and technical books purchased by an employee, or minor items of plant purchased by a landlord.

Assets costing $300 or more that are used for an income producing purpose can be written off over a period of time as a tax deduction.

The amount of the deduction is generally determined by the asset's value, its effective life and the extent to which you use it for income-producing purposes.

MAXIMISE MOTOR VEHICLES DEDUCTIONS

If you use your motor vehicle for work-related travel, there are two choices of how you can claim.

If the annual travel claim does not exceed 5000 kilometres, you can claim a deduction for your vehicle expenses on the cents-per-kilometre basis. This figure includes all your vehicle running expenses, including depreciation.

You do not need written evidence to show how many kilometres you have travelled, but the ATO and therefore your tax agent may ask you to show how you worked out your business kilometres. The ATO has flagged concerns that taxpayers are automatically claiming the 5000-kilometre limit regardless of the actual amount travelled.

If your business travel exceeds 5000 kilometres, you must use the log book method to claim a deduction for your total car-running expenses.

CLAIM DONATIONS

The ATO will pre-fill your tax return with the gifts and donations information they have received. Make sure to add in any donations not included where the receipt shows your donation is tax deductible.

If you made donations to an approved organisation through workplace-giving, you still need to record the total amount of your donations at this item.

Your payment summary, or other written statement from your employer showing the donated amount, is sufficient evidence to support your claim. You do not need to have a receipt.

REPORT INCOME AND EXPENSES FROM THE GIG ECONOMY AND ANY SIDE HUSTLES

If you drive people around, do odd jobs, rent out your possessions, run social media accounts or sell products, your income from such activity may be assessable and your expenses deductible. This can include barter and cryptocurrency payments as well.

The ATO is receiving data from a range of websites including AirTasker, Uber, AirBnB and eBay which is matched against tax returns. Make sure you keep records and report correctly.

CONSIDER SALARY SACRIFICE ARRANGEMENTS

You may wish to review your remuneration arrangements with your employer and forego future gross salary in return for receiving exempt or concessionally taxed fringe benefits and/or making additional superannuation contributions under a valid salary sacrifice arrangement.

SUPERANNUATION CONTRIBUTION LIMITS

Watch your superannuation contribution limits. You may wish to consider maximising your concessional or non-concessional contributions before the end of the financial year, but keep in mind the contribution caps were reduced from 1 July 2017.

The concessional contribution cap for the 2018-19 financial year is $25,000. Concessional contributions include any contributions made by your employer, salary sacrificed amounts and personal contributions claimed as a tax deduction by self-employed or substantially self-employed persons.

If you're making extra contributions to your super, and breach the concessional cap, the excess contributions over the cap will be taxed at your marginal tax rate, although you can have the excess contribution refunded from your super fund.

Similarly, the annual non-concessional (post-tax) contributions cap is only $100,000 and the three-year bring forward provision is $300,000. Individuals with a balance of $1.6 million or more are no longer eligible to make non-concessional contributions.

High-income earners are also reminded that the contributions tax on concessional contributions is effectively doubled from the normal 15 per cent rate to 30 per cent if their combined income plus concessional contributions exceeds $250,000.

Importantly, don't leave it until 30 June to make your contributions as your super fund may not receive the contribution in time and it will count towards next year's contribution caps, which could result in excess contributions and an unexpected tax bill.

CLAIM A TAX DEDUCTION FOR YOUR SUPERANNUATION CONTRIBUTIONS

Claiming a tax deduction for personal superannuation contributions is no longer restricted to the self-employed. The rules changed on 1 July 2017 and anyone under the age of 75 will be able to claim contributions made from their after-tax income to a complying superannuation fund as fully tax deductible in the 2018-19 tax year.

Any contributions you claim a deduction on will count towards your concessional contribution cap. Such a deduction cannot increase or create a tax loss to be carried forward.

If you’re aged 65 or over, you will have to satisfy the work test to contribute and if you’re under 18 at 30 June you can only claim the deduction if you earned income as an employee or business owner. Other eligibility criteria apply.

To claim the deduction, you will first need to lodge a notice of intent to claim or vary a deduction for personal contributions form with your superannuation fund by the earlier of the day you lodge your tax return or the end of the following income year.

CONSIDER THE SUPERANNUATION CO-CONTRIBUTION

An individual likely to earn less than $52,697 in the 2018-19 tax year should consider making after-tax contributions to their superannuation to qualify for the superannuation co-contribution if their circumstances permit.

The Government will match after-tax contributions fifty cents for each dollar contributed up to a maximum of $500 for a person earning up to $37,697 The maximum then gradually reduces for every dollar of total income over $37,697 reducing to nil at $52,697.

CHECK OUT THE SUPER CHANGES COMING IN FROM 1 JULY 2019

From 1 July 2019, there are changes to superannuation.

No super fund will be able to charge more than 3 per cent on balances below $6000 and exit fees will also be removed if you choose to move your money into a new fund.

Insurance will be provided on an opt-in basis for members with balances below $6000 or who are under 25 or who have not touched their account for 16 months. If this applies to you, you'll need to contact your fund by Sunday 30 June if you wish to keep insurance.

CONSOLIDATE YOUR SUPER

For most employees, it makes a lot of sense to have your entire super in one place. You'll reduce the amount of fees you're paying, only receive one lot of paperwork and only have to keep track of one fund.

Consider consolidating the super funds you do have into one fund. Compare your funds to work out which best suits your needs. Important things to look at are fees and charges, the investment options available and life insurance cover.

In particular, if you have insurance cover in a fund check you can transfer or replace it in the new fund so you don't end up losing the benefit altogether. You can look at past investment performance as well, but remember it is no guarantee of how the fund will perform in the future.

Once you've chosen the fund you want to keep, contact them and they can help transfer the money from your other super funds.

Superannuation providers excluding SMSFs and small APRA funds will report and pay inactive low-balance accounts to the ATO by 31 October 2019.

From November, the ATO will proactively consolidate these unclaimed super monies into eligible active super accounts, if an individual hasn't requested a direct payment or for it to be rolled over to a fund of their choice. You will be notified by the ATO if this has been done.

If you've moved around or changed jobs occasionally, your old super fund may have lost track of you and you may miss out on some of your super when you need it.