

# Individual Tax Tips

Welcome to our Autumn 2020 Tips for Individuals. Our business tips will follow shortly. You or your friends may find one or both newsletters useful!

The information is general in nature and advice should be sought for your own personal circumstances.

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## **IT'S HOLIDAY TIME!**

I will be taking some leave over the coming weeks, but our office will remain open for remote assistance and to ensure you meet all your compliance obligations. Please send me an email or leave a detailed message on 02 4443 6747 so my staff or I can respond to you as soon as possible.

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## **SAVE MONEY ON YOUR PRIVATE HEALTH INSURANCE**

Health funds increase their contribution rate on 1 April each year. By prepaying your health fund by 31 March you can lock in up to 12 months of contributions at the old rate.



### **HEALTH FUND TIER**

Call your health fund to check if you're on the correct tier. If you receive too much private health insurance rebate in reduced premiums this will be charged back to you in your tax assessment. By increasing your tier, you will ensure you get all your tax refund back, or at least minimise your tax bill.

### **HOSPITAL COVER**

If you are not in a health fund for hospital cover you should consider whether you need to take out private hospital cover to avoid the Medicare Levy Surcharge. The surcharge provides no coverage, and can sometimes be more than the cost of the cover!

### **BOOKING TAX APPOINTMENTS**

If you haven't yet made an appointment for your 2020 tax, get in touch with me now at [diana@lizardfinancial.com.au](mailto:diana@lizardfinancial.com.au).

### **CORONAVIRUS STIMULUS PACKAGE**

The Federal Government has announced a number of initiatives, including a \$750 cash payment to individuals currently receiving welfare payments (including those on Newstart, the disability support pension, carers' allowance, youth allowance, veterans support payments, family tax benefits, the Commonwealth senior health card-holders and aged pensioners). Payments will start to be processed from 31 March 2020 with more than 90% of payments expected to be made by mid-April.

For more information on the stimulus package, head [here](#).

Also, monitor and apply direct for any Coronavirus deals you may be entitled to e.g. Telstra and Optus are offering free additional mobile data.

### **ATO ASSISTANCE**

The ATO will work with individuals who are experiencing financial hardship as a result of the COVID-19 outbreak, to apply appropriate tax relief measures on a case-by-case basis. To discuss your situation and tailor a solution, get in contact with the ATO Emergency Support Infoline on 1800 806 218.

### **BE FINANCIALLY PREPARED IN A CRISIS**

Australia is suffering through arguably its worst emergency season ever, and with families and individuals nationwide dealing with environmental crises, what if the worst actually happens? Here's a five step checklist to ensure you're financially prepared:

1. Start an emergency fund. Set up an automatic transfer into a separate high interest and fee free savings account. Aim to have three to six months worth of your living expenses.
2. Safeguard important documents. Keep things like your birth and marriage certificates, wills, financial certificates, trust agreements, photos, passports and insurance policies in a safe place, protected from fire and water.
3. Ensure your home is adequately insured. Review whether you have total replacement cover or a set sum insured. Check the fine print and what is excluded from your policy.
4. Review your other insurance cover, including life, income protection, health, motor vehicle and even pet insurance. Whether you rent or own, you'll want your valuable possessions covered if they are damaged in a disaster. Keep written and visual records of valuable items including laptops, jewellery and artwork including any serial numbers.
5. Have a 'grab and get out of there' box, with hard to replace items in one place.

### **DONATIONS**

If you are thinking of donating money to charity, you may be able to receive a tax deduction by making a donation in the current financial year. If you are planning to donate to bushfire charities, make sure you're dealing with a reputable organisation.



#### **myGov**

Employers will be sending income statements for pays to their employees' myGov accounts. To ensure you receive government information when you need it, make sure your [myGov](#) contact details are your own, and are up to date. Remember you can always forward me anything specific you'd like me to review. You can update your details by calling **myGov** on 13 23 07 option 1.

### **FAMILY TAX BENEFIT**

If you don't claim fortnightly family tax benefit payments via Centrelink but are eligible for a lump sum payment, if you want to be assessed for payment you need to claim using

your [Centrelink online account](#) with [myGov](#) or lodge a manual [Lump Sum claim form](#). The deadline for 2018/19 year claims is 30 June 2020.

### **SEARCH AND CLAIM LOST MONEY**

The Office of State Revenue provides a free service where you can search online for money owed to you, or learn about claiming money that is owed to you or someone who has died, and they list several additional places you can check. For more information and to search (it takes less than a minute!) head [here](#).

### **COST OF LIVING REBATES?**

The NSW Government is helping to ease the cost of living with a number of incentives, subsidies and rebates, including Creative and Active Kids vouchers, Toll Relief, discounts on energy efficient lighting, and Family Energy Rebates. You can browse more than 70 rebates and savings available [here](#), or use the Savings Finder to help find relevant benefits.



### **myDeductions**

The **myDeductions** tool makes it easier and more convenient to keep your tax deductions and income records all in one place. The tool can be used by individuals claiming general or employee work-related expenses. Sole traders can use it to help keep track of business income and expenses. Find out more information [here](#).



### **CLAIMING MOTOR VEHICLE EXPENSES**

If you use your car for work, ensure you have completed your log book and that you satisfy the substantiation requirements.

### **HOME OFFICE EXPENSE DEDUCTIONS**

Instead of recording actual expenses for heating, cooling, lighting, cleaning and furniture depreciation, then working out the proportion of business use, you could claim 52 cents for each hour you work from home. To claim using this method you need to keep records of actual hours spent working at home, or a diary for a representative four-week period to establish a pattern. Other expenses such as phone and internet, computer consumables and stationery, and cost of computers or other equipment will need to be calculated separately and claimed in addition to the 52c per hour.

## **RECORD KEEPING**

The Australian Tax Office (ATO) requires you to keep documents relating to your tax for at least 5 years after the relevant tax return has been lodged (i.e. if you lodge your 2018/19 tax return on 20 August 2019, all related documents need to be kept until at least 20 August 2024), but in some cases, records need to be kept longer, such as when assets are depreciated over time. For more information, click [here](#).

### **FIRST HOME BUYERS AND SUPERANNUATION**

From 1 July 2018, individuals have been able to apply to release voluntary contributions from their superannuation to purchase a first home, of up to \$15,000 per year and \$30,000 in total. These contributions, which are taxed at 15 per cent, along with deemed earnings, can be used towards a deposit. Withdrawals will be taxed at marginal tax rates less a 30 per cent offset. Both members of a couple can take advantage of this measure to buy their first home. See more info [here](#).

### **CONCESSIONAL SUPERANNUATION CAP**

Concessional limits for 2019/20 are \$25,000 regardless of age. You should seek specific advice as to whether salary sacrifice could be beneficial in your particular circumstances. If you are contributing extra money into super, ensure you don't go over the cap, and remember - contributions count towards the financial year in which they are received by the fund.

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### **DO YOU HAVE A HECS DEBT?**

Do you have a HELP debt, Vet Student Loan, or Trade Support Loan? If you do, and you are living overseas or leave the country for 183 days or longer, you need to notify ATO of your contact details (international residential address and email) within 7 days of leaving or if you already reside overseas. You can do this on myGov, or with your instructions I can do this on your behalf. You also need to lodge an Australian tax return declaring your worldwide income so that the loan repayment can be properly calculated.

### **RESIDENCY FOR TAX PURPOSES**

If you're unsure about your status as a resident for tax purposes, there's an ATO info sheet available [here](#), and a handy tool to step you through the criteria [here](#).

## LIFE CHECKS

The Australian Government provides this handy resource to help you plan for the future. It provide a chance to see how you're tracking to be healthy and comfortable in the years to come, across a number of facets of life, including health, finance, work and social life. If you're over 45yrs of age, take a ten minute anonymous quiz to see what areas you can improve [here](#).

### STAY SMART ONLINE TO AVOID CYBER CRIME

It's always a good time to review your processes to keep your information safe from cyber criminals. Follow these three easy steps:

1. Be careful what you share and who you share it with - protect your personal and financial information. Consider what information you're sharing publicly - criminals may use this information to impersonate you.
2. Keep your passwords safe and turn on multi-factor authentication. Create strong passwords you can remember but are hard for others to guess.
3. Know how to spot a Phishing scam. Beware of anyone asking you to 'confirm' your details and don't share your details unless you've confirmed the person's identity. Be cautious of downloading attachments and clicking links in emails, text messages or social media posts, even if they appear to come from someone you know. For more tips, head [here](#).

## FREE E-BOOK

The e-book "Investing made simple: Empowering women through property" by [Active Property Investing](#) could be of interest to both men and women! It covers how to build confidence in money matters like investing in property, create more independence and opportunities for you and your family, ways to invest within your means, and tips on how to get started. Download your free copy [here](#).

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## CHANGES TO RESIDENTIAL TENANCY LAWS

From 23 March 2020, changes to the *Residential Tenancies Amendment (Review) Act 2018 [NSW]* and the *Residential Tenancies Regulation 2019 [NSW]* will come into effect. Key changes include:

- Landlords must ensure their rental property meets 7 minimum standards to be “fit for habitation”, and that the standards are maintained over the course of the lease
- New and improved disclosure obligations on landlords and agents as well as new remedies for tenants when these obligations aren't met

- Landlord must ensure that smoke alarms are in working order
- Making it easier for tenants to install fixtures or make alteration, additions or renovations that are minor
- Mandatory set fees when a tenant breaks their lease will apply to all new fixed-term leases that are 3 years or less
- Water efficiency measures must be checked at the start of each tenancy
- Limiting rent increases to once every 12 months for periodic (continuing) leases
- New powers for Fair Trading to resolve disputes between tenants and landlords including powers to investigate and issue rectification orders requiring landlords to carry out repairs and maintenance, or for tenants to fix damage

Full details on the changes can be found [here](#), and Real Estate Institute NSW is holding a number of free info nights, more details on these [here](#).

### **DO YOU OWN AN INVESTMENT PROPERTY?**

From 1 July 2017, the government disallowed deductions for travel expenses related to inspecting, maintaining or collecting rent for a residential rental property. This measure does not affect the use of a property management service as these expenses will still be deductible.

For further tips to help avoid common tax mistakes as a rental property owner, click [here](#). Tax-smart tips for your investment property journey can be downloaded [here](#).

### **RENTAL PROPERTY DEPRECIATION**

Changes to depreciation deductions for properties purchased after 7.30pm AEST on 9 May 2017 are now in effect. For more information click [here](#).

### **TAX DEPRECIATION REPORT - PROPERTIES**

Property investors should ensure they have a tax depreciation report prepared for their property. We recommend [Washington Brown](#), and they look after our clients with a discount. For a Depreciation Schedule quote click [here](#).

### **ATO TO DOUBLE AUDITS OF DODGY RENTAL DEDUCTIONS**

Rental deductions will come under scrutiny by the Australian Tax Office and property owners are warned to check their claims are correct at tax time. There is expected to be a specific focus on over-claimed interest, capital works claimed as repairs, incorrect apportionment of expenses for holiday homes let out to others, and omitted income from accommodation sharing such as AirBNB. It is important to keep records to support any deductions!

## **INSURANCES**

If you have an investment property, we strongly recommend you obtain **Tax Audit Insurance** (obtain a quote [here](#)) and **Landlord insurance**. Now is also a good time to check your other insurance policies to ensure they are adequate. Let us know if you need a referral for a quote.

## **GST PROPERTY DECISION TOOL**

Get a better handle on the GST implications of your property-related transactions. The ATO provides an anonymous tool you can use to calculate likely GST payable on a sale, including estimates if applying the margin scheme, and information on tax credit claim eligibility. Try it out [here](#).

## **NEGATIVE GEARING**

If you are considering purchasing an investment property to reduce your taxable income through negative gearing, contact us to find out what your borrowing power is, and then we can discuss the strategy that would suit you best.

## **MAXIMISING INVESTOR TAX DEDUCTIONS**

Investors should consider prepaying some expenses (up to 12 months in advance) in order to claim a larger tax deduction in the current financial year. This strategy might be useful particularly for people expecting their taxable income to be higher in the current year, but remember you will not have these expenses in the subsequent year. Expenses could include council rates, water rates, strata, insurance, advertising, interest and repairs and maintenance.

## **DO YOU OWN SHARES?**

Ensure you have your tax file number (TFN) declared on each of your shareholdings. This will mean I receive dividend information for you each year without you having to provide me with dividend notices (although you should keep them anyway for your records!)

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## **SPECIFIC TAX ADVICE**

We can provide specific tax advice for a scenario - in writing - that you can rely on. This service is provided for a fee by a tax specialist from a team of lawyers and accountants. It is

important you provide as much information as possible to ensure the advice given is appropriate to your situation.

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All efforts have been made to ensure accuracy of this information at the time of publication. You should, however, verify the accuracy of any information, and get advice on your personal circumstances, before taking any action in relation to newsletter articles.

## Contact Us

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