


Quinn

FINANCIAL PLANNING

Tax tips: Sorting out your best options

Tax time is rapidly approaching and there are important changes coming on 1 July. Now is the time to take steps to reduce your 2011–12 tax bill and put yourself in the best position for the next financial year.

Timing is important. Friday 29 June is the last business day, making it your deadline.

Super contribution caps

Maximising concessional contributions by 30 June becomes even more important this financial year as proposed changes from 1 July effectively introduce a means test. And making sure you don't exceed the contribution caps is just as important. This is your responsibility; it is not something you can leave to your super fund.

The 2011–12 concessional cap is \$25,000 for people under 50 and \$50,000 for those age 50 and over. This includes the 9 per cent super guarantee employers make plus any extra contributions made by an employer or individual, as well as amounts from salary sacrifice arrangements. You must add them up and make sure you are under the limits to avoid significant additional costs. From 1 July, the limit comes down to \$25,000 for everyone.

After-tax or non-concessional contributions — including personal contributions from your after-tax income, contributions your partner makes to your fund, or any amounts over your concessional contribution cap — are limited to \$150,000 in 2011–12.

Super co-contributions

It is proposed that the super co-contribution will reduce from 1 July 2012, but it remains free money; making it especially important for lower and middle income earners.

If you make an after-tax contribution to your super fund in this financial year the government will match it dollar for dollar up to a maximum of \$1,000 for people on incomes up to \$31,920. The \$1,000 contribution is reduced for every dollar you earn above that amount, and ceases when your income reaches \$61,920. Proposed changes from 1 July will see the government's maximum contribution halved to \$500 and the cut-off point reduced to \$46,920. To work out how much you could receive, try out the Tax Office's online co-contribution calculator at www.ato.gov.au.



Tax deductions

Income protection insurance premiums are generally tax deductible. Consider prepaying your premiums prior to 30 June if you want to increase your deductions for this financial year.

If you incur expenses while doing your job you may be able to claim a deduction. If the expenses are below \$300, you can make reasonable estimates but if you are claiming over \$300, you need to have written evidence to back up your total claim.

If you are claiming work-related expenses for a vehicle, travel, clothing or self-education, it is wise to review the ATO's information, which is available online at www.ato.gov.au/individuals.

For employees with the opportunity for a voluntary redundancy or considering retirement, this financial year is the last chance for eligible individuals to take advantage of the transitional eligible termination payment (ETP) rules, which expire on 30 June. Again, timing is critical. If you have received or are likely to receive an ETP this year, you should discuss your options with an appropriate tax professional as soon as possible.

Pension rates and super funds

For super funds paying pensions, the minimum pension amount must be paid by 30 June. Temporary relief measures, introduced by the government in 2008–09 to assist super funds to protect capital are still in place, although the minimum pension rates have risen for 2011–12 and 2012–13, as the table shows.

Age Group	Official Minimum Rate	Temporary Relief Rate	
		2011–2013	2008–2010
55–64	4%	3%	2%
65–74	5%	3.75%	2.5%
75–79	6%	4.5%	3%
80–84	7%	5.25%	3.5%
85–89	9%	6.75%	4.5%
90–94	11%	8.25%	5.5%
95 or older	14%	10.5%	7%

Source: <http://www.ato.gov.au/superfunds/>

If you have an SMSF, remember to make the minimum pension payment. As with all areas of super, it is important to satisfy the ATO's rules on the payment of the minimum pension: 'close enough' is a dangerous strategy.

Rental property deductions

The ATO has recently launched a one-stop property site, www.ato.gov.au/property, where you can read, in the ATO's words, "practical guidance and easy access to all the ATO's property-related tax information". If you are a property owner claiming deductions in your return, this is a good place to start.

While these are only some of the points to consider at tax time, you should speak with your tax accountant to determine what applies to your situation. Please seek personal financial and tax advice prior to making your decisions.

Peter Quinn Quinn Financial Planning

3 Laycock Road
Penshurst NSW 2222
Level 3, 156 Military Road
Neutral Bay NSW 2089

P 02 9580 9166
F 02 9580 9196

Level 3, 3-5 Stapleton Avenue
Sutherland NSW 2232

Level 1, 105 Pitt Street
Sydney NSW 2000

E pq@quinns.com.au
www.quinns.com.au

General Advice Warning: This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial advice prior to acting on this information. **Investment Performance:** Past performance is not a reliable guide to future returns as future returns may differ from and be more or less volatile than past returns.

Disclosure: Peter Quinn is an authorised representative of Quinn Financial Planning Pty Ltd, ABN 22 093 357 683, registered office at 3 Laycock Road, Penshurst NSW 2222.