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HELPING YOU THRIVE IN A CHANGING WORLD

Year End Tax Planning for Individuals

There is no "one size fits all" approach to tax planning. However, we have highlighted some of the major changes introduced this year along with some more practical issues you may have encountered. We recommend you contact one of our advisors who can provide you with specific advice relevant to your circumstances.

Note, if you carry on a business as a sole trader, please also refer to our "Tax Planning Checklist – For Businesses" as it contains some useful information.

Individual tax rates for Australian tax residents - 2019 - 2020

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $37,000	19% for each $1 over $18,200
$37,001 – $90,000	$3,572 plus 32.5% on each $1 over $37,000
$90,001 – $180,000	$20,797 plus 37% on each $1 over $90,000
$180,001 and over	$54,097 plus 45% on each $1 over $180,000

Note: the above does not include Medicare Levy or Medicare Levy surcharge

Foreign residents – changes to main residence exemption from Capital Gains Tax

Changes were introduced earlier this year which restrict the access to the main residence exemption for foreign residents (used interchangeably with non-residents) to limited circumstances. If you dispose of a property during a period of non-residency, unless you satisfy the life events test (e.g. death, terminal illness) within six years of becoming foreign resident, you will be denied the main residence exemption. Transitional rules are currently in place where foreign residents can still access the full exemption where the contract for disposal of the main residence is signed prior to 30 June 2020.

Date of acquisition	Tax on this income
Properties held prior to 9 May 2017	Full or partial main residence exemption may be available for properties sold prior to 1 July 2020 provided the exemption conditions are met ----------------------------- No main residence exemption will be available for properties sold on or after 1 July 2020.
Properties acquired after 9 May 2017	No main residence exemption applies - regardless of sale date.

Reduced pension drawdowns

As a result of COVID-19, the minimum drawdown requirements for account-based pensions and similar products have been temporarily reduced by 50% for 2019-20 and 2020-21. In particular, this will benefit retirees holding these products by reducing the need to sell investment assets to fund minimum drawdown requirements.

$20,000 Superannuation Withdrawals

Certain taxpayers who have been impacted by COVID-19 will be able to release up to $20,000 [$10,000 each for the 2019-20 and 2020-21 financial years]. A person must apply for a determination from the Commissioner to have up to $10,000 released from the superannuation fund. The person must satisfy any one of the following requirements about their employment or business status:

- at the time the person applies for the determination, they are:
  - unemployed; or
  - eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments) or special benefit under the Social Security Act; or
  - eligible to receive the farm household allowance under Farm Household Support Act 2014; or

- on or after 1 January 2020 the person:
  - was made redundant; or
  - their working hours were reduced by 20% or more; or
  - if the person is a sole trader – their business was suspended or there was a reduction in their turnover of 20% or more.

2019 - 20 Superannuation Contributions

The concessional superannuation contribution cap is $25,000 for the 2019-20 year which includes superannuation guarantee paid for by an employer, personal contributions and salary sacrificed amounts. It may be worthwhile to speak to your financial planner and consider whether it is appropriate to make any additional superannuation contributions during the 2019-20 financial year. You may be able to make personal contributions and claim a tax deduction if you are below 65 years of age and provide the superannuation fund with a notice of intent to claim a tax deduction.

If you are between 65-74 years of age, there may be additional tests you need to pass for your superannuation fund to accept employer contributions.

If you have a total superannuation balance of less than $500,000, you may be entitled to contribute more than the concessional contributions cap. Under the carry forward rule, some individuals can carry forward their unused concessional contributions cap from a previous year to a later year. The first year you will be entitled to carry forward unused amounts is the 2019–20 financial year.

Concessional contributions to superannuation funds for taxpayers with adjusted taxable income (ATI) less than $250,000 are taxed at 15% on contributions. For taxpayers with ATI over $250,000, contributions are taxed at 30%. This additional tax (Division 293 Tax) is calculated by the ATO, and payable after lodgment of the individual's income tax return. An election can be made to have this tax paid by the superannuation fund.

A summary of the key rates are as follows:

Description	Amount
Concessional contributions cap	$25,000
Non-concessional contributions cap	$100,000
Superannuation guarantee	9.5% of ordinary times earnings
CGT Cap amount	$1,515,000

Deductions – Home office

With working from home increasing over the last few months, the following methods can be used to claim home office expenses:

- **Fixed rate** - A fixed rate of 52 cents per hour can be claimed for each hour worked from home and represents running expenses. This method is simple and more commonly used as it does not require full substantiation of actual expenses. You can also claim the work-related portion of home internet, home phone and mobile phones in addition to the 52 cents per hour.

- **Actual running expenses** - To calculate the claim for running costs, as an alternative to the fixed rate method, employees can use the actual running expenses method. This method is more complex requiring more detailed records but may result in a larger claim. You can claim the work-related portion of home internet, home phone and mobile phones in addition to the running costs.

- **Shortcut method** - Given the volume of people required to work from home due to COVID-19, the ATO has provided a shortcut method to claim tax deductions at a flat rate of 80 cents per hour. This method is only available for hours worked from home from 1 March 2020 and unless extended, will apply to 30 June 2020. Claims before 1 March 2020 will need to be calculated using the above-mentioned methods. This method covers all running costs (including depreciation, phone and internet costs).

TAX PLANNING CHECKLIST – FOR INDIVIDUALS

Item	Tax Planning - Individuals
Farm management deposits	Making a deposit is tax deductible against primary production income in the year it is made, reducing the assessable income. When withdrawn at a later date, it is treated as assessable income in the year of withdrawal. For the deduction to be allowable, the deposit must be held for 12 months before withdrawing. The maximum balance of farm management deposits held by an individual cannot exceed $800,000.
First home saver scheme	If you are planning to purchase your first home, you may be eligible for the First Home superannuation saver scheme which allows you to save money inside your superannuation fund and provides concessional tax treatment on withdrawal.
Medicare Levy Surcharge (MLS)	If you are single and your income is above $90,000 or if you have a spouse and your combined income is more than $180,000, you should consider private health insurance if not already held. MLS may be payable in the absence of having appropriate private health cover (which may cost less than the MLS payable).
Motor vehicle expenses	If your work-related travel is less than 5,000 kms, you can claim at a rate of 68 cents per kilometer. Note, you must be able to substantiate your claim (e.g. having records of travel for meetings etc.). If your work-related travel is more than 5,000 kms, you can use the logbook method which allows you to claim the business portion of all running expenses (e.g. fuel, depreciation, interest etc.) provided the expenses have not been reimbursed by your employer. You must have a valid logbook to claim motor vehicle expenses using the logbook method.
Prepayments	You may be entitled to an immediate deduction for certain prepaid expenses where the goods or services will be provided within 12 months from the date of expenditure. Examples of items that may be deductible under the 12-month rule include subscriptions and prepayments of interest on a rental property loan.
Superannuation-concessional contributions	The concessional contributions cap for the 2020 financial year is $25,000. If you are making personal contributions and would like to claim a tax deduction, remember to give your superannuation fund a notice of intent to claim the deduction.
Travel Expenses	If you have travelled for work purposes and would like to claim the costs associated with the travel, ensure you have maintained a travel diary if you have travelled away from home for six or more nights in a row.

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