

## Individual Tax Planning Strategies

Tax saving strategies prior to 1 July 2011

### **WARNING: Accelerating tax claims**

A good strategy to reduce tax payable is normally to accelerate any income tax deductions into the current income year. However, clients should remember that tax rates are effectively being increased for the next income year due to the imposition of the flood levy on individuals earning more than \$50,000.

The tax rates for resident individual taxpayers for the **2010/2011** income year are as follows:

<b>Income threshold</b>	<b>Tax payable</b>
0 – \$6,000	Nil
\$6,001 – \$37,000	Nil + 15% of excess over \$6,000
\$37,001 – \$80,000	\$4,650 + 30% of excess over \$37,000
\$80,001 – \$180,000	\$17,550 + 37% of excess over \$80,000
\$180,001 and over	\$54,550 + 45% of excess over \$180,000

*Note: The Medicare levy is in addition to these rates.*

*In the 2011/12 income year, the Flood levy will impose an additional 0.5% levy on taxable incomes from \$50,001 to \$100,000 and 1% above \$100,000.*

### **Common work-related claims made by individuals**

The following outlines common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners, plus some strategies that can be adopted to increase deductions for the 2010/2011 income year.

#### **1. Depreciable plant, etc, costing \$300 or less**

Salary and wage earners and rental property owners will generally be entitled to an immediate deduction if plant costing \$300 or less is purchased before 1 July 2011.

Some purchases you may consider include:

- fax machines;
- beepers and pagers;
- books and trade journals;
- briefcases/luggage or suitcases;
- calculators, electronic organisers;
- software;
- stationery;
- tools of trade.

## 2. Clothing expenses

Purchase or pay for work-related clothing expenses prior to the end of the income year, such as:

- compulsory (or non-compulsory and registered) uniforms, and occupation specific and protective clothing;
- other expenses associated with such work-related clothing such as dry cleaning, laundry and repair expenses.

## 3. Self education expenses

Consider pre-paying the following self education items before the end of the income year:

- course fees (but not HECS-HELP fees), student union fees, and tutorial fees;
- interest on borrowings used to pay for any deductible self education expenses.
- Also bring forward purchases of stationery and text books (i.e., those which are not required to be depreciated).

## 4. Other work-related expenses

Employees can prepay any of the following expenses prior to 1 July 2011:

- union fees;
- subscriptions to trade, professional or business associations;
- magazine and newspaper subscriptions;
- seminars and conferences;
- income protection insurance (excluding death and total/permanent disability).

*Note: When prepaying any of the expenses above before 1 July 2011, ensure that any services are to be provided within a 12 month period that ends before 1 July 2012. Otherwise, the deductions must be claimed over the period of the prepayment.*