Your personal tax EOFY Cheatsheet

intro
here

WILL HAMILTON

Each year, at around this time, it is important to ensure you discuss appropriate planning ahead of 30 June 2017 with your taxation adviser. This is the time to close off the existing taxation year but also prepare for the next year's tax.

Superannuation and the pending changes effective on the 1 July have been well covered elsewhere today in WEALTH (see Monica Rule) however there are other important matters that should be considered ahead of 30 June that should not be neglected

All investors should have kept receipted expenses during the year and have clear picture of their investments in shares, bonds or cash. It's also time to get a review of property in relation to capital gains and expenses especially if you have been negative gearing.

A key action, if you are either buying or selling any investments in managed funds is to be aware of cut-off dates and times for making and redeeming investments. It is often the case that end of financial year (EOFY) cut offs for receipt and payments of funds are earlier than close of business on the last day prior to EOFY on 30 June — this year a Friday.

I also recommend covering the following short list of other relevant actions. No matter how large or small an investor's portfolio might be, awareness of tax planning essentials, and often overlooked legitimate deductions can help maximise better financial outcomes:

CGT capture
Selling poor performing assets may enable you to bring forward a tax loss that can be offset against capital gains made throughout the financial year. Additionally, with asset sales settled prior to 30 June, contribution of the proceeds to superannuation subject to limits and age are worth considering.

Claim Self-Education Expenses
Self-education expenses, such as course fees, textbooks, and stationery are tax deductible providing your study is work-related., and where this is the case don't overlook these.

Home Office Deductions
Those operating businesses from home office may be entitled to claim deductions for many expenses including room utilities, businesses phone costs, occupancy and motor vehicle expenses. You should obtain further advice on this.

Contributions to charities or Prescribed Ancilliary Funds (PAFs)
should be made prior to 30 June: With charities this enables you to get the tax deduction this year, with PAFs it enables the use of the attached tax deduction for FY17 — especially in the case of a sale of a business over the last twelve months or the realisation of a large capital gains.

Trust Investments
In the case where investments are held through a trust structure it is important to remember that trustees are required to make trust resolutions before 30 June as to how any trust income will be distributed among beneficiaries.

Identify Superannuation Interests
Superannuants should clearly identify all your superannuation interests (inclusive of Super balances, Pensions, annuities, and rollovers), and action taken, such as super contributions and how much of the Transfer balance cap you may have used and maximise concessional contributions prior to the reduction of these thresholds.

SME Write Offs
If you have a small businesses you may be eligible for a range of tax benefits including immediate write off of assets costing less than $20,000 as the eligibility threshold has been increased from a turnover of $2 million to $10 million. This provision has been extended for an additional twelve months and applies also for the 2017/2018 taxation year that we are about to commence.

Bring Forward Expenses
Consider where possible bringing operating expenses forward, such as rent, insurance, repairs and office supplies that cover a period of no more than 12 months. Slow moving, damaged and obsolete stock may be written off prior to 30 June and a tax deduction claimed. Remember though, if a business is not currently making taxable profits it is no use bringing forward tax deductions into the current year.

Much of what you might read about in relation to EOFY tends to relate to the opportunities that may present in the closing weeks of the financial year but it might be just as lucrative to be alert to pitfalls.

Here's some of the key pitfalls that can trip up an investor:

Net CGT Tracking
Investors netting capital gains against losses should remember the ATO may closely review intraday transactions for the same investment e.g. selling XYZ and buying it back on the same day. The ATO likes to see the investor take market risk when undertaking such transactions.

Timely Deposits Crediting
Deposits are often not deemed received until credited to the investors bank account as cleared funds prior to EOFY for tax purposes. Be aware that 30 June this year is a Friday and investors need to plan for contributions and transactions to occur on the days prior to that day — ideally through the week commencing Monday 19 June.

I always say tax planning should commence at the beginning of the taxation year in July, successful investors are just that because they pay attention to the checks and balances — and the details provided here — in June.

As a result you have until 30 June to ensure you maximise the opportunities that may exist for you and also to ensure you are compliant as we enter the new 2018 Financial Year.

Put your super in order with a 'to do' list

With the deadline approaching, there are some smart moves for DIY super trustees to make

MONICA RULE

With the superannuation law changes taking effect next month it's more important than ever for SMSF trustees to get their affairs in order at the end of this financial year. Here are some of the most important things to do.

1. Valuations
From July 1 an SMSF member accessing a retirement pension can only have up to $1.6 million worth of assets in their retirement pension account. The limit applies to the total value of all their pensions and not per superannuation fund. If an SMSF member also has a lifetime pension or a market-linked pension then they will need to take into account the Special Value of those pensions to determine if they have exceeded the $1.6m transfer balance cap. In valuing an SMSF's assets, please refer to the ATO publication, "Valuation guidelines for SMSFs".

2. Contributions
As contribution limits are being reduced from July 1 to $25,000 per annum for concessional contributions and $100,000 per annum or $300,000 using the bring-forward provisions for non-concessional contributions, SMSF members need to ensure their contributions are received by their SMSF on or before June 30 to use the higher limits available under the current law. Making the contribution a day late would mean the contribution will be measured against the new reduced limits which may mean a member has made a contribution in excess of the new entitlement.

3. Employer contributions
Trustees should check whether superannuation guarantee contributions for the June 2016 quarter have been received by the SMSF in July 2016. If so, this contribution should be included in the concessional contribution cap for the 2016-2017 financial year.

4. Salary sacrificed contributions
Salary sacrifice contributions are concessional contributions. Trustees should check their records before contributing more to avoid exceeding the concessional contributions cap.

5. Tax deductions on personal superannuation contributions
Under the current law, the tax deduction is claimable by self-employed people, retirees and people who receive less than 10 per cent of their income from work performed as an employee. If you are eligible to claim a tax deduction then you will need to lodge a "Notice of intention to claim a tax deduction" with your SMSF trustee before you lodge your personal income tax return. Your SMSF trustee must also provide you with an acknowledgment of your intention to claim the deduction. By claiming the tax deduction, your non-concessional contributions will be reclassified as concessional contributions, counted towards your concessional contributions cap and your SMSF will pay the 15 per cent tax on the concessional contribution.

6. Spouse contributions
Spouse contributions must be received by the SMSF on or before June 30 in order for members to claim a tax offset on their contributions. The maximum tax offset claimable is 18 per cent of non-concessional contributions of up to $3000. The spouse's annual income must be $10,800 or less for a member to receive the full tax offset.

The tax offset decreases as the spouse's income exceeds $10,800 and cuts off when their income is $13,800 or more. From July 1 the income threshold for spouses will increase from $10,800 to $37,000 and the cut-off threshold will also increase from $13,800 to $40,000.

7. Contribution splitting
This technique is about to become much more important: Due to the $1.6m limit on retirement pensions and the eligibility to make further non-concessional contributions from July 1, contribution splitting can be used as a method to reduce a member's superannuation balance and top up their spouse's lower balance superannuation account.

The maximum amount that can be split for a financial year is 85 per cent of concessional contributions up to your concessional contributions cap. You must make the split in the financial year immediately after the one in which your contributions were made. This means you can split concessional contributions made into your SMSF during the 2015-2016 financial year in the 2016-2017 financial year. You can only split contributions you have made in the current financial year if your entire benefit is being withdrawn from your SMSF before June 30 as a rollover, transfer, lump-sum benefit or a combination of these.

8. Government superannuation co-contributions
To be eligible for the co-contribution, an SMSF member must earn at least 10 per cent of their income from business and/or employment, be a permanent resident of Australia, and under 71 years of age at the end of the financial year. The government will contribute 50c for each $1 of their non-concessional contribution to a maximum of $1000 made to their SMSF by June 30. To receive the maximum co-contribution of $500, the member's total income must be less than $36,021. The co-contribution progressively reduces for income over $36,021 and cuts out altogether once the member's income is $51,021 or more.

9. Low income superannuation contributions
If a member's income is under $37,000 and either they or their employer has made concessional contributions into their SMSF by June 30, they will be entitled to a refund of the 15 per cent contribution tax up to $500 paid by their SMSF on the concessional contributions.

The earnings from these assets will be taxed at a maximum of 15 per cent. In addition, from July 1, partial commutation of a retirement pension will be treated as a lump sum and will not count towards a member's annual pension payment. A transition to retirement income stream cannot be commuted unless it contains an unrestricted non-preserved benefit. In which case, only the UNPB can be commuted and treated as a lump sum.

Monica Rule is an SMSF specialist and author of the book The Self Managed Super Handbook. www.monicarule.com.au

I am aware June 30 is the last day of the financial year. What is the latest date I am able to lodge my return? What are the rules around this? I hear different dates mentioned.

Tax return due dates depend upon a range of criteria. If you are an individual lodging your own tax return, the deadline for lodgement is October 31, 2017. If your latest tax return resulted in a tax liability of $20,000 or more, then your tax return due date is extended until March 31, 2018.

If your tax return is being lodged through an accountant who is a registered tax agent, for most individuals your due date will be May 15, 2018, but this concessional date only applies if any tax liability is paid in full by June 5, 2018.

If you have recently been late lodging tax returns or have an overdue return, regardless of whether you use an accountant or not, you may be obliged to lodge your return by October 31, 2017. If you want to qualify for the May 15, 2018 extension to lodge, you need to be registered as a client with an accountant before October 31, 2017. If you have a bad lodgement history and this year's tax return is due on October 31, if your accountant lodges your return by that date, you may qualify for the extensions again next financial year.

You may lodge your tax return at any time before your due date provided you have all documents you require to submit the return. A common example would be your "Pay as you go (PAYG) payment summary", often referred to as a group certificate. Your employer is obliged to provide this to you by July 14, 2017.

The ATO has advised that they will be in a position to commence processing returns from July 7, 2017 and expect to start paying tax refunds from July 18, 2017.

If your deadline for lodgement is May 15, 2018 and you elect to submit your return early, your due date for payment of tax will vary. For example, if you lodged your return up to February 12, 2018, the payment date would be March 21, 2018. If you lodged the return after this date but before March 12, the payment date would be April 21, 2018

If your tax return will result in no tax being paid or the issue of a refund, you have until June 5, 2018 to lodge the return.

Once a tax return is lodged, the ATO will issue you with a Notice of Assessment. Typically the payment due date for any additional tax will be 21 days after the lodgement due date or 21 days after the Notice of Assessment is deemed to have been received by you.

The tax laws authorise the ATO to impose penalties for late lodgement of a tax return. In addition to penalties, the ATO may levy a general interest charge to overdue unpaid tax liabilities. The GIC rate is currently 8.78 per cent and is reviewed quarterly. You can apply for a remission of penalties and the GIC in part or in full if there are extenuating circumstances. Examples of extenuating circumstances would be ill health or natural disaster.

If you are having difficulties submitting your return on time, you need to advise the ATO before the due date. Please note that at the time of writing, the deadline dates for lodgement are estimates based on previous tax years. Please check the ATO website for updates as the deadlines get closer.

Visit the Wealth section at www.theaustralian.com.au to send your questions to Andrew Heaven, an AMP financial planner at WealthPartners Financial Solutions