

## Year-end tax tips - Individuals

As the 2009 financial year draws to a close, it is timely for individuals and small businesses to consider the following year-end tax tips:

### RECORD KEEPING

Records are normally required to be retained for tax purposes for at least five years, but special requirements apply in some areas. For example, in the case of capital gains tax and the substantiation rules, records have to be held for longer periods.

### WORK RELATED EXPENSES

The Australian Taxation Office's compliance program for 2009 again focuses on over claiming of employee's work related expenses. Such expenses typically include employee claims for expenditure incurred on items such as travel, uniforms, subscriptions, union fees and self education.

### RENTAL PROPERTIES

The Tax Office is maintaining its strong focus on this area because of the large amount of revenue involved. The types of thing the Tax Office looks out for are repairs vs improvements, ensuring the property was really a rental property (and not just your weekender), and that interest on any property loans has been correctly claimed.

Certain building capital works (including construction and improvement costs) may be written off as a tax deduction over a 40 year period, i.e. 2.5 per cent per annum.

### DIVIDENDS AND INTEREST

To ensure that interest and dividends are returned by taxpayers, the Tax Office matches information provided in tax returns with information from external sources. But don't forget to put in your imputation credits. The best way to avoid trouble here is to include all such income in your return and retain supporting documents such as bank and company dividend statements.

### CAPITAL GAINS

Any capital gain on the disposal of an asset can be reduced by ensuring that all eligible items are included in the asset's cost base including capital improvements and incidental cost such as stamp duty, legal costs and commission fees, and by applying available capital losses.

You may also be able to further reduce the balance of any net gain under the general 50 per cent discount and, if you are a small business owner, the various small CGT concessions.

However, the Tax Office advised, in its 2008 compliance program, that it will closely scrutinize asset transactions. In particular, it has expanded its data matching projects to ensure that there is no underreporting of capital gains as it now has access to data on asset sales from state title and revenue offices, securities exchange and share registries as well as reports from managed funds. Therefore, you should keep all relevant records to support the details provided in your return.

### REBATES

Tax rebates (or offsets) can reduce your tax bill, so it pays to know that

you are entitled to. What you can claim depends on the level of your income and family circumstances. Examples of rebates, subject to satisfying certain criteria, include private health insurance, medical expenses, superannuation contribution for a low income spouse and a dependent spouse, as well as tax offsets for low income earners and senior Australians.

Entrepreneurs' tax offset is also available to taxpayers who have chosen to enter the Small Business Entity (SBE) system.

However, the child care rebate is no longer paid through the tax system but is instead separately calculated and paid by the Family Assistance Office.

### THE SBE SYSTEM

The SBE system commenced on 01 July 2007, being a concessional tax regime for small business taxpayers whose aggregate turnover is less than \$2 million. Its key attractions include an immediate write-off for new depreciating assets costing less than \$1000, and accelerated depreciation on such assets costing \$1000 or more. SBEs are also able to access the CGT small business concessions, car parking FBT exemptions and certain GST and PAYG concessions. In addition, SBEs subject to a reduced audit review period of two years.

If you are not already in the SBE system, consider if you qualify and whether you should elect into it. To obtain the SBE benefits for 2008 the necessary election must lodged with the Tax Office when you lodge the income tax return for your business for the year ended 30 June 2009.