Tax planning opportunities prior to 30 June

Now is the time to speak to your financial planner about how they can help you with your financial objectives and goals by suggesting financial and taxation strategies to help you minimise your taxation liabilities for the current year.

This article will focus on some of the opportunities you can undertake to manage your personal taxation affairs. Make sure you discuss these strategies with your financial planner to ensure they meet your wealth creation strategies and goals.

Pre-pay tax deductible expenses

The 12 month rule allows you to bring forward claimable tax deductions if they are paid by 30 June. This helps you if you have surplus cash around the end of the financial year and can pay these expenses. Some examples of expenses you can pre-pay include:

- investment gearing interest costs (but note it may not be available under the lending institutions loan terms)
- expenses such as annual income protection premiums or work related expenses.

Avoid the Medicare levy surcharge

The Government has made significant changes to the Medicare levy surcharge and the private health rebate from 1 July 2012. If you are currently paying the Medicare levy surcharge and want to beat the tax man, you should take out private health insurance pre 30 June to avoid paying the surcharge again.

Even though you might have private health insurance, you may find based on your circumstances and income, your private health rebate has reduced this financial year ending 30 June 2013. To ensure that you understand the full impact, contact your health fund for more details.

Delay any income

Thinking of selling off a profitable asset, such as shares or property? It may be worth deferring this sale until after 30 June 2013. In doing so, you will delay incurring CGT for another financial year. So while you will still need to pay the CGT eventually, freeing up short-term cash flow may be beneficial depending on your circumstances.

Maximise tax deductions

It is important that you retain tax receipts for expenses as the expenses may be tax deductible. Working with your financial planner and accountant should assist you in the process of maximising your available tax deductions.

Note: You should retain copies of your annual investment statements for fees that may be deductible (such as ongoing adviser fees). For more information on what adviser fees may be tax deductible please speak to your financial adviser.

Defer capital gain events or utilise capital losses

An opportunity may be available to restructure your investment (non-super) portfolio prior to 30 June this year. If you have unrealised capital losses it may provide an opportunity to realise the assets during this portfolio restructure.

For both investment and superannuation portfolios, if you have no capital losses it may be best to defer the realisation of an asset to the next financial year to defer the tax liability. It may also be beneficial to realise an asset after the asset has been held for at least 12 months to access the capital gain tax discount (except if the asset is held by a company).

Speak to your adviser for more information due to this being a complex area of advice

Personal concessional contributions

Self-employed, non-working and retirees may find themselves in a situation where they can significantly boost their retirement savings, as well as reducing their taxable income by making a personal deductible contribution. The simplification of and changes to personal deductible contribution rules is one such opportunity.

The amount of the personal deductible contribution was reduced from 1 July 2012. The reduced contribution cap of $25,000 per annum applies for people of all ages until 1 July 2014. **Note:** If you are self-employed, non-working and retired, you need to ensure that you will satisfy the eligibility criteria and you make your personal deductible contribution into super before 30 June.

Utilise the medical expense tax offset for out of pocket medical expenses

The medical expense tax offset is available to taxpayers whose income is below $84,000 with net medical expenses in the year of income exceeds the current threshold of $2,120. The offset is calculated as 20 per cent of the excess of net medical expenses over the threshold. If you adjusted taxable income is $84,000 or more for singles and $168,000 or more for couples or families in 2012/13, the threshold above which a taxpayer may claim net medical expenses tax offset will be increased to $5,000 (indexed annually) and the rate of reimbursement will be reduced to 10 per cent for eligible out of pocket expenses incurred.

Your Medicare financial tax statement will help you claim the offset in your tax return. The statement shows you how much you have paid for medical expenses and how much you have claimed back from Medicare.

Get your Government co-contribution

The Government co-contribution (of up to a maximum of $500) is one of the most straightforward and effective ways for you to increase your super savings. Employees and self-employed people who earn between $31,920 pa and $46,920 pa can be eligible. If you are eligible, simply make a personal non-concessional contribution into your super before 30 June and the Government will match that contribution.

Self-employed contributors may also be eligible for the Government co-contribution until age 71. Just remember that you need to have personal non-concessional contribution in your account that you have not claimed as a tax deduction.

Note: The proposed changes effective 1 July 2012 have not become law and remains as an announcement at the time of completing this flyer.

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