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# 2010/11 Individual Tax Return Checklist

## Your Checklist

- Claims for deductions ✓
- Receipts for deductions ✓
- Car claims and log books ✓
- Car record keeping ✓

Please review the information below and contact our office if you need assistance.

## 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:

Income threshold	Tax payable
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.

- Advertising.**
- Fringe benefits** – any benefits to be provided, such as property benefits, could be purchased and provided prior to 30 June 2011.
- Superannuation** – contributions to a complying superannuation fund, to the extent contributions are actually made (i.e., they cannot be accrued).

*Note that, since 1 July 2007, no limit applies to the amount of tax-deductible contributions an employer can make for an employee. However, an employee who receives employer contributions in excess of their own concessional contributions cap may have to pay more tax.*

### Accrued expenditure – non-SBE

Non-SBE taxpayers (and some SBE taxpayers) are entitled to a deduction for expenses incurred as at 30 June 2011, even if they have not yet been paid.

The following expenses may be accrued:

- ◆ **Salary or wages and bonuses** – the accrued expense for the days that employees have worked but have not been paid as at 30 June 2011.
- ◆ **Interest** – any accrued interest outstanding on a business loan that has not been paid as at 30 June 2011.
- ◆ **Commercial bills** – the discount applicable to the period up to 30 June, where the term of the bill extends past 30 June 2011.
- ◆ **Commissions** – where employees or other external parties are owed commission payments.
- ◆ **Fringe benefits tax** – if an FBT instalment is due for the June 2011 quarter for example, but not payable until July, it can be accrued and claimed as a tax deduction in the 2011 income year.
- ◆ **Directors' fees** – where a company is definitively committed to the payment of a director's fee as at 30 June 2011, it can be claimed as a tax deduction.

### Maximising deductions for SBE taxpayers

Deductions can be maximised for SBE business taxpayers by **accelerating expenditure** and **prepaying** deductible business expenses. Former STS taxpayers who have continued to use the STS cash method since before 1 July 2005 cannot accrue expenses, but other SBE taxpayers on an accruals basis *can* accrue expenses (see above for accruing expenditure).

### Accelerating expenditure – SBE

Former STS taxpayers who have continued to use the STS cash method since before 1 July 2005 and who qualify as an SBE are generally only entitled to deductions if they have paid the amount by 30 June. This includes general deductions, tax-related expenses, and repairs.

All SBE taxpayers can choose to write-off depreciable assets costing less than \$1,000 in the year of purchase. Also, assets costing \$1,000 or more with an effective life of less than 25 years can be depreciated at 15% (which is half the full rate of 30%) in their first year (note that, if such assets were acquired between 13 December 2008 and 31 December 2009 and then installed ready for use between 1 July 2010 and 31 December 2010, the SBE may also be entitled to an additional 50% deduction in the 2010/11 income year).

Therefore, where appropriate, SBE business taxpayers should consider purchasing/installing these items by 30 June 2011.

*Note: SBE taxpayers choosing to use the SBE depreciation rules are effectively 'locked in' to using those rules for all of their depreciable assets.*

### Prepayment strategies – SBE

SBE taxpayers making prepayments before 1 July 2011 can choose to claim a full deduction in the year of payment where they cover a period of no more than 12 months (ending before 1 July 2012). Otherwise, the prepayment rules are the same as for non-SBE taxpayers.

The kinds of expenses that may be prepaid include:

- Rent** on business premises or equipment.
- Lease payments** on business items such as cars and office equipment.
- Interest** – check with your financier to determine if it's possible to prepay up to 12 months interest in advance.
- Business trips.**
- Training courses** that run on or after 1 July 2011.
- Business subscriptions.**
- Cleaning.**

### Information Required

We will need you to bring the following information to help us prepare your income tax return:

- Stocktake details as at 30 June.
  - Debtors listing (including a list of bad debts written off) as at 30 June. *Note: In order to claim a deduction, the debt must be written off on or before 30 June.*
  - Creditors listing as at 30 June.
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