Financial year end checklist 2010

Tax free super earnings through transition to retirement ☐

Would you like to enjoy tax-free earnings in super? If you are you 55-plus (or know someone who is) then find out if a Transition to Retirement strategy would benefit you. Industry research suggests that many eligible people are not even aware of this strategy. Yet it could save you thousands of dollars each year.

Boost your salary sacrifice ☐

You may want to take advantage of salary sacrifice to super – with limits for concessional contributions of $50,000 if you're 50 plus and $25,000 if you're under 50. You can pre-elect to pay part of your salary or bonus into super as a salary sacrifice contribution – on a $10,000 bonus at a tax rate of 39.5%, you could save more than $2,500. If you're late 40s or 50+ and have less than $500,000 in your super account, why not ask us about strategies to make the most of the new $50,000 concessional contributions limit?

Make personal deductible super contributions ☐

If you earn less than 10% of your income from eligible employment (typically you'll be self-employed or not employed), this can help you reduce tax in the current financial year.

Collect the Government super co-contribution ☐

If you earned less than $61,920 this financial year, you could be eligible. Make an after-tax super contribution of $1,000 before 30 June, and you could receive up to $1,000 in your super account.

Collect the spouse contribution ☐

If you contribute more than $3,000 to your non-working or low income partner's super before 30 June you could receive a tax offset of up to $540.

Defer your income and bring forward your deductions ☐

Two personal tax cuts are proposed for the 2010/11 which will see many people pay less tax. First is a $2000 increase in the 15 cent threshold, from $35,000 to $37,000; and second is a decrease of 1 cent for every dollar earned between $80,000 and $180,000. This means you can benefit from deferring any income, where possible, into the 2010/11 financial year and to bring forward any deductions 2009/10 financial year, like prepaying interest or income protection premiums.

Pre-pay investment loan interest ☐

If you have borrowed money for an investment, or plan to do so before 30 June 2010, then this strategy could benefit you – it's particularly tax-effective if you have assessable income in the top marginal tax bracket. Where your borrowing is used for investments that will generate assessable income, you can claim a tax deduction for the interest payable on your loan. By pre-paying the interest for 2010/11 on your investment loan now, you may be able to claim a deduction for that interest in your 2009/10 tax return. However, remember that this locks you into your loan for 12 months with break costs if you want to change your loan arrangements.

Pre-pay income protection premiums ☐

Protecting your income is the foundation of building wealth. You may want to consider paying your premium for the next 12 months before 30 June to reduce your income tax this year.

Reduce capital gains tax (CGT) ☐

If you have sold an asset – like shares or an investment property – in the last financial year and made a capital gain you will be taxed at 50% of the gain at your marginal tax rate. You may want to consider strategies to reduce capital gains tax. Maybe you have poorly performing assets that you could sell before June 30 and use this loss to offset your gain, reducing the CGT payable. Or perhaps you have a capital loss that you've 'carried forward' from a prior year. Another way to reduce your capital gains tax liability is by making concessional superannuation contributions to reduce your assessable income.

Managed funds ☐

If you are planning on investing in managed funds, you may want to delay this until after 30 June to avoid receiving part of your money back immediately as a distribution – which is taxed as income.

Investment property ☐

You may want to consider pre-paying any expenses on your investment property for next year before 30 June. With all your expenses, you need to ensure that you can substantiate your claims. And remember if you have a depreciation schedule prepared by an accountant, you could claim this as a tax deduction.

Check if you are eligible for the entrepreneur's tax offset ☐

The entrepreneurs' tax offset (ETO) is a tax offset (reduction) of up to 25% of the income tax attributable to a small business entity with aggregated turnover of less than $75,000.

Maximise your deductions ☐

Make sure you claim all potential work related expenses, including mobile phone costs, subscriptions, computer equipment, calculators, briefcases and technical books. Note that you can claim up to $300 of eligible work related expenses without receipts. Self education expenses can also be deducted provided your study is directly related to maintaining or improving your current skills or is likely to increase your income from current employment. Fees paid to a registered tax agent to prepare your tax returns are allowable in the tax year the fee was paid. Ongoing financial advice fees can also be deductible.

Seek advice from professionals ☐

If you would like to improve your tax-effectiveness, perhaps you could seek advice from professionals. If you're a business owner, talk to your accountant about ways to extract profits from your business at the smallest tax cost. It's a perfect time to talk to a financial adviser to improve and protect your wealth.