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# 2007/2008 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 2008

### Accelerating tax claims

As personal income tax thresholds are set to be increased from 1 July 2008, there may be an additional advantage to be had by accelerating any income tax deductions into the current income year.

### 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 2007/2008 income year.

#### 1. Depreciable plant, etc, costing \$300 or less

Salary and wage earners and rental property owners will be entitled to an immediate deduction if plant costing \$300 or less is purchased before 1 July 2008.

Some purchases you may consider include:

- fax machines;
- 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, non-compulsory (and registered), occupation specific and protective clothing;
- other expenses associated with such work-related clothing such as dry cleaning, laundry and repair expenses.

#### 3. Self education expenses

Consider pre-paying the following self education items before the end of the income year:

- ◆ course fees (but not HECS-HELP fees), student union fees, and tutorial fees;
- ◆ interest on borrowings used to pay for any deductible self education expenses.

Also bring forward purchases of stationery and text books (i.e., those which are not required to be depreciated).

#### 4. Other work-related expenses

Employees can prepay any of the following expenses prior to 1 July 2008:

- union fees or subscriptions to trade, professional or business associations;
- magazine and newspaper subscriptions;
- seminars and conferences;
- income protection insurance (excluding death and total/permanent disability).

*Note: When prepaying any of the expenses above before 1 July 2008, ensure that any services are provided within 12 months of the payment and before 1 July 2009. Otherwise, the deductions must be claimed over the period of the prepayment.*

#### Information Required

We will need you to bring information to assist us in preparing your income tax return.

Please check the following and bring along payment summaries, statements, accounts, receipts, etc., to help us prepare the return:

##### Income/Receipts

- payment summaries for salary and wages;
- lump sum and termination payments;
- government pensions and allowances;
- other pensions and/or annuities;
- allowances (e.g., entertainment, car, tools);
- interest, rent and dividends;
- distributions from partnerships or trusts;
- details of any assets sold that were either used for income earning purposes or which may be caught by capital gains tax.

##### Deductions (in addition to those mentioned above):

- ◆ award transport allowance claims;
- ◆ bank and government charges on deposits of income, and deductible expenditure;

- ◆ bridge/road tolls (travelling on business);
- ◆ car parking (when travelling on business);
- ◆ conventions, conferences and seminars;
- ◆ depreciation of library, tools, business equipment, incl. portion of home computer;
- ◆ gifts or donations;
- ◆ home office running expenses:
  - cleaning
  - cooling and heating
  - depreciation of office furniture
  - lighting
  - telephone;
- ◆ interest and dividend deductions:
  - account keeping fees
  - ongoing management fees
  - interest on borrowings to acquire shares
  - advice relating to changing investments (but not setting them up);
- ◆ interest on loans to purchase equipment or income earning investments;
- ◆ motor vehicle expenses (business);
- ◆ overtime meal allowances;
- ◆ rental property expenses – including:
  - advertising expenses
  - council/water rates/land tax
  - insurance
  - interest
  - legal expenses/management fees
  - genuine repairs and maintenance
  - telephone expenses
  - travelling to inspect property;
- ◆ superannuation contributions by sole traders or substantially unsupported taxpayers;
- ◆ sun protection items;
- ◆ tax agent fees;
- ◆ telephone expenses (business);
- ◆ tools of trade.

# 2007/2008

## Year-end Checklist for Business

Many of our business clients like to review their tax position at the end of the financial year and evaluate any year-end strategies that may be available to legitimately reduce their tax. Traditionally, year-end tax planning for small businesses is based around two simple concepts – i.e., accelerating business deductions and deferring income.

However, Small Business Entities (SBEs) now have greater access to year-end tax planning due to particular concessions that only apply to them. The SBE system commenced on 1 July 2007 and, unlike the previous Simplified Tax System ("STS"), SBEs do not need to elect to be an SBE – they can pick and choose which of the concessions they wish to use each year (although restrictions still remain in relation to the SBE depreciation rules).

The basic requirement to be eligible for the SBE concessions is that the business taxpayer's annual turnover is less than the \$2 million threshold. The following are a number of areas that may be considered for all business taxpayers.

### **Maximising deductions for non-SBE taxpayers**

Non-SBE business taxpayers should endeavour to maximise deductions by adopting one or more of the following three strategies:

#### **1) Prepayment strategies – non-SBE**

Any part of the prepayment relating to the period up to 30 June is deductible in full.

In addition, non-SBE taxpayers may generally claim the following prepayments in full:

- expenditure under \$1,000;
- salary and wages; or
- expenditure required to be incurred under law (workers compensation, CTP etc).

*Editor: Prepayments can be a little confusing, so before you commit to making a payment please feel free to call us with any queries.*

#### **2) Accelerating expenditure – non-SBE**

This is where a business taxpayer brings forward the expenditure on regular, on-going deductible items. Non-SBE taxpayers are entitled to deductions on an "incurred basis".

Therefore, there is no requirement for the expense to be paid by 30 June 2008. As long as the expense has genuinely been incurred, it will generally be deductible.

#### **Checklist**

The following may act as a checklist of possible accelerated expenditure:

- Depreciating assets** costing \$100 or less can be written off in the year of purchase. Depreciating assets costing less than \$1,000 can be allocated to a low value pool and depreciated at 18.75% in their first year regardless of the date of purchase.
- Repairs** – repairs to office premises, equipment, cars or other business items.
- Consumables/spare parts.**
- Client gifts.**
- Donations.**
- Advertising.**
- Fringe benefits** – any benefits to be provided, such as property benefits, could be purchased and provided prior to 30/6/08.
- Superannuation** – contributions to a complying superannuation fund, to the extent contributions are actually made (i.e., they cannot be accrued).

*Note: From 1 July 2007, basically meaning all employer contributions are now deductible. However, an employee who receives employer contributions in excess of their own concessional contributions cap may have to pay more tax.*

#### **3) Accrued expenditure – non-SBE**

Non-SBE taxpayers (and some SBE taxpayers) are entitled to a deduction for expenses incurred as at 30 June 2008, 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 2008.
- ◆ **Interest** – any accrued interest outstanding on a business loan that has not been paid as at 30 June 2008.
- ◆ **Commercial bills** – the discount applicable to the period up to 30 June, where the term of the bill extends past 30 June 2008.
- ◆ **Commissions** – where employees or other external parties are owed commission payments.
- ◆ **Fringe benefits tax** – if an FBT instalment is due for the June 2008 quarter for example, but not payable until July, it can be accrued and claimed as a tax deduction in the 2008 income year.
- ◆ **Directors' fees** – where a company is definitively committed to the payment of a director's fee as at 30 June 2008, it can be claimed as a tax deduction.

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## **Maximising deductions for SBE taxpayers**

Deductions can be maximised for SBE business taxpayers by **accelerating expenditure** and **prepaying** deductible business expenses. Former STS taxpayers using the STS cash method cannot accrue expenses, but other SBE taxpayers on an accruals basis can also accrue expenses (see above for accruing expenditure).

### **Accelerating expenditure – SBE**

Former STS taxpayers using the STS cash method are generally only entitled to deductions if they have paid the amount by 30 June 2008. 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.

Therefore, where appropriate, SBE business taxpayers should consider purchasing these items by 30 June 2008.

*Note: SBE taxpayers (including former STS 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 2008 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 2009). 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** – consider booking and prepaying courses that run on or after 1 July 2008.
- Business subscriptions.**
- Cleaning.**

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### **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.