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NEWSLETTER

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How to Nail Your Tax Return

The Australian Taxation Office (ATO) has revealed some of the more common mistakes people make at tax time. And these range from honest mistakes to people deliberately over-claiming to increase their refund.

Here are the top 4 mistakes to avoid as advised by the ATO:

1. Lodging Before All Your Prefill Data is Available or Failing to Report All Your Income

People can lodge as soon as they have all of the information they need to do their returns accurately. However history show the early birds who lodge in the first weeks of July are far more likely to make mistakes or submit incomplete data. These mistakes may slow down your return, or result in a debt owing to the ATO if they later need to correct the information.

The ATO therefor recommends you make tax time an easier process by waiting up to a few weeks before lodging.

2. Claiming the Wrong Thing

Work-related expenses is one area where people commonly make mistakes. Remember, to claim a deduction for work-related expenses, follow the three golden rules:

- you have to have spent the money yourself and NOT have been reimbursed
- the claim must be directly related to earning your income, and
- you must have a record to prove it.

You can only claim the work-related portion of expenses. You can't claim a deduction for any part of the expense that relates to personal use.

3. Forgetting to keep receipts

The ATO refuses a large percentage of claims where taxpayers are unable to produce records or receipts when asked. Even if the value of a claim is below the record-keeping threshold, the ATO may still ask you to show how you calculated your claim.

4. Claiming for Something They Never Paid For

The ATO often see people making claims at the record-keeping limit, thinking that the ATO will never question a claim if they don't require receipts. But you still need to have spent the money yourself and be able to show how you've worked out your claim.

Exceptions to the record keeping rules are there to make things simpler – they do not allow you to claim an automatic deduction up to the specified amount where the money has not been spent. No-one is entitled to a 'standard deduction'.

In short, if you can't explain it, the ATO won't accept it, and they may penalise you for failing to take care when lodging your tax return.

Where to Find Help

You can visit the ATO website for assistance on a range of topics but we always recommend trusting the accuracy of your return with experienced tax professionals like the team here at Accountplan. With basic returns starting at $125 it is a small amount top pay for peace of mind.

Source: ATO.gov.au

Make Larger Concessional Contributions from 1 July 2019

How does it work?

From 1 July 2018, if you have a total super balance of less than $500,000 on the previous 30 June and you make or receive concessional contributions (CCs) of less than the concessional contributions cap of $25,000 pa, you may be able to accrue unused amounts for use in subsequent financial years.

2018/19 is the first financial year you can carry forward unused cap amounts and these amounts can be used from 1 July 2019. Unused cap amounts can be carried forward for up to five years.

What are the benefits?

Greater flexibility to make concessional contributions which may be helpful even if you have broken work patterns, or can't afford to contribute in a particular year.

Case study

Jane Doe took 12 months maternity leave from 1 July 2018 and didn't make any CCs in 2018/19.

From 1 July 2019, Jane returned to full-time work where her CCs totalled $15,000, which is $10,000 less than the cap amount of $25,000.

The table below shows how she can carry forward $25,000 in unused CCs in 2018/19 and $10,000 a year thereafter.

It also shows how much she could contribute each financial year if she wanted to use up the carried forward unused cap amounts, as well as the standard annual CC cap.

For example, in 2020/21 she could make CCs totalling $60,000 and $80,000 in 2022/23.

Jane may be able to use the accrued cap amount if she had surplus cashflow or savings, received a windfall or inheritance or sold other investments.

Financial year	Annual CC cap amount	Carried forward cap available at start of financial year	Concessional contributions made	Unused cap carried forward from end of financial year
2018/19	$25,000	$25,000	Nil	$25,000
2019/20	$25,000	$50,000	$15,000	$35,000
2020/21	$25,000	$60,000	$15,000	$45,000
2021/22	$25,000	$70,000	$15,000	$55,000
2022/23	$25,000	$80,000	$15,000	$65,000

Important things to consider

To use up carried forwards cap amounts, you may want to make salary sacrifice or personal deductible contributions.

You can't access your super until you meet a condition of release such as reaching preservation age and retiring.

Still unsure? Contact the team at Accountplan to review your own superannuation potential.

What is LVR?

The mortgage industry is a wide, wondrous world with a language all of its own. One of the many acronyms bandied about is 'LVR', which stands for 'loan-to-valuation ratio'.

When you are working out the amount you can borrow for a property, the size of deposit required and whether you qualify for particular mortgage products, the LVR is one of the most important considerations.

In the simplest terms, the LVR is the percentage of the property's value (as assessed by the lender) that your loan represents. Hence, if the property you want to purchase is valued at $500,000, and you need to borrow $400,000, the loan is 80% of the property value, making your LVR 80%.

LVR is important because different lenders and loan types have different maximum LVRs. Further, some lenders will only lend up to a certain LVR for particular property types or properties in certain locations.

Most lenders will finance to an 80 per cent LVR for residential property, or higher with lenders' mortgage insurance (LMI).

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