

Wage & Salary Tax Guide

2023 Edition

WAGE & SALARY

Introduction

Income tax is paid on all forms of income, including wages from your job, profits from your business and returns from investments such as bank interest and dividends. It can also be payable if you sell or give away a valuable asset such as a house or shares.

This guide is designed to help you prepare for your tax return lodgement.

Self lodging individuals must lodge before 31 October. If you lodge with a tax agent you normally receive an automatic extension of time to lodge and that might extend to 15 May the following year!



Bring forward deductions

Taxpayers who own an investment property or have an investment portfolio margin loan, may consider repaying interest up to 12 months in advance (service period ending prior to 30 June) on investment loans and claiming a deduction in the current year for the payment when the expense relates to the next year.



Tools

If you buy tools, equipment and other assets to help earn your income, you can claim a deduction for some or all of the cost.

If you use the tools for both work and private purposes you will need to apportion the amount you claim. If you have a computer that you use for private purposes for half of the time you can only deduct 50% of the cost.

You can also claim that cost of repairing and insuring your tools and equipment and any interest on money you borrowed to buy these items.

DEDUCTIONS

Income Protection Insurance

An income protection policy owned by a taxpayer personally is a tax deduction in your personal return. However if the premium is paid via your super fund you will be unable to make a claim for a tax deduction., Also be careful as life insurance is not tax deductible.

Capital Gains

Consider reviewing your Capital Gains. If you have incurred a capital gain during the year you may be able to crystallize an offsetting capital loss to reduce your tax payable.

Remember that individuals may have access to 50% discount on Capital Gains where they hold the asset for over 12 months. However, the discount will likely not apply if you offset a capital loss against the gain.



Motor Vehicle

If you frequently use your own vehicle for work travel, a logbook may increase your motor vehicle deduction.

A logbook must be kept for 12 consecutive weeks and must be updated every five years or when the vehicles' work use materially changes. In addition to maintaining a log book ensure that you keep written evidence of all motor vehicle expenses such as insurance, services, license and registration.

If you do not maintain a logbook, the maximum kilometers an employee is entitled to claim is 5,000 kilometers at a set rate set by the ATO.



Donations

Gifts to a Deductible Gift Recipient (DGR) may be a great way to reduce your taxable income while contributing to a good cause.

If intending to donate be sure to do so before 30 June so that you can claim in the current year tax.

A registered DGR will give you a receipt stating that they are registered as a DGR and you can also check in the ATO website.

SUPERANNUATION

Just prior to the financial year end is a great time to do a financial check of your superannuation funds and if you have any excess cash it might be worthwhile investing in your retirement and topping up your superannuation fund.

Any concessional contributions made into your superannuation fund up to the cap of \$27,500 is an income tax deduction against your assessable income.

Since 1 July 2017 you are now able to make concessional contributions to your superannuation fund regardless of how your income was received. This means even if you are not self-employed you can still make an eligible concessional contribution and have the amount deductible in your tax return.

From 1 July 2022 if you are under 75 years old, you will no longer need to meet the work test to make or receive non-concessional super contributions and salary sacrifice contributions. If you are 67 to 74 years old, you will however be required to meet the work test in order to claim a personal superannuation contribution deduction.



More on Superannuation

The annual concessional contributions cap is now \$27,500 for all individuals. For those with a super balance of less than \$500,000 at the end of June 30 in the previous year, the new rules allow you to carry forward your unused concessional contributions cap amounts from 1 July 2018.

Unused amounts are available for a maximum of five years and expire after this. Super balance rules apply so please be sure to check with us.

If you have had more than one job during the financial year you should make sure that you have not exceeded your concessional contribution cap as excess contribution amounts will be taxed at the marginal tax rate plus an excess concessional contributions charge.



To claim deduction for superannuation contributions in your income tax return you must provide a signed notice (Section 290-170 notice) to your superannuation fund to notify them of your intention.

You must receive an acknowledgement notice from the fund confirming your contribution, prior to the lodgment of your individual income tax return. Your Accountant will need to see the notice from your super fund about your contributions



After Tax Super Contributions - Non Concessional



For people under 65, non-concessional contributions may be up to \$330,000 over a three-year period depending on their total superannuation balance.

Members over 65 but under 75 can still contribute up to \$110,000 a year however are not eligible for the three year 'bring forward' non-concessional contribution.

Contribution and "bring forward" available to members under 65:

Superannuation Balance (\$mil)	Contribution bring forward available
under \$1.48	\$330,000 (3 yr bring forward)
Between \$1.48 & \$1.59	\$220,000 (2yr Bring forward)
Between \$1.59 & \$1.7	\$110,000 (no bring forward)
Over \$1.7	Nil

Superannuation continued...

Members are not eligible to make non-concessional contributions once they are 75 or older. The 2021 Federal budget made changes to the ability of older Australians to make downsizer and other contributions.

Due to the strict rules and regulations around superannuation funds and member contributions we advise you to contact us prior to making any non-concessional contributions as excess contributions will be taxed at 47%.



Beware of Div 293 Tax

Individuals with adjustable taxable income over \$250,000 will be subject to an additional 15% tax on their taxable superannuation contributions.



Medicare Levy Surcharge

Singles and families who do not have adequate private health insurance cover may be liable for the Medicare levy surcharge. This is determined by the income thresholds, set out in the table below.

Ensure you have appropriate private health insurance going forward to avoid paying the Medicare levy surcharge.



	no level	level 1	level 2	level 3
Singles	\$93,000 & less	\$93,001-\$108,000	\$108,001-\$144,001	\$144,001 or more
Families	\$186,000 & less	\$186,001-\$216,000	\$216,001-\$288,000	\$288,001 or more
Rate	0%	1%	1.25%	1.5%

Note: The family income threshold is increased by \$1,500 for each dependent child after the first child.



Motor Vehicles

If you use your own car for work purposes, you can claim a deduction using the cents per kilometer method or logbook method.

If you use someone else's car for work purposes, you can only claim for direct costs you pay for-such as fuel.

You can claim a deduction for car expenses if:

- You use your car in the course of performing your work duties
- You attend work-related conferences or meetings away from your normal workplace
- You travel directly between two separate places of employment and one of the places is not your home
- You travel from your normal workplace to an alternative workplace and back to your normal workplace
- You travel from your home to an alternative workplace and then to your normal workplace
- You perform itinerate work

You can't claim a deduction for normal daily journeys between home and work except in limited circumstances where you carry bulky tools or equipment that:

- Your employer requires you to use for work
- You cannot leave at work.

If travel is partly private, you can only claim the work-related portion.



Motor Vehicle Continued...

You can't claim a deduction if you have been reimbursed for it.

You can calculate your car expenses in two ways

1. Cents per kilometer method

- You can claim a maximum of 5,000 business kilometers per car, using this method.
- Your claim is based on 72 cents per kilometer.
- You don't need written evidence but you need to be able to show how you worked out your business kilometers (for example, by producing diary records of work-related trips).

Logbook method

- Your claim is based on business percentage of expenses of the car.
- Expenses include running costs and decline in value. You can't claim capital costs, such as the purchase price of your car, the principal on any money borrowed to buy it and any improvement costs (eg, adding paint protection and tinted windows).
- To work out your business-use percentage, you need a logbook and the odometer readings for the logbook period. The logbook period is a minimum continuous period of 12 weeks.
- You can claim fuel and oil costs based on your actual receipts or you can estimate the expenses based on odometer records that show readings from the start and the end of the period.



Motor Vehicle Continued...

- You used the car during the year.
- You need written evidence for all other expenses of the car.

Your vehicle is not considered a car if it is a motorcycle or a vehicle with a carrying capacity of:

- One ton or more, such as a utility truck or panel van
- Nine passengers or more, such as minivan



Keep receipts for your actual expenses. You cannot use the cents per kilometer method of these vehicles. While it is not a requirement to keep a logbook, it is the easiest way to show how you have calculated your work-related use of the vehicle.

Keeping a logbook

Your logbook must cover at least 12 continuous weeks. If you started using your car for work-related purposes less than 12 weeks before the end of the year, you can extend the 12-week period into the next financial year.

If you are using logbook method for two or more cars, keep a logbook for each car and make sure they cover the same period.

Your 12 week logbook is valid for 5 years. However, if your circumstances change (eg, you change jobs) and the logbook is no longer representative, you will need to complete a new 12 week logbook.



Home Office Deductions

1. WFH - Rate change

The revised fixed rate method allows you to claim 67 cents per hour you work from home for the expenses listed below. You no longer require a dedicated home office to use this method. Expenses included in the revised fixed rate are:

- data and internet
- mobile and home phone usage
- electricity and gas
- computer consumables (e.g. printer ink)
- stationery.



- You can't claim a separate deduction for any of the expenses the revised fixed rate includes.
- You can claim a separate deduction for:
 - the decline in value of assets used while working from home, such as computers and office furniture
 - the repairs and maintenance of these assets
 - cleaning (only if you have a dedicated home office).



Record Keeping

The Australian tax system relies on taxpayers self-assessing. That means you are responsible for working out how much you can declare and claim on your tax return. You also need to be able to show how you arrived at these figures – in some cases, you may be required to provide written evidence.



You can keep your records in paper or digital format. If you make paper or digital copies, they must be a true and clear copy of the original.

How long to keep your records

Generally, you must keep your written evidence for five years from the date you lodge your tax return.

These are some more specific situations. If you:

- value (formerly known as depreciation) – keep records for the five years from the date of your last claim for decline in value
- acquire or dispose of an asset – keep records for the five years after disposal.

What's next?

Tax rules are certainly complex. At Accountants 2 Business we break down the complex and explain your options clearly. We recommend that you book a meeting to see one of our experienced tax experts.

Our Individual tax returns start at \$99 for the guided online service and just \$165 for returns with one of our tax consultants.



"If we don't change, we don't grow"

Disclaimer: The information in this booklet is general in nature and might not be right for your circumstances. Please arrange a meeting with one of our Accountants to discuss your particular needs. Accountants 2 Business

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