



## ***How to get the most from the 2019 tax time***

*As the 2019 taxtime fast approaches, comes the yearly challenge of invoicing reconciliations, stocktake and tax obligations. You want to reduce your tax bill and maximise your tax refund as much as possible. The task might seem like a big one, but it doesn't have to be too demanding – as long as you keep your records in order and know exactly what you're eligible for.*

Here are some simple ways to ease your path and boost your tax savings:

### **Before EOFY this tax time**

Have you heard the story about the grasshopper and the ant? The grasshopper spent his summer lazing around while busy ants worked hard to store food. When winter came, the grasshopper was starving because he didn't think ahead. You may improve your tax time position by being organised and preparing up front. Pre-paying expenses you can claim by the EOFY, such as subscriptions, certain business travel expenses, assets, rent, fixed costs and internet may reduce your EOFY tax bill and an added bonus, keep your records current.

It could also be time to service your businesses vehicles and pay your employee super contributions to avoid a guarantee charge. You can also claim costs from your tax agent. If you haven't found one, it's time!

### **Sole trader**

Sole traders will lodge their business income on their individual tax returns, and there are a few rules from the ATO you should be aware of.

Personal services income (PSI) is income produced mainly from your labour or personal skills. Income is classified as PSI when more than 50% of the amount you received for a contract was for your labour, skills or expertise.

There are limitations on some of the expenses that may be claimed under the PSI rules.

Expenses that are claimable under PSI include:

- The cost of gaining work
- Registration and licensing fees
- Account-keeping fees
- Bank fees
- Some insurance costs
- A portion of home expenses
- Some car expenses (Only one vehicle that also has a private use proportion can be claimed)

You might even be eligible for more tax deductions depending on what your business is and how you choose to complete your contracts.

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## Home Office

Are you one of the growing population working from home? If so, there is an array of tax claims you are eligible to make.

Business expenses are divided into two broad categories. Occupancy expenses, which comprise of mortgage interest or rent, council rates, land taxes, house insurance premiums; and running expenses, such as gas and electricity, phone, internet, asset depreciation, and lesser known deductions such as cleaning and repairs.

If you are a sole trader and your home is your place of business, you can claim tax deductions for a portion of the costs of owning, maintaining and using your home for a business purpose, however beware - if you claim these expenses, you may be liable for capital gains tax. It's best to speak with your tax agent about these expenses.

## Other Tax Deductions

The ATO allows certain deductions off the cost of running your business and your taxable income at EOFY. Expenses should be directly related to earning your income. There may be a few you're not aware of.

Have you made charitable donations? If so did you receive something in return i.e. a badge, ribbon or raffle ticket? If so then these may no longer be claimed as tax deductions because you received something in return. Any software costs, business-related bank fees, interest on business loans or overdrafts, as well as franchise fees that are not part of any initial purchases are a few items you could claim this year.

Education can be claimed, as long as it's directly related to your work. To claim, you must have spent the money yourself, it must directly relate to your income and you must have a record to prove it.

You may also be eligible for travel expenses, computer consumables, stationery, and equipment to name a few. The golden rule is that it must relate directly to your business and must contribute to your earnings or ability to grow your business and income.

The ATO has a self-education expense calculator That is free to use.

## Assets

If you're looking to purchase more assets for your business this EOFY, now's the time. The ATO has declared that the instant asset write-off threshold has been extended to 30 June 2020.

If you are a small business (with a turnover of less than \$10 million), you can immediately deduct the business portion of most assets that each cost less than \$30,000 if they are first used or installed ready for use from 7.30pm (AEDT) 2 April 2019 to 30 June 2020.

## Other expenses?

It pays to do a stocktake. Not only will you know exactly where your business stands at EOFY but there are benefits for low-moving stock that can be written down.

Bad debts, obsolete trading stock, pooling low-value assets so they can be depreciated at a high rate are also options to lower your tax return.

It's best to know what exactly you can claim for this 2019 tax time. ITP The Income Tax Professionals has been around for over 45 years and can help you maximise your personal or business tax return. Make the most of your tax return by working the best and most qualified professionals for your case, like ITP - The Income Tax Professionals.

*ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.*



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