



The Ultimate Guide to Australian Tax Deductions

You work hard for your money and come tax time, you're due for a decent tax return. It pays to know what tax deductions you can make so you don't pay more tax than you have to. Maximising your deductions can have a significant effect on your bank account.

Vehicle and travel expenses

Many people travel for work. This can be nationally, internationally or even locally and there are many claims to be made if you've incurred the expense and haven't been reimbursed by your employer.

Pro tax tip: Keep records. You can't claim if you can't prove you've incurred an out-of-pocket cost.

You'll need to keep detailed records in order to claim any vehicle expenses you've incurred. If you've used your car to travel for work, you're entitled to claim these business-related travel expenses. Costs, such as petrol, parking, tolls, cleaning and maintenance are valid claims. You must own your vehicle to claim using the cents per kilometre or 5,000 kilometre limit, and have recorded your travel in a log book for 12 consecutive weeks.

Pro tax tip: You cannot claim the travel between your home and place of work as that is deemed to be private travel in the eyes of the ATO.

Clothing

If you wear a clearly identified uniform with a company logo, or need to wear protective and safety clothing in order to do your job, you'll be able to claim the cost, repair and maintenance if they are out-of-pocket expenses you've outlaid in order to do your job. To be able to claim clothing, it must be specific to your occupation and you must need to wear it to derive your income.

Working from home

Many people work after hours or on the weekends, and are out of the office when working these extra tasks. If you carry out your employment from home, then claims can be made that are home office expenses. Ideally, you should have a dedicated work space and you can only claim the hours that you've spent on work-related tasks. Surfing the net for beef jerky (unless you are in the business of beef jerky) cannot be claimed.

You'll need to keep records of your expenses, such as utility bills and phone records. You may even need to keep a log book of the hours you've spent working. You may be entitled to claim costs on computers, office furniture and equipment, stationery, phone, phone charges, internet as well as utility costs such as electricity, heating and cooling.

Pro tax tip: Use an app to keep track of your receipts as you go and keep everything in a cloud-based storage. The ATO can ask for receipts for up to five years after you have incurred the expense and cloud-based storage means this doesn't have to take up room in your filing cabinet.

Mobile phone

If you use your personal mobile phone for work purposes, you can claim a deduction for the work-related calls you make. If you use your phone for both personal and business, you can only claim the business-related portion that relates to work use. You need to keep a log book over a four week period to average out your use over the year, or you can use your phone bill and go through your itemised costs and work out your charges against your phone bill as a percentage.

Professional subscriptions

The ATO recognises that you'll need to keep current and join certain associates in order to do your job. Subscriptions to magazines and journals, as well as membership fees for professional organisations, associations and trade unions are valid claims.

Pro tax tip: Pay yearly fees ahead to make your claim during the 1 July to 31 October tax season and claim your deduction now.

Gifts and donations

Gifts and donations over \$2 can be claimed from Deductible Gift Recipients (DGRs). To claim a gift or donation:

1. It must be made to a DGR
2. It must truly be a gift
3. It must be money or assets, which can include property and financial assets
4. It must comply with the DGRs conditions

Pro tax tip: DGRs has different conditions and it's always best to check if you can claim your donation.

Interest and investments

Bank interest, dividends and income derived from investment income must be recorded and added to

your total assessable income. You can claim expenses that you have incurred in the process of earning income from these income streams. If you have a joint account, you can only claim your share of the fees.

You can claim a deduction charged on money borrowed to purchase shares, and claim a deduction for interest charged on shares and dividends.

Income protection insurance

You'll be able to claim insurance premiums taken out to guard your income, but you'll only be able to claim this type of insurance. Life, critical care or trauma insurances are not eligible as are policies paid out of your superannuation contributions.

Self education expenses

It pays to keep your skills up, and to expand on your skills for your employment. If you study a course that is directly associated to your employment, you'll be able to claim the fees, as well as other costs such as travel, parking, meals, stationery, computer, tools, phone and phone charges and internet usage. You can only claim courses that directly improve your skills and knowledge to your current job, and results to an increase in your income.

Tools and equipment

You'll be able to claim a portion of the tool and equipment purchased to earn your income, only if you require them for work purposes. If the tools are used for both work and private use, you can only claim the work-related portion.

Items that cost \$300 or less can be claimed as an immediate deduction. Items that are over \$300 or form part of a set can be declined in value. You'll also be able to claim the cost of repairing and insuring your equipment.

Tax agent fees

If you were smart enough to hire an accountant or tax agent to file your tax return, you can claim their fees as well as travel to and from the appointment.

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Making your claim

You can only make a tax deduction on expenses you have incurred to earn your income. These are known as work-related tax deductions.

The ATO has three golden rules when it comes time to claim:

1. You must have already incurred the expense
2. The expense must directly relate to earning your income
3. You must have a record to prove the expense

Pro tax tip: The ATO will allow electronic copies as long as they are a clear and true representation of the original.

It's vital to work with a tax professional to make sure your claims are accurate. There are many nuances you might not be aware of, which can mean the difference between no tax return and a great tax return. The ATO recommends using a tax agent to help file your tax return, and the fees are 100% tax deductible. Speak with an ITP The Income Tax Professional today and see how your tax deductions can be maximised.

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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