

2016 Tax Guide.

The 2016 Financial Year:

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Once again there have been changes to our tax returns. These include the new 5% tax discount for individuals earning income from an unincorporated small business; changes to the methods for claiming car expense deductions; changes affecting the dependent spouse tax offset; the net medical expenses tax offset & the zone tax offset.

All sound like gobbledy-gook? Well, let us help you get all this into perspective and lodge your 2016 tax return with minimum fuss, for the best possible result.



You don't need to make an appointment to see us, (although we are happy to see you!)

We offer you the alternative to either post, email or drop your tax information into our office and we will do the rest for you.

So put the kettle on and make yourself a

cuppa. Get together all your tax papers for the July 2015 to June 2016 year, then work through the following steps relating to expenses and rebates outlined here and you are well on your way to making sure you **MAXIMISE** your **REFUND....**

2015/16 Taxable Income	Tax Rate	Tax on this Income
\$0 - \$18,200	0%	Nil
\$18,201 - \$37,000	19%	19c for each \$1 over \$37,000
\$37,001 - \$80,000	32.5%	\$3,572 plus 32.5c for each \$1 over \$37,000
\$80,000 - \$180,000	37%	\$17,547 plus 37c for each \$1 over \$80,000
\$180,000 plus	47%	\$54,547 plus 47c for each \$1 over \$180,000

This table does not include the Medicare Levy of 2% above the threshold

Keep records and documentation of everything.

Step 1: Motor vehicle cost

Using your CAR for work: (apart from the trip from home and back; which is generally NOT deductible) do you use your car for any of the following:

Travelling from Work to collect supplies and make deliveries.

Travelling between different work sites or directly to a second job.

Travelling to and from work with bulky equipment; or starting work at home.

You have two choices when claiming motor vehicle expenses and they can be different each year for each car.

LESS than 5,000 work related km's... this is a set rate per kilometer at 66 cents per km.

MORE than 5,000 work related km's... is the Log book method where all travel for a continuous 12 week period is required to establish the work related percentage of travel. This percentage is then applied to your total expenses for that car for the year. Log books can last up to 5 years.

Step 2: Travel...Commercial vehicles & allowances

Commercial vehicles – such as 1 tonne trucks/vans/utes/trays, motor cycles and vehicles with a carrying capacity of more than nine passengers & used for work purposes do not require a log book. These can be claimed in full if there is only minimal private use of the vehicle.

All records of fuel, repairs, registration, insurance, purchase price and finance charges must be kept, and an estimate of private use calculated.

Travel Allowances: received under awards which are considered reasonable (such as truck drivers up to \$89.60 day) can be claimed up to the

amount of the allowance providing you can show evidence that you slept away from home overnight.

Overseas or domestic travel for more than 5 nights requires a travel diary showing the work performed while away and apportioned for private percentage.

Step 3: Self-education...must relate to current work

Costs of attending a "place of education" to gain a "formal qualification" for use in your **current** trade, profession, business or employment are deductible AFTER the first \$250.

HELP payments are not deductible.

Where a new or additional qualification is obtained which does not relate to your current income earning activities, no deduction is available.

Receipts for all expenses will need to be available, as no claim will be allowed without them.

Seminars and courses

simply keeping you up to date in your occupation are deductible in full including travel to them.



Step 4: Protective clothing... must be exactly that



The ATO continues to take a hard line on deductions for clothing with a very clear message. If it is conventional clothing in ANY FORM (e.g. jeans, black and whites, warm pullovers) then it is not deductible. Even if you can quite clearly demonstrate that “you

only ever wear it for work” it makes no difference. There is no claim unless it is...

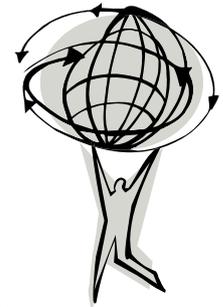
Protective in nature – that is from the work environment. (i.e. steel capped boots, overall/aprons to protect everyday clothes.

Occupation Specific: i.e. chefs checks are OK - but not waiting black and whites.

Non Compulsory Uniform must be registered by the employer.

Laundry: if you wear any of the deductible clothing described above (even if you did not pay for it) and you have it dry-cleaned or wash it at home, then you can claim the cost of washing and maintaining it. **You can claim \$1 per load of work clothing or 50c if other clothes are also washed.** Up to \$150 in total.

Sun Protection costs are deductible but must be substantiated. e.g. sunglasses and sunscreen.



Step 5: “Other” expenses... connected to your income

As with every other work-related deduction in steps 2 to 5, not only do you need to have the necessary documentation (including showing how you estimated or apportioned private use), but you must be able to demonstrate the relationship of the expense to your income earning activities. This would include such things as...

Union fees

Books, journals and professional libraries required for work

Seminars, conferences and workshops to keep you up-to-date.

Income Protection insurance (not life insurance)

Mobile phone adjusted for any private use.

Computers and Software (including repairs) provided you have kept a log for at least a 4 week period to establish the private/work-related apportionment.

Work-related home phone calls and possibly a proportion of the rental costs if you can show that you are “on call” or must regularly contact your employer.

Home office claims can be made at 45

cents per hour based on a reasonable estimate of the number of hours per week where a dedicated home office is used. This covers power, heating and furniture.

Tools of trade are fully deductible for individual items up to \$300. A low value pool over 4 years is used for assets from \$300 - \$1,000. Larger assets claimed over their effective life.



You will need to substantiate your home office use or mobile phone usage claim...

Proactive Tax
1 Chenery Street,
Mansfield Vic 3722

Phone: 03 5775 2713
admin@proactivetax.com.au

Step 6: Offset... up to 300% better than a deduction

Offsets are not tax deductions. They can be worth more than deductions depending on your tax rates. At a tax rate of say 32.5%, the result can be 3 times more for a rebate than a deduction. If your rebates exceed your tax liability, you will not receive a refund, and they do NOT reduce your Medicare Levy.

Low income Offset— has been retained at \$445 for taxable income less than \$37,000 reducing to NIL at \$66,667.

Zone Offset – for those whose USUAL PLACE OF RESIDENCE is within a specified zone. This year the rules have changed so that ‘Fly in, fly out’ and ‘Drive in drive out’ employees will be excluded.

Senior Australian Tax Offset and Pensioner Tax Offset or SAPTO allows a person who has reached Pension age a ‘rebate income’ of \$32,279 without paying income tax, subject to certain conditions. (Couples combined of \$57,948)

Health Insurance Rebate – you need the statement from your health Insurance fund.

Net Medical Expense Offset – Category A expenses which relate to disability aids, attendant care and aged care still apply.

Category B has been **scrapped** this year. This was the “out of pocket” medical expenses incurred.



A few things to remember...

You **MUST** provide bank account details as the tax office no longer issue refund cheques.

The ATO now data match most income sources. To ensure you don't receive an ATO issued amendment make sure you have all your income details before lodging your tax return. You must disclose your spouse details on your tax return.

All receipts must be kept for 5 years from the lodgment date.

The ATO will **NEVER** contact you via email or SMS asking for personal information or request any form of reply. If you receive any requests it is a hoax. Never disclose this information. To report a scam, contact the ATO on 13 28 61.

If you have changed your name since lodging your last tax return, you will need to phone the ATO on 12 28 61 or go to ato.gov.au/updatedetails. You will need supporting documents.

We hope these six steps will help you get your things together to get the best possible result on your 2016 tax return.

For more information please ask one of our friendly team members or visit our website www.proactivetax.com.au or like us on facebook.