



Top ten tax tips for 2009

As we approach the end of a tumultuous financial year most people are wondering if there's anything they can do to improve their financial position.

Even though markets have fallen and people's capital values have been impacted, the income produced by investments, as well as income from employment or business activity, may still create a tax liability.

There are a few things people can do to capture valuable tax concessions. Here are our top ten tips:

Salary sacrifice

People can boost their superannuation savings – and reduce their tax bill – through "salary sacrificing". This involves an employer making contributions into a person's super from their pre-tax salary. A person essentially "sacrifices" some salary for super contributions.

As these extra contributions are made before tax, they can reduce the amount of income tax a person pays, not to mention boost the amount going into a person's super.

For the 2008/2009 financial year, a person is limited to total concessional contributions of \$100,000 if aged over 50 years, or \$50,000 otherwise.

For the 2009/2010 financial year, these limits will reduce to \$50,000 and \$25,000 respectively, subject to the passing of legislation announced in the recent Federal Budget.

What about the self-employed

Super contributions are 100 per cent tax deductible for self-employed people, up to certain limits. A self-employed, or unsupported person, claiming a deduction for super contributions can significantly reduce the tax liability on their income from business sources, investments or even capital gains.

Spouse contributions

People can make a difference to the way they and their spouse build their super for retirement – and reduce their tax bill – by making spouse contributions.

A person may be able to claim an 18 per cent tax offset (up to \$540) on non-concessional superannuation contributions made on behalf of their spouse if they generate assessable income of less than \$10,800.

Government co-contribution

Under the co-contribution scheme, the Government contributes \$1.50 for every \$1.00 of non-concessional (personal after-tax) contributions, up to a maximum of \$1,500 for the 2008/2009 financial year.

If eligible, people should make sure they get their super contribution in before 30 June this year – there are not too many other strategies that deliver up to a 150 per cent guaranteed return. This is particularly important because as part of the recent Federal Budget, the Government have announced a proposal for the matching rate and maximum co-contribution to be 'temporarily reduced' from 1 July 2009.

Crystallise capital losses

Where appropriate, people who have realised a capital gain during the current financial year could consider selling other assets at a loss. This helps reduce the overall tax liability as crystallised capital losses can be used to offset realised capital gains occurring in the same financial year.

Defer income

With legislated tax cuts applying from 1 July 2009, certain income thresholds increasing and tax rates reducing, some people could consider deferring the receipt of income until the new financial year, for example timing the maturity of term deposits.

Pre-pay expenses

Where possible, people should look at bringing forward any deductible expenses. Bringing forward any possible tax deductions is particularly useful for people who may be going down a tax bracket next financial year.

Interest expenses

Even if the value of geared investments has fallen, interest still needs to be paid. The good news is that it remains a tax-deductible expense, where it has been properly incurred in producing assessable income for a taxpayer. By pre paying interest expenses the tax deduction can be brought forward into the current financial year.

Income splitting

Income splitting is one of the easiest and most effective ways for couples to pay less tax on their investments. In this strategy, investments are either held evenly, or put in the name of the spouse who earns the least. This can put a dent on a person's tax bill as income and capital gains on the investments are taxed at the spouse's lower marginal tax rate.

Insurance

Now might be the time for people to review their insurance cover. Some insurance premiums, such as income protection, are tax deductible. People could also think about holding insurance, such as life insurance, through their super as premiums are tax deductible, reducing the after-tax cost of the cover.

The question, "How do I secure my financial future tax effectively?" has many answers. Each and every one of them can add up to some real savings.

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