

Tangible Assets Taxation Services

Frequently Asked Questions

Tax Deductions and Rebates Available to Investors

Question: What investment expenditure is tax deductible in accordance with the general principle of allowable deductions?

Answer: Allowable tax deductions fall into two classes (1) expenses actually incurred in earning assessable income and (2) concessional deductions such as donations to charities, subscriptions and contributions to superannuation funds. Some examples of investment expenditure that is deductible in accordance with the general principal of allowable deductions are as follows

Allowable Deductions	Non-Allowable Deductions
Business Related Expenses <ul style="list-style-type: none"> • Motor vehicle • Bank charges • Equipment • Home office expenses • Interest and borrowing expenses • Legal expenses • Memberships to unions • Memberships to business associations • Newspapers and journals • Occupational clothing and uniforms • Professional indemnity and sickness insurance premiums • Text books and reference books • Self education expenses • Telephone costs • Tools of trade • Travel, meals and accommodation on work related trips • Superannuation contributions for self employed people • Fees to advisors • Computer software • Bank fees • Postage • GST on all the above 	Personal Expenses <ul style="list-style-type: none"> • Childcare expenses • Drivers licence • Glasses and contact lenses • Grooming and haircuts • Holidays • Interest on your home loan • Meals consumed during work hours • Memberships to health funds • Memberships to sporting associations, gymnasiums and health clubs • Physical injury insurance • Suits • Travel from home to work
Other Allowable Deductions <ul style="list-style-type: none"> • Donations • Tax compliance expenses • Depreciation of plant and equipment 	Other items which are denied deductibility <ul style="list-style-type: none"> • Penalties and fines • The first \$250 of self education expenses • Non-compulsory uniforms • Entertainment expenses

This is by no means a comprehensive list of available tax deductions.

Investment in Property

Question: What investment expenditure is tax deductible if I purchase an Investment Property?

Answer: From its nature, investment property gives rise to a number of tax deductible items. Apart from the more general items already mentioned, the following list is an example of what expenses are tax deductible.

Allowable Deductions	Non-Allowable Deductions
Expenses with an Immediate Deduction	Expenses you can not claim
<ul style="list-style-type: none"> • Advertising for tenants • Bank Charges • Body Corporate Fees • Cleaning charges • Council Rates • Electricity & Gas • Gardening & Lawn mowing • Interest on Loans • Land Tax • Lease Preparation Costs • Legal Expenses • Pest Control • Property Agents fees & Commissions • Quantity Surveyor Fees • Repairs & Maintenance • Secretarial & Bookkeeping Fees • Security Patrol Fees • Servicing Costs • Stationary & Postage • Telephone calls & Rental • Tax Related expenses • Travel & Car Expenses • Water and Sewerage • GST on all the above 	<ul style="list-style-type: none"> • Acquisition costs • Disposal costs • Expenses not actually incurred by you such as items paid by the tenant • Expenses that are not related to the rental property

This is by no means a comprehensive list of available tax deductions.

Interest on money borrowed for the purpose of buying a property is also tax deductible. The purpose of the loan and not the nature of the security governs the eligibility of interest and other borrowing costs as a valid tax deduction. Thus interest on a business loan secured by a mortgage on the borrowers private property residence would be deductible.

You must keep records relating to your ownership and all the costs of acquiring and disposing of property for 5 years from the date that you dispose of a property. Investors are required to keep records readily accessible should they be required.

Share Trading

Question: What investment expenditure tax deductible if I am investing in shares or other securities.

Answer: Before we respond to this question we must first determine if you are a trader or an investor. For those who are in the business of buying and selling shares or securities are said to be acquiring “revenue assets which are trading stock” and not “capital assets”. From its nature, share trading gives rise to a number of tax deductible items. Apart from the more general items already mentioned, the following list is an example of what expenses are tax deductible.

Allowable Deductions

- Management Fees
- Retainers to Investment Advisors
- Interest on borrowed monies
- Debits Tax
- Travel Expenses to see your advisor
- Investment journals and publications
- Internet access and computers

This is by no means a comprehensive list of available tax deductions.

Interest on money borrowed for the purpose of establishing a line of credit to trade shares, securities, derivatives, CFD's, E Minis and other securities is also tax deductible. The purpose of the loan and not the nature of the security governs the eligibility of interest and other borrowing costs as a valid tax deduction. Thus interest on a business loan secured by a mortgage on the borrowers private property residence would be deductible.

Goods and Services Tax (GST)

Question: Do we need to register our entity for GST?

Answer: Ordinary households, salary and wage earners, retired persons, share and managed funds investors, investors in residential property, persons earning money from hobbies and even share traders will not have to be registered. Subject to the rules, small business and property investors may have a choice.

Only those who are registered have to lodge GST returns.

However, when turnover reaches \$50,000 per annum, you will be required to register for GST. Turnover is measured on a GST-exclusive basis. Residential rents and dividends and interest are disregarded when measuring turnover as these items are “input tax supplies”.

Record Keeping

Question: What records do I need to retain?

Answer: It should be assumed that investors are not tax agents, therefore every piece of documentation should be retained so that our tax experts can maintain your records in a compliant manner. Good record keeping is essential for several different reasons including the following

- For investment management purposes
- To comply with statutory obligations under the tax law
- To help investors chose between alternative approaches allowed by tax legislation
- To enable test calculations to be completed after 30th June for tax strategy purposes
- To enable tax returns to be completed after 30th June each year
- To enable appropriate information to be passed on to the administrator of an estate

Tax Effect Planning

Question: When do we need to plan our taxes?

Answer: If immediately after receiving you group certificate leaps to your mind, you failed this test, and the consequences can be painful. Mistaking the return-filing deadline for tax time probably means you're paying more income tax than you have to—year after year. The lifetime cost can be enormous.

Taxes are a year-round sport. The borrowing, spending and investment decisions you make from the beginning of the financial year through to the end of the financial year shape the amount of tax payable. Think of the final weeks of the financial year as a cornucopia overflowing with opportunities to trim your tax bill. Don't wait until after the end of the financial year to begin. By that time, the doors to many money-saving opportunities will be closed.

Don't know how, then engage the services of our Taxation partners and find out before it's too late. Our taxation service will determine your approximate taxable income, and check the tax rates that apply. This determines exactly how well you'll be paid for manoeuvres that are implemented to legally reduce your taxable income. Savvy year-end tax planning involves looking to the year ahead as well as the one that's winding down. If spending an extra dollar on taxes this year will save you two dollars next year, the standard recommendations stand on their head.

Knowing where you and your tax situation fall into place is the first step in customizing and optimising your taxes. You can save yourself time, effort, and, most importantly, money by using our services.

Regards

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