TAX STRATEGIES PART 1: PREPARING FOR 30 JUNE 2019

As we plan for the 30th of June 2019 and what to do moving forward, we are writing a 3 part series on preparing for this deadline and getting ready for doing your tax return.

This series is for individual clients – businesses have other issues to consider and we'll be dealing with them soon.

In this first part of the series, we consider the major items that need more time to implement if you want to take advantage of the strategies before 30 June 2019.

These are the top 5 strategies to consider as follows:

Strategy 1: Review and Prepay Interest on Investment loans

If you have an Investment loan which is used to fund an investment property or shares, you are able to pay the interest in advance for the next 12 months and claim the tax deduction in the current financial year.

This can be effective in a number of instances, including:

- If you have more income this year, and are retiring or expecting your income to reduce next year;
- If you want to bring a tax deduction forward into this year as you received a one-off bonus or other income; and
- If you made a capital gain on an investment.

This can also be an effective time to review the structure of your home loans so that they are the most tax effective that they can be.

Due to the time that it takes to deal with bank regulations and rules, we recommend reviewing this strategy as a priority. As we are tax accountants and finance brokers, we can assist you with the review of the strategy and implementation.

Strategy 2: Prepay Income Protection insurance premiums and reduce this year's tax

Depending on your situation, you may want to consider your Income Protection insurance. Income Protection insurance premiums are generally tax deductible as they are protecting your income for the future.

You may want to pay your premiums for your Income Protection insurance for 12 months in advance, so you can:

- Bring forward your tax deduction; and
- Pay less income tax this financial year.

Strategy 3: Check the Ownership of Investments

Many clients hold assets such as Term Deposits or shares. If you are the legal owner of an asset, you are likely to be taxed on it. We therefore recommend reviewing the way that your investments are held and considering if it's worthwhile having the investments held in the lower income earning spouse's name, in order to save tax.

Mortgage Offset Accounts should also be reviewed, and their use. Generally, Offset Accounts reduce the amount of interest that you pay, whereas income from funds held in a bank account that pays interest is taxable income.

So, if an Offset Account is reducing the amount of interest payable on your home loan, you are saving interest on a non-tax deductible expense. Having the monies held in a separate standard bank account and not offset, can mean that you're paying tax on a small amount of interest and not utilising the offset to its full advantage.

Strategy 4: Review your Investment Capital Gains and Losses

If you have already realised Capital Gains this year from your investments, you may want to trigger a capital loss by selling a poorly performing investment that no longer suits your circumstances, so you can:

- Use the capital loss to offset your taxable Capital Gain and save tax; and
- Free-up money for more suitable investment opportunities.

Strategy 5: Defer asset sales to save tax

If you are thinking of selling a profitable asset this financial year, you may want to defer the sale until a future financial year, so you can:

- Defer paying Capital Gains Tax (CGT); and
- Reduce your CGT liability.

If any of these strategies are of interest to you or you have any others you'd like to talk to us about - We can help! Contact the AAG team today on (08) 9227 6300 or email clientservices@austasiagroup.com to learn how we can assist you with your individual needs.

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