



Don't be an easy target - tax scams can come back to bite you

Tax schemes and scams are becoming more sophisticated and can come back to bite you in later years. Always check with your accountant before signing anything even if it has QC opinions etc. If it sounds too good to be true it probably is. Generally the less risk you need to take (i.e. involves limited or non-recourse loans) the more likely it will not be a legitimate investment. The predominant purpose for investing in the scheme should be to create wealth not save tax.



TAX MYTHS & TIPS



I can't claim for my car if I haven't kept a log book?

Just because you haven't kept a log book for your travel does not mean you can not claim. You can still claim using one of three methods:

1. Set rate per kilometre up to a maximum of 5000 km per vehicle per year.
(75c/km for vehicles with engines >2600cc, 74c/km for engines 1601-2600cc and 63c for <1600cc)
2. 1/3 of actual costs including fuel, repairs, registration insurance & depreciation.
3. 12% of the cost of the vehicle

(Travel to/from ordinary place of work is not deductible however if you travel to a second job, carry bulky tools, travel to customers/clients during work hours, do itinerate work etc then your travel may be deductible.)

Do I need to keep receipts to claim a taxation deduction?

There are many claims that can be made with out receipts - here is just a few:

- Laundry of protective clothing or uniform of \$1 per wash up to a maximum of \$150,
- If your total work related deductions are less than \$300 you are not required to produce receipts however you must have spent the money on work related items.
- You can claim up to 5000kms for work related travel (other than to/from your normal place of work) based on a 'reasonable estimate' (not a log book). A diary or some other calculation is sufficient.
- If you have lost your receipt, however paid for it by EFTPOS, credit card, cheque etc then your bank statement records should provide sufficient evidence to entitle you to claim a tax deduction.
- If you receive a 'reasonable' travel or overtime meal allowance you may be able to claim up to the allowance without receipts.
- You can claim small items under \$10 not exceeding a total of \$200 with out receipts. For example batteries, stationery, gloves etc purchase and used for work.

**FORGOT TO MAKE A CLAIM LAST YEAR?
WE CAN AMEND IT FOR YOU.**

If I spend money on work related items do I get all my money back?

A tax deduction reduces your taxable income not your tax. The amount you 'get back' depends on your marginal rate of tax. If you earn between \$35,000 and \$80,000 your marginal rate of tax is 31.5%. Therefore for every \$100 you claim as a tax deduction will increase your tax refund by \$31.50.

If I have made extra repayments on my investment loan can I redraw the money and get a tax deduction for the interest?

Even if you have equity in an investment property or shares, the deductibility of interest is dependant on the use of the amount redrawn. If it is used to buy further investments or to improve the existing investment property then the interest will be tax deductible. However if the redrawn funds is used for personal purposes (holiday, caravan, boat etc) then the interest would not be deductible. It is advisable to use a mortgage offset account rather than paying the principle off an investment loan. This way the money is available in the future for personal use and the investment loan is still fully tax deductible.

Applying this principle to "lines of credit" can make determining the deductible portion of interest very difficult. It is best to keep these types of facilities against your main residence only.

COSMETIC SURGERY – Medical Expense?



Cosmetic surgery is becoming increasingly more popular and has prompted the Australian Taxation office to provide direction as to what constitutes a medical expense for the purposes of claiming the medical expense rebate. The rebate is equal to 20% of net medical expenses in excess of \$1,500 for you and your de-

pendants. Generally any medical expenses paid to a licensed medical practitioner to correct a medical condition is included. Payments to doctors, dentists, prescription glasses, laser vision correction, vitro fertilization and even maintenance of a guide dog are all included. Therapeutic treatment where referred by a medi-

cal practitioner is also included. **However since 1 July 2005 procedures that are purely cosmetic for which no Medicare benefit is payable under Pt II of the Health Insurance Act 1973 are no longer eligible.** Cost of traveling to medical appointments or accommodation during treatment also do not qualify for the rebate.

DISCLAIMER: This is general information only and does not constitute tax advice. Should any of the items discussed here be applicable to you, please discuss your personal circumstances with your tax advisor or call **Compass Accounting 08 83862244**