Accountants 2 Business

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Wage & Salary Tax Guide

2025 Edition

Introduction

Income tax is paid on all forms of income, including wages from your job, profits from your business, and returns from investments, such as bank interest and dividends. It can also be payable if you sell or give away a valuable asset, such as a house or shares.

This guide is desiged to help you prepare for your tax return lodgement.

Self-lodging individuals must lodge before 31 October. If you lodge with a tax agent you normally receive an automatic extension of time to lodge and that might extend to 15 May the following year!

BRING FORWARD DEDUCTIONS

Taxpayers who own an investment property or have an investment portfolio margin loan may consider repaying interest up to 12 months in advance (service period ending prior to 30 June) on investment loans and claiming a deduction in the current year for the payment when the expense relates to the next year.

TOOLS

If you buy tools, equipment and other assets to help earn your income, you can claim a deduction for some or all of the cost.

If you use the tools for both work and private purposes you will need to apportion the amount you claim. If you have a computer that you use for private purposes for half of the time you can only deduct 50% of the cost.

You can also claim that cost of repairing and insuring your tools and equipment and any interest on money you borrowed to buy these items.

Deductions

INCOME PROTECTION INSURANCE

An income protection policy owned by a taxpayer personally is a tax deduction in your personal return. However, if the premium is paid via your super fund you will be unable to make a claim for a tax deduction. Also be careful as life insurance is not tax deductible.

CAPITAL GAINS

Consider reviewing your Capital Gains. If you have incurred a capital gain during the year, you may be able to crystallise an offsetting capital loss to reduce your tax payable.

Remember that individuals may have access to 50% discount on Capital Gains where they hold the asset for over 12 months. However, the discount will likely not apply if you offset a capital loss against the gain.

MOTOR VEHICLE

If you frequently use your own vehicle for work travel, a logbook may increase you motor vehicle deduction.

A logbook must be kept for 12 consecutive weeks and must be updated every 5 years or when the vehicles' work use materially changes. In addition to maintaining a log book ensure that you keep written evidence of all motor vehicle expenses such as insurance, services, license and registration.

If you do not maintain a logbook, the maximum kilometres an employee is entitled to claim is 5,000 kilometres at a set rate set by the ATO.

DONATIONS

Gifts to a Deductible Gift Recipient (DGR) may be a great way to reduce you taxable income while contributing to a good cause.

If intending to donate be sure to do so before 30 June so that you can claim in the current year tax.

A registered DGR will give you a receipt stating that they are registered as a DGR and you can also check in the ATO website.

Superannuation

Just prior to the financial year end is a great time to do a financial check of your superannuation funds and if you have any excess cash it might be worthwhile investing in your retirement and topping up your superannuation fund.

Any concessional contributions made into your superannuation fund up to the cap of $30,000 is an income tax deduction against your assessable income.

Since 1 July 2017, you are now able to make concessional contributions to your superannuation fund regardless of how your income was received. This means even if you are not self-employed, you can still make an eligible concessional contribution and have the amount deductible in your tax return if you are under 75 years of age.

From 1 July 2022, if you are under 67 years old, you will no longer need to meet the work test to make or receive non-concessional super contributions and salary sacrifice contributions. If you are 67 to 74 years old, you will, however be required to meet the work test in order to claim a personal superannuation contribution deduction.

MORE ON SUPERANNUATION

The annual concessional contributions cap is now $30,000 for all individuals. For those with a super balance of less than $500,000 at the end of June 30 in the previous year, the new rules allow you to carry forward your unused concessional contributions cap amounts for the prior 5 years.

Unused amounts are available for a maximum of 5 years and expire after this. Super balance rules apply so please be sure to check with us. If you have had more than one job during the financial year, you should make sure that you have not exceeded your concessional contribution cap as excess contribution amounts will be taxed at the marginal tax rate plus an excess concessional contributions charge.

To claim deduction for superannuation contributions in your income tax return, you must provide a signed notice (Section 290-170 notice) to your superannuation fund to notify them of your intention.

You must receive an acknowledgement notice from the fund confirming your contribution, prior to the lodgment of your individual income tax return. Your Accountant will need to see the notice from your super fund about your contributions.

After-Tax Super Contributions — Non Concessional

For people under 65, non-concessional contributions may be up to $360,000 over a 3-year period depending on their total superannuation balance.

If you make contributions above the annual non-concessional contributions cap you may be eligible to automatically access future year caps. This is known as the bring-forward arrangement. It allows you to make extra non-concessional contributions without having to pay extra tax, if you meet certain eligibility conditions.

If your total super balance is equal to or more than the general transfer balance cap ($1.7 million from 2021-22, $1.9 million from 2023-24, $2 million from 2025-26) at the end of the previous financial year, your non-concessional contributions cap is nil ($0) for the current financial year.

SUPERANNUATION CONTINUED...

Members are not eligible to make non-concessional contributions once they are 75 or older. The 2021 Federal budget made changes to the ability of older Australians to make downsizer and other contributions.

Due to the strict rules and regulations around superannuation funds and member contributions we advise you to contact us prior to making any non-concessional contributions as excess contributions will be taxed at 47%.

BEWARE OF DIV 293 TAX

Individuals with adjustable taxable income over $250,000 will be subject to an additional 15% tax on their taxable superannuation contributions.

Medicare Levy Surcharge

Singles and families who do not have adequate private health insurance cover may be liable for the Medicare levy surcharge. This is determined by the income thresholds, set out in the table below.

Ensure you have appropriate private health insurance going forward to avoid paying the Medicare levy surcharge.

MLS income thresholds and rates for 2024-25

Threshold	Base tier	Tier 1	Tier 2	Tier 3
Single threshold	$97,000 or less	$97,000 - $113,000	$113,001 - $151,000	$151,001 or more
Family threshold	$194,000 or less	$194,001 - $226,000	$226,001 - $306,000	$302,001 or more
Medicare levy surcharge	0%	1%	1.25%	1.5%

The family income threshold is increased by $1,500 for each MLS dependent child after the first child.

MOTOR VEHICLES

If you use your own car for work purposes, you can claim a deduction using the cents per kilometre method or logbook method.

If you use someone else's car for work purposes, you can only claim for direct costs you pay for, such as fuel.

You can claim a deduction for car expenses if:

- You use your car in the course of performing your work duties
- You attend work-related conferences or meetings away from your normal workplace
- You travel directly between 2 separate places of employment and 1 of the places is not your home
- You travel from your normal workplace to an alternative workplace and back to your normal workplace
- You travel from your home to an alternative workplace and then to your normal workplace
- You perform itinerate work

You can't claim a deduction for normal daily journeys between home and work except in limited circumstances where you carry bulky tools or equipment that:

- Your employer requires you to use for work
- You cannot leave at work.

If travel is partly private, you can only claim the work-related portion.

MOTOR VEHICLES CONTINUED...

- You used the car during the year.
- You need written evidence for all other expenses of the car.

Your vehicle is not considered a car if it is a motorcycle or a vehicle with a carrying capacity of:

- 1 ton or more, such as a utility truck or panel van
- 9 passengers or more, such as minivan

Keep receipts for your actual expenses. You cannot use the cents per kilometre method for commercial vehicles. While it is not a requirement to keep a logbook, it is the easiest way to show how you have calculated your work-related use of the vehicle.

KEEPING A LOGBOOK

Your logbook must cover at least 12 continuous weeks. If you started using your car for work-related purposes less than 12 weeks before the end of the year, you can extend the 12-week period into the next financial year.

If you are using logbook method for 2 or more cars, keep a logbook for each car and make sure they cover the same period.

Your 12-week logbook is valid for 5 years. However, if your circumstances change (e.g., you change jobs) and the logbook is no longer representative, you will need to complete a new 12-week logbook.

Home Office Deductions

1. WFH – Rate change

The revised fixed rate method allows you to claim 70 cents per hour you work from home for the expenses listed below. You no longer require a dedicated home office to use this method. Expenses included in the revised fixed rate are:

- data and internet
- mobile and home phone usage
- electricity and gas
- computer consumables (e.g., printer ink)
- stationery

You can't claim a separate deduction for any of the expenses the revised fixed rate includes.

You can claim a separate deduction for:

- the decline in value of assets used while working from home, such as computers and office furniture
- the repairs and maintenance of these assets
- cleaning (only if you have a dedicated home office).

RECORD KEEPING

The Australian tax system relies on taxpayers self-assessing. That means you are responsible for working out how much you can declare and claim on your tax return. You also need to be able to show how you arrived at these figures – in some cases, you may be required to provide written evidence.

You can keep your records in paper or digital format. If you make paper or digital copies, they must be a true and clear copy of the original.

How long to keep your records

Generally, you must keep your written evidence for 5 years from the date you lodge your tax return.

These are some more specific situations. If you:

- value (formerly known as depreciation) – keep records for the 5 years from the date of your last claim for decline in value
- acquire or dispose of an asset – keep records for the 5 years after disposal.

WHAT'S NEXT?

Tax rules are certainly complex. At Accountants 2 Business, we break down the complex and explain your options clearly. We recommend that you book a meeting to see 1 of our experienced tax experts.

> *"Today, it takes more brains and effort to make out the income-tax form than it does to make the income!"*
>
> \- Alfred E. Neuman

Disclaimer: The information in this booklet is general in nature and might not be right for your circumstances. Please arrange a meeting with 1 of our Accountants to discuss your particular needs.

Ph (07) 3823 2344

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Accountants 2 Business

2 Loraine St, Capalaba, Queensland
Phone: (07) 3823 2344
Email: info@accountantbusiness.com.au