

UPDATED FOR
2016–2017

Fully tax-deductible

FOR ALL
TAXPAYERS,
WHETHER YOU:
• LODGE YOUR TAX ONLINE
VIA MYTAX OR E-TAX
• SEEK THE HELP OF A TAX PROFESSIONAL

101 WAYS TO SAVE MONEY ON YOUR TAX

Legally!

ADRIAN RAFTERY



WILEY

101 WAYS TO SAVE MONEY ON YOUR TAX *Legally!*

Updated for 2016–2017

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Dedicated to Amee Meredith, my wife's best friend, who selflessly gave birth to our daughter Zoe via surrogacy in November last year. Thank you.

About the author

Adrian Raftery (PhD, MBA, B Bus, FCA, CFP, F Fin, CTA, MAICD), aka Mr Taxman, is fast becoming one of Australia's leading commentators on all matters relating to tax and finance. With regular columns in various investment magazines, a senior lecturer position at Deakin University and frequent appearances on TV and in the media, Adrian is Australia's newest financial expert.

Part of Adrian's 'tax' appeal as a financial media commentator is due to his personable and approachable style. Just as importantly, Adrian's 25 years' experience as an award-winning accountant working with small and medium businesses, and as a personal tax expert, means he has the relevant knowledge and experience to give qualified advice.

Adrian is considered so good at what he does that he is one of the youngest Australian accountants to have advanced to

Fellowship with the Institute of Chartered Accountants at the age of 33 and had an award-winning Sydney accountancy firm at just 25! Adrian is also one of the country's leading experts on the rapidly growing Australian superannuation industry as he completed a PhD on self managed superannuation funds. These factors and Adrian's ability to translate complicated tax, superannuation and finance jargon into understandable and workable solutions are probably why 'Mr Taxman' is frequently called upon for his viewpoints by the Australian media.

How to use this book

This book is designed to be of benefit to 99.9 per cent of taxpayers. If you have an investment property, own a share portfolio, have money in superannuation, have a family, work as an employee or run your own business, there will be something in here for you.

While it is extremely unlikely that all 101 tips will be applicable to you, your family or your business, just feel comfortable knowing that one tip alone will be more than enough to pay for the investment you make in buying this book. This book has been written to take into account all phases of life, so if you find that only a few tips apply to you right now, don't worry because more tips will become relevant as you grow older. Make sure that you consult your own adviser to assess your own particular needs before implementing any of these tips.

If there is one constant with tax, it is change. That is why I update this book every year to take into account the latest

federal budget changes in May. If you intend to use this book as a reference guide over a number of years, you should always check the latest tax legislation for the current figures and thresholds.

Remember that tax planning should be a year-round exercise, not merely one that's done in the last few weeks before 30 June. A lot of these strategies are just as useful on 1 July as they are on 30 June.



Tip

When you see this box throughout the book, it will provide you with a handy suggestion in relation to the particular money-saving strategy.

Tax fact

When you see this box throughout the book, it will provide you with an interesting fact.



Pitfall

When you see this box throughout the book, it will outline a potential pitfall in relation to this money-saving strategy that you need to look out for.

Bonus resources

When you see this box throughout the book, it will provide you with a tool or a calculator available on my website www.mrtaxman.com.au to help explain or work out a strategy.



FAQ

When you see this box throughout the book, it will provide you with an answer to a frequently asked question that I have received from readers of previous editions of this book.



Proposed change

When you see this box throughout the book, it will outline a tax change which has been proposed by the government but has not been put through as legislation as at date of publication. Before making any decisions, ensure that you check the status of these proposed changes as there may be variations to the original proposal as it passes through both houses of parliament.

Introduction

Four years ago, my wife and I were extremely fortunate to celebrate the birth of our son Hamish via a friend who acted as a surrogate mum. Before we started the surrogacy process, I remember her telling us that she had a gift to bear children, but 'a gift is not a gift unless it is given'.

I feel the same way about this book. Ever since I started working as an accountant at the age of 18, I have had a gift (some would say it is a curse) for understanding tax. But as a gift should be given, I have decided to share some great tax tips with you for a small tax-deductible fee (that is, the price of this very cheap book!).

This book has two objectives. First, I would like to help maximise everyone's refunds by making you more aware of the different ways that are available to help you save money on your tax legally. Second, through the setting of boundaries, I wish to reduce the amount of fraudulent claims made so that we all pay a fairer share of tax.

My motivation for writing this book was the number of families out there who didn't understand all the different types of

government benefits and tax concessions that were available to them. I hope that this book will help reduce the confusion and that you will start claiming more of what you are legally entitled to.

This book is split into various parts in line with some key areas surrounding your finances:

- ▶ you and your family
- ▶ your employment
- ▶ your education
- ▶ your investment property
- ▶ your shares
- ▶ your superannuation
- ▶ your business.

In each part I will share with you a number of tips and strategies that you can implement to save money on your taxes — legally!

You should leave no stone unturned in your quest to legally minimise your tax. While everyone should pay their fair share of tax, Kerry Packer summed it up best when he famously said 'don't tip them!'

Now I don't expect that every single tip will be applicable to every single person out there but I am confident that there will be at least one tip that will save you more than the cost of this book. Some tips will maximise your refund, others will minimise your tax, while others will simply save you money. Some may save you millions over a lifetime, others just a few dollars. But times are tough and every dollar counts.

Whatever you get out of this book, I hope it is positive and not too taxing! And this is my gift to you.

Mr Taxman

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Part I

You and your family

From marriage and children right through to divorce, retirement and ultimately death, all families encounter many life-changing events. And in nearly all of these events, there are tax consequences along the way.

The Australian tax system offers a range of tax benefits including credits, refunds, offsets and bonuses to support families. Some people feel ambivalent about putting their hand out for government entitlements. But don't be shy in claiming your fair share. After all, the government doesn't get shy when it comes to taxing you!

Tax fact

Tax evasion and tax avoidance are *illegal* ways of reducing your tax payable. Tax planning and tax minimisation are *legal* ways of reducing your tax payable.

Part I looks at the tax concessions available to families, the special considerations you need to look out for, as well as some simple strategies to save tax within your family.



Tip

You need a tax file number (TFN) to be eligible for any of these tax concessions, as do your spouse and your children if they have income, superannuation or investments.

1

Marriage

Accountants are frequently asked two questions by couples who are just about to get married: 'Are there any tax implications once we tie the knot?' and 'Do we need to start doing joint tax returns?'

Your wedding day is a special day. So I'm perplexed as to why on earth the bride and groom are thinking about the ATO during such an exciting time in their lives!

You don't need to worry about tax in the lead-up to your nuptials. Unless you are involved in a business together, you don't have to lodge a combined tax return. Any share of joint investments, such as interest, dividends and rental properties, is still recorded separately in your respective tax returns.



Tip

You don't have to lodge a combined tax return if you're married. Any joint income is recorded separately in your respective tax returns.