End of Financial Year Strategies – 2019/20

The period ahead of 30 June is an opportunity to take advantage of strategies to boost superannuation and minimise tax. Below is a quick reference guide to some opportunities to consider – as always please call our office for further information.

The information in this document is divided into sections:

Section	Relevant to	Relevant strategies
A	Employees/self-employed/those earning taxable income who want to pay less tax	1,2,3
B	Those seeking to boost their superannuation	1,2,4,5,6,7,8
C	Those wanting to boost their spouse's superannuation tax effectively	5,6
D	Those seeking a superannuation top up from the government	7,9

Key issues to be mindful of:

- The tax rate in superannuation is a flat 15%. Pre-tax contributions to superannuation are also taxed at 15%.
- There are caps (pre-tax and post-tax) on the amount that can be contributed to superannuation each financial year.
- Funds contributed to superannuation can't be accessed until you reach your preservation age and meet a condition of release.
- Any superannuation contributions must be received by your fund before 30 June 2020 to count as a contribution this financial year.
- Different strategies from prior years may apply in 2019/20 if your taxable income has been impacted by COVID-19.
- JobKeeper and JobSeeker benefits are considered taxable income.

SECTION A – STRATEGIES TO LEGALLY REDUCE TAX

The below strategies are relevant to employees, self-employed and/or those with taxable income who are seeking to (legally) pay less tax.

	Strategy	Of relevance to	Potential benefits	Issue(s) to consider	How to use this strategy
1	Make a pre-tax contribution to superannuation	Those seeking to reduce their tax by making pre-tax contributions to superannuation (eg: salary sacrifice)	Boosting your superannuation balance and paying less tax	The cap for pre-tax contributions (including salary sacrifice and employer contributions) is $25,000 each financial year. Some may be able to contribute more than $25,000 in 2019/20 (a 'catch up' contribution) if their pre-tax contribution in 2018/19 was less than $25,000 and their superannuation balance on 30/6/19 was less than $500,000.	Speak with your employer/payroll team or else contact our office for assistance. Please contact our office before making a 'catch up' contribution to ensure that you qualify.
2	Make a tax deductible contribution to superannuation	Those seeking to reduce their tax by making a tax deductible contribution to superannuation – perhaps from accumulated savings	Boosting your superannuation balance and paying less tax	Deductible contributions also fall under the $25,000 cap for pre-tax contributions	Contact our office for information on how to contribute to your superannuation account
3	Tax effective strategies	Those who are seeking to minimise their tax liability in the current financial year. Those who expect to have a higher tax liability this financial year than next.	Paying less tax in the current financial year	It may be possible to bring forward some deductible expenses into the current financial year rather than paying them next financial year. Examples include the prepayment of interest on an investment loan or the costs of maintenance or repairs to investment properties.	Please contact our office for more information or contact your accountant for issues that may be relevant to you.

	Strategy	Of relevance to	Potential benefits	Issue(s) to consider	How to use this strategy
		Those who can claim a tax deduction for insurance premiums. Those who have tax deductible expenses. Those with a taxable income higher than $250,000. Small-medium business owners who have spent up to $150,000 on business assets.		Income protection insurance premiums (where the policy is held outside superannuation) and insurance premiums for business purposes are generally tax deductible in the year in which the expense is incurred. Donations to charity are an example of tax-deductible expenses that can be claimed in the current financial year if made before 30 June 2020. Those with an income in excess of $250,000 (inclusive of fringe benefits and taxable superannuation contributions) are liable for Division 293 tax, whereby their pre-tax contributions to superannuation incur an additional 15% tax. Businesses with an annual turnover under $50 million may be able to obtain an instant tax write-off for business assets of up to $150,000 acquired in the current financial year.	

SECTION B – STRATEGIES TO BOOST SUPERANNUATION

The below strategies are relevant to those who wish to boost their superannuation savings. Superannuation is typically a tax-free investment for retirees.

	Strategy	Of relevance to	Potential benefits	Issue(s) to consider	How to use this strategy
1	Make a pre-tax contribution to superannuation	Those seeking to reduce their tax by making pre-tax contributions to superannuation (eg: salary sacrifice)	Boosting your superannuation balance and paying less tax	The cap for pre-tax contributions (including salary sacrifice and employer contributions) is $25,000 each financial year. Some may be able to contribute more than $25,000 in 2019/20 (a 'catch up' contribution) if their pre-tax contribution in 2018/19 was less than $25,000 and their superannuation balance on 30/6/19 was less than $500,000.	Speak with your employer/payroll team or else contact our office for assistance. Please contact our office before making a 'catch up' contribution to ensure that you qualify.
2	Make a tax deductible contribution to superannuation	Those seeking to reduce their tax by making a tax deductible contribution to superannuation – perhaps from accumulated savings	Boosting your superannuation balance and paying less tax	Deductible contributions also fall under the $25,000 cap for pre-tax contributions	Contact our office for information on how to contribute to your superannuation account
4	Make a post-tax contribution to superannuation	Those with accumulated savings or proceeds from asset sales that they wish to secure in a tax effective environment	Maximising savings in a tax effective environment	The cap for post-tax contributions is $100,000 each financial year or $300,000 over 3 consecutive financial years if aged under 65. Only those with a superannuation balance under $1.6m can make post-tax contributions to superannuation.	Contact our office for information on how to contribute to your superannuation account

	Strategy	Of relevance to	Potential benefits	Issue(s) to consider	How to use this strategy
5	Split pre-tax superannuation contributions between spouses	Those who wish to increase the balance of their spouse's superannuation	If one spouse has earlier access to super, or to work within the limits on pension accounts, or possibly for Centrelink reasons	The spouse receiving the split must be aged under 65, or if they've reached their preservation age but are under 65 then they mustn't have retired. Generally, the maximum split is 85% of the pre-tax contributions made by the spouse making the split from their superannuation (up to the contributions cap). The split must be made no later than the end of the financial year after the year in which the contribution was made (ie: before 30 June 2020 for contributions made in the 2018/19 financial year).	Please contact our office for information
6	Make a post-tax contribution of up to $3,000 to a spouse's superannuation	Those couples where one spouse has a taxable income this financial year below $40,000 and where the other spouse incurs tax on their income	A tax offset of up to $540 applies for the spouse making a contribution to their spouse's superannuation.	The maximum applicable post-tax contribution is $3,000 (18% x $3,000 = $540). The maximum offset only applies to a spouse with an assessable income of $40,000 or less in the current financial year. The maximum offset tapers off for assessable income above $37,000. The offset will be lower than $540	Please contact our office for information

	Strategy	Of relevance to	Potential benefits	Issue(s) to consider	How to use this strategy
				if your spouse's assessable income is between $37,000 and $40,000. The spouse receiving the contribution must be aged under 65, or must meet the work test if aged between 65 and 70. The contribution will count toward their post-tax contributions cap.	
7	Receive a superannuation co-contribution from the government	Those with a taxable income this financial year below $53,564	A maximum co-contribution of $500 applies to those who contribute $1,000	The maximum co-contribution tapers off for assessable income above $38,564. The co-contribution will be lower than $500 if your assessable income is between $38,564 and $53,564. The recipient must be aged 70 or under on 30 June 2020 and must lodge a tax return for the financial year. Contributions attracting a co-contribution count towards the non-concessional contributions cap.	Please contact our office for information
8	Reduce superannuation pension payments	Those receiving a pension from their superannuation who don't require the full amount of the income stream.	By drawing a lower level of income, more will be preserved within superannuation.	The normal minimum pension levels have been halved for the 2019/20 and 2020/21 financial years.	Please contact our office and we'll liaise with your superannuation fund.

SECTION C – STRATEGIES TO BOOST YOUR SPOUSES'S SUPERANNUATION

The below strategies are relevant to those who wish to boost their spouse's superannuation savings in tax effective manner.

	Strategy	Of relevance to	Potential benefits	Issue(s) to consider	How to use this strategy
5	Split pre-tax superannuation contributions between spouses	Those who wish to increase the balance of their spouse's superannuation	If one spouse has earlier access to superannuation, or to work within the limits on pension accounts, or possibly for Centrelink reasons	The spouse receiving the split must be aged under 65, or if they've reached their preservation age but are under 65 then they mustn't have retired. Generally, the maximum split is 85% of the pre-tax contributions made by the spouse making the split from their superannuation (up to the contributions cap). The split must be made no later than the end of the financial year after the year in which the contribution was made (ie: before 30 June 2020 for contributions made in the 2018/19 financial year).	Please contact our office for information
6	Make a post-tax contribution of up to $3,000 to a spouse's superannuation	Those couples where one spouse has a taxable income this financial year below $40,000 and where the other spouse incurs tax on their income	A tax offset of up to $540 applies for the spouse making a contribution to their spouse's superannuation.	The maximum applicable post-tax contribution is $3,000 (18% x $3,000 = $540). The maximum offset only applies to a spouse with an assessable	Please contact our office for information

	Strategy	Of relevance to	Potential benefits	Issue(s) to consider	How to use this strategy
				income of $40,000 or less in the current financial year. The maximum offset tapers off for assessable income above $37,000. The offset will be lower than $540 if your spouse's assessable income is between $37,000 and $40,000. The spouse receiving the contribution must be aged under 65, or must meet the work test if aged between 65 and 70. The contribution will count toward their post-tax contributions cap.	

SECTION D – STRATEGIES TO RECEIVE A BOOST FROM THE GOVERNMENT

The below strategies are relevant to those who wish to get a boost to their superannuation from the government.

	Strategy	Of relevance to	Potential benefits	Issue(s) to consider	How to use this strategy
7	Receive a superannuation co-contribution from the government	Those with a taxable income this financial year below $53,564	A maximum co-contribution of $500 applies to those who contribute $1,000	The maximum co-contribution tapers off for assessable income above $38,564. The co-contribution will be lower than $500 if your assessable income is between $38,564 and $53,564. The recipient must be aged 70 or under on 30 June 2020 and must lodge a tax return for the financial year. Contributions attracting a co-contribution count towards the non-concessional contributions cap.	Please contact our office for information
9	Maximise Centrelink benefits	Those who currently receive, or who will shortly receive, a benefit from Centrelink. Centrelink beneficiaries who have gifted less than $30,000 over the last 5 financial years.	Increased eligibility for Centrelink benefits	Centrelink beneficiaries who haven't made any gifts over the last 5 financial years could gift $10,000 on or before 30 June 2020 and another $10,000 on or after 1 July 2020 to reduce their Centrelink asset base by $20,000 while staying within the gifting guidelines.	Please contact our office for information and/or to see if you may qualify for this strategy

	Strategy	Of relevance to	Potential benefits	Issue(s) to consider	How to use this strategy
		Centrelink beneficiaries whose spouse is under Centrelink age pension age.		Amounts spent on home improvements or renovations will reduce your asset base for Centrelink purposes. Contributing to the superannuation of a spouse under Centrelink age pension age can also be effective as can withdrawing superannuation funds from a spouse receiving an age pension and re-contributing them to a spouse under Centrelink age pension age.	