HOW TO MAKE THE MOST OUT OF YOUR TAX RETURN

July 4, 2011, 3:08 pm

Keep more money in your pocket with our go-to guide to getting the most back from the tax man.

You'd rather watch the SBS test pattern than do your tax. We understand. But it's got to be done and if done well, a tax return can serve up a bumper refund. "Most people don't take all the deductions they're owed because they don't know any better and don't ask," observes Rhondalynn Korolak, lawyer, chartered accountant and author of Financial Foreplay (**www.imagineeringunlimited.com**, $34.95). Enlist a reputable accountant, browse the user-friendly Australian Taxation Office (ATO) website* for legitimate deductions relating to your job (expenses that haven't already been reimbursed by your employer), and throw your receipts in a box – it's that simple.

Tax Deductions

Gifts: Own a business? You can buy gifts for employees, clients or business partners valued up to $300 (per person, per occasion) and deduct it from your taxable income. "It has to be random; you can't buy your spouse a gift every Friday," warns Tony Melvin, co-author of How To Legally Reduce Your Tax (HarperCollins, $26.99). Be sure to keep the receipt and visit **www.ato.gov.au** for more details.

Study: If you're employed but under-going further study connected to your job, you should be claiming self-funded study expenses. According to the ATO, you can deduct textbooks, stationery, the depreciation of your computer and repair costs, student union fees, and even meals if the study keeps you away from home overnight.

Top Ways To Reduce Your Tax

Magazines: You read right. If you buy mags, journals or other publications relating directly to your career, you can deduct up to $300 worth. For example, if you're a fashion stylist, you may be able to claim a subscription to *marie claire*. You can even claim any online subscriptions – just remember to keep those receipts.

Property costs: If you're renting out an investment property, you can claim a host of associated expenses, such as advertising for tenants, upkeep of grounds, body corporate fees, property agent fees and even pest control. You can deduct borrowing expenses like stamp duty on the mortgage, loan establishment fees and mortgage broker fees. Renovating? Extensions and alterations may be eligible as capital works deductions. Finally, you can claim regular maintenance costs like painting and plumbing; even the cost of travelling to inspect your property is deductible.

Shares: You can't deduct the purchase of shares, but you can claim the interest on money you borrowed to buy them. Management fees and specialist journals are also deductible. "Should you own a stock that's now worth less than what you paid for it, you can sell it and claim the amount as a reduction of taxable income," explains Korolak. "So, if you bought a stock for $50 per share and it's gone down to $40, sell it now and take the $10 capital loss. You can always buy it back in the new financial year."

Salary sacrifice: Instead of splurging on a new car or computer with after-tax dollars, talk to your employer about salary sacrificing, suggests Melvin. The company might agree to buy the item with your pre-tax dollars – withdrawn from your salary – providing you need the item to generate income. Or, you could ask your payroll manager to withhold slightly more tax, adds Korolak. It's like an automatic savings scheme. "Nobody misses a few dollars on their monthly pay cheques. At the end of the year when you compute your return, you'll get a chunk of extra money," she says.

Share the love: If you're married or in a de facto relationship, ask your accountant about sharing deductions; the partner with the highest taxable income should claim the most expenses. "If a stay-at-home mum is making $6000 a year from investments, for example, you don't want to load up her tax return with reductions because she's not going to get anything back from it," points out Korolak.

Be a super contributor: Pay now, spend later: if you make voluntary contributions to your superannuation fund and you earn less than $61,920 a year, the government will match your contributions dollar for dollar (up to $1000). Bonus: you won't be taxed on that co-contribution. Even if you don't qualify for the co-contribution scheme, you'll only be taxed 15 per cent on any extra super contributions you make – which is, most likely, much less tax than you pay on your income.

Post a comment

Do you have a Yahoo! ID? **Sign in** | **Sign up**