2025 TAX PLANNING GUIDE

MANAGING THE TIMING OF INCOME AND DEDUCTIONS CAN HAVE A SIGNIFICANT IMPACT ON YOUR TAXABLE INCOME

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ATO TARGET AREAS

The ATO has continued its focus on substantiating deductions and claims. It is now more important than ever to keep proper and accurate records. This includes:

- **Motor vehicle logbooks** that clearly show business vs private usage
- **Receipts for all deductible items** – don’t rely on bank statements alone
- **Evidence for travel and meal allowances –** this means keeping proof of expenditure, even if you receive a ‘reasonable’ allowance
- **Home office expense diary** showing hours worked from home
- **Phone usage diary** to determine business vs private use

WORK RELATED DEDUCTIONS

TIP - HOME OFFICE EXPENSE

If you work from home, you can claim expenses using one of two methods:

Revised Fixed Rate Method

- The fixed rate has increased to $0.70 per hour (previously $0.67).
- This rate covers electricity, internet, phone, and office consumables.
- You must keep a diary of hours worked to use this method

Actual Cost Method

- You can choose to claim the actual running costs (e.g. electricity, internet, stationery).
- Requires detailed records including invoices, receipts plus an accurate diary of hours worked.

Note - You can choose the method that gives you the best outcome!

TIP - MOTOR VEHICLE EXPENSES

If you use your personal motor vehicle for work-related purposes, you may be eligible to claim a tax deduction. However, private travel (such as commuting between home and work) is generally not deductible.

There are two methods you can use to calculate your motor vehicle deduction:

Logbook Method

This method allows you to claim a percentage of your actual car expenses, based on your work-related use.To use this method, you must:

- Maintain a logbook for a continuous 12-week period that represents your usual travel.
- Retain invoices and receipts for all motor vehicle running costs

Cents-Per-Kilometre Method

This method is simpler and doesn’t require receipts for individual car expenses, but you still must be able to demonstrate how you calculated the kilometres.

- You can claim up to 5,000 business kilometres per vehicle per year.
- The rate for the 2025 financial year is $0.88 per kilometre.
- A logbook is not required, but you must have a reasonable basis for your claim

TIP - KEEP THOSE RECEIPTS

Don’t forget to keep your invoices or receipts for any work-related expenses. Such as Uniforms, training course, professional memberships, union fees, learning materials as these may also be tax deductible.

TIP - INCOME PROTECTION INSURANCE

Income protection policies held in your personal name are tax deductible. These are a great way to protect your income and gain a tax deduction.

INVESTMENT PROPERTY DEDUCTIONS

TIP - PREPAY EXPENSES

Some expenses can be prepaid up to 12 months in advance and claimed this financial year.

Consider prepaying the following before 30 June 2025:

- Loan interest (confirm with your lender to ensure eligibility)
- Property management fees
- Insurance (building, contents, landlord)
- Repairs and maintenance
- Property-related subscriptions (such as online platforms)

TIP - PROPERTY DEPRECIATION REPORT

If you’ve recently purchased or constructed an investment property, consider obtaining a Quantity Surveyor Report. This allows you to claim:

- Building depreciation
- Capital works (like structural improvements)

These reports can provide significant tax deductions over time.

TIP - DEFER INVESTMENT INCOME

If practical for your circumstances, consider delaying the sale of investments or receipt of investment income until after 30 June 2025 to defer the tax impact.

Note - The Contract Date (not the Settlement Date) is generally the key date used for CGT purposes.

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SUPERANNUATION

Superannuation remains one of the most tax-effective ways to save for retirement. With several incentives available from the Government, now is the time to review your super contributions before 30 June 2025 to ensure you're maximising your tax position and retirement savings.

TIP - PERSONAL SUPERANNUATION CONTRIBUTIONS

The tax-deductible superannuation contribution cap has increased to $30,000 (up from $27,500). This cap includes any employer contributions and applies to individuals under 67. If you are 67 or older, you must meet the work test to make deductible contributions.

Concessional contributions to your super fund are taxed at 15% if your income is below $250,000. If you are still working, consider making a personal contribution to reduce your marginal tax rate.

To do this, review your employer, salary sacrifice, and personal contributions year-to-date. Estimate your total contributions by 30 June 2025 and, if under the cap, pay the difference as a personal contribution before that date.

Important: Check your super fund's cut-off dates before making any top-up payments.

TIP - GOVERNMENT CO CONTRIBUTION

If you earn $45,400 or less and at least 10% of your income comes from employment or running a business, the Government will contribute up to $500 to your super fund when you make a $1,000 non-concessional contribution.

If your income is between $45,400 and $60,400, you may still receive a reduced Government co-contribution with a $1,000 non-concessional contribution.

TIP - SPOUSE CONTRIBUTION

You can make super contributions on behalf of your spouse (married or de facto), provided you meet eligibility criteria, and your super fund allows it. Doing this not only helps to boost your spouse's retirement savings, but it can also help you save tax if your spouse has limited income as you will be entitled to a tax offset.

You may be eligible for a tax offset of up to $540 on super contributions of up to $3,000 that you make on behalf of your spouse if your spouse's income is $37,000 p.a. or less. The offset gradually reduces for income above $37,000p.a. and completely phases out at $40,000 p.a. and above.

TIP - CARRIED FORWARD CONTRIBUTION

If your total superannuation balance is less than $500,000 at the start of the financial year, you can also access unused concessional contributions caps on a rolling basis for 5 years. Carry-forward contributions are not a new type of contribution; they allow superfund members to use any of their unused concessional contributions. Again, please contact us, your superfund or financial advisor prior to making the contribution to confirm your available limit at the time.

Final Chance - Any unused cap from the 2019–2020 financial year will expire permanently after 30 June 2025, so now is the time to carefully consider this option.

TIP - HIGH INCOME EARNERS - DIV293

Div 293 tax is an Australian tax that applies to high-income earners earning over $250,000.

Super contributions are usually taxed at 15% (concessional tax rate). For high-income earners, this is seen as a disproportionately large benefit compared to lower income earners.

Div 293 tax adds an extra 15% tax, effectively doubling the tax on concessional contributions, however lower than the marginal tax rate and Medicare levy of 47%.

Income seen as Division 293:

- Taxable income (including salary, business income, and net investment income)
- Reportable fringe benefits
- Total net investment losses
- Reportable super contributions
- Certain other adjustments (e.g. from trusts)
- Capital Gains Income

The 15% Division 293 tax applies to:

- Employer super contributions (e.g., SG contributions)
- Salary sacrifice contributions
- Personal contributions that you claim as a tax deduction