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What's new

Redesigned personal income tax cuts

The new rates
From 1 July 2024, new personal income tax rates and thresholds come into effect. The changes are the final stage of the three-stage personal income tax plan designed to address the issue of 'bracket creep' - tax rates not keeping pace with growth in wages and increasing the tax paid by individuals over time.

The Stage 3 tax cuts were redesigned and realigned to benefit lower income taxpayers who have been disproportionately impacted by cost-of-living pressures. While those on higher incomes will benefit less than they would have under the original stage 3 plan, from 1 July every taxpayer will receive some benefit from the changes.

Resident individual taxpayers		
Tax rate	**2023-24**	**2024-25**
0%	$0 – $18,200	$0 – $18,200
16%		$18,201 – $45,000
19%	$18,201 – $45,000	
30%		$45,001 – $135,000
32.5%	$45,001 – $120,000	
37%	$120,001 – $180,000	$135,001 – $190,000
45%	>$180,000	>$190,000

The opportunity
The reduction in personal income tax rates present a one-off opportunity to reduce your tax liability by bringing forward deductions into 2023-24 at the higher tax rate such as topping up your superannuation by making a one-off concessional contribution and donations to charity.

Medicare levy low-income threshold

The Medicare levy low-income thresholds for singles, families, seniors and pensioners will increase from 1 July 2023. The threshold was backdated to 1 July 2023 in the recent 2024-25 Federal Budget. This means that you will be able to earn more before having to pay the 2% Medicare Levy.

Threshold	2022-23	2023-24
Singles	$24,276	$26,000
Family	$40,939	$43,846
Single seniors & pensioners	$38,365	$41,089
Family seniors & pensioners	$53,406	$57,198
Each dependent child or student (increase to family threshold	$3,760	$4,027

Superannuation Guarantee increases to 11.5%

The Superannuation Guarantee (SG) rate will rise from 11% to 11.5% on 1 July 2024 and will continue with a final increase to 12% on 1 July 2025.

What this will mean to you depends on the terms of your employment agreement. If your employment agreement states you are paid on a 'total remuneration' basis (base plus SG and any other allowances), then your take home pay might be reduced by 0.5%. That is, a greater percentage of your total remuneration will be directed to your superannuation fund. For those paid a rate plus superannuation, then your take home pay will remain the same, but your superannuation balance will benefit from the increase. If you are used to annual increases, the 0.5% increase might simply be absorbed into your remuneration review.

$300 energy credit

In the 2024-25 Budget, the Federal Government announced that households will receive a credit of $300 on their energy bills credited as automatic quarterly instalments across 2024-25. The credit is in addition to any support provided by the State Governments.

This announcement has not been legislated. Until we see the details, it is difficult to tell how this credit will apply where taxpayers own multiple homes.

Changes to how indexation applies to HELP debts

Backdated to 1 July 2023, the Government will cap the HELP indexation rate to be the lower of either the CPI or the Wage Price Index (WPI). The change will apply to all HELP, VET Student Loans, Australian Apprenticeship Support Loans and other student support loan accounts that existed on 1 June 2023.

By changing the calculation of HELP indexation from 1 June 2023, the indexation rate is reduced from:

- 7.1% to 3.2% in 2023, and

- 4.7% to around 4% in 2024.

The change provides a reprieve for more than 3 million Australians with a HELP debt when the CPI indexation rate spiked to 7.1% last year.

An individual with an average HELP debt of $26,500 will see around $1,200 wiped from their outstanding HELP loans this year, pending the passage of legislation.

The ATO will issue the credits to the HELP debt account of impacted taxpayers once the amending legislation has passed Parliament.

4.2 cent electric car home charging rate

If you personally own or lease an electric car that's been used for work and use the logbook method to calculate deductible running costs, it can be challenging trying to work out the cost of electricity used in charging the vehicle at home.

The ATO has finalised some shortcut methods that helps with this. Where you meet some basic eligibility conditions, you can now choose to calculate electricity costs by the EV home charging rate, which has been initially set at 4.20 cents per kilometre.

To use this method, you must have:

- Opening and closing odometer records for the vehicle; and
- Keep one home electricity bill to help substantiate that you've incurred this cost.

The guidelines do not apply to plug-in hybrid vehicles with an internal combustion engine.

Financial Housekeeping

Superannuation

If you are making additional superannuation contributions and wish to claim a tax deduction ensure:

- The funds reach the superannuation fund and are allocated to your account prioer to June 30 (make the contribution as soon as possible as superannuation funds have cut off dates in mid June
- Lodge a Notice of intention to claim with your Superannuation Fund notifying them of the amount you are claiming as a tax deduction. This must be lodged and acknowledge before you lodge your return or before the due date of your return. If the form is not available from your fund it is available from our Website.

Bring Forward Deductible Expenditure

If you have deductible work related expenses such as tools or subscriptions purchase them prior to June 30 as the tax deduction will be more effective in 2024 with the change in tax rates.

Review Investments

If you have a Capital Gain fin 2024 review your investment portfolio to determine if there are any investments you do not wish to retain that may have a loss to offset profits.

Motor Vehicles

Ensure your log book is up to date (less than 5 years old) and still represents the business usage of your vehicle.
Ensure you have recorded the odometer reading of your motor vehicle at 30 June.

Donations

Make any donations for 2024 well before June 30. Provide a detailed list.

Areas of ATO scrutiny

Rental properties

With a recent ATO review indicating that 9 out of 10 rental property owners are making mistakes in their tax returns, rental property owners remain a key focus of the ATO this tax time. Key areas of concern include:

- **The difference between repairs and maintenance and capital improvements**. While repairs and maintenance can be claimed immediately, a deduction for capital works is generally spread over a number of years. Repairs must relate directly to the wear and tear resulting from the property being rented out and cannot be claimed for repairs required when you first purchased the property. Repairs and maintenance expenses generally involve restoring the property back to its previous state, for example, replacing damaged palings of a fence. Capital works however, such as structural improvements to the property, are deducted at 2.5% of the construction cost for 40 years from the date construction was completed. Where you replace an entire asset, like a hot water system, this is a depreciating asset and deductions are claimed over time (different rates and time periods apply to different assets).
- **Interest on loan expenses** – you can normally claim interest on the amount borrowed for the rental property as a deduction. However, where any part of the loan relates to personal expenses, or where part of the loan has been refinanced to free up cash for your personal needs (school fees, holidays etc.,), then the loan expenses need to be apportioned and only that portion that relates to the rental property can be claimed. The ATO matches data from financial institutions to identify taxpayers who are claiming more than they should for interest expenses.
- **Co-owned property –** rental income and expenses must normally be claimed according to your legal interest in the property. Joint tenant owners must claim 50% of the expenses and income, and tenants in common according to their legal ownership percentage. It does not matter who actually paid for the expenses.
- **Timing** – expenses for a rental property can only be claimed for the periods that the property was genuinely available to rent. For example, if you have a short-term rental property but you choose to use it

personally for 10 weeks over Christmas, you cannot claim expenses, including interest expenses, over this period.

Work from home expenses

If you work from home, there are two methods to claim working from home expenses:

- The actual expense method.
- The revised short-cut method

If you are using the revised short-cut method, then a rate of 67 cents per hour applies to energy expenses (electricity and gas), internet expenses, mobile and home phone expenses, and stationery and computer consumables. You can separately claim other costs, such as depreciation on computers or other running costs not referred to above.

To use the revised short-cut method, you will need a record of all of the hours you worked from home. The ATO has warned that it will no longer accept estimates or a sample diary over a four-week period. For example, if you normally work from home on Mondays but one day you have an in-person meeting outside of your home, your diary should show that you did not work from home for at least a portion of that day.

You also need to keep a copy of at least one document for each running cost you have incurred during the year which is covered by the short-cut method. This could include invoices, bills or credit card statements. Where bills are in the name of one member of a household but the cost is shared, each member of the household who contributes to the payment of that expense will be taken to have incurred it. For example, a husband and wife, or flatmates where they jointly contribute to costs.

Occupancy expenses

You cannot claim occupancy expenses such as rent, mortgage interest, property insurance, and land taxes and rates unless your home is a place of business. It is unusual for an employee's home to be classified as a place of business.

Reporting tightened for the sharing economy

It's essential that any income earned from sharing economy platforms such as Airbnb, Stayz, Uber, etc., is declared in your tax return.

Since 1 July 2023, the platforms delivering ride-sourcing, taxi travel, and short-term accommodation (under 90 days), have been required to report transactions made through their platform to the ATO under the sharing economy reporting regime. This is the first year that the ATO will have the income tax returns of taxpayers to match to this data.

All other sharing economy platforms will be required to start reporting from 1 July 2024.

This reporting regime, combined with the ATO's data matching programs, mean that if income is not declared, its likely you will receive a "please explain" request from the regulator.

Minimising the cost of end of year compliance

Having your paperwork organised always makes life much easier. Preparing your end of year documents and information prior to coming to see us will save you time and money. This is a general list of what to have ready when we next meet with you.

- Work from home diary
- Electric car details
- Income Statement
- Interest income from banks and building societies
- Dividend statements for dividends received
- Tax statements of managed investment funds
- Rental property statements from real estate agent and details of other expenditure incurred
- For share sales or purchases, the purchase and sale contract notes
- For real estate sales or purchases, the solicitor's correspondence for the purchase and sale
- Any expenses related to your work you have not claimed from your employer
- Self-education expenses
- Travel expenses
- Donations to charity
- Payments for income protection or sickness and accident insurance
- Health insurance and rebate entitlement
- Family Tax Benefits received
- Commonwealth assistance notices
- IAS statements or details of PAYG Instalments paid
- Details of any transactions involving cryptocurrency (e.g., Bitcoin)
- Details of any income derived from the sharing economy (e.g., Uber driving, rent from AirBNB, jobs completed through Airtasker etc.,)