

COMMONLY OVERLOOKED TAX DEDUCTIONS

People can often fall into old habits at tax time, without considering some of the less obvious or most recent ATO tax deductions available. Here are some commonly overlooked items.

1. Prepay expenses

You can prepay expenses such as subscriptions, business travel expenses, training events, leases, rent, phone, internet, insurance and business asset repairs, not exceeding more than one year.

2. Review your stock and inventory

Take a good look at your stock, identify any damaged or obsolete stock and write it down or write it off. This exercise will impact the value of the trading stock and your profit margins. You will also need to consider how to value your stock trading every financial year, as you may be entitled to a tax deduction when the opening stock exceeds the closing stock.

3. Review your asset acquisition

Small business and sole traders with an active ABN, whose turnover is less than \$10 million, have been given a \$20,000 immediate write-off tax deduction for each asset they have purchased.

The items purchased can be brand new or second-hand and need to relate to your business. This new deduction goes through to June 30, 2019.

4. Union fees

If you pay these each year, you're entitled to a tax deduction.

5. Donations

Donations of \$2 or more to an appropriate charitable organisation is tax deductible if you have a receipt.

6. Rental property expenses

The most forgotten deductions are: bank fees, gardening and lawn mowing, pest control, security patrol fees, secretarial and bookkeeping fees.

7. Home office expenses

If you work from home, you may be able to claim “occupancy cost” and the cost of using your personal computer, software, equipment, furniture, lighting, heating and a percentage of your rent/mortgage as a tax deduction.

However, you may not get the full main residence exemption if your home is your principal place of business.

8. Income protection insurance

You're entitled to a tax deduction for insurance premiums paid against the loss of income. This does not include life insurance, trauma insurance or critical care insurance.

9. Medical expenses

The net medical expenses tax offset is being phased out. Until 2018–19, claims for this offset are restricted to net eligible expenses for disability aids, attendant care or aged care.

10. Work-related car expenses

Business owners who use their personal car for work-related reasons, apart from driving to and from work, can usually claim fuel and maintenance costs as a tax deduction. To be eligible, you must be the owner of the car and your travel must be part of your working day.

For example: driving between offices, special trips to the post office or bank or moving from one job site to another.

11. Internet expenses

If you ever work from home and you have your internet connection in your name, then it's likely you could claim your Internet expenses as a deduction. Estimate your monthly work use as a percentage of the total household use.

12. Mobile phone expenses

As a business owner, you can claim the cost of your work-related calls, not your entire phone bill. It's a good idea to keep a logbook of when you use your personal phone, to determine the average percentage of your calls that are work-related.

13. Self-education expenses

You can claim self-education expenses if there's a connection between the course and your role in your work/business. You could be entitled to a tax deduction for expenses including the following:

- Textbooks, professional and trade journals
- Stationery
- Photocopying
- Computer expenses
- Student union fees
- Student services and amenities fees
- Accommodation and meals, only when participating in your course requires you be away from home for one or more nights
- Running expenses if you have a room set aside for self-education purposes – such as the cost of heating, cooling and lighting that room while you are studying in it
- Allowable travel expenses.

14. Sun protection

You're entitled to a tax deduction for sunscreen and/or sunglasses if, as part of your employment, you are required to work outside for prolonged periods.

There's no limit on how much you can spend on sunglasses but remember that if they are more than \$300 the ATO expects that they should then last for more than 12 months – meaning you should claim the depreciation on the glasses rather than an upfront deduction.

15. Laundry expenses

You can claim a deduction for the cost of buying and cleaning occupation-specific clothing, protective clothing and unique, distinctive uniforms.

You can use a reasonable basis to calculate an amount to claim as a tax deduction such as \$1 per load for work-related clothing, or 50 cents per load if other laundry items were included.

16. Cost of managing your tax affairs

Did you use a tax agent to prepare and lodge your tax return last year? If you did, then you can claim the amount you paid last year – on this year's return.

Still need help?

If you need help with any of these matters please feel free to contact us.

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Website version updated 26 September 2018.