# **Top 10** Ways to Save Tax Now

KNOW

You shouldn't wait for June 30 to roll around before you begin to look for ways to reduce your tax bill. For most people, tax is a significant outlay each year, and so finding ways to minimise its impact is a wise course of action. There are simple, smart and legitimate ways that you can go about reducing your tax bill, and in this article we are going to be looking at the top ten.

## 1. Keep Good Records

Before you start to get excited about what you can claim on your tax each year, you need to ensure you have the right paperwork to back it up. Making sure that you keep copies of your receipts for the items you are going to claim is crucial. Keeping good records not only helps down the line if you are audited, it also gives you the best chance of remembering all the expenses you can claim. If you take a small amount of time each week to stay on top of your records, it could save you thousands of dollars each year.

## 2. Claim Everything You Can

While we are talking records, a mistake that people often make is to not actually claim everything they are entitled to. When you purchase something for business and for personal use, you are still able to claim an apportioned amount of that item. While it might seem to be an onerous task to partially calculate claims against items, small amounts add up and any way you can decrease your tax bill, the better off you will be.

## 3. Be Charitable

One of the easiest and most rewarding ways you can reduce your tax payments each year is by giving to charity. Even small amounts can make a difference, as any donation over the cost of $2 can be listed as a deduction. All you need to do is make sure you keep a copy of any receipt that is given to you after a donation, and you can use this to claim a deduction against your taxable income.

## 4. Get Private Health Insurance

You can save big when it comes to tax time by avoiding the Medicare levy surcharge that is applied to Australian citizens each year. If you do not have private health insurance and your income exceeds $90,000 for singles or $180,000 for families, it will be a mandatory requirement that you pay a 1% Medicare levy surcharge. This will be on top of the 2% compulsory Medicare levy that is paid by all taxpayers each year. A basic private health insurance can cost less than the 1% levy depending on your annual income. When deciding on private health insurance, it is wise to do your research and select the option that suits your individual needs.

## 5. Pay off Your Mortgage

Most people like to keep a solid level of savings under their belt each year. However, you are usually taxed on your savings. A great way to avoid extra tax and reduce the amount of money you have on your home loan is to pay extra on your mortgage. By paying off your mortgage using the extra money you would normally put into your savings, you will be able to reduce your tax bill and your loan at the same time. Your overpayment would typically be available for you as a redraw should you need it down the track.

## 6. Spend Sooner

When it comes to making business purchases, June is usually the best time to buy. Most businesses offer sales driven by the impending end of the financial year. You can not only take advantage of the sale prices, but also make a claim on your expenses the following month. Approaching your business expenses in this way will keep your office running with all the latest technology, stationery, and other office supplies and needs, while saving you a fair amount of cash in the process.

## 7. Don't Forget Your Motor Vehicle

To make claims against your vehicle outlay in your tax claim, you need to ensure that you keep a logbook for a minimum of 12 weeks. This is in addition to keeping all receipts for any items that you spend on your motor vehicle throughout the year, such as services, cleaning and fuel. The tax department requires that your logbook starts on or before June 30. The best approach is to do this at the start of the financial year and record the dates, times and kilometres that you travel, as well as the reason for that travel. Taking a start-of-the-year odometer reading is also a wise idea to keep track of the total kilometres travelled that fiscal year.

## 8. Investment Property Depreciation

If you have an investment property, you will be able to save yourself tax dollars by claiming the depreciation on your property and the assets that you have in it. People often forget about claiming all the assets that they have tied up in their investment properties, such as carpets, light fittings, heating and cooling, and hot water systems. All these items are available for you to claim depreciation on. Wise investors keep a depreciation report throughout the year to track their claimable items – another great way to reduce your tax bill.

## 9. Alter Superannuation Payments

For those who play the long game, you can save on your tax bill each year and make a strong investment in your future by increasing your superannuation payments. The more super payments that you pay each year, the more it will reduce your taxable income. However, you are capped at $25,000 per year on your super payments. If you contribute more than this, you will be required to pay a very high tax level, so be sure not to go over.

## 10. Hire a Professional

The single best way to ensure you pay the least tax each year is to engage the services of a tax professional. There is no one better placed to find ways to save big each financial year. The earlier you engage with a professional, the better off you will be to make smart financial choices each year. They will be able to advise you on what records you need to keep so you can take advantage of deductions, and help you make the best decisions throughout the year.

While the end of financial year can fill people with dread, being prepared throughout the year means you will be better placed to take advantage of the savings you can make and reduce the impact on your taxable income. Think about how the end of financial year can help you with your superannuation, insurance, investments and retirement plan, as well as your tax return, and follow the steps above to make big savings.