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14TH EDITION

ADRIAN RAFTERY

101 WAYS TO SAVE MONEY ON YOUR TAX LEGALLY!

THE ESSENTIAL GUIDE FOR ALL AUSTRALIAN TAXPAYERS

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Dedicated to Bob and Sharon Murphy—two wonderful people who sadly passed away whilst I updated this year's edition.

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ABOUT THE AUTHOR

Dr Adrian Raftery (PhD, MBA, B Bus, CTA, FCA, FIPA FFA, GAICD), aka Mr Taxman, is one of Australia's leading commentators on all matters relating to tax and finance. With regular appearances on TV and in the media, Adrian is one of Australia's leading tax and financial experts.

Part of Adrian's 'tax' appeal as a financial media commentator is due to his personable and approachable style. Just as importantly, Adrian's 34 years' experience as an award-winning accountant working with small and medium businesses, and as a personal tax expert, means he has the relevant knowledge and experience to give qualified advice.

Adrian is considered so good at what he does that he was one of the youngest Australian accountants to have advanced to Fellowship with the Institute of Chartered Accountants at the age of 33 and had an award-winning Sydney accountancy firm at just 25! Adrian is also one of the country's leading experts on the rapidly growing Australian superannuation industry with work from his PhD on self-managed superannuation funds published in top-ranked international academic journals. These factors and Adrian's ability to translate complicated tax, superannuation and finance jargon into understandable and workable solutions are probably why 'Mr Taxman' is frequently called upon for his viewpoints by the Australian media.

HOW TO USE THIS BOOK

This book is designed to be of benefit to 99.9 per cent of taxpayers. If you have an investment property, own a share portfolio, have money in superannuation, have a family, work as an employee or run your own business, there will be something in here for you.

While it is extremely unlikely that all 101 tips will be applicable to you, your family or your business, just feel comfortable knowing that one tip alone will be more than enough to pay for the investment you make in buying this book. This book has been written to take into account all phases of life, so if you find that only a few tips apply to you right now, don't worry because more tips will become relevant as you grow older. Make sure that you consult your own adviser to assess your own particular needs before implementing any of these tips.

If there is one constant with tax, it is change. That is why I update this book every year to take into account the latest federal budget changes and other Government measures each year. If you intend to use this book as a reference guide over a number of years, you should always check the latest tax legislation for the current figures and thresholds.

Remember that tax planning should be a year-round exercise, not merely one that's done in the last few weeks before 30 June. A lot of these strategies are just as useful on 1 July as they are on 30 June.

TIP

When you see this box throughout the book, it will provide you with a handy suggestion in relation to the particular money-saving strategy.

TAX FACT

When you see this box throughout the book, it will provide you with an interesting fact.

PITFALL

When you see this box throughout the book, it will outline a potential pitfall in relation to this money-saving strategy that you need to look out for.

BONUS RESOURCES

When you see this box throughout the book, it will provide you with a tool or a calculator available on my website www.mrtaxman.com.au to help explain or work out a strategy.

? FAQ

When you see this box throughout the book, it will provide you with an answer to a frequently asked question that I have received from readers of previous editions of this book.

PROPOSED CHANGE

When you see this box throughout the book, it will outline a tax change which has been proposed by the government but has not been put through as legislation as at date of publication. Before making any decisions, ensure that you check the status of these proposed changes as there may be variations to the original proposal as it passes through both houses of parliament.

COVID-19 RELIEF

When you see this box throughout the book, it will outline a relief measure that the government introduced to combat the economic fallout from the coronavirus pandemic which has swept the globe since 2020. Most of these relief measures have expired as at date of publication, so only a few remain within this edition. However before you make any decisions in relation to them, ensure that you check the dates and current status as they were only designed as temporary measures and may have lapsed by the time you take action.

INTRODUCTION

Like for many people, writing a book — just one — was on my bucket list for years. So come 2010 I was really fortunate to get the opportunity to write the first ever edition of *101 Ways to Save Money on Your Tax – Legally!*

Back then I had three main objectives for the book. None of them were to make money (although my mates think that was the only reason!). First, I wanted to help maximise everyone's refunds by making you more aware of the different ways that are available to help you save money. I wanted to reduce the confusion around all the different types of government benefits and tax concessions that were available to you so that you started claiming more of what you were legally entitled to.

Second, through the setting of boundaries, I wanted to reduce the amount of fraudulent claims made so that we all pay a fairer share of tax. I am not sure what small part I played with achieving this objective but looking back at table 1.1 from the first edition it's hard to believe that the tax-free threshold was only $6000 whilst family companies paid an extra 5 per cent tax than what they will in 2024–25! Third, although this was never published, I didn't want my mates hassling me for tax tips at 2.45am when we were out having a few beers. Needless to say as time rolls on, with age and families, this objective has also been achieved!

Whilst these objectives haven't changed over the past decade — and the structure of the book is still pretty much the same — I never thought in my wildest dreams I would be writing tax tips about cryptocurrency, non-fungible tokens, decentralised finance, the sharing economy, downsizer contributions and a crazy coronavirus that would cause a pandemic around the globe. Likewise, I never thought that tax incentives such as the education tax refund and medical expense rebates would be scrapped along with travel to visit your investment property. I guess tax changes is one of the few constants in life, along with death and taxes!

This book is split into various parts in line with some key areas surrounding your finances:

- you and your family
- your employment
- your education

- your investment property
- your shares
- your superannuation
- your business.

In each part I will share with you a number of tips and strategies that you can implement to save money on your taxes—legally!

You should leave no stone unturned in your quest to legally minimise your tax. While everyone should pay their fair share of tax, the late Kerry Packer summed it up best when he famously said 'don't tip them!'

Now I don't expect that every single tip will be applicable to every single person out there but I am confident that there will be at least one tip that will save you more than the cost of this book. Some tips will maximise your refund, others will minimise your tax, while others will simply save you money. Some may save you millions over a lifetime, others just a few dollars. But times are tough and every dollar counts.

Over the years I have dedicated this book to many amazing people who have had a huge impact on my life. My mum and dad (who have both passed away); my three kids (Hamish and Zoe on earth and Sophie in heaven); my wife Kylie; my university colleagues; the Irish cricket team; my neighbours; the Allies on Kokoda; community sport umpires and officials; the Bayside Bhoys; the frontline emergency services and healthcare workers and even the Commissioner of Taxation!

But I also dedicated two editions to two amazing families who helped us have Hamish and Zoe via surrogacy (the Donavans and the Merediths). Before we started the surrogacy process, I remember one of our tummy mummies telling us that she had a gift to bear children, but 'a gift is not a gift unless it is given'.

I feel the same way about this book. Ever since I started working as an accountant at the age of 18, I have had a gift (some would say a curse) for understanding tax. But as a gift should be given, I have decided to share some great tax tips with you for a small tax deductible fee (that is, the price of this very cheap book!).

Whatever you get out of this book, I hope it is positive and not too taxing! And this is my gift to you.

Mr Taxman

PART I

YOU AND YOUR FAMILY

From marriage and children right through to divorce, retirement and ultimately death, all families encounter many life-changing events. And in nearly all of these events, there are tax consequences along the way.

The Australian tax system offers a range of tax benefits including credits, refunds, offsets and bonuses to support families. Some people feel ambivalent about putting their hand out for government entitlements. But don't be shy in claiming your fair share. After all, the government doesn't get shy when it comes to taxing you!

TAX FACT

Tax evasion and tax avoidance are illegal ways of reducing your tax payable. Tax planning and tax minimisation are legal ways of reducing your tax payable.

Part I looks at the tax concessions available to families, the special considerations you need to look out for, as well as some simple strategies to save tax within your family.

TIP

You need a tax file number (TFN) to be eligible for any of these tax concessions, as do your spouse and your children if they have income, superannuation or investments.

1 MARRIAGE

Accountants are frequently asked two questions by couples who are just about to get married: 'Are there any tax implications once we tie the knot?' and 'Do we need to start doing joint tax returns?'

Your wedding day is a special day. So I'm perplexed as to why on earth the bride and groom are thinking about the ATO during such an exciting time in their lives!

You don't need to worry about tax in the lead-up to your nuptials. Unless you are involved in a business together, you don't have to lodge a combined tax return. Any share of joint investments, such as interest, dividends and rental properties, is still recorded separately in your respective tax returns.

TIP

You don't have to lodge a combined tax return if you're married. Any joint income is recorded separately in your respective tax returns.

You do need to show on your return that you now have a spouse, and disclose his or her taxable income each year.

PITFALL

The combined income of married couples is taken into account if you don't have private health insurance (an extra 1 per cent Medicare levy is charged if you earn over $186 000 combined, increasing to 1.5 per cent for couples earning more than $286 000) as well as when calculating Family Assistance Office benefits such as child care rebates and family tax benefits.

If you elect to change your name, you can notify the tax office:

- by phone on 13 28 61
- by post after completing the *Change of details of individuals form* (NAT 2817)
- or online via your myGov account at www.my.gov.au. Make sure it is linked to the ATO.

You will need either your Australian full birth certificate; your Australian marriage certificate; or your Australian change of name certificate.

According to the ATO, the definition of spouse has been extended so that both de facto relationships and registered relationships are now recognised. Your 'spouse' is another person (whether of the same sex or opposite sex) who:

- is in a relationship with you and is registered under a prescribed state or territory law
- although not legally married to you, lives with you on a genuine domestic basis in a relationship as a couple.

TAX FACT

Since 1 July 2009, people living in same-sex relationships have been treated in the same way as heterosexual couples for tax purposes. The ATO has outlined some of the tax concessions now open to same-sex couples, including:

- Medicare levy reduction or exemption
- Medicare levy surcharge
- dependant (invalid and carer) tax offset
- senior and pensioner tax offset
- spouse super contributions tax offset
- main residence exemption for capital gains tax.

It is not unusual to find a couple where each owns a main residence that was acquired before they met. However, spouses are only entitled to one main residence exemption for capital gains tax (CGT) purposes between them. If both members of a couple own a main residence they must do either of the following:

- select one residence for the exemption
- apportion the CGT exemption between the two residences.

Provided the homes meet the requirements for the main residence exemption, they will both be wholly exempt from CGT for the period prior to the couple being treated as spouses. However, from the time the couple became spouses, only one exemption is available, though this may be divided between the two dwellings.

✎ EXAMPLE

Mary bought a house in 1992. She lived in it right up to the day she married Matthew in 2006 and moved into his house, which he had purchased in 2000. As they elected to treat Matthew's house as their main residence, Mary will be subject to CGT on her house from 2006. She will not be liable for CGT on any capital growth in the 14 years prior to becoming Matthew's spouse.

2 INCOME SPLITTING

Income splitting is a legitimate tax-planning tool and one of the easiest strategies to implement. There are a few simple strategies for you to follow and they all mainly revolve around the marginal tax rates for yourself and your spouse, both now and in the future. The tax rates for individuals, not including the Medicare and other levies, are shown in table 1.1.

The goal is to try to level the income of couples so that they are paying tax at the same marginal rate. While income from personal exertion (such as your salary) cannot be transferred to the other partner, there is scope to have passive income from investments transferred if the assets are held in the lower-earning spouse's name.

TABLE 1.1: tax rates for individuals excluding levies (2024–25)

Taxable income	Tax on this income
0–$18 200	Nil
$18 201–$45 000	16c for each $1 over $18 200
$45 001–$135 000	$4288 plus 30c for each $1 over $45 000
$135 001–$190 000	$31 288 plus 37c for each $1 over $135 000
$190 001 and over	$51 638 plus 45c for each $1 over $190 000

Source: © Australian Taxation Office for the Commonwealth of Australia.

It amazes me how many smart business people are really dumb when it comes to reducing tax. Too often I see rich business people paying the highest tax rate (47 per cent including medicare levy) on interest or dividend income while their spouses don't fully use their

$18 200 tax-free threshold. With the $1.9 million transfer balance cap on superannuation, there is an opportunity to split superannuation contributions between spouses such that each spouse maximises their respective $1.9 million thresholds before they retire.

TIP

Ensure that all investments are in the name of the lower-earning spouse so that they can take advantage of the lower tax rates (particularly the first $18 200, which is tax-free) on any investment income derived. Likewise, have all passive deductions, such as charitable donations, in the higher-earning spouse's name as they may get a return of up to 47 per cent, depending on their income level.

The best tax outcome can be achieved with a low-income earner holding investment assets. They could earn up to $22 575 tax-free (see p. 15), receive a refund of all imputation credits and pay less tax on capital gains.

EXAMPLE

If an investor on the top marginal tax rate of 47 per cent had a $100 000 capital gain on an asset held more than 12 months he/she would pay $23 500 in tax and Medicare levy. If an investor with no other income had a $100 000 capital gain he/she would pay $6538 — a saving of $16 962.

PITFALL

Any tax benefit derived by transferring an income-producing asset from one spouse to another may be lost if there is CGT to pay on assets originally acquired after 19 September 1985.

If you transfer an income-producing asset to your spouse you may need to find out the market value of the asset from a professional valuer. This is regardless of what you actually receive because the transaction is not independent nor is it at arm's length. In this situation either party could exercise influence or control over the other in connection with the transaction.

TIP

If you do not have a spouse, or you are both in the highest tax brackets, consider creating an investment company that is taxed at a flat rate of 30 per cent (reducing to 25 per cent if your company derives at least 20 per cent of its income from non-passive sources and has an annual turnover below the small company threshold of $50 million) for all income.

3 DEPENDANT (INVALID AND CARER) TAX OFFSET

The dependant (invalid and carer) tax offset (DICTO) is only available to taxpayers who maintain a dependant who is genuinely unable to work due to carer obligation or disability.

TAX FACT

The DICTO has consolidated the following tax offsets:

- invalid spouse
- carer spouse
- housekeeper
- housekeeper (with child)
- child housekeeper
- child housekeeper (with child)
- invalid relative
- parent/parent-in-law.

The ATO may deem you eligible for the DICTO if the following applies:

- you contribute to the maintenance of your spouse, your parent (or your parent's spouse), your child (aged 16 or over) or siblings (aged 16 or over)
- your dependant was being paid either:
  - a disability support, a special needs disability support or an invalidity service pension
  - a carer allowance for a child or sibling aged 16 or over

- your adjusted taxable income as the primary income earner was $104 432 or less
- your dependant's adjusted taxable income was less than $12 054
- you and your dependant were Australian residents (not just visiting).

If you satisfy the above and your dependant's adjusted taxable income was $285 or less and you maintained him or her for the whole year, you can claim the maximum dependant (invalid and carer) tax offset of $2943.

PITFALL

The DICTO is reduced by $1 for every $4 that your dependant's adjusted taxable income exceeds $282.

TIP

You may be able to receive more than one amount of DICTO if you contributed to the maintenance of more than one dependant during the year, including if you had different spouses during the year.

TAX FACT

The ATO defines your 'adjusted taxable income' as the sum of the following amounts, less any child support that you have paid:

- taxable income
- adjusted fringe benefits
- tax-free pensions or benefits
- income from overseas not reported in your tax return
- reportable super contributions
- total net investment loss for both financial investments and rental properties.

EXAMPLE

Marlene and Saxon are married. Marlene is genuinely unable to work and has no salary or wage income. They have rental properties and a share portfolio. Saxon has also entered into a salary-sacrificing arrangement to boost his super. His taxable income is $130 000 after claiming a total net investment loss of $18 000. He has reportable super contributions of $17 000.

Saxon's adjusted taxable income is $165 000 ($130 000 + $18 000 + $17 000). As Saxon's adjusted taxable income is over the income threshold for this offset ($104 432) he is not eligible to claim the dependant (invalid and carer) tax offset.

4 CHILDREN

Any income that has been earned by your child's efforts, such as wages from an after-school job, is considered 'excepted income' and is taxed at the general adult tax rates regardless of whether your child is under 18. However, you should be cautious when putting investments in your child's name because minors do not enjoy the same tax-free thresholds as adults on this type of income, known as 'eligible income'. Table 1.2 sets out the tax rates that apply to minors' eligible income.

TABLE 1.2: tax on eligible income for minors (2024–25)

Taxable income	Tax on this income
$0–$416	Nil
$417–$1307	66c for each $1 over $416
$1307 and over	45% of total income

Source: © Australian Taxation Office for the Commonwealth of Australia.

PITFALL

Minors under the age of 18 are taxed at the highest marginal tax rate for 'eligible income' (such as interest, dividends and trust distributions) over $416 per annum.

If some of your child's income is excepted income and the rest is eligible income, they will pay ordinary rates on the excepted income and pay at the higher rate on the eligible income.

EXAMPLE

Louie is 17 on 30 June. He earned $8780 from a part-time job. He also received $920 in interest from money he had saved over the years from gifts. Therefore, he has an excepted income of $8780 and is entitled to the tax-free threshold of $18 200 for this income. He also has eligible income of $920 interest, which is taxed at the special higher rates.

A child is eligible from birth for a TFN from the ATO. If your child is under 16 (at the start of the calendar year) and does not supply their TFN to the bank or share registry, then 45 per cent tax will be withheld on interest earnings over a threshold of $420 as well as on all unfranked dividends. If your child is aged 16 and over, then the threshold is reduced to $120.

Children do not need to lodge a tax return if their assessable income is less than $416. However, if tax has been withheld from them by an investment body or employer, then they must lodge a return in order to get that money returned to them.

TIP

If you have an adult child who has a job while going to university or TAFE then they may be able to claim a deduction for certain expenses if there is a sufficient connection between their course and their assessable income. Some expenses that they might be able to claim in this instance include:

- depreciation of assets (such as computers, desks and bookshelves) used for studying purposes
- journals and periodicals
- photocopying and printing costs
- stationery
- textbooks
- travel from work to place of study.

They wouldn't be entitled to a deduction for any tuition fees payable under HELP or any repayments of outstanding HELP debts.

Earnings from a child's investments must be declared by the person who rightfully owns and controls the investment, not the person whose name it is in, or whose name it is held in trust for. This is regardless of whether the money is spent on resources for the child.

EXAMPLE

Sarah opens an account for her three-year-old daughter, Samantha, by depositing $8000. Sarah is signatory to the account and she also makes regular deposits and withdrawals to pay for Samantha's preschool expenses. The ATO would deem that the money belongs to Sarah and any interest earned from this account must be declared for tax by her.

If the funds in the account are made up of money received as birthday or Christmas presents, pocket money or savings from part-time earnings such as newspaper rounds, and these funds are not used by any person other than the child, then the interest earned is the child's income.

PITFALL

Children are not eligible for the low-income tax offset against unearned income, such as interest. The rebate can only be offset against excepted income.

5 PAYMENTS FOR NEW PARENTS

There are a few government payments available when becoming a mum or a dad.

Paid parental leave

Eligible working parents of children born or adopted may be entitled to the paid parental leave scheme to help them care for a new baby, dependent on when your child was born as outlined in table 1.3. If your child was born before 1 July 2023, the pay is for up to 18 weeks at the national minimum wage (currently $882.75 per week before tax) plus superannuation (from 1 July 2025) and is paid by either your employer or the government (where employers do not provide parental leave entitlements). For children born after 1 July 2023, the pay is increased by two additional weeks a year until it reaches a full 26 weeks for those that have children born after 1 July 2026. Table 1.3 also shows the minimum amount of days that are reserved for each partner, with the balance allowed to be divided between parents as they choose.

TABLE 1.3: paid parental leave

Child's date of birth	Maximum paid parental leave	Minimum reserved for each partner
Before July 2023	90 days	10 days
1 July 2023–30 June 2024	100 days	10 days
1 July 2024–30 June 2025	110 days	10 days
1 July 2025–30 June 2026	120 days	15 days
After 1 July 2026	130 days	20 days

Source: © Services Australia https://www.servicesaustralia.gov.au/changes-if-you-get-family-payments?context=64479#pplchanges

To be eligible you must have worked at least 330 hours across 10 of the 13 months prior to the birth of your child, but your annual salary must also be less than $168 865 (with a $350 000 family income limit if you do not meet the individual income test from 1 July 2023). The work test has been extended so that mothers can count periods of paid parental leave they've taken for earlier births as 'work'.

TAX FACT

Paid parental leave is subject to income tax and may also affect other government benefits such as child support, health care cards and public housing. In contrast, the Newborn Upfront Payment and Supplement is not taxable and not considered income for family assistance or social security purposes. For more information on paid parental leave go to https://www.servicesaustralia.gov.au/individuals/services/centrelink/parental-leave-pay.

TAX FACT

Parents are prevented from 'double-dipping' into parental leave, where they have simultaneous access to employer-funded benefits at the same level or more than the government scheme. If the employer-paid leave is less, then they will only receive the difference.

TAX FACT

For children born after 1 March 2014, Family Tax Benefit Part A recipients may be entitled to a $641 Newborn Upfront Payment and up to $1924.65 for a Newborn Supplement (reduced to $1283.46 in total for subsequent children), payable via normal fortnightly payments over a three-month period. These payments are not taxable.

TAX FACT

The dad and partner pay is no longer available for those that have a child born after 1 July 2023. Instead it has been incorporated within the expanded paid parental leave for families.

6 CHILD CARE

Ask the parents of any young child and they will tell you that their biggest expense is child care. If you have a child who is attending child care services approved by, or registered with, the government you may be eligible for the Child Care Subsidy (CCS). You can apply for the benefit at the Family Assistance Office. The amount you receive will depend on the type and amount of care that you use, your income, the reason you are using care and the number of children that you have in care.

TIP

If you have identified that you were eligible for the Child Care Subsidy in previous financial years, but have not received it, you can lodge a lump-sum claim with the Family Assistance Office. You must do this within two years of the end of the financial year for which you are claiming.

As can be seen in table 1.4, families with combined adjusted taxable incomes under $80 000 will receive a Child Care Subsidy rate of 90 per cent of the hourly cap depending on the type of child care you use (shown in table 1.5), reducing by 1 per cent for each $5000 of income earnt by your family with no subsidy for family incomes