

# Herald Sun BusinessDaily Your Money

■ MAKE IT ■ SAVE IT ■ INVEST IT



Investors look  
for a silver lining  
Page 32

TONY MCCLEAN

# Facing a taxing time

## TAX

Anthony Keane

**T**HE tax year is almost up but it is never too late for last-minute strategies.

Even the volatile share market presents opportunities.

Many investors are sitting on massive capital losses for the first time since the last big market crash in 1987. And they can help lighten a hefty tax bill.

You may be able to get a bigger refund or at least put in place a plan to reduce your next tax bill.

Tax planning is "a crucial part of investing", William Buck Financial Services director Chris Kennedy says.

"Payment of tax at high levels can quickly erode capital, especially where investments are not providing strong positive returns," he says.

## Embrace your losses

Selling an asset that has dropped in value could be a good move, according to Bourke Shaw Financial Services principal Lawrence Orlando.

By selling a poor-performing asset, an investor may be able to use the capital loss to offset a capital gain.

However, share market investors should be careful about making "wash sales".

A wash sale is when a share is sold and then immediately bought again simply to book a capital loss.

"You have to be careful about wash sales — the Tax Office is cracking down on them. Buying and selling on the same day is obviously a wash sale," Ord Minnett financial planner Cameron Spears says.

## Defer your tax

Basic tax-deferral strategies can help when dealing with capital gains tax. For example, you could defer selling anything with a capital gain until the new tax year starts.

Next year's tax cuts mean you might be paying a lower marginal tax rate on those gains as well.

## Beware of schemes

Thousands of Australians have been burnt by managed investment schemes in recent months through the collapse of two of the nation's biggest MIS providers, Timbercorp and Great Southern.

These schemes typically offered large upfront tax deductions for investors in areas such as forestry or agriculture, and many people



Picture: BEN SWINNERTON

ignored the common rule of thumb — never invest in something simply for a tax deduction.

There are respected managed investment products available offering tax deductions, says HLB Mann Judd partner Steven Toth. But investors still need to exercise caution.

"Recent financial trouble for some providers reinforces the need to consider the underlying investment,

and not just the available tax deductions," Mr Toth says.

## Prepay premiums

While most people know they can prepay interest on loans, few realise they can prepay income protection insurance premiums, according to Hood Sweeney analyst Darren Searle.

As well as income-protection insurance premiums, prepayments

can be made for subscriptions to industry publications and work-related membership fees.

## Income-splitting

Splitting your income is one of the easiest and most effective ways for couples to pay less tax on their investment earnings.

"In this strategy, investments are either held evenly or put in the name of the spouse who earns the least,"

Hillross financial planner Lee Virgin says.

"This can put a dent in a person's tax bill as income and capital gains on the investments are taxed at the spouse's lower marginal tax rate."

## Super switch

Investment losses in 2008-09 could make it an opportune time for people to transfer assets into the low-tax superannuation environment.

"Investors who hold growth assets in their own name should consider what unrealised losses they are holding at the moment, and take advantage of the lower market prices to move assets from their name into the superannuation environment," William Buck's Chris Kennedy says.

"Depending on what type of superannuation fund they have, assets such as shares could be transferred into super without the need to sell down and buy back."

## Super deduction

People who earn less than 10 per cent of their income from paid employment — such as from self-employment or self-funded retirees — could consider making a personal pre-tax super contribution.

These contributions are limited to \$100,000 for people aged over 50 and \$50,000 for others. These amounts can be claimed as a tax deduction.

## Property repairs

Property investors can claim deductions for a wide range of expenses but any last-minute maintenance or repairs should be paid for before June 30. That way you can claim the total deduction almost immediately.

## Don't delay ...

Anyone in line for a tax refund should aim to lodge their return as early as possible in July.

It's always better that you have the money in your pocket then leave it sitting in the government's coffers, according to financial strategist Theo Marinis.

One barrier to this strategy can be investments in managed funds, which often don't send out their tax statements until August or later.

## ... except if you pay

"If you have to pay, lodge your return two days before the deadline and pay the tax two days before it is due to avoid the foul-up fairy causing you penalties," Mr Marinis says.

Paying tax is a privilege, Mr Marinis says. It means you have earned a good income. "Feel good about doing your bit."

