



Paul Clitheroe

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tax offsets – don't overlook them

Tax time is just around the corner, and while it's important to claim all the work related deductions you're entitled to, don't forget about tax offsets – what we used to call 'rebates'.

The beauty of offsets is that they directly reduce the amount of tax you pay, so they offer more bang for your buck than deductions, which only reduce your taxable income.

There is a whole range of offsets available to reduce your tax burden, including the mature age workers' tax offset worth up to \$500 for workers aged 55 or more. It's not just confined to wage and salary earners but is also available to taxpayers with personal services income and those who carry on a business as a sole trader or in partnership. The income limits for this offset are quite generous. A partial offset may be available even if you earned up to \$63,000 employment income for the financial year.

If you've paid big medical bills during the year, chances are you can claim an offset for 20% of any medical expenses over \$1,500. There is no upper limit on the

amount you can claim but you'll have to reduce the cost of health bills by any refunds you received through Medicare or your private health cover. Some bills including chiropractor fees, are not eligible for the rebate. Note too, from 1 July 2010, the medical expenses rebate threshold will increase from \$1,500 to \$2,000, so it may be worth bringing forward any medical appointments.

There's still time before 30 June to take advantage of the spouse super offset. If your better half is a home maker or low income earner, and you tipped some money into his or her super fund, you can claim an offset worth 18% of your contributions up to \$3,000, so the maximum offset is \$540. The beauty of this offset is that it lets you boost tomorrow's retirement fund while trimming your tax bill today.

If you have school age kids, don't overlook the handy education tax offset for families. It's worth 50% of school-related spending - up to \$750 for each child in primary school, or \$1,500 for each child studying at secondary school.

School fees and uniforms can't be claimed, but a whole raft of other education expenses are eligible from computers and internet connections through to textbooks and stationery.

To claim the education tax refund you must receive Family Tax Benefit Part A – an income-based government support payment that's designed to help with the cost of raising a family.

The key thing with these offsets is to keep hold of the receipts that relate to any offsets you claim in case the tax man asks for a 'please explain'.

For more details of offsets, log onto the Tax Office website (www.ato.gov.au) or speak to your accountant or registered tax agent.

Paul Clitheroe's 'Making Money' for the week beginning 24 May 2010



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