Roslyn Brown
Accounting Pty Ltd

2019/2020

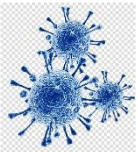
Tax Newsletter

Welcome to another income tax year

30th June, 2020

I trust you are all keeping well in these unusual times.

As always there have been some Income Tax Changes that may affect you. The following is a brief outline of some of those changes. I look forward to assisting you again with you tax preparation, to ensure you receive the maximum benefits available under our complex taxation system.



Covid-19 & Working From Home

As many employees are now working from home to meet social distancing requirements placed on them by Covid-19, you may be able to claim costs associated with that requirement, such as heating, lighting, internet, telephone, stationery and office equipment.

The ATO has introduced a new ‘shortcut method,’ where you can claim additional running expenses, at a rate of 80 cents for each hour you work from home as a result of Covid-19. The short cut will apply from the 1st March 2020 to the 30th June 2020. A record of hours worked, such as timesheets or rosters must be kept as proof.

Individuals can also choose to use the pre-existing methods which may prove to be more tedious, but may result in a larger claim:

1. The actual cost method – where individuals claim the actual portion of running expenses incurred for working, by keeping a diary that details the work portion of your household running expenses. This can include receipts and documents supporting your claim.
2. The fixed rate method – a fixed rate of 52 cents for every hour worked in the home office. This applies for electricity and decline in furniture expenses, but the actual work-related portion of expenses must be calculated for phone and internet costs, the depreciation of office equipment and computer consumables and stationery.

ATO Request for More Information

In your 2019 income tax return, the ATO requested more detailed information regarding your deductions. Each deduction claim you made on your return was transmitted to the ATO, where, in the past, they received a total of your deductions claimed, with no detail of what it was for. This was to enable the tax office to perform more detailed checks, to make sure your claim was not excessive, compared to like people working in the same industry as you.

This year the ATO is further expanding this trend. You will now need to supply more information in regards to the following income:

Interest income – this information will most likely be found on your bank statements.

- Financial institution name.
- Account number.
- Number of account holders.
- Country of residence for tax purpose when interest was paid or credited (most won’t need to worry about this one).
- The amount of interest paid.
- And any Tax File Number withholding amounts.

Dividend Income – this information will most likely be found on your dividend statement.

- Dividend company or trust name.
- Reference number.
- Number of account holders.
- Country of residence when the dividend was paid or credited.
- Unfranked amount.
- Franked amount.
- Franking credits.
- TFN amounts withheld.
- Exploration credits.
- And listed investment company capital gain deducted from dividends.

Hopefully most of the above information will already be supplied to the ATO. I will have access to this information but usually not until the end of July. So, if you come in early, please bring this information with you.

Personal Super Contributions

Before 1 July, 2017, an employee could only claim a deduction for personal super if less than 10% of their total assessable income was from employment related income.

However, an employee can now claim a deduction if they satisfy the following:

- The contribution must be made no later than 28 days after the end of the month in which you turn 75 years of age.
- If you are under 18 at the end of the income year in which the contribution is made, you must have derived income for the year as an employee, or from carrying on a business.
- The contribution must not be a 'downsizer contribution'.
- The individual satisfies the 'notice of intent' requirements.

In most cases, the 'notice of intent' is not completed until you prepare your return and you are sure that you want to claim a deduction. This notice is then forwarded to your super fund and they will in turn, send you a letter acknowledging your intent to claim. The super fund will also inform the ATO of this information. If this information is not forwarded to the ATO, then they will deny your deduction and amend your return accordingly. ***Please note, I am not able to lodge your return until I receive a copy of the acknowledgement letter from your super fund.***

You should be aware, when you make an ordinary personal contribution to super, there is no tax applicable to the contribution. However, if you claim your contribution as a deduction, the super fund will deduct tax of 15%.

The ATO's Audit Hot Spots

The ATO has traditionally been concerned about a potential 'blow-out' in work related deductions, such as claims for car, travel, self-education and clothing expenses, given that these deductions have been steadily increasing over the years. There will be no difference for this year.

This large 'blow-out' is encouraging more government money to be spent on audits. As mentioned above, the ATO is collecting a lot more information when it comes to deductions. They are now comparing your claim against other like employees. If you have an excessive claim and you are not able to substantiate it, you may be subjected to penalties and interest.

Now, more than ever is the time to make sure that any claim you make, meets the following three key principals:

- you must have spent the money yourself and weren't reimbursed by your employer;
- the expense must be directly related to earning your income; and
- you must have a record to prove it.

Substantiation

Home Office - A diary **must** be kept for a minimum of one month in each financial year to enable the calculation of home office usage. The diary should note the date, hours worked and the task performed. The use of your home office must be a requirement of your employer, and your employer may be required to confirm this with the ATO. Usually, your home office claim will be based on a rate per hour basis.

During Covid-19, if you are required to work from home, rosters or timesheets can also be used to substantiate your hours worked from home.

Home Computers - If you have a computer that is not solely used for business, you **must** maintain a diary for at least one month in each income year as evidence of the business usage. The diary should contain a date, hours used and whether the use was private or work related.

Phone & Internet -You **must** keep a diary for a minimum of one month in each year to demonstrate the business usage of mobile/home phone and internet if your claim total exceeds $50. If your phone bill is representative of your work use, you could use these as substantiation, where you extract the work calls and ascertain a percentage of use per bill.

Evidence of Expenses - The rules require you to maintain records of your expenses claimed, for a period of five years from the date of lodgment of your taxation return. The evidence must have:

- Name of supplier.
- Amount of expense.
- Nature of expense.
- Date expense incurred.
- Date receipt made out.

Substantiation: Exceptions to the Rule

You do not need receipts for the following exceptions; however, you may be asked as to how you worked out the amount of your claim:

- Work expenses that total $300 or less.
- Deductible laundry expenses up to $150 (included in the above amount).
- Overtime meal allowances covered by an award (if reasonable and fully expended).
- Small expenses under $10 each to a total of $200 may be claimed providing the expenses are recorded in an expense diary.
- Expenses too hard to substantiate - if the Tax Office consider that it would have been unreasonable to obtain written evidence.

Small Business 2020 End of Financial Year Checklist

Pay quarterly super - Super Guarantee (SG) contributions must be paid and received by the Super fund by the 30th June 2020 to qualify for a tax deduction in the 2019/2020 financial year.

Super Guarantee Amnesty - If you are behind in super guarantee payments, you can self-correct unpaid amounts without penalty under the SG Amnesty. Employers can claim deductions without incurring administration charges or penalties until the 7th September 2020. Payments made after this date will not be tax deductible.

Review capital expenditure - This financial year, the instant asset write off allows eligible businesses to instantly deduct assets costing up to $150,000 on their upcoming tax return.

Stocktake - Obsolete, slow-moving or damaged stock should be identified by the 30th June and disposed of for income purposes in order to receive a deduction.

Defer income - Businesses may wish to defer invoicing until after the 30th June so that income from the payments won't be taxed until the following financial year.

Bring forward purchase of stock/consumables - Businesses may want to increase stock levels or consumables in order to claim the deduction in this financial year.

Personal Super Contribution - If you intend to make a claim for superannuation on your tax, make sure your contribution is banked into your super funds account before the 30th June.

Early Release of Superannuation

Individuals affected by Covid-19 will be able to access up to $10,000 of their superannuation before the 1st July 2020, as well as a further $10,000 after this date for approximately three months. To be eligible, you must comply with one or more of these requirements:

- You are unemployed.
- You are eligible for a parenting payment, jobseeker payment, youth allowance for jobseekers, special benefit or farm household allowance.
- You were made redundant in 2020.
- Your working hours were reduced by at least 20 percent during 2020.
- You are a sole trader and your business was suspended or experienced a turnover reduction of at least 20 percent during 2020.

You can apply directly with the ATO, through your myGov account. You will need to certify that you meet eligibility requirements, when making your application.

Interview Changes

As a result of Covid-19 I have had to make some changes to the way I conduct interviews. Due to the size of my office and for the safety of both you and me, I am encouraging the use of Zoom meetings. I will send you a Zoom invite, the day before your interview so you have time to set up your computer. A brief tutorial on setting up and using Zoom can be provided if required.

For those of you who are unable to use Zoom, I can still make a face to face appointment for one person interviews. That will mean that a couple will need to make two separate appointments or one member of the couple can complete both returns and have their partner sign and return it at a later date.

I am complying with all state and federal government regulation in relation to Covid-19.

Interview Times

Monday to Friday 10am to 4.30pm

Saturday 9am to 12pm
(11th July 2020 to 22nd August 2020)

Roslyn Brown
Accounting Pty Ltd

Office Information

110 Retreat Road
Spring Gully Vic 3550

Phone: 0488 008 969

Email: roslyn@roslynbrownaccounting.com

www.roslynbrownaccounting.com

Disclaimer