

2019 TAXATION NEWSLETTER



FINANCIAL SOLUTIONS

Your Money Your Way

Congratulations, another Financial Year done and dusted! We've seen many changes in the realm of tax legislation, for the better and not so better. Heading into the 2020 Financial Year we can expect further changes for individuals and business. The Government has hinted at tax cuts that could see many of us receiving additional refunds in our pocket, but unfortunately they are yet to confirm any dates. Small business owners will see the Small Business Concession be extended and increased, and the Single Touch System will be introduced for all employers.

We at Pauline R. Murray Accountants continue to offer not only assistance with lodging taxation returns, but also accounting, financial planning and bookkeeping services. We can assist with completing Centrelink forms, as well as providing information to the ATO and financial institutions. If you use accounting software to run your business, you may wish to provide us remote access to your software so that we may support you with your record keeping.

Tax Returns We Prepare

We prepare **all** tax returns. Employees, Contractors, all businesses, including home-based, Pty Ltd, Trusts, Partnerships and Primary Production to name a few. All clients are important to us, and we can be important to you, as we work together to ensure that you complete an accurate and correct tax return.

Additional Services We Offer for Businesses

Bookkeeping, lodgement of BAS, business coaching, Form 2 reviews, running the figures for the purchase of your first investment property or expanding your investment portfolio, ASIC compliance.

If the service you require is not mentioned, give the office a call. Remember, we are your accountants. We can assist you in all areas of your accounting, bookkeeping and compliance during the year.

Did You NOT Receive a PAYG Summary or Group Certificate This Year?

With the introduction and use of the Single Touch Payroll system, employers are no longer required to issue PAYG Summaries to their employees. Instead, your Income Statement will be available on your MyGov account. As your accountant, we should be able to access your Income Statement via the ATO, but we always recommend our clients bring as much information as possible so that we can work with all the information that's available.

Financial Health Checks for Individuals/ Rental Owners

Your money, your way, it's not just for businesses! If you are thinking about your financial future call our office to book an appointment with a qualified Financial Planner, who has a unique expertise in the investment property sphere.

If you haven't already checked your superannuation account balances. We can go through them with you. We can then discuss how you can increase your superannuation balances via deductible contributions and/or salary sacrifice, or be eligible for a pension.

Overdue Taxation Returns or BAS

The ATO issues penalties for non lodgment, so there is no better time than now to lodge any outstanding taxation returns or BAS you may have. If you require assistance with preparing and/or lodging any outstanding ATO documents contact our office. We can arrange an appointment, you can send us your information, or we can access your online accounting software remotely.

Do You Owe the ATO Money?

If your debt with the ATO exceeds \$10,000 it may affect your credit rating and ability to apply for loans. Tax debt can be a result of a Taxation Return, Amendment, BAS or PAYGI. If you owe the ATO money, and cannot pay in full by the due date, contact the ATO. The few minutes you spend on hold will save you interest and/or penalties, so phone the ATO and set up a payment plan.

Ph. 13 28 61

You will need your TFN handy.

If you are unsure if you owe the ATO money, or how much you owe, do not delay in contacting our office.

ATO Audits

When preparing taxation returns, we must recognize the possibility of an ATO audit. Therefore all claims must be supported by evidence, ie receipts, log books, employer letters. The ATO may choose to audit taxation returns as far back as seven years and severe penalties may be applicable for unsubstantiated claims. Interest may also be imposed on any amounts that are due to be repaid to the ATO as a result of audit.

Our "What to Bring" guide offers examples of the information you should have ready to complete your taxation return.

ATO Correspondence & MyGov

All taxpayers will receive communication from the ATO at some point. Sometimes it may just be a matter of filing it away, but it should never be ignored, accounts and requests for lodgement especially.

If you have ever registered for a MyGov account, it is likely that the ATO will communicate with you via this portal, rather than post. Check your MyGov account regularly to ensure you don't miss anything. The ATO is trying to cut down on paper correspondence and this is their preferred delivery for Notices of Assessment.

ATO Scammers

If any correspondence you receive from the ATO just doesn't seem quite right, or you have any queries about their requests, contact our office. We have real time access to your ATO records and accounts.

If you ever receive a phone call or email purporting to be from the ATO requesting personal information or payment over the phone/ email, please contact our office before doing or saying anything else. The ATO does not send emails directly to the general public.

What to think about when completing your 2019 Taxation Return:

Allowances

Do you receive one? Is there an allowance included in your salary that is not shown separately on your PAYG Summary? Do you receive an allowance for reimbursement of expenses? All these need to be discussed at your appointment so that we can be sure you are not paying more tax than necessary. We also need to ensure that you are keeping the relevant documentation to substantiate your claim. Just because you receive an allowance does not mean you can claim the deduction. You cannot claim the deduction without the receipts.

Meal Allowances

If your PAYG Summary does not detail your overtime meal allowances please bring your last pay slip so that we may determine if it is folded into your wages.

Travel Expenses

You should keep a log of all expenses when travelling for work. Parking, Taxis, food and accommodation can all be claimed in certain circumstances.

Home Office Expenses

When claiming home office expenses you need to consider if it is incidental that you work from home, or if you have a designated area. Whether you own or rent your property also effect your claims.

Self Education

Study to gain additional qualifications with your work field or maintain a job skill may be tax deductible. To be able to claim a deduction, there must be a direct relationship between the study and your current job role. Study materials, ie, stationery, can also be claimed, as well as travel.

Compulsory Uniforms and Protective Clothing

If the clothing you wear to work identifies your work place, or protects you from work place hazards, keep the receipts for purchase. If you pay for laundry services for uniforms or protective clothing, keep the receipts for these, as they may be deductible. Protective clothing can include steel cap boots, as well as sunglasses.

Donations

If you regularly donate to one particular charity, or make one off donations to collections throughout the year you may be entitled to make a claim. As with any other claim, you must provide a receipt of payment.

Additional Information Required for Motor Vehicle Claims

If you use your motor vehicle for work, you may be required to obtain a letter from your employer detailing why you must use your own vehicle. As in the past, you

should be completing a log book for all work related use of your personal motor vehicle, which details the dates and kms travelled and why you used your own vehicle.

You may find it more convenient to use a phone app log book rather than a physical logbook. The ATO doesn't mind how you record your travel expenses, as long as those records are accessible, and eligible for seven years after lodgment.

Additional information is required for **truck drivers**, please contact our office to discuss your requirements.

Personal Superannuation Contributions

It is important to recognize that salary sacrifice deposits into your fund are not Personal Superannuation Contributions for tax purposes.

If you make a contribution from your wage, after tax, either as an employee or self employed, you will need to obtain a **Notice of Intent** from your superannuation fund to be able to make a claim on your taxation return. You will need to provide this form to be able to claim for your contributions. If you need assistance requesting this letter, please contact our office.

Downsizer Contributions to Superannuation

If you are aged 65+yrs and are selling your principle place of residence, of 10 years or more, you may be eligible for this particular tax deduction. This deduction can be used as a means to increase your contributions to your superannuation account, without exceeding the caps that apply.

Income Protection Policies

You may be able to claim a portion of the premium paid for your Income Protection Policy, if it is held outside of your superannuation account. You will need to provide details of your policy payments when we prepare your return so that we can determine the percentage you are able to claim. Unfortunately, Life Insurance policies are not tax deductible.

Refunds from the Banks

As a result of the Royal Commission, you may have been fortunate enough to receive a refund from your financial institution. These may have taken the form of a reimbursement or interest paid into your account. If you have received a refund from your financial institution, this will need to be declared on your taxation return.

Cash (Black) Economy

The ATO continues to include huge amounts in the budget to combat the cash economy, during the 2019 Financial Year it was in the vicinity \$2 billion. The ATO has determined benchmarks for living expenses vs. lifestyle. If they suspect you are not declaring income, either for sale of goods, as a contractor or as wages, they will investigate. Failure to declare all your income may result in penalties and/or interest imposed by the ATO.

Employers paying wages in cash may also be avoiding paying superannuation. Check with your employer and/or super fund that all superannuation owed to you is being paid. Employers who fail to declare the wages they have paid cannot claim the wages as a business expense.

A reminder that the ATO have directed AirBnB, Uber, Ebay and Bitcoin, to name a few, to supply income statements for their users. This income must be declared on your taxation return.

Rental Properties

You may use an excel spreadsheet to track the income and expenses for your rental, or you may have a shoebox full of receipts. In order to make a claim, you must be able to provide substantiation. Bring whatever records you keep to your appointment.

The ATO has issued a warning to rental property owners to ensure their tax returns are correct, as it prepares to double the number of audits on rental deduction claims. They will be paying particular attention to over-claimed interest and capital works incorrectly claimed as repairs. For holiday rentals, they will be checking the apportionment of expenses and omitted income.

If you **purchased a rental property** throughout the Financial Year please bring a copy of your Settlement Statement and Depreciation Report. Alternatively, if you **sold a property** we will need a copy of the Settlement Statement for the sale and for the initial purchase, and details of all expenses related to the sale. We will also need to discuss the possibility for Capital Gains Tax.

Vacant Residential Land

If you own vacant residential land, the 2019 Financial Year will be the last year that we are able to claim deductions for the property. There are certain provisions for claiming the expenses, however these will not be applicable until you sell the land. If you are unsure, now is the time to ask – how will my vacant land deductions be effected in the 2020 Financial Year?

Sale of Properties, Vehicles, Shares & Businesses

When in doubt, assume **Capital Gains tax** is applicable. Capital Gains tax is one of the highest revenue raising areas of the Tax Office. The legislation does allow for expenses incurred throughout both the purchase and sale of the asset, but records must be maintained. Before making the decision to sell or rent out a property that was your principal place of residence, I invite you to make an appointment to discuss the possible tax implications.

Before lodging your taxation return, you will be asked if you have sold any assets, such as properties, shares or works of art. All of these are subject to Capital Gains. There is no point in not declaring such sales as the Tax Office has the resources to identify the sale.

New Business/ Expanding/ Downsizing?

If you are thinking about starting your own business, purchasing an existing business or changing the structure of your current business, there are a number of boxes you need to tick. You will need an ABN, but do you need to register for GST or PAYG Withholding? With those registrations come certain obligations, including quarterly and End of Financial Year reporting.

Contractors

In another example of how the ATO is trying to crack down on entities failing to declare income, the ATO requires businesses declare amounts paid to contractors on a EoFY **Taxable Annual Payment Report (TPAR)**.

Businesses in the following industries employing contractors must lodge a TPAR for the 2019 financial year:

- Building & Construction
- Cleaning
- Courier

The following industries must report for the 2020 financial year:

- Road Freight
- IT Services
- Security, Investigation or Surveillance Services

You must record the following details for contractors you have paid:

- ABN
- Name & address
- Gross amount paid (incl. GST, if applicable)

If you have worked in these industries, but have not paid any amounts to contractors, you will need to lodge a Nil TPAR.

We can assist with both forms.

Contractor Vs. Employee

The ATO website provides employers a tool to determine if their workers are employees or contractors. Incorrectly treating an employee as a contractor can result in penalties imposed on the employer.

Superannuation must also be considered. Typically, employers do not pay superannuation on behalf of contractors. However, this is not the case for some industries, with employers still being liable for the 9.5% superannuation contributions. Contact our office.

Small Business Concession (SBC)

During the 2019 Financial Year, the Government increased the SBC from \$20,000 to \$25,000 to \$30,000, excluding GST for purchases used within the business.

For ABN holders, from the 1st July 2019, the threshold continues at \$30,000 excluding GST.

Important Due Dates for Businesses

- STP Reporting – Upon pay run / quarterly (if deferred)
- Superannuation – 28th day after the quarter
- BAS – 28th day after the quarter
- RTWSA EoFY – 28th July

Single Touch Payroll (STP)

STP is a data reporting system, allowing the ATO to track employee wages in real time, and for employers employing 1 – 19 employees, it starts 1st July, 2019. **It is compulsory** they enter into the Single Touch Payroll system for the 2020 financial year. Unless you apply for a deferral to lodge quarterly, you must lodge a report with every pay run (weekly/ fortnightly/ monthly).

In addition to our current bookkeeping services, we can offer assistance with STP, including applying for deferrals and lodging on your behalf.

Financial Reviews for Businesses

There is no charge for this service. You are strongly encouraged to attend these to identify areas of concern. At the very least, we can ensure there is sufficient tax being paid during the year so there are no surprises come the 30th June. These reviews should take place a minimum of twice a year.

Make yourself available so we can plan ahead and prevent any surprises at the end of the year. It is important to your success. Your success is our business!

Time for Action

We are always thrilled to welcome new clients. For our returning clients, you may have been given a *Receipts Envelope* at your last appointment. Hopefully you have been filing away receipts throughout the year, but if you haven't already, collect those receipts!

It's time to book your appointment!

Our offices are open Monday – Friday, with after hours and Saturday morning appointments available.

If you are unable to attend one of our offices, we can work with you via email or post to complete your taxation return;

- Post: PO Box 351, Gawler 5118, or
- Email: admin@prmaccountants.com.au

We also invite you to visit our website and like us on Facebook, for regular tax updates.

The team at Pauline R Murray Accountants look forward to assisting you in the New Taxation Year.

Pauline R Murray

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