

EOFY & TAX TIME 2020

From The Management Team:

Thank you for your support during the 2019/2020 financial year - it's been an eventful one for our team. We changed our name to Gladstone Accounting & Taxation, got a new-look logo and website (with the same great resources, of course), and we are getting new uniforms – we're loving it!

Our wonderful team of many years' standing hasn't changed, other than to welcome bookkeeper and BAS whiz, Jolan Lester, on board, and we are upgrading our skills with ongoing professional development. Kathy attended the SMSF Tax & Accounting Workshop through Knowledge Shop, and Lynda will be completing her CPA, commencing in August.

We also attended the NTAA Hot Spots 2 conference in April, and NTAA 2020 Tax School Day 1 & 2 in June, to ensure we can provide you with the most up to date advice on all things tax.

Do you know about our Tax Pack Service – the easy way to do your tax from the comfort and safety of home?

We post you a tax pack. Just fill in our tax pack checklist, mail it back to us in the reply paid envelope, and we sort your tax return. With a 14 day turnaround, it's so simple! We'll make sure you don't miss out on a single legal deduction. **Call us on 4972 6444 and ask for a tax pack today!**

Lodging Your Return after COVID-19:

Wait for the end of July

This year, with JobKeeper payments in play, the ATO is urging taxpayers to hold off from lodging their returns until their employers have finalised their income statements as tax-ready.

If you lodge before your income statement is tax-ready, your employer might make changes, and you may need to lodge an amendment. In some cases, additional tax and interest may be payable, and it is therefore recommended to wait for the end of July to lodge.

Similarly, if you received the JobSeeker payment, we advise you to wait until the ATO has loaded the information into your tax return because leaving out income can slow your return down or result in a bill later, so it's best avoided.

The ATO has developed a special resource for taxpayers this tax time, available on their website, or give our friendly team a call to optimise your allowable tax deductions.

Thank you for using our Tax Pack service, and please remember to follow us on Facebook for our latest updates

With warm regards,

Penny Farrell

Director



Super Guarantee Amnesty:



On 6 March 2020 the government introduced a superannuation guarantee (SG) amnesty which allows employers to disclose and pay previously unpaid super guarantee charges (SGC), including nominal interest, that they owe their employees, for quarter(s) starting from 1 July 1992 to 31 March 2018, without incurring the administration component (\$20 per employee per quarter) or Part 7 (double SGC) penalty.

In addition, payments of SGC made to the ATO after 24 May 2018 and before 11:59 PM 7 September 2020 will be tax deductible.

Employers who have already disclosed unpaid SGC to the ATO between 24 May 2018 and 6 March 2020 don't need to apply or lodge again. Employers who come forward from 6 March 2020 need to apply for the amnesty.

The ATO will continue to conduct reviews and audits to identify employers not paying their employees SG. If they identify these employers before they come forward, they will not be eligible for the benefits of the amnesty, and they will also be required to pay:

- ☒ SG shortfall;
- ☒ nominal interest (10%);
- ☒ administration component (\$20 per employee per quarter); and
- ☒ Part 7 penalty (up to 200% of the SGC).

In addition, payments of the SGC won't be tax deductible.

The law does not allow the ATO to vary the due date for lodgment of an amnesty application (note that this includes those affected by the 2019–20 bushfires).

Eligible employers need to lodge their completed SG amnesty form with the ATO so they receive it no later than 7 September 2020.

Businesses must act decisively to take advantage of this amnesty before the deadline. As always, our knowledgeable team at Gladstone Accounting and Taxation are on call to provide any advice you require.

Small Business Tax Concessions?

Small businesses may be eligible for various tax concessions, both as an operating entity and on disposal of a business. These concessions can boost cash flow year-to-year and significantly reduce, or even eliminate, the tax payable on a business exit. Being aware of these concessions can help your business make better asset investments and business restructuring decisions. This article sets out and explains the categories of unique small business tax concessions.

Defining ‘Small Business’

Firstly, to be eligible for small business tax concessions, you must be a ‘small business.’ Generally, this means your aggregated turnover must be less than:

- ☑ \$10 million (for all small business purposes other than the small business capital gains tax concessions); or
- ☑ \$2 million (for small business capital gains tax purposes).

However, some concessions have additional eligibility requirements, which we discuss below.

Types of Concessions

There are six broad categories of small business tax concessions.

1. Income Tax Concessions

Concession	Explanation
Start-up professional expenses	This allows a small business to fully deduct ‘professional expenses’ from its assessable income. These expenses relate to obtaining advice on business structuring that would otherwise be deductible over five years. They also include costs for lawyers or accountants.
Small business restructure rollover	This allows a small business to transfer assets from one entity to a related entity, without triggering a tax liability.
Trading stock rules	This allows a small business to use a simplified stocktake, by estimating the value of trading stock at the end of the financial year.
Immediate deductions for prepaid expenses	Small businesses can claim a full deduction if the service period for the prepaid expenditure does not exceed 12 months.

2. Fringe Benefits Tax

Employers pay fringe benefits tax (FBT) on any benefits it gives to its employees. It usually refers to cars, car parking and other private expenses. These fringe benefits may be in addition to, or a part of, the employees’ salary package.

A small business with a turnover of up to \$10 million is exempt from paying FBT on the following two common fringe benefits.

Concession	Explanation
FBT car parking exemption	A small business employer is exempt from FBT for providing a car park to its employees, if the parking is not in a commercial car park.
FBT work-related devices exemption	Small businesses are exempt from paying FBT on devices provided to employees that are primarily used for work. These devices include laptops, tablets, mobile phones and calculators.

These concessions are in addition to the general concessions and exemptions provided to all businesses.

3. Capital Gains Tax

A small business with an aggregated turnover of \$2 million is eligible to access the following capital gains tax (CGT) concessions.

Concession	Explanation
The 15-year exemption	This provides a complete exemption from CGT where a business has operated for at least 15 years (among other criteria).
50% active asset reduction	This operates in addition to the general 50% CGT discount. Consequently, it allows for a combined 75% reduction in the gross capital gain.
Small business retirement exemption	This lets eligible taxpayers reduce their capital gain up to the \$500,000 lifetime limit. However, individuals under 55-years-old must contribute the exempted amount to a complying superannuation fund.
Small business rollover relief	This concession provides an automatic two-year tax deferral. This means that the business may acquire a replacement active asset and the capital gains taxing point will be deferred to the time when the replacement asset is disposed.

4. Goods and Services Tax

Goods and Services Tax (GST) is a levy that applies to most goods and services. The GST-related concessions are aimed at making tax reporting less onerous and more flexible for small businesses.

Concession	Explanation
Accounting for GST on a cash basis	A small business can account for GST on its business activity that covers the period of sales and purchases. It can also claim any GST credits in the same tax period.
Paying GST by instalments	A small business can pay GST by instalments chosen by the Australian Taxation Office (ATO).
Apportionment of GST input tax credits	A small business can claim full GST credits for items that are purchased and partly used for private purposes.
Excise concession	Excise duty is a commodity-based tax for producing and manufacturing alcohol, tobacco and fuel. The excise concession allows a small business to change the reporting and payment of excise duty from weekly to monthly. As a result, this reduces the reporting cycle from 52 times a year to 12 times a year.

5. Pay As You Go (PAYG) Instalment Concession

Small businesses have an option to PAYG by instalments. These instalment figures are calculated by the ATO and can be varied each quarter. They are based on previous business reports and adjustments are based on projected growth.

6. Superannuation Concession

Finally, as an employer, you have to make superannuation contributions to your employees if you pay them at least \$450 (before tax) in a calendar month. You must make minimum superannuation contributions at least every three months.

Your small business can take advantage of the small business superannuation clearing house concession if it has a turnover of up to \$10 million, or fewer than 19 employees.

This concession allows you to make a single payment to the Clearing House, which is then distributed to your employees’ super funds.

In Summary

A small business must constantly keep in mind the tax consequences that flow from starting a business, such as investing in assets or providing benefits to employees. Therefore, by taking advantage of the small business tax concessions where available, you will have more funds left over to invest back into your business.

For more detail <https://www.ato.gov.au/Business/Small-business-entity-concessions/Concessions/Concessions-at-a-glance/>

Tax time 2020:

ATO flags work-related hotspots



The ATO is bracing for a substantially different tax time this year, due to flow-on effects from COVID-19 restrictions on

work-related expenses claims, and has announced a number of hotspots that it will pay close attention to this year.

They expect a reduction in claims for work-related expenses, and an increase in working from home claims for the last quarter. Specifically, they have flagged:

- ☑ **Laundry expenses** – not wearing a uniform to work means you can't claim as much for laundry.
- ☑ **Travel expenses** – driving less means you can't claim as

much for travel.

- ☑ **Expenses for protective items required for work** – expected to increase, but will be scrutinised.
- ☑ **Working from home deductions** - A new shortcut method has been introduced to calculate home office expenses at a rate of 80 cents per hour for the period between 1 March and 30 June 2020. The new method is in addition to the existing fixed-rate method and actual cost method, and it pays to spend a bit of time working out which method is best for you, or to seek the advice of a tax agent if you're not sure.

As always, it's still important to meet the three golden rules:

You must have spent the money and not have been reimbursed, it must relate directly to earning your income, and you must have a record to prove it.

At GAT we give advice to help you properly understand what you can and can't claim, and we claim ALL allowable deductions to ensure you meet the ATO guidelines AND get the maximum possible benefits on your tax return.

Source: Accountants Daily Live: Tax time 2020: ATO flags work-related hotspots, 12 June 2020

Want to be better with money?

10 tips from our experienced team for developing good money habits and a positive money mindset:

1. Develop your own skills and value - One of the most important investments you can make is in yourself. You may get paid more as a direct result, or it may help you create new opportunities and move towards your goals with positive energy and purpose.

2. Choose a lifestyle and stick to it - Lifestyle Inflation occurs when your spending increases along with your earnings. It is a money mindset that can have you looking back and regretting how much you spent and how little you've saved. Make a mindful choice of the lifestyle you want, and stick to it, regardless of how many pay rises come your way.

3. Don't delay, save today - It's so easy come up with any number of reasons why it isn't the right time to save – having student loans to settle, going travelling, or family occasions! Make a commitment to start saving right now, even if it's a small amount. As it starts to add up, you'll discover how good it feels not to be living from paycheck to paycheck.

4. Make a budget - Taking control of your money isn't just about saving. It also means getting a grip on where your money goes and making sure you're spending it on things that matter to you. If you feel like money simply slips through your fingers, create a budget and make a plan to track down those disappearing dollars and use them wisely.

5. Small changes, big results - Small changes can have a big impact on your financial position and money mindset. Make one extra repayment on your mortgage, buy one coffee less each day, or cancel a subscription that you don't use. The benefits will add up!

6. Read one finance book - A single book can impart knowledge that will serve you for a lifetime.

7. Optimise your tax return - Don't pay more tax than you need to, and make sure that you claim all legal deductions that you are eligible for. Make use of the tools on the ATO website, or seek advice from a qualified accountant.



8. Let your accountant be part of the team - It's time to start viewing your accountant as an investment rather than a cost point. They can offer you expert advice, tax and cash flow strategies, funding options and more! Having someone ask the right questions to help you get your priorities in order and take action can help a lot.

9. You can't have it all - When it comes to having enough money to live a happy and satisfying life, unlimited wealth isn't a realistic or necessary goal. By taking time to understand what's important to you, you can make smarter choices about what you spend your money on and understand how to get the balance right between earning money, creating wealth and enjoying life on your terms.

Deductible Travel Expenses?

Our Tax Team has you covered!

In April, the ATO issued a revised ruling on the deductibility of employee transport expenses. Our team is up to date on the latest changes, but the golden rules remain the same:

Transport expenses will be deductible when the travel:

- ☒ occurs on work time
- ☒ occurs when the employee is under the direction of the employer
- ☒ fits within the duties of employment
- ☒ is relevant to the practical demands of carrying out the work duties
- ☒ is requested by the employer

Remember tax deductibility of travel expenses is complex, with the outcome often depending on the particular facts and circumstances of each case. We recommend that both employers and employees review their travel situations to assess the tax deductibility of such arrangements, under the newly issued ruling.



Can you claim hand sanitiser and face masks on your tax return?

Yes, you may be able to, as long as you work in a job that requires physical contact or close proximity with customers, and used the products for income earning activities.

Other unusual expenses that you may be able to claim, depending on your job, include sunscreen and makeup with significant sun protection, handbags/briefcases, education, subscriptions, professional certifications and association fees, and union fees!

Claiming Deductions 2020: Quick Guide

Basic rules for claiming:

- ☒ You must have incurred the expense in 2019–20.
- ☒ you must have spent the money yourself and were not reimbursed
- ☒ the expense must be directly related to earning income
- ☒ you must have a record to prove the expense.
- ☒ you received a bill or invoice for an expense that you were liable for (even if you paid it after 30 June 2020)
- ☒ you did not receive a bill or invoice, but you were charged, and you paid for the expense.

These expenses may include:

- ☒ car expenses, including fuel costs and maintenance
- ☒ travel costs
- ☒ clothing expenses
- ☒ education expenses
- ☒ union fees
- ☒ home computer and phone expenses
- ☒ tools and equipment expenses
- ☒ journals and trade magazines

Non work related deductions you may be eligible for are:

- ☒ interest and dividend deductions for investments
- ☒ deductions for gifts and donations
- ☒ a deduction for the cost of managing your tax affairs

The \$300 threshold is still in place for 2019-2020 and, importantly, to claim you need written records of the expenses.

There are other expense categories that you may also be able to claim for, subject to ATO guidelines, such as GST, expenses incurred for foreign employment and allowances. For more information, see <https://www.ato.gov.au/Individuals/Tax-return/2020/Tax-return/Deduction-questions-D1-D10/Claiming-deductions-2020/>

Source: ATO website – Claiming Deductions 2020

At GAT, we give advice to help you properly understand what you can and can't claim to ensure you meet the ATO guidelines AND get the maximum possible benefits on your tax return. Don't go it alone – give our friendly team of experts a call!

We are openly welcoming new business.

Our business is built on referrals from satisfied clients, so if you are happy with the service we have provided, we ask you to consider introducing us to your family & friends who could benefit from speaking with one of our qualified & experienced accountants.

Free Financial Health Check with all Tax Returns
Call today for an appointment with our qualified and experienced team

4972 6444