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### Reminder of Up and Coming Due Dates

- December Monthly BAS is due to be lodged with the ATO by **21 February 2020**, and December Quarterly BAS is due to be lodged with the ATO by **28 February 2020** (extension given due to Christmas)
- All Superannuation for the October–December Quarter must be paid by **28 January 2020**
- 2019 income tax returns where they have not already been lodged must be lodged by **15 May 2020**

## DEDUCTIONS—WHAT CAN I CLAIM?



Working in tax you see and hear some unusual requests for claims in tax returns. We have heard everything from “Can I claim my washing machine as a deduction, as I need to keep my clothes clean for work” (No), to “Can I claim for soap as I am required to shower for work” (also No).

Recently, the ATO has told us about some unusual claims that they have disallowed, including the cost of dental work (because I need a nice smile for work), claims for the cost of children (because they are expensive), buying a car for the taxpayer’s mother (not business related) and the cost of the taxpayer’s wedding reception. None of these were allowed, of course.

### So, what can you claim?

To claim a work-related deduction, the expense must meet the following criteria:

- You must have spent the money yourself and not have been reimbursed by your employer;
- It must relate directly to earning your income, at the time the expense was incurred;
- You must have a record to prove the expense, this can include diary evidence, copy of invoices or a receipt.

### Deductions that may be available to you

#### Vehicle Expenses

Driving to and from work is not deductible, this includes driving to and from the airport if you are a FIFO worker. However, if you are required to drive between places of work, or if you carry your tools of trade with you, then you can claim vehicle costs. Vehicle costs can be claimed on a Cents per Kilometre basis (up to 5,000km) or by using the Logbook Method, both of which have been discussed in previous newsletter articles.

#### Other Travel Expenses

Do you have to travel for work purposes? If so, and you incur out of pocket expenses then you are entitled to claim expenses incurred whilst travelling. This includes food, accommodation and other incidentals. Just remember for the cost to be deductible, the expense must have been incurred, you need to have a record of the expense and you must not have been reimbursed for the expense. The government does set guidelines about what can be claimed, however you still need evidence that the expense was incurred.

#### Clothing, laundry and dry-cleaning expenses

If you wear occupation specific clothing, protective clothing or have a unique, distinctive uniform (not black trousers,) then you may be able to claim a deduction for the cost of the clothing and the laundering or dry cleaning of the uniform. In order to make the claim you will need to have written evidence that you purchased the clothing and evidence of your cleaning costs.

#### Home Office Expenses

If you work from home, you may be able to claim home office expenses relating to that work. This includes general home office running expenses, stationery, phone and internet expenses. For general running costs, the ATO allows the taxpayer to claim a set rate of 52 cents per hour worked. So, keep a record of the hours that you work from home each week. For phone and internet claims work out how much you use your personal phone and internet for work purposes, and you can claim a percentage use of the costs incurred. For stationery, keep a record of what you have purchased and how much is used for work purposes. (These claims are optional and do not trigger capital gains on the house.)

#### Tools, Equipment and Other Assets

If you are required to buy tools and or equipment to help you earn income, then you able to claim a deduction for the cost of the item. Examples include calculators, computers, hand tools (spanners, hammers, power tools), reference books, safety equipment (safety glasses, high vis vests, steel capped boots, hard hats, sunglasses, sunscreen). If the item is used for both work and personal use, then you will need to determine how much you use it for work purposes, and claim a percentage of the cost.

#### Self-Education Expenses

If you undertake study or a course, that directly relates to the work that you are doing, and the study maintains or improves the specific skills or knowledge required to do your work, or the study results in, or is likely to result in an increase in income from your current work activities, then you can claim the cost of the course as a deduction. However, remember you must be working at the time the expense was incurred.

## Don't Leave Your Tax Returns Until The Last Minute



### Instant asset write-off rises again

The threshold for the instant asset write-off has risen again by \$5,000 after the Treasurer announced the new annual limit of \$30,000 with immediate effect from Budget night (2 April 2019). The immediate write-off has also been extended to include businesses with a turnover less than \$50 million.

Eligible businesses can claim a tax deduction on purchases of business equipment where the entire cost of the asset is less than the \$30,000 threshold.

Although the instant asset write-off has been around since 2011 and has been extended until 30 June 2020, there is no guarantee it will be retained in future years. So if you have a small business and are interested in taking advantage of this benefit, it makes sense to keep this in mind come 30 June and next financial year.

## Deductions (continued)

### Occupation and Industry Specific Guidelines

The ATO has set out specific guidelines for expenses that can be claimed by certain occupations and industries. These can be found at <https://www.ato.gov.au/Individuals/Income-and-deductions/occupation-and-industry-specific-guides/> and cover everyone from Doctors, Teachers, Police, Lawyers, Truck Drivers, Hairdressers and Fitness and Sporting Industry Employees.



### **Record Keeping**

The ATO has developed an App that allows you to keep your records digitally, this includes work related expenses (including car trips), interest and dividend deductions, gifts and donations, cost of managing tax affairs, sole trader expenses and business income and other expenses.

The App can be found at the Apple Store or Google Play and is called "ATO App". It is free to download.

Records need to be kept in a readable format either electronically or paper format and must be maintained for a minimum of 5 years.



## The ATO Targets Taxpayer Loans

Firstly a reminder by what we call "taxpayer loans." It is when you operate a business in a company or if you operate the business in a trust and distribute profits to a company for tax purposes, and you take the money from the company to your own bank account, we record that as a loan. It is a shareholder or taxpayer loan.

To the ATO this is profits that have been taxed at company rates, but the money has actually been taken by the shareholder. This is considered taking profits without paying the additional tax, and so is treated as a Division 7A loan - which if not managed properly will attract double taxation.

In the past, loans such as these made before 2009, were able to be locked - for future repayment - when was not determined, and loans made since June 2009 had to be repaid within 7 years and interest was charged on the balance, or 25 years if it was a secured loan. With most clients we discuss these loans each year and look to reducing or clearing the loans within the timeframe, by issuing dividends. Also, issuing dividends in July each year has previously been taken into account as a loan reduction prior to calculating the interest charge, each year.

With some clients they repay the loan each year, to defer the commencement of the 7 year timeframe, and allow more time to clear the debt. Don't be fooled, these loans all need to be cleared, the 2009 loans, current loans and loans that get repaid and redrawn each year. In the end they must all be cleared and tax paid at normal marginal rates.

Well the ATO has got plans. They are about to **propose changes** to the rules that firstly unlocks the 2009 loans so they have to be repaid now, and secondly sets the loan repayment requirements to 10 years, including interest but based upon the balance at 30 June the prior year. Yes, repaying the loan pre-year end, and taking a new loan in July will still work to delay the loan problem, but don't be fooled, all "parked" profits that have then been loaned, will need to be cleared in the future.

Existing 7 year loans will need to comply with the new rules from 1 July 2020 or be deemed a dividend. Existing 25 year loans have until 1 July 2021 to convert to 10 year complying loans.

The interest rate is changed to the RBA announced *Small business; Variable; Other; Overdraft - Indicator* which will vary each year. Repayments by way of dividends or other, will need to cover the full interest charge and 1/10<sup>th</sup> of the originating loan balance at 30 June 2020 or at 30 June of the year the loan is created.

### **Yes this is a major change.**

Yes, if you have any such loans, you need to be talking to us in the next 6 months (as we do your 2019 taxes) so that we make sure you understand the consequences.

Remember these loans were created because you made profits and paid tax at company tax rates (30% or 27.5%) and then have taken the money without recording a dividend and therefore paying the extra tax from the franking credit to your marginal tax rates.

Most of you have been discussing your loan balances every year, but not all of you, so lets make sure we discuss it this year so that there are no surprises.

## Jokes of the Day!

**Question: How does Santa's helpers pay their tax?**

**Answer: Through Elf Assessment.**

**Question: What is the tax status of Santa's helpers?**

**Answer: Elf- Employed.**

## What is myGov and Why myGov?



What is myGov? MyGov was rolled out in 2017 and is essentially the Federal Government's online services portal which gives people a simple and secure way to access Government online services. The myGov website gives Australians access to manage their Government services including Medicare, Centrelink, My Health Record and the ATO from one portal which we'll discuss the ATO online services further along. What everyone needs to know is myGov will effectively act as an electronic mailbox for all your correspondence with these linked services and the aim of myGov is to provide you with a single online destination for accessing government services.

There have been changes a foot and the ATO has started changing the way it receives tax and superannuation information with one major change being the introduction of Single Touch Payroll (STP). In February this year legislation came into effect that requires all employers to start reporting their payroll information through STP which can be accessed by the ATO any time. Under STP, employers feed payroll data to the Tax Office automatically with every pay run, including year-to-date data on employee earnings and tax withheld. This will be made available to employees in real time via their myGov accounts which is one of the online services the myGov provides. Until now, the

payment summaries have been sent to taxpayers directly from your employer but after the change your payment summary which will be called an income statement and will be available on the portal at the end of the financial year.

If you decide to setup myGov and link to ATO online services, there is something you need to keep in mind which is very much a pitfall. If you link the ATO online services to your myGov account, you're actually giving the ATO permission to send all tax correspondence to your personal myGov account. As the correspondence is being sent to you, and not to your registered tax agent, you will be expected to action and handle it yourself. This becomes a problem if you don't check your myGov account and easily miss important information and alerts.

We believe myGov will become the way most Australians will find themselves interacting with a range of Government Services but remember it's not compulsory. It may be better not to register the ATO online services and leave all the tax correspondence with your registered tax agent to action on your behalf.



## Superannuation

### Catch up Concessional Contributions

From **01 July 2018**, you are able to make 'carry-forward' concessional superannuation contributions, if you have a Total Superannuation Balance ("TSB") of less than \$500,000 at 30 June of the previous financial year.

If you are eligible, you will be able to access your unused concessional contributions cap space on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire.

Only unused amounts accrued from 01 July 2018 can be carried forward. So if you only had \$15,000 concessional contribution from your employer plus any personal contributions claim, then in the next year you could choose to have up to \$35,000 contributed to superannuation instead of the normal limit of \$25,000. The first year in which you can apply unused concessional contributions is the 2019-20 Financial Year.

### Transition to Retirement Income Stream ("TRIS")

A Transition to Retirement Pension ("TRIS") is an income stream that you commence in your self-managed superannuation fund ("SMSF") when you are aged between preservation age and 64 and NOT "Retired". The transition to retirement measure allows people who have reached their preservation age to have access to their superannuation benefits without having to retire or leave their job. For those born before 1 July 1960, the preservation age is 55, while the age of those born after 1960 increases each year until it reaches 60.

From **01 July 2017** earnings on assets supporting the TRIS are taxable at a rate of up to 15%, which is taxed in a similar way as accumulation accounts. In addition, personal tax is also payable on the "Taxable" portion of your pension withdrawals if you under 60 years old.

### Superannuation Work Test Extended

Before the 2019 Budget the government announced a change to the superannuation "work test," which would mean that the superannuation "work test" will no longer apply between the ages of 65 and 67. This has been proposed to start next year.

The current superannuation "work test," applies once you reach the age of 65. This states that you cannot make superannuation contributions without having worked in gainful employment for at least 40 hours in a given 30 days period within the year.

The changes to the "work test" are scheduled to start from July 2020 and will allow those between the ages of 65 and 67 to make superannuation contributions without having to prove employment.

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## Our Services

- Preparation of Tax Returns
- Preparation of Financial Statements
- SMSF Tax & Audit
- GST & BAS Lodgement
- Tax & Strategy Planning
- Bookkeeping
- Corporate Secretary Management
- Dashboard Reporting
- Due Diligence Review
- Financial Planning

## Welcome Back Aoife

We are excited to say, welcome back Aoife Kilroy. Aoife returned back to work after being on maternity leave, on 1 October 2019. Aoife has returned on a part time basis, working Tuesdays, Wednesdays and Fridays. We also are counting down the days to when Sherryl McCambridge returns from maternity leave to work part time in April 2020.



## Staff Event

Our esteemed leader Greg took us out after a yummy lunch watching the Melbourne Cup, and this time to add an element of competition (and for him to actually target and hit his staff) we played Archery Attack.

It was a beautiful day in the sun, with a lot of laughs and bruises.



## 7 tips to stay smart online and avoid cybercrime

The ATO recently published some useful tips about improving online safety, as we know this is an increasing issue:

1. **Be careful about what information you share online.** Thieves look to steal personal information with the intent to commit identity fraud.
2. **Strong password are vital.** Use two-factor authentication to add an extra layer of security where possible.
3. **Keep software updated** on all devices to protect information.
4. **Back up important information** regularly using a storage device or online cloud service.
5. **Be on the lookout** for suspicious emails and text messages and think twice before clicking links or opening attachments.
6. **Never transfer funds to an unverified bank account.**
7. **Be wary of online scams.** For example, promoters of illegal schemes promise early access to your superannuation. Check with the ATO or our office if you suspect a scam. If something seems too good to be true, it probably is.



## Fee Reminder

A reminder to our clients that per our engagement letter we charge on a time basis. This means that every contact with our firm is recorded against your account. All time spent liaising with you, the ATO, mortgage brokers, car finance people or anyone else on your behalf is also recorded. At regular intervals we consider the account and issue an invoice.

Further, we have had to introduce payment before lodgement (unless covered by a refund) rule due to a number of clients defaulting on their debts.

Please respect that where an error is made by us, no charge is applied to correct the error. If an error is made by the client or the ATO or any other person, which we then have to assist you to correct the error, then charges will apply.

*Chapell & Associates is a close knit and friendly team of staff, who all enjoy helping you with your business. We are experienced in all areas of clients advice and all work together to provide you with the best possible outcomes. When you call, if your usual adviser is not available let us know your question and one of our team members may be able to help you. If they can help they will, then update your normal adviser on any discussions you may have had with them. However, if you prefer to wait for a call back, then of course leave a message. Thank you for your business, and we look forward to hearing from you all soon.*