# Tax return tips

## Despite the current COVID-19 world in which we live, the procedures for completing and lodging tax returns remains pretty much the same.

Before we talk with you to go over your tax return, certain information will be needed. Of course these days pre-filling takes care of a lot of the "paperwork", and if you wait until late-July or mid-August the ATO's systems will most likely be able to provide most of the information from employers, banks, government agencies and other third parties.

We will then be able to double-check the information is correct and enter any deductions you want to claim. However to be thorough, before contacting this office to go over your tax return, here are the sorts of information needed to enable lodgement of your return.

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### About this newsletter

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Please contact our office on 08 9528 5863 or by email info@acc.4you.com.au

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Tax return tips *cont*

## POINTS TO REMEMBER

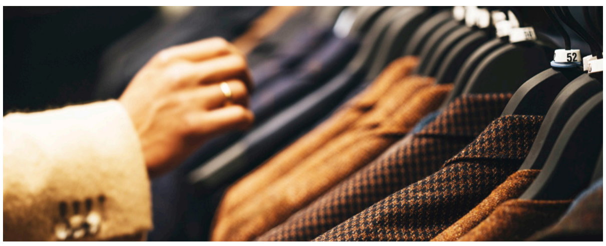
- Payment summaries (now called income statements): These outline the income you have received from your employer, super fund or government payments such as from Centrelink or the Department of Veterans Affairs.
- Bank statements: Details of any interest you have earned during the period and fees you have paid.
- Shares, unit trusts or managed fund statements: Information on dividends or distributions you've received (dividends that you've elected to reinvest must be declared as income).
- Buy and sell investment statements: Needed to calculate capital gains and losses. If you bought or sold any shares you can access the details on your online broking account or you can get them from your investment adviser or stockbroker.
- Records from your rental property: If you use a property manager you will probably get an annual tax statement that details income and expenses, otherwise you will need to gather details of income received and expenses paid, including any capital gains or capital losses from the sale of property.
- Foreign income: Details of foreign pensions or other foreign income.
- Private health insurance policy statement: Needed to complete the private health insurance section of your tax return (could be pre-filled this year).
- Income that must be declared.

The taxability of some forms of income may seem obvious, but in keeping with our objective of being thorough, here is a list of common types of income that must be declared on your tax return. (This remains the case even if the amount of income has been affected by the COVID-19 crisis.)

- Employment income (including JobKeeper payments)
- Super pensions, annuities and government payments
- Investment income (including interest, dividends, rent and capital gains)
- Business, partnership, and trust income
- Foreign income
- Income from crowdfunding (for example donations received for a venture in which you intend to make a profit)
- Income from the sharing economy (for example Airtasker, Uber or Airbnb)
- Other income, including compensation and insurance payments, discounted shares under employee share schemes, some prizes and awards
- JobSeeker or other relevant welfare payments.

Check with us if you are unsure about any of these payments.

## DEDUCTIONS



When completing your tax return, you're entitled to claim deductions for some expenses, most of which should be directly related to earning your income (called "work-related expenses"). Naturally, a deduction reduces your taxable income, and means you pay less tax.

To claim a deduction for work-related expenses:

- you must have spent the money yourself and not been reimbursed
- it must be directly related to earning your assessable income
- you should have a record to substantiate your claim.

When your expenses meet these criteria, here's a list of the things you may be able to claim.

- Vehicle and travel expenses: This does not normally include the cost of travel between work and home, but if you use your car for work or work in different locations then you may be able to claim a deduction.

***continued overleaf***

### Tax return tips *cont*

- Clothing, laundry and dry-cleaning expenses: To legitimately claim the cost of a uniform, it needs be unique and distinctive. This year, face masks and gloves for COVID-19 protection may be deductible, but only if related to earning income.
- Gifts and donations: Only claim for contributions to organisations that are endorsed by the ATO as "deductible gift recipients".
- Home office expenses: Costs could include your computer, phone or other electronic device and running costs such as an internet service. There may be scope for depreciation, and you can only claim the proportion of expenses that relate to work, not private use. There is also an alternative "80 cents per hour" method that can be used for claiming expenses if you worked from home during the COVID-19 lockdown (only from 1 March).
- Interest, dividend and other investment income deductions: Examples include interest, account fees, investing magazines and subscriptions, internet access, depreciation on your computer.
- Self-education expenses: Providing the study relates to your current job, you may be able to claim expenses like course fees, student union fees, textbooks, stationery, internet, home office expenses, professional journals and some travel.
- Tools and other equipment: If you buy tools or equipment to help earn your income, you can claim a deduction for some or all of the cost. The type of deduction you claim depends on the cost of the asset. For items that don't form part of a set and cost $300 or less, or form part of a set that together cost $300 or less, you can claim an immediate deduction for their cost. For items that cost more than $300, or that form part of a set that together cost more than $300, you can claim a deduction for their decline in value.
- Other deductions: Other items you can claim include union fees, the cost of managing your tax affairs, income protection insurance (but not if it's through your super fund), overtime meals, personal super contributions (that is, after tax) and other expenses incurred in the course of earning an income.

Of course, check with this office for more ideas. Sometimes one's circumstances will define what can and generally cannot be claimed as a deduction, so even if some of the above seem to fit your situation, it may pay to check with us first.

## OFF THE DEDUCTION MENU


The ATO is focused on helping taxpayers get their deductions right, but it's also on the lookout for red flags that identify people who are doing the wrong thing. Here's a list of deductions you usually can't claim on your tax return.

- Travel between home and work, which is generally considered private travel.
- Car expenses, unless you are transporting bulky tools or equipment that you need to do your job, and that your employer requires you to transport (and there is no secure area to store the equipment at work).
- Car expenses that have been salary sacrificed.
- Meal expenses, unless you were required to work away from home overnight.
- Private travel, including any personal travel portion of work-related travel.
- Everyday clothes you bought to wear to work (for example, a suit or black pants), even if your employer requires you to wear them.
- Self-education expenses where there is no direct connection to your current employment.
- Phone or internet expenses that relate to private use. ■

# Instant asset write off extended to 31 December

Note that the boost to the instant asset write off rules that the government put in place to help stimulate the Australian economy in the face of the COVID-19 crisis has been extended to the end of this calendar year. Businesses with a turnover of up to $500 million a year will be allowed to continue writing off newly purchased assets worth up to $150,000.

To get your claim right, remember:

- check if you're an eligible business
- both new and second-hand assets can be claimed, provided each asset costs less than $150,000
- assets must be first used or installed ready for use between 12 March and 30 June for a claim for the 2019-20 year, or between 1 July and 31 December for a claim for the 2020-21 year
- a car limit applies to "luxury" passenger vehicles. The limit is $57,581 for the 2019-20 income tax year
- if your asset is for business and private use, you can only claim the business portion
- you can claim a deduction for the balance of your small business pool if it's less than $150,000 at 30 June 2020 (before applying depreciation deductions)
- different eligibility criteria and thresholds apply to assets first used, or installed ready for use, prior to 12 March 2020.

The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets provided each costs less than $150,000. The extension will also give businesses additional time to acquire and install assets (which can be new or second-hand), as they will now have until the end of the calendar year. ■

# The realities of insuring against cyber crime

Think your business is too small or that your data and information isn't important enough to be targeted by hackers? Think again.

Much of our communication, be it personal or businesses-related, has increasingly moved online in the last two decades, and continues to do so, especially in these recent times of COVID-19 with nearly everyone doing business exclusively online. Every day, thousands of pieces of information are transmitted via email, text, Messenger, WhatsApp, LinkedIn, social media and so on.

Yet while we've launched with a vengeance into the online world, whether by choice or of COVID-necessity, how many of us have kept pace with adequate cyber protections and insurances? Every day, we see individuals and businesses being targeted by cyber criminals. And it's not just the big end of town in the crosshairs — plenty of smaller practices fall victim to cyber crime.

Cyber insurance can be regarded as business-critical insurance because statistics show that the likelihood of a claim occurring within a cyber insurance policy is now as high, if not higher, than making a claim against your business insurance or professional indemnity insurance.

Yet not all insurance policies are the same, and so businesses need to understand exactly what they are and are not covered for. At a minimum, a cyber policy should provide a 24/7 breach response service (including IT forensic services), breach response management, credit monitoring, public relations crisis management, civil and regulatory defence costs and penalties, cyber extortion costs, business interruption cover and cyber terrorism.

## Proactive IT management and response plan

In addition to cyber insurance, a proactive IT management and a data breach response plan, supported by your IT, are critical elements to future-proof a business. The idea is that a data breach response plan should be no different to having a fire evacuation plan; it needs to be tested and rehearsed regularly.

Often recommend are three pillars of secure information management to identify and address risks within the IT infrastructure to reduce the likelihood of a cyber-attack. In what could be dubbed the "CIA of data management", these are:

- confidentiality
- integrity, and
- availability.

This three pillar approach ensures all data remains available and accessible (availability) to only authorised users (confidentiality) and remains intact and unchanged by unauthorised access or processes (integrity).

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## What does proactive IT management look like?

It's easy to tell a business to ensure its service providers are proactively managing IT systems, network and company data, with a focus on prevention. But what does this mean practically?

One could label this as an "always eyes on" holistic approach. This would include comprehensive monitoring, maintenance, support and management of organisational systems to help identify issues or concerns before they become a problem.

A set of overarching guidelines and business security principles should be established, and then the business should work through a practical approach that covers these key areas:

- password management and security
- network and data access management and security
- physical security
- information exchange policies and security (eg secure, encrypted, audited email)
- backup and disaster recovery
- education and awareness for internal staff
- cyber insurance coverage and policy wording
- policies and procedures (eg incident and data breach response plan)
- legal response and management plan, and
- responding to the psychological impacts following a data breach.

## A big risk

A successful attack can cause lasting and irreparable damage to your business. It can result in business downtime, legal and financial liability, as well as damage to your reputation, brand and the trust you have with clients. Sometimes the biggest risk your business can take is to do nothing. ■

# Cybercrime statistics

**34%** **were attributed to human error**

**242** reported data breach notifications to the Office of the Australian Information Commissioner (OAIC) for the third quarter of 2019*

**62%** **were a malicious or criminal attack**

*Full statistics available in the OAIC NDBS August 2019 Notifiable Data Breaches Quarterly Statistics Report

# Remote AGMs and document signing allowed

Companies should note that the government made a determination just before the end of the financial year that permits companies to hold annual general meetings by electronic format. Also, companies may execute a document, without using a common seal, by electronic communication. The determination is to be repealed on 6 November 2020.

## ANNUAL GENERAL MEETINGS

Due to public safety concerns related to COVID-19, until the date above companies will be permitted to hold their annual general meeting in electronic format. This will include processes that precede and are involved with the meeting. Among other things, the provisions state that:

- all persons entitled to attend the meeting must be given a reasonable opportunity to participate without being physically present
- all persons participating electronically are taken to be present at the meeting
- a vote taken at the meeting must be taken on a poll, and not by a show of hands
- a proxy may be appointed using one or more technologies specified in the notice of meeting
- a notice of meeting may be given, and any other information to be provided with a notice of meeting, or at or in relation to a meeting, may be provided, using one or more technologies to communicate to those entitled to receive notice of the meeting:
    - the contents of the notice and the other information; or
    - details of an online location where the notice and the other information can be viewed or from where they can be downloaded.

## EXECUTING OF DOCUMENTS

A company may execute a document without using a common seal if each of the specified persons:

- signs a copy or counterpart of the document that is in a physical form; or
- a method is used to identify the person signing in the electronic communication and to indicate the person's intention in respect of the contents of the document and the method:
    - is as reliable as appropriate for the purpose for which the company is executing the document, in light of all the circumstances, including any relevant agreement; or
    - it is proven in fact to have fulfilled the functions described in the above point, by itself or together with further evidence. ■

# Varying PAYG instalments because of COVID-19

PAYG instalments is a system that helps you manage your expected tax liability on income from your business or investments for the current income year by making smaller regular payments.

To assist taxpayers experiencing financial difficulty as a result of COVID-19, the ATO is providing added flexibility to manage your instalments to suit your circumstances. You can vary your instalments (including varying to zero) if you think using the present amount or rate will result in you paying too much by instalments when compared to your estimated tax for the year.

Your varied amount or rate will apply for all your remaining instalments for the income year, or until you make another variation.

Furthermore, if you vary your instalment amount or rate it can also be possible to claim a credit for instalments you have already paid for the current income year (more below).

In an added element to the PAYG withholding regime, the ATO has stated that where you choose to vary your PAYG instalment amounts due to the effects of COVID-19, it will not apply penalties for excessive variation or charge interest on those instalments.

You can lodge a variation of PAYG instalments on your business activity statement (BAS) or instalment notice, and of course we can help you do this or provide guidance.

Also note that the government has announced that it will suspend the indexation of tax instalments for the 2020-21 income year. Both income tax (PAYG) and GST instalments are included.

## IF YOU ARE AN AMOUNT PAYER

As an amount payer, the amount on your BAS is set as a dollar amount. You can vary your instalment amounts to zero for the remainder of the year if:

- you expect to have significantly less business and investment income than expected, or
- you expect your deductions against your business or investment income to be more than the income itself for the full year.

## IF YOU ARE A RATE PAYER

The instalment rate is a percentage applied against the income you received for the period, so the amount you pay will go up or down with your income received. Again, you can vary your instalment rate to zero if:

- you expect to have significantly less income than expected, or
- you expect your deductions against your business or investment income to be more than the income itself for the full year.

## HOW TO CLAIM A CREDIT ON PAYG INSTALMENTS ALREADY PAID

Once you have varied down your rate or amount, the ATO states that it is possible to claim back a credit from PAYG instalments previously paid for the 2019-20 year. To do this, complete the amount at label 5B on your activity statement (and of course ask for help or advice if you need it).

If you choose to not claim back credits on your activity statement and it ends up that you have overpaid your PAYG instalments, you will be credited with them after your tax return is processed. ■