Moore Lewis & Partners

TAX NEWS UPDATE

June 2019

Understanding Single Touch Payroll obligations

Single Touch Payroll ('STP') is a Government initiative aimed at cutting red tape for employers and improving visibility of compliance with business obligations such as:

- salary and wages and similar payments;
- Pay As You Go ('PAYG') withholding; and
- certain superannuation related information;

by requiring 'real time' reporting of payroll information directly to the ATO.

Importantly, STP is designed to extract information that already exists in an employer's payroll system.

As such, it is not intended to impose any additional burden on employers, other than requiring them to report the information to the ATO sooner.

From a practical perspective, businesses must use **STP compliant software** to comply with the new obligations. This will necessitate updating or changing their current payroll software.

Generally, most payroll software providers will have already adapted their software to ensure the required reporting capability has been incorporated.

Once a business has adopted the appropriate software, ongoing reporting obligations should be dealt with as part of an automated software function.

Effectively, employers will send their employees' relevant payroll information required under STP to the ATO each time they run their payroll and pay their employees.

Crucially, in complying with their STP obligations employers will **not** change their payroll cycle.

When a business reports to the ATO via STP, the relevant employees will be able to view their year-to-date tax and super information through MyGov.

As a result of STP reporting, a number of ongoing compliance obligations for employers will be streamlined, and/or removed. Some benefits for employers under STP include the following:

- The removal of the need to issue an annual *'Payment Summary'* to employees for payments reported to the ATO via STP, provided an employer lodges a '*finalisation declaration*' (i.e., generally by 14 July, although extensions are in place for the first year of STP implementation).
- The removal of the need to lodge a *'Payment Summary Annual Report*' for payments reported through STP.
- From 1 July 2019, STP will enable the pre-filling of BAS Labels **W1** (gross salary and wages and other payments) and **W2** (amounts withheld from salary, wages and other payments) for employers that are small or medium withholders.
- The streamlining of employee documentation such as the lodgement of *'TFN Declarations'* and *'Withholding Declarations'* via enabled software.

Editor: It is important to understand that STP does not impact or change when employers must actually remit PAYG withholding amounts to the ATO or make super contributions. The new STP obligations simply affect when employers must report these payments to the ATO.

CONTACT US FOR ASSISTANCE TO PREPARE FOR STP.

Flexible ATO implementation

The Commissioner of Taxation, Chris Jordan, recently made a personal guarantee that the ATO's approach to STP will be *"flexible, reasonable and pragmatic"*.

In particular, despite the 1 July 2019 start date for small employers, the Commissioner has stated that they can start STP reporting any time from **1 July 2019** to **30 September 2019**.

This effectively provides a **three-month implementation reprieve** for small employers.

The ATO has also indicated that there will be no penalties for mistakes, missed or late reports for the first year and exemptions will be provided from STP reporting for employers experiencing hardship, or in areas with intermittent or no internet connection.

IT’S THAT TIME OF YEAR AGAIN!

Don’t forget to make an appointment for your tax

Information Required to Complete your Tax Return

We will need you to bring information to assist us in preparing your income tax return.

Please check the following and bring along payment summaries, statements, accounts, receipts, etc., to help us prepare your return.

Income/Receipts:

- payment summaries for salary and wages;
- lump sum and termination payments;
- government pensions and allowances;
- other pensions and/or annuities;
- allowances (e.g., entertainment, car, tools);
- interest, rent and dividends;
- distributions from partnerships or trusts;
- details of any assets sold that were either used for income earning purposes or which may be caught by capital gains tax (CGT).

Expenses/Deductions (in addition to those mentioned above):

- award transport allowance claims;
- bank and government charges on deposits of income, and deductible expenditure;
- bridge/road tolls (travelling on business);
- car parking (when travelling on business);
- conventions, conferences and seminars;
- depreciation of library, tools, business equipment (incl. portion of home computer);
- gifts or donations;
- interest and dividend deductions:
  - account keeping fees
  - ongoing management fees
  - interest on borrowings to acquire shares
  - advice relating to *changing* investments (but *not* setting them up);
- interest on loans to purchase equipment or income-earning investments;
- motor vehicle expenses (business/work related);
- overtime meal allowances;
- rental property expenses – including:
  - advertising expenses
  - council/water rates
  - insurance
  - interest
  - land tax
  - legal expenses/management fees
  - genuine repairs and maintenance
  - telephone expenses
- superannuation contributions;
- sun protection items;
- tax agent fees;
- telephone expenses (business);
- tools of trade.

FINANCIAL PLANNING

More Money Means More Control, Right?

We’ve just emerged from an election campaign where the promise to introduce a raft of tax changes had so many people upset that the number of swinging voters took a dramatic increase, even if it turns out they’re only on that swing temporarily.

From my twenty years’ experience working with family’s finances there’s nothing that gets a person more upset than an unwanted third party reaching in and threatening the sanctity of the household budget.

What challenges us as individuals the most when threatened from outside the home is being made aware that we’re not in control.

Having control over your money means you can make choices with your money that ultimately leads to greater comfort, security and happiness – in other words a richer life.

Less control over your money is risky and whilst risks are an ever-present reality that range from not only changes in legislation or investment risk there are some more controllable risks that you can act on now – these are the risks associated with personal debts.

Household debt in Australia is rising sharply and is highly topical in discussions from interest rates to property prices.

To give some perspective, in 1990 the ratio of household debt to income sat at 70% but today it's approaching a staggering level of 200%. In 1990 Australia sat in the bottom third internationally of household debt to income ratios yet today we sit in the highest 20%.

The difference has been driven by long term low interest rates and an interest only culture.

Low interest rates might give a feeling that you're about to save some money and that some pressure is about to be relieved on the household budget and while this can be true in the short-term, history shows that unattended financial behaviors lead households to spend the saving on more interest rather than loan reduction.

Remember those interest rates from the late 80's or if you don't perhaps you're familiar with your parents complaining about the interest rates from the late 80's? It wasn't unusual for loan interest to be in the vicinity of 20%, a figure that should terrify anyone today with a mortgage.

However, there's no more surplus in the household budget today than there was then. In fact, interest repayments today on home loans compared with household incomes are 21% higher than when interest rates peaked in the late 80's.

You read that correctly, people spend more on interest today with record low interest rates than they did at the time of record high interest rates.

Why? Interest rates might be a lot lower today, but they are charged against a much, much larger debt pie and coming back to the topic of control - you don't need much to go wrong with your debt before you spiral well and truly out of control.

Your risks in having debts are multiple and varied: risks of rising interest rates, risks of losing your job, being retrenched or getting ill or injured among others.

Being happy with your debts means you're in control of them and this is where the trick lies because having control of your debts means putting in some hard work. There's no substitute for this unless your plans to win the lottery come to fruition. Right?

There are some actions you can take now to stay in control or take back some control that you've possibly lost.

Manage your debt risks by being active in the way you behave with them. Try:

- Increasing your loan repayments so that you're paying your loan off within 15 years. If you can't afford the repayments to do this immediately then increase your repayments incrementally until your reach the required figure i.e. increase by $100/month now then again in six to twelve months' time when you're able. Keep 'stepping up' your repayments until you reach your figure or till the loan is gone.

- Changing any interest only loans to Principle & Interest so that you are at least making some reductions on your loan principle over time. When interest rates rise again you don't want to be stuck with a massive debt.

- Never capitalising interest. Some spruikers say that not making repayments at all is the best way to maximise tax deductions on an investment loan however this is highly dangerous for you because the interest just compounds against you. Not to mention the tax office takes a dim view of allowing deductions for interest on interest.

Make sure too that your personal risks are covered by taking at least Income Protection insurance. If you lose your income because of an injury or illness there's not a whole lot of options to repay the mortgage and keep food on the table.

Try taking some time to reflect on the risks facing your household debt and calculate just how much control you really have if any of those risks came to fruition. If the answer is a little discomforting then now is the time to address them, whilst you have some control.

If you need assistance with taking control of your money contact the office on 1300 376 781 or visit our website www.commoncentsfp.com.au

Nick Girle
Senior Planner
CommonCents Financial Planning

Tax scammer alert

The ATO has again warned taxpayers to be alert for scammers impersonating the ATO, as it appears they have changed tactics in 2019.

Specifically, the ATO is seeing the emergence of a new tactic where:

"scammers are using an ATO number to send fraudulent SMS messages to taxpayers asking them to click on a link and hand over their personal details in order to obtain a refund".

The ATO has received reports of scammers maliciously manipulating the calling line identification so the phone number that appears is different to the number from which the call originated.

This is referred to as "spoofing" and is a common technique used by scammers to appear legitimate.

It appears these scams aim to steal taxpayers' personal details and identities.

The ATO has advised it will **not**:

- send an email or SMS asking a taxpayer to click on a link to provide login, personal or financial information, or to download a file or open an attachment;
- use aggressive or rude behaviour, or threaten taxpayers with arrest, jail or deportation;
- request payment of a debt via iTunes or Google Play cards, pre-paid Visa cards, cryptocurrency or direct credit to a personal bank account; or
- request a fee in order to release a refund owed to taxpayers.

Editor: If you are unsure about a call, text message or email purportedly received from the ATO, the best advice is not to reply.

Should you have any concerns, please contact our office directly, or alternatively you can call the ATO on 1800 008 540 to check if the contact was legitimate or to report a scam.

Continued focus on the cash economy

ATO Assistant Commissioner Peter Holt has announced that, in the 2019/20 financial year, the ATO will be visiting a further 10,000 small businesses across the country, including up to 500 small businesses in Tasmania.

He further said that businesses that advertise as 'cash only' and businesses that are operating outside of the ATO's performance benchmarks for their industry will be especially targeted for a visit from the ATO.

"Businesses that pay cash in hand, or fail to lodge income tax or business activity statements, get an unfair advantage and make it harder for other businesses who are doing the right thing. By detecting and addressing this behaviour, we're helping ensure a level playing field for honest small businesses."

Businesses in the following industries are most likely to get a visit from the ATO:

- Restaurants and cafes;
- Vehicle repairers;
- Personal care businesses including hairdressers and nail salons;
- Pharmacies;
- Construction businesses;
- Clothing stores;
- Grocery stores / small supermarkets; and
- Butchers.

Whilst on the road, ATO officers will also be available to help those businesses that are trying to do the right thing.

Mr Holt said the ATO will not hesitate to take strong enforcement action against those deliberately avoiding their tax and super obligations and the visits may uncover this deliberate non-compliance.

"If businesses know they have made mistakes we encourage them to let us know and work with us or their tax professional."

Claims for home office expenses increased

The ATO has updated the hourly rate taxpayers can use to determine deductions for home office expenses from 45 cents to **52 cents per hour** for individual taxpayers, effective 1 July 2018 (i.e., from the **2019 income year**).

According to the ATO's recently updated PS LA 2001/6, individual taxpayers who claim deductions for either work or business-related home office running expenses may either:

- claim a deduction for the actual expenses incurred; or
- calculate the running expenses at the rate of 52 cents per hour.

Taxpayers who use the rate per hour method to claim a deduction for home office running expenses only need to keep a record to show how many hours they work from home.

This reduced substantiation requirement can be recorded either:

- during the course of the income year; or alternatively
- they can keep a representative four-week diary (where their work from home hours are regular and constant).

Private health insurance statements

The law has changed regarding the way registered health insurers provide you with your private health insurance details.

It is now optional for insurers to provide you with a private health insurance statement. Health insurers will provide a statement only if you request one.

If you are lodging a tax return with your tax agent and your health insurance details have not been pre-filled by the ATO, you will need to contact your Health insurer for your statement information to ensure you use the correct details when completing your tax return.

NEW PARTNER AS FROM 1ST JULY 2019

Many of you would already know Pam. Pam joined Moore Lewis & Partners 17 years ago. She has held CPA status since 2006 and became an associate of the firm in July 2014.

We are excited to announce Pam as a Partner of the firm from 1st July 2019. She looks forward to continuing to service all existing and new clients.

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