



Monthly Information Newsletter – Tax & Super

July 2020

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.

So, before we sit down 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 coming in for your tax appointment here are the sorts of information needed to enable us to complete your tax return.

- 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 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: Information needed to complete the private health insurance section of your tax return.

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 any *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.
- **Clothing, laundry and dry-cleaning expenses:** To legitimately claim the cost of a uniform, it needs to be unique and distinctive, for example it contains your employer's logo, or is specific to your occupation, like chef's pants or coloured safety vests.
- **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 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, equipment 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.

DISCLAIMER

All information provided in this article is of a general nature only and is not personal financial or investment advice. Also, changes in legislation may occur frequently. We recommend that our formal advice be obtained before acting on the basis of this information.

Our liability may be limited by a scheme approved under Professional Standards Legislation.