



Monthly Information Newsletter – Tax & Super

July 2022

ATO tax time focus for small business

The ATO has released a tax time tool kit to assist businesses and us as your tax advisor to nail your 2021/22 business tax return.

The ATO has also flagged what it will be focusing on for small business tax returns for 2021–22:

- deductions that are private in nature and not related to business income, as well as overclaiming of business expenses (especially for taxpayers running a home-based business)
- omission of business income, for example income from the sharing economy or new business ventures
- record keeping – including insufficient or non-existent records that are needed to substantiate claims.

ATO Assistant Commissioner Andrew Watson said:

We know it's been a tough couple of years for many small business owners, and we understand your tax obligations may not be at the top of your list. So, if you need a hand, I encourage you to contact your registered tax professional.

No matter what your situation is, it's never too late to ask for help. Tax time is also a great time to discuss ATO debts with your registered tax professional and set up a payment plan if you need one.

Income

Mr. Watson reminded small businesses to include all income, including earnings from 'side hustles'.

Small businesses should include all income in their income tax return, including cash, coupons, EFTPOS, online, credit or debit card transactions, and income from platforms such as PayPal, WeChat or Alipay.

The ATO has also reminded businesses that most government payments or financial support received as a result of COVID-19 needs to be included as taxable income, whereas some others are exempt and should not be included.

The ATO has detailed information listing how all support payments should be treated on its website. Speak to us for further guidance.

Deductions

Mr. Watson reminded businesses to only claim what they are entitled to, and that their business structure affects their entitlements and obligations. The way that sole traders, partnerships, trusts, and companies claim deductions is often different.

There are three golden rules for what the ATO accepts as a valid business deduction:

- the expense must have been for your business, not for private use
- if the expense is for a mix of business and private use, you can only claim the portion that is used for your business
- you must have records to prove it.

Lodgment deadlines

Although tax returns are generally due by 31 October, because you are lodging with us (a registered agent), you will have more time to prepare and lodge. This will generally be in the first half of 2023.

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