



Wright Doig & Co

*Accounting for
Today and Tomorrow*

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June 2020

Tax Time is almost here

The years keep on flying by and it's almost tax time again.

This newsletter includes our tax time checklists at the back to assist you in getting everything organized to make all our lives easier. As in the past you have the option to supply your tax return information to us in person or by post, fax or email but in addition you can upload it to your client portal. In addition to face to face appointments we know also conduct video meetings via Zoom. To stay up to date with current tax issues visit our website or like and follow our Facebook and Instagram page.

COVID-19

The first 6 months of 2020 is a time the majority of us would like to forget. We sure hope that the last 6 months of 2020 will be better for everyone as we settle into a new normal. During the initial lock down restrictions we conducted numerous video meetings and will continue to offer this to all clients in addition to contactless drop off and pick up services.

We ask that you do not visit our office if you are ill. If you have a cough or other flu like systems (ie a fever, sore throat or running nose) you may put other people at risk. If your visit is not urgent, please consider visiting on another day when you are feeling better or contact us to arrange a phone or video meeting instead.

Wait until the end of July to lodge your returns.

With JobKeeper and JobSeeker payments coming into play this year, taxpayers have been urged to hold off from lodging their returns until their employers have finalized their income statements as tax-ready and information is pre-filled in myGov.

For the 2019-20 financial year, employers with 20 or more employees will have until the 14th July 2020 to make a finalization declaration, while employers with 19 or fewer employees will have until 31st July 2020.

"Your income statement can be accessed via myGov and the information is automatically included into your tax return by the end of July," Ms Foat said.

We also have access to this information. The figures in your income statement should already include any JobKeeper you have received. If you aren't sure, check with your employer.

"If you received JobSeeker, the ATO will also load this information into your tax return at the Government Payments and Allowances question once it's ready. If you are lodging before this information is included for you, you will need to make sure you include it. Leaving out income can slow your return down or result in a bill later."

Sole traders who have received the JobKeeper payment on behalf of their business will need to include the payments as assessable income for their business.

The greatest compliment we receive from our clients in the referral of their friends, family and business colleagues.
Thank you for your support and trust.

ATO flags work-related hotspots

ATO assistant commissioner Karen Foat has now urged taxpayers to reduce claims for work-related travel and uniform expenses in the last quarter of the 2019-20 year that would have been impacted by government-mandated restrictions imposed as a result of COVID-19.

"With more people working from home, working reduced hours or unfortunately not working at all, we expect to see claims for laundry expenses or travel expenses decline this year," Ms Foat said.

"If you aren't travelling for work, you can't claim travel expenses. If you aren't wearing your work uniform, you can't claim laundry expenses."

"It's still important to meet the three golden rules: you must have spent the money and not have been reimbursed, it must related directly to earning your income, and you must have a record to prove it."

Despite millions of Australians being forced to work from home where possible because of COVID-19 restrictions, Ms Foat said the ATO will take a dim view of travel claims from home to work.

"Generally, most people cannot claim the cost of travelling to and from work, and working from home as a result of COVID-19 does not change this," Ms Foat said.

For example, if you are working from home because of COVID-19 but need to go to your regular office one day per week, your home-to-work travel is still private travel and cannot be claimed."

In contrast, the ATO expects to see a substantial increase in people claiming deductions for working from home or for protective items required for work.

A new shortcut method has been introduced by the Tax Office for taxpayers to calculate home office expenses at a rate of 80 cents per hour for the period between 1st March and 30th June 2020.

The new method is in addition to the existing fixed-rate method and actual cost method, with taxpayers able to choose the appropriate method for their circumstances.

Ms Foat said taxpayers looking to claim working-from-home expenses using the shortcut method should include the amount at the "other work-related expenses" question in their tax return and include "COVID hourly rate" as the description.

Claims before 1st March 2020 must be under the two standard approaches.

Reduction in company Tax Rate

Despite the current economic environment, the company tax rate will reduce to 26% for small and medium businesses from 1st July 2020. This is part of a larger plan to progressively reduce the company tax rate to 25% from 1st July 2021. It applies to base rate entities (BRE) (companies, corporate unit trusts, and public trading trusts) with an aggregate turnover of less than \$50 million where 80% or less of the entity's turnover for the year is classified as base rate entity passive income. Larger companies will continue to pay the 30% rate.

	2018 – 19 & 2019 – 20	2020 – 21	2021 – 22
Base Rate Entities	27.5%	26%	25%
Other corporate tax entities	30%	30%	30%

Other changes from July 1st 2020

- Cents per km rate for work-related car expenses increase to 72 cents
- Expected reforms to allow 66 and 67 year olds to make voluntary superannuation contributions without satisfying the work test. This reform is not yet law.
- Age limit for making superannuation contributions to your spouse increases from 69-74. This reform is not yet law.
- For those 67 & under, reforms will enable you to use the 'bring forward rule' to make up to three years of non-concessional contributions. That is you can make non-concessional contributions of up to \$300,000 from the 2020-21 financial year.

Victoria passes new Wage Theft Laws!

Wage theft is now a crime in Victoria! New Legislation was passed on the 16th of June by the States upper house making deliberate underpayment of workers a criminal offence.

What is wage theft?

- Wage theft is paying you less than your hourly rate.
- Wage theft is not getting paid more for weekend work.
- Wage theft is the same flat rate on a public holiday.
- Wage theft is "Stop asking questions, that's the going rate."
- Wage theft is the overtime you're never paid for.
- Wage theft is the superannuation you're not getting.
- Wage theft is "We pay \$15 an hour, but it's cash in hand!"
- Wage theft is those unpaid trial shifts they made you do.
- Wage theft is coming in for training that you never get paid for.
- Wage theft is a lower pay grade than the work you're doing.
- Wage theft is staying back for a meeting and not getting paid.
- Wage theft is missing out on breaks because the shop is busy.
- Wage theft is "Yeah we pay a flat rate, but look, free pizza!"

Wage theft is a crime.

The new laws include fines of up to almost \$1 million for businesses and up to 10 years jail for offending employers, with a new team of inspectors empowered to police the laws.

New Victorian Wage Inspectorate has the powers to enter premises to obtain information and seize evidence and to apply for and execute search warrants. The inspectorate will also target employers who falsify wage records, or dishonestly fail to keep records in a bid to hide wage underpayments.

The new laws don't come into effect until mid-2021 in a bid to give businesses time to prepare. Victorian employers wanting to self-report staff underpayments may now have to deal with both state and federal agencies. It may actually end up being a case of double jeopardy as you could be prosecuted by both State and Federal agencies.

NOW is the time to ensure you are paying your employees under the correct awards and the correct amounts. If there is any uncertainty in regards to which award your business is covered by **YOU** need to contact FairWork to receive clarification. You may be covered by more than one award.



Workplace Manslaughter laws come into effect!

From July 1st, new Workplace Manslaughter Legislation comes into effect for Victorian workers and Employers.

The main purpose of the new legislation is to prevent workplace death in the future. WorkSafe have also announced that there is a secondary aim for the new legislation - to act as a deterrent for Employers.

"The aim of the new legislation is to create a deterrent effect with the significant penalties that are attached to the provision. It sends a message to the community that if you do not comply with your obligations and somebody dies as a result of your non-compliance, you can be prosecuted and you will be prosecuted for a significant criminal offence." - Dmitry Rozkin, Director of WorkSafe's Legislation Policy and Information Services.



Workplace Manslaughter laws come into effect! (continued)

When will workplace manslaughter apply?

Workplace manslaughter applies when all of the elements of the offence are proven:

- The accused is a body corporate or a person who is not an employee or volunteer
- The accused owed the victim a duty of care
- The accused breached that duty by criminal negligence in circumstances where there was a high risk of death, serious injury or serious illness
- The act that breached the duty of care was committed consciously and voluntarily
- The accused's breach of that duty causes the victim's death

Workplace manslaughter may apply even when the death of the person occurs sometime after the relevant incident. For example, depending on the circumstances, if an employee develops an asbestos-related disease after an employer exposed them to asbestos without the use of adequate personal protective equipment.

Who can be charged with workplace manslaughter?

A person, body corporate, an unincorporated body or association or a partnership, including government entities and officers of these entities, who owe applicable duties to ensure the health and safety of another person in the workplace, can be charged with Workplace Manslaughter.

However in certain circumstances, officers of organisations may be charged if their organization owes applicable duties:

- Directors and secretaries of companies
- Partners of a partnership or joint venture
- The trustee of a trust
- Persons who participate in the making of decisions that affect a substantial part of the organisations business
- Persons who have the capacity to affect significantly the organisations financial standing

Negligent conduct

Voluntary and deliberate conduct is 'negligent' if it involves a great falling short of the standard of care that a reasonable person would have exercised in the circumstances and involves a high risk of death, serious injury or serious illness. It is a test that looks at what a reasonable person in the situation of the accused would have done in the circumstances. The test is based on existing common law principles in Victoria.

Negligent conduct can include a failure to act.

Examples may include when a person:

- Does not adequately manage, control or supervise its employees
- Does not take reasonable action to fix a dangerous situation, in circumstances where failing to do so causes a high risk of death, serious injury or illness

Causation: the conduct caused death

It must be established that it was the accused's negligently criminal breach of the duty of care that caused the death. That is, his or her acts or omissions must have contributed significantly to the death, or been a substantial and operative cause of it. The acts or omissions must be such that an ordinary person would hold them, as a matter of common sense, to be a cause of death. This is the existing common law test of causation.

Penalties

If convicted of workplace manslaughter, the following maximum penalties apply:

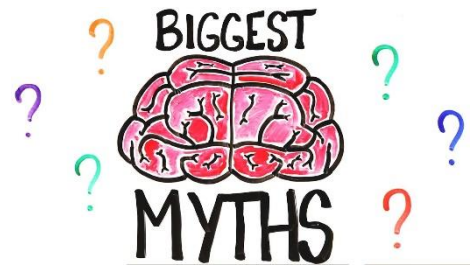
- A maximum of 20 years imprisonment for individuals
- A maximum fine of \$16.5 million for body corporate

Debunking common myths about Work Related Expenses

There are many myths about deductions that may lead you to make an incorrect claim. Here are some of the most common.

✗ Myth: I don't need a receipt, I can just use my bank or credit card statement.

✓ Fact; To claim a tax deduction you need to be able to show that you spent the money, what you spent it on, who the supplier was, and when you paid. Bank or credit card statements alone don't have this information. The only time you don't need these details is if substantiation exceptions apply.



✗ Myth: Everyone can automatically claim \$150 for clothing and laundry, 5,000 km under the cents per kilometer method for car expenses, or \$300 for work-related expenses, even if they didn't spend the money.

✓ Fact; There is no such thing as an 'automatic' or 'standard deduction'. Substantiation exceptions provide relief from the need to keep receipts in certain circumstances. While you don't need receipts for claims under \$300 for work-related expenses, \$150 for laundry expenses (note: this is for laundry expenses only and does not include clothing expenses) or if you are claiming 5,000 km or less for car expenses under the cents per kilometre method, you still must have spent the money, it must be related to earning your income, and you must be able to explain how you calculated your claim.

✗ Myth: I can claim makeup that contains sunscreen if I work outside.

✓ Fact; We all like to look good, but cosmetics are usually a private expense and the addition of sun protection does not make it deductible. However, it may be deductible if the primary purpose of the product is sunscreen (that is, it has a high SPF rating), the cosmetic component is incidental, and you need to work outdoors in the sun.

✗ Myth: I can claim my gym membership because I need to be fit for work.

✓ Fact: While you might like to keep fit, there are only a very small number of people who can claim gym memberships, such as special operations personnel in the Australian Defence Force. To be eligible, your job would have to depend on you maintaining a very high level of fitness, for which you are regularly tested.

✗ Myth: I can claim all my travel expenses if I add a conference or a few days' work to my holiday.

✓ Fact: if you decide to add a conference or some work to your holiday, or a holiday to your work trip, you must apportion the travel expenses between the private and work-related components, and only claim the work-related component.

✗ Myth: I have a capped phone and internet plan, so I can claim both business and private phone calls and internet usage.

✓ Fact: Unless you only use your phone and internet for work, you have to apportion the cost between work-related and private usage and only claim the work-related portion of your expenses.

✗ Myth: I can claim my work clothes because my boss told me to wear a certain colour.

✓ Fact: Unless your clothing is a uniform that is unique and distinct to your employer, or protective or occupation-specific clothing you are required to wear to earn your income, you won't be able to claim it. Plain clothes, like black pants, are not deductible even if your employer told you to wear them.

Allocation of COVID-19 stimulus package amounts in your bookkeeping

Regardless of which software you use the treatment of the income amounts received under the Governments COVID-19 stimulus packages will be the same:

- If you have the PAYGW Cashflow boost on your BAS, please enter the amount to an 'Other Income' account called "PAYGW Cashflow boost". Please note, this amount is tax-free income to your business, so it will be added back at year end for income tax purposes.
- If you are receiving JobKeeper payments, please create an 'Other Income' account called "JobKeeper payments" and allocate the payments to that account. These payments are taxable income to your business

Allocation of COVID-19 stimulus package amounts in your bookkeeping (continued)

- If you received the Victorian Government grant, please create an 'Other Income' account called "grants" and allocate the payment to that account. This payment is taxable income to your business.

*Please note that **NO** GST applies to any of these amounts.

Home Builder grants

\$25k grants for housing construction, renovations to bolster industry. The Federal Government will give eligible Australians \$25,000 to build or substantially renovate their homes.



How it will work

- It will be restricted to substantial renovations and the construction of new homes, with recipients required to spend at least \$150,000 before being eligible.
- The grants will be means-tested to exclude couples making more than \$200,000 per year and individuals making more than \$125,000 per year, while limits will also be placed on the value of the property the grants go towards.
- New builds will be capped at \$750,000, while renovations can cost anywhere between \$150,000 and \$750,000, but will only be subsidised if the house being altered is valued at less than \$1.5 million.
- The scheme will not apply to investment properties or owners who intend on building or renovating on their own without the help of builders.
- Renovation work will not include structures separate to the main property, such as swimming pools, tennis courts and sheds.
- To be eligible for the grants, homeowners will need to enlist a licensed builder to complete the works.

Source: Federal Government

\$150K instant asset write-off extended for 6 months

The \$150,000 instant asset write-off has now been extended until the end of the year as the government looks to spur businesses to invest.

The instant asset write-off threshold of \$150,000 for businesses with an aggregated turnover of less than \$500 million will now be extended to 31 December 2020.

The extension, estimated to cost \$300 million, will be available to around 3.5 million businesses.

Without the extension, the instant asset write-off threshold of \$150,000 would have reverted to the \$1,000 threshold and eligible only to small businesses with a turnover of less than \$10 million after 30 June.

"These measures are designed to support business sticking with investment they had planned, and encouraging them to bring investment forward to support economic growth over the near term," said Treasurer Josh Frydenberg.

"The instant asset write-off also helps to improve cash flow for businesses by bringing forward tax deductions for eligible expenditure. 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, as they will now have until the end of the year."



DISCLAIMER: This document contains general advice only and is prepared without taking into account your particular objectives, financial circumstances and needs. The information provided is not a substitute for legal, tax and financial product advice. Before making any decision based on this information, you should speak to a licensed financial advisor who should assess its relevance to your individual circumstances. While the firm believes the information is accurate, no warranty is given as to its accuracy and persons who rely on this information do so at their own risk. The information provided in this bulletin is not considered financial product advice for the purposes of the Corporations Act 2001.



2020 Tax Return Client Checklist

June 2020

2020 - Individual Tax Returns

Income

- Gross salary, wages, allowances, benefits, earnings, tips, Directors Fees and Insurance for lost wages.
- Income from business activities. PAYG Payment Summaries.
- Details of any non-cash benefits received including discount(s) on employee shares or rights.
- Lump sum and termination payments. All documentation should be provided including an ETP Payment Summary from the employer or fund.
- Government Social Security payments, including pensions, unemployment and sickness benefits.
- Details of any CGT asset sales (e.g. shares, business and real estate). Please include dates of, and costs associated with, acquisition and disposal (You can save tax if you qualify for the variety of CGT concessions).
- Annuities, including allocated pensions or superannuation income streams.
- Income from trusts and partnerships. Statements of distribution should be provided where appropriate.
- Rental income.
- Interest and dividends received from any source including life insurance or friendly society bonuses and any tax deducted. Include details of franked dividends (i.e. imputation credits).
- Foreign source (employment and pension) income and details of any foreign tax credits, assets or property.

Deductions

- Investment and property expenses (carefully detail interest and repair claims), supply statements.
- Work-related subscriptions or memberships (not including sporting or social clubs).
- Employment related expenditure such as self-education, protective clothing, tools, union fees, uniform and laundry expenses.
- Motor vehicle expenses, car finance lease statements (include petrol, repairs, parking and maintain a Motor Vehicle Log Book where necessary).
- Donations of \$2 and over.
- Income Protection Insurance Premiums.
- Superannuation Contributions for which you have lodged & received confirmation of Notice of Intent to Claim a Deduction



- Home office expenses where employment requires use of your computer, phone or other device.
- Tax Agent Fees and other accounting/tax audit fees.
- Special deductions (Australian films, investment shelters and agribusiness-type schemes).
- Unrecouped prior year losses.

New Clients

- Last year's Notice of Assessment and Tax Return (if available)

Rebates

- Private health insurance annual statement.
- Any changes in dependants, children's details, DOB and any Centrelink benefits applicable (income of spouse should also be provided).
- Details of any income received in a lump sum which was accrued in earlier income years (e.g. assessable pensions).
- Details of any remote work performed for 183 days or more.
- HECS-HELP Debt details.

8 Most Common Errors in Income Tax Returns

1. Omitting Interest Income
2. Incorrect or Omitted Dividends Imputation Credits
3. Capital Gains/Losses are Incorrect or Omitted
4. Understating Income
5. Home Office Expenses
6. Depreciation on Rental Property Fixtures and Fittings
7. Depreciation on Income Producing Buildings
8. Borrowing Costs associated with Negative Gearing

2020 - Companies, Partnerships, Trusts and Other Businesses

Income

- Trading Income.
- Other Income (e.g. Rent, Interest, Royalties).
- Stock on Hand at June 30, 2020 (and basis of valuation) – note any obsolete stock.
- Work-in-Progress at June 30, 2020
- Primary Producer subsidies (if assessable).
- Details of CGT assets (e.g. shares and real estate) sold, including dates of, and costs associated with acquisition and disposal.
- Dividends, including details of franking credits.
- Income from foreign sources including details of any foreign taxes paid.

Deductions

- Repairs and maintenance.
- Salaries, including fringe benefits.
- Fringe benefits tax paid.
- Rates, land taxes and insurance premiums.
- Advertising expenses.
- Interest on borrowed monies.
- Deductions relating to foreign-source income.
- Prepaid expenses (subject to transitional rules).
- Retirement payments and golden handshakes.
- Bad debts actually written off during the year.
- Donations of \$2 and over depending on the recipient.
- Commissions.
- Legal expenses.
- Lease or Chattel Mortgage payments on motor vehicles and equipment.
- Losses of previous years (or intra-group transfers).

- Superannuation contributions.
- Subscriptions.
- Car expenses (remember to include petrol, repairs and parking and maintain a log book where necessary).
- Tax agent's fees and other accounting and tax audit fees.
- Royalties paid.
- Details of the destination and purpose of any interstate or overseas trip. Expenses must be fully documented where travel involves at least one night away from home. Travel diaries should be included where travel exceeds five nights.
- Research and development expenditure.
- Bank fees (where the credit or deposit represents assessable income).

Liabilities

- New loans taken out during the year and their purpose, including any new lease or chattel mortgage agreements on vehicles, equipment or machinery.
- Statements from the lending authority detailing the opening and closing balances of existing loans during the financial year.
- Provisions for long service and annual leave.
- Creditors at June 30, 2020.
- Details of loan accounts to directors, shareholders, beneficiaries and partners.
- Accrued expenses (e.g. audit fees, interest payments).
- Commercial debts forgiven.



Assets

- Details of depreciable assets acquired and/or disposed of during this income year, including:
 - type of asset;
 - date of acquisition;
 - consideration received/paid.
- Lease commitments.
- Debtors at June 30, 2020.
- Commercial debts forgiven.

Additional Information Required

- Franking account details/movements.
- Overseas transactions, exchange gains/losses.
- Private companies – remuneration or loans to directors, shareholders and their relatives.
- Changes to the capital of the company.
- Whether family trust elections have been made in relation to trusts.

Note: To ensure that you obtain the maximum deductions to which you are entitled and in consideration of the penalty provisions, FULL DETAILS of any claim should be provided and supporting documentation made available. For employee taxpayers and for travel and motor vehicle claims by self-employed taxpayers, documentation must be a receipt, tax invoice or similar document which contains certain details. For other taxpayers, documentation may comprise receipts, dockets, diary notations or reasonable and supporting estimat