



RICARDO ACCOUNTING

2019 TAX TIME NEWSLETTER

FIRM NEWS

We are in the last days of the 2018/2019 financial year and so now is the time to do that last minute tax planning and think about the year ahead.

The bookkeeping team have already started with end of year reconciliations for TPAR and payroll. Danielle will be in contact with those we assisted last year, if you are not sure you are on our list or would like our assistance for the first time with payroll finalisation or TPAR please let us know asap so we can book it in our program.

Tim and Nathan will be on hand to assist in end of year tax planning so please contact us if you need help with the year ahead.

Our street address is still Level 1, 18 Barralong Road, Erina NSW 2250, we are above the John R Turk Lighting showroom

ATO TAX NEWS

IN THE SPOTLIGHT THIS YEAR

LOW-MIDDLE INCOME EARNERS TAX OFFSET

WORK RELATED EXPENSE AUDITS

SUPERANNUATION CATCH-UP DEDUCTIONS

RENTAL PROPERTIES

SINGLE TOUCH PAYROLL

AUDIT INSURANCE & RECEIPTBANK

CRYPTOCURRENCY DATA MATCHING

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INDIVIDUAL TAX UPDATE

LOW-MIDDLE INCOME EARNERS TAX OFFSET

Tax rates remain the same for the current year with the exception of a promised tax offset for low and middle income earners (LMITO), however we are still waiting on the proposed tax offset to be approved by the Senate. The tax changes if past will give Individuals tax relief of up to \$1,215. Here's a table that gives you an idea of how much you might be entitled to:

Taxable income (\$)	Tax Relief 2019 (\$)
20,000	0
30,000	255
40,000	480
50-80,000	1,080
90,000	1,215
100,000	915
120,000	315
140,000	135

The government has also promised tax cuts by increasing income tax thresholds but these are so far into the future that it's kind of pointless to get excited at this stage. The next proposed change will be in the 2023 financial year.



COMPLETING YOUR TAX THIS YEAR

We have included a checklist at the end of this Newsletter to assist you in what to bring in for this year's tax return.

CLAIMING WORK RELATED EXPENSES

Work Related Expenses (WRE's) will be a focus when completing returns this year. The ATO will be looking at similar taxpayers within your occupation code, so make sure you are checking occupation with Tim or Nathan when completing your return this year. We will help you know what you can claim and how to prove it.

Feel free to ask us if you have a warning on your prefilling report when completing your return and we can discuss this with you.

If you are concerned over your claims including what to do if you are a "high risk" taxpayer then we also have a few new offerings this year, See our **AUDIT INSURANCE & RECEIPTBANK** article in this newsletter.

The ATO have provided some factsheets which we have put on our resources page on our website for your reference.

SEE ATO DEDUCTION GUIDES -

<https://ricardoaccounting.com.au/resources/>

SUPERANNUATION

SUPERANNUATION CATCH-UP

From 1 July 2018, if you have a total super balance of less than \$500,000 on the previous 30 June and you make or receive concessional contributions (CCs) of less than the concessional contributions cap of \$25,000 pa, you may be able to accrue unused amounts for use in subsequent financial years.

2018/19 is the first financial year you can carry forward unused cap amounts and these amounts can be used from 1 July 2019. Unused cap amounts can be carried forward for up to five years.

This change came in last year and is a fantastic tax planning opportunity for people who may have higher income in a particular year such as a large capital gain and want to save some money for retirement.

PERSONAL SUPER DEDUCTIONS

We have left this here from last newsletter because it is such a great opportunity - **ANYONE** will be able to claim a tax deduction in their return for personal payments into super (up to their cap). This is great news for anyone who has an employer who makes it difficult to salary sacrifice and also anyone who

operates a sole trader business as well as earning a wage.

If you wish to claim a personal super deduction in your tax make sure you make payment well before the 30th June to give your fund time to process the contribution.

When completing your return remember to bring in your Personal Superannuation contribution details including fund ABN and member number. We can assist in completing the "notice of intent to claim" with the fund.

THRESHOLDS

The threshold is \$25,000 for all taxpayers however unused concessional caps allow for a "catch-up" contribution for up to 5 years for individuals with a super balance of up to \$500k from 1 July 2018. This is a great tax planning tool and could be used to manage extraordinary high income years.

The non-concessional cap (NCC) is \$100,000 and a \$1.6 million cap exists for accumulation accounts when they transition to pension phase. There is still the bring forward event to allow up to 3x the NCC, this decreases as your account balance nears the \$1.6mil cap.

RENTAL PROPERTIES

ATO have promised to undertake 4500 audits on 2018 "high risk" landlords.

ATO will be focusing on data matching including:

- Income reported to major sharing economy websites like AirBnb
- Real Estate Institute data from agent property management reports
- OSR and Incorrect splitting of deduction between spouses
- Interest comparisons between years

Then there are the usual incorrect claims made with repairs and capital improvements.

Time and time again we have to explain to clients the disappointing fact that they can't claim all their improvements to their rental properties as repairs.

Please see these useful links for more information

<https://www.abc.net.au/news/2019-03-20/ato-ramps-up-its-focus-on-rental-properties/10918172>

<https://www.ato.gov.au/Business/Income-and-deductions-for-business/Deductions/Repairs,-maintenance-and-replacement-expenses/>

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SINGLE TOUCH PAYROLL

Single Touch Payroll (STP) has been dubbed the biggest change for business since GST came in in the year 2000. This is **huge!** literally over 750,000 small businesses need to sign up to STP by 1st July 2019. Basically EVERYTIME you pay an employee you need to report that pay to the ATO. It sounds like something out of George Orwell's '1984'. Yes the ATO are watching you and this will give them power to ensure employers are paying super and tax correctly.

We believe STP is an unreasonable burden on small businesses; however, we are working overtime to try to assist our businesses get STP ready and compliant.

FOR EMPLOYEES

Employees should ask employers if they are on the new STP system or the old system as this will affect how they will get their payment summary this year:

- Employers that are not yet reporting through STP will continue to provide employees with a payment summary by 14 July.
- Employers that report through STP are no longer required to give employees a payment summary; instead this information will be provided in an 'income statement', available via the employee's myGov account by 31 July (i.e., when the employer marks it as 'Tax Ready').

FOR EMPLOYERS

20 or more Employees

You should already be reporting since 1st July 2018

5-19 Employees

You are required to start submitting by 1st July 2019
*exemptions for closely held employees

1-4 Employees

You are required to start submitting by 1st July 2019
*exemptions for closely held employees
Tax agents can submit these quarterly until June 2021

*Employers with 19 or less employees do not need to report closely held payees in 2019-20 and Employers with 19 or less employees can report closely held payees quarterly from 1 July 2020.

SOFTWARE

The ATO have provided a list of software providers that can assist for less than \$10 per month.

We use Xero for all our bookkeeping support so will be able to assist with setting up STP using Xero.

Pricing for Xero is: *(includes super clearing house)

Payroll only 1-4 employees	\$10pm
Full Xero 5 employees	\$65pm*
Full Xero 6-10 employees	\$75pm*
Full Xero 11-20 employees	\$85pm*

<https://www.ato.gov.au/Business/Single-Touch-Payroll/About-Single-Touch-Payroll/>

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AUDIT INSURANCE & RECEIPTBANK

As part of the ATO's increased audit activity we have 2 new offerings this year

AUDIT INSURANCE

– If you get an audit you need to prove your claims and this is a time consuming and difficult process. Your best bet is to use a tax agent to assist you but that can cost thousands so audit insurance pays for these costs. It is deductible and rates are quite reasonable. Since offering this I have already had claims back in the thousands of dollars from the insurer, those clients have very much appreciated this offering. If the ATO classify you as a "high risk" taxpayer this is great value insurance.

If you are interested or would like more information let us know.

RECEIPTBANK

This is a brand new offering we have which offers digital storage of your receipts. No more paper, just email in or take a photo of the receipt with your phone via the App and Receiptbank assists to classify by reading in the details with 96% accuracy.

We offer 2 different subscriptions which are discounted for our clients:

1. Individual for \$60 per annum
 - a. After purchasing your expense you take a photo of the receipt using the ReceiptBank App on your phone.
 - b. Receiptbank then reads in the supplier name, the \$cost and you classify its category.(Fuel, Stationery, Travel, Phone etc)
 - c. You archive and ReceiptBank keeps it digitally safe and at your fingertips should the ATO ever require.
 - d. At year end I can export a report with the summary of your claims for each category
2. Business for \$10 per month
 - a. As above
 - b. As above however it also reads in GST
 - c. After checking you then publish the receipt and it will create a transaction in Xero
 - d. In Xero you can then match the approved bill against your bank transactions as they get reconciled
 - e. Both ReceiptBank and Xero will then have the receipts kept digitally safe and at your fingertips should the ATO ever require.

If you ever want to cancel your subscription that's fine, ReceiptBank have guarantees that will keep your data for years and if you need it you can just start up your subscription again through us.

BUDGET UPDATE

To be honest this was not very exciting and was way back in April, I have covered the main points in other parts of this Newsletter these are:

LOW-MIDDLE INCOME EARNERS TAX OFFSET

ASSET WRITE-OFF

For a full budget recap feel free to click the link below:
<https://www.cpaaustralia.com.au/~media/corporate/allfiles/document/media/federal-budget-report-2019-20.pdf>

BUSINESS UPDATE

ASSET WRITE-OFF

The asset write-off threshold for small business has been increased to \$30,000 as part of the last budget and has been extended to 30 June 2020. This means that if you are a small business you can go and buy an asset up to the value of \$30,000 before the 30th of June and claim 100% of the cost THIS FINANCIAL YEAR.

SINGLE TOUCH PAYROLL (STP)

See our STP article above for more details. As mentioned above from 1st July THIS YEAR, businesses will now be under this crippling obligation to report **every** employee payrun to the ATO. This is a huge ask for small businesses, Xero payroll has different plans with STP available to setup and commence lodging your payruns to the ATO. Only small businesses paying related party employees will be exempt from STP and will have to commence STP from 1st July 2020.

EMPLOYEE PAYMENT SUMMARIES

We will be between 2 systems this year and I am foreseeing a bit of a messy year for businesses with their lodgement of employee income statements.

Under the old PAYG Payment Summary system employees are required to have received their payment summary from their employer by the 14th of July and is due to the ATO by the 14th of August.

For those who have implemented Single Touch Payroll (STP) you are due to have finalised your STP employee income statements by the 31st July. You do not need to give your employee a payment summary but you need to tell them it will be available on my.Gov

It is a good time now to reconcile your wages and our bookkeeping team will be in touch with those businesses we usually assist with their employee income summaries.

BOOKKEEPING SERVICE WITH XERO

We continue to assist businesses with their bookkeeping and provide a range of assistance to try to keep you compliant should the ATO come knocking. If you are looking for some bookkeeping assistance or just want to outsource the stress of managing your paperwork. We have partnered with ReceiptBank this year to help with keeping your receipts. ReceiptBank is fully integrated with Xero which is our choice of accounting software. Xero links with your bank account and feeds transactions in automatically allowing faster allocating through bank rules and cash coding.

We assist with over 200 BAS's every quarter. Talk to us today if you are tired of doing it the old fashioned way or are just looking for more time to focus on your core business.

CRYPTOCURRENCY DATA MATCHING

The ATO will collect data from cryptocurrency DSPs to identify individuals or businesses who have or may be engaged in buying, selling or transferring cryptocurrency during the 2014/15 to 2019/20 financial years (the ATO estimates that there are between **500,000 to one million Australians** that have invested in crypto-assets, including SMSF trustees).

Please make sure you are informing us if you have been transacting in cryptocurrency. These will be taxed on a capital account meaning you can't claim losses against your regular income however you will be able to access the capital gains 50% discount if you have held the investment for over 12 months.

LATE LODGEMENT PENALTIES

The ATO continues to be unforgiving with late-lodgers and the current penalties range from **\$210 to \$1050** per return or BAS not lodged on time and as such we are continuing to make meeting your reporting requirements our priority. This means that for every 28 days a form or return is late you will be charged \$210 up to a maximum of \$1050 per return. The ATO has been unforgiving of late in relation to late lodgers and regular non-lodgers in the last year have found themselves subject to an ATO audit.

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SCAMS & SECURITY

SCAMS

Unfortunately scammers are increasingly active. ALWAYS BE SUSPICIOUS of communication from the ATO. As your agents anything serious should come through our office. We also have access to your accounts so we can confirm ATO notices.

If you receive a call from someone saying they are the ATO don't believe them and definitely don't give them your details, simply tell them you are concerned about scammers and hang up on them and call the ATO back to confirm whatever has been said.

OR just call us and we can confirm and you can call the ATO back if required.

A few pointers

1. Never give anyone who calls you over the phone your personal details as mentioned you can always call them back, it's not life or death so don't let them scare you.
2. Only pay them using details on an official notice, if you are concerned we can give you a payment slip. You generally only have 2 accounts up at the ATO and so we can provide BPay details for you if you don't have an official notice.
3. Never click on an email claiming to be from the ATO.
4. Never click on a link on an SMS/Text message claiming to be from the ATO

The ATO will never:

- Threaten you with arrest,
- Demand payment immediately over the phone including payments via bitcoin, gift cards or credit cards.
- Refuse to allow you to speak to your tax agent

The more desperate the caller gets the more likely it is a scammer.

ATO contact numbers:

Individuals – 13 28 65
Businesses – 13 72 26
Scam alerts – 1800 008 540

Here is a link with all the latest Scam Alerts

<https://www.ato.gov.au/General/Online-services/Identity-security/Scam-alerts/>

SECURITY

We are committed to being responsible data custodians, protecting your privacy and ensuring that your personal information does not get misused, the move to cloud services for accounting has meant

additional security measures are needed to ensure that personal information is kept safe.

This year we have updated all of our security procedures and obtained "Cloud Best Practice" certification which includes increased authentication measures to ensure only our staff can access your data. This will remain a focus of the firm and if you are ever concerned your tax file number (TFN) or personal information has been compromised please contact us immediately so we can inform the ATO and get ahead of any fraud.

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THINGS TO DO BY YEAR END - SUMMARY

Motor vehicle claims - Please record your odometer at the 30th of June

Medicare Levy Surcharge – Please check Private Health Insurance Coverage

SMSF's – Remember to take your minimum pension payment (contact us if this is you)

Construction Contractor Payment Summaries – due by 28th of August

Small Business Write-off of Assets < \$30,000 – Be sure to purchase assets before June 30th to get full advantage this financial year.

Super payments – to claim a deduction make sure payment is made well before 30th of June to ensure your fund has enough time to process the payment,

Make a donation to a registered Charity.

THINGS TO BRING IN FOR YOUR TAX

- Bank Details – Please ensure you bring your up-to-date bank details when we process your return.

INCOME STATEMENTS

- PAYG Payment Summaries (previously Group Certificates) You should be provided a copy from your employer or available on my.Gov
- Employee Share Scheme Statements
- Eligible termination payments
- Interest earned from bank accounts
- Share dividend statements Bank Details –.
- Annual tax statements from trusts, managed investments, property and cash management trusts
- Income and expenses from investment properties

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DEDUCTIONS & EXPENSES

- A list of work-related expenses (with receipts).

These may include but not limited to:

- Tools
- Phone – please need work use %
- Internet — please need work use %
- Memberships/Union Fees/Subscriptions
- Reference books
- Tolls, Travel for work (other than to/from)
- Self-Education claims
- Uniforms
- Motor vehicle logbook
- Motor vehicle claims - **Please record your odometer**
- Donations Receipts including School building levies and library funds
- Interest and fees on investment loans
- Personal Superannuation contribution details including fund ABN and member number
- Income protection insurance

OTHER DETAILS

- Private health insurance
- Amount of HELP debt or Financial Supplement loans outstanding
- Bring the details of your spouse, including their date of birth and taxable income.

2018 SCHEDULE OF FEES

WE ACCEPT CREDIT CARDS – feel free to take advantage of this convenient and cost effective way to pay for your return.

Individual Tax Returns from \$154*

Schedules and Additional Costs

Trust Account Fee from \$25 (reviewed annually in March)

Motor Vehicle Schedule from \$22⁺

Investment Schedule from \$22⁺

Depreciation Schedule from \$22⁺

Capital Gains Tax Schedule from \$55⁺

Rental Schedule from \$110⁺

Centrelink Lump Sum Claim Form from \$150*

Hourly Billing Rate for business and accounting services –per hour. Billed between \$220 and \$280*

Hourly Billing Rate for bookkeeping services – per hour. From \$60*

ASIC Agent Annual Fee \$99

ASIC Address updates Included in above

ASIC change of officeholder/members from \$132

Notes:

*extra fees on top of standard rate may apply if extra work is involved including administration, debt collection of our fee, audit handling, tax planning and advice. Estimates can be given in most circumstances and please feel free to contact us if you have questions or problems with paying your account. All fees include GST.

+ Motor Vehicle, Rental, capital gains, investment & other schedules are charged at our discretion and the price depends on the detail and time spent. If

information is well summarised and minimal compilation work is required these charges may be waived. All fees include GST.

^ Fees vary depending on who performs the work and the time that is involved, please refer to your engagement letter for more detail

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