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Are you ready for Tax Time 2021?

Don't jump the gun and lodge too early

Tax time 2021 is almost here, but it's likely to be anything but routine. Many people on reduced incomes or who have increased deductions may be eager to lodge their income tax returns early to get their hands on a refund. However, as always the ATO is warning against lodging too early, before all your income information becomes available. It's important to remember that employers have until the end of July to electronically finalise their employees' income statements, and the same timeframe applies for other information from banks, health funds and government agencies.

For most people, income statements have replaced payment summaries. So, instead of receiving a payment summary from each employer, the income statements will be finalised electronically and the information provided directly to the ATO. The income statement can be accessed through myGov and the information is automatically included in the tax return for people who use myTax.

TIP: Tax agents can also access this information, and we're here to help you get your return right this year.

Although you may be eager to lodge as soon as possible, the ATO has warned against lodging too early, as much of the information on your income may not be confirmed until later. It's generally important to wait until income statements are finalised before lodging a tax return to avoid either delays in processing or a tax bill later on. Your income statement will be marked "tax ready" on myGov when it's finalised, and other information from banks, health funds and government agencies will be automatically inserted into your tax return when it's ready towards the end of July.

If you still choose to lodge early, the ATO advises carefully reviewing any information that's pre-filled so you can confirm it's correct. When lodging early you'll also have to formally acknowledge that your employer(s) may later finalise income statements with different amounts, meaning you may need to amend your tax return and additional tax may apply.

How COVID-19 has changed work-related expenses

COVID-19 has changed many people's work situations, and the ATO expects their work-related expenses will reflect this during tax time in 2021. In 2020 tax returns, around 8.5 million Australians claimed nearly $19.4 billion in work-related expenses.

"Our data analytics will be on the lookout for unusually high claims this tax time", Assistant Commissioner Tim Loh has said. "We will look closely at anyone with significant working from home expenses, that maintains or increases their claims for things like car, travel or clothing expenses. You can't simply copy and paste previous year's claims without evidence."

The ATO does know that some "unusual" claims may be legitimate, and wants to reassure people who have evidence to explain their claims that they have nothing to fear. It also recognises that tax rules can be confusing and sometimes people make mistakes on their returns while acting in good faith.

Remember, to claim any work-related expense you must have spent the money yourself and not been reimbursed by your employer. The expense needs to be directly related to earning your income (not a private expense), and you need to keep relevant records (receipts are best).

Working from home

The temporary shortcut method for working from home expenses is available for the full 2020–2021 financial year. This allows an all-inclusive rate of 80 cents per hour for every hour people work from home between 1 July 2020 and 31 June 2021, rather than needing to separately calculate costs for specific expenses.

All you need to do is multiply the number of hours you worked at home by 80 cents, keeping a record such as a timesheet, roster or diary entry.

Remember – the shortcut method is temporary. To claim part of an expense over $300 (such as a desk or computer) in future years, you still need to keep your receipts.

The temporary shortcut method can be claimed by multiple people living under the same roof and (unlike the existing methods) doesn't require you to have a dedicated work area at home.

The shortcut is all-inclusive. You can't claim the shortcut and then claim for individual expenses such as telephone and internet costs and the decline in value of new office furniture or a laptop.

TIP: The existing fixed rate and actual cost methods are also still available for claiming work-related expenses instead – we can advise on what's best for your situation.

Personal protective equipment

If your specific work duties involve physical contact or close proximity to customers or clients, or your job involves cleaning premises, you may be able to claim personal protective equipment (PPE) items such as gloves, face masks, sanitiser or anti-bacterial spray.

This includes industries like healthcare, cleaning, aviation, hair and beauty, retail and hospitality.

Car and travel expenses

If you're working from home due to COVID-19 but need to travel to your regular office sometimes, you can't claim the cost of travel from home to work, because these are still private expenses.

ATO data-matching targets rental property owners

The ATO has announced it will run a new data-matching program to collect property management data for the 2018–2019 to 2022–2023 financial years, and will extend the existing rental bond data-matching program through to 30 June 2023.

Each year the ATO conducts reviews of a random sample of tax returns to calculate the difference between the amount of tax it has collected and the amount that should have been collected – this is known as a "tax gap". For the 2017–2018 year the ATO estimated a net tax gap of 5.6% ($8.3 billion) for individual taxpayers, with rentals making up 18% of the gap amount. The new and extended data-matching programs are intended to address this gap, making sure that property owners are reporting their rental income correctly and meeting their related tax obligations.

The information will include property owner identification details, addresses, email addresses, contact numbers, bank account details, and business contact names and ABNs (if applicable).

Rental property details will include addresses, dates that properties were first available for rent, periods and dates of leases, rental bonds details, rent amounts and periods, dwelling types, numbers of bedrooms, rental income categories and amounts, rental expense categories, rental expense amounts and net rent amounts. The programs will also obtain details of the property managers involved.

TIP: If you're not sure whether you've included the right amount of rental income in your return, we can help you get on the front foot with the ATO and lodge an amendment if necessary.

Can I be released from my tax debts?

As the economy adjusts to the removal of most COVID-19-related government support measures, coupled with the slow national vaccination rollout and mostly closed international borders, there is no doubt that many Australians are facing financial difficulties in the immediate short term. If you have a tax debt that is compounding your financial difficulties, there may be a solution – you may be able to apply to be permanently released from the debt, provided you meet certain criteria.

To be released from a tax debt you need to be in a position where paying those debts would leave you not able to provide for yourself, your family or others you're responsible for. This includes providing items such as food, accommodation, clothing, medical treatment and education.

When someone applies to be released from a tax debt, the ATO will look at their household income and expenditure to determine if they have the ability to pay all or part of the debt, and will set up a payment plan if required. It will also look at the person's household assets and liabilities including their residential home, motor vehicle, household goods, tools of trade, savings for necessities, collections etc. and identify whether the sale of a particular asset could repay all or part of the tax debt.

Even when the ATO has established that the payment of a tax debt would cause the taxpayer serious hardship, it will look at other factors within that person's control that may have contributed to this hardship. For example, it will consider how the tax debt arose and whether the person has disposed of funds or assets without providing for tax debts, as well as their compliance history. It will also check whether the person may have structured their affairs to place themselves in a position of hardship (eg by placing assets in trusts or related entities).

Debts that the ATO can consider for release include income tax, PAYG instalments, FBT and FBT instalments, Medicare levy and surcharge amounts, certain withholding taxes, and some penalties and interest charges associated with these debts.

ATO's discretion to retain refunds extends to income tax

As a part of a suite of measures introduced by the government to combat phoenixing activities, the ATO now has the power to retain an income tax refund where a taxpayer (including both businesses and individuals) has outstanding notifications. The discretion to retain refunds previously only applied in relation to notifications under the business activity statement (BAS) or petroleum resources rent tax (PRRT) but has now been expanded.

This new extension of powers applies to all notifications that must be given to the ATO (eg income tax returns) but does not include outstanding single touch payroll (STP) or instances where the ATO requires verification of information contained in a notification.

The ATO notes that its new powers to retain refunds will not be taken lightly and will only be exercised where the taxpayer has been identified as engaged in "high-risk" behaviour and/or phoenixing activities.

TIP: Illegal phoenix activity is when a company shuts down to avoid paying its debts. A new company is then started to continue the same business activities, without the debt.

Once the ATO decides to use its discretion to retain a refund, it will be retained until either the taxpayer has given the outstanding notification or an assessment of the amount is made, whichever event happens first. There are also circumstances where the taxpayer can apply to have the retained amount refunded and/or apply to have the decision reviewed.

2021 FBT returns are due

If your business has provided fringe benefits to your employees, you should be aware that the 2021 FBT return (for the period 1 April 2020 to 31 March 2021) is due, and payment of any associated FBT liability is required immediately.

If you prepare your own return, it can be lodged up until 25 June 2021 without incurring a "failure to lodge on time" penalty. However, the associated FBT liability must have been paid by 21 May 2021, and a general interest charge will apply to any payments made after that date.

If your business hasn't paid FBT before, you are required to make the payment in a lump sum for the year on 21 May. This also applies where your business paid FBT in the previous year, but the liability was less than $3,000. If you paid $3,000 or more in the previous year, the FBT liability will be paid in quarterly instalments with your business's activity statements in the following year, with the balancing payment to be made on 21 May.

You also need to be aware that while there have been a lot of recent announcements about changes to FBT, many of these proposed changes are not yet law. In those instances, you need to apply the legislation current at the time of your return, and make the appropriate amendments later when the changes do become law.

For example, the government recently announced an FBT exemption for retraining and reskilling benefits that employers provide to redundant (or soon to be redundant) employees where the benefits may not be related to their current employment. While this change is intended to apply from the date of the announcement once the legal change is enacted, businesses need to apply the current legislation to this latest FBT return and amend it later if necessary.

TIP: The change to allow businesses with less than $50 million in turnover to access certain existing FBT small business concessions will apply to benefits provided to employees from 1 April 2021 onwards.

Beware: phishing and investment scams on the rise

Emails impersonating myGov

The ATO and Services Australia have issued a warning about a new email phishing scam doing the rounds. The emails claim to be from "myGov" and include screenshots of the myGovID app. myGovID can be used to prove who you are when accessing Australian government online services.

The scam emails ask people to click a link to fill in a "secure form" on a fake myGov page. The form requests personal identifying information and banking details.

This scam is all about collecting personal information rather than gaining access to live information via myGov or myGovID. ATO systems, myGov and myGovID have not been compromised.

The ATO and myGov do send emails and SMS messages, but they will never include clickable hyperlinks directing you to a login page for online services.

If you've opened an email that looks suspicious, don't click any links, open any attachments or reply to it.

The best way to check if the ATO or another government service has actually sent you a communication is to visit the myGov site, my.gov.au, directly (without clicking an emailed link) or to download the myGovID app. You can then log in securely and check your myGov inbox and linked services.

If you've received a suspicious email and mistakenly clicked a link, replied and/or provided your myGov login details or other information, change your myGov password and if you've provided your banking details, contact your bank.

Cold calls and emails encouraging superannuation rollovers

The Australian Securities and Investments Commission (ASIC) has recently advised it is aware of scams that target Australians and encourage them to establish self managed superannuation funds (SMSFs).

People are cold-called or emailed, and scammers pretending to be financial advisers encourage the transfer of funds from an existing super account to a new SMSF, claiming it will lead to high returns of 8% to 20% (or more) per year.

In fact, people's super balances are instead transferred to bank accounts controlled by the scammers.

Scammers use company names, email addresses and websites that are similar to legitimate Australian companies that hold an Australian financial services licence. They even use a "legitimate" company to ensure the SMSF is properly established and compliant with Australian laws, including creating a separate SMSF bank account set up in the investor's name.

The scammers then transfer money from the existing super fund, either with or without the knowledge of the investor, and steal it by using the real identification documents the person has provided to set up the SMSF in an account fully controlled by the scammers.

If you're contacted by any person or company who encourages you to open an SMSF and move funds, you should always make independent enquiries to make sure the scheme is legitimate. This is especially true if you weren't expecting the phone call or email!

Always verify who you are dealing with before handing over your identification documents, personal details or money.

Fake news articles touting cryptocurrency investments

ASIC has also received an increased number of reports from people who have lost money after responding to advertisements promoting crypto-assets (or cryptocurrency) and contracts for difference (CFD) trading, disguised as fake news articles.

Some advertisements and websites falsely use ASIC logos or misleadingly say the investment is "approved" by ASIC.

A common scam tactic is promoting fake articles via social media. They look realistic and impersonate real news outlets like Forbes Business Magazine, ABC News, Sunrise and The Project.

Once someone clicks on these advertisements or fake articles, they're directed to a site that is not linked with the impersonated publication, and asked to provide their name and contact details. Scammers then get in contact, promising investments with unrealistically high returns.

Many of these scams originate overseas. Once money has left Australia it's extremely hard to recover, and banks and ASIC are unlikely to be able to get it back.

Crypto-assets are largely unregulated in Australia and are high-risk, volatile investments. Don't invest any money in digital currencies that you're not prepared to lose, and always seek professional advice when making investment decisions.

Remember that most reputable news outlets, and especially government-funded broadcasters like the ABC, don't offer specific investments as part of their news coverage.

ASIC does not endorse or advertise particular investments. Be wary of any website or ad that says the investment is approved by ASIC or contains ASIC's logo – it's a scam. ASIC does not authorise businesses to use its name and branding for promotion.

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