

June 2023

# Cornerstone Accounting Services Newsletter June 2023

The 2022/23 financial year is coming to an end. We discuss what changes are expected for the upcoming financial year and what you might be able to claim as a deduction.

## Want to share documents?

We now offer our clients the convenience of using a shared secure folder for storage of their documents. Rather than dropping documents into the office or emailing, you just drop them into a shared folder. We can see your documents and you can see ours.

This method can help you save on document scanning charges as well. Contact us if you'd like to take advantage of document sharing.

[www.cornerstonetas.com](http://www.cornerstonetas.com)  
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The logo for Cornerstone Accounting Services features three diagonal gold lines on the left side, followed by the word "CORNERSTONE" in a bold, blue, sans-serif font. The text is centered between two horizontal gold lines.

**CORNERSTONE**

# ATO News

## A summary of the main points

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### **Amnesty for Small Business**

A lodgement penalty amnesty program for small businesses to encourage them to re-engage with the tax system and get their obligations up-to-date is currently underway.

The amnesty applies to tax obligations, including income tax and business activity statements, that were originally due from 1 December 2019 and 28 February 2022.

If those returns are lodged between 1 June 2023 and 31 December 2023, any failure to lodge penalty applying to the late lodgement will be automatically remitted. No action is required to request a remission.

If you have any outstanding tax returns or BAS, please contact Cornerstone now with your information so you can take advantage of the amnesty.

### **Received a text from the ATO?**

The ATO will definitely communicate to taxpayers via SMS. This can be to advise you have an outstanding debt or they have received your tax return or BAS for processing.

If you are concerned that the text may be a scam, please contact us at Cornerstone or view your MyGov account.

The ATO will not send messages with links to click so these are the types of messages which may indicate a scam.

At Cornerstone, we don't always receive notification of all contact the ATO has with our clients but we can download any documentation from the ATO portal to verify genuine contact.

# ATO News

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## Do you have a side-hustle? The shared economy is a real target area for the ATO

If you provide services or assets for a fee through the sharing economy, income tax and possibly GST will apply to your earnings.

Popular sharing economy activities include:

- Ride-sourcing such as Uber
- Renting out a room or house; through platforms such as AirBNB
- Sharing assets like cars, caravans, storage spaces through platforms like Camplify or Uber Carshare;
- Providing creative or professional services through platforms such as Airtasker.

### Uber

- Income tax applies to ride sourcing income.
- Ride-sourcing is also subject to GST and all ride-sourcing drivers need to have an ABN and be registered for GST, regardless of how much they earn.
- BAS must be lodged monthly or quarterly.
- Only deductions relating to transporting passengers for a fare can be claimed.

### AirBNB

When you rent out part or all of your home through a digital platform you:

- need to keep records of all income earned and declare it in your income tax return;
- need to keep records of expenses you can claim as deductions;
- don't need to pay GST on amounts of residential rent you earn.
- GST doesn't apply to residential rent. You're not liable for GST on the rent you charge, and you can't claim any GST credits for associated expenses.
- A capital gain from the sale of your main residence is usually exempt from capital gains tax (CGT). However, if you use your main residence to earn income, for example by renting out a room on a sharing economy platform, you will no longer be eligible for the full CGT exemption on that main residence. You will lose a portion of your main residence exemption based on the floor area rented out, and the length of time it was rented.

# ATO News

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## Do you have a side-hustle? The shared economy is a real target area for the ATO

### Sharing Assets

When you share assets (excluding accommodation) through a digital platform, you:

- need to declare all income you receive in your income tax return;
- are entitled to claim certain expenses as income tax deductions;
- need to keep records of the income you earn and of the expenses you can claim as deductions;
- may need to apply for an Australian Business Number (ABN) and register for GST, if you're running an enterprise of renting or leasing (sharing) assets;
- will only be taxed on the gain you make on a depreciating asset when you sell the shared asset.

There are many types of assets that can be shared through a platform including bikes, boats, cars, caravans, car parking spaces, tools, equipment, and clothes.

Renting out all or part of your home has different rules you need to consider.

### Providing Services

If you're providing services through a digital platform for a fee, this income needs to be reported in your tax return. This type of service is sometimes referred to as the 'gig economy' or 'on-demand'.

You'll need to keep records to support deductions you claim for expenses related to earning this income.

There are many types of services that you can provide through a digital platform.

- Delivering goods - Uber Eats, Menulog, Door Dash, Loadshift etc;
- Tasks and activities - AirTasker, PawShake
- Professional Services - as an employee or independent contractor, peer to peer, or as a business providing services - 99designs, Upwork etc.

When you provide any of these services in return for a fee, the income you earn is assessable and needs to be reported in your tax return – even if it's a one-off payment.

In addition, if you are carrying on a business, your tax obligations are the same whether you source your work through the sharing economy or through traditional methods, such as tenders, contracts or word-of-mouth.

# ATO News

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## What are the pitfalls of the shared economy?

### Superannuation

Where you are earning income through the sharing economy, there won't always be someone paying super on your behalf.

If you're not entitled to have super paid on your behalf, you can boost your super by making your own contributions.

If you're providing services, whether super is paid on your behalf into a super fund will depend on your working arrangements with the platform. If you're:

- an employee, you're typically entitled to compulsory super contributions from your employer
- a contractor, you may still be entitled to super if you are paid wholly or principally for your labour.

If you are not having superannuation paid on your behalf and would like us to investigate whether you are eligible, please contact Cornerstone.

### Tax Payable

Unlike when you are an employee and your employer deducts tax from your wages, being a part of the gig economy means that that tax is not being paid on a regular basis.

When you lodge your tax return, you may end up with a significant tax bill. We recommend that you put money aside towards a potential tax bill and we can advise whether you should voluntarily enter the PAYGI system (Pay As You Go Instalments). This system will bill you quarterly for estimated tax, based on the previous year's lodged tax return. You can make payments over and above this as well at any time to reduce your tax bill.

### The importance of correctly reporting your income

The ATO requests data from digital platforms as a way to identify people who earn income through the sharing economy. They currently collect data from ride-sourcing platforms and accommodation platforms. The ATO specifically looks at issues such as skimming some, or all, of cash takings, running part of a business "off the books", or not reporting all income.

If an issue is identified, you may be subject to an audit which could include penalties as well as unpaid taxes or GST.

# Business News

## STP2 Reporting - EOFY must-dos

Gone are the days of an employer handing their employee a paper Group Certificate. Employers must now report their payroll transactions through Single Touch Payroll (STP). This is a real-time process to ensure that employees receive their Income Statement in a timely manner, uploaded to their MyGov account, and that information is prefilled into their tax return. Other government agencies also access this information such as Social Security.

The importance of accurate STP reporting is vital. Here are the main watch points:

- Pay categories are not reported correctly to the ATO. Generally all payments to employees need to be included as reportable. Directors' fees, commissions, bonuses, backpay, termination payments, and most allowances are reportable. Contact us at Cornerstone if you are unsure whether these amounts should be included under W1.
- Paid leave must be reported as either an O, P, or A category. O type leave is annual leave, personal leave, long service, time off in lieu etc. A type leave covers ancillary leave such as jury duty, defence force leave. P is paid parental leave. Domestic violence leave and workers' compensation (paid as a top up or when work is performed), should be reported in Gross Payments, not leave.
- Reimbursements to employees for direct expenses incurred paid to an employee in their wages rather than reimbursed through a petty cash system are not reportable.
- Under STP Phase 2, you need to report the salary sacrifice amounts and separately include the pre-sacrificed income amounts as either (S) for superannuation to a complying fund or (O) for benefits other than super.

## STP2 Reporting Must-Dos

- Deductions are tricky! Deductions generally fall under the following categories:, 'Workplace Giving' is reported to ATO as type W, and 'Union / Association Fees' are reported as type F. 'Other / None' post-tax deductions may not reported at all.
- The rule to follow for W and F deductions is:
  - a.If Reduces PAYG Withholding is checked, the deduction is pre-tax and is reported as a salary sacrifice (type O).
  - b.If Reduces PAYG Withholding is not checked, the deduction is post-tax and is reported as a deduction (type W).
- For Other/None deductions, the following applies:
  - a.If Reduces PAYG Withholding is selected, the deduction is pre-tax and is reported as a Salary Sacrifice (type O).
  - b.If Reduces PAYG Withholding is not selected, the deduction is post-tax and is not reported to ATO.
- At this time, Child Support payments are not supported in STP2 and should be coded as Other Post Tax Deductions.
- The date by which you need to finalise your 22/23 STP depends on whether you have unrelated employees; in which case it is 14 July, or a mix of unrelated and related employees (closely-held employees) in which case the unrelated employees is 14 July and the closely held employees is 30 September; or only closely held employees. In this case, STP must be finalised by the tax return due date.
- If you have employees receiving fringe benefits, you should discuss this with Cornerstone before finalising. These employees require special processing.
- All employees, both current and terminated, need to have their pay categories updated to STP2 requirements and must be included in the finalisation.

# Individual Taxpayers

## What are some of the deductions you can claim for 22/23

### Superannuation Contributions

- Claiming a tax deduction for your personal super contributions may help reduce the amount of income tax you pay, depending on your circumstances.
- It pays to understand how super contribution caps work, because going over these caps may mean extra tax. The personal super contributions that you may claim as a deduction count towards your concessional contributions cap, and will be subject to 15% contributions tax.
- When deciding whether to claim a deduction for super contributions, you should consider the impacts that may arise from this.
- If you exceed your cap, you will have to pay extra tax and any excess concessional contributions will count towards your non-concessional contributions cap.
- Contact your fund at the end of the financial year and lodge a Notice of Intent to Claim Superannuation Contributions form. Your fund will issue an acknowledgement and we will be able to claim your deduction for you.

Contact us for guidance on personal superannuation contributions.

### Clothing & Uniform

- You can claim your costs to buy occupation-specific clothing that distinctly identifies you as a person associated with a particular occupation, such as:
  - a chef's chequered pants
  - a judge's robe.
- You can't claim for clothes you wear for work that are not specific to your occupation, may be worn in multiple professions or are everyday clothes. For example, you can't claim for:
  - a bartender's black trousers and white shirt
  - a business suit
- You can claim a deduction for clothing and footwear you wear to protect you from the risk of illness or injury from your work activities sun-protective clothing, non-slip nurses' shoes, steel-capped boots, gloves etc.
- You can claim the costs you incur to buy a compulsory uniform you wear at work if your employer does not provide this for you.



# Individual Taxpayers

## What are some of the deductions you can claim for 22/23

### Cleaning, Laundry, Repair of Clothing

- If your work clothing falls into the categories described previously, you can claim for the laundering, dry cleaning, or repair of this clothing.
- You can't claim a deduction if your employer launders your clothing or reimburses you.
- If you receive an allowance from your employer for laundry expenses:
  - you can only claim a deduction for the amount you actually spent, not simply the amount of your allowance
  - the allowance is assessable income that you must include on your tax return.
- Keep records of how many loads of washing per week you do and whether these contain only work clothes or a mix of work and personal items.
- Keep records of any dry cleaning or repair of work related clothing.

### Income Protection Insurance

- Only the premiums you pay to protect your income are deductible. This is known as income protection or continuing salary cover.
- If you receive a payment to replace your wages under an income protection policy, you must include it in your tax return. This is the case whether you receive a regular payment or a lump sum.
- If you receive a payment for personal injury or total and permanent disability under the policy, the payment might be assessable as a capital gain.
- You can't claim a deduction if the policy:
  - is through your superannuation fund and the premiums are deducted from your contributions
  - pays you a capital sum to compensate you for injury.
- You can't claim a deduction for:
  - life insurance premiums
  - trauma insurance premiums
  - critical care insurance premiums.

# Cornerstone Update

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## Need an Appointment?

The easiest way to book an appointment is through our website. You can choose from a quick free, 10 minute Q&A session or 30, 60, or 90 minute appointment.

Just go to our website and click on the appointment that suits you best.

<https://cornerstonetas.com/virtual-accountant-consultant-meetings/>

## Important Dates

**30 June 2023 - End of 22/23 Financial Year.**

**Super guarantee payments must be made by this date to qualify for a tax deduction for 22/23**

**1 July 2023 - Super guarantee rates rise to 11%**

**14 July 2023 - Finalise STP-2 for 22/23**

## Choose what suits you!

If there is one thing that we have learned from COVID, is that there are many ways to do business. The traditional face to face meetings which can mean you need to spend hours in your day travelling to and attending a meeting with your Accountant, are not necessarily the most efficient ways to spend your time. Shoeboxes full of receipts are also on the way out.

At Cornerstone, we realise not everyone fits into the same mould so we offer a choice to our clients.

If you would like to attend the office for meetings, you certainly can. If you have all your tax information electronically, you can send it to us via email and this will ensure you annual bill with us is cheaper.

And, if your tax requirements aren't that of a sole trader or small business, but you still want to keep track of tax deductible expenses, we can help you with easy calculators which will do away with the shoebox forever!

# Cornerstone Update

## 2023/24 Minimum Pricing Policy - Inc GST

<b>Minimum Tax Return Preparation (no interview)</b>	Individual Per Individual of a couple Pensioner/Student	\$148.50 \$132.00 \$132.00
The following are charged at a variable rate based on our current charge out rates:	<ul style="list-style-type: none"> <li>• Capital Gains Tax Schedules</li> <li>• Rental Property Schedules</li> <li>• Document Scanning</li> </ul>	
<b>Bookkeeping/SMSF/ASIC</b>	<ul style="list-style-type: none"> <li>• Bookkeeping</li> <li>• ASIC Annual Reviews</li> <li>• Attendance to Lodgement/Other ASIC matters</li> <li>• SMSF Audit Co-ordination Fees</li> </ul>	\$79.75/hr \$71.50 \$60.50  \$82.50
<b>Other Services</b>	<ul style="list-style-type: none"> <li>• ATO Payment Plans*</li> <li>• Tax research/tax advice/business advice*</li> <li>• Meetings</li> <li>• Bank dealings</li> <li>• Return Not Necessary</li> <li>• Variation/\$NIL BAS/IAS Lodgements</li> </ul>	\$60.50 \$60.50  \$60.50 \$60.50 \$55.00 \$55.00

### NOTES:

- (1) The cost of preparing individual tax return(s) does not include our Other Services
- (2) Pricing is based on our current charge out rates and will vary depending on complexity and time taken.
- (3) Pricing is adjusted annually based on CPI.
- (4) All pricing/charge out rates include GST