

Parker Accounting & Financial Services

Incorporating The Tax Counter Pty Ltd
ABN 46 088 386 832



Suite 1, 398a Main Rd, (P.O. Box 19)
Glenorchy, Tasmania 7010
Tel: (03) 6272 0855 Fax: (03) 6273 3407

Practitioner
Stuart Lenthall FIPA, FFA

Dear Valued Client

INCOME TAX 2019 – JUNE NEWSLETTER

Welcome to another financial year for **TAX TIME 2019** with its inevitable changes to the tax regime. All the staff at the Tax Counter wish to thank you for your support during the financial year 2018/2019. 2018/2019 was busier than the previous year.

During the past year I have been ably assisted by Office Manager, Laraine Christensen and Kevin Rielly. I also have the assistance, on contract to clients, of senior bookkeeper Vance Green.

As I mentioned in the Christmas Newsletter, I have sold my Practice to Parker Accounting & Financial Services. **I have NOT yet retired** but will be transitioning to retirement over the next three years. I will be renewing my Tax Agent registration for a further three years in December. I urge all clients to please support the changeover.

Maricris and Catherine, Maricris's sister and myself took two short trips to the North West and North East of the state over the Christmas-New Year period. A lot of fun and a great trip. My son Jon is back acting and studying. Catherine is in Grade 4, doing well in studies and participating in swimming and gymnastics. On the home front, I rebuilt a side fence with the next door neighbour. The fence stood up well to a fallen tree with no damage. The back fence did not get too far and now having to wait till spring.

WEB PAGE The webpage is continuing to be a great success with thousands of hits and downloads. You can find us at - www.thetaxcounter.com.au There should now be a link between www.taxcounter.com.au and www.thetaxcounter.com.au **For your convenience, we have listed all our forms, checklists and various tax topics on our website.** We have online, Facebook, Twitter, LinkedIn and newsletter.

PLEASE, PLEASE, BEWARE - FRAUD AND SCAMS -This is a continuing serious saga. The ATO seldom contacts an agent's client by phone. You should be wary of unsolicited phone calls and emails claiming to be from the ATO and offering you a tax refund. Also callers purporting to be from the ATO are demanding that you pay a tax debt or else be arrested. There are other scams including false electric, telephone bills, early release of superannuation and Centrelink debts. If in doubt as to whether you are being scammed, **Please contact us immediately** so that preventative action can be taken.

You should also contact (ReportEmailfraud@ato.gov.au), ACCC – Scamwatch and ACORN (government website on fraud). Also, contact the ATO on 1800 060 062 (8.00 am – 6.00 pm Monday to Friday).

KEEPING COSTS DOWN AND THE CARBON FOOTPRINT We will again be scanning documents required for claiming expenses, PAYG summaries, other investment income, dividends and capital gains details. I hope to save some paper by not having to photocopy the information. With the big increase in postage, **I will be requesting email addresses to email future ATO notices and circulars and any other specific information to as many clients as possible.** Worksheets can be emailed to clients or downloaded from our website.

REMISSIONS, OBJECTIONS AND COMPLAINTS TO THE ATO This year the number of complaints, to the ATO increased again!! The number of remissions for interest and penalties substantially increased as the ATO has become very aggressive in penalising late lodgements of tax returns, BAS and IAS. I am sure that many of you saw the Four Corners program regarding the ATO. I am sure that some of those interviewed created their own issues with the ATO.

WHO NEEDS TO LODGE A TAX RETURN There are few exemptions – mainly Centrelink recipients, many superannuation recipients, Commonwealth education and training programs and those who had no assessable income. Basically, **if you pay \$1 or more in tax, have a rental property or business**, you will need to lodge a tax return. If you do not lodge, the ATO is habitually issuing penalties for late lodgement even if you are due a refund.

CHANGES IMPLEMENTED This year there are the inevitable heaps of changes most are just subtle changes for the unwary. For an overview please refer to **QC 58262 and QC 56085**.

I HAVE NOT BEEN ABLE TO INCLUDE ALL THE CURRENT AND FORECAST TAX CHANGES IN THIS NEWSLETTER.

Payment Summaries Most clients who work for employers with 20 or more employees will no longer receive a Payment Summary.

Single Touch Payroll (STP) From 2018 all employers with 20 or more staff are required to advise the ATO when they pay staff (weekly, fortnightly etc). As from 1 July 2019, **all** businesses (with few exceptions) who have employees **will be forced** to become electronic with their accounts and payroll whether they want to or not. This means that when they pay staff, they must be linked with the ATO when the payment is made. Superannuation payments must now be made to a clearing house before being transferred to the individual's superannuation fund.

IMPORTANT NOTE - PAYG ANNUAL SUMMARIES: If an employer reports through STP they are not required to provide an annual payment summary to their employees. Employees will receive notification from the ATO in their myGov inbox when their income statement is 'Tax ready'. We can access the statements through the Tax Agents' Portal.

For **employers**, there are numerous amendments and changes that will affect every employer. Please contact me for updates.

The STP issue will get worse in 2019 and later. Clients who change employer are very unlikely to be able to reprint their last payslip from the employer they left during the year. And, how many employees have more than one job during any tax year?

Small Business There is a lot of confusion at present, as many changes to tax law took effect from July 2016. These include a tax deduction for small business for assets costing up to \$30,000 as from 2 April 2019 each **NOW** extended to 30 June 2020 (Budget). If registered for GST, the purchase price is up to \$33,000. Before 29 January 2019 cost less than \$20,000. From 29 January to 2 April 2019 cost less than \$25,000 each (excluding GST).

Small companies (turnover less than \$2 million now increased to \$50 million) receiving a reduced company tax of 2.5% (27.5%). The maximum franking credit that can be allocated will be based on the company's applicable corporate tax rate.

For small unincorporated businesses, there is a reduction in tax attributable to small business income has been increased from 5% to 8% up to a maximum of \$1,000. As from 1 July 2016, this discount applies to unincorporated entities with a turnover of less than \$5 million.

Travel Targeted by the ATO. Change to Motor Vehicle expenses - now only two methods – A kilometre claim of up to 5,000k at 68c/k set rate for all motor cars or the expense claim method whereby you must keep all motor vehicle expense receipts. Luxury car tax remained the same at **\$75,526** for a fuel efficient vehicle.

Please bring your logbook/diary with you and make sure that you have recorded your work odometer reading from 1 July 2018 to 30 June 2019. If you are unsure of how to claim for your motor vehicle, please contact us and discuss it. For employees who claim for travel with work tools, there are new limits for various occupations as to what is considered heavy and bulky tools. Generally, secure storage at work means no claim for travel.

Travel and Meal allowances must be noted on the PAYG Summary to claim a deduction. If in doubt please provide pay slips.

Backpacker Tax is now 15%, all now depends on the class of visa in the non-resident's passport.

THE ATO HAS ANNOUNCED TARGET AREAS FOR 2019. This year the ATO has announced its watch is on people who claim a deduction for motor vehicle travel, protective clothing, mobile phone or other electronic devices. People using their computers at home for work-related purposes should understand the distinction between what is work-related and what is for personal use.

The ATO is using increasingly sophisticated technology to check deductions and track down unusual or excessive claims. The ATO targeting specific work place expenses focusing on occupation type. There are claims that of 449 occupation codes being benchmarked. In previous years work expenses were sent as one figure for each category. Now each claim line is sent.

Rental Properties The ATO continues to get excited about rental properties. We have been provided prior warning. Letters go out to taxpayers with new rental properties. The ATO is targeting rental repairs, legal costs and depreciation. A Rental Property worksheet for landlords is available on our website under "Forms". If we have to work from your receipts it takes longer and we will charge extra. Remember, travel can no longer be claimed. You will not be able to claim depreciation on any used items purchased for rental properties – only 'new' items.

2019 TAX STATIONERY

In 2019 there were **MORE** changes to the tax return form and other stationery. The amount of detail I will need has not changed. My computer program deals with all this material. The ATO has released most of this year's forms. The ATO expects that everyone is internet savvy and can negotiate the ATO website to complete a tax return on myGov and myTAX. If using myTax there are now 420 reference pages for individuals without additional links. Remember TaxPak was about 160 pages. You are expected to have read understood the information when you submit your income tax return through myTax. A sample study of myTax self-lodgers found that 60% contained errors. Two thirds of the errors favoured the ATO and a third favoured the taxpayer.

ATO CORRESPONDENCE & ASSESSMENT NOTICES The Federal Government has radically altered the way it is corresponding with its clients or customers. You are probably aware of myGov, which allows you to set up an account with the myGov facility and then to link that account to Centrelink, Medicare, Child Support Agency and the Australian Taxation Office (ATO), which are the government departments most people deal with most of the time.

If you have set up myGov and linked the ATO to your account, then you will not receive notices from the ATO. All correspondence the ATO sends will go to your inbox at myGov. That means you will have to regularly log on to your myGov account to download a copy of your Income Tax Notice of Assessment. For clients who receive a refund, log on after the refund is in your bank account. For clients who are expecting a bill, log on about two weeks after your return has been lodged, find the Notice of Assessment and print it out. That means that for every client using myGov that some of the internet access will be claimable as a cost of managing tax affairs, as **you need to check your myGov account regularly** to ensure you are dealing with everything the ATO might send.

Clients not set up with myGov will continue to receive a paper Notice of Assessment, and all other ATO correspondence, eg audit queries. Tax agents are now able to view most of the **ATO correspondence** ATO sent to our clients. If you receive a letter, there should be no need to send me a copy, just ring or email me, I can look on the Tax Agent Portal for the letter and then we can discuss what needs to be done. In many cases the matter will not need you to make an appointment to see me.

If you **Change your Name**, move house or change postal address you must notify the ATO promptly. If you notify me of the change, I will update my database and also notify the ATO, as far as I can, electronically.

MAJOR CHANGES FOR 2019 As I mentioned earlier, there are more changes in both the personal tax return and the Instructions. **Centrelink** will not be posting a Payment Summary. You do not need a paper copy. I will have access to the figures to be declared. The taxable part in most cases is a lot less than the amount which was paid into your bank account.

Adjusted Taxable Income (ATI) is reduced by the amount paid by the taxpayer as **Child Support** payments – I will need documentary evidence of any amount you wish to show at this label in the 2019 tax return. The instructions in ITRI 2019 for this item are still not clear. The overall result will be that some clients will lose some rebates, or pay more Medicare Levy Surcharge, or repay more of their HELP (aka HECS) debt or, pay more in Child Support. Clients most likely to be affected by the adoption of ATI are high income earners, especially if they have been salary packaging into superannuation. The 2019 Payment Summary has some extra lines in it to show the extra detail needed. If your payment summary does not have a line for Reportable Employer Superannuation Contributions (RESC), then your paymaster has used the wrong, out of date stationery. For many of you there will not be a value beside RESC, but the field should be there.

IN SUMMARY Some clients will receive a much smaller refund than in previous years, as their ATI will deny them a claim for a spouse rebate, increase their HELP repayment and increase their Medicare Levy Surcharge. For some of these, you may need to complete a new TFN Declaration to ensure that your paymaster is using the correct settings for 2018-2019.

Home Office Expense Claim is \$0.52c per hour unless you have a log book for expenses. Must be supported by a log for a month. Being targeted by the ATO.

Mobile, home phone and internet costs The ATO has issued guidelines on making claims. Generally, a deduction of no more than \$50 for incidental costs. \$0.25c/call – landline; \$0.75c/call – mobile; \$0.10/text – mobile. Otherwise you need to keep a record /log of all work related outgoing and incoming calls and texts for 4 weeks.

Buying a newly built house? BE CAREFUL, The purchaser will be required to withhold the GST and send to the ATO. Not the builder. Your conveyancer should assist in this matter.

Banking Royal Commission Did you receive any compensation from a financial institution? If you did, the amount received could be taxable.

DATA MATCHING For some years, the ATO has been data matching the purchase and sale of motor vehicles used for work purposes and fringe benefits tax paid for vehicles over \$10,000. All property sales including land sales are also being monitored monthly by the ATO especially relating to rental income. Details of registered voters on the Commonwealth Electoral Roll are being collected by the ATO every three months. The ATO is requesting data relating to electronic payments to merchants through specialised payment systems ie. Paypal, Ezipay, Ezidebt etc. The ATO is also requesting from financial

institutions credit and debit card transactions to merchants. The ATO has advised that it is working with insurance providers to identify policy owners on a wide range of assets:- marine, aviation, enthusiast motor vehicles, fine art and thoroughbred horses to identify wealthy individuals.

The ATO continues to use third party data to identify taxpayers who have failed to report significant transactions on their tax returns and, in some cases, associated schedules.

Low Income Tax Offset (LITO) Now \$530 for income up to \$37,000 reducing by 1.5c for every dollar over \$37,000 to \$66,667 when there will be no offset. Effectively the tax-free threshold for a resident is \$20,989.

Spouse super tax offset: The full rebate spouse income threshold has been increased from \$10,800 to \$37,000 to apply from 1 July 2017, with a shading out on incomes between \$37,000 and \$40,000. The maximum rebate (calculated at the rate of 18% of maximum rebateable contributions) remains at \$540.

Pensioner Offsets The threshold for single taxpayers eligible for the SAPTO for the 2018-19 income year is \$32,279. The threshold for couples taxpayers eligible for the SAPTO for the 2018-19 income year is \$49,304.

Medical Expenses Rebate This tax offset is being phased out as from 1 July 2019. If your claim included Nursing Home costs, or disability aids, then you are not affected by this new rule until July 2019. Although the threshold for claims has gone up. If, during the 2018-19 tax year, you have entered an Aged Care facility, or have spent money on disability aids or attendant care, contact me for further information.

Medicare The individual income threshold for the 2017-18 income year is \$22,398. The family income threshold for the 2018-19 income year is \$37,794. The child-student component of the family income threshold for the 2018-19 income year is \$3,471 – up from previous years. Age pensioners (SAPTO) now \$35,418 – individual and \$49,304 – family. Surcharge applies to income from \$90,000 for individuals and \$180,000 for families if they do not have Private Hospital cover.

Proposed increase to the Medicare Levy from 2% to 2.5% as from 1 July 2019 still before Parliament.

Depreciation Up until 30 June 2019, any asset purchased under \$25,000 for a small business (turnover less than \$2 million) may be treated as an expense rather than depreciated. There are some restrictions. If you claim GST, the asset amount is up to \$27,500. This will increase to \$30,000 from 1st July 2019. Depreciation of assets for individuals and landlords' remains the same for items over \$300.

Private Health Rebate – Means Test Is in place and will affect high income earners. Private Health Insurance Policy Details are similar to 2017 but contains some new fiddly data entry obligations. **Private Health Funds are now no longer required to send annual summaries. You will need to request a summary from the fund. We *must* see the statement** from your fund setting out exactly what level of membership you had at which times and whether you have taken the 25, 29.2 or 33.4% rebate as a reduced premium or not. High-income earners who wish to avoid the Medicare Levy Surcharge will also need to bring full details.

Maximum Voluntary excess has been raised to \$750 for individuals and \$1,500 for couples/families.

Taxable Payments System Any builder who pays sub-contractors has a reporting obligation. The new report must be lodged by 28 July 2019 and, depending on the records supplied to me, may take several hours to compile. Builders need to contact me as soon as this circular arrives, so the records can be set up before the end of June and the report compiled. The ATO did not seem to use this report effectively in 2013 or 2015. It is still not possible to lodge this report electronically in 2019. This system has now been extended to a number of other industries including cleaners and couriers.

SMSF Levies ASIC has set up a register and charges a registration fee, as from 1 July 2015. All SMSF audits are likely to cost more in the future. Annual levies remain at \$259. New SMSF's will be charged \$518.

DUE DATES FOR LODGEMENT The penalty for taxpayers who lodge returns after the due date continues to be enforced. In some cases, to extremes, with apparent unfairness as to how the ATO deems the penalty. There has again been a lot of publicity on this. Please do not panic when the news media gives this its regular airings. If unsure please ring me. The ATO late penalty has been increased from \$180 to \$210 per month for up to 5 months.

We as Tax Agents are required to have 85% plus of our clients lodged by the due dates. If not, my Tax Agent's registration may be affected. If I am unable to contact you by letter or phone, I will remove you as a client to avoid myself being penalised. If you change address or telephone/mobile number, **please** let us know.

Outstanding tax returns and activity statements. The ATO has vigorously been chasing up outstanding tax returns and activity statements **and**, charging penalties and interest.

DEFAULT ASSESSMENTS FOR LATE LODGERS The ATO advised in November 2011, they would issue default assessment warning letters to taxpayers who have overdue tax returns. The client will then have to disprove the assessment. Failure to lodge on time will attract penalties, as well as administrative penalties of up to 75% of the related tax liability.

Both this government and the past government are sourcing every means to gain revenue to pay off the government's \$542b debt.

PRE-FILLING You may have heard that the ATO will pre-fill a tax return for taxpayers who use its MyTax site. Up till the end of August in any year this will only be accurate if you work for someone who sends the details of your earnings electronically to the ATO. In the early years this scheme was not very successful, by 2018 it was a lot better, but even by 31 October 2018 many records were incomplete. I can lodge your return in the first week of July if you have kept your payslips, interest details and dividend payment advices. You usually have your refund about 10 days later. Waiting for the ATO to pre-fill your return may mean a long delay in being able to use/spend your tax refund!

CHILD SUPPORT PAYMENTS The Taxation Administration Act 1953 requires that all persons who were either a liable parent or a recipient parent under a child support assessment to lodge a tax return. If you have made such payments to another person, other than your partner, for the maintenance of your natural or adopted child please provide documentary evidence.

ELECTRONIC LODGEMENT SERVICE AND REFUNDS TRANSFER The system of direct deposit of refunds continues. **The ATO has now requested that ALL tax refunds must be electronically deposited to a bank account.** Please bring full details of the account you want to use. Credit Union members need to bring their actual account number, not just the member number (bring the recent statement with Year to Date (YTD) interest). I am now unable to lodge without your correct bank details.

ORIGINAL DOCUMENTS - PLEASE PLEASE NOTE We prefer to enter material in your tax return from the original documents. There are two chances of an error if we type from what you have copied out. By all means, do a summary of each type of income, we can then check our computer's totals against yours, but we do need to see the originals (and the instructions), especially for Trust distributions. You must keep the copy of the Payment Summary in your file for 5 years from date of assessment.

PAYMENT SUMMARY SHEETS Please ensure that you have ALL your Payment Summary Sheets (previously known as a Group Certificate), if available, when you come to this office. We would also like clients (who are salary and wage earners) to bring their payslips for the year with them. In the past we have found various deductions (meal allowances, travel, union dues etc) for clients noted on their pay slips but not noted on their Payment Summary Sheet (included in their gross pay).

PAY AS YOU GO INSTALMENTS If you receive an Instalment Activity Statement (IAS) and you are unsure as to what to do, please contact us. If you do nothing, you may be deemed to pay an instalment and end up with a tax debt.

Details of PAYG tax you (should) have paid on an Activity Statement (BAS and or IAS), now appear on the Pre-Filling report, although the amount paid for the June Qtr BAS or IAS may not appear until well after July 28. In past years, some clients were not given a credit for tax they had paid. It is critical that you keep your proof of payment. We can also verify through the Tax Agents Portal if there is a discrepancy.

WORK RELATED EXPENDITURE (WRE) As in previous years the ATO is spending a lot of time and effort on what it perceives as \$billions + loss to its revenue through excessive claims in this area. WRE includes motor vehicle, other travel and accommodation, protective clothing and uniforms, self-education and other non-specified claims (union, seminars, computers, CPD, tools etc). These claims are made at items D1 to D5 in a personal tax return. Please see our website under "Forms" for additional information.

I remind you that you can only claim for WRE where you have documentary evidence of the expenditure, with a couple of minor exceptions, such as laundry and overtime meals. Please summarise your WRE, and have your receipts organised in the same order as you have listed them. I do not usually examine each receipt, and extra charges will apply to disorganised clients. Taxpayers who wish to claim for light & power for their home office must keep a diary for one month. A worksheet is available

Depreciation of assets used to earn income is still an allowable claim. If you have bought any new item I will need to see the actual invoice, showing the date of acquisition. Software costing more than \$300 must be depreciated.

Laundry – ATO has determined that a \$1/load if washing protective clothing separately, if load is combined \$0.50c/load includes washing, drying & ironing.

AUDIT OF WORK RELATED EXPENSES **If you are audited, your refund could be delayed by over six (6) months.** If your tax return is adjusted to disallow any claims, **the ATO will administer a penalty against you.** The ATO also sends "pre-lodgement awareness letters" direct to selected clients giving its version of what you should and should not claim. If you receive one of these, please bring it with you – sometimes I have to do extra work because of the letter you receive. The extra

requirements, if any, are attached to your Tax File Number; changing tax agent will not remove the obligation to supply the extra material. The fact that I may not yet know about a specific WRE audit campaign for 2019 returns does not mean that there won't be one. The Prefill report will tell me if you were sent a pre-lodgement awareness letter.

The ATO runs a WRE campaign each year. **The ATO has NOT provided us with the courtesy of occupations they will be targeting this year.** We do know that the ATO is targeting vehicle, protective clothing and electronic device claims.

myDeductions The ATO has been promoting an app it has developed to assist taxpayers to keep good records. Broadly the client records work related expenses during the year, uploads it to the ATO computer at the year end. The ATO will sort the information and make totals available. The ATO makes no warranty that any item recorded is an allowable deduction. Follow the three steps:- (a) was the money spent; (b) there is a nexus with work, and (c) the evidence exists.

SUPERANNUATION DEDUCTIONS, REBATES & CO-CONTRIBUTION In 2018, a number of employers were still entering the superannuation guarantee levy (SGL) as reportable superannuation contributions. From 2018, the ATO is requesting that the SGL be also reported for the benefit of the employee.

This area is ever more complex. If in doubt please discuss the paperwork needed when you make your appointment. Those of you who received a payout from your Super Scheme or a redundancy scheme may need to bring lots of other papers as well, please discuss these with us when you make your appointment.

CONTRIBUTIONS The rules have changed – in your favour!!!! Employees no longer need to set up salary sacrifice to put money into any superannuation fund. Employees can now pay in a lump sum at any time. The upper limit is \$25,000 including the 9.5% superannuation guarantee levy by your employer(s). I can assist you with the calculations for taxation purposes. **THERE MUST** be a letter to and from your superannuation fund setting out the amount of Personal Superannuation Contribution you wish to claim as a deduction at Item D12. I cannot lodge your return until I have the letter(s) from the fund. We need both the ABN & TFN of the super fund you are in, for Item D12.

Legislation requires the Federal Government to make a co-contribution where a taxpayer has paid money into a super fund and has an assessable income less than \$52,697 per year (2018/19). For a number of clients, such as Public Servants, a payment may be available. In 2018/19, if your salary is less than \$52,697 and you pay into a super fund, then you may receive this co-contribution. The upper limit for \$500 co-contribution will be \$37,697. Both amounts have not been indexed.

WARNING - REPORTABLE SUPERANNUATION CONTRIBUTIONS (RSC) – WARNING. From 1 July 2017, the threshold for RSC dropped from \$35,000 to \$25,000. This amount includes all employee Superannuation Guarantee Levies. If you go over, you will be slugged with additional tax.

INTEREST & DIVIDENDS The ATO continues to chase people who leave interest or dividends out of their returns. Many financial institutions now provide a total of interest paid on the statement issued just after June 30. They must send full details to the ATO by October 31 each year. The Pre-Filing report is very incomplete until November.

Please bring original dividend payment advices with you so the right figures are used in your return. Most companies pay two dividends each year, but do not issue any kind of summary. We can supply a worksheet for you to summarise dividends.

TRUSTS & MANAGED FUNDS Most of Funds issue an Annual Taxation Summary, but often not till late August or even later – November, February. Please bring these summaries, and the accompanying instructions, with you. Sometimes the material arrives with other propaganda and could easily be overlooked or junked. Like interest and dividends above, these will appear on the ATO portal over the next 4 months. If it is on the Tax Agent Portal, the ATO will match those details to your return.

CAPITAL GAINS Please bring details of any asset you sold or shares which were cancelled or declared worthless. As anticipated, the ATO has been checking the share records of recent large floats and demutualisations and sending queries to people it suspects of having sold shares and not declaring the gain. Those of you with money invested in a Trust or Managed Fund will particularly need to bring us the Annual Summary (and the Instructions!) as some of the distribution may be a Capital Gain, or even non-taxable. We have a worksheet for keeping track of shares, especially where you have a Dividend Reinvestment Plan (DRP). Contact us if you need one or see our website under "Forms".

Do you have a **Capital Gains carried forward loss**. Hope you kept your records. The ATO fine print desires that you keep those records until such time as the loss is used up plus at least 5 years. The ATO has been asked to generate extra revenue. If you do not have the records, the loss may be extinguished/cancelled

The ATO now receives details of all share transactions from the six Australian share registries. This year, the ATO has demanded an electronic report from all share registries, for ALL purchases and sales since September 1985, (the start of Capital Gains Tax). The ATO expects to receive over 95 million separate records. The ATO will then match all the records and send you a letter if it decides that you have not declared a sale of shares. **BE WARNED.**

HELP (HECS & AUSTUDY LOAN) SCHEME

From 1 July 2019, the income level at which you will start to repay your HELP debt is to reduce from \$55,874 to \$51,957. Please bring any HELP debt statement with you. If you have either debt you may be repaying some or all from this year's tax assessment. The ATO does not send a HELP statement – your balance appears in the Pre-Filling report. If you know people with a HELP debt who are now living overseas, warn them they have to lodge an Australian tax return showing worldwide income.

FRINGE BENEFITS TAX & REPORTABLE SUPERANNUATION CONTRIBUTIONS The Reportable Fringe Benefits Amount (RFBA) & Superannuation Contributions (RSC) appear on the year 2019 Payment Summaries.

TAX DEBTS – BIG WARNING. The ATO has slated, as from 1 July 2017, that any overdue (90 days) tax debts of over \$10,000 may be provided to credit reporting agencies and, may affect your credit rating. Still to be ratified by parliament. The ATO is over exerting itself with garnishing wages and contract payments.

RECORD KEEPING You are required to keep your tax return and original documentation for 5 years from the date of assessment or 31 October of lodgement year. Please note that I keep my copy of your return for the statutory 5 years. Each year we reorganise my records and the office copies from seven (7) years ago are sent to a secure shredding site.

PROFESSIONAL FINANCIAL ADVICE Under the new "Future of Financial Advice" (FoFA) Legislation, I am not registered/authorised/licensed to provide financial investment information or advice. Any informal discussions I may have with you as a client on the economy of Australia, the world or future trends cannot be used/ construed for investment/advice purposes.

The Parker Accounting & Financial Services continues to secure the skills of Solas Financial Services, one of the largest dealer groups in Australia. They have extensive experience in the financial planning industry and their expertise is in the pre & post retirement area. If you are seeking retirement advice or you wish to review your current financial situation we can arrange one of their advisers to meet with you. They can also assist you in:-

Reducing your taxation liability including reducing the impact of capital gains tax
Analysing your risk insurance e.g. income protection, trauma, death & disability insurance
Reviewing your superannuation including income streams in retirement
Examining your eligibility for Centrelink entitlements, structuring your investments for maximum payments
Reviewing your wealth creation strategies including implementation of savings plans to purchase lifestyle assets or to provide for your children's education expenses
Self-managed superannuation funds

I am pleased to advise that they will not charge a fee for your initial consultation appointment and provides a very competitive financial planning service. We may receive a small commission from Solas Financial Services.

PROFESSIONAL WEB DESIGN We can recommend an excellent web designer here in Tasmania. They have created some excellent web pages for my clients at a very reasonable setup and hosting cost. - www.patswebdesign.com

APPOINTMENT TIMES We will be available for appointments from 8.30 am to 9 pm Monday to Thursday, and 8.30 am to 6 pm Friday. **Saturdays** during July and August from 9 am to 6 pm. Sunday afternoons in the **Derwent Valley**.

Once you have your payment summaries or ATO advice and other income details including interest and trust distribution annual summaries, please telephone for an appointment.

Note, the ATO has altered the timetable for clients who owed more than \$20,000 in primary tax on their last return. These clients must lodge by 15 May 2019. The ATO has reminded Tax Agents that the lodgement program, which allows a tax agent to lodge returns as late as May 15 each year, is a privilege extended to tax agents to allow them to schedule their work. It is not a right granted to clients.

IMPORTANT Some of July is already booked by clients who have to complete an Activity Statement (BAS or IAS). This reduces the times to do ordinary tax returns before 28 July. Equally, those business clients also have to lodge an IAS or BAS by 28 October, appointments will be at a premium in October.

FEES Our fee this year for most personal returns has been increased to \$95 per return (for a return of up to 4 pages, additional pages \$10 extra), GST inclusive i.e. \$86.38 for us, and \$8.64 GST. An additional \$5 for home visits. Trust deduction fee is an additional \$15. Current Centrelink recipients' fees from \$65 per return – conditions apply. Rental properties will cost extra for each rental property schedule. Complicated Capital Gains exercises will also be charged extra, especially where we have to reconstruct a Dividend Reinvestment Plan. Please make the effort to maintain the share record as the dividends arrive and save money for yourself or your heirs. Our fee for business returns, company secretarial work and super fund returns or audits will again be based on the hours spent on the bookwork and returns. The banks **charge** us for **ALL** credit card and

EFTPOS transaction. Therefore a surcharge of \$1 per \$100 for all debit and card credit card payments will apply. We accept Visa Card and MasterCard.

We supply a copy of your tax return, BAS &/or IAS once we have finished it; if you lose that one and want another it will cost \$25.00 per return or \$2.00 per page. We now charge a minimum of \$55.00 in most cases for preparing amendments. All these prices are GST inclusive. BAS and IAS will cost a minimum of \$90.00 each (except Nil returns).

We expect payment as soon as the return is finished and ready to be lodged. **NO PAYMENT – NO LODGEMENT.** We charge interest or an account keeping fee on unpaid accounts. The rate of interest is the same as the rate we pay on our credit card, 18.00% per annum. We refer unpaid accounts to Tasmanian Collection Service, after a very short time.

CREDIT ENQUIRIES We often receive calls from finance companies asking for details about clients. To protect your privacy, we will not release any details to anybody until we have **written** authority from you. Once we have your **written** authority, the information is readily provided. Often all they want is a copy of your tax return. We give you one after we have finished your return; why not take it with you to the bank, credit union or finance company if you are after a loan. Remember, we have an obligation to society at large not to give false or misleading information; if we doubt any client's ability to handle credit we will not make a recommendation to the lender.

PERSONAL CREDIT RATING You are entitled to a free copy of your credit rating/ report/history, once a year. You can request and pay for more frequent reports, or for an urgent report. There are 3 national credit agencies, listed here in alphabetic order.

Dun & Bradstreet www.CheckYourCredit.com.au
Experian
Veda www.MyCreditFile.com.au
In Tasmania, there is also Tasmanian Collection Service,

Telephone 1300 734 806
Telephone 1300 783 684
Telephone 1300 762 207
Telephone 03 6213 5555.

ENGAGEMENT LETTERS Tasmanian Legislation, the Professional Standards Act, will require us, and most other tax practices, to advise you of its provisions and to get your written acknowledgement of them. For 2019, there will be another Engagement Letter for all clients who have already completed the letter. This is due to the sale of the practice. All our correspondence and forms will have the necessary headings and notation at the bottom of all correspondence and forms.

LAW FOR THE TAX PROFESSION Law about the registration of Tax Agents has been in place for over 8 years. The key features are a Code of Conduct for tax agents, and a range of penalties which can be imposed on tax agents caught doing the wrong thing, or just lodging defective tax returns.

REFERRALS Over the years the practice has steadily grown, mainly through referrals from existing clients, and we thank you for those recommendations.

PROCESSING The ATO has announced that they will start processing tax returns on Friday 5th July and expects to issue the first Notices of Assessment on Monday 15th July.

BUDGET 2019 There is a seven year plan to reduce the number of tax brackets and increase some thresholds. Seven years includes at least 3, possibly 4 Federal elections and 7 annual budgets. Changes in government could change all this. How do you plan your life?

For any form requirements, please refer to our website:- thetaxcounter.com.au or contact this office.

We look forward to being of service to you again in 2019/2020. A thank you to Tony Culberg for providing some of the tax information.

Yours sincerely

Stuart Lenthall
FIPA, FFA, B. Bus, Adv Dip Acc.

FORMS For your convenience, we have listed all our forms, checklists and various tax topics on our website.

CHECKLIST

Personal Returns

INCOME

Payment summaries if available. We should be able to access PAYG summaries from the Tax Agent Portal
Copies of payslips especially towards the end of the financial year.

Statements of Benefit from Centrelink or Veterans' Affairs (DVA) and Family Assistance Office (FAO) if sent. We can download these from the ATO Tax Agents' Portal.

Details of any other income, e.g. Jury Duty, insurance payouts, tips, commission

Superannuation or allocated pension payments. These include Statements of Termination Payment, ETP Payment Summaries, and Determinations of Reasonable Benefit Level. There is also a summary with Allocated Pensions which shows the amount of Undeducted Purchase Price and the 10% Rebate, if any. Life assurance or Friendly Society payouts and accompanying material

Interest from banks, credit unions, solicitors, finance companies etc*

Amounts received from trusts, whether a deceased estate or a Managed Fund. In either case there should also be an Annual Summary, often with a set of instructions. Bring it all!

Rental Property income and expenses. Most landlord clients have received/downloaded a separate worksheet from us *

Dividend statements. Most companies pay twice each year, please bring the actual statements *

Details of any transaction with possible Capital Gains implications, e.g. the sale of shares, a shack or spare block of land.

EXPENSES or DEDUCTIONS

Receipts for Work Related Expenses such as clothing, tools, union dues, computers, software, dry cleaning, conferences, seminars, professional associations, reference books, sun protection gear. Summarise these, using the headings in last year's worksheets attached to your copy of last return.

Expenses relating to rental properties, entered on the worksheet available from us *

Details of use of private car, including any amount paid to you for that usage. Log book, diary evidence required.

Superannuation, including policy number, amount paid and the letter from the Fund, with its TFN & ABN

Costs of organising investment income, including bank and financial planning fees, technical journals, travel to meetings

Income protection or disability insurance premiums, preferably with a letter from the insurer.

Distance travelled to last year's tax agent and the fee charged.

OTHER MATERIAL

Rebates may be available for spouse, parents, medical expenses*, allocated pensions, living in a zone*, spouse super, low income aged person, Child Maintenance Expenses. Please bring details.

Exemption from Medicare Levy if applicable

Private Health Insurance. You will now need to request a copy or download from your fund.

Child Support payments made and received.

* A worksheet is available to assist in organising the data we need. Please ring and ask or check our website:- **thetaxcounter.com.au**.

SOURCE DOCUMENTS for BUSINESS CLIENTS

BE WARNED, THE ATO IS PICKING ON CLIENTS WITH POOR RECORD KEEPING

Please bring with you the following **original** documents.

- All bank statements for all accounts
- Your cash book (e.g. Zions 212) or computer printout of transactions.
- Your stocktake. I can supply forms if you need them
- Copies of all loan, hire purchase, asset purchase or lease agreements
- Details of all periodical payments made from your bank accounts
- List of all amounts owed by you to your suppliers
- List of all amounts you are owed by your customers
- Details of work in progress as at 30 June
- All payment summaries received during the year, or a list of people who deducted tax from a payment to you
- A list of payments to contractors. ATO requires a contractor payment list to be sent to them by 28th July.
- Details of any receipts which are not income, e.g. inheritances, lottery wins, sale of personal assets
- List of items of plant, from your depreciation schedule, which have been scrapped or traded in.
- Your motor vehicle logbook, with odometer reading as at 30 June.
- For farmers, the numbers of animals bought and sold, born and died during the year (Account Sales).

IN ADDITION

Carefully consider whether any of the following apply to you.

Repairs	If an item needs repairing it may be better to pay for the repair before June 30 and make the claim in this tax return
Superannuation	If you have employees pay the 9.5% before 30 June to claim the deduction in the right year
Bad Debts	If you are on accrual accounting or income over \$2m, check your slow payers and if any are now bad, write them off before June 30. Bring me the list of bad debts, showing when you previously declared the income
Capital Gains	If you are thinking of selling an asset, check the date of purchase. If you have owned it for over a year there may be a discount available
Delaying Invoice	If your cash flow can afford it, consider not issuing invoices till after June 30. For most small businesses income is not recorded as income until actually received (cash basis of recording).
PAYG Withholding	Make sure you have dealt with all these obligations <ul style="list-style-type: none">• Issued the Payment Summary including your ABN unless you have complied with Single Touch Payroll system• Recorded the Tax File Number and/or ABN for each payee• Completed the Annual Reconciliation. Sent the TFN Declarations to the Tax Office• Superannuation payments up to date.
Vouchers	Check that all receipts, invoices and other documents contain the details the ATO wants. Check they are still legible, e.g. have not faded in bright light. Obtain replacements, if necessary.

Remember, tidying up your papers should be much easier now, as many of you should have been writing up your records each three months so you could complete your BAS.

If I have to chase up missing documents, then I will be charging extra, both for my time and any out of pockets. Bank statements can cost up to \$16.00 per lost sheet.

The ATO is benchmarking industries. This means that if you fall outside the “range” for income versus expenditure, you are likely to have an ATO audit. The ATO benchmarking is not accurate and is based on Sydney, Melbourne and Gold Coast incomes/hourly rates and not relevant to Tasmania. If you receive an ATO benchmark audit letter, please contact this office.

The ATO has been sending “bluff” letters targeting business with carried forward losses. If the letter worries you please ring us.

NOTES FOR BUSINESS CLIENTS

REGISTRATION of BUSINESS NAMES

The Australian Securities and Investments Commission (ASIC) has taken over the administration of Business Names. Previously, this area was run by each state/territory and you might have paid fees to 8 different regimes, and at different rates and dates. Now you will pay a single fee. You will in due course need to set up an on-line account with ASIC, through ASIC Connect. All details about the Business Name are available in a Public Register. The address of the business will be shown, together with the name(s) of the holder of the Business Name

AUDITS The ATO has been developing benchmarks on an industry by industry basis. So far it has released over 140 sets of figures and aims to have a lot more released by during 2017. Unfortunately, most of these figures were developed on the mainland of Australia, and in most cases are not relevant to Tasmania. It may be however, that an auditor based in Sydney or Melbourne will start an audit because s/he does not know, for instance, that bricklaying is charged differently in Tasmania. The material I have read about bricklaying talks about the bricklayer buying pallets of bricks, sand and cement. From these purchases the ATO reckons it can calculate how much gross turnover the brickie should have.

If this approach interests you, go to the ATO website, www.ato.gov.au and have a look at the industries which have been benchmarked so far. Under the new Tax Agent Services Act I am expected to look at the benchmark, if any, for your industry and counsel you if your figures/ratios are significantly different from the ATO's expectations. Given the very broad brush approach taken by the ATO, and its lack of understanding of regional differences in working arrangements.

The ATO has also been calculating ratios of credit card sales to cash sales and then asking your bank for the details of all credit card deposits. It then extrapolates to arrive at a total turnover. This approach has been proven to be flawed, and is (temporarily) withdrawn. Nevertheless, it shows the strategies the ATO is using to catch taxpayers who cheat.

Another audit tactic involves examining personal living expenses. Broadly, the ATO finds out as much as it can about your living costs, such as rent or mortgage payments, motor vehicle running, health insurance, superannuation contributions, negative gearing, schooling etc, adds them all up and then looks at the income declared in your tax return. If your expenses are higher than your available income, you will be asked to explain the difference. In some cases this may be easy, but in many it may prove quite awkward. The ATO has access to details from Centrelink, knows your partner's income from your return, knows where you live and can check the size of your mortgage, can search the motor vehicle registry, knows your private health insurer, knows about rental properties, bank balances, shareholdings and managed funds before it starts to examine you in detail!

One item the ATO cannot readily identify is a Superannuation Income Stream. Where a taxpayer is aged over 60, income from most Super funds is tax free, and does not appear in a tax return. Thus, your lifestyle and spending can be well in excess of your obvious/declared income. Some people may have inherited well and are spending capital to maintain a lifestyle.

The ATO estimated it would raise \$1.3 billion from audits in 2013-14, for an outlay of about \$300 million, ie a rate of return of well over 4 for 1. In later years it predicted a return on investment ratio of over 7:1.

EMPLOYERS If you are an employer you will almost certainly have obligations under the Superannuation Guarantee Levy Act. Note that the rate, for 2018-19, is 9.50% of Ordinary Time Earnings. And you will have to tell each employee when you propose to make the payment. Workplace Standards, a Tasmanian Government instrumentality, has issued its version of employee records, and the equivalent Federal law also imposes its version on those employers caught up in its web. Both versions include a sheet about the employee, leave records, weekly time & wage record, a pay slip and some notes. If you are an employer, I strongly recommend that you obtain a set and ensure that your records are at least as good as this model. If not, you could be liable to a penalty. The web address is www.wagenet.gov.au I also have copies of the forms and notes. Federal law also requires very detailed records to be kept, for 10 years, of each & every employee. This includes people employed by their own company. Please remember, your company is a separate legal entity from you. A company must have Workers' Compensation insurance for all its employees.

ACTIVITY STATEMENTS (AS) Your AS is sent direct to your nominated postal address, myGov account, email address, sometimes to us. You have a choice – you can do it yourself or ask me to complete it and lodge it with the ATO. In 2018-19 the minimum fee for me to check it, key it and lodge with the ATO will be \$90.00 per AS. Clients who require significant help with their AS will pay a higher fee.

If you previously received your AS digitally/electronically, you can no longer revert back to a paper AS.

It is critical that you keep a copy of every letter, return or other document you send to, or receive from, the ATO, particularly now that you make a single payment (or sometimes, get a refund!) for all tax, and Diesel Fuel Rebate, shown in the one AS.