

TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

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Tax Consequences Of Cryptocurrency

Cryptocurrency is a hot topic of discussion at the moment within the taxation industry.

There are people out there that are making millions of dollars. It is not our position to say whether it is a good idea or a bad idea to invest in crypto, but it is our job to teach you about the tax consequences of the digital asset, which can be fairly complicated.

Crypto may seem like just another form of money to you, but to the Australian Taxation Office (ATO), it certainly isn't.

From their point of view, cryptocurrency is just another type of asset that people invest in, just like when they invest in shares. The tax treatment is fundamentally the same. If you

buy for a dollar and then sell for \$11 dollars then you have to deal with a ten dollar profit. That profit could be a capital gain or it could be quantified as simple business income.

So what makes the difference?

If you are a simple investor in crypto, you may have bought \$10,000 worth of the currency, and held onto it for five years to then sell it for say, \$25,000. The \$15,000 "profit" from that sale would most likely then be treated as a capital gain. You would be required to pay tax on half of that capital gain at your marginal rate.

But let's say you are trading in crypto on a regular basis as well as mining for coins. This might indicate that you are actually in the "business" of trading crypto (just as people can be in the business of share trading). In

this case, you are taxed on your profits as income and not as capital gains.

This usually wouldn't make a big difference, as a trader does not tend to hold their stock for more than a year. This means that they would not be entitled to the capital gains tax discount, as it requires you to hold the asset for more than 12 months to be eligible.

It is also very important to understand that the ATO receives the trading data from all the crypto trading houses (including overseas trading houses). You won't be able to get away without declaring any trading profit from any crypto that you own.

If you are unsure as to how to treat your crypto gains and losses, please come and have a chat with us.

VEALE ACCOUNTING GROUP

Level 4 148
Glenferrie Road,
Malvern Victoria
3144

PO Box 225
Malvern Victoria
3144

TEL 03 9112 8460

EMAIL
info@vealeaccountinggroup.com.au

WEBSITE
www.vealeaccountinggroup.com.au

DIRECTOR
Mario Vinaccia
ACA

ASSOCIATE
Georgia Kinigopoulos
BBus



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CGT Discount For Affordable Housing

An additional 10% capital gains tax (CGT) discount may be available when you sell an Australian residential rental property that you used to provide affordable housing.

This move will increase the maximum capital gains discount percentage on your sale from 50% up to 60%.

What Is Affordable Housing?

For the affordable housing CGT discount purposes, affordable housing is any dwelling (house, unit or apartment) where the following conditions are satisfied:

- The dwelling is both a taxable Australian real property (TARP) and residential premises that you rent out or genuinely make available for rent. Caravans, mobile homes and houseboats are not residential premises.
- The dwelling is not a commercial residential premises.
- Management of the tenancy or its occupancy is done exclusively by a registered community housing provider (CHP).

- Each entity that holds an ownership interest in the dwelling has a certificate from the provider showing that the dwelling was used to provide affordable housing.
 - No entity that has an ownership interest in the dwelling is in receipt of an incentive from the National Rental Affordability Scheme (NRAS) for the NRAS year.
 - If a managed investment trust (MIT) has an ownership interest in the dwelling, the tenant does not have an interest in the MIT that passes the non-portfolio test.
- » distributed or attributed to you either
 - directly from a trust or managed investment trust (MIT)
 - indirectly from a trust through an interposed partnership, MIT or other trusts (this does not include public unit trusts or super funds).
 - You must have also provided:
 - » new or existing affordable housing
 - » rental rates below market rent
 - » affordable housing to eligible tenants on low to moderate incomes (based on household income thresholds and household consumption)
 - » affordable housing for a minimum period of three years (1,095 days) from 1 January 2018. This can be continuous or an aggregation of three years over a longer period.

Eligibility For Affordable Housing CGT Discount

When you sell a rental property used to provide affordable housing, you may make a capital gain on the profit. This may qualify you for an additional (up to 10%) affordable housing capital gain discount if you meet the following eligibility criteria:

- The capital gain must have been either
 - » made by you as an Australian resident individual, or

The additional discount will be pro-rated for periods where you don't use the property for affordable housing purposes.

Example - Working Out The Aggregate Period For Affordable Housing

Lisa purchased a dwelling (that is a residential premise) on 15 August 2018.

When she owned the dwelling, Lisa:

- left it vacant and made repairs from when she acquired it on 15 August 2018 (her acquisition date for CGT purposes) until 1 December 2018 (109 days)
- rented it out through a CHP as affordable housing from 2 December 2018 until 20 August 2020 (628 days)
- rented it out through a real estate property manager at market rates (that is not providing affordable housing) from 21 August 2020 until 31 August 2021 (376 days)
- rented it out through a CHP as affordable housing from 1 September 2021 until 15 January 2023 (502 days)

- vacated the property and prepared it for sale on and after 16 January 2023 (57 days).

On 13 March 2023, Lisa signs a contract to sell the dwelling, with the settlement occurring on 11 April 2023. Lisa makes a capital gain of \$100,000.

Lisa has held the dwelling for a total of 1,672 days. She used the dwelling to provide affordable housing for 1,130 of the 1,672 days. As Lisa uses the dwelling to provide affordable housing for more than 1,095 days, she may be eligible for the additional affordable housing capital gains discount. She must also meet all of the other conditions to ensure her eligibility for the discount.

Making the decision to provide affordable housing can be morals-based, or it could be a financial decision. While this example doesn't show whether or not Lisa decided to provide affordable housing on either a moral basis or

financial reasons, it does provide an example of how you could potentially use a residential premises to make a capital gain, and potentially be eligible to apply the additional affordable housing capital gains discount.

If you wish to provide affordable housing based on financial reasons, we can support you with the necessary modelling to determine if offering cheaper rent would be more than offset by a future capital gains tax saving.



Changes To Payroll Tax (From July 2021) That You Need To Know

Payroll tax is a State and Territory tax on wages that you as an employer pay your employees. It is calculated based on the amount of wages that you pay employees Australia-wide per month.

There are a number of changes that will have occurred to payroll tax (as implemented in July 2021). Each of the listed States and Territory has had different changes implemented to their payroll tax requirements and thresholds, which need to be addressed by employers like you (or us, if you use a bookkeeper or accountant to help with payroll tax). You need to ensure that you are up to date with these changes to maintain compliance and avoid punishment for non-compliance.

ACT Payroll Tax

ACT payroll tax rate continues as 6.85% on

payrolls over \$2 million per annum. The payroll tax exemption for apprentice and trainee wages (introduced as part of the Government's COVID-19 response) is extended for wages paid until 30 June 2022.

NSW

NSW Payroll Tax threshold for the 2021 year was increased to \$1,200,000. It was backdated to 1 July 2020, and is unchanged for 2021-22. The rate has also reduced to 4.85% for the 2021 and 2022 financial years. The NSW government has also announced payroll tax relief measures as part of its to help businesses impacted by COVID-19. You can find out more about these measures on their website.

Queensland

The current threshold for 2020/21 is \$1.3M but they have different rates of payroll tax:

- 4.75% for employers or groups who pay \$6.5M or less in Australian Taxable Wages;
- 4.95% for employers of groups who pay more

than \$6.5M in Australian Taxable Wages;

There is a 1% discount for regional employers until 30 June 2023.

Victoria

The current tax-free annual threshold for 2020/21 is \$700,000 pa with a rate of 4.85% for non-regional employers. The annual threshold is adjusted if you are not an employer for a full financial year. For 2021-22, the rate of payroll tax for regional Victorian employers is 1.2125%. There is also a special payroll tax rate for businesses in bushfire affected local government areas.

Each state revenue office will have additional information and rules surrounding JobKeeper payments and relief measures in relation to payroll tax such as exemptions.

Make sure you speak with us to ensure that you are meeting your current tax obligations for your state, and always inform us of any changes to your business that might impact them.

Record-Keeping Tips For Your Next Tax Return

Did you know that lost receipts are costing 25 per cent of Australian small businesses up to \$10,000 a year when it's tax time, with 8 per cent reporting a loss of up to \$100,000 from lost receipts? It's an outcome from a study released by NAB and Australian fintech firm Slyp, which you can learn from to prepare you or your business for your next tax return and avoid being a part of next year's statistics.

It might not seem like much, but making sure that you have all of your records ready for us to do your tax return (be it as an individual or as a business) makes our job a lot easier. It can also benefit you, as we will be able to find exactly what we need to help you get appropriate deductions, claim expenses and generally fulfil your tax obligations.

Here are a few efficient ways to employ record-keeping to prevent lost receipts, come tax

return time :

- The tried and true "shoebox method" of paper receipt collection
- Ask for digital receipts (if possible) and store them in a folder on your computer as well as a hard copy
- Ensure that evidence of Income Protection Insurance, investment expenses, rental property expenses and the cost of maintaining tax affairs is kept in a secure location for tax time
- Create documented evidence of work-related expenses (such as travel, motor vehicle expenses, etc) in a logbook or diary to assist in the long-term tracking of your taxable deductions

Some deductions and claims may require more specific information from you for proof, which we can determine if we have access to your receipts and records. Keeping copies of your receipts across multiple platforms (such

as online, offline and hard copy) will ensure that there is always evidence to support your claims, even if something were to happen to one of the copies.

You can also speak with us regarding your specific tax obligations and tax return, and we can provide you with more information about what might be required from you in terms of record-keeping.



New Reporting Regime For Share Economy To Be Introduced

Share economy platforms, like Uber, Airbnb and Menulog will be required to report information of all transactions to the ATO under a new reporting regime to be introduced next year.

The share economy, or “gig economy” as it is also known, has become somewhat of a lucrative sideline for many who may be looking for a short or long-term solution to additional income.

Share economy platforms that relate to ride-

sourcing or short-term accommodation services will be the first to adhere to the reporting regime and will be required to report these transactions from 1 July 2022.

All other share economy transactions will fall under the new reporting regime from 1 July 2023.

If you are a share economy worker or use the gig economy to supplement your income, the to-be-introduced reporting regime will make it far easier for you to ensure that you are meeting your tax obligations, and reporting all of your income.



What To Avoid Doing When Making A Car-Related Tax Deduction On Your Return.

Claiming car-related expenses as tax deductions might seem like the easiest way to get a larger return - but it's also one of the most carefully monitored. Here are a few tips on what you need to watch out for when claiming car-related deductions.

Claiming The Cost Of Your Commute

There are specific rules around travel to and from work when it comes to tax deductions and your work commute expenses for travel are not covered as a tax deduction. Public transport and travelling by car are not claimable as a tax deduction.

Claiming Expenses That Can't Be Backed Up

One of the most common mistakes that car owners can make is claiming car costs using the ATO's cents-per-kilometre method without the receipts and paperwork to back this up. Keeping accurate and tax-compliant vehicle logbooks is essential. Businesses and employees must be able to prove their vehicle-related claims to the ATO if asked. The impacts of COVID-19 may have adjusted the driving patterns of individuals, which should be reflected in the logbook.

Overlooking Depreciation

Depreciation is an accounting method of allocating the cost of a tangible or physical asset over its useful life or life expectancy. If you rented your car out on a share economy platform, or used it for work, rather than try to work out the depreciation of the asset yourself, speaking with someone like us can avoid any complications.



What To Do When You've Made A Mistake On Your Tax Return

If you realise that a mistake has been made or that there is missing information on a lodged tax return, do not panic.

The Australian Taxation Office ('ATO') recognises that mistakes are made during the preparation of tax returns, and in turn, allow scope for an amendment to be lodged.

Regardless if it is an individual, trust, partnership, company or superannuation fund tax return, we can prepare and lodge an amendment with the ATO.

Please contact our office as soon as possible if you believe that an amended tax return must be submitted.