TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

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OPES ACCOUNTING GROUP
ACCOUNTANTS & ADVISERS

# Working From Home? Here's What To Know For Your Return

*In a world where commutes are measured in steps rather than kilometres, working from home has become the new norm (be it as a hybrid role or full-time).*

While this shift means far fewer traffic jams or rush hour woes, it can bring a different kind of headache into your life: figuring out how to claim tax deductions for your home office.

Don't worry; we've got you covered with everything you need to know to turn those home office expenses into a financial win on your tax return.

## How Do I Know If I'm Eligible To Claim?

To claim a deduction, you must:

- Be working from home to fulfil your employment duties, not just occasionally checking emails or taking calls.
- Incur additional expenses as a result of working from home.

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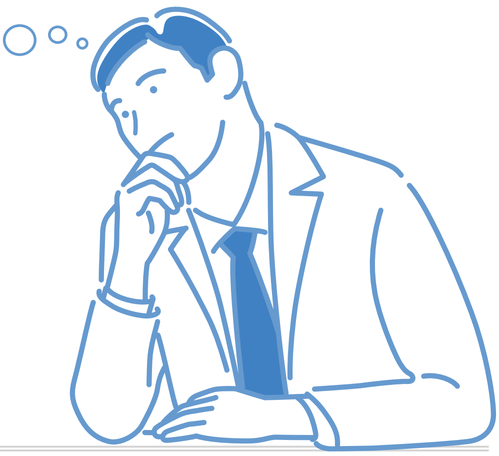

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Accounting & Taxation
Strategic Tax Planning
Asset Protection Advice
Superannuation Service and Fund Establishment
Business Management & Consulting
Corporate Secretarial & Advisory Services

## How Do I Calculate A Deduction?

There are two methods that can be used to calculate a work-from-home deduction.

1. **Fixed Rate Method:**
    - Rate: 67 cents per hour.
    - Covers: Electricity, gas, phone usage, internet, stationery, and computer consumables.
    - Records: Keep a diary of hours worked from home.
2. **Actual Cost Method:**
    - Calculates: Direct costs such as a portion of electricity, phone, and internet.
    - Records: Detailed records and receipts are required.

## What Could Be Considered A Home Office Expense?

**Running Expenses**

These include costs for heating, cooling, lighting, and cleaning dedicated work areas.

**Depreciation of Equipment**

You can claim depreciation for equipment and furniture used for work purposes. For items costing up to $300, an immediate deduction can be claimed.

**Occupancy Expenses**

These are typically not deductible unless your home office is your principal place of business.

## What Else Do I Need To Do?

**Private vs. Work Use:** You can only claim the work-related portion of your expenses.

**Proof of Expenses:** Maintain meticulous records of all expenses, including receipts and usage diaries.

Claiming home office deductions can be complex, but with proper documentation and an understanding of the available methods, you can ensure you're maximising your tax return.

Always consult with a tax professional if you're unsure about the specifics of your situation. Why not speak with us to learn how we could help you on your tax journey?

# Accessing Private Company Money Or Assets

*Imagine having a vault of company assets at your disposal, but every time you reach for the key, you're met with a complex web of tax regulations.*

The Australian Taxation Office (ATO) has specific guidelines and regulations to prevent accidental (or intentional) misuse and ensure compliance.

Let's examine what needs to be done to ensure that you are being compliant when accessing private company money or assets.

## Division 7A: The Basics

Division 7A of the Income Tax Assessment Act 1936 is designed to prevent private companies from making tax-free distributions to shareholders (or their associates) in the form of payments, loans, or debt forgiveness. If these transactions are not handled correctly, they may be treated as unfranked dividends, which could have significant tax consequences.

## Common Transactions and Their Implications

### Payments

Any payment made by a private company to a shareholder (or their associate) can be deemed a dividend unless it's a legitimate salary, wage, or a genuine repayment of a loan.

### Loans

Loans from a private company to a shareholder (or their associate) must be properly documented and meet specific criteria, such as having a written loan agreement with a set term and minimum interest rate. Otherwise, they could be treated as unfranked dividends.

### Debt Forgiveness

If a private company forgives a debt owed by a shareholder (or their associate), this could be treated as a dividend unless it meets specific exemptions.

## How To Manage Div 7A Risks

1. **Document Transactions:** Ensure all payments, loans, and debt forgiveness transactions are well-documented and comply with ATO requirements.
2. **Loan Agreements:** Create formal loan agreements that specify the terms and conditions, including interest rates and repayment schedules.
3. **Monitor and Review:** Regularly review transactions to ensure ongoing compliance with Division 7A.

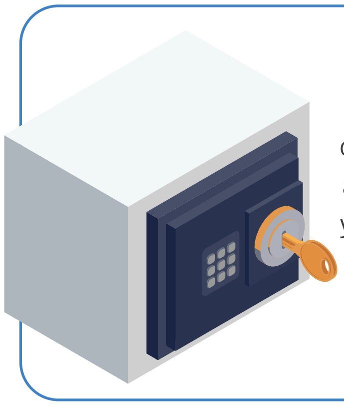
## What May Be Exempt Or Excluded?

Certain payments and loans may be excluded from being treated as dividends, such as:

- Payments of genuine salaries and wages.
- Loans made in the ordinary course of business on commercial terms.
- Certain distributions are made by liquidators.

## Practical Tips To Implement

- **Keep Clear Records:** Maintain detailed records of all transactions between the company and its shareholders or associates.
- **Seek Professional Advice:** Consult with a tax professional or accountant to ensure compliance with Division 7A and other tax obligations.
- **Stay Informed:** Keep up-to-date with ATO guidelines and any changes to tax laws that may affect private company transactions.



Accessing private company money or assets requires careful management to avoid adverse tax consequences. If you're unsure about anything raised in this article, speak with your trusted accountant for further clarification.

# The Small Business Incentive - Can You Benefit

*Could you supercharge your business while saving on taxes?*

If you made energy-efficient upgrades between 1 July 2023 and 30 June 2024, you may be eligible for a valuable tax deduction under the Small Business Energy Incentive.

The incentive offers businesses a bonus 20% tax deduction for costs incurred on new assets or improvements that support more efficient energy use.

Let's find out if your business qualifies and how you can take advantage of this opportunity.

## What is the Small Business Energy Incentive?

The Small Business Energy Incentive offered businesses with an aggregated annual turnover of less than $50 million a bonus 20% tax deduction. This applies to the costs incurred for new assets or improvements to existing assets that promote more efficient energy use.

## Who Is Eligible?

To potentially be able to claim this incentive, you must meet the following criteria:

1. Business Turnover: The business must have an aggregated annual turnover of less than $50 million.
2. Eligible Assets and Improvements: The incentive applies to assets and improvements that support more efficient energy use.
3. Timing: Eligible assets must have been first used or installed ready for use, both for any purpose and a taxable purpose, between 1 July 2023 and 30 June 2024. Additionally, the eligible improvement costs must have been incurred within this period.
4. Expenditure Limit: Up to $100,000 of total expenditure is eligible for the incentive. The maximum bonus deduction a business can claim is $20,000.

## What You Can't Claim

While the incentive covers a wide range of energy-efficient expenditures, there are specific exclusions to be aware of:

- Assets and expenditure on assets that can use a fossil fuel.
- Assets and expenditure on assets designed primarily to generate electricity, such as solar panels.
- Capital works.
- Motor vehicles and expenditure on motor vehicles.
- Expenditure allocated to software development pools.
- Financing costs.

## Steps to Claim the Incentive

To ensure you can successfully claim the Small Business Energy Incentive, make sure to follow these steps:

1. Maintain Accurate Records: Keep detailed records that provide evidence of the expenditure being claimed. This includes invoices, receipts, and any other relevant documentation.
2. Compare Assets: Demonstrate and explain how different assets were compared when deciding on upgrades or improvements. This comparison should show that the chosen assets support more efficient energy use.
3. Stay Informed: Regularly check the ATO website for the latest information on the incentive. Guidelines and eligibility criteria can change, and staying informed ensures your clients are always compliant.

The Small Business Energy Incentive presents a valuable opportunity for eligible businesses to benefit from a bonus tax deduction. However, to fully benefit from this incentive, it's important to make sure you have all the necessary documentation and understand the exclusions.

> If you are uncertain about eligibility for certain expenses or how to claim the incentive properly, seek advice from a registered tax professional (like us).

# Helping Your Employees Manage Their HECS Or HELP Loans

*One of the most unpleasant surprises on a tax return is an unexpected tax bill, especially when it could have been avoided.*

When employees reach the repayment threshold for their Higher Education Loan Program (HELP) or Higher Education Contribution Scheme (HECS) loans, it's important for them to know how this impacts their tax obligations.

For the 2023-24 financial year, the repayment threshold is $51,550. If an employee earns more than this amount or surpasses another threshold, they need to pay a percentage of their salary towards their loan, based on their income level.

**$51,550**

If they don't pay enough throughout the year, they could end up with a tax bill.

Here are some tips to help you help your employees manage their loans more effectively and to avoid an unexpected tax bill relating to their student debt.

### Regular Check-Ins

Ask employees regularly if they have started studying recently or have a study loan you may not be aware of. This helps keep the loan information you have on file current and accurate so that you can adjust the tax withheld if anything changes.

### Withholding Amounts

Ensure that the correct amount is withheld from employees' pay to cover compulsory repayments. If insufficient amounts are withheld, increase the withholding to avoid employees receiving a tax bill at the end of the financial year.

### Calculating Correct Withholding

You can use the ATO repayments calculator or refer to the repayments, thresholds, and rates webpage to determine the correct amount to withhold from employees' salaries.

### Checking Loan Balances

Advise employees to regularly check their loan balances via ATO online services through myGov. They can also find their payment reference number and explore voluntary repayment options.

By staying informed and proactive about HECS/HELP loan obligations, both employers and employees can ensure smoother financial management and avoid unexpected tax liabilities.

Encouraging regular check-ins, accurate withholding, and awareness of repayment thresholds are key steps in this process.

# Make Sure You're Aware Of PAYG Changes

*From 1 July 2024, your new withholding reporting and payment cycle will be based on the amount you withheld and reported under your Australian Business Number (ABN) during the 2022-23 financial year.*

Understanding these changes will help you stay compliant and manage your finances smoothly.

## How Your New Withholding Cycle is Determined

The ATO will base your new withholding reporting and payment cycle on the total amount you withheld and reported under your Australian Business Number (ABN) across all branches in the 2022-23 financial year.

Affected businesses or their tax agents were notified of this change in April 2024. If you were one of those notified, your reporting and payment notifications are now changed.

### Medium Withholders

**Classification:** If you withheld between $25,001 and $1 million, you will be classified as a medium withholder.

**What You Need to Do:**

- Report your PAYG withholding amounts on your activity statement monthly.
- Make payments by the monthly due date.
- Ensure your stated withholding matches the amounts reported through Single Touch Payroll (STP).

### Large Withholders

**Classification:** If you withheld more than $1 million, you will be classified as a large withholder.

**What You Need to Do:**

- You will receive a new Payment Reference Number (PRN) to use when making payments on the designated payment dates.
- You won't need to report PAYG withholding on your activity statement.
- Continue to reconcile your reported STP and paid amounts.

## Implementing Changes to Withholding Reporting and Payment Cycle

If your withholding cycle is changing, please ensure that your payroll software is updated before 1 July to align your withholding reporting and payments with the new due dates.

## Request to Maintain Your Existing Cycle

If your PAYG withholding amount for the 2024-25 financial year falls below the relevant threshold, you can request to stay on your existing cycle.

**Steps to Request:**

1. Complete the "Request to review ATO initiated PAYG withholding cycle change" form.
2. Submit the form within 21 days of receiving the ATO's letter.
3. Provide the reason for your request, detailing any changes in circumstances and the estimated withholding amount for 2024-25.

Being proactive about these changes will help ensure your tax management remains smooth and compliant. If you have any questions or need assistance with these updates, please feel free to reach out. I'm here to help you navigate these changes and ensure your business operations continue without a hitch.

# Do You Need To Lodge A TPAR?

*Do you employ contractors in your business?*

As a business owner, paying contractors to provide services is a common practice. However, it's essential to understand your obligations to ensure compliance with Australian Taxation Office (ATO) regulations.

Here's a guide to help you navigate the requirements and avoid potential pitfalls.

## Distinguishing Employees from Contractors

First, it's crucial to correctly distinguish between employees and contractors. Misclassifying employees as contractors can result in significant legal and financial consequences, including back payment of entitlements, taxes, and penalties.

- **Employees:** Generally, work under the business's control, have set hours, and are entitled to benefits such as leave and superannuation.
- **Contractors:** Operate their own business, have the ability to subcontract, provide their tools, and are paid to achieve a result rather than being paid for time worked.

## Key Obligations for Businesses

1. **Taxation:**
    - Ensure that contractors provide their Australian Business Number (ABN). Without an ABN, you may need to withhold 47% of the payment for tax purposes.
    - Check if the contractor is registered for Goods and Services Tax (GST) and include GST in your payments if applicable.
2. **Superannuation:**
    - In some cases, you may be required to pay superannuation for contractors if they are deemed to be working principally for your business and are paid primarily for their labour.
3. **Reporting:**
    - Businesses must report payments to contractors via the Taxable Payments Annual Report (TPAR) if they provide services in certain industries, such as building and construction, cleaning, courier, road freight, IT, security, investigation, or surveillance services.

## Best Practices

1. **Written Agreements:**
    - Have clear, written agreements outlining the terms of engagement, including payment terms, deliverables, and obligations of both parties.
2. **Record-Keeping:**
    - Maintain accurate records of all transactions, contracts, and communications with contractors. This will support your tax filings and help in case of disputes or audits.
3. **Regular Reviews:**
    - Periodically review your arrangements with contractors to ensure ongoing compliance with ATO guidelines and to adapt to any changes in regulations.

Understanding and meeting your obligations when paying contractors is essential to avoid legal and financial risks.

Correctly classifying workers, ensuring proper documentation, and complying with tax and superannuation requirements can help you manage contractor relationships confidently.

Do you need any further help or information to smooth your TPAR lodgement process? Start a conversation with one of our trusted tax professionals—we're here to help.

Fringe Benefits Tax Records - Alternative Options Now Available

https://www.ato.gov.au/businesses-and-organisations/small-business-newsroom/new-options-to-keep-fringe-benefits-tax-records

# New Options For FBT Record-Keeping

*Keeping track of Fringe Benefits Tax (FBT) records can often feel like navigating a bureaucratic maze.*

However, new options are being introduced to streamline this process, allowing small businesses more flexibility and efficiency.

Let's dive into these new record-keeping methods and how they can benefit your business.

## Simplified Record-Keeping Methods

The ATO now offers several simplified methods for managing FBT records, aimed at reducing the administrative burden on small businesses. These methods include:

1. **Electronic Record-Keeping:**
    - Digital solutions like apps and software can now store and manage FBT records.
    - Benefits include easier data retrieval, reduced paper clutter, and better organisation.
2. **Single Touch Payroll (STP) Integration:**
    - Integrating FBT records with STP reporting simplifies the process by combining payroll and benefits information.
    - This method reduces duplication and streamlines compliance reporting.
3. **Simplified Calculation Methods:**
    - The ATO provides simplified methods for calculating FBT, such as using set rates for certain benefits, which can reduce the complexity of calculations.

## Benefits of the New Options

1. **Efficiency:**
    - Using digital tools and STP integration, businesses can save time and reduce manual data entry.
2. **Accuracy:**
    - Automated systems minimise errors, ensuring accurate record-keeping and reporting.
3. **Compliance:**
    - Simplified methods help businesses stay compliant with ATO requirements, avoiding potential penalties.

## Implementation Tips

1. **Choose the Right Tools:**
    - Select digital tools and software that best suit your business needs and integrate well with existing systems.
2. **Train Your Team:**
    - Ensure your staff is trained on new processes and tools to maximise efficiency and compliance.
3. **Regular Review:**
    - Periodically review your record-keeping practices to ensure they remain effective and compliant with any updates to ATO guidelines.

The new options for keeping FBT records are intended to make life easier for small businesses

Adoption of these methods could enhance efficiency, accuracy, and compliance, allowing you to focus more on growing your business.

Want more tailored advice regarding FBT? Speak with one of our trusted advisers to learn more about this subject.