

Changes to Payment Summaries

You may not receive a payment summary from your employer this year.

Most employers report the income of employees – tax and superannuation directly to the ATO. You can find all your information in one place.

When we prepare your tax return, as a registered Tax Agent, you don't need to do anything. We have a direct link with the ATO to receive the information and lodge your Tax Return.

Work Related Expenses

Do you know the tax deductions and offsets for which you might be eligible this financial year?

Claiming all work-related deduction entitlements may save considerable income tax. Typical work-related expenses include employment-related mobile phone, internet usage, computer repairs, union fees and professional subscriptions that the employee paid themselves and for which they were not reimbursed.

The following tips may help you to legitimately reduce your tax liability in your tax return. With so much information being pre-filled into your tax return this year, it's best to wait until all the data is finalised before lodging.

For example, check that your income statement from your employer says 'tax ready' and your private health insurance statement is available before visiting your tax agent. Otherwise, you're potentially lodging your return with unfinalised data and due to this you may need to amend your tax return and pay additional tax.

When completing your tax return, you can claim deductions for some expenses as long as they are directly related to earning your income. Just remember that for an expense to qualify:



- you must have spent the money yourself
- it must be directly related to earning your income
- it must not have been reimbursed
- you must have the relevant records to prove it.

At Tax time, think about:

- If an expense relates to work and personal use, you will need to apportion the use on a reasonable basis and only claim the work-related portion.

And

- If the total expense of a tool or item of work equipment that cost more than \$300, this is not claimed as a deduction in a single year, but depreciated over its effective life.

Using the example of Sunglasses and Protective Clothing, here is what the ATO look for:

Sunglasses are a tax deductible expense provided you have to work outside and didn't buy them simply as a fashion accessory.

You must keep the receipt and you can also potentially claim for sunscreen if you are exposed to the sun when you work. If you are required to purchase boots or a hard hat for work purposes, the ATO considers them 'Protective Clothing' and essential for you to earn an income and accepts them as a full deduction.



You can claim the work-related expenses in the financial year they are incurred.

Deductions you can claim

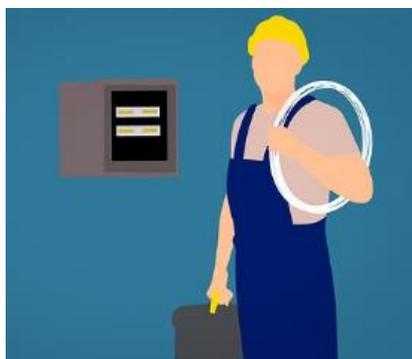
Vehicle and Travel Expenses

You can claim vehicle and other travel expenses you incur in the course of performing your work duties. Usually you cannot claim for trips between home and work (this is considered private travel).

There are two choices of how you can claim. If the annual travel claim does not exceed 5000 kilometres, you can claim a deduction for your vehicle expenses on the cents-per-kilometre basis. This figure includes all your vehicle running expenses, including depreciation. The allowable rate for such claims changes annually; this year's rate can be obtained from us.

You do not need written evidence to show how many kilometres you have travelled, but the ATO may ask you to show how you worked out your business kilometres. The ATO has flagged concerns that taxpayers are automatically claiming the 5000-kilometre limit regardless of the actual amount travelled.

If your business travel exceeds 5000 kilometres, you must use the log book method to claim a deduction for your total car-running expenses. We can help to clarify what constitutes work-related travel and which of the above methods can be applied to maximise your tax position.



Clothing, Laundry and Dry-Cleaning Expenses

You can claim a deduction for the cost of purchasing and cleaning occupation specific clothing, protective clothing and unique, distinctive uniforms.

To claim a deduction you may need to have written evidence that you purchased the clothing and your cleaning costs.

If your claim is greater than \$150 and your total work-related claims exceed \$300, you will need to keep records of at least one representative month.

Occasionally an employer will allow an allowance for clothing, uniforms, laundry or dry-cleaning. This will be recorded on your Tax Return as assessable income.

Remember you can only claim what you have actually spent.

Home Office Expenses

If you regularly work from home and you are an employee, you may be able to claim for expenses relating to that work. These are generally home office expenses incurred while working at home. For example; telephone and internet expenses, heating, cooling, lighting and office equipment depreciation.

To claim the deduction, you must have kept a diary of the hours you worked at home for at least four weeks.

For further information:

<https://www.ato.gov.au/uploadedFiles/Content/IND/Downloads/Working-from-home.pdf>

Self-education Expenses

If you have expenses while participating in self-education, you may be able to claim a deduction. The self-education must be related to your current work activities as an employee or if you receive a taxable bonded scholarship.



Tools, equipment and other Assets

Tools, equipment or other assets you have purchased and are used to help you earn your income, can be claimed for some or all of the cost.

If you use the tools for both work and private purposes, the amounts must be apportioned to the usage. For example; a computer used for work and personal purposes in equal amounts of time would be claimed as a deduction for 50% of the cost.

The type of deduction you claim depends on the cost of the asset:

- Items can be claimed immediately if they are less than \$300 individually or as part of a set.
- Items costing more than \$300, individually or as part of a set, you can claim as they decline in value.



Tools, equipment or assets can be:

- Calculators, computers and software
- Desks, chairs and lamps
- Filing cabinets and bookshelves
- Hand tools – spanners, hammers, screwdrivers, power tools, grinders, sanders and hammer drills
- Protective items, such as hard hats, safety glasses, sunglasses, sunscreen and cosmetics containing sun protection
- Professional libraries
- Safety equipment
- Technical instruments.

You can also claim the cost of repairing and insuring your tools and equipment and any interest on money you borrowed to buy these items.

If you use items for both personal and work-related purposes you need to keep records, such as a diary to show the purpose of use for the item. Then, if requested, you can show how you apportioned the amount of personal and works-related use.

For more information you can visit the ATO guides:

<https://www.ato.gov.au/Individuals/Income-and-deductions/In-detail/Occupation-and-industry-specific-guides/>

Gifts and Donations

Some organisations are entitled to receive tax deductible gifts. The person who makes the gift is who can claim the deduction.

There are four conditions to meet to successfully claim the deduction:

- The gift must be made to a 'deductible gift recipient'
<https://abr.business.gov.au/Tools/DgrListing>
- The gift must truly be a gift – a voluntary transfer of money or property where you do not receive or expect to receive any material benefit or advantage in return
- The gift must be money or property, which includes financial assets such as shares
- The gift must comply with any relevant gift conditions. For organisations have specific income tax law added affecting types of deductible gifts the can receive

The ATO will pre-fill your tax return with the gifts and donations information they have received. Make sure to add in any donations not included where the receipt shows your donation is tax deductible.

If you made donations to an approved organisation through workplace-giving, you still need to record the total amount of your donations at this item.

Your payment summary, or other written statement from your employer showing the donated amount, is sufficient evidence to support your claim. You do not need to have a receipt.



Records you need to keep

During the financial year you will receive documents that are important for completing your tax, such as payment summaries and receipts, invoices and contracts.

Records are usually a receipt from the supplier of the goods or services and must show:

- Name of the supplier
- Amount of the expense
- Nature of the goods or services
- Date the expense was paid

These records will need to be kept for five years from when you lodge your tax return. These records include:

- Payment summaries, including your employer and any other payments earned
- Dividend statements
- Receipts or invoices for equipment or asset purchase and sales and claims for repairs
- Contracts
- Tenant and rental records

If your total claim for work-related expenses is more than \$300, you must have written evidence to prove your claims.

If you acquire a capital asset – such as an investment property, shares or managed fund investment – keep records immediately as you may have to pay capital gains tax if you sell the asset in the future. Keeping records from the beginning will ensure you do not pay more tax than necessary.

If you are claiming the cost of a depreciating asset you have used for work such as a laptop, you must keep purchase receipts and a depreciation schedule. Alternatively, keep details of how you calculated your claim for decline in value, for five years following your final claim.

The ATO may ask that you show your records during the five years, it is important that you have sufficient evidence to support your claims.