

# Tax Matters

November 2021

Destination Single Touch Payroll Phase 2. All Aboard

Income or Gift? Undeclared Foreign Income

The Second Payment Times Reporting

The Right Way to Lodge an Objection to ATO

2021-22 Tax Deductions for Small Businesses

Demystifying Tax on Cryptocurrency

Dual Benefits in Paying it Forward this Season

## Destination Single Touch Payroll Phase 2. All Aboard for January 1

Is your business appropriately prepared to report the new payroll detail required by the ATO? The mandatory start date for businesses to be using the Phase 2 upgrade of STP software is fast approaching, and the ATO is urging businesses to ensure that they are meeting their obligations beforehand.

Phase 2 of Single Touch Payroll will commence from 1 January 2022. The additional information required will need to be reported to the ATO each payday. It will subsequently be shared with Services Australia in an effort to reduce employers' reporting obligations to multiple government agencies.

The information you will need to report from January 1 2022:

- » amounts paid to staff – instead of reporting a single gross amount, you'll separately show items such as overtime, paid leave, and bonuses and commissions
- » income types – you'll include information such as whether a payment is regular salary and wages or income for working holiday makers
- » employment conditions – you'll provide some additional information such as whether your employee is fulltime, part-time or casual and if they leave, the reason they stop working with you.

If the payroll solution that you use is ready by 1 January 2022, your business should start Phase 2 reporting. One important concession from the ATO is that your business will be considered to be reporting on time if Phase 2 is started before 1 March 2022. Remember, a registered tax agent like us can assist you with meeting your STP obligations.

**S**tapled super fund rules for new employees apply from November 1. If your new employee doesn't nominate a fund, as an employer, you must apply to ATO for their stapled fund details and contribute to that fund moving forward.

## Income or Gift? Undeclared Foreign Income Under the Spotlight

Businesses and individuals may receive income from a variety of sources, be they local, national or even international. Even with international borders remaining closed, many people may find that their income is coming from overseas (such as through sales, rental income or other sources).

However, all income needs to be assessed to determine if you will need to pay tax on it or not.

The Australian Taxation Office (ATO) is concerned about taxpayers failing to disclose assessable income (funds received from overseas) that are reported instead as gifts or loans.

This unreported or incorrectly reported accessible income may include:

- » overseas employment or business income
- » interest from foreign financial institutions or loans
- » dividends from foreign companies
- » a capital gain on the disposal of a foreign asset (such as shares in a foreign company)
- » deemed amounts of foreign income in relation to interests in foreign companies or trusts.

Sometimes taxpayers and their advisors may try to get creative with how they avoid this assessable income being reported correctly. This may involve labelling or reporting it as a gift or a loan, which may result in different taxable consequences.

Accepting a gift or loan from overseas isn't wrong to do, especially if you report it correctly. Mislabelling foreign income and capital gains as such, however, is a major red flag for the ATO.

This can result in significant penalties though (of up to 90% of the amount plus shortfall interest), as well as a risk of criminal prosecution and penalties under criminal law for both the taxpayer and their advisor.

If you have concerns about compliance when it comes to foreign income and misclassifying it as a gift, you need to speak with a registered tax agent as soon as possible. You may also wish to conduct an independent review with their assistance to determine what may be a risk to your assessment as well as how you can mitigate and proceed with tax planning to accommodate them. Please speak with us if you are expecting to receive foreign income during this financial year.



## The second reporting period for Payment Times Reporting is approaching.

Large government enterprises, an entity or a controlling corporation with an income \$100m+ or a member of that controlling group with income greater than \$10m, is required to report on the payment terms and practices of their suppliers who are a small business.

The Payment Times Reporting Scheme provides transparency to the public on the performance of large entities with paying their small business suppliers. The portal to report and the register to view the reports can be found at the Payment Times Reporting Scheme website [paymenttimes.gov.au](http://paymenttimes.gov.au). There are significant penalties for failure to report. Please contact us for assistance as needed.

## The Right Way to Lodge an Objection to an ATO Decision

Taxpayers need to understand when lodging an objection is the most suitable pathway to disputing the Australian Taxation Office's decision. If the ATO determines that you may have done the wrong thing when it comes to your tax (whether it is on purpose or not), they could issue you with a financial punishment or penalty. If you have the grounds to do so, you may be able to appeal or object to the decision.

As a taxpayer, you may be able to make objections with regard to decisions made by the ATO about:

- » Australian Business Numbers (ABN)
- » GST
- » Single Touch Payroll
- » Income Tax

These are only some of the tax assessments that the ATO can make a decision on that taxpayers can object to. These objections must be made within the time limit (which can vary from 60 days to up to four years).

If you wish to make an objection to a decision made by the ATO, you can engage with a registered tax agent (such as us) to work out the best means to do so, and the grounds of the objection.

## 2021-22 Tax Deductions for Small Businesses

Small businesses may be looking at ways to subsidise or reduce the amount of tax that they will have to pay in the 2021-22 financial year.

If you are a small business, you may be able to claim back on:

- » The immediate deduction of assets costing less than \$150,000
- » A reduced corporate tax rate of 26% for companies or a 13% discount up to \$1,000 for unincorporated businesses
- » Simplified trading stock rules, including choosing not to do a stocktake if you estimate that your trading stock's value has not changed by more than \$5,000 over the year
- » Any immediate deductions for certain prepaid business expenses costing less than \$1,000
- » Any immediate deductions for certain business start-up costs
- » The exemption or reduction on capital gains tax from sale of business, based on ownership period and age.

## Demystifying Tax on Cryptocurrency

The popularity of the digital currency known as crypto often leads to many questions when it comes to tax time. However, it's encouraged that you speak with your accountant about your obligations as soon as possible, so that you can be prepared for what you are expected to do.

Cryptocurrency isn't a foreign currency, despite the name. That's a myth that the ATO has spent considerable time dispelling, as taxpayers fail to understand the taxable consequences.

The ATO classifies cryptocurrencies as property, specifically as a capital gains asset.

This means that it is taxed under Capital Gains Tax provisions, where a taxpayer makes a capital gain from the disposal of cryptocurrency if the proceeds/profit exceeds what the cryptocurrency originally cost the taxpayer. It must be reported in their assessable income.

If the taxpayer does not make a profit, and instead receives a loss for the sale they will need to report that instead in their assessable income.

There is a commonly held belief that the gains from cryptocurrency if the costs for acquiring the asset was less than \$10,000 are tax free. This is not the case. In very limited circumstances, a cryptocurrency gain that is less than \$10,000 may be classified as a personal-use asset rather than as a capital gains asset. This exemption is usually determined by the Australian Taxation Office's private rulings according to strict criteria.

Any income that is derived from the sale or purchase of Bitcoin as an exchange service must be included in the assessable income reported in the tax return lodged at the end of the financial year.

The best way to be certain that all of the potential assessable income resulting from cryptocurrency is recorded in next year's tax return is to maintain immaculate records. You will need to ensure that a record is kept of:

- » The date of each transaction
- » The amount in Australian dollars at the time of the transaction (which can





be taken from a reputable online exchange)

- » Details of the transaction,
- » Any associated expenses, like fees and commissions, and
- » Details of the other party (the bitcoin public address is enough).

If you have been involved in the acquisition or selling of bitcoin, and want to be sure that you're prepared for next year's tax return, start a conversation with us about your obligations and potential tax liabilities sooner rather than later. If the circumstances around your tax liability change, it will put us in a better position to assist you.

**T**racing Crypto Assets is challenging but possible. The tools are the same as those used to catch highly sophisticated international billion-dollar crime organisations.

After making the deduction, be sure to:

- » Keep records of every donation. These will be required by your accountant when it's time to lodge your return - and you don't want to miss out on claiming a deduction with them.
- » You can also keep note of all of the charities that you donate to (especially if you make recurring donations) as you may be able to request a record of your donations from them. This may take time, so you'll want to get this process underway before tax time.
- » Save your receipts - the ATO needs eligible proof of your donations to claim them back as deductions. Charities should always provide receipts after a donation has been made, so be sure to save them somewhere you won't lose them.

**We're ready to help.** Contact us to discuss further on +61 3 9820 6400.

## Key Contacts

## Dual Benefits in Paying it Forward this Season

It's coming close to the season of giving, and Australians might be looking to pay it forward to those in need. Making a charitable donation is a great way to round out the end of the year, and boost the deductions that you'll be able to make in next year's return.

It's also for a good cause. In order for a donation to be tax-deductible, the ATO must recognise the charity as a Deductible Gift Recipient (DGR), and it must be a genuine gift. You will not be able to benefit from the donation if you receive a benefit from it (e.g. a raffle with a prize will not count, even if the proceeds go to a charity).

Before you start your gift of charitable giving this holiday season, you should check:

- » If the charity is a deductible gift recipient organisation
- » You might want to donate money to a church - however, this will only be deductible if the church is a registered DGR. Otherwise, it's nondeductible.
- » If the donation made to the charity will be tax-deductible
- » The charity's website should inform you whether or not the amount is partly or fully deductible, but if you are still not sure that it can be claimed as such, contact the charity directly.
- » That you will not receive anything in return for the donation. Benefitting from a donation (ie. raffles, dinner attendance, event entry, chocolates etc.

This is issued as a helpful guide to clients and for their private information. Items herein are general comments only and do not constitute or convey advice per se. We recommend that our formal advice be sought before acting in any of these areas. ©2021 Hall Chadwick Melbourne Pty Ltd A.B.N. 88 081 186 450. All rights reserved. Liability limited by a scheme approved under Professional Standards Legislation.



**John Christopoulos**

Director

[jchris@hallchadwickmelb.com.au](mailto:jchris@hallchadwickmelb.com.au)



**Robert Lissauer**

Director

[rlissauer@hallchadwickmelb.com.au](mailto:rlissauer@hallchadwickmelb.com.au)

Our office will close for the season from **4pm Wednesday 22 December** and will reopen **8.45am 10 January 2022**.

Hall Chadwick Melbourne | Chartered Accountants & Business Advisors

+61 3 9820 6400 | [hcm@hallchadwickmelb.com.au](mailto:hcm@hallchadwickmelb.com.au)

Level 14 440 Collins Street, Melbourne VIC 3000 Australia



**PrimeGlobal**

An Association of Independent Accounting Firms