

Expenses ATO will target in Australians 2021 tax returns

We can reveal what the ATO will be looking out for on your tax return this year and there's a warning for those who lodge early.

Scrutiny of individual's tax returns this financial year will include work-related expenses, rental deductions and capital gains from cryptocurrency, property and shares, the Australian Taxation Office has revealed.

But it has advised Aussies not to rush to file their tax return in early July, even if they're expecting some bonus cash to boost their bank balance.

"We often see lots of mistakes in early July as people rush to get their tax returns done and forget to include income from banks, dividends from shares, sharing economy platforms and cryptocurrency exchange," an ATO spokesperson told news.com.au.

"This information will be automatically included in your tax return by the end of July. To avoid mistakes and refund delays, it's best to wait for this information to be automatically included. If you want to lodge earlier, you must take care to manually add all your income."

With a lot of people working from home this financial year due to the pandemic, the ATO has advised a temporary shortcut method for claiming working from home expenses will be available.

"This allows people with working from home expenses to claim an all-inclusive rate of 80 cents per hour for every hour people work from home, rather than needing to separately calculate costs for specific expenses and apportioning the work and private component," the spokesperson advised.

However, people must have a record of the number of hours they worked from home like using a timesheet.

There are three golden rules when claiming work related expenses, added the spokesperson. You must have spent the money and not been reimbursed, the expenses must directly relate to earning your income and must not be private in nature and you must have a record to prove it, like a receipt.

Data matching motor vehicle registrations

Accountant Ben Johnston said the ATO has done an enormous data matching campaign working with state motor vehicle registries to gather data on company owned vehicles as well as individual's vehicles. He said 3.5 million vehicles could be affected.

"So for individuals that is targeting the black economy, where people may not be declaring all income or may be getting income from less scrupulous circumstances like illegal activity, and buying \$200,000 to \$300,000 cars," the managing director of Johnston Advisory said.

"The ATO have data to show what vehicles are registered and what someone's income is and they can question how they can service that vehicle and where the income came from."

“From a company point of view, it’s about catching people where they might have a family car owner in company name, which attracts fringe benefit tax, but company owners or directors aren’t declaring private use for fringe benefits.”

Mr Johnston said the data matching could result in an audit from the ATO based on a discrepancy or even a default notice of assessment.

“Fringe benefits tax has been around for a long time over — over 30 years — but it’s something the ATO hasn’t had a huge focus on in terms of auditing and that’s shifting now,” he added. “A relatively common example is if someone has a building company and the director buys his wife a car worth \$60,000 and they haven’t kept the appropriate log books or private use is disproportionate to business use, they can be up to \$15,000 deep in fringe benefit tax per year per vehicle. It’s something that can be really quite significant the impact for small businesses in particular.”

He recommends people keep a log book to prove the percentage the car is used for business.

A spokesperson for the ATO said some variation of the motor vehicle data matching program has been running for the past 16 years. It targets new registrations and transfers of ownership if the purchase price or market value is greater than \$10,000.

“Motor vehicle registries data allows the ATO to conduct compliance checks of luxury car tax, fringe benefits tax and fuel schemes,” the spokesperson said. “The data does not directly initiate compliance activity but is used together with other information, such as where taxpayers have outstanding lodgements and those with undeclared income whose asset holdings may not be proportionate to their declared financial position.

“People who are correctly meeting their obligations are unlikely to be contacted by the ATO as a result of this program. People contacted by the ATO will be given the opportunity to clarify information collected by the ATO, before any compliance action is undertaken.”

Revenue target down

The ATO’s revenue target is down \$1.3 billion since the pandemic and debt has gone from \$45 billion to \$53 billion since the pandemic started, Mr Johnston said.

“So they need to claw this back by reinvigorating their debt collection and audit function,” he said.

“I think they are going to be making sure people are declaring all their income. I think they are going to be focusing on fringe benefits tax.

“They are definitely going to be following up people with superannuation guarantee charges and making sure all employee superannuation payments are paid on time and in full.

“I think that what they will do is they will be less lenient on late lodgement of business statement activities and income tax returns.”

Mr Johnston said small business in particular might feel “vulnerable”.

“They might be feeling a little bit of pain moving forward after having 12 months of having a safety net where they weren’t being chased for debt and were getting a PAYG boost of subsidies and JobKeeper subsidies and the government is not going to go as softly, softly as they once were,” he said.

The ATO will be continuing to balance its role in supporting taxpayers through this challenging time with recommencing its work to address key risks to the tax and super system across all markets, a spokesperson said.

“For small business, this includes the introduction of a nudge approach to remind contractors to include all income reported in their Taxable Payments Annual Report in their tax return,” they said. “We are also continuing our focus on the shadow economy, which is estimated to cost the community more than \$6.7 billion in unpaid tax every year.”

The shadow economy includes paying for work cash in hand to avoid obligations, underpayment of wages, not reporting income, sham contracting, money laundering, unregulated gambling and counterfeit goods.

As for mistakes in your tax return, the ATO has warned it will crack down if it's found to be deliberate.

"We want to reassure the community that we will be empathetic to and understanding of legitimate mistakes where good faith efforts have been made," the ATO spokesperson said. "However, we will apply penalties against those deliberately trying to get away with doing the wrong thing."

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