TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

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ATO introduces new work from home deduction method

More employees are working from home than ever before as a result of COVID-19. The ATO has introduced a new 'shortcut method' in response to this, to simplify the process for those who are claiming work from home deductions for the first time.

The shortcut method allows employees to claim all work-related running expenses at a rate of 80 cents for each hour they work from home during COVID-19. Taxpayers are eligible to claim using the shortcut method as long as they are incurring additional deductible running expenses as a result of working from home.

Deductible running expenses you can claim through the shortcut method include:

- Utilities such as heating, cooling and lighting.
- Cleaning costs for your work area.
- Mobile or landline phone expenses for work calls.
- Internet connection.
- Repair costs for home office equipment and furniture.
- Computer consumables and stationery.
- The decline in value of a computer, or similar device.

The new shortcut method applies for expenses incurred from 1 March 2020 to 30 June 2020. To claim the deduction, a record of hours worked such as timesheets or rosters must be kept as proof. Minimal work tasks completed at home such as occasionally checking emails or taking calls are not eligible for the deduction.

Alternatively, individuals can also choose to deduct working from home expenses using two pre-existing methods. The actual cost method is where individuals claim the actual portion of running expenses incurred for work by keeping a diary that details the work portion of your household running expenses. This must include receipts and documents supporting your claim.

The fixed-rate method is another method available to individuals, where a fixed rate of 52 cents per hour worked can be claimed. This applies to electricity and decline in furniture value, but the actual work-related portion of expenses such as mobile and internet costs must be calculated separately.

Keep in mind that individuals can only claim work from home deductions using one of the three methods. The ATO has also made clear that if you are temporarily working from home as a result of COVID-19, expenses such as rent, mortgage and insurance cannot be claimed.

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Do you need to lodge a Taxable Payments Annual Report?

Businesses providing services for contractor payments in the past year need to lodge a Taxable Payments Annual Report (TPAR) by 28 August 2020.

A TPAR is a building and construction industry-specific report for businesses who hire contractors as part of their services. The TPAR is used by the ATO to track all payments made to contractors for providing services, and ensures compliance by holding contractors accountable to their tax requirements.

Contracted services which require a TPAR include:

- Building and construction;
- Cleaning;
- Courier or road-freight;
- IT; and
- Security, investigation or surveillance.

Businesses which claim deductions for contractor expenses in their tax return are also required to lodge a TPAR. Lodging a TPAR is not optional and penalties may apply if businesses do not lodge their TPAR on time.

The ATO has also introduced a new Non Lodgement Advice form for businesses which have not provided any of the above services or paid contractors. The Non Lodgement Advice form allows businesses to lodge multiple years on the same form, advise when they are not required to lodge in the future and give a reason, as well as validate any information entered.

It is important to be mindful of your obligations as a business before engaging or entering into an agreement with a contractor. Although the ATO provides an online lodgement service for business owners, the lodgement method requires specific SBR-enabled business software and file transfer functions. For business owners who are unsure whether or not lodging a TPAR is necessary, or of all the steps required to lodge a TPAR online, working with your tax agent or BAS agent will ensure your lodgements are made to the ATO correctly and on time.

Varying PAYG instalments

Businesses experiencing financial difficulty due to COVID-19 may be over-paying their PAYG instalments if their current rate no longer reflects their estimated tax for the year. This can cause further cash flow problems for businesses already in distress.

In response to this, the ATO is providing increased flexibility towards varying PAYG instalments for businesses who have experienced an adverse change in trading conditions. As part these measures, taxpayers with PAYG instalments are entitled to:

- Vary PAYG instalment amounts (including varying to zero if it is predicted that you will have significantly less income than expected, or it is expected that deductions against your business or investment income will be higher than the income itself for a year) for the March 2020 quarter.
- Claim a refund for instalments made for the September 2019 and December 2019 quarters. This can be done by claiming a 5B credit on your activity statement. If you do not claim back a credit for these instalments, overpaid PAYG instalments will be credited back to you after your tax return has been processed.

Businesses wishing to vary instalments will need to:

- Lodge a revised activity statement (before the due date and before the yearly tax return is lodged) that varies their PAYG instalment for the March 2020 quarter to up to nil.
- Provide the reason for variation (change in trading conditions) on their BAS.

Regular interest and penalties will not apply to PAYG instalments that have been varied as a result of COVID-19. However, the initiative is intended to support cash flow, and will not affect your net liability for the 2020 income year.

Miscalculations made regarding PAYG instalments can be rectified by lodging a revised activity statement, or varying a subsequent instalment.

What to know about lodgement date deferrals

The ATO has announced a series of lodgement deferral dates due to COVID-19, available to businesses for tax returns, fringe benefits tax returns, monthly and quarterly BAS, annual GST returns, PAYG summary annual reports and taxable payment annual reports.

The extended lodgement dates for particular lodgements are listed below:

- Company income tax 2018-2019 returns: 5 June 2020
- Fringe benefits 2019-2020 tax returns: 25 June 2020
- SMSF 2018-2019 annual returns: 30 June 2020

As requests for lodgement deferrals for BAS, annual GST returns, PAYG summary annual reports and taxable payment reports are determined on a case-by-case basis, request approvals will be issued within a 28-day period.

While deferring a lodgement may be beneficial to your business in the short term, it is still important to consider your tax liability and the long term effects of lodgement deferrals on your cash flow. Always discuss your options with a financial advisor or accountant before deferring as you may accrue more debt than expected otherwise.

Depending on your financial circumstances, the ATO is also accepting payment-only deferral applications until 14 September 2020 for income tax, FBT and excise payments.