

Members of the Institute of Public Accountants



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HOURS: 9am to 5pm
Monday to Friday



Welcome...

from everyone at Hern & Associates to the 2021 edition of The Informer.

We hope you and your family are safe and well as we get used to the 'new normal'. We look forward to welcoming you to our office in the New Financial Year, but will also remind you that you are welcome to arrange meetings over the phone, Skype or Zoom. And a reminder that you can email, post or drop in your Working Papers if a meeting with one of our Partners isn't necessary.

Tax News

5 day promise for BASIC Income Tax Returns

Hern & Associates will continue to offer our **5 Day Promise** for Basic Income Tax Returns. If you can't come in to see us, why not send in your work? On receipt of all your tax information in to our office, we can have your Tax Return completed and sent back to you, ready to sign, in 5 working days. You can post or scan & email your information to reception@herns.com.au

Fees for 2021

Our fees for a **Basic Tax Return*** are still **\$242** and can be paid either by cash, cheque, credit card or EFT. If it is estimated that you will be receiving a tax refund, you may opt to have our fee deducted from that refund, if you wish.

**a basic tax return does not include extra schedules required for rental properties or business schedules*



Do you have a myGov Account?

Since 2015 anyone with a myGov Account that has chosen to link the Australian Taxation Office to their account will no longer receive their documentation in a paper form from Hern & Associates.

The types of communication you will receive via your MyGov Inbox include:

- Notice of Assessments
- Statements of Account
- Confirmation and Reminder Notices
- Activity Statements or Instalment Notices (BAS & IAS)
- Requests for Information

By opting to link the ATO to your myGov Account you have agreed to receive ATO correspondence in your myGov Inbox, instead of a paper form being sent to your Registered Tax Agent.

If there has been correspondence sent to you from the Australian Taxation Office you will be notified by email or SMS when there is mail in your **myGov Inbox** to be opened.

In the meantime, we ask that you please be diligent in checking your **myGov Inbox** for any correspondence received from the Australian Taxation Office, as Tax Agents **don't** receive a copy of these letters any longer. If you receive correspondence that you need us to assist with, please notify us promptly. The ATO has stated that in the near future your myGov account will feature a tick box that will allow your Tax Agent to receive copies of the correspondence. We ask all clients to please tick that box to allow us to assist you with any ATO queries.



myGov ID for Business Portal

In March 2020 the government shutdown the Auskey system and introduced MyGovID for businesses. MyGovID allows you to access online government services on behalf of your business or entity. To setup visit www.mygovid.gov.au/ If you need any help, please contact us. Please be mindful that MyGovID is a different platform to your personal Mygov account.

Have you changed your name?

Have you recently changed your name? When we are processing your Tax Return we will need one of the following identity documents issued by the Department of Births, Death & Marriages to verify your new name:

- Australian Birth Certificate
- Australian Marriage Certificate
- Australian Change of Name Certificate (Deed Poll)

This is a new identity procedure in place by the Australian Tax Office. If Name Change applies to you, please bring this document to your appointment, to ensure your Tax Return is not delayed.

Are your bank details correct?

Since 2014 the Australian Tax Office has been issuing Refunds via EFT, as they are phasing out the printing of cheques. If the incorrect bank details have been given to us when completing your return, then the payment will bounce back and a cheque will then be issued. This delays the refund process, usually taking over a month for you to receive your refund. When signing your return this year, please check your bank account details carefully so that you can receive your refund quickly and efficiently.

Working from home and claimable expenses

More businesses have continued to allow work from home as an option for their employees. Just a reminder to keep receipts and a log of what has been spent while working from home during the past few months. This can include equipment, furniture, software and subscriptions that have been purchased for the purpose of working at home.

You can also calculate how much electricity has been used for your office space, during your working hours. Don't forget phone and internet usage. (diary recording for every day you work from home). There are 2 options for calculating home office expense deductions. You can use the higher rate of 80 cents/hour but this includes internet and phone use so if you normally use other method, would be better to use 52 cents/hour plus phone and internet and additional furniture (pitfall of including council rates etc is the impact on future capital gains tax).

Please also be aware that the ATO are heavily scrutinising travel expense claims. As there were Covid-19 travel restrictions in the last financial year, the ATO will be looking for additional information/receipts to support travel expense claims.



ATO Requirements for Work Related Car Expenses

As more Australians are making work related car expenses claims the Australian Tax Office (ATO) now require logbooks to be kept. They must be maintained for 12 continuous weeks before the end of the income year.

The logbook must contain the following information:

- when the logbook period starts and ends
- the car's odometer readings at the start and end of the logbook period
- the total number of kilometres the car travelled during the logbook period
- the number of kilometres travelled for each journey recorded in the logbook and reason for the journey
- the business use percentage for the logbook period.

If keeping a paper logbook is not convenient then there are many apps that can record work related travel that use your GPS and some have travel recording systems. Some apps approved by the ATO are ATO Logbook App, DriversNote App, ERoad System and LogbookMe



ATO are Data Matching Cryptocurrency

The ATO have increased data-matching of cryptocurrency to identify individuals who may not be meeting their registration, reporting, lodgment or payment obligations.

The cryptocurrency data-matching program will allow them to identify and address multiple taxation risks:

- Capital gains tax (CGT) – If you acquire cryptocurrency as an investment, you may have to pay tax on any capital gain you make on disposal of the cryptocurrency. Disposal occurs when
 - selling cryptocurrency for fiat currency
 - exchanging one cryptocurrency for another
 - gifting cryptocurrency
 - trading cryptocurrency
 - using cryptocurrency to pay for goods or services
- Omitted or incorrect reporting of income – In some situations cryptocurrency transactions can also give rise to ordinary income. Taxpayers who trade cryptocurrency or businesses that accept cryptocurrency as payment have obligations to report the income generated in their tax returns.

Please keep records of your cryptocurrency and trades to assist with completing your tax return.

Office News

Peterborough Visit

Brian will be making his annual visit to Peterborough on Friday 27th August. Please contact us on 8344 6011 or reception@herns.com.au to book an appointment time.

Have You Met Our New Employee?

We have a quiet employee that may greet you at our office on Wednesdays and Fridays (if she feels like it). Meet Jorji our office greyhound. Jorji is a placid, ex racing greyhound adopted from the GAP program. She enjoys roaching and walks.



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Debt to the ATO? Making Contact Before Due Dates is Better than Defaulting

If you have a tax debt and don't have all the funds to pay it, the ATO can offer a payment arrangement. The maximum payment arrangement period is 24 months and you can pay weekly, fortnightly or monthly. To enter into a payment arrangement you must agree to pay on time for every payment.

If you default on a payment the arrangement will be cancelled and you may be ordered to pay the debt immediately or, at worst case, your wages maybe garnished.

If you know that you are likely to default on an upcoming payment it is better to contact us or the ATO prior to the due date. The ATO will be more lenient and may possibly change the conditions of the payment arrangement. Communication with the ATO is a lot better than silence and they will be more inclined to help.

What is PAYG and why do I have to pay it?

If your income from business or investment reaches a certain level, then the ATO require your Income Tax to be paid in instalments. This is called the Pay As You Go (PAYG) instalment system. You are entered in to this system by the ATO if you have had a large tax bill at your yearly assessment. It is designed so you don't have to pay your tax in one lump sum, but monthly or quarterly spread over the financial year. When you lodge your next tax return you may receive a refund or a bill for the shortfall. The ATO will send you a letter letting you know that you are now in the PAYG system and the amount of tax you will be required to pay each quarter. Each quarter you will receive a PAYG instalment notice, also known as Income Activity Statement (IAS). This will come as a letter or via your myGov account.

Companies – Changes to the way we send Annual Company Statements

Since March 2019 we have changed the way we send the Annual Company Statements to all our registered companies. We are now using a software called NowInfinity. It allows clients to sign Minutes and all ASIC forms electronically. It also allows us to send email reminders about payment of the Annual Fees so you avoid the penalties that are quickly issued by ASIC once you have passed the due date. Please make sure your email address is always up to date so you do not miss these notices. Also please read the attachments carefully so you do not miss payment information.

Have you got Income Protection?

Also known as 'salary continuance insurance', income protection provides a portion of your income if you are unable to work due to injury or sickness for a certain period of time. The portion of income paid could be up to 75% of your salary depending on the policy.

Income protection changes effective 1 October 2021

Australian Prudential Regulation Authority (APRA) is the regulator of Life companies in Australia. APRA has determined that the Income Protection policies currently available via financial advisers are too generous in their terms and conditions, with claims paid far exceeding the insurance premiums received over the past decade.

For this reason, the way that policies are offered to clients will change in the future. APRA will force insurers to stop offering these types of policies to new clients after 30 September 2021. However, Income Protection policies in place before this date will be able to retain their coverage without any changes to the policy wording, until the policies expire (typically when you turn 65), assuming you retain the policy.

In contrast, new Income Protection policies issued after 1 October 2021 will have a different range of benefits and terms and conditions. Early indications from APRA are that these new income protection policies will expire every five years. If enacted, these five yearly policy expiries could mean that some policies holders will be unable to renew, or press pause on this important cover. This could be due to:

- Someone whose income has stopped (e.g. to raise children or care for aging family members).
- Someone with variable income (e.g. self-employed in industries experiencing an economic downturn).
- Changing career or work status (e.g. a previously employed tradesperson becoming a self-employed contractor).

These changes may mean that you have lesser flexibility if your work status changes for one of the above reasons.

Act now

There is a window of opportunity right now to get a superior income protection policy that won't exist for new clients after 1 October 2021. If you are currently working and don't have Income Protection cover, we can help you to review your current situation to determine how much cover you need and discuss

with you the reasons why Income Protection might be right for you. For peace of mind it is worth having a chat to see if income protection insurance is something that could be of benefit to you.

Please don't delay your decision to reach out longer than you need to. As Income Protection policies can take several weeks or even months to approve, waiting until the next financial year may be too late.

If you are interested in learning more about Income Protection, we highly recommend speaking to our Insurance specialist, Simon. Simon is a Licensed Insurance Adviser with Palladia Wealth Advisory. Contact Simon on 08 8490 9772 to schedule a meeting.

Federal budget 2021

Low to Middle Income Tax Offset extended for Another Year

The Low to Middle Income Offset will remain for another financial year. The table below shows how the offset will be applied to each income bracket:

Wage	Offset
\$37,000 or less	\$225
Between \$37,001 and \$48,000	\$255 plus 7.5 cents for every dollar above \$37,000 up to a max of \$1,080
Between \$48,001 and \$90,000	\$1,080
Between \$90,001 and \$126,000	\$1,080 minus three cents for every dollar of the amount above \$90,000

Please be mindful that this offsets the tax to be paid as part of your taxable income. This reduces the amount of tax you have to pay. If the offset reduces the tax payable to \$0.00 you will not receive a refund for the remaining offset amount.

Small Business

Small businesses, sole traders and start-up businesses with a turnover less than \$10 million will get an immediate tax deduction for individual assets they purchase which cost less than \$30,000. This tax deduction can apply to as many items as you like. This arrangement has now been extended again for another year and will continue until 30 June 2023.

Superannuation Guarantee To Increase 1st July 2021

Employers need to be aware that the superannuation guarantee is increasing from 9.5% to 10% on 1st July 2021. The legislation has stated that the superannuation guarantee will increase by 0.5% increments until 2025 when the superannuation guarantee will be 12%.

Employers must also be aware that in 2022, employees earning under \$450 per month will be eligible to receive the Superannuation Guarantee.

Superannuation Work Test

As the Age Pension eligibility age increases the superannuation work test will also increase. From 1 July 2022, individuals aged 67 to 74 years will no longer be required to meet the work test when making non-concessional or salary sacrificed superannuation contributions. However, if the individual aged 67 to 74 years wants to make a personal contribution they will still have to meet the work test.