

# James W Mann

## & Associates

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# Accountants

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Dear Valued Client

The time has arrived for the lodgement of **2022 Tax Returns**.

**We are fully staffed and working full time.** However due to the Covid-19 pandemic restrictions we are very limited on numbers we can conduct face to face interviews with during the peak season, but we will instead be able to have a one-on-one interview with you via, phone, skype, or simply email to [office@jwmann.com.au](mailto:office@jwmann.com.au), upload to your client portal or drop off your documents at our office.

• **Additional Resources:**

- **James W Mann Finance. Let us quote you on a better mortgage rate. No cost if we cannot save you money.**
- **GST clients** It is essential that the Software is **set up correctly. We can assist you in setting this up** for you to save time in the future. We can help with the choice of software depending on your activity and volume of transactions. Call our office to ensure you do not miss out on your GST claims.
- **Our web page, [www.jwmann.com.au](http://www.jwmann.com.au). Please refer to this new resource for updated information, and current newsletters.**
- **Again we will have full access to PAYG Summary (Group certificates) and other ATO data, so therefore you do not need to deal with the MyGov Account. Due to the time employers have to finalize their year-end pays, data may not be available till the end of July.** Doing your return in July runs a high risk it will be incomplete, resulting in an amendment or an audit.
- **ATO Priorities this tax time**
  - **Rental** property data is also now increasingly data fed direct to the ATO from Property Managers and Rental Bond data.
  - **Crypto currency** is under close ATO scrutiny. This year the ATO is getting direct data feeds on transactions from a large number of exchanges, so ensure records of transactions are available.
  - **Record Keeping.**
  - **Working from Home continues for many.** As a result of the Pandemic most people have been required to work from home for various periods during the year. **We will have 2 methods to calculate** your working from home deductions. The key for each method is for you to have some record of the **hours** you have worked at home. If we use the ATO 80 cents rate, we **cannot** claim anything else. If you have bought a lot of equipment, stationary etc, then we may want to claim the lower hourly rate for power consumption, and claim additional costs according to what you have receipted. As a consequence the ATO is expecting a **reduction in claims for work travel and laundry!**
- **Super changes from 1 July 2022** As the new financial year approaches, employers need to be aware of two important super changes. From 1 July 2022, employees can be eligible for super guarantee ('SG'), regardless of how much they earn, because the \$450 per month eligibility threshold for when SG is paid has been removed. Employers only need to pay super for workers under 18, when they work more than 30 hours in a week. Furthermore, the SG rate will increase from 10% to 10.5% on 1 July 2022. Employers will need to use the new rate to calculate super on payments made to employees on or after 1 July, even if some or all of the pay period is for work done before 1 July. Employers should update their payroll and accounting systems to ensure they continue to pay the right amount of super for their employees.

For 2022 the **Super Contribution caps**. Concessional Cap is \$27,500.00 and the Non Concessional Cap is \$110,000.00. The ATO will also be scrutinizing personal super contributions to ensure all conditions have been met. ie. Notice of Intent requirements.

- Any businesses that make payments to employees **without withholding, or contractors with no ABN quoted, will not get a Tax Deduction for the payment.**
- The Instant **Asset write-off** for SBE's for 2022 has been extended to June 2023. It is a most attractive incentive to acquire new assets and accelerate a write-off for them. Due to this we will need supporting documentation of assets purchased to be able to evaluate the correct measure you are entitled to.

### **Individual Returns:**

- **Private Health Cover:** While we will have access to your Private Health details from the ATO we will need to confirm the Number of days in the year you held Private Hospital Cover.
- **Spouse Income:** Spouse income is needed for reporting purposes to enable your return to be completed.
- **New ATO Audit Methods.** Where a person is selected for Audit the ATO is now **contacting your employer directly** to confirm whether work related claims made are part of your job description and are necessary. I.e. Work travel, using home office etc.
- **Rental properties:** The ATO is continuing its scrutiny of Rental Properties, flagging an extensive audit program. Therefore, extra care in making claims is necessary, particularly when there has been some private use of the property. Details of all types of

Rental expenses claimed are now submitted to the ATO with the return, making the need for substantiated claims even greater. **The ATO will give extra attention to Depreciation claims and Loan Refinancing!** Additional scrutiny for **holiday homes**, and repairs to **newly** acquired property.

### **Business Returns:**

- **Superannuation compulsory contributions** from **1.7.22 goes to 10.50%**. Ensure your payroll software has been updated. This must still be **paid quarterly**, and within 28 days, or it will result in penalties and a denial of tax deduction.
- **For the current 2022 year** the Company tax rate is **25%**. This will flow to the value of Franking Credits paid.
- **Loss Carry Back** measures will be available in this 2022 year going back 3 years.
- **Single Touch Payroll Phase 2**. This is now in full operation requiring all employers to report to the ATO in an acceptable electronic format. If you are experiencing any difficulty with this please give one of our consultants a call.
- **ATO** Has a new interpretation of **Div100A** looking to see if **Trust Distributions** have been actually paid to the beneficiaries.
- **Increased powers** to the ATO enable them to **report outstanding debt**, greater than \$10,000.00, for more than 90 days where no payment plan is in place, to **credit reporting agencies**. This could severely impact upon the day to day operations of the business.
- **ATO Audit Focus:** The ATO has flagged their audit activity to focus on businesses **outside their industry Benchmark ratios, PSI; Uber Drivers and Airbnb operators, Record Keeping** and will also focus on your liability to pay Super, PAYG and WorkCover.
- **They** will also be commencing an attack on **Div 7A** loans next year, so it is vital to clean up shareholder loan accounts.
- **Work related claims:** This year the ATO are requiring all descriptions of every work related claim be transmitted to the ATO allowing tight scrutiny. This will include attacking the claim for **work laundry and all Motor Vehicle Travel**. The ATO are hoping people will be put off from making a claim, however do not be discouraged from making a valid claim. To ensure that you keep the claim in an audit, you will need to satisfy the substantiation requirements of the ATO and sign a declaration of your responsibility to the content of your return. **Work related claims must be substantiated** with receipts if their balance is over \$300.00. It would help our process if you compiled your receipts and other records of your deductible expenses before making your appointment. This may include Motor Vehicle log books, travel and usage diaries. Much more detail is required this year in the tax return, showing the types of claims made. We continually undergo training to keep abreast of these changes and strive to ensure that you receive the **maximum claims** you are entitled to.

**Documents** you need to email in or bring to the consultation may include, pension or benefit statements, documents related to all bank accounts or other financial investments such as Term Deposits or share dividends, details of family income, employee share details.

**Personal Services Income**, commonly called the New Contractor Law, will be a big issue this year and will significantly add to the complexity of affected returns. The rules are complex and need to be treated on an individual basis.

**Return Charges:** The fee for preparation and lodgement of your Basic Individual Return is \$160.00 GST inclusive. Additional charges apply for extra schedules and complex issues. These may include:

- |                              |                                      |                                       |
|------------------------------|--------------------------------------|---------------------------------------|
| ▪ Rental Property            | ▪ Contractor Income                  | ▪ Business Losses and Deferred Losses |
| ▪ Capital Gains Calculations | ▪ Rebates for Pensions and Annuities | ▪ Employee Share Schemes              |
| ▪ PSI Schedules              | ▪ Low Cost Pools                     | ▪ Depreciation Schedules              |
| ▪ Termination Payments       | ▪ Investments and Trust Income       |                                       |

We also provide a complete range of other services outside of tax preparation, such as: **Business Planning, Advice and Investment Strategies. Leasing and HP Finance** at competitive rates is also now available. We strive to have our system as up to date as possible, so please bring along your most current **email address**.

Appointment times are Monday to Friday between 10am – 4pm with later appointments being available on Tuesday and Wednesday evenings. We are also available for appointments on Saturdays during July through to the end of October.

Yours Faithfully,  
Peter J. Smith – FCPA  
James W Mann & Associates



## 2021/22 Year-end Checklist for Business

Many business clients like to review their tax position before the end of the income year and evaluate any strategies that may be available to legitimately reduce their tax. Traditionally, year-end tax planning for profitable small businesses is based around accelerating deductions and deferring income.

Small Business Entities ('SBEs') – i.e., those with an aggregated turnover of less than \$10 million – often have greater tax planning opportunities compared to other businesses, due to certain concessions generally only applying to them. SBEs usually also have the flexibility to pick concessions that suit their circumstances. However, for 2021/22, many of the SBE concessions are now also available to medium-sized businesses ('MSBs'), i.e., businesses with an aggregated turnover of less than \$50 million.

The following are common strategies that may be considered for **all** business taxpayers.

### Maximising deductions for non-SBE business taxpayers

Deductions can be maximised for non-SBE business taxpayers by **prepaying expenses, accelerating expenditure** and/or **accruing expenses** that have been incurred.

#### Prepayment strategies

Any part of an expense prepayment relating to the period up to 30 June is generally deductible.

In addition, non-SBE taxpayers may generally claim prepayments in full for expenditure that is:

- ◆ under \$1,000;
- ◆ made under a 'contract of service' (e.g., salary and wages); or
- ◆ required to be incurred under law.

*Note: Medium-sized businesses ('MSBs') may fully deduct prepayments made before 1 July 2022 (refer below).*

#### Accelerating expenditure (including depreciation deductions)

Accelerating expenditure involves bringing forward expenditure on regular, on-going deductible items.

In fact, this is a useful strategy for any business taxpayer (i.e., including SBEs) because businesses can generally claim deductions for expenses they 'incurred' during 2021/22, even if the expenses have not actually been paid by 30 June 2022.

Examples of accelerated expenditure that may be incurred and claimed as a tax deduction in 2021/22 by a business taxpayer include the following:

- Repairs.**
- Maintenance.**
- Consumables/spare parts.**
- Advertising.**
- Fringe benefits.** Any benefits to be provided, such as property benefits, could be purchased and provided prior to 1 July 2022.
- Superannuation contributions** made to a complying fund, to the extent the contributions are actually made (i.e., they cannot be accrued but must be *paid* by 30 June 2022).

In addition to accelerating expenditure on business items such as those listed above, for 2021/22, non-SBE businesses may claim the following accelerated depreciation deductions for **depreciating assets** first used (or installed ready) for business use by **30 June 2022**:

- Non-SBEs with an aggregated turnover of (generally) **less than \$5 billion** can fully expense the cost of eligible assets as well as eligible improvements, **regardless of cost**.

*Note: Non-SBEs may choose to opt out of full expensing on an asset-by-asset basis.*

- If full expensing does **not** apply, or an opt-out choice is made, non-SBEs can generally claim the following depreciation deductions (if applicable) for their business assets:
  - Assets costing less than \$1,000 may be allocated to a Low Value Pool and depreciated at a rate of 18.75% (in 2022) and 37.5% thereafter.
  - In most other cases, the asset's cost is depreciated over its effective life (as determined by the taxpayer or the ATO).

### Accrued expenditure

Business taxpayers (including SBEs) are entitled to a deduction for expenses incurred as at 30 June 2022, even if they have not yet been paid.

Examples of expenses that may be accrued and claimed as a tax deduction in 2021/22 include:

- ◆ **salary or wages and bonuses** accrued for the number of days that employees have worked but have not been paid as at 30 June 2022;
- ◆ accrued **interest** outstanding on a business loan that has not been paid;
- ◆ **commission** payments owing to employees or other external parties;
- ◆ the **fringe benefits tax ('FBT') instalment** for the June 2022 quarter, if it is due but not payable until July 2022; and
- ◆ **directors' fees payable** as at 30 June 2022, where the company is definitively committed to the payment.

### Maximising deductions for SBE taxpayers

Deductions can be maximised for SBE taxpayers by **accelerating expenditure** and/or **prepaying** deductible business expenses (and also by **accruing expenditure** – refer above).

#### Accelerating depreciation expenditure

In addition to accelerating expenditure on various business items (refer above), for 2021/22, SBE taxpayers that use the simplified SBE depreciation rules may claim the following deductions in relation to **depreciating assets**:

- A full deduction for the cost of eligible assets first used or installed ready for business use by 30 June 2022 (as well as eligible improvements), **regardless of cost**.

*Note: SBE taxpayers that use the simplified SBE depreciation rules **cannot** directly opt out of fully expensing depreciating assets. Instead, they will need to firstly opt out of the simplified SBE depreciation rules entirely, and then opt out of full expensing an asset-by-asset basis.*

- The SBE closing pool balance (before current year deductions), if any, will be fully claimed in the 2022 income year.

*Note: SBE taxpayers using the simplified SBE depreciation rules **cannot** opt out of full expensing with regards to their SBE general pool (i.e., even if they opt out of the simplified SBE depreciation rules).*

If appropriate, SBE taxpayers should consider purchasing and using (or installing ready for use) these items by 30 June 2022.

### Prepayment strategies (SBEs and MSBs)

SBEs and medium-sized businesses ('MSBs') that make prepayments before 1 July 2022 can choose to claim a full deduction in the year of payment (i.e., in 2021/22), if they cover a period of no more than 12 months (ending before 1 July 2023).

Otherwise, the prepayment rules are the same as for non-SBE taxpayers.

The kinds of expenses that may be prepaid include:

- Rent** on business premises or equipment.
- Lease payments** on business items such as cars and office equipment.
- Interest** – check with your financier whether it's possible to prepay up to 12 months interest in advance.
- Business trips**.
- Training courses** that run from 1 July 2022.
- Business subscriptions**.

### Information Required

This is some of the information we will need you to bring to help us prepare your income tax return:

- Stock-take details as at 30 June 2022.
- Debtors listing (including a list of bad debts written off) as at 30 June 2022.

*Note: To claim a tax deduction, the debt must be written off on or before 30 June.*

- Creditors listing as at 30 June 2022.
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# 2021/22 Individual Tax Return Checklist

## Your Checklist

- Claims for deductions ✓
- Receipts for deductions ✓
- Car claims and log books ✓

*Please review the information below and contact our office if you need assistance.*

## Tax saving strategies prior to 1 July 2022

*A strategy often used to reduce taxable income (and, in turn, tax payable) in an income year is to bring forward any expected or planned deductible expenditure from a later income year. However, in light of the continued impact of the COVID-19 pandemic, any tax planning for individuals with potentially reduced income for the 2022 tax season may require consideration of deferring any deductible expenditure (if possible).*

### Resident taxable income thresholds for the 2021/22 income year

### Tax Payable<sup>1</sup>

0 – \$18,200	Nil
\$18,201 – \$45,000	19% of excess over \$18,200
\$45,001 – \$120,000	\$5,092 + 32.5% of excess over \$45,000
\$120,001 – \$180,000	\$29,467 + 37% of excess over \$120,000
\$180,001 and over	\$51,667 + 45% of excess over \$180,000

1. The Medicare levy of 2% generally applies in addition to these rates.

### Common claims made by individuals

The following outlines common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners, and some strategies for increasing their deductions for the 2022 income year.

#### 1. Depreciating assets costing \$300 or less

Salary and wage earners and rental property owners will generally be entitled to an immediate deduction for certain income-producing assets costing **\$300 or less** that are purchased before 1 July 2022.

Some purchases you may consider include:

- tools of trade;
- electronic tablets;

- calculators or electronic organisers;
- software;
- books and trade journals;
- stationary; and
- briefcases/luggage or suitcases.

#### 2. Clothing expenses

Individuals may pay for work-related clothing expenses before 1 July 2022, such as:

- compulsory (or non-compulsory and registered) uniforms, and occupation specific and protective clothing; and
- other associated expenses such as dry-cleaning, laundry and repair expenses.

### 3. Self-education expenses

Employees may prepay self-education items before 1 July 2022, such as:

- ◆ course fees (but not HELP repayments or student contribution amounts), student union fees, and tutorial fees; and
- ◆ interest on borrowings used to pay for any deductible self-education expenses.

They may also bring forward purchases of stationery and text books (i.e., those that are not required to be depreciated).

### 4. Other work-related expenses

Employees may also prepay any of the following expenses before 1 July 2022:

- Union fees.
- Subscriptions to trade, professional or business associations.
- Seminars and conferences.
- Income protection insurance (excluding death and total/permanent disability).
- Magazine and professional journal subscriptions.

*Note: If prepaying any of the above expenses before 1 July 2022, ensure that any services being paid for will be provided within a 12-month period that ends before 1 July 2023. Otherwise, the deductions will generally need to be claimed proportionately over the period of the prepayment.*

## Information Required

You will need to provide us with information to assist in preparing your income tax return. Please check the following and provide any relevant statements, accounts, receipts, etc., to help us prepare your return.

### Income/Receipts:

- Details of your employer(s) and wages.
- Lump sum and termination payments.
- Government pensions and allowances.
- Other pensions and/or annuities.
- Allowances (e.g., entertainment, car, tools).
- Interest, rent and dividends.
- Distributions from partnerships or trusts.
- Details of any assets sold that were either used for income-earning purposes or which may be liable for capital gains tax ('CGT').
- Other Income (e.g., foreign income).

### Expenses/Deductions (in addition to those mentioned above):

- ◆ Award transport allowance claims.
  - ◆ Bank charges on income-earning accounts (e.g., term deposits).
  - ◆ Bridge/road tolls (if travelling on work).
  - ◆ Car parking (if travelling on work).
  - ◆ Conventions, conferences and seminars.
  - ◆ Covid-19 testing costs for work purposes.
  - ◆ Depreciation of library, tools, business equipment (incl. portion of home computer).
  - ◆ Gifts or donations.
  - ◆ Home office running expenses, such as:
    - cleaning;
    - cooling and heating;
    - depreciation of office furniture;
    - lighting; and
    - telephone and internet.
  - ◆ Interest and dividend deductions, such as:
    - account keeping fees;
    - ongoing management fees;
    - interest on borrowings to buy shares; and
    - advice relating to *changing* investments (but *not* setting them up).
  - ◆ Interest on loans to purchase equipment or income-earning investments.
  - ◆ Motor vehicle expenses (if work-related).
  - ◆ Overtime meal expenses.
  - ◆ Rental property expenses, including:
    - advertising expenses;
    - council and water rates;
    - insurance;
    - interest;
    - land tax;
    - property management fees;
    - genuine repairs and maintenance; and
    - telephone expenses.
  - ◆ Superannuation contributions.
  - ◆ Sun protection items.
  - ◆ Tax agent fees.
  - ◆ Telephone expenses (if work-related).
  - ◆ Tools of trade.
-