

TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

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Tax compliance and the sharing economy

The ATO is reminding those who work in the sharing economy to be aware of their tax obligations.

The sharing economy connects buyers (users) and sellers (providers) through a facilitator who usually operates an app or a website. Some popular examples include Airbnb, Stayz, Uber, Deliveroo, Airtasker and so on. It is often overlooked by providers of these services that money earned as a result of using them is taxable income. Different rules apply, depending on what type of sharing economy activities are undertaken by an individual.

Tax responsibilities will vary depending on the services taxpayers engage with. Those who rent out part or all of their home are reminded to:

- declare what they earn in their tax return;
- apportion related expenses as appropriate before claiming deductions and
- understand it may affect their capital gains tax if they sell their home in the future.

Individuals who participate in ride-sourcing activities need an ABN, to register for GST from the day they start, to pay GST on the full amount of every fare and to keep records of income and expenses for both GST and income tax purposes. GST credits associated with your ride-sourcing enterprise are deductible.

Those providing other goods and services through the sharing economy need to remember to declare what they earn and

apportion related expenses.

While there are a number of compliance issues to consider, there are also a number of deductions users and providers of the sharing economy can claim, but rarely do. According to the ATO, to be eligible to claim a deduction:

- Appropriate records must be kept
- You must not have been reimbursed for the money spent
- Cost must relate to the job/service and not a private expense
- Accurately calculate how much of the total expense is business related and only claim from this portion.

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ATO offers leniency to small business owners

Small business owners deal with many issues on a daily basis. Between managing staff, suppliers and customers, running a business can be quite stressful.

Around 45 per cent of Australians aged 16-85 will experience a common mental health-related condition in their lifetime.

Many of the signs and symptoms of common mental illnesses can be hard to differentiate between general stresses in your professional life and experiencing a mental health condition. For example, feeling irritable, stressed or teary, changes in appetite, the inability to switch off from work even during personal time and troubles with sleeping may be 'red flags.'

The Australian Tax Office (ATO) has recognised that general stresses combined with mental illnesses such as anxiety, depression or a substance use disorder, can severely impact on a small business owner's ability to run their business efficiently and enjoy a high quality of life.

The ATO offers support and assistance for any small business owners who are having difficulty meeting their tax and super obligations due to experiencing a mental health condition. The Tax Office provides the following options:

Tailored payment plans

Those struggling to pay their tax bill on time can opt for a payment plan. This option allows business owners to pay back their debt by instalments to cater to their circumstances. In some cases, the ATO can offer interest-free payment arrangements for small businesses with an activity statement debt.

Lodgment and payment deferral

Business owners can apply for a deferral of lodgment and/or payment of their reports and returns in certain circumstances. If you would like to apply for a deferral, contact our office and one of our accountants can apply on your behalf.

Please note, information in this article should not be a substitute for professional advice, seek help if you or someone you know is experiencing issues.



Black Economy Taskforce findings

In its effort to facilitate a fair business environment, the ATO has offered continued support for honest businesses.

With an estimated \$40 billion lost to the hidden economy, the need for strong diligence and continued governance over Australian businesses is essential. The Black Economy Taskforce, established in May 2017, has uncovered a number of alarming trends. These trends relate to strategies dishonest businesses and individuals are engaging in to evade their tax responsibilities.

Trends show that problematic areas include:

The sharing economy: the money exchanged through services such as Airbnb, Airtasker and Uber are all taxable. Ensure you understand how to be compliant before engaging with these services.

Cash transactions: employers paying employees in cash to avoid tax and super responsibilities costs the economy an astronomical amount, as well as contractors accepting cash payments and not accurately documenting these.

Incorrect reporting: individuals and businesses failing to report their business dealings correctly are creating huge liabilities in the economy. Small reporting dishonesties by a great portion of taxpayers creates a large balance of unaccountable money; the majority of unaccountable money in relation to tax evasion.

Avoiding scams

The ATO is warning Australian taxpayers to be careful with their personal information.

The crime of identity theft can create a number of issues for a victim, such as a poor credit rating, money stolen and bank accounts emptied, and serious crimes committed under their name, such as fraud.

The ATO offers five strategies for protecting yourself from identity crimes:

Understand what you need to protect

There are a number of personal details scammers can use to carry out an identity crime that the average person may not consider. Details such as your full name, date of birth, driver's licence,

passport details, etc., can all be used to steal your identity.

Keep personal information safe and secure

Once personal information is captured by someone deceptive, in many cases it is impossible to get back. For instance, once someone knows your tax file number or address, you can't take this knowledge back from them. If financial details are shared or stored online, they are there permanently. Carefully consider the safest place to store details like passwords and bank details to avoid fraud.

Avoid oversharing

Professional identity thieves are just that, professionals. They are extremely savvy and can discover a great deal about a person from piecing together who they are based on what they share online, particularly on social media platforms. Something as innocent as sharing a photo of yourself in front of your house can provide a thief with enough information to find out where you live.

Being vigilant when divulging personal information

Treat requests for personal information with caution. If you are unsure about the legitimacy of a call from either a company, organisation or government agency, call their phone number directly to check if it is really them calling.

Use legitimate channels to make payments

Many scammers will request payment methods such as pre-paid gift cards or for money to be sent to bank accounts. To avoid falling into these scams, don't send money or provide personal, credit or banking details to anyone unless you made the call and are sure that the phone number is genuine.



How can we help you?



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