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## Post-Pandemic - Survival Then Revival

The coronavirus has been labelled the biggest global crisis for three generations. The economy came down 50 floors in the 'elevator' and it will be much slower and harder going back up via the staircase.

The pandemic didn't discriminate with both big and small businesses going into hibernation and with so many business owners in survival mode, cash flow is understandably the number one priority. It is the oxygen that keeps businesses alive and for those forced into hibernation and unable to trade, the Government Stimulus Packages have provided a temporary lifeline. Some businesses have been able to pivot and find new ways to generate revenue, however, the shutdown has created a cash flow crisis for most business owners.



American business magnate, investor, and philanthropist, Warren Buffet said, "Only when the tide goes out do you discover who's been swimming naked." In boom times, flawed business models and poor business practices go unnoticed. When the economy is booming, we tend not to worry about our level of debt or expenditure on non-essential items. We don't think we need a safety net because it's all blue skies ahead.

Enter COVID-19, the pandemic that changed the way we live, work and play. Businesses, big and small, have been impacted and our economy may never be the same. The tide has gone out which has exposed a lot of businesses and sadly, a lot of them won't survive this crisis. Some analysts predict an avalanche of business collapses and unemployment of more than 10%.

Economic downturns always produce change and some of it will be for the better. We might find workplaces more flexible with staff working remotely from home which will reduce travel time and costs. This might prompt business owners to reconsider the amount of office space they need which could significantly reduce their rent and overheads. Businesses will shed some fat and unnecessary costs. IT systems and staff resources will be under the microscope.

While revenues have been diminished or extinguished, some expenses won't stop. Proactive business owners have been able to negotiate a rent reduction or rent-free period; however, you may have to fund IT equipment for your staff who are now working remotely. Expenses like insurance and rates don't stop and it is imperative that you have a clear understanding of your future cash flow. To help your business survive and prepare for the period of regrowth we have put together this list of items to consider:-

### 1. Build a Cash Flow Forecast

The main reason business owners usually prepare a cash flow forecast is to raise finance, however, right now it needs to identify the timing of potential cash shortages.

Typically, your forecast should project cash flow for the next 12 months but right now, the next 3 to 6 months is essential. Keep updating it at least every month as you get more information and certainty around revenue and costs.



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**The greatest compliment we receive from our clients is the referral of their friends, family and business colleagues. Thank you for your support and trust.**

## Post-Pandemic – Survival Then Revival (Continued)

Whenever you prepare a cash flow budget you have to make a number of assumptions based on research, available data plus known facts such as fixed costs like your rent and loan repayments. The economic uncertainty makes it particularly hard to project your revenue, but you need to do use your best estimates. For some businesses, with interrupted revenue, calculating your Government entitlements is a priority. Don't forget to include your tax payments (or refunds) and your cash flow forecast should provide you with your likely cash position at the end of each month.

The idea is to identify the likely cash shortages and solve them before they become critical.

	January	February	March	April	May	June	July	August	September	October	November	December
1 Opening Balance	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
2 Income												
3 Sales	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00
4 Loans	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
5 Bank Interest	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
6 Other Income	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
7 Total Income	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00	\$2,100.00
8 Expenses												
9 Direct Costs												
10 Stock	20	20	20	20	20	20	20	20	20	20	20	20
11 Materials	5	5	5	5	5	5	5	5	5	5	5	5
12 Packaging	14	14	14	14	14	14	14	14	14	14	14	14
13 Wages	100	100	100	100	100	100	100	100	100	100	100	100
14 Overheads												
15 Accounting	20	20	20	20	20	20	20	20	20	20	20	20
16 Bank Fees	5	5	5	5	5	5	5	5	5	5	5	5
17 Postage	1	1	1	1	1	1	1	1	1	1	1	1
18 Insurance	4	4	4	4	4	4	4	4	4	4	4	4
19 Interest	1	1	1	1	1	1	1	1	1	1	1	1
20 Loan Repayments	20	20	20	20	20	20	20	20	20	20	20	20
21 Marketing	30	30	30	30	30	30	30	30	30	30	30	30
22 Electricity	10	10	10	10	10	10	10	10	10	10	10	10
23 Rent	100	100	100	100	100	100	100	100	100	100	100	100
24 Repairs	5	5	5	5	5	5	5	5	5	5	5	5
25 Stationery	2	2	2	2	2	2	2	2	2	2	2	2
26 Telephone	10	10	10	10	10	10	10	10	10	10	10	10

## 2. Know Your Numbers

Up to date, accurate financial records allow us to work together to make informed business decisions. Start by preparing interim financial statements so you know where you stand for this financial year. What is your likely tax position for the year ended June 30, 2020? Can you vary your PAYG instalments? What entitlements do you have to Government incentives like the cash boost, JobKeeper and State Government grants?

Your numbers tell you where you have been so you can make decisions to improve your results going forward. Compare your sales in 2020 against the same week and month in 2019. Breakdown your sales by product so you know what your best-selling items are. Know the profit margin on each product so you can identify your most profitable items.

It's also important that you have a snapshot of key financial numbers including your accounts receivable (debtors), accounts payable (creditors) and current bank balances.

## 3. Renegotiate

An obvious strategy is to reduce your overheads, which could mean renegotiating your commercial rent. Landlords will generally want to maintain relationships with long-term tenants and the Government introduced a mandatory code of conduct for commercial tenants affected by the coronavirus. Revisit payment terms with your suppliers and you might want to check in with them regarding their pricing policies post-pandemic. Of course, make sure they are still in business and can continue to supply you. You might find it's a good time to explore new suppliers who might be able to provide the same product or production inputs at cheaper prices. Now is the time to explore any loan deferrals on offer from the banks.

## 4. Remove Non-Essential Expenses

Go through your profit and loss statement, line by line to identify any expenses that could be shaved or eliminated. Do you need the same amount of stock or warehousing? Do you need to maintain the same hours or number of staff? Could you postpone some expenditure? With cash flow uncertainty, it's obviously appropriate to defer any capital expenditure despite the instant asset write off concession.



## 5. Prepare for the Post-Pandemic Period

COVID-19 arrived with little or no warning but it's time to plan for the post-pandemic period. Do a SWOT analysis to analyse your business' strengths, weaknesses, opportunities, and threats. Think about what you could be doing better and what resources you need going forward. There might be opportunities in the 'new world' because some of your competitors probably won't survive this upheaval. You might be sitting on new products or processes and it could be time to hatch that plan you have been sitting on. Look at how quickly businesses embraced working remotely after hesitating for years.

Maybe it's time to pivot, expand or reduce your product offering. Have you been too dependent on one major customer? Should you expand your home delivery services? Is it time to review your suppliers?

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## Post-Pandemic – Survival Then Revival *(Continued)*

Keep asking questions because how you've managed the crisis might provide clues on how you should operate in the future.

**Staff** - despite the JobKeeper scheme there will be lots of redundancies and possibly double digit unemployment. When the lockdowns finish, it won't be business as usual and it will take time to crank up the economy. It's a big engine and it will be a slow burn to restore economic confidence. As a result, you might get access to people with a wealth of knowledge and experience in your industry. Some of them may have worked for your competitors which could give you a competitive advantage. Remember, your current staff, have also been affected and they are a great resource to help you identify potential improvements in the business.



**Technology** - has played a key role in businesses adapting to the changing landscape. With so many people working from home it has forced the use of technology to conduct meetings and access files remotely. While necessity has forced the change, there could be other software and technology available that could help you create even more efficiencies. Technology has impacted the way professional service firms like accountants, solicitors, architects, engineers, and doctors deliver their services. Who would have thought we would see GPs sitting at home providing virtual patient consultations?

### 6. Marketing Just Became Even More Important

In recessionary times your marketing could be the difference between boom, doom and gloom. It is a stressful time and it's easy to get distracted by financial matters not to mention staffing issues. You need to stay top of mind with your existing customers so it's essential that you reach out to them with a newsletter or special offer. Remember, most people tend to reduce their spending at this time so targeting your existing customers makes sense. They know and trust you. The obvious question is, is your client database up to date so you can send emails? If not, fix it!



Self isolation has people glued to their phones and the internet. It has changed when, where and how your customers and prospects are engaging with your content. Online activity and sales have gone through the roof in this period and we have seen plenty of businesses successfully pivot and shift their entire focus online. The pandemic reinforces the importance of having an online infrastructure for your business.

If your website is outdated and really reflects your business 3 or 5 years ago, it's an anchor weighing down your business. It could be time for a makeover or possibly a new website. Is your e-commerce section on your website up to scratch? Is it time to review your product descriptions, add calls to action, produce some videos and write some blog posts? Is your social media strategy in need of an overhaul? Look at your competitor's websites and cherry pick the good ideas (but never copy their content). You'll probably find plenty of them are simply electronic brochures that list the who, what and where of the business. Think about what consumers will want in the post pandemic period and tailor your content accordingly. Your content should highlight your expertise and you want it to appeal to your ideal type of customer or client.

Make sure you have a call to action on every single page and include social proof of how you solved other customer's problems. Think about producing a lead magnet with valuable information you can offer prospects in exchange for their email address so you build a database of contacts you can market to in the future. Email is the beating heart of most marketing campaigns and make sure you are communicating with your customers to let them know you are open for business (even if your storefront is closed).

In summary, it's not easy to focus beyond the current crisis. This is a life changing event and we have never seen anything of this magnitude in our lifetimes. No person or business is off limits. It's certainly challenging on a number of fronts, but the successful businesses will make it through this crisis because they are looking to the future.

Basic survival instincts will make you focus on building cash reserves, however, revival is all about preparing for the new 'normal'.



## Year End Tax Planning

It's been an extraordinary end to the 2020 financial year with many businesses being forced into hibernation due to COVID-19. The number one priority for most business owners right now is survival and cash flow is critical.

As such, tax planning has never been more important and as your accountants, we believe our client brief includes helping you minimise your tax liability within the framework of the Australian taxation system. With June 30 fast approaching you need to make some key tax planning decisions now and we recommend you prepare a preliminary calculation of your taxable income for the year ending June 30, 2020. The purpose is to identify if you have a tax problem and the size of your likely tax debt.



The following list of tax planning opportunities is certainly not exhaustive and depending on your circumstances (including your turnover and whether you are on a cash or accruals method of accounting), terms and conditions may apply to some of these tactics. If you would like to discuss your tax planning options we urge you to contact us today and most importantly, don't leave it until the last minute as some of these strategies require some time to implement.

### Key Tax Minimisation Strategies

#### 1. Delay Deriving Assessable Income

One effective strategy is to delay deriving your income until after June 30, 2020 by:

- a) Delaying the Timing of the Derivation of Income until after June 30.
- b) Timing the Raising of Invoices for Incomplete Work (Businesses)



Where this strategy will not adversely affect your cash flow, consideration should be given to deferring the recognition of income until after 30 June 2020. Please note, not banking amounts received before June 30 until after June 30 does not qualify because the income is deemed to have been earned when the money is received or the goods or services are provided (depending on whether you are on a cash or accruals basis of accounting).

- Cash Basis Income - Some income is taxable on a cash receipts basis rather than on an accruals basis (e.g. rental income or interest income in certain cases). You should consider whether some income can be deferred in those instances.
- Consider delaying the raising of your invoices to customers until after July 1 which will push the derivation of the income into the next financial year and defer the tax payable on that income. If you operate on the cash basis of accounting, you simply need to delay receiving the money from your customers until after June 30.
- Lump Sum Amounts - Where a lump sum amount is likely to be received close to the end of a financial year, you should consider whether this amount (or part thereof) can be delayed or spread over future periods.

#### 2. Bringing Forward Deductible Expenses or Losses

Prepayment of Expenses - In some circumstances, Small Business Entities (SBE) and individuals who derive passive type income (such as rental income and dividends) should consider pre-paying expenses prior to 30 June 2020. A tax deduction can be brought forward into this financial year for expenses like:

- Employee Superannuation Payments including the 9.5% Superannuation Guarantee Contributions for the June 2020 quarter (that have to be received by the Superannuation Fund by June 30, 2020 to claim a tax deduction).
- Superannuation for Business Owners, Directors and Associated Persons
- Wages, Bonuses, Commissions and Allowances
- Contractors



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## Year End Tax Planning *(Continued)*

- Travel and Accommodation Expenses
- Trade Creditors
- Rent for July 2020 (and possibly additional months)
- Insurances
- Printing, Stationery and Office Supplies
- Advertising including Directory Listings
- Utility Expenses -Telephone, Electricity& Power
- Motor Vehicle Expenses - Registration and Insurance
- Accounting and Bookkeeping fees
- Subscriptions and Memberships to Professional Associations and Trade Journals



A deduction for prepaid expenses will generally be allowed where the payment is made before 30 June 2020 for services to be rendered within a 12-month period. While this strategy can be effective for businesses operating on a cash basis (not accruals basis), we never recommend you spend money on items you don't need. This is so important if you are having a cash flow crisis right now. However, paying expenses in June that are due in July could save you some tax this financial year. Of course, this only works if you have sufficient cash flow.

- Superannuation Contributions - some low or middle-income earners who make personal (after-tax) contributions to a superannuation fund may be entitled to the government co-contribution. The amount of government co-contribution will depend on your income and how much you contribute.
- Capital Gains/Losses - the timing of the asset sale is critical and deferring the sale until after June 30 will defer the tax. Of course, if you have made other capital gains during the financial year it could be worth bringing forward the sale of an asset and crystallizing the loss, so you can offset it against the other capital gains. Note that the contract date is often the key date for when a sale has occurred for capital gains tax purposes, not the settlement date.
- Accounts Payable (Creditors) - If you operate on an accruals basis and services have been provided to your business, ensure that you have an invoice dated June 30, 2020 or before, so you can take up the expense in your financial statements for the year ended 30<sup>th</sup> June 2020.



### **Businesses should also consider:**

- Stock Valuation Options - Review your Stock on Hand and Work in Progress listings before June 30 to ensure that it is valued at the lower of Cost or Net Realisable Value. Any stock that is carried at a value higher than you could realise on sale (after all costs associated with the sale) should be written down to that Net Realisable Value in your stock records.
- Compulsory Superannuation Guarantee - as mentioned above, if you want a tax deduction in the 2019/20 financial year, the superannuation fund must receive the funds by 30 June 2020. The Tax Office doesn't consider a contribution to be made until the amount is actually credited to a super fund's bank account so an electronic transfer to another bank account on June 30 is not necessarily considered paid. We strongly recommend you make the payment a week or so before June 30 and then follow up with the super fund to ensure the funds have been received. Don't risk the tax deductibility of what can often be a significant amount by leaving payment to the last minute.
- Write-Off Bad Debts—if you operate on an accruals basis of accounting (as distinct from a cash basis) you should write off bad debts from your debtors listing before June 30. A bad debt is an amount that is owed to you that you consider is uncollectable or not economically feasible to pursue collection. Unless these debts are physically recorded as a 'bad debt' in your system before 30th June 2020, a deduction will not be allowable in the current financial year.
- Repairs and Maintenance Costs - Where possible and cash flow permits, consider bringing these repairs forward to before June 30. If you don't understand



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## Year End Tax Planning *(Continued)*

the distinction between a repair and a capital improvement, please consult with us because some capital improvements may not be tax deductible in the current year and could be claimable over a number of years as depreciation.

- Obsolete Plant and Equipment should be scrapped or decommissioned prior to June 30, 2020 to enable the book value to be claimed as a tax deduction.
- **Immediate Write Off for Individual Small Business Assets** - As part of the Government Stimulus Package the accelerated depreciation and instant asset write-off for small businesses has been revised and expanded to \$150,000 for any business with an aggregated turnover of up to \$500 million (previously \$50 million). Qualifying businesses will be able to claim a tax deduction for each asset purchased and first used or installed ready for use, up to the following certain thresholds.



Instant asset write-off thresholds		
Eligible Businesses	Date range for when asset first used or installed ready for use	Threshold
Less than \$500 million aggregated turnover	12 March 2020 to 30 June 2020	\$150,000
Less than \$50 million aggregated turnover	7.30pm (AEDT) on 2 April 2019 to 11 March 2020	\$30,000
Less than \$10 million aggregated turnover	29th January 2019 to 7.30pm (AEDT) on 2 April 2019	\$25,000

Here are some key points to consider:

- ⇒ For the instant asset write off the asset can be new or second hand.
- ⇒ The amount must be under \$150,000 (depending on date of purchase – could be \$30K or \$25K or \$20K) exclusive of GST (i.e. \$165,000, \$33K, \$27.5K or \$22K including GST).
- ⇒ If you borrow to purchase the asset, the asset is still eligible.
- ⇒ The asset must be installed and ready to use by the deadline (purchasing a car to be delivered in July 2020 won't qualify until the car is actually delivered).
- ⇒ To claim the write off on a motor vehicle you will need to have a valid log book and claim only that percentage of the cost as an immediate write off.
- ⇒ If you purchase a car for your business, the instant asset write-off is limited to the business portion of the car limit of \$57,581 for the 2019–20 income tax year.
- ⇒ Some taxpayers may try to reduce the cost of an asset to under \$30k (for purchases prior to 12<sup>th</sup> March 2020) by using a trade-in when purchasing the asset (for example a car). However, the monetary value of the trade-in will form part of the asset cost and not reduce the cost of the asset.
- ⇒ Any attempt to manipulate invoices etc. will attract the ATO's use of the anti-avoidance rules, thereby eliminating the write off.
- ⇒ Building structural improvements are not eligible for the instant write off.
- ⇒ If your pool balance at the end of the year is less than \$30,000 before applying any other depreciation deduction, the entire pool balance can be written off (\$150,000 if purchased post 12<sup>th</sup> March 2020).
- ⇒ If your business is not a 'Small Business Entity' you will need to depreciate all assets purchased over \$1000. Any assets purchased for \$1000 or less can be written off immediately.
- ⇒ As part of the backing business incentive, an accelerated depreciation deduction of 57.5 per cent for the business portion of the new depreciating asset applies for the cost of an asset on installation from 12<sup>th</sup> March 2020 to 30<sup>th</sup> June 2021 and existing depreciation rules apply (15 per cent for the first year and 30 per cent for subsequent years) to the balance of the asset's cost and for subsequent years. There is no limit to the cost of a qualifying depreciating asset eligible for this concession, but the asset must be new and not second hand.

We encourage you to schedule a meeting as soon as possible to assess your options and the steps you need to take well before the 30<sup>th</sup> June 2020.

## Pivot, Adapt, Survive and Even Thrive

The COVID-19 pandemic arrived with little or no warning and most Australian businesses have been put to sleep on the back of government regulations and instructions. It's a whole new world with tens of thousands of businesses, both big and small, effectively in hibernation.

The government stimulus payments including cash grants and wage subsidies have given businesses and their employees a lifeline, however, it's clear that some businesses won't come out the other side of this pandemic. It certainly won't be 'business as usual' for the foreseeable future, if at all. Understandably, there's plenty of anxious business owners looking to adapt to this evolving crisis and find new ways to function.



Pivoting is something business owners normally do when they sense the business needs a change of direction. It could be strategic to counter a new competitor, a shift in consumer demand or help the business recover from a testing period that threatened to make the original business model unsustainable.

With the onset of COVID-19, restaurants were quick to pivot. Their dining rooms were closed so many restaurants turned their attention to offering fresh takeaway dinner options. Some creative venues put together a selection of frozen meals for 7 and 14 day isolation packs. As such, some staff have been retained and their cash registers are still ticking over. The value of their average order may well be significantly down because there's no sale of entrées, drinks or desserts, however, it may well be the key to their survival. Home delivery is an obvious option given the social distancing measures.



The question is, could your business benefit from pivoting in the current environment? Basically, your business exists to solve your client and customer problems. The problems haven't gone away so can you find a new way to deliver the solution without a massive outlay or risk?

You might say, easier said than done but we have seen lots of businesses adapt in the last few months with some innovative ideas. They have changed direction to keep their revenue ticking over. We have seen drive through coffee shops and florists pop up. We have seen businesses modify their production to address the shortage in medical and hygiene supplies. For example, wineries and perfume businesses are using their equipment to produce hand sanitiser. Textile businesses that produce items like scarves and chef's aprons are manufacturing face masks. Classes for Pilates, cooking, dancing, yoga and fitness have moved online. Gyms are renting out their barbells and spin bikes. As they say, necessity is the mother of invention.

You may have to pivot or just adapt to keep your boat afloat. For professional service providers like accountants, solicitors and architects the COVID-19 pandemic has forced them to change their modus operandi. Social distancing mandates and self-isolation rules have taken face-to-face client meetings off the agenda, so they are conducting client meetings via video conferencing tools like Skype or Zoom. Their staff are working remotely but they are open for business.

### IMPACT ON RETAILERS

Retailers are very vulnerable and shopping centres have become 'ghost towns'. At the same time, internet usage has spiked with people in home quarantine spending more time shopping online. It's vital that retail businesses have an e-commerce option on their website and maybe this is the perfect time to put your website under the microscope. Your shopfront doors might be closed but your online store never closes. It could be time to give your website a makeover or complete overhaul.



Of course, if you're going to pivot and make changes to your products or services you need to communicate them to your customers. Notify them that you're still open for business, have an online ordering option plus a home delivery service. Use the phone, social media, your website, email, SMS and video conferencing to get the message out to your customer database.

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## Pivot, Adapt, Survive and Even Thrive *(Continued)*

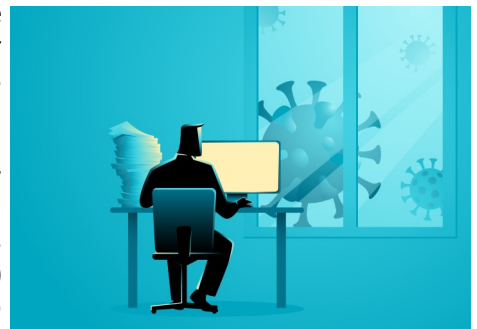
As small business owners, you must expect the unexpected. In the last 20 years business owners have had to adapt to a new (GST) tax system, the internet, websites, social media, mobile phones and a massive shift in consumer behaviour to online sales. Having said, we've never seen anything like the COVID-19 pandemic that has sent a huge number of businesses into hibernation and frozen the livelihoods of hundreds of thousands of business owners. Pivoting may not be an option for everyone, but it may well present opportunities that could help you emerge from this extraordinary situation stronger than ever.



## Working Remotely? The Ins and Outs of Claiming Home Office Expenses

One of the long-term impact of the coronavirus may be a fundamental change to how businesses operate with new research suggesting that up to fifty per cent of the workforce expect to continue to work remotely after the virus is contained.

Research firm Gartner said that 41% of employees are likely to work remotely at least some of the time – 30% prior to the pandemic. As an employer, this can be a benefit with a past survey of 5000 workers finding that remote workers put in 48% discretionary effort (above and beyond minimum requirements) over 35% for those that never work remotely (but they are more likely to switch jobs)



If you are working from home, you may be able to claim a deduction for some of the expenses for your 'office' area.

There are two parts to this, those employees working from home and businesses where their principal place of business is their home – effectively running their business from home.

To claim a deduction, you must have spent the money (not been reimbursed by your employer), the expense must directly relate to your employment and you must keep a record to prove it. If you receive an allowance from your employer instead of a reimbursement you must include the allowance as income on your tax return but you can still claim the deduction.

### Working From Home During COVID-19

The ATO has acknowledged that many taxpayers may be working from home at this time and that tracking home office expenses may be a challenge. As a result they are accepting a temporary simplified method of calculating additional running expenses from 1<sup>st</sup> March 2020 until (at least) 30<sup>th</sup> June 2020. Expenses not claimable under COVID-19 provision include occupancy expenses such as mortgage interest, rent or rates nor the cost of general household items such as tea, coffee, milk which your employer would otherwise provide.



### The Shortcut method

You can claim a deduction of 80 cents for each hour you work from home due to COVID-19 as long as you are:

- Working from home to fulfill your main duties, not just occasionally checking emails or taking calls
- Incurring additional deductible running expenses as a result of working from home:-
  - \* Electricity used for lighting, cooling, heating and running electronic items such as your computer, gas heating expenses
  - \* Depreciation and repair of capital items such as home office furniture & fittings
  - \* Cleaning costs

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## The Ins and Outs of Claiming Home Office Expenses *(Continued)*

- \* Phone costs including depreciation of the handset
- \* Internet expenses
- \* Consumables such as printer ink and stationery
- \* Depreciation of computer, laptop or similar device

By using the shortcut method you cannot claim further for the expenses listed above and you must keep a record (timesheet, diary notes or rosters) of the number of hours worked at home as a result of COVID-19. To claim the shortcut method on your tax return – include the note ‘COVID-hourly rate’.



### Fixed rate method

You can elect the fixed rate method where you claim all of these:

- A rate of 52 cents per work hour for heating, cooling, lighting, cleaning and the depreciation of the office furniture
- The work related portion of your actual costs for phone, internet, computer consumables and stationery
- The work-related portion of the depreciation of your computer, laptop or similar device.

### Actual cost method

Your claim is the actual work-related portion of all your running expenses, calculated on a reasonable basis. More information on claiming home office expenses is available on [the ATO website](#).

### Running Your Business From Home

This is where your home is also your principal place of business (e.g. a tradesman with their workshop at home or small business with their main office in their home). If only some of your business is conducted from home, refer to the Working from Home section above.

Deductions Claimable:-

- The cost of a room’s utilities – apportioned between business and private usage based on actual use
- Phone costs – for a telephone used exclusively for business rental and calls is claimable, not installation costs. If used for both business and private, business calls are claimable.
- Depreciation of office plant and equipment – desks, chairs, computers, etc. Where a computer is also used for non-business purposes, the claim must be apportioned between business and private usage. Curtains, carpets and light fittings can also be depreciated.
- Rent, mortgage interest, insurance, rates are all occupancy expenses and a portion of these costs relating to the office room or workshop used as a place of business can be claimed. Commonly calculated base on the proportion of total floor area of your home.
- Capital Gains Tax implication – although you can generally ignore capital gain or loss on selling your home under the main residence exemption, where your home is your principal place of business you will receive partial exemption based on factors such as the proportion of your floor area used for business purposes, the period used, the ‘absence’ rule, and whether it was your workplace before or after 20<sup>th</sup> August 1996.



More information about Running Your Business from Home and claiming deductions is available on the [ATO website](#)

## Temporary Early Access to Superannuation

For those individuals facing significant financial adversity due to the Coronavirus, the Government is allowing them to access \$10,000 of their superannuation before June 30, 2020 and a further \$10,000 from July 1, 2020 and September 24, 2020. Amounts withdrawn do not need to be included in tax returns.



The primary purpose of superannuation is to save for retirement and any withdrawals will impact on your future balance. Having said that, given the extraordinary current circumstances, making a withdrawal might be essential.

To be eligible for any early release of amounts from superannuation, Australian (and New Zealand) permanent residents must:-

- Be unemployed, **or**
- Be eligible to receive JobSeeker, Youth Allowance for JobSeekers, parenting payment (includes single and partnered payments), special benefit or farm household allowance; **or**
- On or after 1st January 2020:
  - \* You were made redundant; or
  - \* Your working hours were reduced by 20 per cent or more; or
  - \* For sole traders - your business was suspended or turnover was reduced by 20 per cent or more.

(Note that extra criteria applies for all classes of temporary visa holders).

Application is through the [myGov](#) website directly to the ATO and will require you to certify that you meet the eligibility criteria. After processing the ATO issues you with a determination and sends a copy to your superannuation fund so that they can release the money to you without having to apply separately. Self managed super funds have separate arrangements.



While withdrawing funds out of your superannuation fund is not ideal, it is a one-off opportunity to access funds you would not normally be able to access so it is something that should be considered.

To minimise the impact on your superannuation balance on retirement, you could consider salary sacrificing or contributing to your superannuation in the future to replenish the amount withdrawn in these circumstances. Don't hesitate to get in touch if you wish to discuss this option before proceeding.



**IMPORTANT DISCLAIMER:** This newsletter contains general advice only and is prepared without taking into account your particular objectives, financial circumstances and needs. The information provided is not a substitute for legal, tax and financial product advice. Before making any decision based on this information, you should speak to a licensed financial advisor who should assess its relevance to your individual circumstances. While the firm believes the information is accurate, no warranty is given as to its accuracy and persons who rely on this information do so at their own risk. The information provided in this bulletin is not considered financial product advice for the purposes of the Corporations Act 2001.



# 2020 Tax Return Client Checklist

June 2020

## 2020 - Individual Tax Returns

### Income

- ☐ Gross salary, wages, allowances, benefits, earnings, tips, Directors Fees and Insurance for lost wages.
- ☐ Income from business activities.
- ☐ PAYG Payment Summaries or Income Statements from MyGov
- ☐ Details of any non-cash benefits received including discount(s) on employee shares or rights.
- ☐ Lump sum and termination payments. All documentation should be provided including an ETP Payment Summary from the employer or fund.
- ☐ Government Social Security payments, including pensions, unemployment and sickness benefits.
- ☐ Details of any CGT asset sales (e.g. shares, business and real estate). Please include dates of, and costs associated with, acquisition and disposal (You can save tax if you qualify for the variety of CGT concessions).
- ☐ Annuities, including allocated pensions or superannuation income streams.
- ☐ Income from trusts and partnerships. Statements of distribution should be provided where appropriate.
- ☐ Rental income.
- ☐ Interest and dividends received from any source including life insurance or friendly society bonuses and any tax deducted. Include details of franked dividends (i.e. imputation credits).
- ☐ Foreign source (employment and pension) income and details of any foreign tax credits, assets or property.

### Deductions

- ☐ Investment and property expenses (carefully detail interest and repair claims), supply statements.
- ☐ Work-related subscriptions or memberships (not including sporting or social clubs).
- ☐ Employment related expenditure such as self-education, protective clothing, tools, union fees, uniform and laundry expenses.
- ☐ Motor vehicle expenses, car finance lease statements (include petrol, repairs, parking and maintain a Motor Vehicle Log Book where necessary).
- ☐ Donations of \$2 and over.
- ☐ Income Protection Insurance Premiums.
- ☐ For Self-Employed persons, details of any Superannuation Contributions made.



- ☐ Home office expenses where employment requires use of your computer, phone or other device.
- ☐ Tax Agent Fees and other accounting/tax audit fees.
- ☐ Special deductions (Australian films, investment shelters and agribusiness-type schemes).
- ☐ Unrecouped prior year losses.

### New Clients

- ☐ Last year's Notice of Assessment and Tax Return (if available)

### Rebates

- ☐ Private health insurance annual statement (request from Health Fund)
- ☐ Details of superannuation contributions where no tax deduction can be claimed.
- ☐ Any changes in dependants, children's details, DOB and any Centrelink benefits applicable (income of spouse should also be provided).
- ☐ Details of any income received in a lump sum which was accrued in earlier income years (e.g. assessable pensions).
- ☐ Details of any remote work performed for 183 days or more.
- ☐ HECS-HELP Debt details.



### 8 Most Common Errors in Income Tax Returns

1. Omitting Interest Income
2. Incorrect or Omitted Dividends Imputation Credits
3. Capital Gains/Losses are Incorrect or Omitted
4. Understating Income
5. Home Office Expenses
6. Depreciation on Rental Property Fixtures and Fittings
7. Depreciation on Income Producing Buildings
8. Borrowing Costs associated with Negative Gearing



# 2020 - Companies, Partnerships, Trusts and Other Businesses

## Income

- ☐ Trading Income.
- ☐ Other Income (e.g. Rent, Interest, Royalties).
- ☐ Stock on Hand at June 30, 2020 (and basis of valuation) – note any obsolete stock.
- ☐ Work-in-Progress at June 30, 2020
- ☐ Primary Producer subsidies (if assessable).
- ☐ Details of CGT assets (e.g. shares and real estate) sold, including dates of, and costs associated with acquisition and disposal.
- ☐ Dividends, including details of franking credits.
- ☐ Income from foreign sources including details of any foreign taxes paid.

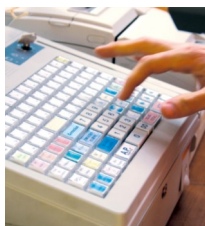
## Deductions

- ☐ Repairs and maintenance.
- ☐ Salaries, including fringe benefits.
- ☐ Fringe benefits tax paid.
- ☐ Rates, land taxes and insurance premiums.
- ☐ Advertising expenses.
- ☐ Interest on borrowed monies.
- ☐ Deductions relating to foreign-source income.
- ☐ Prepaid expenses (subject to transitional rules).
- ☐ Retirement payments and golden handshakes.
- ☐ Bad debts actually written off during the year.
- ☐ Donations of \$2 and over depending on the recipient.
- ☐ Commissions.
- ☐ Legal expenses.
- ☐ Lease or Chattel Mortgage payments on motor vehicles and equipment.
- ☐ Losses of previous years (or intra-group transfers).

- ☐ Superannuation contributions.
- ☐ Subscriptions.
- ☐ Car expenses (remember to include petrol, repairs and parking and maintain a log book where necessary).
- ☐ Tax agent's fees and other accounting and tax audit fees.
- ☐ Royalties paid.
- ☐ Details of the destination and purpose of any interstate or overseas trip. Expenses must be fully documented where travel involves at least one night away from home. Travel diaries should be included where travel exceeds five nights.
- ☐ Research and development expenditure.
- ☐ Bank fees (where the credit or deposit represents assessable income).

## Liabilities

- ☐ New loans taken out during the year and their purpose, including any new lease or chattel mortgage agreements on vehicles, equipment or machinery.
- ☐ Statements from the lending authority detailing the opening and closing balances of existing loans during the financial year.
- ☐ Provisions for long service and annual leave.
- ☐ Creditors at June 30, 2020.
- ☐ Details of loan accounts to directors, shareholders, beneficiaries and partners.
- ☐ Accrued expenses (e.g. audit fees, interest payments).
- ☐ Commercial debts forgiven.



## Assets

- ☐ Details of depreciable assets acquired and/or disposed of during this income year, including:
  - type of asset;
  - date of acquisition;
  - consideration received/paid.
- ☐ Lease commitments.
- ☐ Debtors at June 30, 2020.
- ☐ Commercial debts forgiven.

## Additional Information Required

- ☐ Franking account details/movements.
- ☐ Overseas transactions, exchange gains/losses.
- ☐ Private companies – remuneration or loans to directors, shareholders and their relatives.
- ☐ Changes to the capital of the company.
- ☐ Whether family trust elections have been made in relation to trusts.

**Note:** To ensure that you obtain the maximum deductions to which you are entitled and in consideration of the penalty provisions, FULL DETAILS of any claim should be provided and supporting documentation made available. For employee taxpayers and for travel and motor vehicle claims by self-employed taxpayers, documentation must be a receipt, tax invoice or similar document which contains certain details. For other taxpayers, documentation may comprise receipts, dockets, diary notations or reasonable and supporting estimates.

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