Tax Guide For Employees

Airtax

Effortless tax

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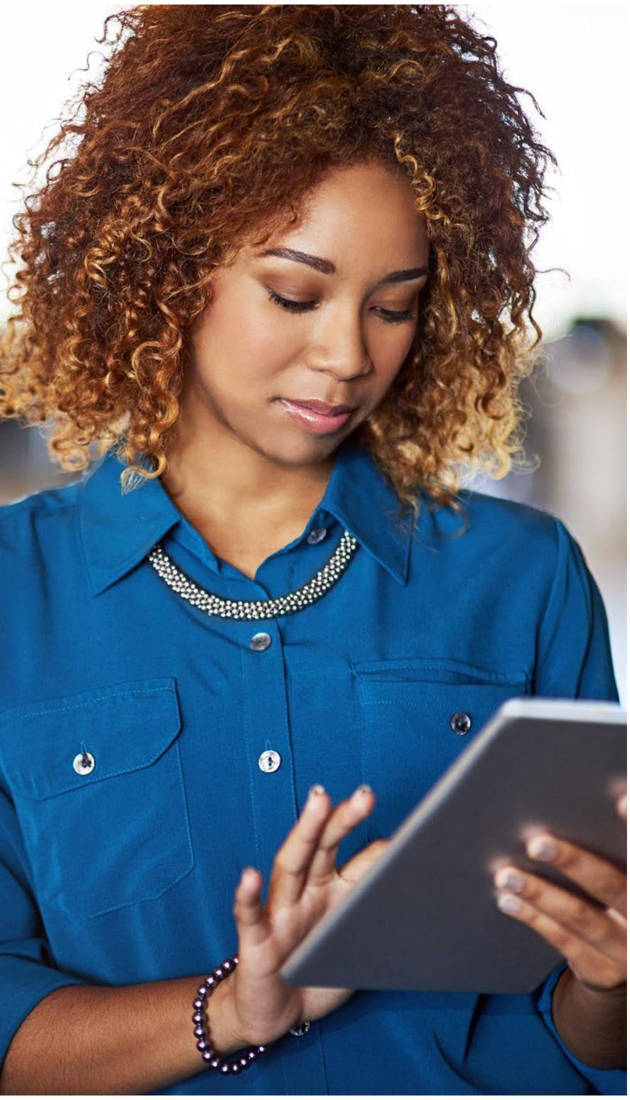


Airtax tax guide for employees

At Airtax, we understand tax is complicated. This means we understand the common issues people face when they come to lodge their tax returns. In an effort to make things easier for you, we have pulled together this guide to getting started, including tax compliance guidance and hints and tips to keep in mind as an employee.

Find out how to get started with tax

Whether you're employed on a full-time, part-time or casual basis, this guide covers the basics to get you started so you know what your tax obligations are.

Been doing tax for a while?

Great! Read on to find tips and tricks to make lodging your tax return easier, and understand what you can and can't claim.

We love making tax easy, and it's never been easier to do your tax with Airtax.

Airtax

About the Income Tax Return

The income tax return is lodged annually by Australian individuals, and is used to determine your income tax liability for the previous financial year (1 July - 30 June). Information that is relevant for your tax return includes:

- Your personal details
- Income amounts, including salary & wages, sole trading (business) income, rental property income, etc
- Deductions - expenses you incur to earn your income
- Family and health information, including your private health insurance details

The normal deadline date for lodging your tax return will be 31 October each year. However, by using a registered tax agent with the ATO, you may be granted access to an extended deadline (31 March or 15 May of the following year). Airtax is a registered tax agent and to take advantage of this, simply start a tax return on Airtax.

Completing your income tax return on Airtax is simple and can be done at your own pace. If you need more detailed guidance with your tax affairs, you can speak with a Vialto Partners tax specialist at any stage of your tax return through our Tax Assist service. We have connection to ATO, tailored forms, and over 100 articles published on our Help Centre, if you prefer to complete your tax return independently

Common income sources

Throughout the course of a financial year, you may earn income from a number of different sources. Most of these income amounts will need to be reported on your annual income tax return. In this section, we'll discuss some of the more common income sources and help explain how you should correctly account for them when you prepare your tax return.

Salary and Wages Income

What is salary and wages income?

Salary and wages income for the purposes of your tax return means any income earned through an employment arrangement from which tax is typically (subject to some specific exceptions) withheld. Some examples of employment arrangements include casual, part-time, full-time and fixed-term employment, to name a few. From your employment arrangement, you may earn a number of different types of income, which would be classified as income from salary and wages, including[1]:

- Salary and wages
- Commissions
- Bonuses
- Income from part-time or casual work
- Parental leave pay
- Dad-and-partner pay
- Amounts for lost salary and wages paid under
  - An income protection policy
  - A sickness or accident insurance policy
  - A workers compensation scheme
- Foreign employment

Note:

Salary & wages does not include income earned through sole trading activities (under your personal ABN), such as Mable nursing, Uber driving, freelance photography, etc. This income should instead be listed in the sole trader section, lower on the Income page.

This information should be provided to you by each employer you worked for during the financial year, in the form of a payment summary (or for payments from employers now reporting through Single Touch Payroll (STP), an STP income statement), and is also reported to the ATO

Fact:

When you start your tax return on Airtax, thanks to Airtax's connection to the ATO, the salary and wages section should be prefilled for you with the ATO data for the financial year, leaving you with less to complete yourself. All you will need to do is check to make sure the information is accurate, and make any changes as necessary.

[1]List from the ATO: "Salary or wages 2019"

Capital Gains Income

When you sell capital assets (such as shares or property), you could realise a taxable capital gain or a capital loss on the sale. This is typically determined by comparing the purchase price of the asset to the price at which you sold it for. While this issue may seem simple, it can actually get very complex very quickly, so read on to learn about the basics of capital transactions and how they need to be recorded on the income tax return.

What is capital gains tax (CGT)?

Although it may sound like it, CGT is actually not a separate tax. Any net taxable gain you make on the sale of an asset is added to your other income for the financial year and taxed at your relevant marginal tax rate. This can increase the amount of income tax you need to pay when you lodge your tax return.

Eligible capital losses you make on the sale of taxable assets can't be used to reduce your overall assessable income, but they can be applied to reduce/offset other taxable capital gains.

You are typically deemed to make a capital gain/loss on the date at which you enter into a contract to dispose of the asset, not the date at which the asset is transferred/settled. This is important, as it can impact the tax return period in which you need to record the gain/loss.

What is a capital asset for income tax return and CGT purposes?

Generally, any asset you have acquired since CGT commenced on 20 September 1985 is subject to CGT when you sell it unless the asset is specifically exempt.

- Some common CGT exempt assets include:
  - Your family home (although there are some exceptions including situations where your home has been used for business purposes)
  - Most personal assets including your car home furnishings and some collectables
  - Depreciable assets that are used solely for a taxable purpose, such as business equipment, and furnishings in a rental property.

Note:

Capital gains tax (CGT) can also apply to cryptocurrency transactions, even if you gift it to someone rather than sell it. Much like when you buy and sell shares on the stock market, cryptocurrency transactions bring about CGT events each time you make a sale or transfer. The ATO has indicated they plan to double the number of audits of ordinary taxpayers this year, and one of their focus areas is cryptocurrency trading. It's really important that you consider the CGT implications of this type of trading, and (where applicable) ensure you record these events on your tax return

Note:

You only need to record a capital gains transaction if you sold or otherwise transferred ownership of the asset during the financial year you are lodging. If no assets were sold or transferred during the year, you can skip past the above Capital Gains section.

Working out your taxable capital gain or loss

Your taxable capital gain or loss is broadly worked out as the difference between the proceeds you receive (or in some cases, deemed to have received under the CGT rules) and the asset's CGT cost base. The asset's CGT cost base is broadly the total amount you initially paid for the asset, plus any costs incurred in buying and selling the asset.

A capital gain may then be able to be reduced through the application of certain CGT concessions. For example, in most cases where the asset has been held for at least 12 months, the taxable gain to be included in your income tax return can be reduced by 50%.

What's the difference between a capital gain and a capital loss?

- If you sell an asset at a price that is more than you originally paid to acquire it, then you have made a capital gain.
- If you sell an asset at a price that is less than you originally paid to acquire it, then you have made a capital loss.

I'm stuck and need help with capital gains, what can I do?

Given no tax is typically withheld from CGT events during the financial year, this source of income can substantially increase the amount of tax you need to pay following the lodgement of your tax return. CGT can quickly become an overwhelming tax issue depending on your situation, and it's critically important that you get this information correct so you can avoid an inaccurate income tax bill.

The Airtax Tax Assist service is a great way to help ensure you record any capital gains events correctly. Through a one-on-one phone call with a Vialto Partners tax specialist, you'll be able to get peace of mind knowing you've recorded all the necessary capital gains information, and that you're taking advantage of any available concessions. You can read more about the Tax Assist service, and how to book, on our Help Centre.

Rental Properties

Another common source of income is rental property income, which involves the collection of rent from a property you own. There's a number of things relating to your rental property that you need to declare in your income tax return to ensure you are reporting the correct amounts

What does having a rental property mean for my income tax return?

For the purposes of your tax return, the net rent you receive from the rental property is what is added to your personal income and taxed at your individual marginal tax rate.

The net rent position for the financial year is worked out as the rent income received less any deductible expenses incurred to rent the property.

It is critical that you keep records of the rental income received and relevant deductible expenses. Also, records of ownership of the property, as well as its cost of acquisition and any subsequent improvements should be retained.

What income must be declared as rental income?

Your share of rent earned must be included in your tax return. On Airtax, you will be asked to include the total amount of rental income received from the property for the tax year, and then assign a percentage next to this amount which reflects your portion of property ownership. For example, if you own a property as joint tenants with your partner, your ownership percentage will be 50%. Our calculator will work out the amount of income that is attributable to you based on these two tax return entries you make.

What rental expenses can you claim?

- You can only claim expenses related to periods when the property is rented out or genuinely available for rent
- There are broadly three categories of rental expenses: 1. Cannot claim deductions 2. Can claim an immediate deduction 3. Can claim deductions over a number of years

Can claim an immediate deduction	**Can claim deductions over a number of years**	**Cannot claim as deductions (there will be no fields on the alrtax form for these)**
Advertising for tenants	Borrowing expenses (eg loan establishment and valuation fees)	Acquisition (other than for potential claims relating to construction costs) and disposal costs of the property
Body corporate fees	Capital works deductions (e.g. initial construction costs and property improvement expenses)	Expenses not actually incurred by you
Property agent's fees		
Cleaning, gas, water and electricity charges	In some cases, decline in value (depreciation) of property furnishings and other eligible assets	Expenses associated with periods when your property was not available for rent
Loan interest for the year		
Property repairs and maintenance (not improvements)		
Council rates		Travel related expenses - unless you are using the property in carrying on a business
Insurance		

Note:

Other forms of rental income may include: rental bond money that you become entitled to claim (eg when a tenant defaults on rent), some insurance payouts, letting or booking fees received, reimbursements for deductible expenditure and other associated payments that are received. If you received any of these other income amounts, simply add these amounts to the "Rental Income amount" field.

Common deductions

It's really important you're aware of the types of expenses you can claim on your tax return, and how you are expected to substantiate (prove) your claims. In this section, we'll take a look at some of the most common expense types and help you correctly record them on your tax return.

Work-related clothing

You can generally claim a deduction for work-related clothing if it is either occupation-specific, protective or it satisfies the requirements of a unique, distinctive uniform. Some extra detail on each of these requirements is included below.

Occupation-specific clothing

You can claim occupation-specific clothing expenses when the clothing in question is:

1. Occupation-specific;
2. Isn't everyday in nature; and
3. Allows the public to easily recognise your occupation.

"

If you can't substantiate it, you can't claim it!"

ATO, 2019

1 Example

Jake is a chef and is wondering whether he is able to claim the cost of his checked chef pants that he just bought himself.

The pants are occupation-specific, as they are part of a chef's uniform. Jake also wouldn't reasonably expect to wear these checked pants as part of his day-to-day attire, and they're easily identifiable as being pants that a chef would wear in a kitchen.

Given the pants meet all the necessary criteria, the purchase and cleaning expenses are claimable on Jake's income tax return.

2 Example

Jesse is a bartender and has bought a new pair of black pants and a plain white shirt to meet the dress code for staff at the bar she works at.

These items of clothing are not occupation-specific, so they do not satisfy the first criteria for deduction. Also, despite the fact Jesse may not think that these items are particularly fashionable, they are everyday clothes that do not necessarily allow others to easily identify her specific occupation. As such, they are not claimable on her income tax return.

3 Example

Rob has just started a new job at a consultancy firm and is required to wear a suit at work. Is the suit itself, and the cost to clean the suit, claimable on his tax return?

No. The suit is not deemed to be specific to Rob's occupation, as it could be acceptably worn in a number of other situations. It makes no difference that Rob may personally never wear the suit outside of any work-related occasions.

Protective clothing

For items of clothing to be deductible as 'protective', they need to provide a reasonable degree of protection against the risk of injury and illness at work. This includes, but is not limited to, clothing that:

- Is made to cope with more rigorous conditions where conventional clothing would be inadequate
- Is designed to protect you; e.g. heavy duty boots or padded pants
- Has a density of weave which gives an added UV rating where your job requires you to work outdoors.

Some examples of such items include[2]:

- Fire-resistant, and sun-protection clothing;
- Safety-coloured vests;
- Non-slip nurses shoes;
- Rubber boots for concreters;
- Steel-capped boots, gloves, and heavy-duty shirts and trousers; and
- Overalls, smocks or aprons you wear to avoid damaging your ordinary clothes during your income-earning activities.

You can't claim the cost of purchasing or cleaning ordinary clothes or footwear that you merely choose to wear at work and may also protect you. For example, regular shoes are not claimable even though you wear them at work to protect your feet.

Work uniforms

Work uniforms are claimable when they are unique and distinctive to the organisation you work for. This would typically involve the employer's logo being permanently attached to the clothing, and the clothing not being made available to the public

Cleaning of work clothing

You can claim the cost of washing, drying and ironing eligible work-specific clothes, or having them dry-cleaned.

[2]From ATO: Clothing, laundry and dry-cleaning expenses

You need to have written evidence of your expense claims, if:

- The amount of your claim is greater than $150; and
- The amount of your total claim for all work-related expenses exceeds $300 - not including car, meal allowance, and other travel expenses.

If you aren't required to keep written evidence, you can estimate your claim on a reasonable basis. Without further evidence, the ATO accepts the following claims as reasonable:

- $1 per load, if the load is made up of only work-related clothing
- $0.50 per load if there are other items included.

Work-related travel expenses

If you travel during the course of your employment in a financial year, you may be able to claim a deduction for a range of expenses you incur for this purpose.

When can I claim travel expenses on my tax return?

If you travel for work purposes, which generally involves travel outside of regular travel between home and your usual place of work, you can claim a deduction for travel expenses you incur.

Some examples of travel expenses include[3]:

- Meals, accommodation, and incidentals paid for whilst away overnight for work. For example, travelling away for an interstate work conference.
  - Note: generally you aren't able to claim a deduction for meals if your journey did not involve an overnight stay
- Any fuel costs you pay for whilst using a borrowed car or any other work vehicle
- Any air, bus, tram and taxi fares incurred
- Bridge and road tolls
- Car parking and car-hire fees

If you had any personal use for these expenses, you need to reduce the amount you claim in your tax return by this personal use portion.

What you can't claim:

- Any speeding fines or parking infringements you incur whilst away for work
- Any travel expenses that your employer has directly reimbursed you for

What if my employer pays me a travel allowance?

If you are paid a travel allowance, you need to include this allowance as income on the income page of the tax return

[3]From the ATO: Other travel expense

You then need to input the total amount of the travel expenses you actually incurred for the financial year in the 'Travel Expenses' section of your tax return

When can I claim car expenses on my tax return?

If you use your car in the course of performing your job, you can generally claim a deduction for work-related car expenses.

You can claim a deduction for work-related car expenses if you:

- Use your car to travel between two separate places of employment (assuming neither of these places is your home). For example, if you have two jobs
- Travel from your normal workplace to an alternative workplace (that isn't a regular workplace), and back to your normal workplace or directly home, or
- Travel from your normal workplace or your home to an alternative workplace that is not a regular workplace. For example, a client's premises.

You cannot claim a deduction for work-related car expenses if you:

- Only travel between home and work (between home and your employer's office). This car usage is deemed to be private in nature, or
- Salary sacrifice, or are otherwise reimbursed by your employer for, your car expenses.

Some examples of where you may be able to claim work-related car expenses:

- Carry bulky equipment or tools from home to work (and back) that your employer requires for work, and there is no secure place to store this equipment at work
- Attend work-related conferences/events at locations that are different to your regular place of work (held outside of the office, perhaps out of town), or
- Deliver items or collect supplies

Okay, I have established I can claim work-related car expenses on my tax return, now what?

There are two methods that the ATO has available for you to calculate your work-related car expenses, and the Airtax tax return facilitates the use of either.

Cents per km method:

This method allows you to claim a fixed rate per km travelled for a business purpose (up to 5,000km). From 1 July 2022, your claim is based on 78c per km. The ATO may require you to justify, with written evidence, how you worked out your distance travelled for work. A good way to do this is to keep a diary log of your work-related trips.

This method is the simplest approach, however if you travel more than 5,000 km for a work purpose during the financial year it may not be the most suitable.

Logbook method:

As you can tell from the name, this method requires the use of a logbook (with specific travel and car details to be recorded over a 12 week continuous period), to determine the percentage of work-related travel you use your car for. Once you have completed the logbook, you will be able to apply the work use percentage to various expenses that relate to the running of your car (e.g. fuel, car insurance, maintenance, registration)

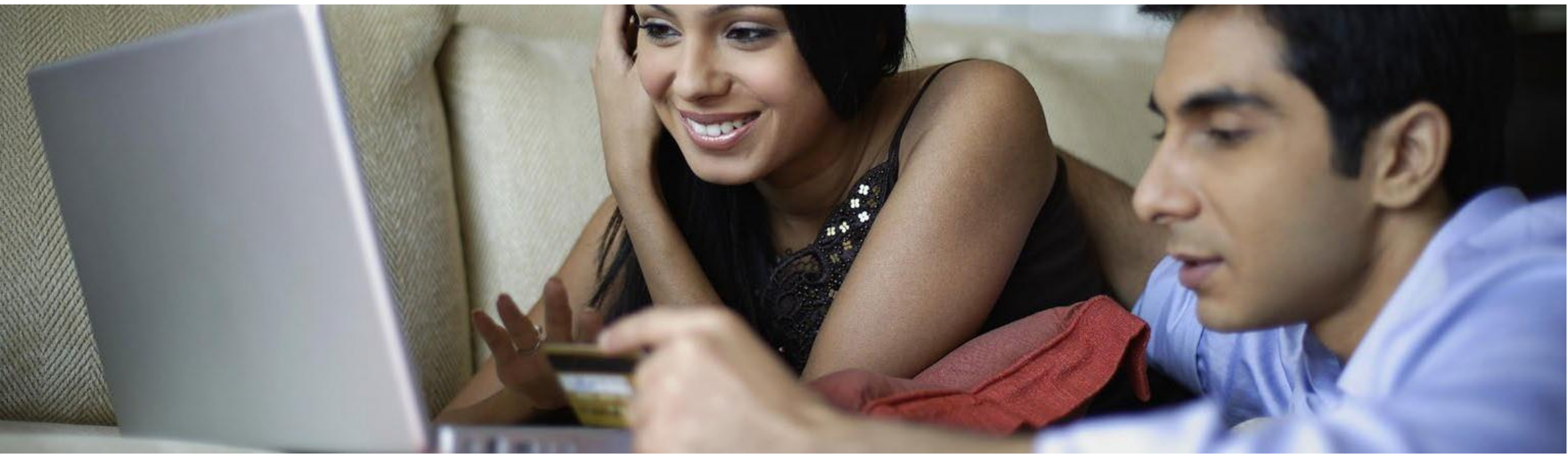
The simple way to do your tax

Stress-free tax

Designed by certified accountants at Vialto Partners, Airtax lodgement questionnaires are simple, easy-to-understand, and compliant with tax reporting requirements - so you can be confident that your tax is being handled correctly.

How Airtax makes tax easy

- Airtax connects with multiple third party data sources (including the ATO and Quickbooks) to import your data at the click of a button - leaving you with fewer fields to complete yourself.
- Complete your income tax returns through a platform that is backed by Vialto Partners - a trusted, leading professional services firm in Australia.
- Our easy-to-use forms list a number of income and expense fields that may be relevant for your specific circumstances. By breaking up your income and expenses into more specific categories, we can help ensure you don't miss anything.
- Over 100 free articles are available on our Help Centre to assist you with any questions you may have along the way
- In-built occupation comparison tools to see how your deductions compared to other people
- Option to speak to a Vialto Partners tax accountant through our Tax Assist and Tax Professional packages
- Trusted by thousands, your data is secure with Airtax



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FAQs

1 What kind of records do I need to keep?

- Payment summaries (or for payments from employers now reporting through Single Touch Payroll (STP), an STP income statement) from your employer (if applicable) and the Department of Human Services
- Statements from your bank and other financial institutions
- Statements for your investment properties
- Dividend statements
- Annual tax statements from managed investment funds
- Receipts and invoices from expense claims
- Private health insurance statement
- Fees related to lodging the previous year's tax return
- Education debt

If your total work-related expenses exceed $300 for the year, you must have records to substantiate these claims.

2 How do I keep track of receipts/expenses?

You should keep receipts to prove your expenses for five years from when you lodge your tax return, in case of an audit.

3 Do I need receipts for everything I claim as a deduction on my tax return?

Yes, it is recommended that you keep payment summaries, receipts, invoices and contracts for five years from when you lodge your tax return.

[3]From ATO https://www.ato.gov.au/individuals/income-and-deductions/deductions-you-can-claim/home-office-expenses/

4 What if I work from home[4]?

If you work from home as part of your employment you may be able to claim deductions for certain expenses relating to that work, depending on whether or not you have a dedicated area that is used exclusively for your work activities (e.g. study or spare room).

See the table below for information on the deductions you may be able to claim if your home is not your primary place of work

Deductions you may be able to claim	You do have a dedicated work area	You don't have a dedicated work area
Costs of using a room's utilities such as gas and electricity	Yes	No
Work-related phone and internet costs	Yes	Yes
Decline in value (depreciation) of office plant and equipment such as desks, chairs and computers	Yes	Yes
Decline in value (depreciation) of curtains, carpets and light fittings	Yes	No
Occupancy expenses such as rent, mortgage interest, insurance and rates*	No	No

**Note that occupancy expenses may be able to be claimed where you have a dedicated area that is used as your principal place of business - for example, a physiotherapist or hairdresser.*

Find out more

Head to Airtax to find out more and sign up for free.

https://airtax.com.au/