

# Practice Update

October 2022

## Banking business income to a private account

The ATO has stated that it has *"no concerns"* with business owners banking their business takings or other sales in private accounts, **but** that this may become an issue when this income isn't reported.

Therefore, the ATO notes that a good way to avoid this problem is to establish a separate business bank account and only deposit sales and other business income into this account, as this can help with record keeping and monitoring the business's cash flow.

The ATO uses many tools to identify income earned and to check if it matches income reported, and reminds taxpayers that business income includes all sales, whether they're cash or electronic (for example, internet sales), and they must all be reported on the business's tax return (as well as any earnings for services the business provides).

## 'Talking tax' with new workers

The ATO is reminding employers that have taken on new employees that those employees can complete a TFN declaration through *ATO online services*, and that this is an easy way for them to provide both their employer and the ATO with the information needed.

If a new employee has a myGov account linked to the ATO, they can:

- access ATO online services;
- go to the 'Employment' menu; and
- select 'New employment' and complete the form.

This sends the TFN declaration details straight to the ATO, so the employer doesn't have to.

Employees will need their employer's ABN to complete the form and, once they've submitted it, they need to print it and give their employer the summary of their tax details so the employer can input the data into their system.

If an employer's payroll software can link to the online commencement forms, it will automatically receive any new employees' information from the ATO, saving them time spent otherwise entering the information manually.

Employers can also use the *New employment* form to collect a range of information contained in other forms, and employees can use it to authorise variations to the amount to be withheld from their pay for tax or the Medicare levy, or to advise of their choice of super fund.

They can also use it to update their tax circumstances with their employer; for example, if their residency status has changed or they are claiming the tax-free threshold from a different employer.

However, employers can continue to use their current processes when preferred, including providing a paper TFN declaration where employees can't create a myGov account or don't have access to the internet.

## How the myGov update affects taxpayers

Clients using myGov will see that it has recently been updated with a new look and more features.

When signed in to myGov, clients might receive notifications through 'Payments and claims' from other government services, such as Centrelink.

However, the ATO has stated that it will not communicate using this feature. Instead, the ATO will continue to send messages to the myGov Inbox, and to tax agents on behalf of their clients, if that's their communication preference.

Therefore, clients don't need to do anything different, and can still:

- ◆ find myGov at the same website address (i.e., my.gov.au);
- ◆ sign in using their current sign-in details; and
- ◆ have access to all their linked services, including the ATO.

## Input tax credits denied due to lodging BASs late

The AAT has held that a partnership's entitlement to \$16,361 of input tax credits claimed for the quarterly periods of 1 July 2012 to 31 March 2017 had ceased by the time the associated BASs were lodged with the ATO on 21 June 2021, and therefore the ATO did not need to pay the taxpayer a refund.

The operation of the GST Act means that, unless an extension of time to lodge a BAS has been granted prior to the expiry of **4 years** after the day on which it was required to be given to the ATO, the entitlement to input tax credits immediately **ceases**.

The ATO has no discretion to get around this.

## Valuing fund assets for an SMSF's annual return

*Editor: The ATO has provided the following reminder and general advice for SMSF trustees regarding their obligations to value the assets annually.*

One of many responsibilities trustees have when managing an SMSF is valuing the fund's assets at market value.

This must be done every income year, so the ATO knows the SMSF has complied with super laws.

The market value of an asset is the amount someone could be reasonably expected to pay if the asset was for sale.

Each year, the asset valuations will be reviewed by the fund's approved SMSF auditor as part of the annual audit prior to lodgment of the SMSF's annual return ('SAR'). The auditor will check that assets have been valued correctly, and assess and document whether the basis for the valuation is appropriate given the nature of the asset.

Trustees are reminded to get their valuations done before they go to the auditor, as this will streamline the process and avoid delays. It is also the trustees' responsibility to provide objective and supportable evidence to the auditor for the valuation of the fund's assets, including all relevant documents requested by the auditor.

Failure to do so could result in a delay in auditing the fund and potential late lodgment of the fund's annual return (and could also result in a contravention if the auditor believes mistakes have been made).

The ATO says trustees should "*start researching now*" to find who can value the fund's assets and what type of evidence is needed to support the valuation, as this can take time. In some instances, the law requires valuations to be undertaken by a qualified, independent valuer.

### **Super guarantee contribution due date for September 2022 quarter**

The due date for employers to make super guarantee contributions for their employees for the September 2022 quarter is **28 October 2022**.

### **Varying PAYG instalments**

The ATO is reminding taxpayers that they can vary their pay as you go ('PAYG') instalments if they think the amount they pay now will be more or less than their expected tax liability for the year, by lodging a variation through myGov or *Online services for business*.

Instalments for those who are PAYG instalment amount payers have been increased by the gross domestic product ('GDP') adjustment factor of 2% for the 2022/23 income year.