Practice Update

Please read this update and contact this office if you have any queries

JUNE 2025

'Wild' tax deduction attempts

The ATO recently revealed some of the 'wild' work related expense tax claims people have tried to "put past" the ATO, including the following:

- A mechanic tried to claim an air fryer, microwave, two vacuum cleaners, a TV, gaming console and gaming accessories as work-related. The claim was denied as these expenses are personal in nature.
- A truck driver tried to claim swimwear because it was hot when they stopped in transit and they wanted to go for a swim. The claim was denied as these expenses are personal in nature.
- A manager in the fashion industry tried to claim well over $10,000 in luxury-branded clothing and accessories to be well presented at work, and to attend events, dinners and functions. The clothing was all conventional in nature and was not allowed.

This tax time. the ATO will be focused on areas where it sees frequent errors, including work-related expenses, working from home deductions, and in respect to multiple income sources.

Getting ready for business

The ATO advises **new business owners** that they need to understand their obligations to ensure they are *"getting it right from the start."*

These are the 'top 7 things' taxpayers need to know when starting a business.

- They should use digital tools and maintain accurate records to help them manage daily activities and cash flow.
- There are some registrations they will need to complete when they start a business (for example, registering for an ABN or a business name).
- They can claim a tax deduction for most business expenses if the expense is directly related to earning their income. Taxpayers should remember to keep records and only claim the business portion of mixed-use expenses.
- The type of business structure they set up will affect their tax and registration requirements, so they need to choose the right business structure and understand their obligations.
- If they are an employer, they should realise that they have extra responsibilities and obligations (e.g., super guarantee and Single Touch Payroll).
- They need to lodge and pay their taxes on time. They can prepay their estimated income tax liability through PAYG instalments.
- Businesses that maintain accurate records, lodge and pay on time and avoid errors not only steer clear of penalties and general interest charge but also become more resilient when facing challenges.

Editor: If you need assistance with any of these issues, please contact our office.

Taxi service and ride-sourcing providers must be registered

Taxpayers that provide taxi, limousine or ride-sourcing services must register for GST regardless of their turnover.

They must collect and pay GST and income tax on all their rides and all other business income.

The ATO is advising drivers in this industry who do not have a TFN, ABN or GST registration that they need to register now, and collect, report and pay GST on all their future rides.

They also need to report all their income from their rides in their next tax return.

Penalties and interest may apply for drivers who do not register for GST.

Drivers who have not declared all their income for ride-sourcing in prior years can amend a previous tax return.

Partial release from tax debt on serious hardship grounds

In a recent decision, the Administrative Review Tribunal ('ART') held that a taxpayer should be released from payment of part of his tax debt on the grounds of serious hardship.

As at the 2022 income year, the taxpayer had an accumulated tax debt of approximately $528,000, comprising income tax, late lodgment penalties, PAYG instalments, and the general interest charge on the PAYG and unpaid income tax.

Much of the taxpayer's tax debt had arisen as a result of the taxpayer deriving income protection insurance payments from his insurer (which were assessable). These payments had been made since around 2002, and arose from a serious injury the taxpayer had suffered in a fire at his restaurant business.

The ART noted that there were a number of factors which weighed against the taxpayer, including his failure to make payments to meet the tax debt and his 'extremely poor' tax compliance history.

However, the ART decided that some relief was justified, given the extent of hardship, concerns about the taxpayer's health, and recoverability time for the tax debt.

The ART accordingly reduced the total tax debt (including penalties) to $250,000.

$20,000 instant asset write-off for 2024/25

Taxpayers who have purchased or are purchasing a business asset this financial year should remember that the instant asset write-off limit is $20,000 for the 2025 income year.

If a taxpayer's business has an aggregated annual turnover of less than $10 million and they use the simplified depreciation rules, they may be able to use the instant asset write-off to immediately deduct the business part of the cost of eligible assets, as follows.

- ❑ The full cost of eligible depreciating assets costing less than $20,000 that are first used or installed ready for use for a taxable purpose between 1 July 2024 and 30 June 2025.
- ❑ New and second-hand assets can qualify, although some exclusions and limits apply.
- ❑ If the taxpayer claimed an immediate deduction for an asset's cost under the simplified depreciation rules in an earlier income year, they can also immediately claim a deduction the first time they incur a cost to make an improvement to that asset if it is incurred between 1 July 2024 and 30 June 2025 and less than $20,000.
- ❑ The $20,000 limit applies on a per-asset basis, so taxpayers can instantly write off multiple assets as long as the cost of each asset is less than the limit.

The usual rules for claiming deductions still apply. Taxpayers can only claim the business part of the expense, and they must have records to prove it.

Beware websites sharing fake news on super preservation age

The ATO is warning the community about a *"proliferation of dodgy websites sharing fake news about changes to the superannuation preservation rules and withdrawal rules starting on 1 June."*

ATO Deputy Commissioner Emma Rosenzweig confirmed the maximum preservation age (the age when an individual can access their superannuation savings on retirement) is 60 for anyone born from 1 July 1964.

Please note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.