



Australian Government
Australian Taxation Office



Australian Government



TAX
PRACTITIONERS
BOARD

Tax time tips

Presented by:

Craig Stephens, Board Member, Tax Practitioners Board
Tim Loh, Assistant Commissioner, Australian Taxation Office

Welcome

'In the spirit of reconciliation, we acknowledge the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past, present and emerging. We extend that respect to all Aboriginal and Torres Strait Islander peoples today.'

Access the presentation slides : tpb.gov.au/webinar-hub

What we will cover today

- ✓ ATO focus areas this tax time
- ✓ ATO red flags
- ✓ Common mistakes
- ✓ Code obligations
- ✓ Proof of identity
- ✓ TPB's compliance focus
- ✓ Engagement letters
- ✓ Consumer confidence
- ✓ Questions

Meet your presenters



Tim Loh

Assistant Commissioner
ATO



Craig Stephens

Board Member
TPB

ATO focus areas

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Key focus areas for tax time 2022

Our key focus areas for individuals this tax time are:

- record keeping
- work-related expenses
- rental property income and deductions
- capital gains from crypto, property and shares.

Work-related expenses



Focus areas in relation to work-related expenses:

- **Record keeping** – record keeping is the foundation of all allowable deductions, your clients must have a record to prove their claims.
- **Nexus** – the work-related expenses must relate to their current income producing activities.

Changes in your clients' circumstances

- Did your clients' circumstance change over the financial year?
- Are there any changes in working arrangements and the potential flow-on-effects to their deductions?
- Look for a connection between primary source of income and the expenses they're looking to claim.
- Your client may need to have new records to support their claims.

Cryptocurrency and capital gains tax 📊

- Disposals of crypto assets, including selling, transferring and gifting need to be declared in tax returns.
- Include amounts at the correct labels, e.g. capital gains or losses at the CGT label.
- Other related income – such as from staking rewards – needs to be included at Other income or Other Deductions
- Correct reporting of a capital loss. Capital losses cannot be used to offset income, but can be used to offset current and future capital gains.

Rental properties and shares

Rental property

- Understanding the difference between repairs, maintenance and capital works for rental properties.
- Borrowing, refinancing or redrawing on a rental property loan for private expenses.
- Selling rental properties – capital gain, loss or exemption in their tax return needs to be the income year of the contract date, not the settlement date.

Shares

- Any dividend income in the past?
- Double check if they've bought or sold any shares since last year.

Income

- Include all assessable income received in their return, including:
 - all taxable government payments – e.g. Pandemic Leave Disaster Payments
 - super released under other compassionate grounds
 - income from all employers (make sure all income statements are marked as tax ready).
- Prefill tips and changes.

What's new or different for 2021-22 tax returns

- Deductions – work-related COVID-19 tests.
- Income – your clients may have received different income types during the financial year, including COVID payments, the Cost of living payment or natural disaster payments.
- Medicare – from 1 July 2021, the low-income thresholds for the Medicare levy and Medicare levy surcharge have been adjusted.
- LMITO – the low and middle income tax offset for the 2021-22 income year has increased by \$420.

Red flags

- Not waiting for pre-fill or removing pre-filled data.
- Be alert for unsubstantiated income with high tax offset (such as salary and high PAYG (Withholding)) as we will be validating this against our data.
- Inconsistent and unusually high deductions.
- Not adjusting deductions where we would expect to see some changes.
- Not including amounts at the correct labels, especially any capital gains or losses at the CGT labels.
- Incorrect application of the main residence exemption.

Common mistakes



- Pre-fill – we see lots of mistakes in early July as people rush to get their tax returns done before all of their information has been pre-filled.
- Incorrect reporting – forgetting to report all income in the tax return.
- Record keeping – incorrect or no records for the deductions claimed.
- Reimbursement – if someone was reimbursed for a work-related expense, they can't claim that expenses as a deduction.
- Apportionment – we see incorrect apportionment (private use vs work-related use).

Code of Professional Conduct



Code of professional conduct

Code item 1

Act honestly and with integrity

Code item 2

Comply with tax laws in the conduct of your personal affairs

Code item 3

Account to your client for money or other property you hold in trust

Code item 4

Act lawfully in your client's best interest

Code item 5

Manage conflicts of interest

Code item 6

Do not disclose information without client permission

Code item 7

Ensure tax agent services are provided competently

Code item 8

Maintain the knowledge/skills relevant to the services you provide

Code item 9

Take reasonable care to ascertain your client's state of affairs

Code item 10

Take reasonable care to ensure taxation laws are applied correctly

Code item 11

Do not obstruct the proper administration of taxation laws

Code item 12

Advise your client of their rights and obligations

Code item 13

Maintain professional indemnity insurance

Code item 14

Respond to requests and directions from the Board

Comply with taxation laws

- You must comply with the taxation laws in the conduct of your personal tax affairs, including timely lodgement of:
 - personal income tax returns
 - activity statements
 - superannuation guarantee contributions
 - PAYG withholding and instalment payments.
- You must take reasonable care in interpreting the laws as it applies to your personal tax affairs.

Receiving client money or property

- If you receive money or property from or on behalf of a client you must account for it.
- Money or property on trust includes:
 - money held or received in advance for settling or meeting liabilities
 - client tax refunds
 - money paid for specialist advice.
- You must keep money or other property held on trust separate from personal money.

Taking reasonable care

There are two items of the Code that relate to reasonable care:

- **Code item 9** – you must take reasonable care to ascertain your client's state of affairs.
- **Code item 10** – you must take reasonable care to ensure that taxation laws are applied correctly to the circumstances in relation to which you are providing advice to a client.

Proof of identity



Proof of identity

- We have developed new proof of identity guidelines (POI) to help you verify your clients' identities and reduce the risk of identity theft and tax fraud.
- The guidance outlines requirements for verification, including defining the documents to be sighted, maintaining records and recommendations about achieving remote verification of clients.
- The TPB and ATO have worked together to ensure both our guidelines are aligned to minimise any burden on you.
- You can find the full guidance on our website – tpb.gov.au

TPB compliance focus



Compliance focus

- We take compliance very seriously and are committed to ensuring tax practitioner services are provided to the public in accordance with appropriate standards of professional and ethical conduct.
- We do this through targeted compliance programs that focus on higher risk tax practitioners, with the aim of protecting consumers and enhancing the integrity of the tax profession.
- We recognise and appreciate that most tax practitioners do the right thing but if we identify a serious risk to clients, the public or to revenue, we will act to support the public interest.
- By taking action to address this behaviour we are supporting those tax practitioners who are doing the right thing.

Engagement letters

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Engagement letters



- Engagement letters set out the agreed terms and conditions of your engagement and establish a mutual understanding between you and your client.
- An engagement letter is the starting point in the ongoing communication between you and your client.
- Engagement letters are not a specific requirement under the Code, but we highly recommend you use them.
- It's in the interests of both you and your client that the terms of engagement are agreed and documented, and they serve as a useful reference point in case of future questions around expectations.

Engagement letters

An engagement letter may include:

- A description of the work to be completed.
- How much the work will cost.
- How you manage your client's information.
- Your responsibility to provide services in a competent manner.
- How you will deal with tax refunds.
- Your name, registration number and Registered tax practitioner symbol (Symbol).
- Your client's responsibilities to you.
- Your duty to act lawfully in the best interest of the client.

Enhancing consumer confidence



Tax time advertising campaign

- This tax time we're running an online advertising campaign to raise awareness amongst consumers about the importance of only using a registered tax practitioner this tax time.
- We'll highlight the serious issue of unregistered preparers using taxpayers' MyGov accounts to lodge tax returns.
- This will serve as a timely reminder for consumers to guard themselves from falling victim to unregistered preparers and to check the TPB Register.



Registered tax practitioner symbol

- We're encouraging taxpayers to ensure their tax practitioner is registered by looking for the symbol. The symbol is **free** for all registered tax practitioners.
- It reassures taxpayers and businesses that you have the right qualifications and experience to look after their tax affairs.
- The symbol can be used to promote your registered status in a range of your business materials.
- It contains your personal registered tax practitioner number and is unique to you.



Tax agent
12345678



BAS agent
12345678



Questions

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