

# TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

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## When can a business cease STP reporting?

The ATO has identified scenarios where businesses lodging Single Touch Payroll (STP) reports is no longer necessary.

STP-enabled software allows you to run payroll, pay your employees as normal, and give them a payslip. It also sends information about your salaries and wages, pay as you go (PAYG) withholding, and super liability information to the ATO.

You are able to cease lodgement of your STP if you fall under the following conditions.

### No longer employing staff

If your business is no longer employing staff then you will need to submit a finalisation declaration for all employees as part of your STP reporting. Finalisation declarations can be lodged at any time during the financial year.

Once you finalise your STP obligation, you can proceed to cancelling your PAYG withholding registration to alert the ATO that your business is no longer employing staff.

### Closing a business

When ceasing trade, you must update your STP lodgements and then make a finalisation declaration for all employees. Once you do this, you can cancel your PAYG withholding registration, cancel your goods and services tax (GST) and Australian business number (ABN) registrations to let the ATO know that you have ceased trading.

### Changes to your business structure

Changes in business structure could mean that the ABN and branch you have been generating your STP reporting under change as well. You

will need to finalise your STP under the old ABN and branch and start another using your new ABN and branch. Ensure that you finalise your STP reporting before you lose access to it.

### No payments to employees for the rest of the year

You should lodge a 'no requirement to report' notification if you will not be making any payments to employees for the remaining financial year or for a period which is longer than your reporting obligations.

### Pausing your business due to Covid-19

There have also been arrangements made for businesses who may have had to pause business during the pandemic and are no longer employing, nor receiving JobKeeper payments. Businesses in these situations should lodge a 'No requirement to report' notification.

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# Which legal expenses are tax deductible for businesses?

Knowing what type of legal expenses are tax-deductible is valuable information when it comes to budgeting and allocating funds for emergencies.



Legal expenses that pay for business operations integral to producing an assessable income are tax-deductible. However, if the legal fee is capital, domestic or private in nature, then it will not be tax-deductible unless explicitly stated otherwise in legislation.

Legal expenses that can be claimed (This is not an exhaustive list):

- Negotiating contracts with existing employees (including disputes) with respect to employment arrangements
- Defending wrongful dismissal allegations brought on from employees or directors
- Defending a defamation action
- Opposing developments in the neighbourhood that may adversely affect the business (depends on facts of the case)
- Evicting a rent-defaulting tenant
- Pursuing claims for workers compensation

Legal expenses that cannot be claimed (This is not an exhaustive list)

- Costs of negotiating employment contracts with new employers
- When defending driving charges (irrespective of whether driving on company business)
- Defending sexual assault charges or racial vilification that occurred within the workplace
- For the eviction of a tenant whose lease period has expired
- Challenging redundancy or seeking increased redundancy amount

It is wise to have a basic understanding of how tax deductions work when you own a business. Even a rudimentary understanding will allow you to prepare your budget and finances to accommodate for potential legal complications.

## Investing overseas

Australians are taxed on their worldwide income which must be declared in their tax returns.

Each of the following categories is included in foreign income and need to be declared during yearly tax returns.

### Income from employment and personal services

Income from work conducted and services provided outside of Australia should be declared as if they were earned within Australia. This may include: salary and wages, directors fees, consultancy fees, business income, and any other

remuneration. There are circumstances in which a foreign salary is exempt, and individuals should discuss this with the ATO or refer to their website.

### Income from assets and investments

Any assets or investments and their relevant returns need to be declared as if they were in Australia. This may include: interest from bank deposits or bonds, dividends from shares, royalties from intellectual property, rental income from real estate, pensions, annuities and lump sums from managed funds, income streams from super funds, and some foreign government pensions.

### Capital gains on overseas assets

Upon selling an asset that you own overseas, you may have to pay Australian tax. In cases where you owned the asset prior to becoming an Australian resident, the asset is treated as being acquired at the time you became a resident. Similarly, if you cease being a resident, then the asset is treated as being disposed of at the time you cease residency. As this is a complex area of tax law, it is beneficial to keep appropriate records of the asset.

You will receive a foreign income tax offset if you have already paid tax in another country. In order to be eligible for the offset, you should have paid the tax overseas and have records to prove it has been paid.



## Correcting a mistake on your tax returns

It can be frightening to realise you made a mistake in your tax returns after you've already submitted them, but luckily there are ways to correct your mistake!

Individuals are able to lodge an amendment through their myGov account by selecting 'ATO online services' and then 'manage tax returns'. Importantly, you should wait until your original tax return or any other amendments have been processed before you submit a consecutive amendment.

The online amendment will take 4 weeks to be processed once it has been lodged. But if you make an amendment in writing, then it can take up to 10 weeks to process.

Your registered tax agent is also able to amend your tax returns.

Updates for both your tax returns and amendments will be visible on the myGov website. These will alert you of the progress being made and at the end will show the amount of money issued for your claim.