

Practice Update

June 2021

Cryptocurrency under scrutiny

The ATO is concerned that many taxpayers believe their cryptocurrency gains are tax-free, or only taxable when the holdings are traded back into Australian dollars.

ATO data analysis shows a dramatic increase in trading since the beginning of 2020, and has estimated that there are over 600,000 taxpayers that have invested in crypto-assets in recent years.

This year, the ATO will be writing to around 100,000 taxpayers with cryptocurrency assets explaining their tax obligations and urging them to review their previously lodged returns. The ATO also expects to prompt almost 300,000 taxpayers as they lodge their 2021 tax return to report their cryptocurrency capital gains or losses.

Gains from cryptocurrency are similar to gains from other investments, such as shares. CGT also applies to the disposal of non-fungible tokens ('NFTs').

The ATO matches data from cryptocurrency designated service providers to individuals' tax returns, helping it to ensure investors are paying the right amount of tax.

"The best tip to nail your cryptocurrency gains and losses is to keep accurate records including dates of transactions, the value in Australian dollars at the time of the transactions, what the transactions were for, and who the other party was, even if it's just their wallet address,"

Assistant Commissioner Tim Loh said.

Businesses or sole traders that are paid cryptocurrency for goods or services will have

these payments taxed as income based on the value of the cryptocurrency in Australian dollars.

Holding a cryptocurrency for at least 12 months as an investment may mean the holder is entitled to a CGT discount if they have made a capital gain.

Temporary reduction in pension minimum drawdown rates extended

The Government has announced an extension of the temporary reduction in superannuation minimum drawdown rates for a further year to 30 June 2022.

As part of the response to the coronavirus pandemic (and the negative effect on the account balance of superannuation pensions), the Government reduced the superannuation minimum drawdown rates by 50% for the 2019/20 and 2020/21 income years.

This 50% reduction will now be extended to the 2021/22 income year.

Super Guarantee rate rising from 1 July 2021

The super guarantee rate will rise from 9.5% to 10% on 1 July 2021, so businesses with employees will need to ensure their payroll and accounting systems are updated to incorporate the increase to the super rate.

ATO warns on 'copy/pasting' claims

The ATO is alerting taxpayers that its sights are set on work-related expenses like car and travel claims that are predicted to *decrease* in this year's tax returns.

Assistant Commissioner Tim Loh noted that COVID-19 has changed people's work habits, so the ATO expects their work-related expenses will reflect this.

"We know many people started working from home during COVID-19, so a jump in these claims is expected," Mr Loh said.

"But, if you are working at home, we would not expect to see claims for travelling between worksites, laundering uniforms or business trips."

The ATO will also look closely at anyone with significant working from home expenses, that maintains or increases their claims for things like car, travel or clothing expenses:

"You can't simply copy and paste previous year's claims without evidence."

"But we know some of these unusual claims may be legitimate. So, if you explain your claim with evidence, you have nothing to fear."

Family assistance payments

The ATO has reminded individuals receiving Child Care Subsidy and Family Tax Benefit payments from Services Australia that they and their partners **must** lodge their 2019/20 Individual tax returns by 30 June 2021. Lodgment deferrals with the ATO do **not** alter this requirement.

Services Australia needs such individuals' income details to balance payments for Child Care Subsidy and Family Tax Benefit.

If tax return lodgment is not made by 30 June 2021:

- clients receiving Child Care Subsidy may lose their ongoing entitlement and/or receive a debt from Services

Australia and have to repay the amount received in the 2019/20 financial year; and

- clients receiving Family Tax Benefit may miss out on additional payments, may also receive a debt from Services Australia and/or may have their fortnightly payments stopped.

Small Business Superannuation Clearing House

The ATO has advised employers intending to claim a tax deduction for super payments that they make for employees in the 2020/21 income year that any such payments must be accepted by the Small Business Superannuation Clearing House ('SBSCCH') on or before 23 June 2021.

This allows processing time for the payments to be received by their employees' super funds before the end of the 2020/21 income year.

Car parking threshold for 2022 FBT year

The car parking threshold for the FBT year commencing on 1 April 2021 is \$9.25.

This replaces the amount of \$9.15 that applied in the previous FBT year commencing 1 April 2020.

Luxury car tax thresholds

The ATO has updated the luxury car tax ('LCT') thresholds for the 2021/22 financial year.

The LCT threshold for **fuel efficient vehicles** in 2021/22 is \$79,659 (up from \$77,565 in 2020/21) and the LCT threshold for **other vehicles** in 2021/22 is \$69,152 (up from \$68,740 in 2020/21).

Note: These thresholds determine whether LCT is payable, and are different from the luxury car depreciation limit of \$60,733 for 2021/22.

New ATO data-matching programs involving property

The ATO has advised that it will engage in two new data matching programs dealing with property transactions, as outlined below:

- The ATO will acquire **property management data** from property management software providers for the 2018/19 through to 2022/23 financial years (relating to approximately 1.6 million individuals); and
- The ATO will acquire **rental bond data** relating to approximately 350,000 individuals from state and territory rental bond regulators bi-annually through to 30 June 2023.

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