



8 Things You Don't Want To Forget This Tax Time

When people think tax returns, the most obvious income streams come to mind - your current income from your job, and the tax claims you are entitled to make.

However, there's usually more than one string to your income bow and many people simply forget about them – with the ATO though, there's no excuse. You have to declare it all, so here are the top 8 streams of income you need to be aware of. It's not all doom and gloom, though. By declaring these income streams you may be able to claim more deductions than you first thought.

Part 1: Employment income

Part 2: Super pensions, annuities and government payments

Part 3: Investment income (including interest, dividends, rent and capital gains)

Part 4: Business, partnership and trust income

Part 5: Foreign income

Part 6: Crowdfunding

Part 7: The sharing economy and tax

Part 8: Other income, such as:

- compensation and insurance payments
- discounted shares under employee share schemes
- prizes
- awards

So, let's start with our #1 Top Tax Income Stream.

Top Tax Income Stream Part 1

Employment income

Employment income is money you receive from working. You may be paid with cash, transferred into your bank account, or in another way.

Regardless of whether you have one, two, three jobs or more, work full time, part-time or are a casual worker, you'll need to make sure all of your employment income is included on your tax return.

The most common types of employment income is salary and wages. Salary and wages includes:

- your normal weekly, fortnightly or monthly pay
- commissions
- bonuses (including retention bonuses to remain with your employer)
- money for part-time or casual work
- parental leave pay
- dad-and-partner pay
- payments from
- an income protection policy
- a sickness or accident insurance policy
- a worker's compensation scheme
- pay and allowances for continuous full-time service in the Australian Naval, Army or Air Force Reserve
- foreign employment income – if you are an employee of an Australian Government agency

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(and not a member of a disciplined force), include income earned from delivering Australian official development assistance.

Include all of your jobs

Don't forget, if you've changed jobs during the financial year you'll need to bring in a record for each job. Even if you've worked twenty jobs, you'll need to round up all individual income statements from your employer – they all count towards your overall income.

Include all of your records

You'll want to bring in all your receipts to back up your claims – some might just surprise you. It's a good idea to speak to your tax agent throughout the year. They can tell you what records to keep and what you should be claiming so you're in the know come tax time. It's your money, you should claim everything you're entitled to.

Top Tax Income Stream Part 2

Super Pensions, Annuities and Government Payments

Superannuation income streams

There are many forms of income, and superannuation, annuities and government payments make up three of them. These payments could include a lump sum payout, or an amount received as a pension. This doesn't include government payments such as the age pension.

Superannuation income streams include Australian super funds, life assurance companies or retirement savings accounts (RSA) providers, or established Public Sector Superannuation Schemes. You'll also need to declare a death benefit income stream if you have one.

Your tax return will require the details of your taxed, untaxed and tax-free component of your superannuation payment, from which your tax agent will calculate your assessable income. You may be eligible to receive a tax offset – which have recently changed.

Annuities

An annuity is usually a series of regular payments to you by a life insurance company in return for a lump sum payment. Most annuities have both taxable and tax-free components.

Your assessable income will include your taxable annuity payments received. This includes annuities received by you as a reversionary beneficiary (the person who will continue to receive a member's pension when the member dies)

Government payments

The age pension, carer payments, Austudy, Newstart and Youth Allowance should be included on your tax return as declarable assessable income. Some Government payments will be exempt and your tax agent can assist with determining what these payments are.

Investment Income

Investment income that is either paid directly to you or through a partnership distribution or trust is declarable. If in doubt, you can contact your ITP The Income Tax Professional Tax Agent throughout the year for free. They'll be able to advise you with any questions you may have.

Top Tax Income Stream Part 3

Investment Income

Interest

Receiving interest is deemed income, as you are the recipient and beneficiary of payments. There are many forms of interest you may receive, some of which are commonly overlooked by many people.

This includes interest from:
a financial institution

- term deposits
- interest on investments
- children savings accounts
- credited interest
- life insurance bonuses
- foreign income sources

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- interest from trust accounts where an estate agent has held onto the proceeds from the sale of your home

Dividends

A dividend doesn't always mean a monetary payment. Property, shares, reinvestments or credits paid with shares, or from a company issuing shares, can form dividends.

Dividends come from many avenues, such as:

- listed investment companies
- public trading trusts
- corporate unit trusts
- corporate limited partnerships
-

Some dividends have imputation or franking credits attached that you must also declare on your tax return. You'll be entitled to a franking tax offset if a company pays you or credits you with dividends that have been franked.

Rent

Rent qualified as an income stream. Whether or not you rent a room, a house or a holiday hide-a-way, it's still an assessable income. Lesser known income rent streams include the return of unused bond money, an insurance payout, booking fee or reimbursement for repairs. It's not limited to money. Goods and services in lieu of rent are also declarable in which a monetary value is given.

If you are a co-owner in a property, your share of the rent and expenses need to be lodged on your tax return.

Managed investment trusts

Managed investment funds include cash management trusts, money market trusts, mortgage trusts, unit trusts and any managed funds.

Capital gains

A capital gain is the difference between your asset's cost base (what you paid for it) and your capital proceeds (what you received for it). A capital gain is recognised as part of your total income and is not taxed separately. It is deemed a component of your whole assessable income.

Business, partnerships and trust income

Business income includes cash and any other form of goods or services you receive as an income. There are many possible forms and it can get confusing. Your tax agent will be able to shed light on what forms a business income and will guide what your obligations are and how you should report them. No need to be stressed.

Top Tax Income Stream Part 4

Business

Income as an individual running a business

According to figures released by the Australian Bureau of Statistics, there are 2.3 million actively trading businesses in Australia in June 2018 (and increase of 3.4% from June 2017). This is a fifth consecutive year of growth of businesses in the Australian economy. You may be one of them!

Sole traders and Companies

Sole trader businesses and companies both have different tax and legal implications. A sole trader is taxed at the personal income tax rate and there are a myriad of claims you may be eligible for. There have been recent changes to the tax rates and your tax offset probably will change this financial year, as will your claims.

PAYG

After you have claimed all of your eligible expenses, you then declare your income. If you are a new business then quarterly as Pay-As-You-Go (PAYG) instalments will not be calculated by the ATO until after you lodge a tax return with a profit.

If your business is a company, it must lodge its own tax return and is taxed as a separate legal entity. If there is an associated trust, the trust must lodge its own tax return too. There is no tax-free threshold for a company business structure. The company tax rate is currently 30% or 27.5% if you are a base rate entity.

Income from a partnership

A business partnership doesn't pay tax on its income, but a tax return should still be lodged when declaring

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income earned and expenses deducted. This will show the distribution of the net income or loss between the partners.

Each partner must declare their individual share of the partnerships net income on their tax return, regardless if they have received the income. Any capital gains made by a partnership are distributed to each partner based on the share in the business. Capital gains tax (CGT) is calculated in an individual's tax return and not on the partnership.

Income from a trust

A trust is not a separate legal entity, but the trustee must lodge a tax return for the trust. Beneficiaries must declare the amount of income that they are entitled to and then must pay the income tax, along with their other income streams, even if they do not receive the income in that financial year.

You don't need to declare a trust distribution if family trust distribution tax has already been paid.

Small business

Small business forms a large percentage of the Australian economy and many people earn their main stream of income from their own business. It's important to be current with the laws and regulations. You'll know what your obligations are, but you'll also be that savvy business owner who knows what claims they can make.

Your tax agent is an important partner for any small business owner. What's more, if you're a customer of ITP The Income Tax Professionals, you can contact your professional any time during the year for instant hints and money saving tips – for free! There's no doubt, that's a good investment.

There's no doubt that lodging a tax return can be complex, especially when several streams of income need to be declared. Tax agents are fully certified accountants who have specialised in tax law. They understand the latest changes and what you need to include on your return – even if you don't. All ITP Income Tax Professionals are registered with the Tax Practitioners Board of Australia. Book an appointment and speak to a professional today.

Top Tax Income Stream Part 5

Foreign income

Australia is a proud multicultural country and is open to many international streams of income. Residents often work overseas and many overseas residents are accepted to work in Australia on visas. Many love this country so much, they stay – but their income remains overseas.

If you're travelling, taking a working holiday or decide to stay, worldwide foreign income earned as an Australian resident (for tax purposes) is taxable and should be declared in your tax return.

There are many forms of foreign income

Foreign income can include:

- salary and wages
- directors fees
- consultancy fees
- business income
- any other remuneration
- pensions and annuities
- business income
- employment and personal services income
- assets and investment income – including offshore bank accounts
- capital gains on overseas assets
- 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
- some government pensions

Intricate tax laws to prevent double taxing

The laws governing foreign income can be quite intricate and it all must be declared when you lodge your tax return. You may or may not have to pay tax, but it will affect other things like your tax offsets, or other government benefits you're entitled to receive.

Income earned overseas may be taxed by the country from which it was earned, however you will still need to include the gross income before foreign tax when you lodge your return. The foreign tax can be claimed as a credit or offset your tax payable to prevent

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double taxing. If you have foreign income that you have not disclosed, you may be liable to penalties and interest charges.

Tax offsets

You must satisfy certain criteria to be eligible for a foreign tax credit if you have paid tax on the income overseas and have records to back your claims. If you're not an Australian resident for tax purposes, you are only taxed on your Australian-sourced income, so you generally don't need to declare income you receive from outside Australia in your Australian tax return.

Australian dollars

It pays to remember that foreign income is converted into Australia dollars and tax offsets applied in Australian dollars. The differences in financial years in other countries may be different to the Australian financial year. You may need to report multiple tax returns when you lodge your claim.

Top Tax Income Stream Part 6

Crowdfunding

Most businesses don't even think about paying taxes on crowdfunding – that is until they're face to face with their tax agent. There should be no surprise that with the lifting of Australian restrictions in early 2018, crowdfunding is seen as a valid way to build an income. In fact, the A\$111bn global crowdfunding market is projected to continue growing at 19% over the next four years. That's a lot of growth.

If you earn or receive any money through crowdfunding, some or all of it may be assessable (taxable) income, depending on the arrangement, your role and circumstances in it. All assessable income needs to be declared on your tax return.

What is Crowdfunding?

Crowdfunding is a way for people, businesses and charities to raise money. Organisations or individuals invest in or donate to crowdfunding projects and receive a profit or reward. Internet platforms, mail-based subscriptions, benefit events and other methods to find supporters is utilised.

Tax consequences of Crowdfunding

If income is raised through crowdfunding, it is deemed taxable income and you might even need to pay GST on earnings. If money raised is taxable income, you'll need to declare it in your tax claim.

There are usually three parties who take part in a crowdfunding arrangement:

- The initiator who starts or manages the crowdfunding campaign
- The organisation who provides the platform to run the campaign
- The individuals who contribute money towards the campaign
- Each party may have income tax and GST obligations depending on circumstances.

How is money raised?

There are four main models of crowdfunding. Each uses a different strategy to attract funding and may have different tax consequences for the parties involved.

Donation-based crowdfunding – the contributor makes a payment or donation without receiving anything in return

Rewards-based crowdfunding – the promoter receives a rewards in return for the contributors payment

Equity-based crowdfunding - the contributor makes a payment in return for a share in the company which involves certain rights to the company

Debt-based crowdfunding – the contributor lends money to the promoter who pays interest and makes repayments

Crowdfunding and Income Tax

Crowdfunding is basically a business model as taxable income is raised and should be declared. There will also be deductions that the initiator may be eligible for. The tax laws that relate to any financial activity will apply in the same way to a crowdfunding model of business.

As with any business venture, records, receipts and all transactions should be kept for a period of five years.

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Top Tax Income Stream Part 7

The Sharing Economy and Tax

The internet has opened up so many avenues for earning an income. Drive on the weekends and book with Uber? Rent your tools through Toolmates? Your holiday house through HomeAway or AirB&B? Rent out your caravan through Campify?

Common sharing economy services in Australia include:

- 'ride sharing' services for a fare (Uber, SheSafe, Shebah, GoCatch, Ola and Taxify)
- delivery services for a fee (Deliveroo, UberEats, Zoom2u and Sendle)
- personal services, including creative or professional services like graphic design and creating websites, or odd jobs like furniture assembly (Airtasker, Expert360, Freelancer, UpWork, Sidekicker, Helping, Hipages, Mad Paws, Mynder and Wipehero).

Third party web sites

If you use a third party web site to do any of those things, you're taking part in the shared economy. In fact, it's one of the fastest growing industries in the world today. Savvy you.

It's not just limited to hiring equipment. Professional and personal services are also a part of the shared economy. Any work that requires specialist skills, like plumbing, accounting, copywriters can be freelanced and is known as the 'gig economy'.

Powerhouses like Fiverr, Upwork, and TaskRabbit create value by providing a fast, friendly, and secure platform on which people or businesses can find contractors for hire. Freelancers can earn extra money sharing their trade skills and expertise—not unlike owners renting access to their home or car owners sharing rides. It's an up and coming trend for professional 'side hustles'.

All deemed personal income

However you earn it, it is all deemed personal income. If you provide services or assets through a platform for a fee, you need to consider how income tax and goods and services tax (GST) may apply to your earnings.

If you pay a fee, you'll be entitled to claim it come tax time but it can get confusing knowing what you can and can't claim under these circumstances. The good news is that help is at hand. ITP registered tax agents are all over the shared economy and know what you're entitled to claim – and how.

Tax agents are fully certified accountants who have specialised in tax law. They understand the latest changes and what you need to include on your return – even if you don't. So, if you're a side hustler, a renter or a driver, speak to someone who knows.

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Top Tax Income Stream Part 8

Other Income

Even though you might think that receiving an insurance payout or are claiming workers compensation is not an income, the ATO does regard it as such. These payments may impact your tax, but there are claims that you are entitled to make when you do declare these types of payouts.

Compensation and insurance payments

Insurance payouts include insurance for lost salary or wages under an income protection insurance policy, a payout for sickness or accident insurance policy or workers compensation scheme.

A personal injury claim with an agreement to a settlement, or a favourable court order in which you receive compensation in the form of a lump sum payment, structural (periodic) payments (or both) are tax-free if certain conditions are met.

Rules and regulations

There are rules that apply to these payments that will affect your tax claims.

Keep in mind to check that tax has been withheld from payments made to you under an income protection, sickness or accident insurance policy that you own as a policyholder before you lodge your return. If tax has not been withheld, then you'll need to declare the payments listed as 'other income' on your tax return.

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Prizes and awards

If you've won a prize on 'Hot Seat' or maybe you've cooked up a delectable dish and won a cooking prize on 'Masterchef' – go you! But you may need to declare it on your tax return. In fact, any prize you've won from a draw or lottery run by your bank, building society, credit union or other investment body must be declared. This includes cash, low-interest or interest-free loans, holidays or cars.

If you've won prizes as a game show contestant, you only need to declare them if you've made regular appearances or received fees from the game show. However, if you've won through an ordinary lottery, such as lotto draws and raffles, all you have to do is worry about how you're going to spend the money. They don't need to be included.

If you've made a profit from selling that house or boat (or any prize) that you've won, the proceeds will need to be declared.

Income from rendering personal services

Have you received a grant? Offer personal services, such as law advice, medical, design, finance accounting and even performing arts either to individuals or groups for compensation? You may not have received a direct income, but you may be eligible to deduct business expenses.

ATO interest – remissions or recoupments

If you've been the recipient of interest from the ATO, you can claim a deduction for that interest.

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ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.



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