

Practice Update

May 2025

How to manage business day-to-day transactions

The ATO has the following tips for small business owners *"that can make your tax life easier"*:

- They should keep an eye on upcoming expenses, and regularly update their books and reconcile their accounts.
- They should set aside the GST they collect (e.g., by transferring it into another bank account within the business to keep it separate from their cash flow).
- They can also set their PAYG withholding and super aside, so they will have the funds available when payments are due.
- They should plan ahead and schedule time in their calendar to prepare their business activity statement ('BAS'), and lodge and pay their BAS on time.

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

Minimum pension drawdown reminder

An SMSF must pay a minimum amount each year to a member who is receiving an account-based pension.

This minimum amount is calculated by applying the relevant percentage factor based on the member's age by the member's pension account balance calculated as of 1 July 2024, or on a pro-rata basis if the pension commenced part way through the 2025 financial year.

If the minimum payment is not made by 30 June, this could result in adverse taxation consequences for the member.

How to avoid common CGT errors

The ATO wants taxpayers to know that having a foreign resident capital gains withholding ('FRCGW') clearance certificate does **not** mean they do not have any further CGT obligations.

If taxpayers have sold property, they still need to include capital gains, losses or an exemption or rollover code in their tax return.

Editor: If an amount of FRCGW was withheld from the property sale, you should let us know and provide the 'FRCGW payment confirmation' from the purchaser.

Where you have lived in a property for any period during your ownership period you should provide us with the full details so we can determine the correct application of the main residence exemption.

Keeping not-for-profit records up to date

Taxpayers should remember that they are legally required to keep certain records for their not-for-profit ('NFP').

All organisations including NFPs are required to keep accurate and complete records of all transactions relating to their tax and superannuation affairs.

Generally, for tax purposes, taxpayers must keep their records in an accessible form (either printed or electronic) for **five years**.

Records that NFP taxpayers are required to keep include:

- ◆ governing documents;
- ◆ financial reports;
- ◆ documentation relating to grants; and
- ◆ registrations and certificates.

A good record keeping system will help taxpayers run their NFP successfully and manage their tax and super obligations.

If a taxpayer's NFP is endorsed as a deductible gift recipient ('DGR'), they must keep records that explain all transactions and other acts relevant to their organisation's status as a DGR.

This requirement applies to both endorsed DGRs and listed by name DGRs.

Increase to rate for working from home running expenses

PCG 2023/1 outlines the ATO's new method ('the fixed-rate method') for calculating additional running expenses while working from home, which has applied from 1 July 2022.

Editor: This guideline was recently updated to increase the work from home fixed rate from 67 cents to 70 cents per hour from 1 July 2024.

The fixed-rate method allows taxpayers to claim at a rate of 70 cents per hour for the following additional running expenses for working from home:

- ☐ energy expenses (electricity and gas) for lighting, heating, cooling, and electronic items used while working from home;
- ☐ internet expenses;
- ☐ mobile and home phone expenses; and
- ☐ stationery and computer consumables.

However, PCG 2023/1 does not cover occupancy expenses relating to a home, such as rent, mortgage interest, property insurance and land tax.

Taxpayers are not required to use the above fixed-rate method — as from 1 July 2022, they can instead continue to claim the actual expenses they incurred as a result of working from home and keep all records necessary to substantiate their claim.

Truck driver entitled to claim meal expenses

In a recent decision, the Administrative Review Tribunal ('ART') upheld a truck driver's claim for meal expenses, notwithstanding that those expenses had not been fully substantiated.

The taxpayer was employed as a long-haul truck driver in Western Australia. He was away from home for considerable periods each year.

The taxpayer sought a deduction for meal expenses of \$32,782 in the 2021 income year, apparently calculated by multiplying the number of days he was away from home (310) by the maximum reasonable daily allowance under Taxation Determination **TD 2020/5**.

The ATO only allowed the taxpayer a deduction for meal expenses of \$5,890 based on a review of his logbook, fatigue diary and bank statements. This was an average of \$19 per day multiplied by 310.

The ART found on the balance of probabilities that the taxpayer incurred the claimed expenditure, and it found that the taxpayer had met his burden of proof.

In this regard, the ART determined that the taxpayer incurred the disputed expenses in gaining or producing his assessable income, and it did not agree with the ATO that there was an insufficient linkage between the expenditure on bank statements and the taxpayer's work.

The ART held that the exception to the substantiation provisions applied to the taxpayer, as:

- a travel allowance was paid by the taxpayer's employer which covered the expenses;
- the taxpayer incurred the expenditure in gaining or producing his assessable income; and
- the expenditure fell within the ATO's reasonable travel amounts set out in TD 2020/5.

The ART accordingly allowed the taxpayer's claim for travel expenses in full.

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.