



Media release

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2020 has been difficult but your tax return doesn't need to be

The Australian Taxation Office (ATO) recognises that the community has experienced significant challenges this year. The ATO's support and guidance should make tax time easier, particularly where new circumstances mean that people are receiving a different type of income or able to claim new deductions.

Assistant Commissioner Karen Foat said the ATO has a range of different approaches to support taxpayers and the community through this tax time.

"We know many of our clients and their agents will have questions about how different types of income and expenses may affect their obligations this year. We're helping to make sure people know how to get it right.

"We have published information on our website to help you get it right when lodging this year, including the 'Tax Time Essentials' page which is a one stop shop for the things that are a little different this year and how they impact your return.

"If you've read through the information on our website and still have a question, search our online forum 'ATO Community'. This forum is available 24 hours a day and we have a great community of expert members who respond to questions. In a lot of cases, there's an ATO-endorsed response to help you. If not, post it yourself and we'll have a response back to you as quick as we can."

How has COVID-19 impacted work-related expenses?

"This tax time the ATO expects to see a substantial increase in people claiming deductions for working from home or for protective items required for work," Ms Foat said.

Working from home expenses

The ATO has already announced a temporary 'short-cut method' that applies from 1 March 2020 to 30 June 2020. The short cut method makes it easier for the millions of Australians who have incurred some form of expense for working from home as a result of COVID-19. It covers all deductible expenses and can be used by multiple people working from home in the same house. People claiming their working from home expenses using the shortcut method, should include the amount at the 'other work-related expenses' question in your tax return and include 'COVID-hourly rate' as the description.

"If you use the shortcut method, all you need to do is keep a record of the hours you worked from home as evidence of your claim. But it is all inclusive, meaning you can't claim for any other working from home expenses," Ms Foat said.

Taxpayers can still choose to use one of the other existing methods to calculate their expenses for working from home if they prefer.

Protective clothing

Another deduction some people might be claiming due to COVID-19 is expenses for protective items required for work.

“Taxpayers working in jobs that require physical contact or close proximity with customers or clients during COVID-19 measures may be able to claim a deduction for items such as gloves, face masks, sanitiser or anti-bacterial spray if they have paid for the items and not been reimbursed. This includes industries like healthcare, retail and hospitality” Ms Foat said.

You still cannot claim travelling from home to work

“Generally, most people cannot claim the cost of travelling to and from work and working from home as a result of COVID-19 does not change this. For example, if you are working from home because of COVID-19 but need to go to your regular office one day per week, your home to work travel is still private travel and cannot be claimed,” Ms Foat said.

Reduce claims that aren't relevant for part of the year

“With more people working from home, working reduced hours or unfortunately not working at all, we expect to see claims for laundry expenses or travel expenses decline this year,” Ms Foat said.

“If you aren't travelling for work, you can't claim travel expenses. If you aren't wearing your work uniform, you can't claim laundry expenses. It's still important to meet the three golden rules: you must have spent the money and not have been reimbursed, it must relate directly to earning your income, and you must have a record to prove it.

“What you can claim really depends on your circumstances. Whilst we are trying to make it easier for people to claim what they are entitled to; we are also asking people to take a bit of extra care if their circumstances have changed this year.” Ms Foat said.

What if my income is different?

JobKeeper and JobSeeker

Taxpayers who have received JobKeeper payments from their employer, don't need to do anything different. The payments will be included as salary and wages and/or allowances, in their regular income statement, which their employer provides directly to the ATO.

“Your income statement can be accessed via myGov and the information is automatically included into your tax return by the end of July. If you use a tax agent, they also have access to this information. The figures in your income statement should already include any JobKeeper you have received. If you aren't sure, check with your employer.

Sole traders who have received the JobKeeper payment on behalf of their business will need to include the payments as assessable income for the business.

If you have received JobSeeker, the ATO will also load this information into your tax return at the Government Payments and Allowances question once it's ready. If you are lodging before this information is included for you, you will need to make sure you include it. Leaving out income can slow your return down or result in a bill later so it's definitely best avoided.

Stand down payments

Some employees may have received a one-off or regular payment after being temporarily stood down due to COVID-19. These payments are also taxable and appear in their income statement and in their return. If people aren't sure whether these amounts have been included in their income statement, they should check with their employer.

Other income types

Similarly, taxpayers need to include income such as income protection, sickness or accident insurance payments, redundancy payments and accrued leave payments in their tax return. The tax return instructions explain how to include these amounts.

Early access to superannuation

“If you received early access to your super this year under the special arrangements due to COVID-19, any amounts you’ve withdrawn from super under this program are tax-free and you do not need to declare them in your tax return,” Ms Foat said.

Additional information

The ATO recognises that things are different this year, so we have developed some useful resources including:

Tax Time Essentials, available at: <https://www.ato.gov.au/taxessentials>

Examples

Example 1 – Barista receiving JobKeeper

Ethan is an employee who works as a barista. After being financially impacted by COVID-19, the café Ethan works for enrolled to receive JobKeeper payments on his behalf.

The café continues operating as takeaway only and Ethan is given some hand sanitiser for use during his shifts. He also purchases a face mask, which he is not reimbursed for. When he completes his tax return, he claims the cost of the face mask, ensuring he keeps his receipt as proof of his purchase.

He also checks that his salary and wages and allowances on his income statement are up to date, including JobKeeper payments made to him by the café. Ethan needs to confirm that his total salary and wages and any allowances are included in his tax return. Generally, this will be included in his return by the ATO by the end of July and will include JobKeeper payments.

Example 2 – IT contractor working from home

Natalie is employed by a company that provides IT support. From time to time Natalie must drive her car from the office to the client’s premises and assist them on site. Due to COVID-19, Natalie started working from home on 23 March and was only able to provide phone support to clients. Natalie purchased a new headset and stationery, as well as incurring additional phone and internet costs while working from home.

Natalie decides to claim all her working from home expenses using the new temporary rate of 80 cents per hour. She uses her time sheets to calculate the hours she worked from home between 23 March and 30 June.

When she completes her tax return, Natalie makes sure she only claims a deduction for the car expenses she incurred when travelling from the office to the client’s premises. As Natalie worked solely from home for approximately three months of the year, mostly supporting clients over the phone, her claim for car expenses this year is less than her claim for last year.