TAXMATTERS

tax strategies for you and your business

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Collins & Co
BUSINESS & WEALTH ADVISORS

Tax Consequences Of Cryptocurrency

Cryptocurrency is a hot topic of discussion at the moment within the taxation industry.

There are people out there that are making millions of dollars. It is not our position to say whether it is a good idea or a bad idea to invest in crypto, but it is our job to teach you about the tax consequences of the digital asset, which can be fairly complicated.

Crypto may seem like just another form of money to you, but to the Australian Taxation Office (ATO), it certainly isn't.

From their point of view, cryptocurrency is just another type of asset that people invest in, just like when they invest in shares. The tax treatment is fundamentally the same. If you buy for a dollar and then sell for $11 dollars then you have to deal with a ten dollar profit. That profit could be a capital gain or it could be quantified as simple business income.

So what makes the difference?

If you are a simple investor in crypto, you may have bought $10,000 worth of the currency, and held onto it for five years to then sell it for say, $25,000. The $15,000 "profit" from that sale would most likely then be treated as a capital gain. You would be required to pay tax on half of that capital gain at your marginal rate.

But let's say you are trading in crypto on a regular basis as well as mining for coins. This might indicate that you are actually in the "business" of trading crypto (just as people can be in the business of share trading). In this case, you are taxed on your profits as income and not as capital gains.

This usually wouldn't make a big difference, as a trader does not tend to hold their stock for more than a year. This means that they would not be entitled to the capital gains tax discount, as it requires you to hold the asset for more than 12 months to be eligible.

It is also very important to understand that the ATO receives the trading data from all the crypto trading houses (including overseas trading houses. You won't be able to get away without declaring any trading profit from any crypto that you own.

If you are unsure as to how to treat your crypto gains and losses, please come and have a chat with us.

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Record-Keeping Tips For Your Next Tax Return

Did you know that lost receipts are costing 25 per cent of Australian small businesses up to $10,000 a year when it's tax time, with 8 per cent reporting a loss of up to $100,000 from lost receipts? It's an outcome from a study released by NAB and Australian fintech firm Slyp, which you can learn from to prepare you or your business for your next tax return and avoid being a part of next year's statistics.

It might not seem like much, but making sure that you have all of your records ready for us to do your tax return (be it as an individual or as a business) makes our job a lot easier. It can also benefit you, as we will be able to find exactly what we need to help you get appropriate deductions, claim expenses and generally fulfil your tax obligations.

Here are a few efficient ways to employ record-keeping to prevent lost receipts, come tax return time:

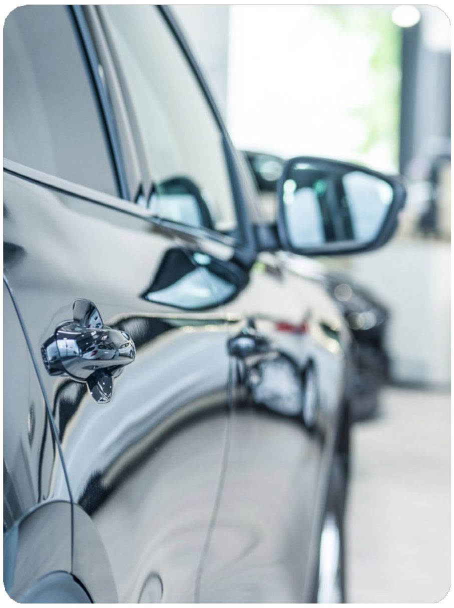
- The tried and true "shoebox method" of paper receipt collection
- Ask for digital receipts (if possible) and store them in a folder on your computer as well as a hard copy
- Ensure that evidence of Income Protection Insurance, investment expenses, rental property expenses and the cost of maintaining tax affairs is kept in a secure location for tax time
- Create documented evidence of work-related expenses (such as travel, motor vehicle expenses, etc) in a logbook or diary to assist in the long-term tracking of your taxable deductions

Some deductions and claims may require more specific information from you for proof, which we can determine if we have access to your receipts and records. Keeping copies of your receipts across multiple platforms (such as online, offline and hard copy) will ensure that there is always evidence to support your claims, even if something were to happen to one of the copies.

You can also speak with us regarding your specific tax obligations and tax return, and we can provide you with more information about what might be required from you in terms of record-keeping.

What To Avoid Doing When Making A Car-Related Tax Deduction On Your Return

Claiming car-related expenses as tax deductions might seem like the easiest way to get a larger return - but it's also one of the most carefully monitored. Here are a few tips on what you need to watch out for when claiming car-related deductions.



Claiming The Cost Of Your Commute

There are specific rules around travel to and from work when it comes to tax deductions and your work commute expenses for travel are not covered as a tax deduction. Public transport and travelling by car are not claimable as a tax deduction.

Claiming Expenses That Can't Be Backed Up

One of the most common mistakes that car owners can make is claiming car costs using the ATO's cents-per-kilometre method without the receipts and paperwork to back this up. Keeping accurate and tax-compliant vehicle logbooks is essential. Businesses and employees must be able to prove their vehicle-related claims to the ATO if asked. The impacts of COVID-19 may have adjusted the driving patterns of individuals, which should be reflected in the logbook.

Overlooking Depreciation

Depreciation is an accounting method of allocating the cost of a tangible or physical asset over its useful life or life expectancy. If you rented your car out on a share economy platform, or used it for work, rather than try to work out the depreciation of the asset yourself, speaking with someone like us can avoid any complications.

New Reporting Regime For Share Economy To Be Introduced

Share economy platforms, like Uber, Airbnb and Menulog will be required to report information of all transactions to the ATO under a new reporting regime to be introduced next year.

The share economy, or "gig economy" as it is also known, has become somewhat of a lucrative sideline for many who may be looking for a short or long-term solution to additional income.

Share economy platforms that relate to ride-sourcing or short-term accommodation services will be the first to adhere to the reporting regime and will be required to report these transactions from 1 July 2022. All other share economy transactions will fall under the new reporting regime from 1 July 2023.

If you are a share economy worker or use the gig economy to supplement your income, the to-be-introduced reporting regime will make it far easier for you to ensure that you are meeting your tax obligations, and reporting all of your income.