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Tips and traps for a COVID-19 tax return

MARDI HEINRICH

If you haven't already, now is the time to get your tax return sorted.

This year, given the COVID-19 economic shutdown, it is important for employees to be across some important changes implemented by the Australian Tax Office in response to the crisis.

For those who have relatively straightforward tax affairs and choose to do their own return, what are the main points that you need to be aware of?

DON'T FILE LATE

Missing that October 31 lodgement deadline can lead to financial penalties. Also note the tax payment due date three weeks after lodgement deadline (November 21). Paying your tax liability late is likely to give rise to interest charges being imposed by the ATO.

Most taxpayers lodge their return online via their myGov account. It helps streamline the process as most information from your employer, banks, government agencies, health funds and other third parties is pre-filled by late July.

If you are expecting a tax refund, lodging online should expedite receiving the money. The ATO usually issues refunds within two weeks where the return is lodged online. Manually processed paper returns can take up to 10 weeks.

This year, employers have reported through Single Touch Payroll, which refers to direct payroll reporting to the ATO on a real-time basis. This means you will not receive a payment summary from you employer and instead an income statement will be available via your myGov account by July 31.

MAXIMISE YOUR REFUND

Due to COVID-19 work arrangements, the ATO has introduced a shortcut for claiming working-from-home related tax deductions. From March 1 to June 30, you can claim 80 cents for each hour you work from home, provided you are carrying out your ordinary employment duties and incurred additional running expenses as a result.

Tip: It is important to keep a record of the hours you have worked from home.

Trap: If you elect to use this method, you will be unable to claim any other expenses for working.

You may elect to continue to use the existing methods available to calculate your deduction (e.g. the fixed-rate method of 52 cents per hour, or the actual cost method). You can choose whichever of the three methods that provides the most beneficial tax outcome.

SUPER CONTRIBUTIONS

You no longer need to "salary sacrifice" super contributions in order to reap tax savings. All individuals under 75 years (including those aged 65-74 years who meet the prescribed work test) are now eligible to claim a tax deduction for personal super contributions to an eligible fund.

In order to claim a deduction, you need to provide your super fund with a "notice of intent to claim" on or before the day the 2019-20 tax return is lodged, or June 20, 2021, whichever is earlier.

Trap: Be aware of the concessional contributions cap – currently \$25,000 – and limit deductible contributions to the cap amount to avoid paying excess concessional contributions tax.

TAX DEDUCTIBLE GIFTS

Ensure you have picked up all donations made during the year to deductible gift recipients. Taxpayers often forget to claim them because they forget to keep a record. With increased use of electronic receipts via email, the ability to locate these receipts has become easier.

Mardi Heinrich is a tax partner at accounting firm KPMG

Best performing fund managers during the downturn

JOHN COLLETT

Despite sharemarket volatility as investors came to grips with the implications of the global COVID-19 pandemic, some active fund managers still achieved stellar investment returns of 20 per cent or more in the 2019-20 financial year.

The latest Mercer report for managed funds that invest in Australian shares shows that those who invested heavily in the healthcare and technology sectors tended to perform the best, while those heavily weighted to energy and financials did worst.

Mercer Pacific head of portfolio management Ronan McCabe says investment reaction to the coronavirus has been unprecedented but healthcare performed well as the market focused on healthcare solutions.

A favourable view towards online and remote working products and services provided a major boost for technology related shares, he says.

Mercer publishes returns for investment funds before fees and taxes are deducted, which means investors actually receive less in their pockets than stated returns.

QVG Long Short fund topped the table of Australian share funds with a 29.3 per cent return. The Australian sharemarket returned minus 7.7 pe cent over the period.

Chris Prunty who co-founded QVG Capital in 2017 with Tony Waters, said investing in smaller companies was a major fillip.

"We had a positive tilt to technology and payments businesses like 'Buy Now Pay Later' provider Afterpay, IT service provider Data#3 and accounting software firm Zero, which all contributed to the strong return," he said.

The fund is different to many others in that it not only invests in companies in which it believes the share price will shine but it also takes "short" positions which, when correctly called, makes money when share prices fall.

MANAGED FUNDS DO WELL IN TOUGH TIMES

Australian shares ranked by one year return to 30 June, 2020 (%)

	Manager/fund	1 year %	3 years %	3 years Rank	5 years %	5 years Rank
1	QVG Long Short	29.3	-	-	-	-
2	Hyperion Australian Growth	19.0	14.6	(4)	13.3	(6)
3	Collins St Value Fund	13.5	-	-	-	-
4	Platypus Australian Equities	11.9	14.5	(5)	13.7	(4)
5	Katana Australian Equity Fund	11.2	11.4	(10)	9.3	(14)
6	Panther Trust Australian Shares	11.1	16.8	(1)	-	-
7	Australian Eagle Long Short	9.4	-	-	-	-
8	Bennelong Concentrated Equities	9.0	10.7	(12)	15.5	(2)
9	ECP AM All Cap	8.4	14.6	(3)	-	-
10	Bennelong Core Equities	7.1	12.1	(9)	12.3	(7)

SOURCE: MERCER

The fund had short positions in satellite communications business Speedcast as well as companies that operate in the hard-hit international travel sector most affected by the coronavirus pandemic.

Speedcast shares were changing hands for more than \$4 a year ago but plunged to just 79 cents in January before they went into a trading halt. The firm later filed for bankruptcy protection in the US.

The Prime Value Emerging Opportunities Fund topped the Australian Small Companies category for the year to June 30 with a return of 20 per cent.

Richard Ivers, the fund's portfolio manager, says it is important to preserve capital first, particularly in current market conditions.

The manager held his nerve during February's fastest bear market in history and bought stocks that had a high probability of strong returns. These included Fisher& Paykel Healthcare, whose share price doubled over the financial year. The company manufactures respiratory humidifiers and consumables that are used in treating patients with COVID-19.

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