

2021

Tax Time Toolkit

Investors



Australian Government
Australian Taxation Office

The 2021 Tax Time Toolkit for Investors

We encourage you to share this information with your staff, clients, members and networks.

Our investors toolkit is a great resource for anyone earning money from their investments, whether you invest in property or cryptocurrency.

While things look different this year, what hasn't changed is our commitment to provide further support for all investors to lodge their returns accurately. The resources in the toolkit provide information to help investors keep the records they need to prepare their returns now and in the future. Getting your return right avoids costly follow up, and rework down the track.

In addition to our rental property fact sheets we have expanded the topics to include information on:

- cryptocurrency
- pay as you go instalments
- capital gains tax for
 - marriage or relationship breakdowns and real estate transfers
 - inherited property
 - sale of a rental property.

While we provide help and support, we also focus on ensuring the integrity of the system and take actions to ensure all taxpayers are paying their fair share. This means we will continue to review returns where we have indicators the claims are incorrect, or income has been omitted. We will also deal with those who choose to do the wrong thing, which may include application of penalties and prosecution.

Whilst this year has still had its challenges, your tax return doesn't need to be challenging. This toolkit has been designed to help investors and their agents understand their obligations and avoid costly mistakes in their returns. I encourage all investors and their agents to refer to this toolkit as they complete their returns. You can access other products we have available to assist, such as videos and our rental property guide at ato.gov.au/property

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A helpful directory for tax time

The ATO has a range of information, tools and services available to help Australians prepare and lodge their tax return every year:

- **Tax time essentials** – an overview of the essential information individuals need to know for their tax return this year
- **Dealing with disasters** – specific advice for those affected by natural disasters
- **COVID-19** – specific advice for those affected by COVID-19
- **What's new for individuals** – changes to be aware of before you complete your tax return
- **Do you need to lodge a tax return?** – an easy tool to find out if you need to lodge a tax return this year
- **How to lodge your tax return** – lodge using myTax or a registered tax agent. If you are going to lodge your own return, myTax is the quickest and easiest way to lodge.
- **Rental properties (COVID-19)** – specific advice for rental property owners affected by COVID-19
- **Residential rental properties** – find out what you need to declare and what you can claim for your investment property
- **Deductions you can claim** – it pays to know what you can claim at tax time
- **Occupation and industry specific guides** – guides from specific industries and occupations to help you correctly claim the work-related expenses you are entitled to
- **myDeductions** – a useful way to keep track of records throughout the year to make tax time easier
- **Income you must declare** – find out what income you must declare in your tax return
- **Calculators and tools** – a range of popular calculators and tools to help you work out the answers to questions unique to your tax and super circumstances
- **Correct (amend) your tax return** – fix a mistake or amend your return
- **Online services** – access a range of tax and super services in one place, including lodging your tax return, tracking the progress of your return and making a payment or entering a payment arrangement
- **ATO Community** – ask your tax and super related questions over on the ATO's online community forum
- **Join the discussion online** – keep up to date with the latest tax and super information on the go! Follow the ATO to get tax tips and updates in seconds, share information and stay informed
- **Tax Time Toolkits** – full list of resources



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Pay as you go (PAYG) instalments



If you earn income from investments such as interest, dividends, rent or royalties, it's important to plan ahead. Use PAYG instalments to help reduce any potential tax bill when you lodge your tax return.



How PAYG instalments work

Pay as you go (PAYG) instalments allow you to make regular payments during the income year towards your expected end of year tax liability. By making regular payments, you will reduce any potential amount you may have to pay when you lodge your tax return at the end of the income year.

Automatic entry

We will enter you into PAYG instalments if you meet all of the following criteria:

- your instalment income – including investment income – from your latest tax return is \$4,000 or more
- the tax payable on your latest notice of assessment is \$1,000 or more
- your estimated (notional) tax is \$500 or more (your estimated or notional tax is the amount payable after applying current income tax rates to your instalment income, excluding capital gains, in your most recent tax return).

We will send you a letter explaining how PAYG instalments work and what you have to do.

Voluntary entry

If you're expecting to make a profit from your investments, it's a good idea to voluntarily enter PAYG instalments.

You will need to estimate your annual instalment income and your allowable tax deductions so you can work out how much to pay.

You can voluntarily enter using your myGov account linked to the ATO:

- ✓ go to **Tax**
- ✓ select **Manage**
- ✓ then **Enter PAYG instalments**.

You can also enter through your registered tax agent by phoning us on **13 28 61**.

For more information on how to start paying PAYG instalments voluntarily, visit ato.gov.au/paygentry or speak to a registered tax agent.

Calculating your PAYG instalments

You can choose from two options to work out how to pay:

- **instalment amount** is the simplest option as you pay the amount we calculate for you
- **instalment rate** is when you work out the amount you pay using your investment income and allowable tax deductions and the rate we provide.

Calculating by **instalment rate** is best if your instalment income changes regularly. You will need to apply the rate to your income for each period.

Varying PAYG instalments

You can vary your PAYG instalments on your instalment notice if you think using the current amount or rate will result in you paying too much or too little in instalments for the year. This may happen if your investment income reduces or increases compared to the prior tax year.

Your variations must be lodged:

- on or before the day your instalment is due
- before you lodge your tax return for the year.

Review your tax position regularly as you can vary your instalments multiple times throughout the year. The varied amount or rate will apply for the remaining instalments for the income year or until you make another variation.

For more information on varying PAYG instalments, visit ato.gov.au/varypaygi or speak to a registered tax agent.



Note: Use the PAYG instalment calculator at ato.gov.au/paygicalc to help you work out your new instalment amount or rate.



Example: PAYG instalment system

Fiona sells her home in 2018–19 and decides to rent while she invests her profits from the sale, rather than buying a new home straight away.

Fiona lodges her 2019–20 tax return and reports \$10,000 of interest and dividends earned on her investments. She receives her notice of assessment with a tax debt of \$1,200.

Fiona is entered into the PAYG instalments system and starts paying her instalments quarterly. In April 2021, Fiona makes the decision to buy a new home with the money she invested. She can either use myGov or phone the ATO to advise that she no longer has her investments (and therefore no longer has instalment income). Fiona logs onto her myGov account and exits the system.

The exit will be effective from 1 April 2021 because she continued to receive instalment income for the January–March 2021 quarter. She lodges her March 2021 quarter instalment notice on the due date of 28 April 2021.

For more information, visit ato.gov.au/paygi or speak to a registered tax agent.

This is a general summary only

For more information on PAYG instalments go to ato.gov.au/paygi

For more information on how to start paying PAYG instalments go to ato.gov.au/paygentry

For more information on varying PAYG instalments go to ato.gov.au/varypaygi