

TAX ISSUES RELATING TO ACTORS & JOURNALISTS

P.A.Y.G. Withholding Summary (formally known as Group Certificates)

A PAYG Withholding Summary must be issued by an employer to each employee by 14th July of each year. Where an employee leaves during the year of income, a group certificate must be issued within 7 days of the termination of employment.

Employment Declaration

Employees who wish to claim the general exemption from tax (i.e. the lowest tax rate) or to claim a rebate for dependants, must lodge a Tax File Number Declaration Form with their employer. (These forms are available from a Post Office). You must quote your Tax File Number on the TFN Declaration, otherwise the top marginal tax rate of 48.5% will be deducted.

Normally an employee with one main job and one or two smaller, part time jobs would only lodge a declaration with the main employer. The other jobs would then be taxed at the higher rate which may be beneficial when completing your tax return for often two or three jobs added together will place you in a higher tax bracket anyway.

However, with actors and journalists with multiple jobs, the extraction of the higher tax from each job would result in too much tax being deducted, overall. There is a solution to this by way of an application under s.221D (see next section).

PAYG Income tax withholding variation (ITWV) application (221D) - Artists Application

Employees with more than one employer can lodge an Employment Declaration, claiming the General Exemption, with each of their employers, providing they obtain a PAYG Variation Certificate from the Commissioner of Taxation, so that a single rate of tax deductions is applied for each job (i.e. instead of the highest rate). The way to obtain a PAYG Variation Certificate is to fill in PAYG tax withholding variation (ITWV) application (formally known as a 221D Application) and send it to the Tax Office. A copy of a PAYG tax withholding variation (ITWV) application, specifically for artists (including actors, models etc) is enclosed for your information.

Tax Averaging

An income averaging scheme applies for writers, artists, composers and performers, to prevent these taxpayers from being pushed into higher tax brackets when their artistic type income fluctuates above their average income.

To be eligible, you must have net income from an artistic pursuit of more than \$2,500p.a. Your tax agent can apply for this averaging when lodging your taxation return. Note, however, if you are a normal employee with continuity of employment with the one employer, then this scheme does not apply:- it is more for the freelance type of contract employment.

Diaries

Apart from keeping a record of minor expenses of under \$10 per item (totaling \$200 per annum), a diary is an essential aid for self employed or freelance artists. You should record each job you have (i.e. employer, the fee, location of job, type of job, e.g. T.V, commercial, film). This will assist you in chasing up group certificates at the end of the year and as evidence if an employer does not pay you or issue a group certificate.

PAYG Tax Installments

If your income includes some freelance or sub-contract income, which is not taxed at source, of more than \$1,000 per year (net) then PAYG (Installment) tax will be charged on this income.

PAYG is tax in advance for the following financial year, based on the net freelance income you earn. E.g. PAYG tax arising from income disclosed in your 2009/10 tax return will attract PAYG tax for 2010/2011 payable by 1/10/11 (If you are an annual payer). (If your likely PAYG is over \$8,000, the ATO will expect you to pay this tax quarterly). If you think your PAYG tax bill is a lot higher than your expected earnings in the next financial year, you can apply for a Variation of PAYG Tax to reduce the amount payable. I can assist you with this application.

Deductions Specific to Artists (Actors, Journalists etc).

1. Motor Vehicle Expenses

If you use your motor vehicle to travel between jobs or to travel from one job to rehearsals then you may be able to claim some expenses for your motor vehicle. In addition a claim can be made for carrying bulky equipment from your residence to the place of work. Keep a record of all trips and the distance and the purpose of the trip (where traveling less than 5,000km/yr). Note: traveling from home to a fixed place of work is not claimable; travel to auditions is not claimable).

2. Traveling

Fares - similar to 1. above. If you are traveling between jobs by public transport keep all your bus, train and taxi tickets. Traveling for auditions is not claimable. Where an allowance is not paid, the cost of traveling from place to place on tour is claimable plus when traveling and staying overnight on casual engagements.

Travel Allowances - If you are paid an allowance for traveling for work for fares, accommodation etc, this is normally deductible, without substantiation.

Meal Allowances - Similarly, overtime meal allowances paid under Alliance Awards are also deductible, without the need for substantiation.

3. Clothing

As stated in Tax Ruling TR95/20, clothing and dry cleaning is allowed as a deduction where used exclusively for a specific role. Deductions are also allowed for the cost of conventional clothing used for specific performances only.

Specialist costumes (e.g. clown costumes) are also deductible. Dancers tights and dancing pumps are also claimable.

4. Self Education/Training

Specialised self education courses, such as N.I.D.A., or the BA (Communications) for journalists, would be deductible, as would coaching classes for acting, singing, dancing etc.

5. Other Work Related Expenses

Hairdressing TR95/20

Deductions will be allowed for the cost of a particular hairstyle for a specific role only, if related to earning of income.

Telephone (95/20)

The cost of work related calls are deductible (keep a log of such calls). Telephone rental is only allowed if you can demonstrate that you are "on call" or if you need to ring your employer on a regular basis, (again keep a log of such calls).

Professional Journals and Magazines (95/20)

Deductions are allowed in full for these, for Journal specialists related to employee performing artists, and not general in nature. (This would exclude say T.V. week).

Photographs (TR95/20)

Maintaining a photographic portfolios, allowed. (However, initial cost of creating a portfolio is not deductible).

Makeup (TR95/20)

Makeup used exclusively by males and females for stage appearance is fully deductible.

Attendance at Theatre and Film Performances (TR95/20)

A full deduction is allowable for attendance of theatre and film performance is allowed any if directly relevant to the income earning activities of the performing artists. (This means drawing a connection to the jobs that you have had during the year).

Attendance at Social functions/first night events, are not claimable.

Depreciation (TR95/20)

Depreciation will be allowed on computers, Televisions, video recorders and CD players, where used in connection with work. (However, you will have to keep a log over 1 month to establish the percentage of business and private use).

Depreciation Rates - from 1/7/00

Items under \$1,000 are added to a low value pool and depreciated at 37.5%. Items costing more than \$1,000 are depreciated at the rate appreciated to the Commissioner's determination on the effective life of the asset. Items under \$300 however, can be claimed outright.

Union Fees

Are fully deductible, plus other professional associations/memberships.

Agent's Commission

Are fully deductible. (Keep a record of all payment slips showing commission deductions).

Accountant/Tax Agent Fee

Are fully deductible.

Donations

Over \$2, are fully deductible if a registered charity or to an educational or scientific organisation.

These notes are not meant to be exhaustive and there will always be exceptions and particular items of expense that do not fit into the normal structure outlines above. Please discuss these with your tax agent. And, above all else, keep receipts for everything you claim. (For a full discussion of allowable deductions, see Tax Ruling TR95/20 - Employee Performing Artists. (Please ring me if you would like a copy of the ruling).