

WHEN WILL I BE REGISTERED FOR PAYG INSTALMENTS?

You will be registered for PAYG Instalments in the next tax year if you:

1. have a tax debt of \$500 or more, in respect to your most recent tax return
2. have a base assessment instalment income of at least \$2,000

Base assessment instalment income is the gross business and investment income for the base year.

The base year is the most recent tax year for which you have lodged a return.

WHEN DO I PAY THE PAYG INSTALMENTS?

PAYG Instalments are issued quarterly, however you can elect to pay annually if at the end of the first quarter you meet the following conditions:

1. you are not registered or required to be registered for GST
2. have a most recent notional tax less than \$8,000

The election to pay annually must be made before the due date of the first quarterly PAYG Instalment.

HOW MUCH SHOULD I SAVE EACH WEEK TO COVER MY TAX LIABILITY AT THE END OF THE YEAR?

It is advised that in the first year of trading if you expect to earn between \$30,000 and \$75,000 that you withhold 30% of your gross weekly/fortnightly/monthly earnings. This will cover you for the tax payable on your income, the Medicare levy and the Medicare surcharge (if applicable).

AM I STILL REQUIRED TO LODGE A TAX RETURN IF I AM DOING PAYG INSTALMENTS?

Lodgement of your tax return is still required even if you are on PAYG Instalments.

Lodgement is due at the same time, the 31st October if you lodge your own tax return or a later date if a registered tax agent lodges the return.

Any tax payable that results from the lodgement of your tax return is required to be paid by the date specified by the ATO. If you do not pay by this date you will be subject to interest and penalty charges.

AM I REQUIRED TO BE GST REGISTERED?

GST registration is compulsory when your annual turnover exceeds \$75,000. If your turnover is less than \$75,000 you can choose to be GST registered.

If you are below the threshold and choose not to register, you are required to do monthly monitoring of the need to register. Once you realise you are required to be registered you have 21 days to lodge the application. If you do not register within 21 days of your turnover current or projected exceeding \$75,000 you run the risk of the commissioner of taxation backdating your GST to the date he feels you should have been registered. If registration is backdated you will have to pay the GST on sales from the date of the backdated registration. This is the case even if you have not taken account of GST in these sales which means you may be out of pocket. Penalties and interest may also be imposed.

HOW DO I CALCULATE ANNUAL TURNOVER?

To calculate your annual turnover you calculate your current and projected turnover figures:

- Your current annual turnover is the value of all the supplies you made or are likely to make in the current month plus the previous 11 months.
- Your projected annual turnover is the value of all the supplies you made or are likely to make in the current month plus the next 11 months.

If your current or projected annual turnover is close to \$75,000 it is recommended that you register for GST to avoid the possibility of having your registration backdated.

WHAT HAPPENS ONCE I HAVE REGISTERED FOR GST?

When you have registered for GST you will be required to lodge Business Activity Statements (BAS) either quarterly or monthly depending on your annual turnover and what you elect to do at the time you register.

WHAT EXPENSE CAN I CLAIM A DEDUCTION FOR?

The following expenses are considered to be deductible to the extent they are related to your income producing activities and are not reimbursed:

- Materials and Supplies
- Tools
- Printing & Stationery costs
- Postage
- Telephone – mobile and home (need to specify work related %)
- Accountancy Fees
- Protective clothing – work boots/shoes, hats, sunglasses, clothing etc
- Repairs and Maintenance to work related tools and equipment
- Insurance – income protection, public liability and insurance on work related tools and equipment
- Bank Fees & Charges (on business accounts)
- Donations
- Hire of Plant & Equipment
- Government Fees & Charges
- Interest on Business Loans
- Rent
- Salary and Wages (paid to employees)
- Superannuation
- Subcontractors
- Advertising
- Security
- Staff Amenities
- Computer Expenses
- Travel
- Motor Vehicle Running Expenses – including fuel/oil, registration, insurance, tyres, services, repairs & maintenance, interest on loans, lease payments etc

WHAT IS NEEDED TO SUBSTANTIATE MY MOTOR VEHICLE CLAIMS?

If your vehicle has a carrying capacity of less than 1 tonne you will need to keep a logbook for a period of 12 consecutive weeks detailing the work related usage of your motor vehicle. The logbook will be valid for 5 years except where you obtain a new vehicle and/or your work related usage changes by more than 10%.

If your vehicle has a carrying capacity of 1 tonne or more you are not required to keep a logbook. You will still be required to give a reasonable estimate of the business usage of your vehicle. You will also need to keep all of your receipts to substantiate your claims.

FINANCE LEASES, COMMERCIAL HIRE PURCHASE AND CHATTEL MORTGAGES - WHAT'S THE DIFFERENCE?

Finance Leases are agreements where the financier owns the goods and you rent the goods from the financier. They must have a residual or lump sum payment which represents the potential sale price of the goods at the end of the lease term. An unlimited amount of deposit can be made by way of cash or trade-in and the purchaser has the choice of full repayment over the term or a lump sum (balloon) payment at the end. The lease repayments are tax deductible but depreciation is not. For those who are using the cash accounting method GST is claimable on each repayment but not upfront.

Commercial Hire Purchases are agreements where the assets are technically hired until the last payment of the agreement is made, at which point the user receives full title and becomes the outright owner. Depreciation and the interest portion of the repayments are tax deductible. For those who are using the cash accounting method the GST is claimable on each repayment but not upfront.

Chattel Mortgages are agreements that allow the purchaser to claim the GST back in their next BAS. They have a turnaround greater than leases and hire purchases. The interest portion of the repayments and depreciation are tax deductible.

WHAT INFORMATION HAS TO BE INCLUDED ON TAX INVOICES?

Tax invoices for amounts less than \$1,000 must include:

1. the words tax invoice stated prominently
2. the name of the supplier
3. the ABN of the supplier
4. the date of issue of the tax invoice
5. the invoice number
6. a brief description of the goods or services sold
7. statement that the total price includes GST **or** GST shown separately

Tax invoices for amounts of \$1,000 or more must have all of the above, plus:

8. the purchasers name
9. the purchaser's ABN or address
10. quantity of the goods or the extent of the services supplied

WHAT RECORDS DO I NEED TO KEEP?

The records you are required to keep for reporting to the Australian Tax Office include the following:

- Records relating to income tax and GST
 - Sales Records:
 - Sales invoices (including tax invoices)
 - Sales vouchers or receipts
 - Cash register tapes, credit card statements
 - Bank deposit books and account statements
 - Purchase/Expense Records:
 - Purchase/expense invoices (including tax invoices)
 - Purchase/expense receipts which include and ABN
 - Cheque butts and bank account statements
 - Credit card statements
 - Records showing how you calculated any private use component
 - Year-end Income Tax Records
 - Motor vehicle expenses
 - Debtors and creditors lists
 - Depreciation schedules

– Capital gains tax records

- Records relating to payments to employees
 - Tax file number declarations and withholding declarations
 - Worker payment records
 - PAYG payment summaries
 - Annual reports
 - Superannuation records
 - Records of any fringe benefits provided

- PAYG withholding records relating to business payments
 - Records of amounts withheld from payments where no ABN was quoted
 - A copy of any PAYG withholding voluntary agreements
 - Records of voluntary agreements
 - PAYG payment summaries and ETP summaries
 - Annual reports

All records must be kept for a minimum of 5 years.

Further detailed information about what records you need to keep is available on the ATO website www.ato.gov.au