



**First Impressions**  
BOOK KEEPING

**BUSINESS BASICS**

FIRST IMPRESSIONS – UNDERSTANDING TAX IN AUSTRALIA

# INDEX:

✓	Step 1	Getting started in business registrations	Page 3 - 4
✓	Step 2	What you need to know about business income tax	Page 5 – 6
✓	Step 3	Business Expenses – what to claim	Page 7
✓	Step 4	Working from home?	Page 8
✓	Step 5	GST knowledge	Page 9
✓	Step 6	Staff	Page 10
✓	Step 7	Superannuation	Page 11
✓	Step 8	Hiring Staff Checklist	Page 12
✓	Step 9	(FBT) Fringe Benefit Tax basics	Page 13
✓	Step 10	(BAS) Business Activity Statement basics	Page 14 - 15
✓	Step 11	Bookkeeping	Page 16
✓	Step 12	Tax Returns	Page 17
✓	Step 13	Compliance Checklist	Page 18
✓	Step 14	Accounting Programs	Page 19
✓	Step 15	On-line Accounting Solutions	Page 20



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# GETTING STARTED

Yes . . I have started my own business . . Now what??

As a new business owner, now is a good time to find out about your tax obligations or just a quick step guide. At First Impressions we hope that getting started in business will be less daunting and more motivating.

How can we help you be compliant and more tax ready?

We can steer you in the right direction and help small business from start to EOFY. Whatever you need we can assist with.



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# BUSINESS REGISTRATION INFORMATION

## Checklist:

<u>Registration Type</u>	<u>Phone</u>
Business Name Registration	1300 300 630
Tax File Number (TFN)	13 28 61
Australian Business Number (ABN)	13 28 66
Good and Services Tax (GST)	13 28 66
Pay As You Go Withholding (PAYG)	13 28 66
Fuel Tax Credits	13 28 66
Fringe Benefits Tax (FBT)	13 28 66

Getting started with small business registration can be overwhelming.

You should have decided if you are running your business as a sole trader, partnership or company and now you need to register your business name and get an ABN.

You can check your business name / company name registration availability [www.asic.gov.au](http://www.asic.gov.au).

Registration is easy online or you can call direct. Remember you can trademark your name through IP Australia to ensure you have exclusive use of your business name you can apply for a trademark via an IP lawyer or visit [www.ipaustralia.gov.au](http://www.ipaustralia.gov.au).



**First Impressions**  
BOOK KEEPING

WWW.FIRSTBOOKKEEPING.COM.AU

# INCOME TAX BASICS

When you are in business, you will receive income for the goods and services you sell. You need to pay tax on business income earned in the financial year (from July 1 to June 30).

You can claim your business expenses against your business income to arrive at your net profit. As a sole trader, you use your Tax File Number (TFN) when you lodge your tax return and your Australian Business Number (ABN) for all your business dealings.

Sole traders pay tax at the same rate as personal income tax. If you are an Australian resident, you don't pay tax on the first \$18,200 you earn. This is called the tax-free threshold.

For more information on sole traders, partnerships and companies visit: [www.ato.gov.au/business](http://www.ato.gov.au/business)



**First Impressions**  
BOOK KEEPING

WWW.FIRSTBOOKKEEPING.COM.AU

# TAXABLE INCOME EXAMPLES

Zyah's Tutoring Business Service has the following income and deductions for the year:

- Business income (assessable income) = \$52,000
- Investment income (assessable income) = \$ 2,000
- Business deductions = \$20,000

Zyah includes these amounts in her financial year individual tax return. She works out her taxable income to be:

**ASSESSABLE INCOME – ALLOWABLE DEDUCTIONS = TAXABLE INCOME**

- \$54,000 - \$20,000 = \$34,000

To work out the tax she has to pay, Zyah applies the financial year's tax rates to each relevant bracket of her taxable income, keeping in mind that tax rates are subject to change every year.

## Example:

<u>Taxable income</u>	<u>Tax on this income</u>
\$0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 over \$18,200
\$37,001 - \$80,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$80,001 - \$180,000	\$17,547 plus 37c for each \$1 over \$80,000
\$180,001 and over	\$54,547 plus 45c for each \$1 over \$180,000*

*\*The above rates do not include the medicare levy of 1.5%*

Rather than pay a large amount of tax at the end of the financial year, Zyah can make voluntary tax payments during the year to help even out the cash flow and tax debt at the end of the financial year.



**First Impressions**  
BOOK KEEPING

WWW.FIRSTBOOKKEEPING.COM.AU

# WHAT CAN YOU CLAIM – BUSINESS EXPENSES

Its hard to get a full list of business expenses or allowable deductions you can claim. We suggest to use the following as a guide:

- Marketing / Advertising
- Telephone / Internet Expenses
- Bank Fees, charges and merchant fees
- Motor Vehicle expenses
- Business travel including transport and freight
- Lease or hire of equipment
- Depreciation of assets used in your business
- Electricity and other home office expenses
- Interest
- Stationery / printing
- Freight / postage
- Tools of trade and office equipment (under \$1000)
- Computer programs and expenses



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# WORKING FROM HOME?

Operating your business from home like 50% of businesses in Australia? Either full or part time from home, you may be able to claim a deduction for the following:

- Running expenses; eg; phone rental and business calls, internet fees, depreciation of office furniture and equipment, additional heating, cooling, lighting and cleaning expenses
- Occupancy expenses such as; rent, mortgage interest, rates, land taxes and house insurance premiums

If you can claim both running expenses and occupancy expenses depends on:

- Your home is your principal place of business
- Your home is not your place of business but you have an area set aside exclusively for occasional business activities



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)



# GST OVERVIEW

## What is GST?

- The Goods and Services Tax (GST) is a tax added to the price of goods and services sold in Australia. It is collected by GST registered businesses at each step in the supply chain. The GST rate is currently set at 10% of the price of the product or service.

## Do I have to register for GST?

- You only need to register for GST if your gross income is \$75,000 or more, or \$150,000 or more if you are a non-profit organisation. As a GST registered business you will collect GST on behalf of the Government by adding it to the prices of your service or product and then claim GST back from the ATO amounts spent on business expenses. This is done through your GST reporting to the ATO.

## How much GST will I have to pay?

- GST owing is worked out as follows:  
$$\$5,500 \text{ (inc gst of \$500) sales} - \$4,400 \text{ (inc gst of \$400) purchases} = \$500 - \$400 = \$100 \text{ owed to ATO}$$
- You do this by filing a monthly or quarterly Business Activity Statement (BAS) with the ATO throughout the year – you can also do this annually if you choose but it is much easier to keep track and report on a shorter period. Your BAS report will show what you owe or are due refunded by the ATO.



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# STAFF

## Are you ready to employ staff?

- As your business grows you may need to consider hiring staff or maybe you need staff from day one. Employing staff is pretty easy, but if you are unfamiliar with the payroll processes and legislation, you may find yourself a little overwhelmed and you could be subject to penalties.

## PAYG Withholding:

- When you employ staff, you may have to withhold tax from payments you make to employees and other workers, and pay these amounts to the ATO.
- This process is done through a Pay As You Go (PAYG) withholding system. As an employer, its best to register for PAYG withholding before you make your first payment. You will have to report and pay withheld amounts to the ATO either monthly or quarterly.

## Payment Summaries:

- You must provide a payment summary no later than 14 July to all your employees and other payees. These summaries show how much you paid them and the amount of tax withheld.
- Complete your PAYG Payment Summary Statement and submit to the ATO no later than 14 August. This statement summarises all the payments you have made to employees and other payees and the total amounts withheld.



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# SUPERANNUATION

## Super for you:

- If you are a sole trader, you are responsible for your own superannuation payments. You may be able to claim a deduction for any contributions you make to your own super.

## Super for your employees:

- If you have any eligible employees, you must pay a minimum of 9.5% of their gross salary into a super fund of their choice. This is known as the Super Guarantee Charge.
- MySuper is a special fund type which will become the norm by 2022. From 1 Jan 2014 unless an employee chooses a different fund, all employers must pay the Super Guarantee Charge contributions to a MySuper fund. In 2017, if a fund is not deemed as a MySuper compliant fund type, the monies must be rolled over into a MySuper fund.

## Superannuation payment dates:

<u>Quarter</u>		<u>Payment Date</u>
Quarter 1	1 July – 30 September	28 October
Quarter 2	1 October – 31 December	28 January
Quarter 3	1 January – 31 March	28 April
Quarter 4	1 April – 30 June	28 July



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# HIRING STAFF CHECKLIST

- ① Register for PAYG withholding by visiting [www.ato.gov.au](http://www.ato.gov.au) (you can also do this when you first register for your ABN)
- ② Register for WorkCover in your state, each state has their own registered companies that regulate WorkCover
- ③ Ensure you have the correct employee awards and entitlements by visiting [www.fairwork.gov.au](http://www.fairwork.gov.au)
- ④ Register a MySuper fund as your default fund and stay up to date with super changes. Your income tax will need to be paid by 7<sup>th</sup> February in the following year if you have a 31<sup>st</sup> March balance date (or, if you have an accountant they can lodge by 7<sup>th</sup> April)
- ⑤ Purchase the most suitable accounting software that you will use for your business and set up payroll
- ⑥ Reconcile your PAYG withholding tax obligations for your monthly or quarterly BAS (depending on which reporting method you have selected)



**First Impressions**  
BOOK KEEPING

WWW.FIRSTBOOKKEEPING.COM.AU

# FRINGE BENEFIT TAX (FBT)

## What is FBT?

- Providing benefits can be a great way to reward your employees or entice new staff to join your business, but you should remember that some benefits or perks are subject to FBT. This is a tax that you (the employer) pays
- FBT applies to non-salary or wage benefits you give your employees, such as use of a company car or a discount on a product. These types of benefits are considered cash in another form; which is why they are separately taxed.

FBT is included in the following:

- The private use of a motor vehicle
- Low interest loans
- Free or discounted goods and services
- Subsidised transport
- Contributions to sick, accident or death benefit funds, or to insurance
- Other benefits if the cost is above certain thresholds

Some fringe benefits don't need to be reported on payment summaries. The rules for working out the taxable value of a fringe benefit vary according to the type of benefit; eg:

1. You pay a staff member \$40,000 per annum and provide a car worth \$15,000
2. The \$40,000 is taxed at the normal PAYG rate which you withhold and pay to the ATO
3. The \$15,000 car is taxed at the applicable FBT rate currently (46.5%) which you pay to the ATO



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# DOING YOUR BAS

Small businesses who are registered for GST are required to submit an activity statement to report and pay their tax obligations. A Business Activity Statement (BAS) is a form issued by the ATO that you can submit on a monthly or quarterly basis. It is used to summarise the amounts of GST payable and receivable by your business in a certain time period.

The BAS also allows you to report on a range of other taxes also including:

- GST
- PAYG income tax installments
- PAYG tax withheld
- Fringe benefits tax (FBT) installment
- Luxury car tax
- Wine equalisation tax
- Fuel tax credits
- Installment notices for GST and / or PAYG installments

## How to lodge your BAS:

You can lodge your BAS online, through your accountant or BAS agent or by mail. You can even also lodge over the phone if it is a NIL report. If your business has not traded and received income or incurred expenses, you still have to complete the BAS and lodge it with the ATO, while you are still registered.



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# IMPORTANT BAS LODGEMENT AND PAYMENT DATES

## If you report monthly:

Your report is due on the 21<sup>st</sup> of every month for the previous month

## If you report quarterly:

Quarter 1	1 July – 30 September	28 October
Quarter 2	1 October – 31 December	28 January
Quarter 3	1 January – 31 March	28 April
Quarter 4	1 April – 30 June	28 July

## Standard Business Reporting (SBR):

SBR is an ATO initiative to simplify business reporting to the government. Australian businesses are able to use SBR-enabled software to prepare and lodge their government forms.



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# BOOKKEEPING AND REPORTING

As a business owner you are required by law to keep accurate tax records. You also need to be able to calculate your income and expenses. If you do not have enough records to do this, then you are not meeting your tax obligations and could face penalties.

You must keep tax records for a minimum of five years and these include:

- ✓ Income and sales records
- ✓ Bank records
- ✓ Contracts and agreements
- ✓ Minor deductible expenses
- ✓ Employee or contractor records
- ✓ Fuel tax credit supporting records
- ✓ Expense or purchase records
- ✓ Asset purchase records
- ✓ Year end records
- ✓ GST records
- ✓ Motor vehicle records
- ✓ Stocktake records



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)



# LODGING YOUR TAX RETURN

## Tax . . Its not that scary!

As an individual you will need to lodge your tax return, but as a business you will also need to lodge your business tax return. If you are a Sole Trader you can lodge your return in with your personal tax but if you are set up as any other form of business eg: partnership, company, trust etc, you will need to use the services of an accountant to prepare and lodge your business tax returns.

Individual tax returns are due by 31<sup>st</sup> October each year, but if you use a tax agent you may be able to lodge at a later date. Be sure to check lodgement dates with your tax agent.

Remember, activity statements are different to tax returns. Even if you report your PAYG installments and other obligations on an activity statement, you must still lodge a tax return.



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# COMPLIANCE CHECKLIST

- ① Decide on your business structure, eg; sole trader, partnership, company, trust etc
- ② Register your business name, ABN, GST, PAYG withholding, Fuel Tax Credits and FBT
- ③ Work out your income tax and pay on time
- ④ Confirm what you can claim as business expenses and which assets you can depreciate
- ⑤ Register for a default MySuper fund and stay up to date with super changes (annually)
- ⑥ Register for WorkCover in your state
- ⑦ Investigate employee awards and entitlements at [www.fairwork.gov.au](http://www.fairwork.gov.au)
- ⑧ Acquire suitable accounting software and set up payroll
- ⑨ Reconcile your PAYG withholding tax obligations for BAS time, which will be monthly or quarterly depending on the reporting frequency you choose
- ⑩ Keep your records accurate, safe and easily accessible at all times



**First Impressions**  
BOOK KEEPING

WWW.FIRSTBOOKKEEPING.COM.AU

# ACCOUNTING PROGRAMS – MOST POPULAR

## MYOB

Find the right product for you

MYOB has online solutions help you keep control of your finances, be more productive and reduce risk.

Find the solution that best suits your needs - from helping with the day to day accounts, to more complex business management.

- AccountRightStandard
- Essentials Accounting
- Essentials Payroll
- AccountRight Plus
- AccountRight Premier

## QUICKBOOKS - Reckon

Products to suit every type of small and medium business

- Reckon One - MOST POPULAR
- Reckon Pay
- Accounts Hosted
- Reckon Accounts
- Point of Sale



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# ON-LINE ACCOUNTING SOLUTIONS

## XERO

*Popular features that will change your life.*

- Accounting software with all the time-saving tools you need to grow your business:
- Unlimited users and 24/7 support ... not to mention the security and reliability you'd expect from Xero.

*Get a real-time view of your cashflow*

- Log in online anytime, anywhere on your Mac, PC, tablet or phone to get a real-time view of your cashflow. It's small business accounting software that's simple, smart and occasionally magical.

## BILLCUE

*Australian invoicing & bookkeeping made simple & enjoyable!*

- So simple, you'll actually enjoy your invoicing! It's intuitive and fun, so no long manuals to read on how to do things.
- Easily create & send invoices and quotes and *enjoy* doing it.
- Have your customers accept your quotes, view and pay their invoices online.
- Manage everything from anywhere with one easy online system.
- Invoice from anywhere

With billcue, you're not tied to your office computer. Quote, invoice, add a client or record an expense from anywhere on your mobile. Simple!



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)

# CONTACT US

## Solutions

We know that your business is more than just bookkeeping! We tailor solutions based on the specific needs of each client and take a long term approach to provide a permanent solution to meet all requirements, while ensuring enough flexibility to change our systems as your requirements change over time.

We can either work within your current systems and processes or work out a new streamlined solution that will get things done quickly and easily. Our bookkeeping solutions are comprehensive and long term freeing up your time so you can focus on running your business.

We also work out a schedule and process that fits in with your needs and gets things done when you want them done.

Phone: 0402 889 596  
Fax: (07) 55 981 990  
Email: [info@firstbookkeeping.com.au](mailto:info@firstbookkeeping.com.au)  
Website: [www.firstbookkeeping.com.au](http://www.firstbookkeeping.com.au)  
Facebook: [www.facebook.com/firstbookkeeping](https://www.facebook.com/firstbookkeeping)



**First Impressions**  
BOOK KEEPING

[WWW.FIRSTBOOKKEEPING.COM.AU](http://WWW.FIRSTBOOKKEEPING.COM.AU)