



**LC ACCOUNTANTS**

TAX AGENTS & ACCOUNTING SERVICES

# THE SMALL BUSINESS BOOKLET

# Starting up

So you have had an amazing idea and you want to bring the idea into fruition but you are not too sure where or how to start. When opening up a business there are a lot of factors that go into it. This booklet will give provide you with the information you need to get the ball rolling and keep it rolling.

There are several structures that you can operate your business:

- Sole trader
- Partnership
- Company
- Trust

**Sole trader:** You operate under your own personal ABN. The income and expenses are declared in your personal tax return at the end of the financial year, any tax owing will be paid under your personal income tax account.

**Partnership:** One or more persons operate from the same ABN. All income and expenses are declared under the partnership tax return and split accordingly. Most common split is 50/50. The income generated from the partnership is then declared in your personal return and you are liable to pay the tax under your personal income tax account.

**Company:** A separate legal entity that has higher set-up and administration costs. Companies are regulated by ASIC, are run by its directors and owned by its shareholders. All trading is declared and reported through financial statements and a company tax return. Depending on the size of the company will determine the tax rate.

**Trust:** Most common trust set ups are discretionary and family trusts. Trusts deeds are required making this set up costly. A trustee of a trust can either be a company or an individual. They are the one responsible for all administrative tasks. Any profits made in the trust can either remain in the trust and pay tax in the trust or be distributed to its beneficiaries.

At this point I would recommend booking in an appointment with us to discuss which structure best suits you.

# What can I claim?

To be put simply, everything that is required for you to operate your business is a deductible expense.

These include:

- Telephone & internet
- Rent (if it is a business lease the full amount. If you operate out of your home and have an office set-up, we claim a percentage accordingly).
- Power & Water (percentage if it is in your home)
- Advertising costs
- Motor vehicle costs including fuel, registration, repairs & maintenance and insurance. A logbook to show the kms traveled for work/home is required to be kept for a minimum of 3 months in the financial year. If you decide to put a wrap or sticker or wrap on the vehicle to advertise this then makes the car an 100% deduction as you are advertising wherever you go.
- Public liability, income protection, workers compensation and business insurance.
- Membership fees, professional development and business specific magazine subscriptions (i.e. Harvard business review). Depending on your business subscriptions such as Spotify, Adobe Illustrator and Canva can also be considered a tax deduction.
- Resource books, training or professional development courses that are directly attributable to increasing your revenue in your business can be claimed. For example, a course on how to market on social media would be a deduction as you are investing in your business.
- Materials and supplies
- Replacement of tools
- Office equipment, such as laptops, desktops, printers, desks, chairs etc.
- Printing and stationary
- Accountant fees, financial planning fees and accounting software subscription fees.
- Protective clothing and uniforms. Uniforms require a logo or a distinct/specific look to differentiate that it is your business in order for them to be a deduction.

Any questions you have relating to any of the above or any other expense you incur, send us an email and we can clarify that for you. As each business has different needs what may be relevant to one isn't relevant to another – this is just a broad list that covers most businesses.

# What are my tax obligations

If you are operating as a sole trader or partnership you will be taxed under the individual tax rates. See below for the brackets for 2019/2020 financial year:

Taxable income	Tax on this income
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$90,001 – \$180,000	\$20,797 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$54,097 plus 45c for each \$1 over \$180,000

The rates above **do not** include the Medicare Levy of 2%.

If you are operating as a company you pay tax on the first dollar you earn. The rates are below:

Income category	Rate (%)
<a href="#">Base rate entities</a>	27.5
Otherwise	30

A base rate entity is a company that both:

- has an aggregated turnover less than the aggregated turnover threshold which is \$25 million for the 2018-2019 income tax year
- 80% or less of their assessable income is base rate entity passive income - this replaces the requirement to be carrying on a business.

If you are operating under a trust, depending on the set up the beneficiary will be liable for the tax. If the beneficiary is an individual it will be based on the individual tax rates and if it is a company it will be based on the company tax rates (as above).

When it comes to trust and company distributions and tax implications we will go through all these with you prior to the financial year ending. It is best to book in a tax planning appointment to ensure all relevant information has been covered.

## What is GST and do I need to register for it?

You only need to register for GST when you start turning over \$75,000. GST is a goods and services tax – if you are required to pay this you need to add an additional 10% to your services. E.g. your invoice amount total is \$100 you will need to add \$10 on top of this amount to cover your GST expense, making the total invoice \$110.

# What are my reporting obligations?

If you are not registered for GST – meaning you are turning over \$75,000 or less – you are only required to report annually.

If you are registered for GST you are required to lodge a Business Activity Statement (BAS) at the end of each quarter. The quarters are below:

**1st QTR – 1st July to 30th September**

**2nd QTR – 1st October to 31st December**

**3rd QTR – 1st January to 31st March**

**4th QTR – 1st April to 30th June**

At the end of every quarter drop in or email us through your income and expenses for that period and we will prepare and lodge the BAS. We have 6 weeks from the last date of the quarter to get those documents submitted and paid to the ATO.


GST owing is paid every quarter once you lodge your BAS. Income tax is to be paid at the end of the financial year when you lodge your income tax return.

We are here to assist in making all this as simple and as stress free as possible. Remember you are in business to MAKE money – don't make it your aim to never pay tax, this would mean you are only ever making around \$20,000 a year which is far less than the minimum wage! If you are paying tax you are in a good financial position and your business is profitable! We are here to help with proper tax planning to maximize cash flow and profits and minimize the amount of tax you owe.

Nothing makes us happier than seeing our clients thrive!

**To book your free initial business consult today call us on (08) 89 810 222**

*\*We offer both face to face & over the phone appointments*

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