



# STARTING A BUSINESS:

## What to know about business tax

If you've been an employee in the past, you've probably had tax deducted from your wages or salary by your employer.

When you have a small business, the way tax is collected is a little different: Either you hold onto your estimated tax to pay at the end of the financial year, or you make your own periodical pay-as-you-go (PAYG) instalments to the Australian Taxation Office. The method depends on how much your business earns.

### How much tax you'll need to pay as a sole trader

If you're a sole trader, you typically only lodge just one tax return on your personal income.

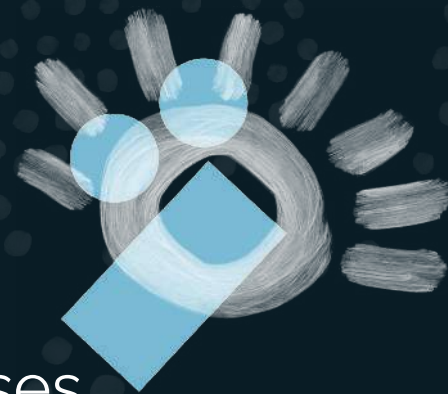
You can use a tax calculator to get an indication of how much tax you'll need to pay. It's available at <https://www.ato.gov.au/calculators-and-tools/simple-tax-calculator/>

Tax rates change each year. In 2022-23, the tax rates for residents are as follows:

Taxable income	Tax on this income
0 - \$18,200	Nil
\$18,201 - \$45,000	19 cents for each \$1 over \$18,200
\$45,001 - \$120,000	\$5,092 plus 32.5 cents for each \$1 over \$45,000
\$120,001 - \$180,000	\$29,467 plus 37 cents for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45 cents for each \$1 over \$180,000

Source: Australian Taxation Office. Does not include 2 percent Medicare levy.





# What you need

## as a business owner for tax purposes

- **An Australian Business Number (ABN)** – This is a number you quote on invoices, which is also used for other tax and finance reasons too.
- **A Tax File Number (TFN)** – If you've been an employee, you may already have a TFN. It's the number you use for your tax return. However, you may need a new one if you're in a partnership, company or trust business structure.
- **GST registration** – If you expect to make more than \$75,000 a year, you have to register for GST. You then collect GST from sales and give it to the Australian Taxation Office (ATO).
- **Business Activity Statement (BAS)** – If you're registered for GST, you'll need to submit a BAS that lists your GST, PAYG installments, PAYG withholding tax and other taxes. The ATO issues your business a BAS when it's time to lodge it.

## Deductions

As a business owner, you can generally deduct the cost of buying things you need to keep your business running. It's important to keep records, such as receipts or diary entries (for some items). Examples of what you can claim include:

- Running costs, including electricity, phone bills and equipment
- Rent or the mortgage on a business premises
- The cost of travel for business purposes.

**Remember:** You can only claim the business portion of your costs. For example, if you only use your phone half the time for business calls, you can only claim half on your phone bill on your tax.

## Where you can get help

- **An accountant** can help you to prepare your business taxes and to claim deductions. They can also answer questions specific to your business.
- **The Australian Taxation Office (ATO)** has a series of tips for small business owners, available at <https://www.ato.gov.au/general/tax-and-small-business/tips-for-small-business-owners/>
- **Tax differences between sole trader and companies** – Available at <https://business.gov.au/planning/business-structures-and-types/business-structures/tax-differences-between-a-sole-trader-and-a-company>
- **TomorrowMoney** features a series of tax articles, available at [tomorrowmoney.co](http://tomorrowmoney.co)