

## FAST FACTS 16: TAXATION

Tax obligations affect practically every aspect of your business operation. It is wise to budget for tax, like any other expense, and it is essential that you keep good records to substantiate your business income and deductions.

Sole traders use their personal Tax File Number (TFN), but partnerships must obtain a separate TFN for their business purposes.

People in business may be subject to any or all of the following tax types:

### Goods and Services Tax (GST)

The introduction of a GST was passed into law in Australia on 8 July 1999 and the GST started on 1 July 2000. GST is:

- a 10 per cent tax on most goods, services or supplies
- charged by registered entities
- a broad-based, multi-stage tax collected at each stage of the supply chain
- ultimately paid by the final consumer rather than by business
- has a credit mechanism that eliminates tax on tax

Businesses with an annual turnover of \$50 000 or more (or \$100 000 for non-profit organisations) are required to register for GST. (NB: Registration is compulsory for taxi and limousine drivers).

GST is reported to the Australian Taxation Office (ATO) using the Business Activity Statement (BAS).

### Pay As You Go (PAYG)

PAYG is an integrated system which covers tax instalments on business income, and the payment of withheld amounts. PAYG is comprised of PAYG instalments and PAYG withholding, and PAYG amounts are remitted to the ATO using either the BAS or Instalment Activity Statement (IAS).

**PAYG instalments** – whereby businesses pay tax on income as it is earned. The amount of tax payable is calculated by multiplying your assessable business income by the instalment rate determined by the ATO.

**PAYG withholding** – provides a single set of rules for deducting money from amounts you pay to others. Payers make deductions from certain types of payments (eg, tax withheld from employees' wages and salaries) and remit these withholding amounts to the ATO. PAYG withholding (at the top marginal tax rate) also applies in business-to-business transactions, where a supplier does not quote their Australian Business Number (ABN) on an invoice.

### Company Tax

A company is also a taxpayer and must lodge annual company returns. Company profits are currently taxed at a flat rate of 30 per cent. Legislation imposes a number of obligations on companies, so it is wise to seek professional advice.

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## Fringe Benefits Tax (FBT)

FBT is a federal tax charged on benefits provided to employees, in addition to wages and salaries. Common benefits include private use of a company motor vehicle, interest-free or low interest loans, and the payment of personal expenses by the employer.

FBT is charged at 48.5 per cent on the grossed-up value of the benefit, and the employer pays the tax. FBT instalments are made using the BAS or IAS.

## Capital Gains Tax (CGT)

CGT is imposed on real gains on the sale of assets acquired after 20 September 1985, so it is important that you maintain records of any assets purchased, improved and sold. CGT provisions are extremely complicated and it is recommended that professional advice be obtained.

## Other taxes (Northern Territory and Local Government)

The Northern Territory Government collects payroll tax, stamp duty, mining royalties and a number of other taxes. Details can be obtained from Territory Revenue Management:

T: (08) 8999 7949

TF:1300 305 353

W: [www.revenue.nt.gov.au](http://www.revenue.nt.gov.au)

Local governments throughout the Northern Territory charge rates on the unimproved capital value of both private and business property.

## What else do I need to know?

You must keep records relating to the income you receive and your business expenses and you should lodge your personal income tax return annually.

## Australian Tax Office

Information on GST and PAYG

T: 13 24 78

Personal Tax

T: 13 28 61

Business Tax

T: 13 28 66.

W: [www.ato.gov.au](http://www.ato.gov.au)

Your accountant will be able to advise you the best way best to deal with specific tax issues.

For more information refer to other Fast Facts in this series or contact:

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**TF:** 1800 193 111 (within Australia)

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