

Checklist for people starting a new business

Some basic but important tax issues to check when starting a new business.



For more detailed information, refer to the publications and websites listed in this guide or talk to your tax adviser.



OUR COMMITMENT TO YOU

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our information in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at **www.ato.gov.au** or contact us.

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CHECKLIST FOR YOUR NEW BUSINESS

Check what you know about small business tax issues.

GETTING STARTED

Do you know...	Yes	No	
■ if you are in business?	<input type="checkbox"/>	<input type="checkbox"/>	see page 4
■ what business structure is best for you?	<input type="checkbox"/>	<input type="checkbox"/>	see page 4
■ if you need a tax file number?	<input type="checkbox"/>	<input type="checkbox"/>	see page 4
■ if you are entitled to an Australian business number (ABN)?	<input type="checkbox"/>	<input type="checkbox"/>	see page 4
■ there are tax concessions available to small business?	<input type="checkbox"/>	<input type="checkbox"/>	see page 5
■ how running a business at or from your home affects your tax?	<input type="checkbox"/>	<input type="checkbox"/>	see page 5

KEEPING RECORDS

Do you know...	Yes	No	
■ what records to keep, and for how long?	<input type="checkbox"/>	<input type="checkbox"/>	see page 6
■ how to keep your records electronically?	<input type="checkbox"/>	<input type="checkbox"/>	see page 7

CHECKLIST FOR YOUR NEW BUSINESS

GST

Do you know...

Yes No

- | | | | |
|---|--------------------------|--------------------------|------------|
| ■ if you need to register for goods and services tax (GST)? | <input type="checkbox"/> | <input type="checkbox"/> | see page 8 |
| ■ how GST works? | <input type="checkbox"/> | <input type="checkbox"/> | see page 9 |
| ■ what you must show on a tax invoice, for GST purposes? | <input type="checkbox"/> | <input type="checkbox"/> | see page 9 |

FUEL TAX CREDITS

Do you know...

Yes No

- | | | | |
|--|--------------------------|--------------------------|-------------|
| ■ if you should register for fuel tax credits? | <input type="checkbox"/> | <input type="checkbox"/> | see page 10 |
| ■ how fuel tax credits work? | <input type="checkbox"/> | <input type="checkbox"/> | see page 10 |

YOUR EMPLOYEES

Do you know...

Yes No

- | | | | |
|--|--------------------------|--------------------------|-------------|
| ■ if your workers are employees or contractors? | <input type="checkbox"/> | <input type="checkbox"/> | see page 11 |
| ■ if you need to withhold tax? | <input type="checkbox"/> | <input type="checkbox"/> | see page 11 |
| ■ what superannuation obligations you have for your employees? | <input type="checkbox"/> | <input type="checkbox"/> | see page 11 |
| ■ if you need to pay fringe benefits tax? | <input type="checkbox"/> | <input type="checkbox"/> | see page 12 |

CHECKLIST FOR YOUR NEW BUSINESS

PAYING TAX

Do you know...	Yes	No	
■ if you need to lodge activity statements?	<input type="checkbox"/>	<input type="checkbox"/>	see page 13
■ if you need to lodge an income tax return?	<input type="checkbox"/>	<input type="checkbox"/>	see page 13
■ when your first income tax bill will arrive?	<input type="checkbox"/>	<input type="checkbox"/>	see page 13
■ the importance of managing your cash flow?	<input type="checkbox"/>	<input type="checkbox"/>	see page 14

SUPPORT FOR SMALL BUSINESS

Do you know...	Yes	No	
■ about the various online services available?	<input type="checkbox"/>	<input type="checkbox"/>	see page 15
■ how to obtain copies of our publications and forms?	<input type="checkbox"/>	<input type="checkbox"/>	see page 16
■ we offer assistance visits?	<input type="checkbox"/>	<input type="checkbox"/>	see page 16
■ we offer seminars and workshops for small business operators?	<input type="checkbox"/>	<input type="checkbox"/>	see page 16
■ how to contact us by phone?	<input type="checkbox"/>	<input type="checkbox"/>	see page 17

GETTING STARTED

ARE YOU IN BUSINESS?

Make sure you are in business and your activity is not regarded as a hobby. If you are in business, you need to declare any business income you earn. You can claim deductions for some expenses you incur in running your business.

WHAT BUSINESS STRUCTURE IS BEST FOR YOU?

Sole traders, partnerships, companies and trusts have different legal obligations and are taxed differently. We cannot provide you with advice on what structure to choose; however, we can advise you how tax applies to your chosen structure.

DO YOU NEED A TAX FILE NUMBER (TFN)?

If you operate as a sole trader, you can use your own TFN for your business. If you operate as a partnership, company or trust, you must also have a business TFN.

ARE YOU ENTITLED TO AN AUSTRALIAN BUSINESS NUMBER (ABN)?

Not everyone is entitled to an ABN. Even if you are entitled to an ABN, you don't have to apply for one. However, if you need to register for GST, you will need to apply for an ABN as well.

If you choose to get an ABN, you will need to update your ABN record within 28 days of changes to your details.

If you choose not to have an ABN, other businesses can withhold 46.5% of payments to you.

- Visit **www.abr.gov.au** to complete and lodge an online application for:
- a TFN for a company, partnership or trust (but not a personal TFN)
 - an ABN for a sole trader, partnership, company or trust.

You are likely to receive your ABN on the spot if you provide your TFN and your details can be validated.

Visit our website, **www.ato.gov.au**, to use the ABN entitlement tool to work out if you are entitled to an ABN.

Phone us on **13 28 66** for a paper version of the TFN and ABN application forms.

DO YOU KNOW ABOUT THE TAX CONCESSIONS FOR SMALL BUSINESS?

You may be eligible for a range of tax concessions if your business has less than \$2 million turnover.

DO YOU RUN YOUR BUSINESS AT OR FROM YOUR HOME?

Using your home for business can affect the capital gains tax (CGT) exemption that normally applies to private homes. There are also rules about calculating expense claims.

- For help with getting your business started:
- visit **www.ato.gov.au/SBconcessions**
 - visit **www.business.gov.au**
 - refer to
 - *Tax basics for small business* (NAT 1908)
 - *Concessions for small business entities* (NAT 71398)
 - phone us on **13 28 66**
 - talk to your tax adviser.

KEEPING RECORDS

WHAT RECORDS SHOULD YOU KEEP, AND FOR HOW LONG?

Keeping good records makes it easier to do your tax. Generally, you must keep records for five years.

We have developed an electronic tool to help you work out your record keeping needs.

Based on the information you provide, the record keeping evaluation tool will give you a list of the records you must keep and a report that shows how well you are keeping your records. If appropriate, the report will include suggestions for improvement.

➤ Visit www.ato.gov.au/recordkeeping to download the record keeping evaluation tool.

For more information about what records you need to keep:

- refer to *Record keeping for small business* (NAT 3029)
- request a business assistance visit by phoning **13 28 66**
- book into a record keeping seminar or workshop
 - online at www.ato.gov.au/seminars
 - by phoning **1300 661 104**
- talk to your tax adviser.

HOW CAN YOU KEEP YOUR RECORDS ELECTRONICALLY?

Keeping records electronically will save you time and improve accuracy. There are a number of commercially available software packages.

➤ For a list of commercial software record keeping packages visit www.ato.gov.au/softwaredevelopers

There are several other useful tools and calculators available from our website at www.ato.gov.au/business

These include a:

- work-related car expenses calculator
- home office expenses calculator
- tax-withheld calculator.

GST

DO YOU NEED TO REGISTER FOR GOODS AND SERVICES TAX (GST)?

You must register for GST if:

- your business has a GST turnover of \$75,000 or more (\$150,000 or more if you are a non-profit organisation)
- you are a taxi driver, or
- you provide limousine or hire car services.

➤ You can register for GST:

- at the same time you apply for your ABN – visit **www.abr.gov.au**
- through your tax agent, or
- by phoning **13 28 66** to obtain the appropriate form for your business
 - *Application to register for an ABN individuals (sole trader)* (NAT 2938)
 - *ABN registration for companies, partnerships, trusts and other organisations* (NAT 2939).

If you have already applied for an ABN, you can register:

- through the Business Portal at **www.bp.ato.gov.au**
- by completing the form *Add a new business account* (NAT 2954) and returning it to us, or
- by phoning us on **13 28 66**.

DO YOU KNOW HOW GST WORKS?

If you are registered for GST, you must pay one-eleventh of your taxable sales to us. You can claim credits for the GST you pay in the price of your business purchases.

DO YOU KNOW WHAT YOU MUST SHOW ON A TAX INVOICE?

For GST purposes, you must show certain details on a tax invoice, depending on the amount. If you are not registered for GST you cannot issue a tax invoice.



For more information about GST:

- refer to:
 - *GST for small business* (NAT 3014), or
 - *Tax basics for small business* (NAT 1908)
- visit our website at **www.ato.gov.au/gst**
- phone us on **13 28 66**
- talk to your tax adviser.

FUEL TAX CREDITS

DO YOU NEED TO REGISTER FOR FUEL TAX CREDITS?

Your business must be registered for both fuel tax credits and GST before you can claim fuel tax credits.

HOW DO FUEL TAX CREDITS WORK?

Fuel tax credits are amounts you can claim for the fuel tax (excise duty) included in the price of fuel you use in your business activities, machinery, plant, equipment and heavy vehicles. Most businesses can claim fuel tax credits – it's just the rate that varies depending on how you use the fuel.

The only fuels you cannot claim fuel tax credits for are:

- those you use in light vehicles of 4.5 tonne gross vehicle mass (GVM) or less, travelling on a public road
- aviation fuels
- alternative fuels.



For more information about fuel tax credits:

- visit www.ato.gov.au/fuelschemes
- refer to:
 - *Fuel tax credits – get money back for your business* (NAT 15397), or
 - *Fuel tax credits for business* (NAT 14584)
- phone us on **13 28 66**
- talk to your tax adviser.

YOUR EMPLOYEES

ARE YOUR WORKERS EMPLOYEES OR CONTRACTORS?

Employees and contractors are treated differently for tax purposes.

There is an online tool designed to help you work out whether your workers are employees or contractors for tax and super purposes. After answering a series of simple questions, you will receive a report that tells you if your worker is an employee or contractor and a summary of your tax and super obligations for that worker.

➤ Visit www.ato.gov.au/employers and select 'Other calculators & tools', then 'Employer/contractor decision tool'.

DO YOU NEED TO WITHHOLD TAX?

If you pay employees and directors, you need to be registered for pay as you go (PAYG) withholding to send the amounts you withhold to us. In some situations, you may need to withhold from payments to other businesses.

WHAT SUPER OBLIGATIONS DO YOU HAVE FOR YOUR EMPLOYEES?

As an employer, you must pay super for your eligible employees and certain contractors. This is called the superannuation guarantee.

Your employees may also be eligible to choose the super fund you pay their super into.

The minimum amount of super you must pay for each eligible employee is 9% of their earnings base.

You must pay super contributions at least every quarter, by the cut-off dates (28 October, 28 January, 28 April and 28 July).

YOUR EMPLOYEES

We have a range of web-based decision tools and calculators to help you work out and meet your superannuation guarantee obligations.

DO YOU NEED TO PAY FRINGE BENEFITS TAX?

If you provide non-cash benefits to your employees, you may have to pay fringe benefits tax and lodge an annual fringe benefits tax return. If you are an employee of your own company or trust, fringe benefits tax can apply to benefits you receive.



For more information about employee issues:

- visit **www.ato.gov.au/super** for our web-based superannuation decision tools and calculators
- refer to:
 - *Tax basics for small business* (NAT 1908)
 - *PAYG withholding for small business* (NAT 8075)
 - *Superannuation guarantee – a guide for employers* (NAT 1987)
 - *Choice of superannuation fund – guide for employers* (NAT 13185)
 - *Super – what employers need to know* (NAT 71038), and
 - *Fringe benefits tax – what you need to know* (NAT 1744)
- phone us on **13 28 66** (business enquiries) or **13 10 20** (for super)
- talk to your tax adviser.

PAYING TAX

DO YOU NEED TO LODGE ACTIVITY STATEMENTS?

Most businesses must lodge an activity statement and pay their tax every three months. If you operate a small business, you can lodge once a year; however, larger businesses may have to lodge once a month. Penalties can apply if you lodge your activity statement late.

You can lodge your activity statements online through our Business Portal. The portal is a secure website you can use to:

- revise previous activity statements
- check your tax accounts
- view and update most of your business registration details
- send us secure messages.

 To access the Business Portal, visit www.ato.gov.au/onlineservices

DO YOU NEED TO LODGE AN INCOME TAX RETURN?

You must lodge an income tax return for any year in which you run a business – even if you don't have to pay any tax. Penalties can apply if you lodge late.

WHEN WILL YOUR FIRST INCOME TAX BILL ARRIVE?

Your first income tax assessment will arrive after you lodge your first tax return showing your business income. If you make a profit, you are likely to receive a tax bill. We recommend you put some money aside to help pay this.

After you lodge your tax return, we will send you a letter if you must pay PAYG instalments towards future tax bills.

DO YOU KNOW THE IMPORTANCE OF MANAGING YOUR CASH FLOW?

Managing your cash flow helps you pay your business debts, including tax.

Ways you can better manage your cash flow include:

- working out a cash flow budget
- maintaining good control of debtors
- having adequate working capital, and
- using a good bookkeeping system.

Contact us if you are finding it difficult to pay a tax bill.



For more information about paying tax:

- refer to
 - *Tax basics for small business* (NAT 1908)
 - *PAYG withholding for small business* (NAT 8075)
 - *Income and deductions for small business* (NAT 10710)
- phone us on **13 28 66**
- talk to your tax adviser.

SUPPORT FOR SMALL BUSINESS

ONLINE SERVICES

We offer a range of fast, convenient and secure online services to make it easier for you to comply with your business tax obligations.

To access our online services you will need an AUSkey or ATO digital certificate.

For more information visit **www.ato.gov.au/onlineservices**

Other websites you may find useful:

- Our website at **www.ato.gov.au/businesses**
Find out more about electronic record keeping software and tax essentials for new and existing businesses.
- Business Portal at **www.bp.ato.gov.au**
The Business Portal can help reduce the time and paperwork associated with your tax transactions, including lodging activity statements online. To apply for access, visit **www.ato.gov.au/onlineservices**
- Australian Business Register at **www.abr.gov.au**
Here you can apply for an AUSkey, a TFN (unless you are an individual or sole trader) or an ABN, and register for GST or pay as you go (PAYG) withholding.
- Business Entry Point at **www.business.gov.au**
This website offers convenient access to government information, transactions and services. It is a whole-of-government service providing essential information on planning, starting and running your business.

TAX OFFICE PUBLICATIONS

To obtain copies of our publications or forms:

- visit www.ato.gov.au/onlineordering or
- phone our publications distribution service on **1300 720 092**.

FREE AND HELPFUL ASSISTANCE VISITS – NO STRINGS ATTACHED

To help make it as easy as possible for you to comply with your tax obligations, we recommend you use our free and helpful assistance visits service. Visits are confidential and conducted by tax officers at your place of business or preferred location. We will work through any issues you may have and discuss specific tax information of interest to you.

To view a short video and arrange an assistance visit:

- visit www.ato.gov.au/assistancevisit or
- phone us on **13 28 66**

SEMINARS AND WORKSHOPS

We conduct regular tax basics seminars and workshops on record keeping, and also employer responsibilities. To make a booking:

- visit www.ato.gov.au/seminars or
- phone us on **1300 661 104**.

CONTACTING US BY PHONE

- Business tax enquiries **13 28 66**
- Business direct **13 72 26**
- Superannuation **13 10 20**
- Non-profit enquiries **1300 130 248**
- Electronic products **1300 139 051**
- Request a business assistance visit **13 28 66**
- Attend a record keeping seminar or workshop **1300 661 104**

If you do not speak English well and need help from the ATO, phone the Translating and Interpreting Service on **13 14 50** for help.

If you are deaf or have a hearing or speech impairment, phone the ATO through the National Relay Service (NRS) on the numbers listed below

- TTY users, phone **13 36 77** and ask for the ATO number you need
- Speak and Listen (speech-to-speech relay) users, phone **1300 555 727** and ask for the ATO number you need
- internet relay users, connect to the NRS on **www.relayservice.com.au** and ask for the ATO number you need.

