



**STARTING A BUSINESS**  
Information & Guidance

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**If you are contemplating starting a business or have already started, it is important to consider and seek advice to understand your responsibilities.**

**This can be a confronting process as there are numerous factors to consider. Here at SMN we pride ourselves on supporting anyone who is looking at starting a business. We have developed this guide to assist individuals in understanding many of the key issues you need to be aware of when starting a business. Since businesses are so diverse, this checklist cannot cover all issues and situations, so please book an appointment for any specific questions you have.**

At SMN Accountants we can inform you of your options and help you on your journey to starting your own business.

#### **KEY TIPS**



1. Keep necessary records
2. Understand your compliance obligations
3. Maintain WorkCover and insurance where appropriate

# [01] TYPE OF ENTITIES

**Before starting a business, you should consider the advantages and disadvantages of each type of business structure and decide which best suits your needs. Your business structure can affect the safety of your personal assets and taxation obligations. A change in ownership of an ongoing business may require a new registration to be made depending on the type of structure the business operates.**

**See the most common forms of business structures below:**

## **Sole trader**

A sole trader is a type of structure where the business has no separate legal existence from its owner. As a sole trader, you'll be responsible for the liabilities of your business. You need to report your business income on your personal income tax return, along with any other income.

## **Partnership**

A partnership is a type of structure where two or more people start a business and can legally share profits, risks and losses according to terms set out in a partnership agreement. You must lodge a separate partnership income tax return.

## **Trust**

A trust is a relationship where a business is transferred to a third party who has legal control and has a duty to run that business to benefit someone else. You must lodge a separate trust income tax return.

## **Company**

A company is a legal entity separate from its members (shareholders). A director of a company has additional legal and reporting obligations. You must lodge a separate company income tax return.

For more information see our Business Structures Booklet.



### **KEY TIP**

It is a good idea to start a new bank account and put the GST aside as a way to manage cash flow.

# [02] REGISTRATIONS

When you're ready to start your business, you need to complete a number of registrations. These registrations will depend on your chosen business structure.

See below key registrations that must be considered when starting your own business:

## ABN

Before you can apply for a business name, you are required to have an ABN or an ABN application number.

## TFN

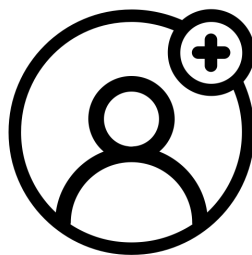
As well as applying for an Australian business number (ABN), sole traders can apply separately for a TFN by phoning the Australian Taxation Office (ATO) on 1300 720 092 for a paper application.

Sole traders can use their existing personal TFN when in business, but partnerships, trusts and companies will need their own. Partnerships, trusts and companies can apply for a TFN on the ABN application form at Australian Business Register. For more information, visit the ATO website.

## GST

If you have or expect to have GST turnover of \$75 000 or more you must register for GST. If you provide taxi travel or are a car hire operator, you must register for GST regardless of GST turnover. If you're eligible to claim input tax credits, you must also register for an ABN. You need an Australian Business Number (ABN) and to register for goods and services tax (GST). If you are registered for GST you will be required to lodge a Business Activity Statement (BAS) each quarter with the ATO. If you're registered for GST you will need to provide customers with a Tax Invoice, detailing key information, refer to the **Appendix** for all information that must be included in the Tax Invoice.

You can register for GST on the ABN application form located at Australian Business Register. At SMN we can assist you in this process and complete all registrations on your behalf.



# [03] PAYROLL

If you employ staff, there will be a range of responsibilities as a business owner that you must be aware of. We have summarised a high level overview of what these responsibilities include.

## PAYG WITHHOLDING

If you are paying employees your business must be registered for pay-as-you-go withholding (PAY-GW) and withhold tax from payments you make to them. In case you provide non-cash benefits to your employees, such as the use of a car, you may also need to pay fringe benefits tax (FBT). Similarly, to being registered for GST you will also need to lodge your PAYG installments as part of each quarterly BAS.

You can register for PAYG withholding on the ABN application form located at Australian Business Register.

## Superannuation

You must pay a superannuation guarantee for employees at 11% of the employee's ordinary time earnings. Generally, employers are not required to pay superannuation to any contractors that are engaged. Therefore, it is important for all business owners to be aware if they are engaging an individual as an employee or contractor. To evaluate whether an individual is likely to be an employee or a contractor see the ATO's decision tool ([See ATO Decision Tool](#)).

BAS/Superannuation due dates:

Quarter	Period	BAS Due Date	Super Due Date
1	1 July – 30 September	28 October	28 October
2	1 October – 31 December	28 February	28 January
3	1 January – 31 March	28 April	28 April
4	1 April – 30 June	28 July	28 July

## Single Touch Payroll

You will also be required to lodge all payroll events via Single Touch Payroll (STP) through your accounting software.

## WorkCover

If you have employees, you will be required to take out an Accident Insurance Policy to insure your staff with WorkCover Queensland. See the WorkCover Queensland website for more details ([Work Safe - Rights & Responsibilities](#)).

# [04] TAX & RECORD KEEPING

## Income Tax

Income tax is levied on the taxable income of a person or a business. You must lodge a tax return for any year in which you carry on a business (even if you do not make a profit or have no tax to pay). Depending on the structure of your business you may need to lodge a separate return for the business and for yourself as an individual taxpayer.

## Record Keeping

Under tax law you must keep records of income tax, Goods and Services Tax (GST), payments to employees and other business payments for five years. There are also record keeping requirements for many other measures including workers compensation. Under the Fair Work Act 2009, you need to keep employee information such as time and wages records for seven years.

You need to set up a good record keeping system to track your income and expenses from the inception of the business. This helps you know how your business is performing, as well as meet your tax responsibilities and be able to claim all the deductions to which you are entitled.

## Tax Invoices

When you make a taxable sale of more than \$82.50 (including GST), your GST-registered customers need a tax invoice to claim a credit for the GST in the purchase price. If a customer asks you for a tax invoice you must provide one within 28 days of their request. See in the **Appendix** an example of a compliant Tax Invoice.

## Providing the ATO with copies of records

If we ask to see copies of records you keep digitally, you can provide either digital or printed copies. We may also request documentation from your computer about your record-keeping system (for example, information about your regular back-up and record destruction procedures) or ask that you provide us with paper copies.



### KEY TIP

For purchases that cost \$82.50 or less (GST inclusive), documents should still be kept as evidence of input tax credit claims, such as cash register docket, receipts or invoices.

# [05] SOFTWARE

**Your business' record-keeping system can be digital or manual. We are progressively moving towards digital reporting for tax, super and employer obligations. Where possible, it is recommend businesses use digital record keeping.**

There are many advantages to keeping your records digitally. If, for example, you use a commercially-available software package, it may help you:

- keep track of business income, expenses and assets as well as calculate depreciation
- streamline your accounting practices and save time so you can focus on your business
- automatically calculate wages, tax, super and other amounts, including
  - o develop summaries and reports for GST, income tax, fringe benefits tax (FBT) and taxable payments reporting system (TPRS), as required
  - o be prepared to lodge your tax and super obligations, including your tax return, business activity statements (BAS) and taxable payments annual report (TPAR) if you are a business that is required to
  - o send some information to us online (if the package meets our requirements), for example, your activity statement
  - o meet your legal Single Touch Payroll (STP) reporting obligations
- back up records using cloud storage to keep your records safe from flood, fire or theft.





# [06] APPENDIX

## Example Profit and Loss

The following completed Profit and Loss is an example of what are the potential expenses you will be incurring when starting a business. Further, it details the company tax rate that applies to base-rate entities.

	\$
<b><i>Income</i></b>	
<i>Sales</i>	655,000
<i>Other income</i>	600
<i>Total Income</i>	655,600
<b><i>Expenses</i></b>	
<i>Accounting and legal fees</i>	11,700
<i>Advertising</i>	15,000
<i>Depreciation</i>	38,000
<i>Electricity</i>	2,700
<i>Insurance</i>	495
<i>Interest</i>	15,200
<i>Postage</i>	1,500
<i>Printing &amp; stationery</i>	8,700
<i>Professional memberships</i>	1,800
<i>Rent</i>	74,300
<i>Repairs &amp; maintenance</i>	21,100
<i>Training</i>	6,900
<i>Superannuation</i>	21,233
<i>Sundry</i>	6,800
<i>Vehicle operating costs</i>	20,000
<i>Wages</i>	223,500
<i>Workers compensation</i>	6,500
<i>Total expenses</i>	475,428
<b><i>Gross Profit</i></b>	<b>180,172</b>
<b><i>(\$655,600 - \$475,428)</i></b>	
<i>Tax expense (25%)</i>	45,043
<b><i>Net Profit</i></b>	<b>135,129</b>

# [06] APPENDIX

## Example Tax Invoice

**1** Tax invoice

**2** Windows to Fit Pty Ltd  
ABN: 32 123 456 789 **3**

15 Burshag Road  
Festler NSW 2755

**4** Date: 1 August 2013

To: Building Company **8**  
254 Burshag Road  
Festler NSW 2755

Qty	Description of supply	Unit price	GST	Total
<b>5</b> 50	Window frames	\$150	\$15	\$8,250
10	Deadlocks	\$40	\$4	\$440
			<b>6</b>	
<b>TOTAL AMOUNT PAYABLE</b>				<b>\$8,690</b>

The total price includes GST **7**

## Requirements of tax invoices

1. that the document is intended to be a tax invoice
2. the seller's identity
3. the seller's Australian business number (ABN)
4. the date the invoice was issued
5. a brief description of the items sold, including the quantity (if applicable) and the price
6. the GST amount (if any) payable – this can be shown separately or, if the GST amount is exactly one-eleventh of the total price, such as a statement which says 'Total price includes GST'
7. the extent to which each sale on the invoice is a taxable sale
8. the buyer's identity for sales over \$1,000