

TAX AGENT SOUTH YARRA 2016

Small Business Tax Tips on ABN & GST



Do I need an ABN (Australian Business Name)?

It is compulsory to have an ABN if you are carrying on a business enterprise in Australia. So what's the difference between a hobby and a business enterprise? TR 97/11 states the characters of running a business include: significant commercial activity, intention to make a profit, repetition & scale, a business plan existence, commercial sales and tax payers knowledge & skill.

Do I need to register GST if I'm carrying on a business and have an ABN?

It depends. The Goods and Services Tax (GST) is a broad based consumption tax and it is a tax on the end consumer of a good or service.

By law, if your business has a turnover of more than \$75,000 you are required to register for the GST. If below \$75,000 you can choose to register for the GST if you wish. Your turnover is the total of your sales exclusive of GST.

Sometimes, it attracts a good cash flow when GST credit is bigger than GST on sales. Especially, if you're in the GST-free sales business, like fresh food, education & childcare services, some medical & health care products and services, and you're claiming expenses with GST in them.

Exception: You have to register for GST if you are providing a taxi or ride-sourcing services.

How to calculate GST payment or refund?

In Australia, sales can be broken down into three basic types:

- Taxable sales – normal goods & services sales
- GST-free sales - primary product, education, water & health services
- Input taxed sales - residential rental income

For the 1st type, GST on sales is 1/11 of the total sales income.
For the 2nd & 3rd types, GST on sales is nil.

The same method is used when calculating GST credits on purchase and expenses.

The final GST payment or refund is the difference between GST on sales (1A) and GST credits (1B). If 1A > 1B, then GST payment; vice versa, GST refund.

BAS (Business Activity Statement) is the form to report on GST, annually, quarterly or monthly depending on turnover.

See more tax tips for small business on ATO links below:

<https://www.ato.gov.au/Media-centre/Articles/Tax-tips-for-small-business/?tpissue-28-2016>

For more information or to make an appointment, contact us below or call us on 03 9279 3912, alternatively visit our office just opposite to South Yarra train station at 141 Osborne Street.

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