

Starting out

If you've decided to start your own business as a sole trader there are a few things that you are required by law to do as soon as you start.

Please note that this document is not entire in listing your legal obligations, it's just designed to help you in knowing where to start. It is a good idea to have a look around some websites, particularly government ones, to find out what your particular legal obligations are. Some suggested organisations to contact are at the end of this document.

ABN (Australian Business Number) Registration

! In order to receive income as a business you **MUST** register for an ABN.

You register your business name with the Australian Business Register:

- On-line at:
www.abr.gov.au
- Via mail - download the form from:
<http://www.fairtrading.nsw.gov.au/corporate/forms.html>
- In person at the ATO - the ATO's city office is located at:
Centrepont, Podium Level, 100 Market Street

Have a look at the ATO's and the ABR's websites to find out what requirements you have to meet.

If you don't register for an ABN your clients are required by law to take 48.5% tax out of your invoices.

You will receive a Notification of Registration with your ABN details. Your ABN is an 11-digit number in the following format: 12-345-678-901

Business Name Registration

? You can conduct business in NSW under your own name without registering a business name, provided you don't change or add anything to your name. To conduct business in NSW under any other name, that name must first be registered as a business name.

You register your business name with the NSW Office of Fair Trading:

- In person - their city office is located at:
McKell Building, 2 - 24 Rawson Place - close to Central Station
- Via mail - download the form from:
<http://www.fairtrading.nsw.gov.au/corporate/forms.html>

Have a look at the NSW Office of Fair Trading's website to find out what requirements you have to meet.

You will need to decide on a name for your business that meets the DFT's requirements (ie, it isn't already in use, it's not offensive etc). It's a good idea to have a few names in mind in case you can't have your first choice. If you go into their office to register you can immediately choose a different one, and go through your options; however if you do it via mail you don't have that option.



You will receive a Certificate of Business Registration which you are required to have visible at your principle place of business, ie your home office, or business area / studio. Some clients might ask you for a copy of your business registration certificate, so if you are going to frame it it's a good idea to take a few photocopies first.

GST (Goods and Services Tax) Registration

? If you expect your income to be more than \$75,000 per year you **MUST** register for GST.

You register for GST with the ATO:

- On-line at:
www.ato.gov.au
- In person at the ATO - the ATO's city office is located at:
Centrepoint, Podium Level, 100 Market Street
- Via mail - download the form from:
www.ato.gov.au
The registration form is NAT2938-10.2003; there is also an instruction booklet to help you complete the registration form which is NAT2940-10.2003

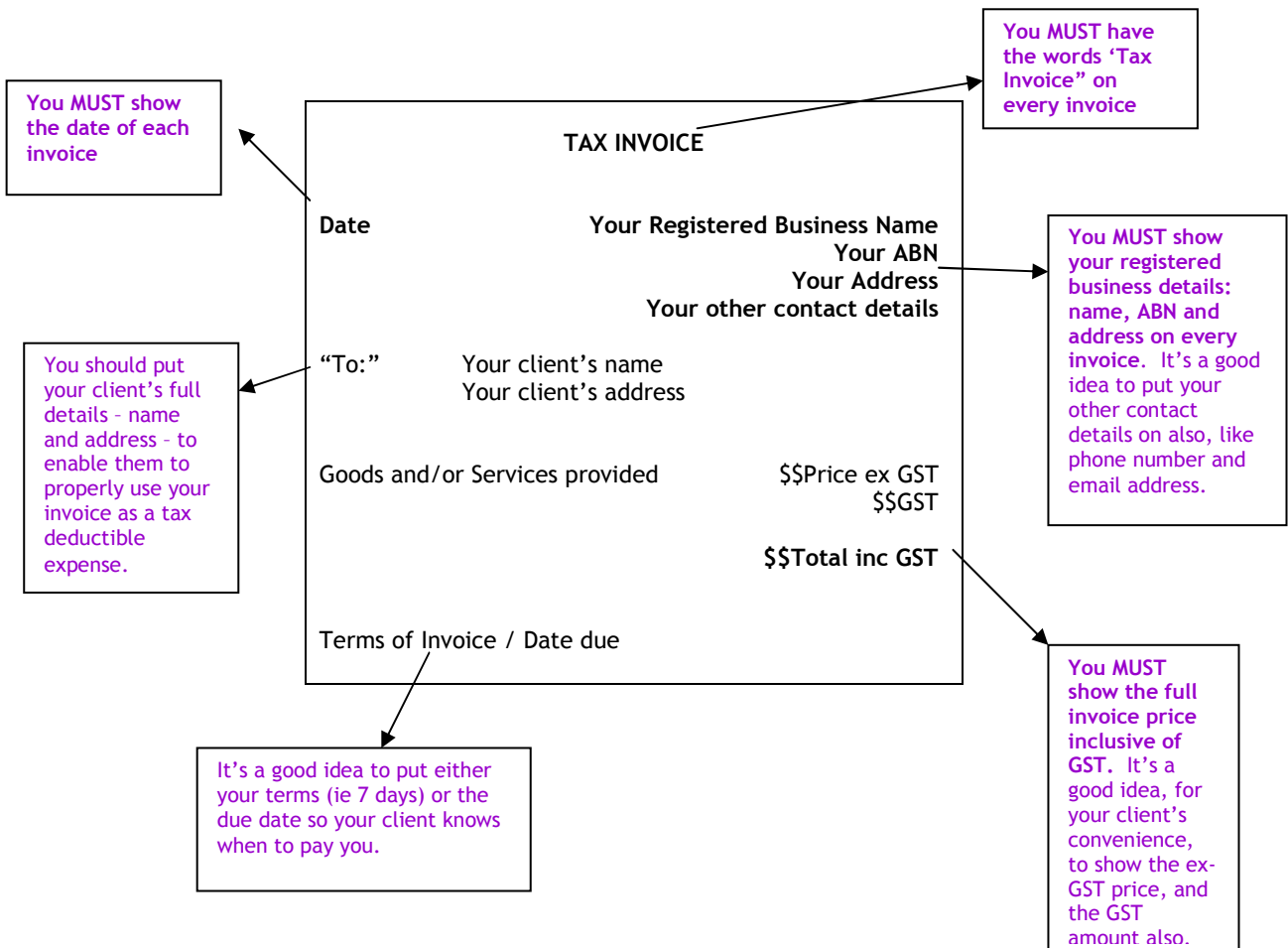
You don't have to register for GST straight away if you think your income will be lower than \$75,000; however you do have to register for GST within 2 weeks of realising you have reached the \$75,000 income level. More information on your requirements regarding GST are attached.



Invoicing requirements

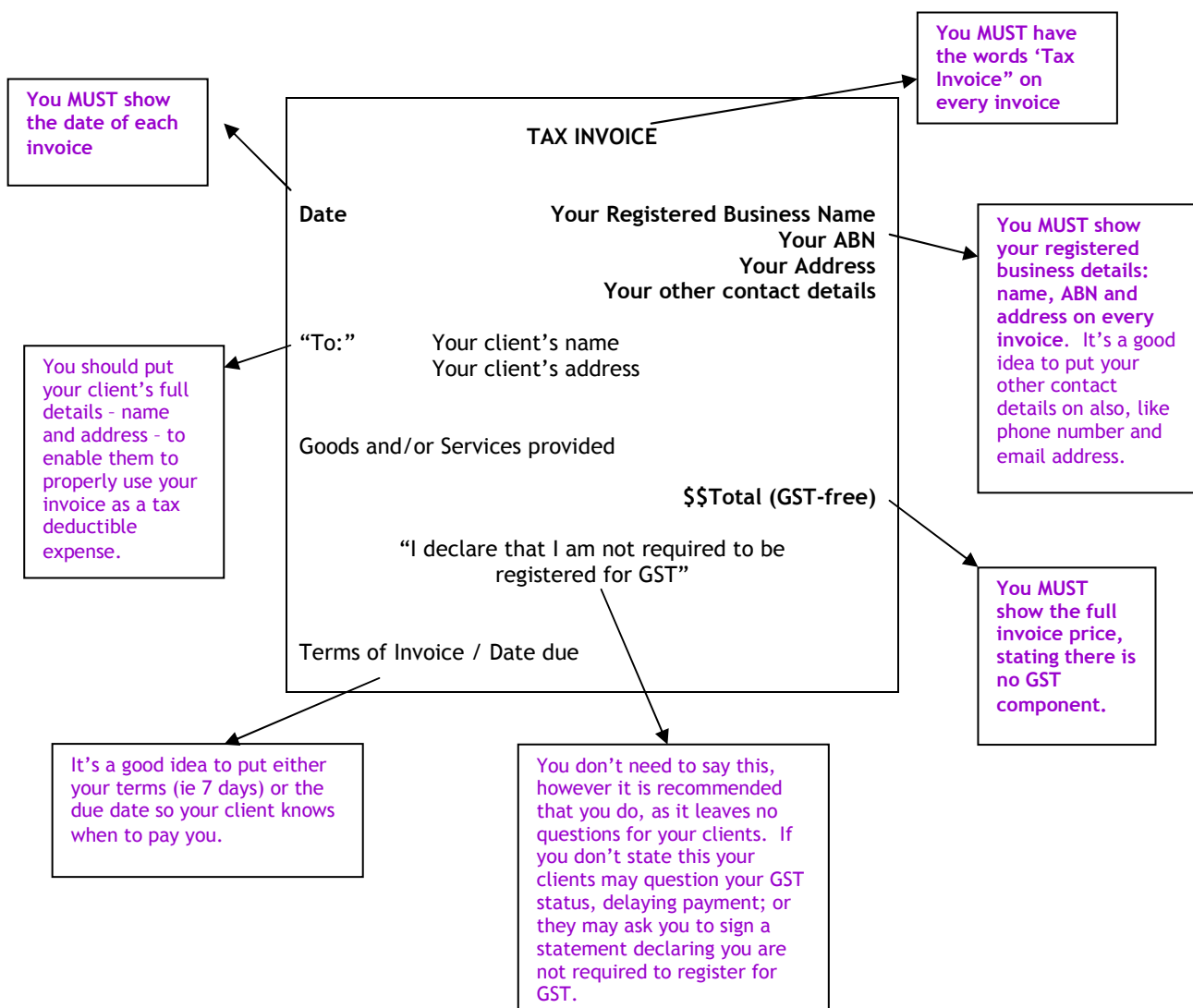
If you register for GST you have slightly different invoicing requirements than if you don't register for GST. Attached are examples of the information required for both types of invoices. Remember, if you don't invoice correctly your clients may be required to tax you at 48.5% of your invoice, or may not legally be required to pay you at all.

Registered for GST





NOT Registered for GST





GST Requirements

About GST

GST is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia.

If registered for GST you must charge GST of 10% on top of your hourly rate. For your expenses, you will receive invoices / receipts from your suppliers charging you 10% GST also.

If you are registered for GST you will be required to report how much GST you collect and pay on a quarterly (every 3 months) or yearly basis.

Reporting - BAS (Business Activity Statement)

If registered for GST you must report and pay your GST either quarterly or annually. Your BAS Payment is calculated as follows:

$$\text{GST Collected} - \text{GST Paid} = \text{payment amount}$$

Most sole traders choose to pay their GST quarterly, as this makes it more manageable.

You have the option of paying your GST on a 'cash' or 'accrual' based system. Generally the difference is as follows:

- Accrual based means you report the GST eg as you invoice it
- Cash based means you report the GST when your client actually pays you, regardless of the invoice date

Most sole traders choose the 'cash' system, as this means you pay the GST once you've received payment, and this helps with your cash flow.

It is a good idea to put aside the GST component of every client's payment, so that when your BAS is due you are not hit with an unexpected bill that you cannot afford. If you put it in a savings account that earns interest you're even better off.



PAYG

As a sole trader you are still liable for PAYG tax on your income. This is based on your income less your expenses - your 'taxable' income. Any GST component is not included in these calculations.

Generally when you start out the ATO does not have details of your income, therefore they do not know how much to ask you for. This means that for your first year you are incurring a tax debt, which will become due with you submit your first Tax Return.

It is a good idea to put aside part of every client's payment, so that when your tax is due you are not hit with an unexpected bill that you cannot afford. If you put it in a savings account that earns interest you're even better off.

If you are not sure how much to save a bookkeeper can help you to keep track of your taxable income.

Once you have submitted your first Tax Return the ATO will use your income figure to calculate your PAYG for the following year, and this will be listed and payable with your BAS. When you submit that year's Tax Return your tax due will be less those payments.

Other items

Bank

If you have registered a business name that is different from your own name you should open a business cheque account with a bank. This means makes it easier to separate your business from your personal items.

Put your BSB and account number on your invoices to encourage your clients to pay you electronically - it's faster.

Receipts

Keep all your receipts!

You can only claim GST and deductions for expenses where you have proof of purchase. You are required by the ATO to keep your receipts for 5 or 7 years, depending on your circumstances. Basically if you don't have a receipt for it, you can't claim it as an expense.



Attached Documents

- NSW Office of Fair Trading - Information: Registering and using your business name
- NSW Office of Fair Trading - Form: Application for Registration of a Business Name
- ATO - Information: Register for an Australian Business Number Instructions
- ATO - Form: Application to register for an Australian Business Number Individuals
- Record Keeping for Small Businesses
- Sample Office Log (you can claim home-office running costs based on the hours per week you work in your home-office area. See the ATO website for details - form NAT 10709-05 'Tax and the Home-based Business'; or Bryant's Bookkeeping Services can help you with it.
- Sample Vehicle Log (you can also purchase Vehicle Log Books from newsagents, and yes it's a tax deductible expense)
- Example Deductions List

Contact Details

These organisations and websites contain information on your legal obligations as well as ideas and suggestions regarding running your own business. There are also many other websites that can help you, including local support services and industry specific organisations.

NSW Office of Fair Trading

Web: www.fairtrading.nsw.gov.au

Phone: 13 32 20

Australian Taxation Office

Web: www.ato.gov.au

Phone: 13 28 66

Australian Business Register

Web: www.abr.gov.au

Phone: 13 28 66 (the ATO)

Business.gov.au

This is a government site which offers you simple and convenient access to all the government information, transactions and services you need. It's a whole-of-government service providing essential information on planning, starting and running your business.

Web: www.business.gov.au

NSW Small Business

www.smallbiz.nsw.gov.au