

WHEN STARTING A BUSINESS-CHECKLIST

The following topics relate to what a business needs to do when starting a business

Registration

Business Name Registration

To register your business name, you need to search the availability of the name via Australian Securities & Investment Commission (ASIC) Business names & registrations, and then to register will be a small fee.

ABN (Australian Business Number) registration

Every business entity is required to have an ABN (or expose itself to withholding tax of 46.5% on income). This is a unique number that is required to be on all invoices issued.

TFN (Tax File Number) registration

Every business is also required to have a TFN, which is its own unique number that is used when lodging tax returns with the ATO (Australian Taxation Office).

GST (Goods & Services Tax) registration

GST applies at the rates of 10% on the supply of most goods & services. As of 1 July 2007, a business is required to register for GST if annual turnover reaches \$75,000 (if turnover is below this amount, registration for GST is optional). The GST of 10% on income (calculated as 1/11 of total income) is required to be paid to the ATO (normally on a quarterly basis), and can be reduced by GST input tax credits paid by the entity on purchases..

PAYG Withholding Tax registration

If the business entity is employing employees (including the directors/beneficiaries in companies/trusts), the business is required to register for PAYG Withholding Tax and required to withhold tax on salary, wages, commission, bonuses and allowances it pays to an individual as an employee.

PAYG Instalments

PAYG Instalments are tax instalments paid on behalf of individuals and companies in respect to expected income as it is earned. For a first time business, these instalments will not occur until they lodge their first tax return, after which the ATO will estimate an amount to be paid in respect to current year earnings (based on the previous year's income tax return). This may be in the

form of a specific amount, or may be based on a % of income. At the end of the tax year, these tax instalments are credited to offset any tax payable on profits. For partnerships and trusts, PAYG instalments will be in the name of the individual or company that the profits are distributed to.

BAS (Business Activity Statements)

If the business entity is registered for GST, they will be issued a BAS (normally on a quarterly basis) to record:

- + GST received on income
- GST input tax credits paid on purchases
- + PAYG W Tax on wages tax
- + PAYG instalments
- = Amount payable to ATO

IAS (Instalment Activity Statements)

If the business is not registered for GST, they will be issued an IAS (normally on a quarterly basis) to record:

- + PAYG W Tax on wages tax
- + PAYG instalments
- = Amount payable to ATO

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