

Taxation Obligations

Understanding your tax obligations

Earning income from a variety of sources including salary and wages, the sharing economy, government benefits, and investments will affect how much you are taxed.

You may receive a tax bill if you:

- are an employee, and the correct amount of tax hasn't been withheld from the payments made to you by your employer
- are a sole trader and haven't paid enough tax throughout the year
- receive other income where no tax was withheld (for example – Centrelink benefits).

Key features

In this business structure, the company:

- must apply for a tax file number (TFN) and use it when lodging its annual tax return
- is entitled to an Australian business number (ABN) if it is registered under the *Corporations Act 2001*. A company not registered under the Corporations law may register for an ABN if it is carrying on an enterprise in Australia
- must be registered for GST if its annual GST turnover is \$75,000 or more
- owns the money that the business earns - the individuals who control the business cannot take money out of the business, except as a formal distribution of the profits or wages
- must lodge an annual company tax return
- usually pays its income tax by instalments through the pay as you go (PAYG) instalments system
- pays tax at the company tax rate or lower company tax rate (if a base rate entity)
- may be eligible for small business concessions
- must pay super guarantee contributions (SGC) for any eligible workers. This includes you, if you are a director of the company, and any other company directors.

Tax Registrations

All businesses need a tax file number (TFN), but you may need other tax registrations depending on the type of business you're running.

Understanding tax requirements ensures your business is taxed correctly and avoids penalties. Get an overview of the tax requirements for your business including record keeping, registering for taxes and your options for paying.

Tax requirements for your business:

Your tax obligations will vary according to your business type, number of employees and the fringe benefits you offer your employees.

Make sure you understand the requirements for:

- different types of tax that could apply to your business
- tax registrations
- paying taxes
- keeping business records

Types of taxation:

Make sure you understand the different types of tax that could apply to your business. Some taxes are administered federally by the Australian Taxation Office (ATO) and others are state based taxes.

- [Income tax for business](#)
- [Capital gains tax \(CGT\)](#)
- [Fringe benefits tax \(FBT\)](#)
- [Pay as you go \(PAYG\) withholding](#)
- [Pay as you go \(PAYG\) instalments](#)
- [Goods and Services Tax \(GST\)](#)
- [Fuel tax credits](#)
- [Wine equalisation tax](#)
- [Luxury car tax](#)
- [Payroll tax](#)
- [Land tax](#)

Tax deductions:

In addition to taxes you collect and pay there are expenses you can claim to reduce your taxable income. When you do your tax return, you can claim most business expenses as tax deductions. See the ATO website for more information on [tax deductions](#).

Tax File Number (TFN)

Partnerships, companies, trusts and other organisations:

If you're going to operate your business through a partnership, company, trust or another type of organisation, it will need a separate TFN. You can apply for a business TFN:

- online, using the [Australian Business Register](#)[External Link](#) – if you
 - only need a TFN, select the Applying for other registrations tab, and then click Apply for a TFN for business link
 - need a TFN and an ABN, apply for both by selecting the Apply for an ABN link
- using a registered tax agent
- by lodging the *Tax file number – application for companies, partnerships, trusts and other organisations* (NAT 3799) form. You can order this form using our [online publication ordering service for business](#)[External Link](#).

Registering for Goods & Service Tax (GST)

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

You can register for goods and services tax (GST) online, by phone or through your registered tax or BAS agent when you first register your business or at any later time. This is called 'standard GST' registration.

You only need to register for GST once, even if you operate more than one business.

When to register:

If you're not registered for GST, check each month to see if you've reached the threshold, or are likely to exceed it. You need to register within 21 days of your GST turnover exceeding the relevant threshold.

You must register for GST:

- when your business or enterprise has a GST turnover (gross income minus GST) of \$75,000 or more (see [Working out your GST turnover](#))
- when you start a new business and expect your turnover to reach the GST threshold (or more) in the first year of operation
- if you're already in business and have reached the GST threshold
- if your non-profit organisation has a GST turnover of \$150,000 per year or more
- when you provide taxi or limousine travel for passengers (including ride-sourcing) regardless of your GST turnover – this applies to both owner drivers and if you lease or rent a taxi
- if you want to claim fuel tax credits for your business or enterprise.

Registering for GST is optional if your business or enterprise doesn't fit into one of these categories. If you choose to register, generally you must stay registered for at least 12 months.

Pay as you go (PAYG)

Pay as you go withholding:

You must register for pay as you go (PAYG) withholding before you're first required to make a payment that is [subject to withholding](#). This is required even if you do not withhold any amount from a payment made.

You can register your business for an ABN, GST, PAYG and a business name, all at the same time on the [Australian Business Register](#)[External Link](#).

If you need to withhold tax but don't need an ABN, you must register for a PAYG withholding account.

As an employer, you have a role to play in helping your payees meet their end-of-year tax liabilities. You do this by collecting pay as you go (PAYG) withholding amounts from payments you make to:

- your employees
- other workers, such as contractors, that you have voluntary agreements with
- businesses that don't quote their Australian business number (ABN).

A few things to remember:

- You must register for PAYG withholding before you are first required to make a payment that is subject to withholding. This is required even if you don't withhold an amount from a payment made.
- If you cease to be an employer you should cancel your PAYG withholding registration.

- Before you enter into a work agreement or contract, you need to check that the worker is legally allowed to work in Australia.
- PAYG withholding is different to payroll tax, which is a state tax.

It's also important that you keep the right records.

PAYG instalments:

Whether you run your own business or earn investment income, planning ahead for your income tax is important to help you keep a healthy cash flow.

Pay as you go (PAYG) instalments help you do this. By making regular payments (instalments) throughout the year you won't have to pay a large tax bill when you lodge your tax return.

Your payments are made based on your business and/or investment income (which is also known as instalment income). When you lodge your tax return, all the amounts you've paid during the year will be offset against any tax you owe for the year.

PAYG instalments are different to PAYG withholding. With PAYG withholding, employers collect tax from the payments they make to employees and contractors and send it to the ATO. This helps those people meet their own income tax liabilities.

Fringe Benefits Tax (FBT)

If you're an employer and you provide fringe benefits to your employees, you may have to pay fringe benefits tax (FBT).

Some common fringe benefits are:

- private use of a work car by an employee or director
- paying private expenses for an employee or director, such as school fees or health insurance costs.

We recommend you register for FBT as soon as you've decided you'll provide benefits.

Fuel Tax Credits

You can claim credits for the fuel tax (excise or customs duty) included in the price of fuel you use in your business activities.

Some fuels and activities are not eligible for fuel tax credits, including:

fuel used in light vehicles of 4.5 tonne gross vehicle mass (GVM) or less travelling on public roads

aviation fuels

alternative fuels (fuel tax credits may be available for some activities where alternative fuel is used. See the fuel tax credit eligibility tool to find out more)

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