



## COMMON MONEY & TAX TERMS

<b>Turnover / Revenue</b>	This is the money that comes into your business from what you charge your customers. Normally displayed on a P&L (Profit & Loss) excluding GST.
<b>Profit</b>	This is the money after all expenses are taken from your turnover. Actual cash profit is shown in Cash Summary reports or you can keep track of this yourself. Profit on a P&L is theoretical from accountants moving numbers around.
<b>GST (Goods &amp; Services Tax)</b>	Every business that's turnover exceeds \$75,000 per year charges 10% GST and can claim any GST they pay. When claiming GST, it is only the GST portion that is claimed. Eg. If you purchase an item for \$1,100 it has \$100 GST on it. When you 'claim it on tax' you will get the GST portion of \$100 as a credit. If you have to pay \$500 GST from GST you collected from \$5,500 of sales, you would end up paying \$400 as you claimed the \$100 credit from your purchases.
<b>PAYG</b>	<p><b>Pay As You Go</b></p> <p>This is set up by the ATO (Australian Tax Office) to make payments towards the tax you owe for that financial year. There are two common forms of PAYG installments that you will come across as a small business owner.</p> <p><b>PAYG Withholding Tax From Wages</b></p> <p>This is calculated automatically if you are using software to do your wages. You pay your employees their wages using calculations below. <math>\text{Gross Wage} - \text{PAYG Tax} = \text{\\$Net Wage (what you pay them)}</math></p> <p><b>PAYG Installments Business Tax</b></p> <p>This is payable when you lodge your first year's Income Tax assessment and is also paid on your BAS towards that year's liability.</p>

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## TAX RATES

Sole Trader structures are taxed as part of your own Personal Income

- you pay tax at Individual Rates.

Taxable Income	Tax Paid on Income
\$0 - \$18,200	nil
\$18,201 - \$45,000	19c for each \$1 over \$18,200
\$45,001 - \$120,000	\$5,092 plus 32.5c for each \$1 over \$45,000
\$120,001 - \$180,000	\$29,467 plus 37c for each \$1 over \$120,000
\$180,001 & over	\$51,667 plus 45c for each \$1 over \$180,000

Company structures are set up as their own legal entity that do their own tax return. You would be an employee of that entity. Small business entities in a company structure which earn less than \$50 million are charged at 26% tax rate from 20/21 income year and then 25% from 21/22 income year.

Example 1 - Sole Trader						
Turnover	Profit	Your Wage	Total Income	Total Tax Paid	Net Cash	
\$750,000 (\$62,500 PM)	\$150,000	\$100,000 (>\$2000 PW)	\$250,000	\$88,192	\$161,808	

  

Example 2 - Company						
Turnover	Company Profit	Your Wage	COMP Tax	PERS Tax	Total Tax Paid	Net Cash
\$750,000	\$150,000	\$100,000	\$39,000	\$25,012	\$64,012	\$185,988
<b>DIFFERENCE</b>					<b>TOTAL TAX</b>	<b>\$24,180</b>

\*Please seek advice from your accountant or financial planner for specific advice regarding your exact situation

\*\*Please refer to [www.ato.gov.au](http://www.ato.gov.au) for more terms, definitions, calculators & laws

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