

# Record keeping for small business

Explains what business records you need to keep and outlines a basic record keeping system.



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We are committed to providing you with advice and guidance you can rely on, so we make every effort to ensure that our publications are correct.

If you follow our guidance in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our advice and guidance in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

You are protected under GST law if you rely on any GST advice in this publication. If you rely on this advice and it later changes, you will not have to pay any extra GST for the period up to the date of the change.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at [www.ato.gov.au](http://www.ato.gov.au) or contact us.

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## ABOUT THIS GUIDE

If you operate a small business or a non-profit organisation with an annual turnover of less than \$2 million and you keep paper records and account on a cash basis, you can use this guide to help you:

- understand how money flows through your business and why you need to keep good records
- understand the main records you may need to keep
- keep basic paper records
- complete a cash payments book and a cash receipts book.

We use the example of 'My Business' in this guide. 'My Business' is a sole trader, is registered for goods and services tax (GST) and has one casual employee.

This guide may also be useful for charities, gift deductible entities and government schools that choose to account on a cash basis. For more information, refer to *Tax basics for non-profit organisations* (NAT 7966).

## GST TERMS WE USE

In this guide we use the words 'sales' and 'purchases' instead of the GST terms 'supplies' and 'acquisitions', and the term 'GST credits' instead of 'input tax credits'.

Sales (or supplies) include, but are not limited to, selling goods and services, leasing out or selling property, hiring out equipment, giving advice, exporting goods, and making financial supplies.

Purchases (or acquisitions) include, but are not limited to, purchasing goods and services, leasing or buying property, hiring equipment, and acquiring trading stock, consumables, rights, advice or information, or financial supplies.

### ! BOOKKEEPERS

Visit [www.ato.gov.au/business](http://www.ato.gov.au/business) and select 'For bookkeepers', where you will find useful links to information about providing bookkeeping services.

Bookkeepers providing BAS-related services to clients as part of a business need to be aware of legal restrictions about who can charge a client for providing tax advice.

➤ For more information about your tax obligations as a small business operator, refer to:

- *Tax basics for small business* (NAT 1908)
- *Recordkeeping for small business* (NAT 3029)
- *GST for small business* (NAT 3014)
- *Carrying on a business at or from your home* (NAT 10709)
- *PAYG withholding for small business* (NAT 8075)

Throughout this guide you will find important notes (look for the ! symbol) that will help you with key information you should note.

You will also find 'more information' boxes (look for the ➤ symbol) that will show any further steps you may need to take or supplementary information you may need to refer to.

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# HOW MONEY FLOWS THROUGH A BUSINESS

01

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As a business, you engage in various activities whereby money flows through your business. Essentially, you have money coming into your business and money going out of your business. These money flows are called transactions.

Money will flow into your business from four main sources, and it will flow out of your business for four main reasons – each is essentially the opposite of the other.

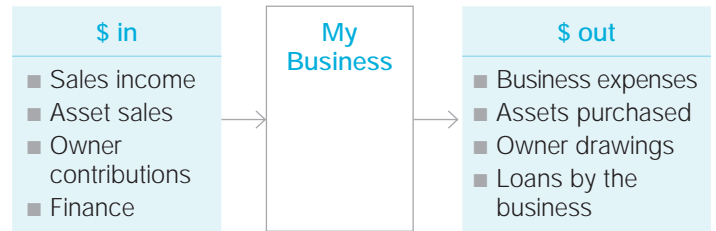
Money flowing into your business may be:

- income from selling goods or services
- money from selling business assets
- money you have contributed to the business
- money you have borrowed.

Money flowing out of your business may be:

- payments for expenses of carrying on the business
- payments to buy or replace business assets
- payments to you from the business (drawings), for example, living expenses
- money lent to others.

The following diagram shows how money flows through a business.



In order to protect all parties, these transactions are supported by documents recording the details of the transactions. There are different types of transaction documents, including tax invoices, wages records, cheque butts and credit card statements. They contain the information you need to record, such as the date of the transaction, total payment or amount received, or the amount of goods and services tax (GST).

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# KEEPING GOOD BUSINESS RECORDS

# 02

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There are a number of reasons for keeping good records of your business transactions.

## LEGAL REQUIREMENT

The most important reason for keeping good records is that it's a legal requirement. By law, we require you to keep business records:


- for five years after they are prepared, obtained or the transactions completed (whichever occurs later), and
- in English, or in a form that we can access and understand in order to determine your tax liability.

You should keep records for a longer period if you use information from those records in a later tax return (for example, claiming a loss carried forward from a business activity in an earlier year). The records should be kept until the end of any period of review for that later return.

Records relating to assets for capital gains tax purposes may also need to be kept for a longer period. (See page 12).

You can issue and store records in either paper or electronic form.

There are penalties for not maintaining the required records and for not keeping them for five years. Keeping good records will help you avoid these penalties.

 Other regulatory bodies may have different record keeping requirements from ours, particularly around how long you have to keep records.

## OTHER REASONS TO KEEP GOOD RECORDS

Other reasons for keeping good business records are to:

- make it easier to complete your activity statements and prepare your annual income tax and fringe benefits tax returns
- monitor the health of your business and be able to make sound business decisions, for example, by keeping track of debtors and creditors to ensure your cash flow is adequate
- demonstrate your financial position to banks and other lenders, and also to prospective buyers of your business, and
- make best use of your tax adviser. Rather than paying them to sort through a shoebox of paperwork, give your tax adviser well prepared records and pay them instead to help you with your business and financial planning.
- show the basis for any amendments you need to make to activity statements or tax returns you have already lodged (see 'requesting amendments' below).

### REQUESTING AMENDMENTS

Generally, you can:

- amend income tax assessments up to four years from the date you receive your assessment
- amend fringe benefits tax returns up to three years from the original assessment date, or
- request an assessment of your net amount on an activity statement or the tax you pay on an importation within four years from the end of the relevant tax period or time of importation.

A shorter period during which we can review and adjust tax assessments applies to most businesses that:

- were in the former simplified tax system for income years 2004–05 to 2006–07 inclusive, or
- have less than \$2 million turnover and qualify for the small business entity concessions for the 2007–08 and later income years.

Businesses eligible for the shorter period of review must still maintain records for a minimum of five years.




## RECORD KEEPING EVALUATION TOOL

We have developed an electronic tool to help you evaluate the record keeping needs of your business. You can use this tool if you are:

- thinking about starting a business
- in business and responsible for keeping the business records
- responsible for managing the records of small businesses, for example, you are a tax agent or a bookkeeper.

This tool is not intended for use by super funds, non-profit organisations or government agencies as they have particular record keeping requirements.

Based on your information, the tool provides a list of the records your business should keep and a report that indicates how well your business is keeping its records. If appropriate, the report will include suggestions for improvement.

 For more information, download the record keeping evaluation tool from our website at [www.ato.gov.au/business](http://www.ato.gov.au/business)

 We offer a range of online services to make it easier for you to comply with your business tax obligations. Going online is a fast, convenient and secure way to do business. For more information visit [www.ato.gov.au/onlineservices](http://www.ato.gov.au/onlineservices)

## SHOULD YOU KEEP ELECTRONIC OR MANUAL RECORDS?

You can record the information from your business transaction documents in a cash book, either electronically or manually.

Recording your transactions manually can be as simple as using an exercise book, but it's probably a good idea to buy one of the commercial cash books available from a newsagent or a stationery shop.

To record your transactions electronically, you can use an electronic spreadsheet or a software accounting package.

There are a range of commercial packages available, ranging from fairly simple systems to much more complex ones.

You might like to try *e-Record*, the user-friendly electronic record keeping package we developed. It's free, and available in both PC and Macintosh versions.


The advantages of an electronic record keeping package are that it:


- helps you record your business transactions (including income and expenses, payments to workers, and stock and asset details)
- automatically tallies amounts and provides ready-made reporting
- can produce invoices and provide summaries and reports for GST and income tax purposes
- keeps up with the latest tax rates and tax laws and rulings
- allows you to report certain information, such as your activity statement, to us electronically (if the package meets our requirements)
- requires less storage space
- allows you to back up records and keep back-ups in a safe place in case of fire or theft, and
- enables you to use your time more efficiently.

If you are planning to use an electronic record keeping package, you need to take into account that it:

- may initially be more expensive to set up
- requires knowledge of how to operate a computer and use the software
- means you need to be familiar with accounting principles and understand how the software calculates and treats your information.

If you decide to go electronic, make sure you choose a software package that meets your business needs and our requirements. You may want to consult your tax adviser.

 Visit [www.ato.gov.au/erecord](http://www.ato.gov.au/erecord) to download *e-Record* or phone **13 72 26** to order the CD-ROM (NAT 3043).

 To check whether commercial tax-related software meets our requirements, search the product register at [www.ato.gov.au/softwaredevelopers](http://www.ato.gov.au/softwaredevelopers)

## ELECTRONIC RECORD KEEPING REQUIREMENTS

We have certain requirements that must be met if you keep your business records electronically.

As with paper records, you must keep electronic records:

- for five years after they are prepared, obtained or the transactions completed (whichever occurs later)
- in English, or in a form that we can access and understand in order to determine your tax liability.

You can choose to provide a printed copy of your electronic records and, where necessary, documentation from your computer system if we request it.

### KEEPING ELECTRONIC RECORDS SECURE

You must be able to demonstrate that the records kept on your computer system are secure and accurate. This includes having:

- control over access to your computer, for example, through the use of passwords
- control over incoming and outgoing information
- control over processing of information
- back-up copies of computer files and programs and the ability to recover records if your computer system fails.

### STORING PAPER RECORDS ELECTRONICALLY

Whether you use a manual or an electronic system, you may want to store and keep paper records electronically.

We accept the imaging of business paper records onto an electronic storage medium, provided the electronic copies are:

- a true and clear reproduction of the original paper records
- kept for five years, and
- capable of being retrieved and read by us at all times.

You don't have to keep original paper records once they have been imaged onto an electronic storage medium.

➤ For more information, refer to:

- Taxation Ruling TR 96/7 Income tax: record keeping – section 262A – general principles
- Taxation Ruling TR 2005/9 Income tax: record keeping – electronic records.

⚠ Basic record keeping principles and practices apply, regardless of whether your business keeps manual or electronic records.

You can apply the principles outlined in this guide to either a paper cash book or an electronic spreadsheet or package.

## LOST OR DESTROYED RECORDS

There may be times when your records are accidentally lost or destroyed, for example, if your home is burgled or burnt.

In these instances, the Commissioner can exercise his discretion to allow a deduction to be claimed for certain expenses if:

- you have a complete copy of a lost or destroyed document, or
- the Commissioner is satisfied that you took reasonable precautions to prevent the loss or destruction and, if the document was written evidence, it is not reasonably possible to obtain a substitute document.

➤ For more information about when we can allow a deduction where you do not have records to prove the expense, refer to Taxation Ruling TR 97/24 Income tax: relief from the effects of failing to substantiate.

## BUSINESS RECORDS YOU NEED TO KEEP

The records you are required to keep for reporting to the Tax Office include the following.

### Records relating to income tax and GST

- **sales records:**
  - sales invoices (including tax invoices)
  - sales vouchers or receipts
  - cash register tapes, credit card statements
  - bank deposit books and account statements
- **purchase/expense records:**
  - purchase/expense invoices (including tax invoices)
  - purchase/expense receipts (which include an ABN)
  - cheque books and bank account statements
  - credit card statements
  - records showing how you calculated any private use component
- **year-end income tax records:**
  - motor vehicle expenses
  - debtors and creditors lists
  - stocktake sheets
  - depreciation schedules
  - capital gains tax records

### Records relating to payments to employees

- tax file number declarations and withholding declarations
- withholding variation notices
- worker payment records
- PAYG payment summaries
- annual reports
- super records
- records of any fringe benefits provided

### PAYG withholding records relating to business payments

- records of amounts withheld from payments where no ABN was quoted
- a copy of any PAYG withholding voluntary agreements
- records of voluntary agreement payments
- PAYG payment summaries
- PAYG payment summary – employment termination payment summaries and ETP payment summaries
- annual reports

### Records relating to fuel tax credits

- records of fuel acquired
- records of eligible and ineligible fuel use
- records of claim calculations
- records of any loss, sale or disposal of fuel

## INCOME TAX AND GST RECORDS

You need to keep records of all your sales (income) and expenses to prepare your activity statements and annual income tax return, and to meet other tax obligations.

### INCOME TAX

Income tax is levied on your business taxable income. You have to lodge an annual income tax return showing your business income and expenses.

#### Income tax records you need to keep

If you are carrying on a business, you need to keep records explaining all transactions that relate to your tax affairs.

These records include:

- sales and expense invoices
- sales and expense receipts
- cash register tapes
- credit card statements
- bank deposit books and cheque butts
- bank account statements.

If you use any business purchases for private use, you must have records that show how you calculated any private use component.

Sales and expense invoices and receipts could show such things as:

- name of the supplier
- Australian business number (ABN) of the supplier
- amount of the sale or expense
- nature of the goods or services sold or purchased
- date of sale or date expense was incurred
- date of the document.

#### Year-end income tax records

As well as records of income and expenses, you may need to keep the following specific income tax records (if they apply to your business) for each financial year.

#### Motor vehicle records

Most people use one or more vehicles in their business. How you claim motor vehicle expenses differs significantly depending on whether you operate your business as a company or trust on the one hand, or as a sole trader or partnership on the other.

#### Companies and trusts

If you operate your business through a company or trust, you can claim a full deduction for expenses involved in running motor vehicles you own or lease. If those vehicles are also used for private purposes, you may have to pay fringe benefits tax.

#### Sole traders and partnerships

Sole traders and partnerships work out deductions for motor vehicles differently, depending on whether the vehicles used in their business are:

- business purpose vehicles
- other vehicles.

##### 1 Business purpose vehicles

You usually get a deduction for the running costs of these vehicles, which include:

- larger trucks or vans
- smaller vehicles (for example, utes, wagons or panel vans) that have been heavily modified for business use, or where private use is restricted to home to work travel and very minor other use.

##### 2 Other vehicles, for example:

- ordinary cars, station wagons or four-wheel-drive vehicles
- most other vehicles designed to carry less than one tonne or fewer than nine passengers
- utes and panel vans where private use is not strictly limited.

You have a choice of methods for working out your deduction for these other vehicles. The methods treat the private use of vehicles differently. They depend on whether you travel more or less than 5,000 business kilometres a year, as shown in the following table.

5,000 business km or less	More than 5,000 business km
■ cents-per-kilometre method	■ cents-per-kilometre method (claim limited to 5,000 km)
■ logbook method	■ logbook method
	■ 1/3 of actual expenses method
	■ 12% of original value method

Motor vehicle records you may need to keep include:

- receipts, invoices or similar documents for vehicle expenses
- a logbook for a continuous period of at least 12 weeks
- a record of total kilometres travelled during the logbook period, based on odometer readings
- odometer readings at the start and end of each income year the logbook method is used, and
- records showing how you calculated the business kilometres travelled.

Here is a sample logbook that shows one way of recording the required information. You can buy commercially printed logbooks in formats approved by us from business stationery suppliers.

**SAMPLE: Car logbook**

<b>Vehicle registration no</b>		
<b>Period covered by logbook</b>	from:	to:
<b>Odometer readings for period</b>	start:	end:


Odometer readings per journey		Date of travel		Kilometres travelled	Reason for journey
start	end	start	end		


Total km for period:	Total business km:	km	%
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**Odometer record**

<b>Replacement vehicle</b>			
Make:	Model:	Engine capacity:	Registration no:
Odometer reading of replacement vehicle at start of year/period:			
Odometer reading of replacement vehicle at end of year/period:			

Estimated business use is:	km	%
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 You may need to keep a logbook so you can claim the maximum allowable deduction for your business vehicle expenses. If you claim cents per kilometre on your income tax return, you still need to keep records of your actual expenses to work out your GST credits (if applicable). You also need to keep sufficient records to work out your percentage of business use. Businesses registered for GST can generally claim back the GST on business-related motor vehicle expenses, provided they keep records of actual expenses and have a tax invoice.

 For more information, refer to

- *TaxPack* (NAT 0976), for more information about the four methods of calculating vehicle expense claims
- *Claiming a deduction for car expenses* (NAT 5783), for more general information
- GST bulletin GST 2006/1 How to claim input tax credits for car expenses, for information about claiming GST credits for car expenses.

### Debtors and creditors lists

Debtors are people who owe your business money, while creditors are people your business owes money to. If you have debtors or creditors, you may want to ask your tax adviser whether your business needs to keep and update lists, and when.

⚠ A good filing system for both accounts receivable (debtors) and accounts payable (creditors) will allow you to keep track of customers or clients who owe your business money. This means you can promptly follow up overdue accounts and will have better control over your cash flow by knowing which accounts you need to pay, and when.

### Stocktake records

If your business buys or sells stock, a stocktake is usually required at the end of each income year. You may not have to do an annual stocktake for income tax purposes if your business turnover is less than \$2 million and the difference between the value of your opening stock and a reasonable estimate of your closing stock is \$5,000 or less. If your turnover is \$2 million or more, you will have to do a stocktake at the end of the income year.

Where you do a stocktake, your records should include:

- a list describing each article of stock on hand and its value
- who did the stocktake
- how and when it was done
- who valued the stock and the basis of the valuation.

When you start a business, you may be entitled to GST credits and an income tax deduction for any goods you already own and bring into your new business as trading stock. This means that you need records of the market value or cost of these goods at the time your business starts.

### Records of depreciating assets

You may be able to claim deductions for the decline in value of depreciating assets, such as machinery and other equipment used in your business.

If you claim deductions for the decline in value of your depreciating assets, you must keep:

- the original purchase agreements or invoices, and
- information used to work out your deductions, such as the amount of any private use of the assets.

If your business turnover is less than \$2 million, you may be eligible to use the simpler depreciation rules that allow an immediate write-off for most depreciating assets costing less than \$1,000 each, and the pooling of most other depreciating assets.

To help you keep this information, we have produced a depreciating assets worksheet.

The decline in value of some assets that cost, or have been written off to, less than \$1,000 can be worked out through a low-value pool using set rates. We have also produced a low-value pool worksheet to help you keep the required information about these assets.

➤ Refer to *Guide to depreciating assets* (NAT 1996) for a copy of the worksheets and more information about the records you must keep relating to decline in value (depreciation).

⚠ If your business has less than \$2 million turnover, you may be eligible for a range of tax concessions, including the simpler depreciation rules.

➤ For more information, visit [www.ato.gov.au/SBconcessions](http://www.ato.gov.au/SBconcessions) or refer to:

- *Concessions for small business entities* (NAT 71398)
- *Guide to concessions for small business entities* (NAT 71874).

### Records relating to assets for capital gains tax purposes

A business itself is not an asset for capital gains tax purposes. Rather, each asset of a business (for example, land and buildings, goodwill) is a separate capital gains tax asset and you must keep records for each asset. Because there may be a big gap between the time when you acquire and dispose of an asset, it is essential to keep good records from day one.

You need to keep records of everything that may be relevant to working out whether you have made a capital gain or capital loss from an asset. The main capital gains tax records you need to keep are:

- records of the date of acquisition of an asset and the acquisition cost (for example, the purchase contract)
- records of the date of disposal and any proceeds received on disposal of an asset (for example, the sale contract)
- details of commissions paid or legal expenses incurred in relation to an asset
- details of improvements made to an asset (for example, building costs), and
- any other records relevant to calculating your capital gain or capital loss.

You must keep these records for five years after you sell or otherwise dispose of an asset, unless you keep an asset register.

**!** You can choose to enter information from your capital gains tax records into an asset register. If you keep an asset register, you may be able to discard records that you might otherwise need to keep for a long time.

Once details have been entered into the register and the register has been certified by an approved person (such as a registered tax agent), you must keep the documents for only five years from the date the register is certified.

**>** For more information, refer to:

- *Guide to capital gains tax* (NAT 4151)
- *Guide to capital gains tax concessions for small business* (NAT 8384)
- Taxation Ruling TR 2002/10 Income tax: capital gains tax: asset register.

## GST

If you are carrying on a business (enterprise) and your GST turnover is \$75,000 or more (\$150,000 or more if you are a non-profit organisation), you must register for GST. You can choose to register if your GST turnover is below these GST turnover thresholds.

If you are registered for GST:

- you must remit to us one-eleventh of the price of most goods and services you sell
- you can generally claim a credit for the GST included in the price of goods and services you purchase for your business.

You account for your GST and claim GST credits on your activity statement every month or quarter, or annually, depending on your reporting cycle.

**>** For more information about:

- the small business entity concessions, refer to *Guide to concessions for small business entities* (NAT 71874) or visit [www.ato.gov.au/SBconcessions](http://www.ato.gov.au/SBconcessions)
- how to calculate your GST turnover for purposes such as registration, refer to *GST for small business* (NAT 3014).

## GST records you need to keep

You need to keep records of all your sales and purchases to prepare your activity statements. To claim GST credits, you must have special GST records called tax invoices that record your purchase of goods or services and comply with the GST law. You need to retain these invoices for five years.

You must have a tax invoice to claim a credit for the GST included in the price of any goods and services you buy for your business that cost more than \$82.50 (including GST).

In most cases, the business selling the goods or services issues the tax invoice. In some special cases, a tax invoice may be issued by the business buying the goods and services – this is called a recipient created tax invoice.

If you sell goods and services that include GST and a customer asks you for a tax invoice, for sales of more than \$82.50 (including GST) you have to give them one within 28 days after the request.

**!** You don't need a tax invoice to claim GST credits for taxable importations. However, you must have documents from the Australian Customs Service showing the amount of GST paid on imports.

**>** Refer to *How to set out tax invoices and invoices* (NAT 11675) for examples of how to set out invoices for goods or services where:

- all the goods or services include GST
- not all the goods and services include GST
- the goods or services are issued through a cash register
- the goods or services don't include GST.

You may want to consider these examples when you next design or select a format for your tax invoices or invoices.

**!** If you don't use a cash register, avoid:

- printing your invoices on thermal paper if possible as the print can fade
- small font sizes as they can be difficult to read
- issuing tax invoices on paper that is smaller than A5 or larger than A4 as this can create storage difficulties.

**Information to include on tax invoices**

Any tax invoices you issue to your customers or receive from your suppliers must contain certain information in order to be valid tax invoices. The information required to be shown on tax invoices varies according to whether the tax invoice is for an amount less than \$1,000, or for \$1,000 or more, as follows.

Tax invoices for amounts less than \$1,000 must include the:

- 1 words 'tax invoice'
- 2 supplier's name
- 3 ABN of the supplier
- 4 date of issue
- 5 description of each thing supplied
- 6 total price, including GST
- 7 statement that total price includes GST (or GST shown separately).

Tax invoices for amounts of \$1,000 or more must have all the above, plus the:

- 8 purchaser's name
- 9 purchaser's ABN or address
- 10 quantity of the things supplied.

1	<b>Tax invoice</b>	15 Burshag Road Festler NSW 2755																								
2	Windows to Fit Pty Ltd																									
3	ABN: 32 123 456 789																									
4	Date: 1 March 2001																									
8	To: Building Company																									
9	254 Burshag Road Festler NSW 2755																									
	<table border="1"> <thead> <tr> <th>Qty</th> <th>Description of supply</th> <th>Value</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>500 Window frames 5</td> <td>\$15.00</td> <td>\$7,500</td> </tr> <tr> <td>7</td> <td>GST</td> <td>\$1.50</td> <td>\$750</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>7</td> <td><b>TOTAL PRICE INCLUDING GST</b></td> <td></td> <td>\$8,250 6</td> </tr> </tbody> </table>	Qty	Description of supply	Value	Total	10	500 Window frames 5	\$15.00	\$7,500	7	GST	\$1.50	\$750									7	<b>TOTAL PRICE INCLUDING GST</b>		\$8,250 6	
Qty	Description of supply	Value	Total																							
10	500 Window frames 5	\$15.00	\$7,500																							
7	GST	\$1.50	\$750																							
7	<b>TOTAL PRICE INCLUDING GST</b>		\$8,250 6																							

**What if you're not registered for GST?**

If your business is not required to be registered for GST and you have chosen not to register, you:

- don't collect GST on your sales or claim GST credits on your purchases. Your business issues normal invoices – it must not issue tax invoices. Normal invoices don't include the words 'tax invoice' or indicate that the invoiced amount includes GST
- can claim the full cost of your business purchases (including any GST) as a tax deduction on your income tax return.

If you receive an invoice from someone who is not registered or required to be registered for GST, it is not a tax invoice and you can't claim a GST credit for the goods or services supplied.

⚠ Remember to monitor your business's turnover – if it appears likely to exceed the GST registration turnover threshold of \$75,000 (or \$150,000 for non-profit organisations), you must register within 21 days.

➤ For more information, refer to:

- *GST for small business* (NAT 3014)
- *How to set out tax invoices and invoices* (NAT 11675)

**How to check an ABN or GST registration**

If you're not sure whether a business you deal with has quoted its correct ABN on its tax invoices or is registered for GST, visit the ABN lookup website at [business.gov.au](http://business.gov.au) to check it out.

When an organisation applies for and receives their ABN, the business details from their application are added to the Australian Business Register. The register contains the basic business identity information of all entities with an ABN.

⚠ GST-registered businesses cannot usually include GST when claiming income tax deductions because they claim GST credits through their activity statements. Businesses that are not registered for GST claim a deduction for the full cost of a business purchase, including any GST.



## RECORDS OF PAYMENTS TO EMPLOYEES

There are three main obligations:

- withhold according to the pay as you go (PAYG) withholding rules in relation to payments to employees
- pay super contributions to a complying super fund or retirement savings account on behalf of eligible employees, directors and contractors, and offer eligible employees a choice of super fund
- provide payment summaries for salary, employment termination payments, and reportable fringe benefits amounts.

### PAYG WITHHOLDING

Under PAYG withholding, you must withhold amounts from payments such as:

- salary or wages to employees
- remuneration to company directors
- retirement payments, termination of employment payments, annuities, and benefit or compensation payments.

You must send the withheld amounts to us.

**!** In PAYG withholding, the term 'employee' has the ordinary or common law meaning of the word. Contractors and subcontractors are not employees for PAYG purposes. You would withhold an amount from a payment to a contractor only if you had a voluntary agreement with them or they didn't provide you with an ABN.

The PAYG withholding table summarises your PAYG withholding obligations in relation to employees. You also have these obligations in relation to payments to company directors.

The various forms referred to in the table are explained opposite.

**➤** For more information, refer to:

- *PAYG withholding guide no. 2 – How to determine if workers are employees or independent contractors* (NAT 2780)
- *PAYG withholding for small business* (NAT 8075), for more information about payments to individuals under labour hire arrangements

The employee/contractor decision tool on our website will help payers work out whether their workers are engaged as employees or contractors for Australian Government tax and super purposes. After using the tool to answer a series of simple questions, the payer is provided with a report that includes a decision of 'employee' or 'contractor', and a summary of Australian Government tax and super obligations relating to the worker.

The online building and construction industry – employee/contractor decision tool is available at [www.ato.gov.au/employer](http://www.ato.gov.au/employer) to help payers in the building and construction industry determine whether a worker is engaged as an employee or independent contractor.

### PAYG withholding records you need to keep

For PAYG purposes you need to keep:

- declarations you obtain from employees, including withholding variation notices
- worker payment records
- payment summaries
- annual reports of amounts you have withheld.

### Declarations

Employees:

- should complete a *Tax file number declaration* (NAT 3092). They don't have to quote their tax file number but, if they don't quote it, you may have to withhold 46.5% of any amount you pay them
- need to complete a *Withholding declaration* (NAT 3093) if they want to claim certain entitlements (for example, the family tax benefit) by reducing the amount withheld from their pay. This also applies to company directors.

Declaration forms are available from us.

### PAYG withholding obligations relating to employees

Obligation	Action
Register for PAYG withholding if you are not already registered (you must be registered before you withhold to avoid penalties).	<p>If you have an ABN:</p> <ul style="list-style-type: none"> <li>■ register online through the Business Portal at <a href="http://www.bp.ato.gov.au">www.bp.ato.gov.au</a> or through the Australian Business Register at <a href="http://www.abr.gov.au">www.abr.gov.au</a> (you will need an ATO digital certificate)</li> <li>■ phone <b>13 28 66</b> (you will need to have your ABN or tax file number to register over the phone), or</li> <li>■ complete an <i>Add a new business account</i> (NAT 2954) form.</li> </ul> <p>If you don't already have an ABN, you can register for PAYG withholding at <a href="http://www.abr.gov.au">www.abr.gov.au</a> at the same time as you apply for an ABN, using the same form.</p>
Send tax file number declaration forms for your employees to us.	Complete the payer section of the <i>Tax file number declaration</i> (NAT 3092). Send the original to us within 14 days of the employee starting work for you, and keep the payer's copy.
If necessary, obtain withholding declarations from your employees.	Complete the payer section of the <i>Withholding declaration</i> (NAT 3093) and keep the declaration.
Withhold the correct amount, in line with our tax tables and the information given by employees on their declarations.	Use the PAYG withholding tax tables that correspond to your employees' pay periods (weekly, fortnightly, monthly or quarterly) to work out the right amount to withhold. You can use the tax withheld calculator on our website to calculate how much to withhold.
If necessary, vary withholding rate or amount in accordance with Tax Office variation notices.	In special circumstances, a payee may apply to us to vary their rate of withholding upwards or downwards. For information about withholding variations, refer to <i>PAYG withholding for small business</i> (NAT 8075) or visit our website.
Report and pay the withheld amounts to us using your activity statement.	Use your activity statement to report and pay by the due date.
Give each employee a payment summary at the end of the financial year or when they request one if they stop working for you.	Complete payment summaries.
Report to us annually on payments made to employees and amounts you have withheld. You can report electronically or in paper form.	If reporting electronically online, report amounts withheld using the electronic commerce interface (ECI) or via magnetic media. If reporting in paper form, send us copies of payment summaries and a <i>PAYG payment summary statement</i> (NAT 3447).

### Worker payment records

The following steps explain how you can record payments to employees.

#### Step 1

Record starting and finishing times of normal and overtime work for each employee on a timesheet.

#### Step 2

At the end of the pay period, add up the number of normal hours and any overtime hours worked by each employee.

#### Step 3

Transfer the normal and overtime hours for each employee to the worker payment record.

#### Step 4

Record the rate of pay for each employee on the worker payment record.

#### Step 5

Calculate the total gross payment for each employee by adding together the normal earnings, overtime and allowances.

#### Step 6


Use the PAYG withholding tax tables that correspond to your employees' pay periods (weekly, fortnightly, monthly or quarterly) to work out the correct amount to withhold. Record this in the appropriate column.

The information on your employees' declarations will help you decide which column of the tax tables to use.

#### Step 7

Calculate the net payment by deducting the amount withheld and other deductions from the gross payment. Record this amount.

See next page for an example of a worker payment record form.

 If you pay wages with cash, record this in your reconciliation of daily sales and cash payments book (see section 03 and 04).

### Payment summaries


You must:

- complete a payment summary for each employee and company director and provide them with a copy by 14 July each year (use the individual non-business payment summary for employees and company directors)
- keep a copy for your records. If you are lodging your annual report using paper forms, you will need to include the original of each payment summary as part of the annual report.

Some lump sum amounts paid by an employer in consequence of termination of employment are employment termination payments.

If you make an employment termination payment to any of your employees, you must complete a *PAYG payment summary – employment termination payment* (NAT 70868) and provide the employee with the payee's copy within 14 days of making the payment. You must also forward the Tax Office original to us as part of your *PAYG payment summary annual report* and retain the payer's copy for your records.

Under the changes to super, an employment termination payment cannot be rolled over into super unless paid under the transitional arrangements. If you make a transitional termination payment to any of your employees, you must complete a *Transitional termination payment pre-payment statement* (NAT 70812). If your employee requests you to direct part or all of their transitional termination payment to a super fund, you will need to complete a *Directed termination payment statement* (NAT 70766).


 For more information, refer to *Employment termination payments – when an employee leaves* (NAT 71043)

### Annual reporting of amounts withheld from employees

By 14 August after the end of each financial year you must:

- report to us details of all payment summaries issued to employees, and
- if you make payments to other payees (such as under voluntary agreements), also include details of the payment summaries you issue for these payments in your annual report.

You may report this information electronically, or by lodging paper copies of payment summaries and an accompanying *PAYG payment summary statement*.

 For more information, refer to *How to lodge your PAYG withholding annual report electronically* (NAT 3367)

**EXAMPLE: Worker payment record**

Worker's full name	Dwayne Pyper	Month
--------------------	--------------	-------

Normal hourly rate	\$30.00	Overtime hourly rate	\$45.00
--------------------	---------	----------------------	---------

Date	Normal earnings total		Overtime total		Allowances	Gross payments	Tax amounts withheld from salary/wages and other payments		Other deductions (eg child support)	Net payments	Super-annuation (9%)	Comments
	Hours	Rate	Amount	Rate			Amount	\$				
30/XX	30	\$30.00	900	00								
<b>Total</b>			<b>900</b>	<b>00</b>				<b>205</b>	<b>00</b>	<b>695</b>	<b>00</b>	

To see the location of these figures on the activity statement, see page 49

Gross wages – transfer to label W1 on activity statement

Amount withheld – transfer to label W2 on activity statement

## SUPERANNUATION

Under the superannuation guarantee, you have to pay super contributions to the correct super fund, by the cut-off dates, for all your eligible employees. You must offer a choice of super fund to your eligible employees by providing them with a *Standard choice form* (NAT 13080) within 28 days of their starting date.

The minimum you have to contribute to a complying super fund or retirement savings account is 9% of an eligible employee's earnings base (see the example on page 44).

For most employees, their earnings base is their ordinary time earnings as defined in the superannuation guarantee law. Ordinary time earnings are generally what employees earn for their ordinary hours of work. This includes over-award payments, commissions, allowances (other than expense allowances or reimbursements) and paid leave. It excludes such things as overtime.

As long as you pay enough in super contributions for your employees by the relevant dates, you are not required to fill in any superannuation guarantee forms or lodge statements with us.

You have to pay super contributions for each eligible employee at least four times a year, within 28 days after the end of each quarter (see table).

If you haven't met your super obligations as an employer, you have to lodge a *Superannuation guarantee charge statement – quarterly* (NAT 9599) and pay a superannuation guarantee charge to us by the due dates (see table).

Superannuation guarantee statements are available from our website or by phoning **1300 720 092**.

### Superannuation quarters and cut-off dates

Quarter	Quarterly cut-off date for paying superannuation contributions	Date for lodging statement and paying superannuation guarantee charge
1 July – 30 September	28 October	28 November
1 October – 31 December	28 January	28 February
1 January – 31 March	28 April	28 May
1 April – 30 June	28 July	28 August

## Super records you need to keep

### Superannuation guarantee

You must keep records that adequately explain your superannuation guarantee transactions, including documents that show how you calculated the level of super support paid for each employee.

You should keep records that affect your liability, such as advice from trustees about the funds you contribute to.

If you are liable to pay the superannuation guarantee charge, you have to keep details of how you calculated the amounts shown in your *Superannuation guarantee charge statement – quarterly*.

A penalty of up to \$3,300 applies for failing to keep these records.

If you are required to pay super under an award or employment agreement, you may have additional record keeping obligations, so check your relevant award or regulation.

**!** You must pass on the tax file number, provided by an employee in their *Tax file number declaration* (NAT 3092) to their super fund.

If you use a third party to manage your payroll or a clearing house to distribute super contributions to your employees' funds, make sure your contracts allow them to pass tax file numbers to funds or retirement savings accounts on your behalf, and that they do so. If they don't pass on the tax file numbers, you are liable for the penalties – not the payroll service provider or clearing house.

### Choice of super fund

You need to keep records that show you've met your choice of super fund obligations. These include:

- details of employees who do not have to be offered choice of super fund. For example, if an employee is not eligible to choose a fund because the certified agreement they are employed under requires super support to be provided to a specified super fund, you need to keep this information
- records confirming that the super fund meets the insurance requirements. These could include a copy of the product disclosure statement provided by the fund, or a record of a phone conversation with an authorised representative of the fund about the level of insurance it offers
- records showing that you have provided the *Standard choice form* (NAT 13080) to all eligible employees. For example, you may issue the Standard choice form by email and keep copies of the emails
- written information an employee provided when they nominated their chosen fund or retirement savings account, and
- receipts or other documents issued by funds showing that you have paid superannuation guarantee contributions for employees to their chosen fund.

⚠ Any super contributions you make under an award or industrial agreement also count towards meeting your superannuation guarantee obligations. However, you need to check that the contributions are enough to satisfy both the award and the superannuation guarantee requirements.

You may have to make more frequent contributions if you contribute in accordance with an award or workplace agreement. If you are required to pay award super, check the relevant award or agreement to find out whether you have further record keeping obligations.

Contractors who are sole traders may be eligible for super support, even though they are not employees. This applies in situations where the contractor is engaged mainly for their labour.

➔ For more information, refer to:

- [www.ato.gov.au/super](http://www.ato.gov.au/super)
- *Superannuation guarantee – a guide for employers* (NAT 1987)
- *Super – what employers need to know* (NAT 71038)
- *Standard choice form* (NAT 13080)
- *Employers and tax file numbers* (NAT 70999).

## FRINGE BENEFITS TAX

Fringe benefits tax (FBT) is a tax paid on certain benefits employers provide to their employees or their employees' associates (typically family members). FBT is separate from income tax and is based on the taxable value of the various fringe benefits provided.

The FBT year begins on 1 April and ends on 31 March.

### What is a fringe benefit?

Basically, a fringe benefit is a benefit provided to an employee (or their associate) because that person is an employee. Benefits can be provided by an employer, an associate of the employer, or by a third party under an arrangement with the employer. An employee can be a current, future or former employee.

Benefits include rights, privileges or services. For example, you provide a fringe benefit when you:

- allow an employee to use a work car for private purposes, or
- pay an employee's private health insurance costs.

## WORK-RELATED ITEMS EXEMPT FROM FRINGE BENEFITS TAX

You can provide some work-related benefits to employees without having to pay FBT. For example:

- a tool of trade
- an item of protective clothing.

Other items may be exempt; however, the exemption only applies to items that are provided by an employer to an employee primarily for work purposes.

For these items, the exemption will be limited to one item of each type per employee per FBT year, unless it is a replacement item. These include:

- a notebook or laptop computer
- a mobile phone
- other portable electronic devices, including those with multiple functions
- a briefcase.

⚠ The FBT exemption for these portable electronic devices is subject to passage of measures announced by the Federal Government in the May 2008 budget, and will apply to items purchased from 7.30pm (AEST) on 13 May 2008.

### Who pays FBT?

As an employer, you have to pay FBT, even if the benefit is provided by an associate or by a third party under an arrangement with you. For example, you may deal with a supplier who, in turn, provides free goods to your employees.

⚠ We recommend you register for FBT when you have established that you have to pay FBT. Once you are registered, we will send you personalised FBT return form stationery and additional information to help you lodge your return.

You can register for FBT only by mailing a completed *Application for registration – fringe benefits tax* (NAT 1055) form to us. To obtain a copy of this form, download it from our website or phone us on **13 28 66**.

If you provide certain fringe benefits valued at more than \$2,000 to an employee during an FBT year, you have to report the grossed-up taxable value of the benefit. This is called the 'reportable fringe benefits' amount and you report it on the employee's payment summary for the corresponding income tax year.

For example, you would show a reportable fringe benefits amount for the FBT year 1 April 2007 to 31 March 2008 on the payment summary you issue for the 2007–08 income year. Note that some fringe benefits are excluded from this reporting requirement.

⚠ If your FBT liability for the previous year was \$3,000 or more, you must pay quarterly FBT instalments with your activity statement. Your annual FBT return and any related liability are due no later than 21 May.

## PAYG WITHHOLDING RECORDS RELATING TO BUSINESS PAYMENTS

### FBT records you need to keep

You need to keep records that show:

- the taxable value of each fringe benefit provided to each employee (that is, its value before it is grossed up). Some examples of records you may need to keep are invoices, receipts, travel diaries, logbooks, odometer records and employee declarations
- the method of allocating the taxable value of a fringe benefit provided to two or more employees. This may include any reasonable agreement between an employer and an employee regarding the apportionment of fringe benefits
- that 100% of the taxable value of the benefits has been allocated to employees. The taxable value of excluded benefits (such as remote area housing assistance) doesn't need to be allocated to individual employees.

Where a fringe benefit is provided by an associate, the associate is required to provide copies of the records to you within 21 days of the end of the FBT year. Both you and the associate must keep the records for five years from the date of the relevant transaction.

You must also keep specific records if you want to take advantage of various exemptions or concessions that reduce your FBT liability. These documents must be kept for five years from when the relevant FBT return is lodged. Examples of these records are:

- all documents you must obtain from an employee, such as declarations, invoices and/or receipts, bills of sale, lease documents, travel diaries, copies of logbooks, odometer records
- where the benefit is a car fringe benefit valued under the operating cost method, fleet management records, logbook records and odometer records.

For some concessions and exemptions, you have to obtain documentary evidence of expenditure by an employee. Broadly, you must obtain the original invoice and/or receipt from the employee. This must show the date of the receipt or invoice, the date of the expense, the name of the supplier, what was bought and the amount paid.

You must make elections and declarations, and obtain all employee declarations, no later than the day your FBT return is due to be lodged with us or, if you don't have to lodge a return, no later than 21 May. There is no need to notify us of the election or declaration as your business records are sufficient evidence of this.

➤ For more information, refer to:

- *Fringe benefits tax for small business* (NAT 8164), for sample worksheets, logbooks and employee declarations
- *Fringe benefits tax: a guide for employers* (NAT 1054).

### WITHHOLDING WHERE AN ABN IS NOT QUOTED

When you deal with suppliers, make sure they quote an ABN on their invoice or other documentation related to the transaction. In certain cases, if they don't quote their ABN you must withhold 46.5% of the payment to them and give them a payment summary.

Some suppliers are not required to quote an ABN on their invoices and you don't have to withhold from payments to them.

If you're unsure whether you have to withhold, ask the supplier to give you a written statement explaining why the supply of goods or services is excluded. They may use the *Statement by a supplier (reason for not quoting an ABN to an enterprise)* (NAT 3346) or create their own statement containing the same information. If you suspect the statement is false, you must withhold 46.5% of the total payment.

If a supplier doesn't quote an ABN when providing goods or services to you, or doesn't provide you with a statement that they are not required to do so, you should take these steps.

#### Step 1

Record the date of the payment, the name of the supplier and the gross amount (invoiced amount) of the payment.

#### Step 2

Calculate the amount to be withheld by multiplying the gross amount (less any cents) by 46.5%.

#### Step 3

Calculate the net amount of the payment by subtracting the amount withheld from the gross amount.

When calculating the amount to be withheld, cut off the cents at each step in the calculation.

#### EXAMPLE:

Invoice for \$150.76	\$150.76 becomes \$150.00
Deduction of 46.5%	= \$150.00 × 0.465 = \$69.75
	\$69.75 becomes \$69.00
Final payment to payee	= \$150.76 – \$69.00 = \$81.76

⚠ If you pay a supplier with cash from the cash register, record this in your reconciliation of daily sales and cash payments book (see 'reconciliation of daily sales' on page 31).

## NO ABN WITHHOLDING RECORDS YOU NEED TO KEEP

### Payment summaries

If you withhold an amount from payments to any of your suppliers who have not quoted an ABN, you must:

- complete a *PAYG payment summary – withholding where ABN not quoted* (NAT 3283) for each payee at the time of payment or as soon as practicable afterwards, and
- provide a copy of the payment summary to the payee and keep one for your own records.


Unlike the other payment summaries, you may issue suppliers with a receipt, remittance advice or similar document in place of a *PAYG payment summary – withholding where ABN not quoted* (NAT 3283), provided it contains the following information:


- the payer's name, ABN and branch number (if applicable)
- the payee's name (if known)
- the payee's address (if known)
- the date the payment was made
- the total amount of the payment (including the market value of non-cash benefits)
- the amount withheld, and
- the words 'To be retained by payee for taxation purposes'.

### Annual reporting of amounts withheld from suppliers

If you withheld amounts from suppliers who did not quote an ABN during the financial year, you must:

- send an annual report to us by 31 October each year.  
You can provide your annual report electronically or complete a *PAYG withholding where ABN not quoted – annual report* (NAT 3448), and
- keep a copy for your records.

 Remember, if you're not sure that a business you deal with has quoted its correct ABN, or even if it's a genuine business, you can check online by visiting [www.business.gov.au](http://www.business.gov.au)

 For more information about withholding where no ABN is quoted, refer to:

- *No ABN withholding – questions and answers* (NAT 5931)
- *Statement by a supplier (reason for not quoting an ABN to an enterprise)* (NAT 3346). This includes *Should your suppliers quote their ABN?...a guide for business*.

For information about reporting electronically, refer to *How to lodge your PAYG withholding annual report electronically* (NAT 3367).

## VOLUNTARY AGREEMENTS

PAYG voluntary agreements enable businesses to withhold amounts from payments they make to contractors to help the contractors meet their expected income tax liability. A voluntary agreement is a written agreement between a business (the payer) and a contractor (the payee) to bring payments for work and services into the PAYG withholding system. The payee must be an individual with an ABN and the payments must not be subject to any other PAYG withholding.

The rate of withholding is indicated in the voluntary agreement. Our form, *A voluntary agreement for PAYG withholding* (NAT 2772), is available from our website. You don't have to use this form, but any voluntary agreement you make must include all the information specified on it. If you prefer, you and the contractor can exchange electronic copies of a voluntary agreement.

If you enter into a voluntary agreement as a payer and you are not already registered for PAYG withholding, you will need to register. If you have employees, you should already be registered.

Take the following steps if you have entered into a voluntary agreement with a worker.

### Step 1

Record the rate of withholding for your payee. You will find this information in the voluntary agreement you completed with them.

### Step 2


Record the invoiced gross amount and date of the payment.

### Step 3

Calculate the amount to be withheld by multiplying the gross amount (invoiced amount) by the withholding rate for that payee.

### Step 4

Calculate the net payment for each payee by subtracting the amount withheld from the gross payment.

 If you pay the net amount with cash from the cash register, record this in your reconciliation of daily sales and cash payments book (see 'reconciliation of daily sales' on page 31).

## Voluntary agreement records you need to keep

### Voluntary agreements

Both the payer and the payee must keep a copy of a voluntary agreement while it is in force and for five years after the last payment is made under the agreement. You don't have to send a copy of the agreement to us.



### Payment summaries

If you have withheld amounts from payments made under a voluntary agreement, you must:

- complete a *PAYG payment summary – voluntary agreement* (NAT 3223) for each payee and provide them with two copies by 14 July each year, and
- keep a copy for your records.

Take care to use the correct payment summary.

### Annual reporting of voluntary agreement payments

By 14 August, after the end of each financial year, you must:

- report to us details of all payment summaries you have issued for payments made under voluntary agreements
- if you make payments to other payees, such as employees, also include details of the payment summaries you issue for these payments in your annual report, and
- keep a copy for your records.

You may report this information electronically, or by lodging copies of payment summaries and an accompanying payment summary statement.

➤ For more information, refer to *PAYG voluntary agreements* (NAT 3063)

## RECORDS RELATING TO FUEL TAX CREDIT CLAIMS

### FUEL TAX CREDITS

All businesses need to be registered for both GST and fuel tax credits before they can claim fuel tax credits.

#### Fuel tax credit records you need to keep

The records you currently keep for your business will generally support your claims for fuel tax credits. Your records should show that you:

- acquired the fuel
- used it in your business, and
- applied the correct rate when calculating how much you could claim.

You must also keep records that show your business is carrying on activities that are eligible for fuel tax credits.

You must keep these records for five years after you make the claim.

- For more information, refer to:
- *Fuel tax credits for businesses* (NAT 14584)
  - *Keeping records and calculating eligible litres* (NAT 15230)

## TIPS FOR HEALTHY RECORD KEEPING

Here are some tips to keep you on top of your record keeping – and some traps to avoid!

- 1 Get organised and stay organised.
- 2 Decide what record keeping system works best for you. Some people may prefer to keep paper records, while others find an electronic software package more efficient.
- 3 Set up a good filing system for your paperwork. If you don't record your transactions frequently, it's important to have a system for filing information that needs to be entered.  

A good filing system will help you follow up overdue debts and know when your accounts are due to be paid. This will help you manage your cash flow.
- 4 Make sure your records can be understood by anyone, not just one person. Document how you keep your records, what your various records contain and where they are kept, and where you keep your back-up records.
- 5 Obtain the required paperwork from suppliers and customers at the time of a transaction (and record details as soon as possible). Don't leave it until later. You need paperwork to support your claims for tax deductions.
- 6 Make sure your records contain enough information, for example, tax invoices with all the required information, cheque butts correctly filled out. It's a good idea to cross-reference records, for example, when you pay bills write the invoice number on the cheque butt and the cheque number on the invoice. You can also add notes to paperwork that will remind you later of special circumstances.
- 7 Get into the habit of entering transactions into your cash books or software program regularly to keep your files up to date. You may choose to do this daily, weekly or monthly – but remember, the longer you leave it, the more difficult it is to catch up. Never leave record keeping until the end of the year.
- 8 Make sure you enter transactions correctly into your cash books – mistakes can be costly!
- 9 Don't mix up personal and business paperwork, for example, by using business bank accounts and credit cards for personal transactions and vice versa.
- 10 Ask for help before things get out of control. You may want to engage a bookkeeper to set up your books or set up a software program. Remember, these costs are generally a tax deduction for your business.

**EXAMPLE**

Your records will rely heavily on the quality of information on your invoices and cheque butts – so it makes sense to carefully complete all relevant information.

**Cross-referencing your cheque butts and invoices**

Cross-referencing cheque and invoice numbers can save you or your accountant a lot of time and will make things easier to find.

When you pay a bill, write the invoice or statement number on your cheque butt or credit card receipt.	For supplier invoices or statements, write cheque number and date paid.
<p>DATE: 14/7/XX</p> <p>PAY: <i>Bill's painting</i></p> <p>FOR: <i>repaint office and shop</i></p> <p>REF: <i>invoice # 54321</i></p> <p>FWD \$ 12,000</p> <p>CHQ \$ 550</p> <p>BAL \$ 11,450</p> <p>1003</p>	<p>ABN 32 123 456 789</p> <p style="text-align: right;"><b>Tax Invoice</b></p> <p style="text-align: right;"><b>Bills Painting</b></p> <p>Date: 2/07/XX      Inv. No. 54321</p> <p>To: <i>My Business</i></p> <p>For: <i>Repaint office and shop</i></p> <p><i>paid 14 July</i> <i>Chq No 1003</i></p> <p><b>Total:</b> \$550.00</p> <p>Terms: 14 days</p>

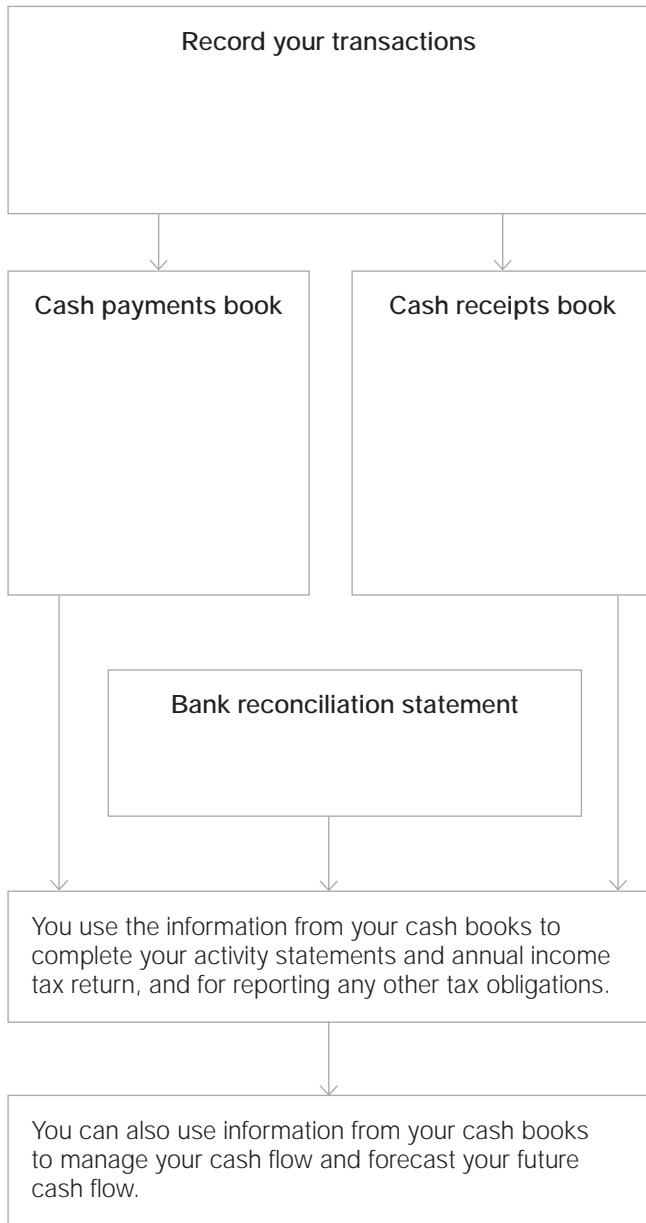
**Record of cash drawings**

Keep a record of cash takings used for other purchases or private purposes – it will help you reconcile daily sales. For supplier invoices or statements, write cheque number and date paid.

Cash takings used for purchases or other purposes.
<b>Cash from till record</b>
DATE: 18/7/XX
Amount: \$600
Purpose: <i>Birthday present and personal</i>
Receipt or Inv. number: N/A
Signature: <i>Myself</i>

Keep records of one-off, transactions handy – your accountant will need to see loan documents, lease agreements and contracts.

## A BASIC PAPER RECORD KEEPING SYSTEM



It's good business practice to record your transactions as they occur. This information may come from a variety of source documents, for example, till tapes, sales receipts, tax invoices, loan docs, credit card slips and diary.

You can record all your business expenses and sales in a cash book.

If you use a cash register you may wish to do a reconciliation of daily sales to get one figure to transfer to your cash receipts book each day.

A bank reconciliation statement is a means of checking that your cash book agrees with your bank statement.

For more information, see the section 'Completing your activity statements and tax return' on page 36.

For more information, see 'Managing your cashflow' on page 37.

## RECORDING YOUR TRANSACTIONS

When you operate a business you have transactions whereby money flows into your business (receipts) and out of your business (payments).

These transactions are supported by documents recording the details of the transactions, such as tax invoices, wages records, cheque butts and credit card statements. These documents contain the information you need to record, such as the date of the transaction, total payment or amount received, or the amount of GST.

## KEEPING TRACK OF YOUR TRANSACTIONS

### MAKE SURE YOU HAVE ALL THE NECESSARY INFORMATION

The first thing you need to do is to make sure the invoices you receive from other businesses contain all the information you need, especially tax invoices. Don't forget to:

- check that all invoices quote a valid ABN and, if they are tax invoices, that they contain all the requirements for a tax invoice. Remember, you generally can't claim GST credits for your business purchases unless you have a valid tax invoice. (Likewise, make sure the invoices you issue from your business contain your ABN and all other required information)
- make sure you record enough information on the cheque butt – date, payee, and details of goods or services purchased –, if you use cheques to make business payments


Once you've established that your incoming and outgoing invoices contain all the necessary information, including an ABN, you then need to keep track of your invoices. Remember, you can check the ABN lookup website at [business.gov.au](http://business.gov.au) if you're not sure whether an ABN is correct. This site provides access to the publicly available information provided by businesses when they register for an ABN.

### RECORD THE INFORMATION

If you're very organised and don't have many business transactions, you may be able to record the information in these documents immediately (that is, at the same time as you provide them to your customers, or receive them from other businesses).

While it's a good idea to record the information on your transaction documents as soon as possible, most people are too busy to do this. They tend to record the information at the end of the day, week or even month.

If you don't record the information immediately, you need some system for filing your various transaction documents so that when you come to record them in your business records you know where they are. How you do this is up to you, but one way is to file all your incoming and outgoing invoices in separate folders. If you keep electronic records, you simply file them in electronic folders.

 Set aside a regular time to do your business recording, for example, daily, weekly or even monthly.

### KEEPING BUSINESS AND PERSONAL EXPENSES SEPARATE

It's important to keep business and personal expenses separate. One way to do this is to have a separate bank account for your business. If you do most of your transactions through a credit card, it's a good idea to have a business credit card. This means that your statements are, in effect, a checklist of your expenses.

**!** If you operate your business through a company, you must have a separate company business bank account.

If you use one bank account for both business and private purposes, you must clearly identify any personal payments or expenses in your cash book so that they can be treated as non-business expenses. This includes any cash taken from money your business receives. These payments or withdrawals are often referred to as 'drawings'.

Sometimes you may have expenses that relate to both business and private use, for example, where you have a home-based business and use one phone line for both business and personal purposes. In this case, you have to clearly work out how much of the expense is private and how much is related to your business because you can't claim a deduction for the amount related to private use.

## CASH BOOKS

One of the simplest ways to record your purchases and expenses, and sales or receipts, is in a cash book. This is a record of all your business transactions – whether they are by cash, cheque, credit card, direct debit, direct credit, EFTPOS or other payment or receipt method. Cash books are sometimes referred to as journals. For example, a cash receipts book may also be referred to as a cash receipts journal.

A cash book is generally in two parts:

- a section for payments (the money going out of your business), and
- a section for receipts (the money coming into your business).

It's up to you whether you record payments and receipts in one book or two separate books.

Whether you choose to keep your records electronically or manually, your cash book is the basis of your record keeping system. If you record your transactions correctly, your cash book should contain the information you need to complete:

- your activity statements at the end of each month or quarter, or your annual GST return
- your income tax return at the end of the financial year, and
- other returns and reports.

Once again, the advantage of using an electronic cash book is that all the columns will automatically add. If you use a manual cash book you have to add the amounts manually.

**!** Remember, basic record keeping principles and practices apply, regardless of whether you record your business transactions manually or electronically.

### BENEFITS OF CASH BOOKS

It's good business practice to use a cash book because it:

- records all receipts and payments, whether by cash, cheque, credit card, direct debit, direct credit, EFTPOS or other payment or receipt method
- allows you to keep an eye on your cash flow, that is, how much money is coming into your business and how much is going out
- helps you track your receipts and expenses (including for past transactions)
- helps you record any barter transactions
- enables you to provide us with a complete record of most of your business transactions
- ensures you have the records you need to complete your activity statements and annual income tax return, and for any other returns or reports you may need, for example, financial statements for your bank.

## CASH PAYMENTS BOOK

Cash payments are amounts of money you pay for goods and services you buy for the day-to-day running of your business.

It's good business practice to pay for business purchases from your business account wherever possible. This may be by cheque, direct debit or an EFTPOS facility operating through the business account. However, this isn't always practical and minor purchases such as postage stamps and parking are normally paid for with petty cash.

You need to keep receipts and invoices for your business purchases and then record the payments, whether you use cash from your takings or from your own pocket. A reconciliation of daily sales (see page 31) and cash payments book (see page 44) will help you do this.

We have provided a worked example of a simple cash payments book on page 44 and a blank form on page 50 that you can photocopy and use. The form also shows what amounts to transfer to specific labels on your activity statement.


Remember, you need a tax invoice to claim GST credits where the purchase is more than \$82.50 (including GST). If you request a tax invoice, your supplier must provide it to you within 28 days after your request, for purchases of more than \$82.50 (including GST).

## PETTY CASH

You may want to use a petty cash book to keep records of minor cash expenses separate from your cash payments book. If you cash a cheque or use cash from sales to reimburse your petty cash reserve, record this in your cash payments book. Follow the steps below to set up and use a petty cash system.

### SETTING UP YOUR PETTY CASH SYSTEM


- 1 Decide how much money you need to start your petty cash. It might be \$100, \$150, \$200, or whatever amount is appropriate. You may not want to have too much cash on hand.
- 2 Write out a cheque to 'Petty cash' and cash it at the bank.
- 3 Put this money in your petty cash tin. This is called the 'float'.
- 4 Record this first petty cash cheque under 'Sundries' in your cash payments book.

 Don't treat it as an expense because you haven't actually spent anything. You have simply transferred some money from the bank to the petty cash tin.

- 5 Create a worksheet or diary, or buy a commercial petty cash book, to record purchases and GST details.

### USING YOUR PETTY CASH SYSTEM

- 6 When you make a small purchase, keep the receipt and take the amount you spent from the petty cash tin. If your original float was \$200 and you spent \$4, your float is now down to \$196 and you have receipts in the tin for \$4. The total money left and presented receipts should always equal your original float figure.  
It's OK occasionally not to get a receipt – we will accept this for items under \$10, up to a maximum of \$200 a year.
- 7 Record details in your worksheet, diary or petty cash book.
- 8 When cash runs low, write out a cheque to restore the full float amount.
- 9 Record in your cash payments book the details of the petty cash reimbursement:
  - the GST amount in the 'Claimable GST' column, and
  - the net amount (that is, excluding GST) in the relevant expense column.
- 10 Store this summary sheet and the petty cash receipts with your other business records.

 Don't use petty cash funds for large purchases, or for private expenses.

## HOW TO RECORD PAYMENTS IN A CASH BOOK

Purchases are usually made in cash, by cheque, or by direct payment through phone and internet facilities. In some cases, purchases may be provided on credit.

The following steps show how to record payments made by cash, cheque or another method in a cash payments book.

If the purchase or expense is made on credit or is to be paid at a later date, file the invoice by due date for payment in your file.

As you pay for purchases, follow these steps:

### Step 1

If you are:

- paying in cash and you use a cash register, take the exact amount of cash from the register and pay the supplier or worker. Put the receipt, or a note with details and the amount paid, in the cash register
- paying by cheque, pay the supplier or worker and note the cheque number on the invoice. Record the date, name of the payee, description of the purchase and the amount of the cheque on the cheque butt.

### Step 2

If you are using a cash register, at the end of the day record details of cash payments from the register on the reconciliation of daily sales under 'Cash payments from cash register' and transfer the total to item 4.

### Step 3

If you are:

- using the reconciliation of daily sales, transfer cash payments to the 'Total payments' column in the cash payments book. Don't include any credit for returned goods, as you record this in the cash receipts book
- not using a reconciliation of daily sales, record amounts of any cheques, EFTPOS or direct debit purchases made from your business bank account in the 'Total payments' column in the cash payments book.

You should also record cash purchases and payments made from other sources (such as a private account) in the 'Total payments' column.

Record the method of payment in the 'Payment type' column. If you paid by cheque, simply record the cheque number in this column.

### Step 4

If you have been charged GST, show the GST amount in the 'Claimable GST' column. You don't record any amount in this column for GST-free and input taxed purchases.

### Step 5

Record the amount of any cash or cheque payments (excluding any GST amount) in the column for that type of expense (for example, 'Materials/stock' or 'Motor vehicle') in the cash payments book.


If the payment is for more than one type of purchase, record each portion in its separate column.

If the purchase is partly for private purposes, note the private percentage in the 'Private use component' column.

### Step 6

At the end of the period (usually each month), add up each column in the cash payments book and record in the 'Total' row at the bottom of the form.

Transfer the total from the 'Total payments' column to the bank reconciliation statement (see page 53).

 Many small businesses using a manual bookkeeping system use the accounts method to complete their activity statement. Under the accounts method, you simply need a separate GST column in your cash book. This makes it easier for you to keep track of your GST.



## CASH RECEIPTS BOOK

A cash receipts book is a list of all the income you have received for your business. We have provided a worked example of a simple cash payments book on page 44 and a blank form on page 50 you can photocopy and use. The worked example also shows what amounts to transfer to specific labels on your activity statement.

You may decide to have more income columns in your cash receipts book so that you can separate your income into the categories that apply to your business. Using further columns such as these may be helpful to obtain information for your business. For example:

- a restaurant may want to keep separate income figures for dine-in food, dine-in drinks and takeaway
- a retail fashion business may want to keep tallies of different departments such as clothing, accessories and shoes, or
- a tradesperson may want to separate income into materials, labour and retail sales.

A cash receipts book will also help you reconcile your bankings with your takings.

If your business has a large number of transactions in a day (for example, you run a convenience store or a takeaway), you probably use a cash register. If so, you can use a reconciliation of daily sales form to work out the total of your transactions each day.

This means you can then transfer just one amount to your cash receipts book at the end of the day, rather than recording every single amount. Here is how you do a reconciliation of daily sales.

## RECONCILIATION OF DAILY SALES

If you choose to do a reconciliation of daily sales, follow these steps at the end of each trading day. We have provided a blank form on page 53 that you can photocopy and use.

### Step 1

Record the amount of the till float on a sheet of paper at the beginning of each day or trading period. Put this sheet of paper in the cash register. Do the same for any extra float added to the cash register during the day. It's good business practice to use the same float amount each day.

### Step 2

Ring up every sale on the cash register. If you accept payment for sales on account, you may want to discuss the correct way to record this with your tax adviser.

### Step 3

If you take cash out of the cash register for small purchases, to pay wages, or for your own use, keep the receipts or a note in the cash register.

If you take any goods for your own use that were bought by the business, record the cost of the goods and any other details in a diary. You are not entitled to any GST credits for goods for your personal use.

### Step 4

Add up your sales at the end of the trading day by doing a Z-total (the total of all recorded takings for that day) on your cash register. Record the Z-total in the reconciliation of daily sales at item 1.

You also need to show how much of the Z-total sales came from sales that included GST, GST-free sales and input taxed sales. Record these amounts at **A**.

### Step 5

Count the cash, cheques, credit card, EFTPOS, smart card and other sales. Record the amounts at **B** and **C** and record the totals at items 2 and 3 respectively.

### Step 6

Record details of cash payments from the cash register at **D**.

Record any refunds to customers that are paid as cash from the till at **E**. For GST purposes, you need to have a separate record of refunds paid for sales that include GST and sales that are GST-free or input taxed. Add together all the cash payments from the cash register and record the amount at item 4.

### Step 7

Record the float amount you put in the cash register at the beginning of trade at item 5 and any amounts you added to the float during the day at item 6.

**Step 8**

Work out your total sales for the day using the formula at item 7 (that is, add items 2, 3 and 4, and then subtract items 5 and 6). Record the total amount of your sales at item 7.

**Step 9**

Do a sales reconciliation by taking the total sales at item 7 from the Z-total at item 1. Note the reason for any variation in the space provided (for example, 'unders' or 'overs').

**Step 10**

Staple or clip your cash register tape to your reconciliation of daily sales.

⚠ If you use a cash register you may discard your cash register tapes after one month, provided you keep Z-totals and they have been reconciled with actual sales and bankings for the period. If you don't keep the Z-totals and reconciliations, you must keep the full rolls of tape for five years. The Z-total is the figure printed by the cash register showing the total of all recorded takings for that day.

➔ For more information, refer to Taxation Ruling TR96/7 Income tax: record keeping – section 262A – general principles

## HOW TO RECORD RECEIPTS IN A CASH BOOK

Use the following steps to record receipts.

**Step 1**

If you have done a reconciliation of daily sales, transfer the amount from item 7 on the reconciliation of daily sales to the 'Total receipts' column in your cash receipts book. Record the amount of GST in the 'Amount of GST collected' column for any sales that include GST.

Businesses that have fewer transactions and use invoices and receipts rather than a cash register may choose to record each individual receipt separately in the cash receipts book. This may be more practical than using the reconciliation of daily sales.

If you sell GST-free or input taxed goods or services, record the amounts of these sales in the respective columns in your cash receipts book.

**Step 2**

If you have sold capital items, or have received a refund from a supplier, make a note of it in the 'Comments' column. While sales of capital items are generally not included in your assessable income, they may be subject to capital gains tax.

If you are registered for GST and you sell an asset of the business, you need to include GST in the selling price and include this amount on your activity statement for all taxable sales.

**Step 3**

Check for any differences between the money you actually have to bank and the money you should have available to bank. If you have less money than your records show, record the difference and the reason for this. The amount deposited in your bank account should be recorded in the 'Bankings' column.

Explain any differences between this amount and your 'Total receipts' in the 'Comments' column.


**Step 4**

At the end of the period (usually monthly), add up each column in the cash receipts book and record in the 'Total' row at the bottom of the form. Transfer the total of the 'Bankings' column to the bank reconciliation statement.

⚠ If your annual business turnover is less than \$2 million and you make mixed (taxable and GST-free) supplies or purchases, you may be eligible to use a simplified accounting method to calculate your GST obligations. If you are eligible, you can estimate the amount of your GST-free sales and purchases of stock at the end of each period, rather than having to track each GST-free item individually.

 For more information:

- visit [www.ato.gov.au/SBconcessions](http://www.ato.gov.au/SBconcessions)
- refer to *Simplified GST accounting methods for food retailers* (NAT 3185)

 Once you've transferred the information from your invoices, statements and other transaction documents to your cash books, you must keep copies of them for five years after they are prepared, obtained, or the transaction completed, whichever is later. How you do this is up to you. There are specific requirements if you keep electronic records (see 'Electronic record keeping requirements' on page 8).

## BANK RECONCILIATION STATEMENT

You should have recorded in your cash books all amounts you've actually received and payments you've actually made. However, the cash books may be incomplete as your bank may have put extra transactions through your account, such as:

- bank fees or interest charges, or
- direct debits (payments) and direct credits (receipts).

Doing a regular bank reconciliation will allow you to:

- take into account any extra transactions your bank puts through your account, and
- check and record any errors or omissions.

By regularly doing a bank reconciliation (say monthly), you can be more confident that your records contain all the information you need to prepare your income tax return and activity statements. If you use a tax adviser, regularly doing a bank reconciliation may reduce the time it takes them to prepare your income tax return or activity statements.

We recommend that you regularly bank all the money your business receives. Check with your bank to see if you can access your bank statements electronically through your bank's secure website.

### HOW TO PREPARE A BANK RECONCILIATION

#### Step 1

Check all entries in your cash books against those in the bank statement – you might like to keep track of these entries by putting a pencilled tick next to each entry in the cash books and bank statement that appears in both records. If there are any differences in the figures, you'll need to work out which is correct.

#### Step 2

If there are any unticked items in the bank statement (for example, bank fees or direct debits), record these in your cash books. Once you've done this, your cash books contain details of every transaction for the period.

#### Step 3

If there are still any unticked items in your cash books, these are items the bank didn't know about during the period of the statement. For example, a cheque you sent someone may not have been presented against your account, or money you received on the last day of the period may not have been banked until the next period. It can sometimes be several months before cheques are finally presented.

#### Step 4

Create a bank reconciliation statement, as follows:

- record the balance as on the bank statement
- list any outstanding deposits
- list any outstanding cheques
- calculate the closing cash book balance (if you keep a running cash book balance, these figures should agree).

We have provided a sample bank reconciliation form on page 58 for you to use.



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COMPLETING YOUR  
ACTIVITY STATEMENTS  
AND TAX RETURN

03

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## ACTIVITY STATEMENTS

If you have a good record keeping system that allows you to record all your business transactions, when it comes time to complete your activity statements you'll have all the figures readily available.

You simply have to transfer the total amounts you've recorded in your cash books to the appropriate label on your activity statement. We've provided worked examples of a cash payments book and cash receipts book and an activity statement on pages 44, 46 and 48 to demonstrate the process.

Using an electronic record keeping system will make your job easier because you won't have to manually add all the amounts in your cash books. Many software packages automatically generate the information required to complete your activity statement and lodge it automatically.

If you need help completing your activity statements or tax return, phone **13 28 66**.

 We recommend you lodge your activity statements online using the Business Portal.

The portal gives you secure online access to your business tax details, allowing you to view your accounts online (including activity statements, income tax and fringe benefits), request transfers and refunds of credit amounts, view and update some of your business registration details, and send and receive secure messages.

To use the Business Portal, you must first register for a digital certificate. You can do this online by visiting our website at [www.ato.gov.au](http://www.ato.gov.au) and selecting Online Services – Online services homepage – Digital certificates – Register for a digital certificate.

 For more information, refer to:

- *Goods and services tax – how to complete your activity statement* (NAT 7392)
- *PAYG instalments – how to complete your activity statement* (NAT 7393)
- *PAYG withholding – how to complete your activity statement* (NAT 7394)
- *Fuel tax credit – how to complete your business activity statement* (NAT 15531)
- *Fringe benefits tax – how to complete your activity statement* (NAT 7389)
- *Wine equalisation tax – how to complete your activity statement* (NAT 7390)
- *Luxury car tax – how to complete your activity statement* (NAT 7391).

## TAX RETURNS

You'll also find that good records will help you complete your annual tax return and meet your other reporting requirements.

 For more information, refer to:

- *Tax basics for small business* (NAT 1908)
- *Income tax and deductions for small business* (NAT 10710)
- *TaxPack* (NAT 0976)
- *Company income tax return instructions* (NAT 0669)
- *Partnership and trust tax return instructions* (NAT 2297).

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# MANAGING YOUR CASH FLOW

04

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The flow of cash in and out of your business is the lifeblood of your business.

You need to make sure your business is likely to make money and will have enough cash available at the right time to pay its bills.

In particular, you must be able to meet your tax liabilities, including the following.

**GST** – The GST you collect does not belong to you – you just collect it on behalf of us. You must be able to pay this money (less any GST credits you are entitled to) to us by the due date of your monthly or quarterly activity statement, or your annual GST return, depending on your reporting cycle.

**PAYG income tax instalments** – most small businesses make quarterly payments to provide for their end-of-year income tax liability. These payments are due when your activity statement is due. In your first year of operating a business, you will generally not have to pay quarterly PAYG instalments to provide for your income tax. Instead, you will have one income tax payment for the whole year at the end of the income year. So it's important to make sure you have the money available for this one-off payment.

**PAYG amounts withheld from employees' wages** – under PAYG withholding, you must withhold amounts from payments such as salary or wages to employees and payments to company directors. Most small businesses have to send these amounts to us each quarter with their activity statement. Don't forget that if you run your business through a company, you are probably an employee of the company.

**Fringe benefits tax** – if you have to pay fringe benefits tax, you may have to pay quarterly instalments of your annual tax payable when your activity statement is due.

**Superannuation** – if you have employees, you will also have super payments (except in limited circumstances). You must make sufficient super contributions to a complying super fund or retirement savings account for your eligible employees each quarter. For more information, refer to *Superannuation guarantee – a guide for employers* (NAT 1987).

The best way to make sure you have enough cash available to meet your tax and other liabilities is to do a cash flow budget. The information in your cash flow budget will enable you to:

- see your likely cash position at any time
- identify any fluctuations that may lead to potential cash shortages
- plan for your tax payments
- plan for any major expenditure
- provide prospective lenders with additional information.

## PREPARING YOUR CASH FLOW BUDGET

To prepare a cash flow budget for a period of time (for example, a month, quarter, half-year or year), follow these four steps.

### Step 1: Prepare a sales forecast

If you're already in business, you can use previous sales figures to forecast your sales. If you're starting a new business, you'll have to use realistic estimates. Don't forget to take into account any seasonal fluctuations or trends for your industry that may affect future sales.

### Step 2: Estimate your cash inflows (receipts)

For each period, show only the cash you expect to actually receive in that period. This may be money from your customers, loans received, money from assets sold off or money you put into the business.

### Step 3: Estimate your cash outflows (payments)

Show only the cash you expect to actually pay out in that period. This may be payments to your suppliers, wages, loan repayments, money for assets you expect to buy, money you take for your own use (drawings), and any loans you may provide to others.

Don't forget to include any infrequent payments in the relevant period, for example, insurance, rates and registrations.

Also remember to allow for any tax payments. These payments could include GST you've collected from your customers during the tax period (required to be paid monthly, quarterly or annually), your quarterly PAYG instalments of income tax, amounts you've withheld from employees' wages, and fringe benefits tax.

### Step 4: Calculate your net cash position for the period

The final step in preparing a cash flow budget is to estimate your ending cash balance, as follows:

Cash on hand at start of period	+	Estimated cash <b>INflows</b>	-	Estimated cash <b>OUTflows</b>	=	Estimated ending cash balance
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Your ending cash balance for the period becomes your cash on hand at the start of the next period.

We have provided a cash flow budget spreadsheet on page 56 for you to photocopy and use.




## USING THE INFORMATION IN YOUR CASH FLOW BUDGET

After you've done your cash flow budget and you're confident that it actually reflects your predicted position, you should be able to see whether your business is likely to have:

- more money coming in than going out
- the same amount of money coming in as going out, or
- more money going out than coming in.

If you've identified that you have more money going out of your business than coming in, you are likely to run out of cash. You could consider restructuring the timing of payments and receipts in your cash budget to stop this anticipated shortfall occurring.

If this can't be done, you may need to consider where you can obtain finance to tide you over until your cash flow position improves.

 By monitoring your cash flow you may be able to identify potential cash shortages and take the necessary steps to avoid problems. You may want to contact your tax adviser or financial adviser if cash flow is an issue.

## HANDY TIPS TO HELP MANAGE YOUR CASH FLOW

To make sure you always have enough cash available to keep your business operating, you may like to consider:

- specifying a pay-by-date on your invoices so that you know when you'll receive payment (rather than just saying 'Due within 30 days', for example)
- issuing invoices at the same time as you provide goods or services (rather than leaving it until the end of the month)
- offering a discount to customers for paying invoices early
- requiring customers to pay a deposit for more expensive items or when they order
- encouraging late payers to pay by offering them a discount for paying by credit card
- having a firm policy on accepting personal cheques and offering credit to customers
- ensuring you don't have money tied up unnecessarily in excess stock
- checking when you have to pay incoming invoices to work out how you can stagger your payments
- banking amounts you receive (cash and cheques) regularly so that you have a better idea of your actual cash position
- adjusting the amount you pay yourself at times when your cash situation is tight
- looking at how you can better use the people resources you have, rather than employing more people.



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# SAMPLE CASH BOOKS AND ACTIVITY STATEMENT

05

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To show how the details of a payment or receipt are recorded, we've prepared sample transactions and the completed cash books for My Business.

We've included:

- a table showing sample transactions for My Business
- completed pages from the cash payments and cash receipts books for My Business using the sample transactions
- a completed activity statement, showing how and where the figures from the completed cash books and the worker payment summary get transferred to the completed activity statement
- a table with some additional information to help you understand how the transactions are recorded.

My Business is owned by a sole trader and is registered for GST. The business is a restaurant (the meals and drinks are subject to GST) but it also sells fresh fruit and vegetables (these are GST-free sales). My Business has one employee.

We've tried to show a wide range of transactions to help you understand how different transactions are recorded. Your business may not encounter such a wide range of transactions over a short period.

The transactions included in the list are from the day-to-day paperwork (cheque butts, cash register totals, invoices and so on) of My Business. Remember, it's best to record these types of transactions as soon as practicable in your cash books.


To help trace the entries into the cash books, we've given each transaction a letter. The same letter is then written next to the corresponding entry in the cash payments or cash receipts book. The letter is also shown in the table following the cash books, which explains how the entries have been recorded.

Once all the transactions from My Business's own records had been entered in the cash books, the cash books were still not complete. When the business received its bank statement at the end of the month, it showed two transactions made by the bank – bank fees charged by the bank and interest paid by the bank to My Business.

Once My Business recorded these entries in the relevant cash books, it had every transaction for the period recorded in its cash books.

My Business then used the cash books to help complete its activity statement. The sample cash books show the activity statement labels where you record the relevant amounts. Cash books can also help to show how profitable your business is, and provide most of the information you need to complete your business income tax return.

We have also shown you how you could record the payment you make to us based on the figure in the completed activity statement (see page 48).

 It is sound business practice to double-check all entries in your cash book against entries in the bank statement by doing a bank reconciliation (see page 58).

## SAMPLE TRANSACTIONS

		Cash receipts book	Cash payments book
A	You contribute \$4,000 of your own money to the business. Deposit personal cheque into My Business bank account.	<input checked="" type="checkbox"/>	
B	Restaurant sales of \$5,500 (including GST). Bank full amount.	<input checked="" type="checkbox"/>	
C	You pay Tas Media \$110 (including GST) for an advertisement in the local paper. Draw cheque no. 1001.		<input checked="" type="checkbox"/>
D	You pay Sam's Garage \$330 (including GST) for your monthly fuel, by EFTPOS – 50% of the fuel is for a private vehicle.		<input checked="" type="checkbox"/>
E	You pay Bill's Painting \$550 (including GST) for repainting walls in the office and shop after a small fire. Draw cheque no. 1003.		<input checked="" type="checkbox"/>
F	Fruit and vegetable sales of \$5,350 (sales of fresh vegetables are GST-free). Bank full amount.	<input checked="" type="checkbox"/>	
G	You dash out to buy a birthday present from Cheryl's Gift Shop, taking cash from the till. Cost of present is \$300 and you need another \$300 for personal expenses. Restaurant daily sales of \$6,600 (including GST). You have taken \$600 for your own use, so bank only \$6,000.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
H	The petty cash tin is low. You reimburse petty cash by cashing a business cheque ( no. 1004) for \$250. The GST portion is \$20 as not all items purchased included GST.		<input checked="" type="checkbox"/>
I	You pay your account from Dave's Fruit & Veg for \$600 (no GST in price). Draw cheque no. 1005.		<input checked="" type="checkbox"/>
J	Fruit and vegetable sales of \$3,000 (sales of fresh vegetables are GST-free). Bank \$3,000.	<input checked="" type="checkbox"/>	
K	You pay \$695 to your employee, Dwayne Pyper. Draw cheque no. 1006.		<input checked="" type="checkbox"/>
L	You need a new van and borrow \$10,000 from EZ Finance. Bank their cheque for \$10,000.	<input checked="" type="checkbox"/>	
M	You buy a new van from Acme Autos for \$16,500 (including GST). You trade in your old van for \$5,500. Draw cheque no. 1007 for the balance of \$11,000.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
N	Draw cheque no. 1008 for \$195 to cover your weekly living costs.		<input checked="" type="checkbox"/>
O	You pay \$81 to XYZ Super fund for your employee Dwayne Pyper. Draw cheque no. 1009.		<input checked="" type="checkbox"/>

**EXAMPLE – CASH PAYMENTS BOOK**

Name of business – My Business

Period

Date	Details	Payment type (eg cheque no, cash, direct debit)	Total payments	GST information for purchases (excluding wages, drawings and other withholding payments)		Payments (excluding any claimable GST)											Drawings	Comments
				Total purchases	Claimable GST	Materials/stock	Motor vehicle	Telephone	Repairs and maintenance	Govt and bank fees	Wages	Advertising	Super	Sundries	Capital (incl plant and equipment)	Private use component %		
				Non-capital	Capital													
Totals brought forward from previous page																		
<b>C</b>	Tas Media	1001	110.00	110.00		10.00							100.00					
<b>D</b>	Fuel	EFTPOS	330.00	165.00		15.00	150.00									50	50% private	
<b>E</b>	Bills' Painting	1003	550.00	550.00		50.00		500.00									Repainting walls in office/shop after fire	
<b>G</b>	Cheryl's Gift Shop and me	Cash from till	600.00														600.00	Birthday present plus misc expenses – private
<b>H</b>	Petty cash reimburse	1004	250.00	250.00		20.00					230.00							Petty cash reimbursement
<b>I</b>	Dave's Fruit & Veg	1005	600.00	600.00			600.00											Items are GST-free
<b>K</b>	Dwayne Pypers	1006	695.00									695.00						Wages
<b>M</b>	Acme Autos	1007 + trade in	16,500.00			1,500.00											15,000.00	New delivery van – cost minus GST = \$15,000. Cheque for \$11,000. Trade-in \$5,500
<b>N</b>	Self	1008	195.00														195.00	Private drawings
<b>O</b>	XYZ Super fund	1009	81.00											81.00				Dwayne Pypers's supper
	Bank fee	Direct debit	15.00	15.00						15								No GST charged by the bank
<b>Total</b>			<b>\$19,926.00</b>	<b>\$1,690.00</b>	<b>\$16,500.00</b>	<b>\$1,595.00</b>	<b>\$150.00</b>	<b>\$500.00</b>	<b>\$15.00</b>	<b>\$695.00</b>	<b>\$100.00</b>	<b>\$81.00</b>	<b>\$230.00</b>	<b>\$15,000.00</b>	<b>\$960.00</b>			

Some of these figures can be used to help you work out your profit – other figures will help you work out your financial position.

Non-capital purchases – transfer to label G11 on activity statement  
 Capital purchases – transfer to label G10 on activity statement  
 GST paid – transfer to label 1B on activity statement

To see the location of these three figures on the activity statement, see page 48.

Use a new page for each month. If you need more than one page for a month, transfer the totals from this page to the top of the next page. Transfer the monthly totals to the summary cash book (see page 55 for a blank form).

### Explanation of cash payments book entries

- C** Payment of \$110 to Tas Media for advertising is a business expense. (You received a valid tax invoice from Tas Media.)
- The full amount is recorded under 'Non-capital' in the GST section.
  - The claimable GST amount is one-eleventh of \$110, so \$10 is recorded under 'Claimable GST'.
  - The net amount (ie, excluding GST) is recorded under 'Advertising' in the payments section.
- D** Payment of \$330 for fuel. This is a part-business expense as half the bill was for petrol for a private car, which is a private expense.
- The business portion of the expense (\$165) is recorded under 'Non-capital' in the GST section.
  - The GST amount is one-eleventh of the \$165 business portion, so \$15 is recorded under 'Claimable GST'.
  - The net business expense (\$150) is recorded under 'Motor vehicle' in the payments section.
  - The private percentage (50%) is recorded and \$165 is recorded under 'Drawings'.
  - A note is added under 'Comments' to show why the expense has not been claimed in full.
- E** Payment of \$550 to Bill's Painting is a business expense.
- The full amount is recorded under 'Non-capital' in the GST section.
  - The GST amount is one-eleventh of \$550, so \$50 is recorded under 'Claimable GST'.
  - The net business expense (\$500) is recorded under 'Repairs and maintenance' in the payments section.
  - A note is added under 'Comments' to show the purpose of this irregular expense.
- G** This drawing of \$600 cash is for personal or non-business reasons and is a private expense.
- The \$600 taken from the till is recorded under 'Drawings'.
  - There is no GST claimable on private expenses. (The \$600 cash drawings will need to be added back to the recorded daily takings – see the cash receipts book.)
  - A note is added under 'Comments' to show this is not a business expense.
- H** This payment was to top up the petty cash account, reimbursing it for expenses paid from petty cash. Some purchases had no GST.
- The total figure is recorded under 'Non-capital' in the GST section.
  - The actual GST paid (\$20) is recorded under 'Claimable GST'.
  - The net amount of \$230 can be recorded under any relevant column in the payments section. As none of the petty cash purchases were for regular, recurring expense categories, the net amount is recorded under 'Sundries'.
- I** This fruit and vegetable purchase from Dave's Fruit & Veg is GST-free so there is no GST on the invoice.
- The full amount of \$600 is recorded under 'Non-capital' in the GST section.
  - The same amount is recorded under the relevant column in the payments section (there is no GST to claim or subtract from the full price).
- K** Wages paid.
- Wages are not recorded in the 'Total purchases' section.
  - The net wages payment of \$695 is recorded under the relevant column in the payments section.
  - There is no GST on wages paid.
- M** Purchase of delivery van is a capital purchase. Capital purchases typically involve items such as equipment or machinery that is intended to be used over several years, rather than everyday expense items.
- The full price of \$16,500 (comprising a cheque payment of \$11,000 plus the \$5,500 trade-in) is recorded under 'Capital' in the 'Total purchases' section.
  - As the vehicle is used purely for business, the full GST amount of \$1,500 is recorded under 'Claimable GST'.
  - The net purchase price of \$15,000 is recorded under 'Capital' in the payments section.
  - A note is added under 'Comments' to show details of the transaction.
- N** This drawing of \$195 is for private living expenses for the business owner and is not a business expense.
- The \$195 is recorded under 'Drawings'.
  - There is no GST claimable.
  - A note is added under 'Comments' to show this is not a business expense.
- O** Superannuation paid.
- Super is not recorded in the 'Total purchases' section.
  - The employer contribution of \$81.00 is recorded under the relevant column in the payments section.
    - There is no GST on employer contributions.

Additional entry – bank charges of \$15.

Note that an extra transaction has been included in the cash payments book for bank charges. This charge was shown on the My Business bank statement and needs to be recorded in the cash book (for information about how to do a bank reconciliation, see page 33).

- The fee of \$15 is recorded in the 'Non-capital' column of the GST section.
- The same amount is recorded under 'Govt and bank fees' in the payments section.
- There is no GST on the bank charges, so no GST is claimable.

**EXAMPLE – CASH RECEIPTS BOOK**

Name of business – My Business										Period	
Date	Details	Invoice/ Receipt no	Total receipts	GST information for sales#				Input taxed sales	Other receipts	Bankings	Comments
				Total sales (incl any GST)	Amount of GST collected	Non-capital amount excl GST	Capital amount (ie asset sales) excl GST				
Totals brought forward from previous page											
<b>A</b>	Capital contributed		4,000.00						4,000.00	4,000.00	Owner contribution
<b>B</b>	Restaurant sales		5,500.00	500.00	5,000.00					5,500.00	
<b>F</b>	Fruit and veg sales		5,350.00			5,350.00				5,350.00	
<b>G</b>	Restaurant sales		6,600.00	600.00	6,000.00					6,000.00	Cash drawings of \$600 prior to banking
<b>J</b>	Fruit and veg sales		3,000.00			3,000.00				3,000.00	
<b>L</b>	EZ Finance		10,000.00						10,000.00	10,000.00	Loan for new van (don't include in sales or income)
<b>M</b>	Trade in of old van*		5,500.00	500.00			5,000.00				Adjust depreciation and exclude from income
<b>O</b>	Bank interest		50.00					50.00		50.00	Input taxed sale – from bank statement
<b>Total</b>			<b>\$40,000.00</b>	<b>\$1,600.00</b>	<b>\$11,000.00</b>	<b>\$5,000.00</b>	<b>\$8,350.00</b>	<b>\$50.00</b>	<b>\$14,000.00</b>	<b>\$33,900.00</b>	



Use a new page for each month. If you need more than one page for a month, transfer the totals from this page to the top of the next page. Transfer the monthly totals to the summary cash receipts book (see page 55 for a blank form).

\* If you sell a business asset, you must charge GST – this includes trade-ins.  
# If you have export sales, you will need an extra column and the total is shown at G2 on your activity statement.

The amount you transfer from the total sales column to G1 on your activity statement will not equal your income for the period. You have to subtract any GST collected (1A) as well as any capital sales (sales of assets).

26,000.00 Total sales (G1)  
-1,600.00 GST collected (1A)  
=5,000.00 Capital amounts  
19,400.00 = instalment income for period




### Explanation of cash receipts book entries

- A** The owner put her own money in to help provide funds to the business.
- This is not a sale so is not recorded as income. There is no GST involved, so it is recorded under 'Other receipts'.
  - The full amount of \$4,000 was banked so it is also recorded under 'Bankings'.
  - A note is added under 'Comments' to show the source of the funds.
- B** Restaurant sales (GST is charged on restaurant meals).
- The full amount of \$5,500 (including \$500 GST) is recorded under 'Total sales'.
  - GST of \$500 (one-eleventh of \$5,500) is recorded under 'Amount of GST collected'.
  - The net amount of sales (\$5,000) is recorded under 'Non-capital amount'.
  - The full amount was banked, so \$5,500 is recorded under 'Bankings'.
- F** Over-the-counter sales of fruit and vegetables (GST-free sales).
- The full amount of \$5,350 is recorded under 'Total sales'.
  - The same amount is recorded under 'GST-free sales'.
  - All of the receipts are banked, so the same amount is recorded under 'Bankings'.
- G** Restaurant sales of \$6,600 (the owner took \$600 for her own use from the cash register).
- The full amount of \$6,600 is recorded under 'Total sales' even though it is not all banked.
  - GST of \$600 (one-eleventh of \$6,600) is recorded under 'Amount of GST collected'.
  - The net amount of sales (\$6,000) is recorded under 'Non-capital amount'.
  - The amount banked is only \$6,000 (ie, total sales less the \$600 taken from the cash register by the owner) and is recorded under 'Bankings'. The \$600 taken from the cash register by the owner is recorded as a private expense in the cash payments book under 'Drawings'.
- J** Over-the-counter sales of fruit and vegetables (GST-free sales).
- The \$3,000 is recorded under 'Total sales'.
  - The same amount is recorded under 'GST-free sales'.
  - All of the receipts are banked, so the same amount is recorded under 'Bankings'.
- L** \$10,000 loan received from the finance company to help pay for the replacement delivery van.
- This amount is not included as income. There is no GST involved, so it is recorded under 'Other receipts'.
  - The amount is banked, so is also recorded under 'Bankings'.
- M** This entry records the \$5,500 received for trade-in of the old van. GST is collected on asset sales, including this non-cash sale.
- The full amount of \$5,500 (incl. \$500 GST) is recorded under 'Total sales'.
  - The net amount of \$5,000 is recorded under 'Capital amount'.
  - GST of \$500 is recorded under 'Amount of GST collected'. (Although recorded as part of income for the activity statement, it will not be treated as income when calculating the profit for the year.)
  - Additional entry – Bank interest of \$50.

Note that an extra transaction has been included in the cash receipts book for bank interest. This interest was shown on the My Business bank statement and needs to be recorded in the cash book. For information about how to do a bank reconciliation (see page 33).

- The \$50 interest is recorded under 'Total sales' as it is considered to be income of the business.
- It is an input taxed sale (GST has not been charged to the bank) so is also recorded under 'Input taxed sale'.

 Setting up your cash books correctly is an important part of conducting a successful business. The principles examined here also apply to electronic record keeping systems.

EXAMPLE – BUSINESS ACTIVITY STATEMENT

Front of activity statement

**A**

My Business  
2003 Bass Road  
Mt Pleasant NSW

Office use only

41890404

**Business activity statement**

Document ID

ABN

Form due on

Payment due on

GST accounting method

Contact phone number 0 2 5 5 5 1 2 3 4 5

Contact person who completed the form My name

**Goods and services tax (GST)**

Complete Option 1 OR 2 OR 3 (indicate one choice with an X)

**Option 1: Calculate GST and report quarterly**

Total sales G1 \$           2 6 0 0 0

Does the amount shown at G1 include GST? (indicate with X)  Yes  No

Export sales G2 \$

Other GST-free sales G3 \$           8 3 5 0

Capital purchases G10 \$           1 6 5 0 0

Non-capital purchases G11 \$           1 6 9 0 0

Report GST on sales at 1A and GST on purchases at 1B in the Summary section over the page

**Option 2: Calculate GST quarterly and report annually**

Total sales G1 \$

Does the amount shown at G1 include GST? (indicate with X)  Yes  No

Report GST on sales at 1A and GST on purchases at 1B in the Summary section over the page

**Option 3: Pay GST instalment amount quarterly**

G21 \$  350

Write the G21 amount at 1A in the Summary section over the page (leave 1B blank)

OR if varying this amount, complete G22, G23, G24

Estimated net GST for the year G22 \$

Varied amount for the quarter G23 \$

Write the G23 amount at 1A in the Summary section over the page (leave 1B blank)

Reason code for variation G24

NAT 4189-4.2004

**Methods of payment**

**B PAY** BPay: contact your financial institution to make this payment from your cheque or savings account. Quote biller code 75556 and your EFT code (shown on the front of the payment slip) as the customer reference number.

**Direct credit:** you can electronically transfer funds to the Tax Office's direct credit bank account using online banking facilities. Use BSB 093 003, Account number 316 385 and your EFT code. Phone 1800 815 886 for assistance if required.

**Direct debit:** have your payment deducted from your financial institution account (not credit cards). Phone 1800 802 308 for a direct debit request form and/or details.

**Mail payments:** mail the payment slip together with your cheque or money order using the envelope provided. Please do not use pins or staples. Do not send cash. See below for cheque information.

**Post office:** payments can be made at any post office by cash, cheque or EFTPOS (where available and subject to daily limits). A \$3,000 limit applies to cash payments. Your payment slip must be presented with your payment.

Cheques/money orders should be for amounts in Australian dollars and payable to 'Deputy Commissioner of Taxation'. Cheques should be crossed 'Not Negotiable'. Payments cannot be made by credit card, or in person at any Tax Office branch or shopfront.

! 'My Business' has chosen Option 1 for reporting GST. Refer to the completed cash receipts and cash payments books on pages 44 and 46 for the source of the figures used in the 'Option 1' GST calculations.

Back of activity statement

PAYG tax withheld		PAYG income tax instalment	
Total salary, wages and other payments	W1 \$ 9 0 0	<b>Complete Option 1 OR 2 (indicate one choice with X)</b>	
Amount withheld from payments shown at W1	W2 \$ 2 0 5	<input checked="" type="checkbox"/> <b>Option 1: Pay a PAYG instalment amount quarterly</b>	
Amount withheld where no ABN is quoted	W4 \$	T7 \$ 1,100	Write the T7 amount at 5A in the Summary section below OR if varying this amount, complete T8, T9, T4
Other amounts withheld (excluding any amount shown at W2 or W4)	W3 \$	Estimated tax for the year	T8 \$
Total amounts withheld (W2 + W4 + W3)	W5 \$ 2 0 5	Varied amount for the quarter	T9 \$
<p><b>Refer to the completed worker payment record on page 21 for the source of these figures.</b></p> <p><b>Refer to the completed cash receipts and cash payment books on pages 46 and 48 for the source of the figures used at labels 1A and 1B.</b></p>		Reason code for variation	T4
		<b>OR</b>	
		<input type="checkbox"/> <b>Option 2: Calculate PAYG instalment using income times rate</b>	
		PAYG instalment income	T1 \$
			T2 5.00 %
		OR	
		New varied rate	T3 %
		T1 x T2 (or x T3)	T11 \$
		Write the T11 amount at 5A in the Summary section below	
		Reason code for variation	T4
Summary		Amounts the Tax Office owes you	
<b>Amounts you owe the Tax Office</b>		<b>Amounts the Tax Office owes you</b>	
GST on sales or GST instalment	1A \$ 1 6 0 0	GST on purchases	1B \$ 1 5 9 5
PAYG tax withheld	4 \$ 2 0 5	Do not complete 1B if using GST instalment amount (Option 3)	
PAYG income tax instalment	5A \$ 1 1 0 0	Credit from PAYG income tax instalment variation	5B \$
Deferred company/fund instalment	7 \$		
1A + 4 + 5A + 7	8A \$ 2 9 0 5	1B + 5B	8B \$
Payment or refund?		Your payment or refund amount	
Is 8A more than 8B? <input checked="" type="checkbox"/> Yes, then write the result of 8A minus 8B at 9. This amount is payable to the Tax Office.		9 \$ 1 3 1 0	
<input type="checkbox"/> No, then write the result of 8B minus 8A at 9. This amount is refundable to you (or offset against any other tax debt you have).		Do not use symbols such as +, -, /, \$	
Declaration I declare that the information given on this form is true and correct, and that I am authorised to make this declaration. The tax invoice requirements have been met.		Please return this completed form to	
Signature	Date / /	HRS MINS	
Activity statement instructions are available from <a href="http://www.ato.gov.au">www.ato.gov.au</a> or can be ordered by phoning 13 28 66. The Tax Office is authorised by the tax laws to collect this information to administer those laws and may pass information to other government agencies. More information about privacy and access to your tax information is available from <a href="http://www.ato.gov.au">www.ato.gov.au</a>		Please estimate the time taken to complete this form. Include the time taken to collect any information.	

**Refer to PAYG instalments – how to complete your activity statement (NAT 7393) for information on how to use these options.**



PAYMENT ADVICE 60

000 156 03

97 999 999 999

My name

Australian Taxation Office  
 Locked Bag 1793  
 PENRITH NSW 1793

### HOW TO RECORD THE PAYMENT YOU MAKE TO US

The activity statement payment you make to us consists of a number of elements: the net GST payment, your PAYG instalment, and amounts withheld from wages.

For some businesses, other payments could also be included. How do you record this payment?

If the amounts are significant to you and occur regularly, you could add a column to your cash book for each element.

For the My Business example, we would suggest the following entry in the cash payments book. This entry separately identifies in the wages column the amount withheld from Dwayne Pyper's wages – which is an allowable tax deduction for you – and the other payment elements, which are not.

#### CASH PAYMENTS BOOK

Name of business													Period						
Date	Details	Payment type (eg cheque no, cash, direct debit)	Total payments	GST information for purchases (excluding wages, drawings and other withholding payments)		Payments (excluding any claimable GST)													
				Total purchases		Claimable GST	Materials/stock	Motor vehicle	Telephone	Repairs and maintenance	Govt and bank fees	Wages	Advertising	Super	Sundries	Capital (incl plant and equipment)	Private use component %	Drawings	Comments
				Non-capital	Capital														
Totals brought forward from previous page																			
	March quarter BAS payment	1,009	1,310.00								205.00				1,105				Activity statement payment GST (net \$5, my tax instalment \$1,100, PAYG-W \$205)

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BLANK FORMS

06

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**CASH PAYMENTS BOOK**

Name of business	Period
------------------	--------

Date	Details	Payment type (eg cheque no, cash, direct debit)	Total payments	GST information for purchases (excluding wages, drawings and other withholding payments)			Payments (excluding any claimable GST)															
				Total purchases	Claimable GST		Materials/stock	Motor vehicle	Telephone	Repairs and maintenance	Govt and bank fees	Wages	Advertising	Super	Sundries	Capital (incl plant and equipment)	Private use component %	Drawings	Comments			
Totals brought forward from previous page																						
Total																						

## RECONCILIATION OF DAILY SALES

Reconciliation of daily sales	Day		Date	
-------------------------------	-----	--	------	--

Sales				
Takings per cash register tape			Sales per Z-total	1
A	GST-free sales			
	Input taxed sales			
	Taxable sales			
Cash & cheques in cash register				
B	Notes			
	Coins			
	Cheques		Total cash & cheques	2
Other sales				
C	Credit card			
	EFTPOS			
	Other		Total other sales	3
Cash payments from cash register				
D	Business purchases with GST in the price			
	Business purchases with no GST in the price (including GST-free)			
	Purchases for making input taxed sales			
	Cash payments to workers			
	Private cash drawings		Total outgoings	
E	Refund to customer (taxable)			
	Refund to customer (GST-free)		Total refunds	
			Total cash from cash register	4
			Beginning float	5
			Additional float	6
			TOTAL SALES (= 2 + 3 + 4 - 5 - 6)	7

Sales reconciliation	*Explanation
Cash register tape (Z-total)	
Less total sales	
Variation (1 minus 7)*	





**SUMMARY CASH PAYMENTS BOOK**

Month	Total payments	GST amount	Private use
July			
August			
September			
<b>Subtotal</b>			

October			
November			
December			
<b>Subtotal</b>			

January			
February			
March			
<b>Subtotal</b>			

April			
May			
June			
<b>Subtotal</b>			

**SUMMARY CASH RECEIPTS BOOK**

Month	Total receipts	GST amount
July		
August		
September		
<b>Subtotal</b>		

October		
November		
December		
<b>Subtotal</b>		

January		
February		
March		
<b>Subtotal</b>		

April		
May		
June		
<b>Subtotal</b>		

**CASH FLOW PROJECTION**

	July	August	September	Quarterly total	October	November	December	Quarterly total
<b>RECEIPTS</b>								
Sales/supplies								
– Taxable								
– GST-free								
– Input taxed								
<b>Other income</b>								
– Interest and dividends								
– Rent receipts								
– Other								
<b>Total receipts</b>								
<b>PAYMENTS</b>								
<b>Purchases/acquisitions</b>								
– Taxable								
– GST-free								
– Input taxed								
<b>Total purchases/acquisitions</b>								
<b>Other expenses and outgoings subject to GST</b>								
– Rent								
– Repairs and maintenance								
– Electricity								
– Telephone								
– Vehicle								
– Other								
<b>Total other expenses and outgoings subject to GST</b>								
<b>Other expenses and outgoings NOT subject to GST</b>								
– Net wages								
– Superannuation								
– Bank fees and other charges								
– Other								
<b>Total other expenses and outgoings NOT subject to GST</b>								
<b>Total payments</b>								
<b>PROJECTED CASH FLOW POSITION</b>								
Beginning bank balance (estimate)								
Plus receipts								
Plus estimated refund from the Tax Office								
Less payments								
Less estimated payments to the Tax Office								
Ending bank balance (estimate)								

	January	February	March	Quarterly total	April	May	June	Quarterly total
<b>RECEIPTS</b>								
<b>Sales/supplies</b>								
– Taxable								
– GST-free								
– Input taxed								
<b>Other income</b>								
– Interest and dividends								
– Rent receipts								
– Other								
<b>Total receipts</b>								
<b>PAYMENTS</b>								
<b>Purchases/acquisitions</b>								
– Taxable								
– GST-free								
– Input taxed								
<b>Total purchases/acquisitions</b>								
<b>Other expenses and outgoings subject to GST</b>								
– Rent								
– Repairs and maintenance								
– Electricity								
– Telephone								
– Vehicle								
– Other								
<b>Total other expenses and outgoings subject to GST</b>								
<b>Other expenses and outgoings NOT subject to GST</b>								
– Net wages								
– Superannuation								
– Bank fees and other charges								
– Other								
<b>Total other expenses and outgoings NOT subject to GST</b>								
<b>Total payments</b>								
<b>PROJECTED CASH FLOW POSITION</b>								
Beginning bank balance (estimate)								
Plus receipts								
Plus estimated refund from the Tax Office								
Less payments								
Less estimated payments to the Tax Office								
Ending bank balance (estimate)								

**BANK RECONCILIATION**

Name of business:				Period to:     /     /	
Bank balance as per bank statement at     /     / 200_				\$	
<i>Plus</i> outstanding deposits*					
	Date	/	/	\$	
	Date	/	/	\$	
	Date	/	/	\$	
	<b>Total</b>			\$	→ + \$
<b>Subtotal</b>					= \$
<i>Less</i> unrepresented cheques**					
	Cheque no.			\$	
	Cheque no.			\$	
	Cheque no.			\$	
	Cheque no.			\$	
	Cheque no.			\$	
	Cheque no.			\$	
	Cheque no.			\$	
	<b>Total</b>			\$	→ - \$
<b>Closing cash balance as per cash books***</b>				<b>= \$</b>	

\* Money received by end of period and recorded in cash book, but not yet banked

\*\* Cheques issued, but not yet shown on bank statement

\*\*\* If you maintain a running cash balance in your cash book, it should equal this figure if all amounts have been entered

## DEFINITIONS

### Activity statement

You use an activity statement to report your business tax entitlements and obligations, including GST, PAYG instalments, PAYG withholding and FBT instalments. You can offset tax payable against tax credits to arrive at a net amount.

### Australian business number

The Australian business number (ABN) is your identifier for certain dealings with us and other government departments and agencies. Also, unless you quote your ABN when dealing with other businesses, they may have to withhold 46.5% of any payments to you.

### Creditors

Suppliers become creditors when they provide your business with goods or services and allow you to pay for them at a later date.

### Debtors

Debtors are customers you have billed for goods or services and who have not yet paid you.

### Grossed-up

Grossing up ensures that the amount of tax paid on a fringe benefit is the same as the tax paid if an employee receives cash salary taxed at the highest marginal rate plus Medicare levy. The grossing-up formula has been adjusted to take into account any GST credits an employer, or other provider, may be entitled to in providing a fringe benefit.

### GST credit

You are entitled to a GST credit for the GST included in the price of purchases or importations you make for use in your business. But you are not entitled to a credit to the extent you use the purchase or importation for private purposes or, in many cases, to make input taxed sales. You will need to have a tax invoice to claim a GST credit (except for purchases with a GST-inclusive value of \$82.50 or less, although you should have some documentary evidence to support these claims).

### GST-free sales

You don't include GST in the price of GST-free sales you make, but you are entitled to credits for things you have purchased or imported for use in your business. Examples of GST-free sales include basic food, exports, sewerage and water, the sale of a business as a going concern, non-commercial activities of charities, and most educational and health services.

### Input taxed sales

You don't include GST in the price of input taxed sales you make, and you are not entitled to GST credits for things you have purchased or imported that relate to making those input taxed sales. In some cases, you may be entitled to claim reduced GST credits. Examples of input taxed sales include most financial supplies and supplies of residential rent and residential premises.

### NAT number

Most of our publications have a NAT number (our catalogue number), which we generally show in brackets after the title of the publication, for example, *Tax basics for small business* (NAT 1908).

### Payee

Payees are those people or businesses who receive payments from payers.

### Payer

Payers are those people who pay and withhold amounts from payments.

### Reportable fringe benefits

Employers must keep records of certain fringe benefits provided to each employee. These are known as reportable fringe benefits amounts. Where an employee receives benefits with a total taxable value of more than \$1,000, the employer must record the grossed-up value of those benefits on the employee's payment summary for the corresponding income tax year.

### Tax invoice

A tax invoice is a document generally issued by the supplier. It shows the price of a sale, indicating whether it includes GST, and may show the amount of GST. It must show other information, including the ABN of the supplier. You must have a tax invoice before you can claim a GST credit on your activity statement for purchases of more than \$82.50 (including GST).

### Tax period

A tax period is the length of time for accounting for GST on your activity statement. It may be quarterly, monthly or annually. Quarterly tax periods are periods of three months ending on 30 September, 31 December, 31 March and 30 June. Monthly tax periods end on the last day of each calendar month. An annual tax period ends on 30 June. An activity statement must be lodged for each tax period.

# SUPPORT FOR SMALL BUSINESS

## ONLINE SERVICES

Going online is the fast and convenient way to do business with us. There are a range of services to help businesses manage their tax affairs online.

### Our website at [www.ato.gov.au/businesses](http://www.ato.gov.au/businesses)

Find out more about electronic record keeping software, *e-Record*, and tax essentials for new and existing businesses.

### Online resources at [www.ato.gov.au/onlineservices](http://www.ato.gov.au/onlineservices)

We offer a range of fast, convenient and secure online calculators and tools to make it easier for you to comply with your business tax obligations.

### Business portal at [www.bp.ato.gov.au](http://www.bp.ato.gov.au)

The Business portal can help reduce the time and paperwork associated with your tax transactions. To apply for access, visit [www.ato.gov.au/onlineservices](http://www.ato.gov.au/onlineservices)

This secure website is available at any time.

You can use the portal to:

- lodge an activity statement and receive instant confirmation that you've been successful
- revise your activity statements online
- view details of previously lodged activity statements
- view your activity statements online
- view your business registration details
- update certain business registration details (address, contact details)
- request a refund for accounts in credit
- request a transfer of amounts across your different business accounts
- send a secure message to us and receive a secure response from us on selected topics.

### Australian Business Register at [www.abr.gov.au](http://www.abr.gov.au)

You can use this register to:

- apply for a business tax file number (except for sole traders)
- register for or cancel an Australian business number (ABN)
- register for goods and services tax (GST) and pay as you go (PAYG) withholding
- access your ABN details and update them as required
- check the details of other businesses, such as their ABN or GST registration
- register for fuel tax credits.

### Business entry point at [www.business.gov.au](http://www.business.gov.au)

This website offers convenient access to government information, transactions and services. It is a whole-of-government service providing essential information on planning, starting and running your business.

### *e-Record*

*e-Record* is our free electronic record keeping software, designed to help you keep good business records. Available in PC and Macintosh versions, it is suitable for businesses that:

- operate on a cash accounting basis
- currently keep paper records, and
- have one bank account.

You can download a copy from [www.ato.gov.au/erecord](http://www.ato.gov.au/erecord) or phone **13 72 26** to order a CD-ROM (NAT 3043).

## ONLINE PAYMENT METHODS

### BPAY®

Use the link from the Business Portal or your financial institution's BPAY facility to pay all your tax online.

® Registered to BPAY Pty Ltd ABN 69 079 137 518

### Direct credit

You can make an electronic payment using internet banking or a banking software package.

## FACE-TO-FACE

### Business seminars and workshops

We run small business seminars and workshops on a range of topics, including GST, PAYG, activity statements and record keeping. Visit [www.ato.gov.au](http://www.ato.gov.au) or phone **1300 661 104** to find out whether there is a seminar or workshop near you or to make a booking.

### Business assistance visits – no strings attached

If you would like personalised, specialist assistance or if you are new to business, you can organise a business assistance visit by contacting **13 28 66**. Visits are confidential and conducted at your place of business or preferred location.

## PHONE

You can obtain more information by phoning us on:

### Business infoline – 13 28 66

Monday to Friday 8.00 am to 6.00 pm

- ABN & GST registration and change of details
- activity statements, *e-Record* and PAYG
- account queries, including payments and refunds
- fringe benefits tax, income tax, capital gains tax
- fuel tax credits

### ATO Business Direct – 13 72 26

Self-help service 24 hrs/7 days

(Make sure you have your ABN and TFN handy when calling)

- Verify an ABN
- Lodge a nil activity statement
- Arrange to pay a debt
- Where's my refund?
- Order PAYG withholding forms
- Register for fuel tax credits.

### Superannuation infoline – 13 10 20

Monday to Friday 8.00 am to 6.00 pm

- Super co-contributions
- Lost superannuation monies
- Unpaid superannuation
- Superannuation guarantee
- Self managed super funds, including trustee responsibilities
- Help with the taxation of super including employer termination payments, pensions and annuities

### Personal tax infoline – 13 28 61

Monday to Friday 8.00 am to 6.00 pm

- Personal tax enquiries – TaxPack, e-tax, family tax benefit and baby bonus, HELP, notice of assessment, tax file number

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

## MORE INFORMATION

For more information about your tax obligations as a small business operator, refer to:

- *Record keeping for small business* (NAT 3029)
- *GST for small business* (NAT 3014)
- *Super – What employers need to know* (NAT 71038)
- *Concessions for small business* (NAT 71398)
- *Income tax and deductions for small business* (NAT 10710)
- *PAYG withholding for small business* (NAT 8075)
- Taxation Ruling TR 93/30 Income tax: deductions for home office expenses
- Practice Statement PS LA 2001/6 Home office expenses.

To obtain copies of our publications:

- visit [www.ato.gov.au/onlineordering](http://www.ato.gov.au/onlineordering)
- phone **1300 720 092**.

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