

2021 Sole Trader Checklist

Tips for managing your tax as a Sole Trader

If possible, use a single bank account for your business transactions. Making sure to leave enough money in the account for tax and other expenses, you can withdraw an amount for your personal use each week, similar to a wage.

Keep receipts for all of your business expenditure.

Depending on your income level, a good rule of thumb is to put aside between 20% and 30% of your income for tax. Once you have lodged your tax return and paid your tax, any leftover money at the end of the year is your tax refund.

Motor Vehicle Use – Keep a log book for your motor vehicle use – these need only show 3 months of business related and personal use of your vehicle and this can be relied upon for 5 years (unless there is a significant change in your motor vehicle use). At 30 June each year you will need to record your odometer reading in that log book. If you are claiming under the log book method, you will also need to keep all receipts for fuel, repairs, insurance and registration etc.

Motor Vehicle Use – Alternative to the log book method. If record keeping is not your thing, then keeping receipts for fuel and other motor vehicle costs might just push you over the edge. An alternative to claiming your motor vehicle use is the cents per km method. This allows you to simply record the number of kilometers travelled for business purposes only and total these at the end of the year for your claim (these can be recorded in a diary or simple log of travel). Your claim is capped at 5,000 kms, so if you go over that you still only claim the 5,000. You may also find that this claim works out better than the log book method, especially if your vehicle is older and the business use percentage is not very high.

Not all business expenses are created equal. As is the case commonly with small business and sole traders, some expenses have both a business use and a private use. The ATO advise that if requested, a taxpayer will need to show how they have determined an applicable business use portion of items that also have a private use. Their recommendation is that a log is kept for 4 weeks showing the business and personal use and a relative percentage obtained from those records. From there that percentage can be applied against the relevant cost.

Please bring with you the following information / documents to your appointment as applicable

- A summary of your income for the year
- Expenses for the year. A simple spreadsheet will suffice for most taxpayers with expenses itemised, grouped into categories and totalled for ease of entering into your tax return. Whilst we do not need to review all of your tax invoices or receipts for your expenses, you are required to keep them and we may need to confirm some details to prepare your tax return for you.
- Cost and date of purchase of any capital expenditure for the year. This includes things like tools, computers, machinery, cars etc that you use in your business with a cost of over \$300.
- Motor Vehicle Log book and/ or kilometres travelled during the year for business purposes.
- Details of any government payments such as Grants, JobKeeper payments or other Subsidies.
- Loan schedules for business funding purposes – this could be a business startup loan, a motor vehicle loan or funding for an insurance policy for example.
- Business Insurance policies..
- Income Protection Policies.
- Home office – the ATO have a shortcut method that can be used to claim a portion of the operating expenses of your home office. This shortcut method is on a cents/hour basis. Please let us know how many hours during the year you have used your home office for us to claim in your tax return.
- Stock on hand as at 30 June – this can be at cost or market value
- For expenses with a private use portion, please provide details in relation to the calculation of your business use percentage. For example if you use your phone for your business, but also for private use, you may keep a log for 4 weeks showing how often it is used for each purpose and that can be used as a basis of claiming that percentage of use. Similarly for your internet, computer

If we require any further information or we need to compile the information directly from your receipts, we will let you know and organise another appointment to present you with your final tax return.

This information is general in nature and does not take into account your specific circumstances.