Record keeping for small business

This guide provides information on what business records you need to keep and outlines a basic record keeping system.

MORE INFORMATION
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ABOUT RECORD KEEPING FOR SMALL BUSINESS

This guide is for small businesses and non-profit organisations with an annual turnover of less than $2 million. It is designed for businesses that keep paper records and account on a cash basis.

The guide:

- looks at how money flows through a business and why you need to keep good records of these flows of money
- describes the main records you need to keep, and
- contains step-by-step guidelines on how to keep basic paper records.

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.

Some of the terms used in this guide may be new to you. They are shown in bold when first used and are explained in the list of definitions on page 39.

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 see Tax basics for non-profit organisations (NAT 7966).

GST sales and purchases

In this guide we use the words ‘sales’ and ‘purchases’ to describe the GST terms ‘supplies’ and ‘acquisitions,’ and the term ‘GST credits’ to describe the term ‘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, acquiring trading stock, consumables, rights, advice or information, and acquiring financial supplies.
KEEPING GOOD RECORDS
How money flows through a business

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 the 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 from a bank.

Money flowing out of your business may be:
- payments for expenses of running the business
- payments to buy or replace business assets
- payments to you from the business (drawings), for example, for living expenses
- money lent to others.

The following diagram shows how money flows through a business.

### REQUESTING AMENDMENTS

Keeping your records for the minimum period of five years makes sense because you may need to amend your income tax assessment or fringe benefits tax return from a past year, or correct a GST amount from an earlier tax period.

Generally, you can amend income tax assessments up to four years from the due date of an assessment, and fringe benefits tax assessments up to three years from the original assessment date. You can 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.
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, or
- responsible for managing business records of small businesses, for example, you are a tax agent or a bookkeeper.

Superannuation funds, non-profit organisations or government agencies should not use this tool 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.

MORE INFORMATION
Visit www.ato.gov.au to download the Record keeping evaluation tool.

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 a commercial cash book, available from a newsagent or a stationery shop.

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

An electronic record keeping package has many advantages. It helps you record your business transactions (including income and expenses, payments to workers, and stock and asset details) and automatically tallies amounts. You can also use it to produce invoices, complete activity statements, and provide summaries and reports for GST and income tax purposes. If your record keeping package meets Tax Office requirements, you may be able to report certain information to the Tax Office electronically.

If you do decide to go electronic, make sure:

- you choose a software package that meets your business needs and Tax Office requirements, and
- you talk to your accountant.

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 developed by the Tax Office. It’s free and available in both PC and Macintosh versions.

MORE INFORMATION
Visit www.ato.gov.au/erecord to download a copy of e-Record or phone 1300 139 051 to order the CD-ROM (NAT 3043).

COMMERCIAL TAX-RELATED SOFTWARE
To check whether commercial tax-related software meets Tax Office requirements, search the Registered Software Facility Product Register at www.ato.gov.au/rsf/business or obtain a copy of Registered Software Facility Product Register for business (NAT 9800).
The Tax Office has 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), and
- in English, or in a form that tax officers 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 requested by tax officers.

**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, and
- 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. The Tax Office accepts 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 tax officers at all times.

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

Basic record keeping principles and practices apply regardless of whether you record your business records manually or electronically. You can apply the principles outlined in this guide to either a paper cash book or an electronic spreadsheet or package.
BUSINESS RECORDS YOU NEED TO KEEP
The records you are required to keep for reporting to the Tax Office include:

**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 butts 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
- worker payment records
- PAYG payment summaries
- annual reports
- superannuation 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
- annual reports
You need to keep records of all your sales (income) and expenses to prepare your activity statements and annual income tax return, and 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 are relevant for any purpose of the 1936 and 1997 Income Tax Assessment Acts.

These records include:
- sales and expense invoices
- sales and expense receipts
- cash register tapes
- credit card statements
- bank deposit books and cheque butts, and
- 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 receipts and invoices 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, and
- 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 expenses
You can claim deductions for your actual expenditure on certain types of vehicles, such as taxis, panel vans, utilities or other non-passenger commercial vehicles that are used only for business purposes and for travelling between home and work. You need to keep records for expenditure on such things as registration, insurance, repairs, fuel, oil, interest and lease fees.

Business people using a motor vehicle for work may need to calculate and substantiate their claims for expenses. This applies if your motor vehicle is a motor car, station wagon, panel van, utility or similar vehicle, or other road vehicle designed to carry less than one tonne or fewer than nine passengers.

You may choose from four methods of calculating vehicle expense claims: the cents-per-kilometre method, the 12% of original value method, the one-third of actual expenses method, or the logbook method.

Motor vehicle records you may need to keep are:
- 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
- how you calculated the business kilometres travelled.

The sample logbook on the next page shows one way of recording the information. You can buy commercially printed logbooks in formats approved by the Tax Office from business stationery suppliers.
## Car Logbook

<table>
<thead>
<tr>
<th>Vehicle registration no</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Period covered by logbook</td>
<td>from: to:</td>
</tr>
<tr>
<td>Odometer readings for period</td>
<td>start: end:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Odometer readings per journey</th>
<th>Date of travel</th>
<th>Kilometres travelled</th>
<th>Reason for journey</th>
</tr>
</thead>
<tbody>
<tr>
<td>start</td>
<td>end</td>
<td>start</td>
<td>end</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total km for period</th>
<th>Total business km: km %</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Odometer record</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Make:</td>
<td>Model:</td>
</tr>
<tr>
<td>Odometer reading at start of year/period:</td>
<td></td>
</tr>
<tr>
<td>Odometer reading at end of year/period:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>Replacement vehicle</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Make:</td>
<td>Model:</td>
</tr>
<tr>
<td>Odometer reading of replacement vehicle at start of year/period:</td>
<td></td>
</tr>
<tr>
<td>Odometer reading of replacement vehicle at end of year/period:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Estimated business use:</th>
<th>km %</th>
</tr>
</thead>
</table>
**MOTOR VEHICLE EXPENSES**

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 general 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.

**MORE INFORMATION**

See TaxPack (NAT 0976) for more information about the four methods of calculating vehicle expense claims and **Claiming a deduction for car expenses** (NAT 5783) for more general information.

See GST Bulletin GST 2000/2 – **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 to whom your business owes money. If you have debtors or creditors, you may wish to seek advice from your tax agent about whether your business needs to keep and update lists, and when.

**FILING**

It is important to keep a good filing system for both accounts receivable (debtors) and accounts payable (creditors).

This will allow you to keep track of customers or clients who owe your business money so that you can promptly follow up overdue accounts. You will also have better control over your cash flow by knowing which accounts you need to pay and when.

**Stocktake records**

If you have trading stock, you need to do a stocktake at the end of each income year. However, if you are in the simplified tax system (see the box on the next page) you may not need to do an annual stocktake for tax purposes. 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, and
- 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. ‘Decline in value’ is a term that includes the former term ‘depreciation’ and is worked out in much the same way as the former depreciation deduction.

If you claim deductions for the decline in value of your depreciating assets, you must keep the original purchase agreements or invoices. You also need to keep information used to work out your deductions, such as the amount of any private use of the 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 produced a low-value pool worksheet to help you keep the required information about these assets.

**MORE INFORMATION**

See 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).
The simplified tax system offers eligible small businesses a simpler way of calculating their taxable income. It has three main elements: simpler depreciation rules, a cash accounting method and simpler trading stock rules. If you are eligible and choose to join the simplified tax system, you must use all three elements where they apply.

Benefits may include an immediate write-off for assets costing less than $1,000, more generous and simpler depreciation for many assets, not doing an annual stocktake, and an immediate deduction for prepaid business expenses.

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, goodwill and items of plant and equipment) 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 sales 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.

If you are carrying on a business (enterprise) and your annual turnover is $50,000 or more ($100,000 or more if you are a non-profit organisation), you must register for GST. If you are registered you must remit to the Tax Office 1/11th of the price of most goods and services you sell. You can 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.

For GST purposes, you must have special records called tax invoices that relate to your GST transactions. You need to keep these invoices for five years.

A tax invoice is a document that records the sale of goods or services and complies with the GST law.

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 $50 (excluding GST).

In most cases, the business selling the goods or services issues the tax invoice. In some special cases, an 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, you have to give them one within 28 days after the request.

Any tax invoices you issue to your customers, or receive from your suppliers, must contain certain information to be valid tax invoices. The information required to be shown on tax invoices varies according to whether the 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:

1. the words ‘tax invoice’
2. seller’s name
3. ABN of seller
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:

8. purchaser’s name
9. purchaser’s ABN or address, and
10. quantity of the things supplied.

**MORE INFORMATION**

- Goods and Services Tax Ruling GSTR 2000/17: Goods and services tax: tax invoices

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

If your business is not registered for GST, 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.

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.

Businesses that are not registered for GST can claim the full cost of their purchases, including any GST, as a tax deduction on their income tax return. GST-registered businesses cannot include GST when claiming income tax deductions if they are entitled to claim GST credits through their activity statements.

Remember to monitor your business’s turnover – if it appears likely to exceed the GST registration turnover threshold of $50,000 (or $100,000 for non-profit organisations) you must register.

**MORE INFORMATION**

- GST for small business (NAT 3014)

**How to check an ABN**

If you’re not sure that a business you deal with has quoted its correct ABN on its tax invoices, or even if it’s a genuine business, visit the Australian Business Register at www.abr.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 register. The register thus contains the basic business identity information of all entities with an ABN.

**CLAIMING DEDUCTIONS AND CREDITS**

Remember that non-capital purchases are deductible for income tax purposes if they gain or produce income for your business. However, you can’t claim GST credits on your annual income tax return – you must do this on your activity statement (if you’re registered for GST).
There are three main obligations in relation to payments to employees:

- Pay as you go (PAYG) withholding
- Superannuation contributions, and
- Fringe benefits tax.

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

- Salary or wages to employees
- Remuneration to company directors, and
- Retirement payments, termination payments, annuities, and benefit or compensation payments.

You must send the withheld amounts to the Tax Office.

**EMPLOYEES**
In PAYG withholding, the term ‘employee’ has the usual 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 (see pages 17 and 18).

The table on this page 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 in the following pages.

**MORE INFORMATION**
- **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.

**PAYG withholding records you need to keep**

**Declaration**
New employees should complete a *Tax file number declaration*. Employees don’t have to quote their tax file number but, if they don’t quote it, you may have to withhold 48.5% of any amount you pay them.

Employees may also need to complete a *Withholding declaration* 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 the Tax Office and from most newsagents.

<table>
<thead>
<tr>
<th>Obligation</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Register for PAYG withholding if you are not already registered.</td>
<td>Phone 13 28 66 or complete an Add a new business account form (NAT 2954). You will need to have your ABN or tax file number to register over the phone.</td>
</tr>
<tr>
<td>Send tax file number declarations from your employees to the Tax Office.</td>
<td>Complete the payer section of the Tax file number declaration (NAT 3092). Send the original to the Tax Office within 14 days and keep a copy.</td>
</tr>
<tr>
<td>If necessary, obtain withholding declarations from your employees.</td>
<td>Complete the payer section of the Withholding declaration (NAT 3093) and keep the declaration.</td>
</tr>
<tr>
<td>Withhold the correct amount, in line with the Tax Office tax tables and the information given by employees in their declarations.</td>
<td>Use the PAYG withholding tax tables that correspond to your employees’ pay periods (weekly, fortnightly, monthly or quarterly) to work out the right amount of tax to withhold.</td>
</tr>
<tr>
<td>Report and pay the withheld amounts to the Tax Office using your activity statement.</td>
<td>Report and pay using your activity statement by the due date.</td>
</tr>
<tr>
<td>Give each employee a payment summary at the end of the financial year or when they request one if they stop working for you.</td>
<td>Complete payment summaries.</td>
</tr>
<tr>
<td>Report to the Tax Office annually on payments made to employees and amounts you have withheld. You can report electronically or in paper form.</td>
<td>If reporting electronically, report amounts withheld. If reporting in paper form, send copies of payment summaries and a PAYG payment summary statement (NAT 3447) to the Tax Office.</td>
</tr>
</tbody>
</table>
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 the following page for an example of a worker payment record.

Payment summaries
You must complete a payment summary for each employee and company director and provide them with two copies by 14 July each year. 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.

There are several different types of payment summaries. You should use the individual non-business payment summary for employees and company directors.

If you make an eligible termination payment to any of your employees, you must complete the appropriate payment summary and provide the employee with two copies within 14 days of making the payment.

Annual report
By 14 August after the end of each financial year, you must report to the Tax Office details of all payment summaries issued to employees. 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 (NAT 3447).

MORE INFORMATION
- PAYG withholding guide no. 1 – Payers reporting electronically (NAT 3367)
Worker payment record

<table>
<thead>
<tr>
<th>Date</th>
<th>Normal earnings total</th>
<th>Overtime total</th>
<th>Allowances</th>
<th>Gross payments</th>
<th>Other deductions (e.g., child support)</th>
<th>Net payments</th>
<th>Super-annuation</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hours</td>
<td>Rate</td>
<td>Amount</td>
<td>Hours</td>
<td>Rate</td>
<td>Amount</td>
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<td>$</td>
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<td>50</td>
<td>15.00</td>
<td>250</td>
<td>300</td>
<td>50</td>
</tr>
</tbody>
</table>

Total

Gross wages – transfer to label W1 on activity statement
Amount withheld – transfer to label W2 on activity statement
SUPERANNUATION
You must make sufficient superannuation contributions to a complying superannuation fund or retirement savings account for eligible employees, including full-time, part-time and casual staff.

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

The minimum amount you are required to contribute is a percentage of the employee’s earnings base. The percentage rate for 2002–03 and subsequent years is 9%.

Employers must make sufficient superannuation contributions for employees on a quarterly basis. See the table below for the due dates for making superannuation contributions or lodging a Superannuation guarantee statement and paying the superannuation guarantee charge.

You are also required to report to your eligible employees in writing the amount of contributions made on their behalf, within 30 days of the final contribution for the quarter being made.

Superannuation guarantee statements are available from our website or from the Tax Office.

<table>
<thead>
<tr>
<th>Quarters and due dates (from 1 July 2003)</th>
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</thead>
<tbody>
<tr>
<td>Superannuation guarantee quarter</td>
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<tr>
<td>1 July – 30 September</td>
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<tr>
<td>1 October – 31 December</td>
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<tr>
<td>1 January – 31 March</td>
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<tr>
<td>1 April – 30 June</td>
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</tbody>
</table>

Superannuation records you need to keep
You need to keep records that show:

- for each employee, the amount of any superannuation contributions you have made for that employee, as well as the dates you made the contributions
- the earnings base from which you calculated those contributions
- if you had a superannuation guarantee shortfall for the year for any employee, that the information is contained in your Superannuation guarantee statement, and
- that the fund you are contributing to is a complying superannuation fund or approved deposit fund (that is, one that meets the legislative standards set by the Australian Government). The fund’s trustee or your financial adviser can tell you the type of fund you are contributing to. If you contribute to a defined benefit superannuation fund, make sure the superannuation fund has a benefit certificate showing the notional employer contribution rate.

You need to keep these records for five years from when the records were prepared or obtained, or from when the transactions or acts relating to the records were completed, whichever is later. If you fail to do so, you will be liable for a penalty of up to $3,300.

Any superannuation 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 superannuation, check the relevant award or agreement to find out whether you have further record keeping obligations.

Some contractors may be eligible for superannuation support, even though they are not employees. This applies where the contractor is engaged mainly for their labour.

MORE INFORMATION

- A guide for employers: superannuation guarantee. How to understand and meet your superannuation guarantee obligations (NAT 1987)
- Quarterly superannuation guarantee – information for employers (NAT 9907)
FRINGE BENEFITS
In broad terms, a fringe benefit is a ‘payment’ to an employee, but in a different form to salary or wages. If you provide fringe benefits to your employees or their associates (usually family members), you may have to pay fringe benefits tax (FBT). The FBT year begins on 1 April and ends on 31 March.

REGISTRATION
The Tax Office recommends that you register for FBT when you have established that you have to pay FBT. Once you are registered, the Tax Office will send you personalised FBT return form stationery and additional information to help you lodge your return.

If you provide fringe benefits valued at more than $1,000 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 benefit 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 benefit amount for the FBT year 1 April 2004 to 31 March 2005 on the payment summary you issue for the 2004–05 income year. Note that some fringe benefits are excluded from this reporting requirement.

PAYING FBT
If your FBT liability for the previous year was $3,000 or more, you are required to pay quarterly FBT instalments with your activity statement. Your annual FBT return and any related liability are due by 21 May.

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, and
- 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 are required to keep the records for five years from the date of the relevant transaction.

You must also keep specific records if you wish 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 are required to obtain from the employee, such as declarations, invoices and/or receipts, bills of sale, lease documents, travel diaries, copies of logbooks, odometer records, and
- 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 are required to 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 on which your FBT return is due to be lodged with the Tax Office or, if you don’t have to lodge a return, by 21 May. There is no need to notify the Tax Office of the election or declaration as your business records are sufficient evidence of this.

MORE INFORMATION
- Fringe benefits tax: a guide for employers (NAT 1054)
PAYG WITHHOLDING RECORDS RELATING TO BUSINESS PAYMENTS

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 48.5% of the payment to them and give them a payment summary.

If a supplier doesn’t quote an ABN when providing goods or services to you (and is required to do so), 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 withheld by multiplying the gross amount (less any cents) by 48.5%.

**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.

For example:

Invoice for $150.76

Deduction of 48.5% = $150.00 x 0.485 = $72.75

$72.75 becomes $72.00

Final payment to payee = $150.76 – $72.00 = $78.76

Unlike the other payment summaries, you may issue suppliers with a receipt, remittance advice or similar document in place of a PAYG withholding payment summary – withholding where ABN not quoted, 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 report**
If you withheld amounts from suppliers who did not quote an ABN during the financial year, you must send an annual report to the Tax Office 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). You must keep a copy for your records.

**CHECKING AN ABN**
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, visit [www.abr.gov.au](http://www.abr.gov.au) to check it out.

**MORE INFORMATION**
See No ABN withholding – questions and answers (NAT 5931) and Statement by supplier (reason for not quoting an ABN to an enterprise) (NAT 3346) for more information about withholding where no ABN is quoted.

See also PAYG withholding guide no. 1 – Payers reporting electronically (NAT 3367) for information about reporting electronically.

PAYING BY CASH
If you pay a supplier with cash from the cash register, record this in your reconciliation of daily sales and cash payments book (see section 03).

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 withholding payment summary – withholding where ABN not quoted (NAT 3283) for each payee at the time of payment or as soon as practicable afterwards. You must provide a copy of the payment summary to the payee and keep one for your own records.
VOLUNTARY AGREEMENTS
PAYG voluntary agreements enable businesses to withhold amounts from payments they make to contractors to help the contractors pay their income tax. 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. A Tax Office form A voluntary agreement for PAYG withholding (NAT 2772) is available from our website at www.ato.gov.au. 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 a worker can exchange electronic copies of a voluntary agreement.

If you enter into a voluntary agreement as a payer and 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 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.

Voluntary agreement records you need to keep

Voluntary agreements
Both the payer and the payee are required to 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 the Tax Office.

Payment summaries
If you have withheld amounts of tax 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. Keep a copy for your records.

Take care to use the correct payment summary.

Annual report
By 14 August, after the end of each financial year, you must report to the Tax Office 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 on your annual report.

You may report this information electronically, or by lodging copies of payment summaries and an accompanying payment summary statement. Remember to keep a copy for your records.

MORE INFORMATION
PAYG voluntary agreements (NAT 3063)
A BASIC PAPER RECORD KEEPING SYSTEM
A BASIC PAPER RECORD KEEPING SYSTEM

**Record your transactions**

- **Cash payments book**
- **Cash receipts book**
- **Bank reconciliation statement**

It’s good business practice to record your transactions as they occur. See page 21 for general information about recording your transactions.

You can record all your business expenses and sales in a cash book. See page 23 for how to record payments in a cash book. See page 26 for how to record receipts in a cash book. If you use a cash register you may wish to do a reconciliation of daily sales to get one amount to transfer to your cash receipts book at the end of the day (see page 25).

A bank reconciliation statement is a means of checking that your cash book agrees with your bank statement. See page 28 for how to do a bank reconciliation.

You use the information from your cash books to complete your activity statements and annual income tax return, and for reporting any other tax obligations.

See page 28 for information about completing activity statements and tax returns.

You can also use information from your cash books to manage your cash flow and forecast your future cash flow.

See page 29 for how to do a cash flow projection.
RECORDING YOUR TRANSACTIONS

As we saw in the first section of this guide, in operating 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. They contain the information you need to record, such as date of the transaction, total payment or amount received, or the amount of GST.

KEEPING TRACK OF YOUR TRANSACTIONS

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 (see page 17) and, if they are tax invoices, that they contain all the requirements for a tax invoice (see page 11). Remember, you generally can’t claim GST credits for your business purchases unless you have a valid tax invoice.

Of course, make sure the invoices you issue from your business contain your ABN and all other required information. If you use cheques to make business payments, make sure you record enough information on the cheque butt – date, payee, an invoice number and details of goods or services purchased.

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 Australian Business Register at www.abr.gov.au if you’re not sure whether an ABN is correct.

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 records 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.

Keeping business and personal expenses (drawings) 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. Your statements are, in effect, a checklist of your expenses.

If you are a company you are required to have a separate 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 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 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 from your business), and
- a section for receipts (the money coming into your business).

It’s up to you whether you keep your records of 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
- 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 tally. If you use a manual cash book you have to do the addition manually.

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
- helps you to provide the Tax Office with a complete record of most of your business transactions, and
- 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. The reconciliation of daily sales and the cash payments book shown in this guide will help you do this.

There is a worked example of a simple cash payments book on page 24 and a blank form on page 32 that you can photocopy and use. It 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 $50 (excluding GST). If you request a tax invoice, your supplier must provide it to you within 28 days after your request.

PETTY CASH

You may wish 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 as an ‘other amount’ in your cash payments book.

Don’t treat it as an expense because you haven’t actually spent anything, you 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 – the Tax Office 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.

If 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 (see page 25) under ‘Cash payments from cash register’ and transfer the total to item 4. (see page 33 for a blank form).

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. If you are 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 payment was made 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 and the amount 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 28).

EASIER GST CALCULATIONS

Many small businesses using a manual bookkeeping system use the accounts method to complete their activity statements. 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 payments book

**Name of business** – My Business

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<th>Total purchases</th>
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<th>Gov and bank fees</th>
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<td>Total</td>
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<td></td>
<td></td>
<td>$19,400.00</td>
<td>$1,675.00</td>
<td>$16,500.00</td>
<td>$1,595.00</td>
<td>$630.00</td>
<td>$0.00</td>
<td>$15.00</td>
<td>$500.00</td>
<td>$15.00</td>
<td>$25.00</td>
<td>$100.00</td>
<td>$0.00</td>
<td>$20.00</td>
</tr>
</tbody>
</table>

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

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 payment’s book (see page 35 for a blank form).
A cash receipts book is a list of all the income you have received for your business. There is a worked example of a simple cash receipts book on page 27, and a blank sample form on page 34 that you can photocopy and use. The 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. 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 wish to keep tallies of different departments such as clothing, accessories and shoes. A tradesperson may wish to separate income into materials, labour and retail sales. Using further columns such as these may be helpful to obtain information for your business.

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. See below for how to 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. There is a blank form on page 33 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 wish to discuss the correct way to record this with your tax agent.

**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 including 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, 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 (for example ‘unders’ or ‘overs’) in the space provided.

**Step 10**

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

**CASH REGISTER TAPES**

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. A Z total is the figure printed by the cash register showing the total of all recorded takings for that day.

**MORE INFORMATION**

- 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.

---

SIMPLIFIED GST ACCOUNTING FOR FOOD RETAILERS

If you are a food retailer you may be eligible to use a simplified accounting method to calculate your GST obligations. This means 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. You may choose to use a simplified accounting method if you:

- are registered for GST
- have an annual turnover of less than the relevant threshold ($1 million for the business norms method and $2 million for the other simplified accounting methods)
- don’t have adequate point-of-sale equipment, and
- sell both taxable food and GST-free food from the same premises.

MORE INFORMATION

- **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 need to file them because, as we saw earlier, it’s a Tax Office requirement that you keep copies of these for five years after they are prepared, obtained, or the transaction completed, whichever is later. How you do this is up to you. See page 4 for what is required if you keep electronic records.
# Cash receipts book

Name of business – My Business

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Invoice/Receipt no</th>
<th>Total receipts</th>
<th>Total sales (incl any GST)</th>
<th>Amount of GST collected</th>
<th>Non-capital amount excl GST</th>
<th>Capital amount (ie asset sales) excl GST</th>
<th>GST-free sales</th>
<th>Input taxed sales</th>
<th>Other receipts</th>
<th>Bankings</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Totals brought forward from previous page

- **Capital contributed**: $4,000.00
- **Restaurant sales**: $5,500.00
- **Fruit and veg sales**: $5,350.00
- **Restaurant sales**: $6,600.00
- **Fruit and veg sales**: $3,000.00
- **EZ Finance**: $10,000.00
- **Trade in of old van**: $5,500.00
- **Bank interest**: $50.00

**Total**: $40,000.00

**Cash receipts book**

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Invoice/Receipt no</th>
<th>Total receipts</th>
<th>Total sales (incl any GST)</th>
<th>Amount of GST collected</th>
<th>Non-capital amount excl GST</th>
<th>Capital amount (ie asset sales) excl GST</th>
<th>GST-free sales</th>
<th>Input taxed sales</th>
<th>Other receipts</th>
<th>Bankings</th>
<th>Comments</th>
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</tbody>
</table>

*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.

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 them monthly to totals in the summary cash receipts book (see page 35)

- **Bankings**: $600

Don’t include in sales or income. This is money put in by the owner (capital contributed)

- **Restaurant sales**: $5,500.00
- **Fruit and veg sales**: $5,350.00
- **Restaurant sales**: $6,600.00
- **Fruit and veg sales**: $3,000.00
- **EZ Finance**: $10,000.00
- **Trade in of old van**: $5,500.00
- **Bank interest**: $50.00

**Total**: $33,900.00

**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 them monthly to totals in the summary cash receipts book (see page 35 for a blank form).**
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
- 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 agent, 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 should 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).

See page 38 for a sample form.

USING YOUR RECORDS TO COMPLETE YOUR ACTIVITY STATEMENTS AND TAX RETURN

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. The cash payment book and cash receipts book examples on pages 24 and 27 show which labels on your activity statement you transfer amounts to.

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.

BUSINESS PORTAL

There’s now an easier way for small businesses to do their activity statements – the Business Portal. The portal is a new part of our website that also gives you free, secure online access to your business tax details. This means less time on the phone finding out about your business tax affairs.

Using the Business Portal, you can 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 find out more, visit www.ato.gov.au/onlineservices

MORE INFORMATION

- Activity statement instructions GST (NAT 7392)
- Activity statement instructions PAYG instalments (NAT 7393)
- Activity statement instructions PAYG withholding (NAT 7394)
- Activity statement instructions FBT (NAT 7389)
- Activity statement instructions LCT (NAT 7391)
- Activity statement instructions WET (NAT 7390)

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

MORE INFORMATION

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

If you need help completing your activity statements or tax return, phone 13 28 66.
MANAGING YOUR CASH FLOW

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:

- GST – the GST you collect does not belong to you, you just collect it on behalf of the Tax Office. You must be able to pay this money (less any GST credits you are entitled to) to the Tax Office when your activity statement is due.
- 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 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 tax withheld from employees’ wages – under PAYG withholding, you must withhold tax from payments such as salary or wages to employees and payments to company directors (see page 12). Most small businesses have to send these amounts to the Tax Office 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 superannuation payments. From 1 July 2003, you must make sufficient superannuation contributions to a complying superannuation fund for your employees each quarter (see page 15).

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, and
- 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.

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.

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, assets sold off or money you put into the business.

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, 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 (month or quarter), your quarterly PAYG instalments of income tax, tax you’ve withheld from employees’ wages, and fringe benefits tax.

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:

\[
\text{Estimated ending cash balance} = (\text{Cash on hand at start of period}) + (\text{Estimated cash INflows}) - (\text{Estimated cash OUTflows})
\]

Your ending cash balance for the period becomes your cash on hand at the start of the next period.

A cash flow budget spreadsheet is included on pages 36 and 37, which you can photocopy and use. You can also download the budget spreadsheet from our website at www.ato.gov.au
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
- have the same amount of money coming in as going out, or
- have 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.

If you do identify potential cash shortages, it might be a good idea at this point to talk to your tax agent or another financial adviser.

SOME 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 to 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, and
- looking at how you can better use the people resources you have, rather than employing more people.
# SAMPLE FORMS

## Cash payments book

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Payment type (eg. cheque no., cash, direct)</th>
<th>Total payments</th>
<th>Total purchases</th>
<th>Claimable GST</th>
<th>Materials/stock</th>
<th>Motor vehicle</th>
<th>Telephone</th>
<th>Repairs and maintenance</th>
<th>Govt and bank fees</th>
<th>Wages</th>
<th>Advertising</th>
<th>Super</th>
<th>Sundries</th>
<th>Capital (incl. plant and equipment)</th>
<th>Private use component</th>
<th>Drawings</th>
<th>Comments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>
## Reconciliation of daily sales

<table>
<thead>
<tr>
<th>Sales</th>
<th>Day</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Takings per cash register tape</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A GST-free sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Input taxed sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Taxable sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash &amp; cheques in cash register</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B Notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B Coins</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B Cheques</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash &amp; cheques</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C Credit card</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C EFTPOS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total other sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash payments from cash register</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D Business purchases with GST in the price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D Business purchases with no GST in the price (including GST-free)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D Purchases for making input taxed sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D Cash payments to workers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D Private cash drawings</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total outgoings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>E Refund to customer (taxable)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E Refund to customer (GST-free)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total refunds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cash from cash register</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Beginning float</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Additional float</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL SALES</strong> (=2+3+4–5–6)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Sales reconciliation

<table>
<thead>
<tr>
<th><em>Explanation</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash register tape (Z-total)</td>
</tr>
<tr>
<td>Less total sales</td>
</tr>
<tr>
<td>Variation (1 minus 7)*</td>
</tr>
</tbody>
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## Cash receipts book

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Invoice/Receipt no</th>
<th>Total receipts</th>
<th>Total sales (incl any GST)</th>
<th>Amount of GST collected</th>
<th>Non-capital amount excl GST</th>
<th>Capital amount (ie asset sales) excl GST</th>
<th>GST-free sales</th>
<th>Input taxed sales</th>
<th>Other receipts</th>
<th>Bankings</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

**Total**

---

**Cash receipts book**

**Name of Business**

**Period**

**GST information for sales**

**Taxable sales**

- Total sales (incl any GST)
- Amount of GST collected
- Non-capital amount excl GST
- Capital amount (ie asset sales) excl GST
- GST-free sales
- Input taxed sales
- Other receipts
- Total
## Summary cash payments book

<table>
<thead>
<tr>
<th>Month</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GST amount</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Private use</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>October</th>
<th>November</th>
<th>December</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payments</td>
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</tr>
<tr>
<td>GST amount</td>
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<td>Private use</td>
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</tr>
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</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payments</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>GST amount</td>
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<td>Private use</td>
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</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payments</td>
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<td></td>
</tr>
<tr>
<td>GST amount</td>
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<tr>
<td>Private use</td>
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</tbody>
</table>

**Year total**

## Summary cash receipts book

<table>
<thead>
<tr>
<th>Month</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total receipts</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>GST amount</td>
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<tr>
<td>Private use</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>October</th>
<th>November</th>
<th>December</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total receipts</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GST amount</td>
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<tr>
<td>Private use</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total receipts</td>
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</tr>
<tr>
<td>GST amount</td>
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<tr>
<td>Private use</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total receipts</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>GST amount</td>
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<tr>
<td>Private use</td>
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**Year total**
### Cash Flow Projection

<table>
<thead>
<tr>
<th></th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
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</thead>
<tbody>
<tr>
<td><strong>RECEIPTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales/supplies</td>
<td>– Taxable</td>
<td>– GST-free</td>
<td>– Input taxed</td>
<td>– Rent</td>
<td>– Interest and dividends</td>
<td>– Other</td>
</tr>
<tr>
<td><strong>PAYMENTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases/acquisitions</td>
<td>– Taxable</td>
<td>– GST-free</td>
<td>– Input taxed</td>
<td>– Rent</td>
<td>– Others</td>
<td>– Other</td>
</tr>
<tr>
<td><strong>PROJECTED CASH FLOW POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning bank balance (estimate)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plus receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plus estimated refund from the Tax Office</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less payments</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Less estimated payments to the Tax Office</td>
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</tr>
<tr>
<td>Ending bank balance (estimate)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**RECEIPTS**
- Sales/supplies
  - Taxable
  - GST-free
  - Input taxed
  - Rent
  - Interest and dividends
  - Other

**PAYMENTS**
- Purchases/acquisitions
  - Taxable
  - GST-free
  - Input taxed
  - Rent
  - Others
  - Other

**PROJECTED CASH FLOW POSITION**
- 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)
<table>
<thead>
<tr>
<th>RECEIPTS</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>Quarterly total</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>Quarterly total</th>
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<tbody>
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<td>Sales/supplies</td>
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<td>– GST-free</td>
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<tr>
<td>– Input taxed</td>
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<td>Other income</td>
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<td>– Interest and dividends</td>
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<tr>
<td>– Rent receipts</td>
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<td>– Other</td>
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<td></td>
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<tr>
<td>Total receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

| PAYMENTS                         |         |          |       |                 |       |     |      |                 |
| Purchases/acquisitions           |         |          |       |                 |       |     |      |                 |
| – Taxable                        |         |          |       |                 |       |     |      |                 |
| – GST-free                       |         |          |       |                 |       |     |      |                 |
| – Input taxed                    |         |          |       |                 |       |     |      |                 |
| Total purchases/acquisitions     |         |          |       |                 |       |     |      |                 |

| Other expenses and outgoings subject to GST |         |          |       |                 |       |     |      |                 |
| – Rent                            |         |          |       |                 |       |     |      |                 |
| – Repairs and maintenance        |         |          |       |                 |       |     |      |                 |
| – Electricity                    |         |          |       |                 |       |     |      |                 |
| – Telephone                      |         |          |       |                 |       |     |      |                 |
| – Vehicle                        |         |          |       |                 |       |     |      |                 |
| – Other                          |         |          |       |                 |       |     |      |                 |
| Total other expenses and outgoings subject to GST |         |          |       |                 |       |     |      |                 |

| Other expenses and outgoings NOT subject to GST |         |          |       |                 |       |     |      |                 |
| – Net wages                        |         |          |       |                 |       |     |      |                 |
| – Superannuation                   |         |          |       |                 |       |     |      |                 |
| – Bank fees and other charges     |         |          |       |                 |       |     |      |                 |
| – Other                           |         |          |       |                 |       |     |      |                 |
| Total other expenses and outgoings NOT subject to GST |         |          |       |                 |       |     |      |                 |

| Total payments                    |         |          |       |                 |       |     |      |                 |

| PROJECTED CASH FLOW POSITION      |         |          |       |                 |       |     |      |                 |
| 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)    |         |          |       |                 |       |     |      |                 |
Sample bank reconciliation

<table>
<thead>
<tr>
<th>Name of business:</th>
<th>Period to: / /</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank balance as per bank statement at / 200_</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Plus</strong></td>
<td></td>
</tr>
<tr>
<td>Name of business:</td>
<td>Period to: / /</td>
</tr>
<tr>
<td><strong>Outstanding deposits</strong></td>
<td>$</td>
</tr>
<tr>
<td>Date / /</td>
<td>$</td>
</tr>
<tr>
<td>Date / /</td>
<td>$</td>
</tr>
<tr>
<td>Date / /</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ + $</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$ = $</td>
</tr>
<tr>
<td><strong>Less</strong></td>
<td></td>
</tr>
<tr>
<td>Unpresented cheques*</td>
<td>$</td>
</tr>
<tr>
<td>Cheque no.</td>
<td>$</td>
</tr>
<tr>
<td>Cheque no.</td>
<td>$</td>
</tr>
<tr>
<td>Cheque no.</td>
<td>$</td>
</tr>
<tr>
<td>Cheque no.</td>
<td>$</td>
</tr>
<tr>
<td>Cheque no.</td>
<td>$</td>
</tr>
<tr>
<td>Cheque no.</td>
<td>$</td>
</tr>
<tr>
<td>Cheque no.</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ – $</td>
</tr>
<tr>
<td>Closing cash balance as per cash books***</td>
<td>$ = $</td>
</tr>
</tbody>
</table>

* 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 installments, PAYG withholding and FBT installments. You can offset tax payable against tax credits to arrive at a net amount.

Australian business number
Your Australian business number (ABN) is your identifier for certain dealings with the Tax Office and other government departments and agencies.

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-exclusive value of $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 GST 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.

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 are required to keep records of certain fringe benefits provided to each employee. These are known as reportable fringe benefits. 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 seller. 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 seller. You must have a tax invoice before you can claim a GST credit on your activity statement for purchases of more than $50 (excluding GST).

Tax period
A tax period is the length of time for accounting for GST on your activity statement. It may be quarterly or monthly. 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 activity statement must be lodged for each tax period.
MORE INFORMATION

INTERNET
- Business Entry Point: www.business.gov.au – this is an interactive service providing easy access to business information and transactions with government. It can be used to register for an ABN and GST, or to apply for a tax file number.

PHONE
- General business enquiries phone 13 28 66 – most small business tax issues, including GST rulings, ABN, pay as you go (PAYG) instalments, deductions from employees’ wages, business deductions, preparation of activity statements, account information for activity statement lodgment and payment, wine equalisation tax, luxury car tax, fringe benefits tax and issues for non-profit organisations.
- GST help with record keeping. We can arrange for one of our field officers to visit your work or home to explain any aspects of GST and how you can keep effective records. Phone 13 28 66 to make an appointment.
- Superannuation enquiries phone 13 10 20.
- Personal enquiries phone 13 28 61 – individual income tax and general personal enquiries.

FAX
- Get information faxed to you about business and individual taxes, superannuation and the Higher Education Contribution Scheme (HECS). Phone 13 28 60 and follow the instructions to order a catalogue or to be sent information.

FREE SEMINARS
- Seminars for small business – these include sessions on GST, PAYG, activity statements and record keeping. For more information, visit our website at www.ato.gov.au or phone 1300 661 104.

OTHER SERVICES
- If you do not speak English 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.
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