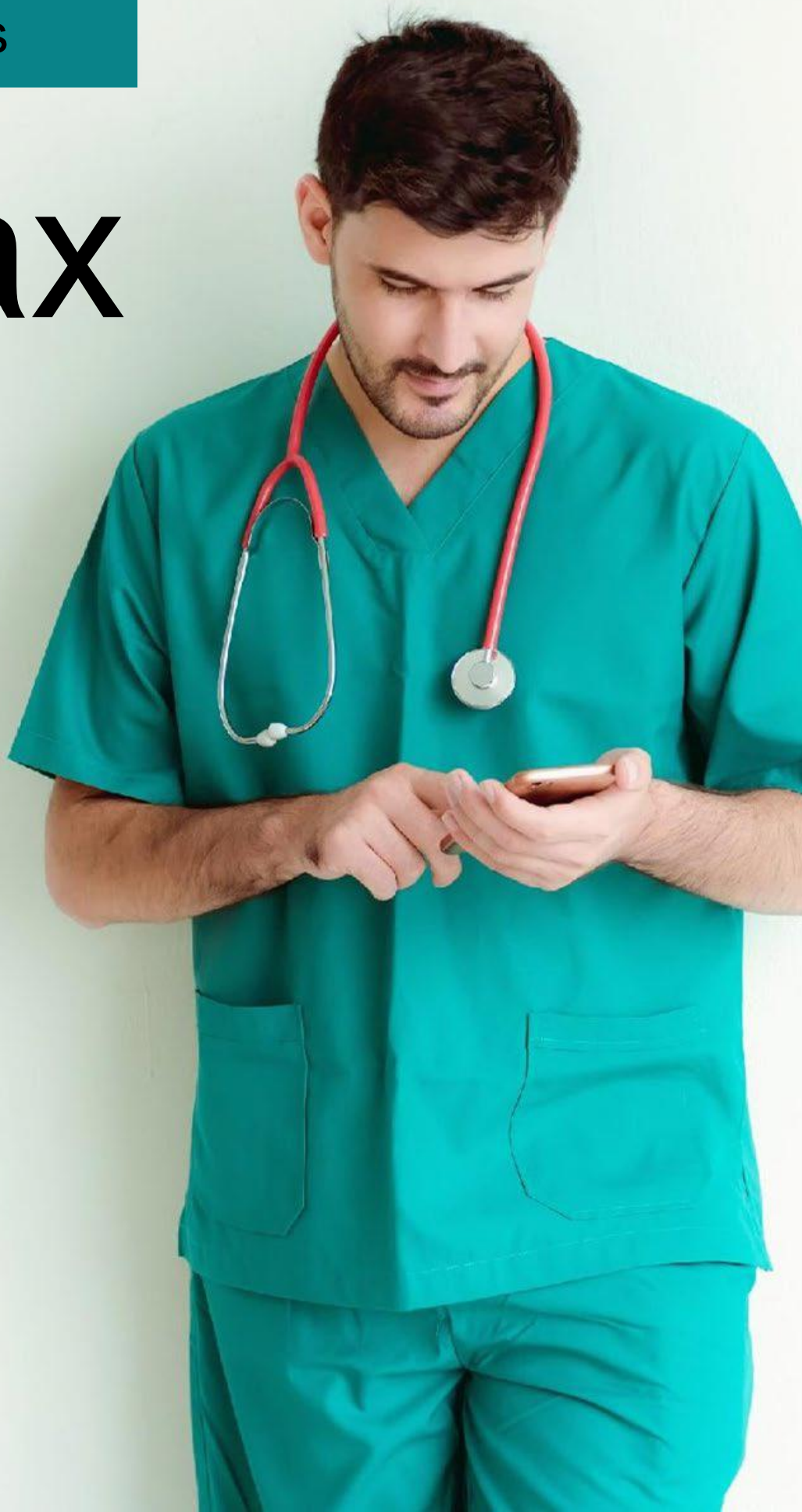


Tax Guide For
Care Workers

Airtax

Effortless tax





Airtax tax guide for care workers

At Airtax, we understand tax is complicated. We also service thousands of care workers every year and we understand tax and health can be even more complicated. In an effort to make things a little bit easier for you, we have pulled together this guide to getting started, tax compliance and hints and tips as a care worker.

Find out how to get started with tax

Whether you're employed, or self-employed and working for yourself, in this guide we'll cover the basics to get you started so you know what your tax obligations are.

Been doing tax for a while?

Great! Read on to find tips and tricks to make your tax a breeze, and understand what you can and can't claim as a care worker.

We love making tax simple, and it's never been easier to do your tax with Airtax.

Getting started with tax as a sole trader

What exactly is sole trading?

Sole trading is a type of small business in Australia where an individual sets up a business in their name, and they are the only owner. This is a different business structure to a company for example, which has a separate legal identity to its owner. The owner of a sole trader business is typically also the operator, and they will have a sole-trader ABN that is listed in their name.

With over 50% of business in Australia consisting of sole traders with no employees¹, it is clear that this income source is extremely common amongst individuals seeking the freedom and opportunity that this business structure offers. The rise of the gig-economy and platforms like Mable, Hireup, and Find a Carer in recent years, has made it easier than ever for nurses and support workers to work for themselves under this business structure too – perhaps even alongside their usual employment.

In this guide, we'll introduce the key tax concepts and obligations you need to keep in mind as you begin your journey as a sole trader, and also show you how Airtax can help you save time and stress reporting your businesses activity in your annual tax return.

If you aren't a sole trader, then lots of this guide will still help you – so read on!

Before you start

There's an important distinction to understand for tax purposes. Are you a contractor (or sole trader) or an employee?

If you are an employee and have a contractual employment agreement with a specific employer, then you do not need to hold an ABN and you are not a sole trader for tax purposes.

If you're an individual working as a 'contractor' or sole trader (through a platform like Mable, for example), you are considered to be operating a business and need to have an ABN, pay tax on your business income, and pay super (if you're paying employees) – even if you are also an employee.

1. ABS Counts of Australian Business 8165.0, Feb 2016 and ASBFEO calculations (excludes nano businesses with no GST role)



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To get set-up as a sole trader, you need to:

1 Apply for your Australian Business Number (ABN)

In order to operate a sole trader business in Australia, you will require a unique business identification number, known as an ABN. Much like your personal TFN, the ABN is used to track your businesses activities and details as long as it operates. You can apply for an ABN directly through the Australian Business Register (ABR), or through a number of paid sites. Alternatively, you can apply for an ABN on Airtax. We have a super simple form that asks you a series of easy-to-understand questions, takes 5 minutes to complete, and once payment has been made submitted you'll have an ABN ready to use in normally 1-3 business days.

2 Understand whether you need to be Goods & Services Tax (GST) registered

If you are a sole trader generating over \$75,000 of income per year from your business activity, you need to be registered your ABN for GST. This \$75,000 threshold does not include things like salary and wages, or any other income sources that are not earned under your sole trader ABN.

	Earning under \$75k	Earning over \$75k
Nursing/care worker service only	GST registration not required	Required to be GST-registered
Nursing/care worker and rideshare/taxi driving	Required to be GST-registered	Required to be GST-registered

If you are operating a taxi or rideshare service under the same ABN as your nursing activity you will also need to register for GST purposes, regardless as to your income level.

3 ****Only if you are GST-registered**** – Lodge a regular Business Activity Statement (BAS)

The Business Activity Statement (BAS) tracks the GST you have collected from your business sales, and the GST credits you are entitled to through your business expenses over a given reporting period.

It takes a couple of minutes to complete your BAS on Airtax, and if you haven't earned any income during a period, we waive the usual \$49 lodgement fee. When you sign up with Airtax, we'll also send you reminders when your BAS is due so you can be sure you're always up-to-date.

4 Complete an annual income tax return

The income tax return is lodged annually by Australian individuals, and is used to determine your income tax liability for the financial year (1 July - 30 June). Information that is relevant for your tax return includes:

- Your personal details
- Income amounts, including salary & wages, sole trading income, rental property income, etc
- Deductions – any expense amounts you incurred to earn your income
- Family and private health insurance details

The normal deadline date for lodging your tax return will be 31 October each year. However, as a registered tax agent with the ATO, Airtax is usually able to grant access to the extended deadline (31 March or 15 May of the following year) for our users who are registered under our Tax Agent Number. To be added to our Tax Agent Number, simply start an Airtax Tax Return.

Completing your income tax return on Airtax is simple, and can be done at your own pace for just \$179. We have connection to ATO, tailored forms and great feedback from customers who say they love the Airtax tax return.

Income Tax Returns

Most working Australians need to lodge an annual income tax return for each financial year. Depending on contractual arrangements, care workers can be employees earning salary & wages income, sole traders earning business income, or both. In any of these situations, a care worker would likely be expected to lodge an income tax return.



Tip for sole traders:

If you are operating as a sole trader, you should consider putting aside some cash for your end of year income tax bill, as no one is withholding tax on the income you earn from this activity. Without a tax withholding arrangement, like PAYG, you could end up in a large tax payable position after the end of the financial year. The ATO will only ever add you to the PAYG instalments system to progressively collect tax after your first year of operating as a sole trader - therefore it is particularly important in your first year of being a sole trader that you consider voluntarily paying PAYG instalments.

Employment Income

As an employee, when disclosing your income you should report:

- Your salary and wages, allowances, etc received from an employer
- Other items reported on your PAYG Payment Summary or STP income statement (eg. reportable fringe benefits, reportable employer superannuation contributions, etc)

For many employees, their employer will no longer be providing an annual PAYG Payment Summary but, with the adoption of Single Touch Payroll (STP), a new STP income statement will be made available through the employee's online MyGov account. It is important that you wait until this information is marked as "tax ready" before you lodge your tax return.

NOTE: When you start your tax return with Airtax, your salary & wages and some other income fields will be pre-populated with ATO data, so you should not need to manually complete these sections.

- **Allowances**

Healthcare professionals are commonly paid allowances in relation to travel, telephone expenses, uniforms and being on-call. Any of these allowances shown as a separate amount on your payment summary need to be included as income your income tax return. If you expended the allowance on qualifying costs, the respective expense paid by you in excess of this allowance amount can then generally be claimed as a deduction.

- **Reimbursements**

You may also receive reimbursements for work-related expenses that have been paid for by you, on behalf of the business. You cannot claim a deduction for any expenses reimbursed by an employer and do not need to include reimbursements as income in your tax return.

- **Reportable Fringe Benefits**

When working in the healthcare industry, you might also be receiving fringe benefits. These amounts do not need to be included in your income tax calculation. However, they are used in determining whether certain surcharges apply to you and whether certain offsets and other government benefits can be claimed. Your employer is required to report the benefits provided to the ATO, but the reportable fringe benefits amount on your payment summary should also be disclosed in your income tax return.

- **Reportable Employer Superannuation Contributions**

If you have reportable employer superannuation contributions included on your payment summary, this amount needs to be disclosed in your income tax return but does not get counted as income (so long as you remain within the permitted contribution limits). Again, these amounts are used to help determine surcharges and eligibility for some tax offsets, government super co-contributions, and other government benefits.

Sole Trader/Business Income

Your sole trader business' overall position for the financial year is worked out as the gross income less any deductible expenses incurred as part of the business. This overall business position is income to you as a sole trading business owner and is included as part of your taxable income in your annual personal tax return.

What amounts do I need to input in this sole trader section?

- This depends on whether or not your ABN is GST-registered:
If you are GST-registered: you need to list *GST-exclusive income and expense* amounts. This will be done for you if you have lodged your BAS through Airtax.
Except for amounts that have no GST in the price, the formula to compute a GST-exclusive amount is:
GST-exclusive = GST-inc. price/1.1
- If you aren't GST-registered: you need to record GST-inclusive amounts for your deductions.

Where is the sole trader section on the Airtax tax return?

The sole trader section is found on the Income page of the Airtax Tax Return. Follow the prompts to attach a sole trader business, and you will be taken to a new page to enter your business information.

*REMEMBER: Any deductions you list in the sole trader section on the income page should **not** be listed again on the Deductions page of the Airtax Income Tax Return. The Deductions page is reserved only for expenses that relate to your employment activity if any. Listing your sole trader expenses again on this page would result in a double-counting of your expenses.*



Note:

When you start your tax return with Airtax, your salary & wages and some other income fields will be pre-populated with ATO data, so you should not need to manually complete these sections.



Deductions

What potential deductions can I claim on my tax return?

The following are examples of work-related expenses which you might be able to claim on your income tax return and BAS (if GST registered) as a care worker, through both employment and sole trading activities:

- car expenses for work-related travel (this does not include travel between home and work), subject to the specific tax rules for substantiating such claims
- occupation-specific or protective clothing
- cost of repairing and cleaning clothing
- course fees for self-education related to work and accompanying stationery, home office, and travel expenses
- commissions and fees paid to job placement agencies
- annual practising certificate fee
- capital items used for work eg computers, telephones, professional library, stopwatches, fob watches, noting that in certain circumstances the deduction may not be available in full in the year of purchase but instead claimed in the form of depreciation over several years
- first aid courses
- overtime meal allowance expenses
- seminars, conferences and training courses
- stationery e.g. pens, diaries, logbooks
- magazine and journal subscriptions related to work
- work-related phone calls and phone rental
- union and professional association fees
- tax agent fees

If you have any questions about your sole trader information, or about any other aspect of your tax return, you can book a Tax Assist call and speak with a qualified Vialto Partners tax accountant about your lodgement.



Note:

Each deduction is subject to its own set of rules. You may only claim these expenses if they are necessary for work. If they are used for personal and work-related purposes, you may claim the portion that is related to work.



Understanding BAS and GST

1

What is a BAS?

A Business Activity Statement (BAS) is a type of tax lodgement that certain sole traders, including rideshare drivers, are required to submit to the ATO, often on a quarterly basis. A BAS records the following:

- The amount of GST you owe to the ATO (collected from your sales or services income),
- The amount of GST the ATO owes you (through business expenses you pay for), and
- Any PAYG instalment amounts that the ATO has required you to pay.

The balance of the GST payable on your business income less GST refundable to you on your expenses will generally be positive, as you can expect your income to exceed your expenses in most BAS periods. This amount is owed by you to the ATO. If you incur more expenses than your income for the period, the ATO will issue you with a GST refund – which can sometimes occur when you pay for significant expenses (eg start-up costs, car purchase).

IMPORTANT NOTE: Do not include any salary and wages income, or any other personal income that is not earned through your ABN, in your BAS. The BAS is only trying to capture your business income and expenses.

2

BAS lodgement periods

BAS can be lodged quarterly or monthly, however, most sole traders choose quarterly. When you lodge your BAS, you will submit details of your income and expenses for the previous quarter.

The quarterly BAS periods are as follows:

- Q1: July – September
- Q2: October – December
- Q3: January – March
- Q4: April – June

3

How can Airtax help me complete my BAS?

Airtax has a super simple BAS form with an exhaustive assortment of expense categories designed by experts to help ensure you don't miss anything. In just 10 minutes you can list all of your income and expense amounts for the period, and we'll lodge your BAS with the ATO for you.

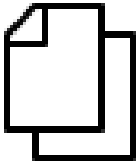
We also have a connection with Uber which allows you to sync your Uber data straight to your BAS at the click of a button, leaving you with less paperwork to hunt down and less fields to complete yourself.

The goal of the Airtax BAS form is to break down your lodgement into simple, easy-to-understand fields, which we can then translate into the format the ATO requires. This keeps things easy for you, whilst also ensuring you're compliant.

If you need more detailed guidance as you complete your BAS, you can opt for our Business Assist service and speak with a Vialto Partners tax specialist about your submission, to ensure you're lodging correctly.

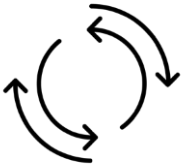
Understanding BAS and GST

How can Airtax help me complete my BAS? (cont'd)



Record keeping

You should keep records of business income and business expenses, and it is important that you have the right proof for claiming expenses on the BAS. If the item was paid for in cash, a receipt is the easiest way to substantiate your claim. Otherwise, if you paid using a card, payment of the expense may be substantiated from the business bank account. For any expense over \$82.50 (incl GST), you must hold a tax invoice.



BAS lodgement periods

BAS can be lodged quarterly or monthly, however, most sole traders choose quarterly (you must lodge monthly if your turnover is \$20m or more). When you lodge your BAS, you will submit details of your income and expenses for the previous quarter. When you sign up to Airtax, we'll send you reminders when your BAS is due. You can always review the BAS deadlines in the Airtax Help Centre.



Familiarise yourself with what you can and can't claim

Familiarise yourself with what you can claim back the GST on. Our BAS form will help you with this, as it displays a number of common expenses based on your business activity, to ensure you don't miss anything!

The simple way to do your tax

Stress-free tax

Designed by certified accountants at Vialto Partners, Airtax lodgement questionnaires are simple, easy-to-understand, and compliant with tax reporting requirements - so you can be confident that your tax is being handled correctly.

How Airtax makes tax easy

- Airtax connects with multiple 3rd party data sources (including the ATO and Quickbooks) to import your data at the click of a button – Leaving you with fewer fields to complete yourself.
- Complete your BAS and income tax returns through a platform that is backed by Vialto Partners – A trusted, leading professional services firm in Australia.
- Our easy-to-use forms list a number of income and expense fields that may be relevant for your specific circumstances. By breaking up your income and expenses into more specific categories, we can help ensure you don't miss anything.
- Over 100 free articles are available on our Help Centre to assist you with any questions you may have along the way
- In-built occupation comparison tools to see how your deductions compared to other people
- Option to speak to a Vialto Partners tax specialist through our Tax Assist service
- Trusted by thousands, your data is secure with Airtax



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FAQs

1 Do I need an ABN?

If you are a contractor or sole trader who is operating a business, you will need to have an ABN. You can organise your ABN through Airtax.

2 How does an ABN change my tax obligations?

Income tax: You are responsible for managing PAYG instalment payments on your earnings

GST: You may need to lodge a BAS to record your GST obligations if you are required to be registered for GST purposes

Superannuation: You are generally not required to pay superannuation for yourself. However, if you do, this may be tax deductible. If you are employed mainly for your labour, your employer may have an obligation to pay superannuation guarantee in respect of your labour income

3 What percentage of earnings should I put aside for tax purposes?

The percentage of tax payable on your sole trader earnings is dependent on your level of income. You may find the ATO individual tax estimate calculator helpful for determining your tax liability.

4 What is the difference between submitting a tax return as a sole trader compared to an employee?

As a sole trader, you will need to report all your business and non-business income in your individual tax return. Your business income and expenses will be reported in the Sole Trader Business Schedule under your ABN.

Further, you may be eligible for the small business tax offset and you may be able to claim a deduction for personal superannuation contributions.

Unlike an employee, you will be responsible for your own tax instalments in the event that you have a tax liability at year end.

5 Do I have to pay tax quarterly?

If you have a gross business income of \$4,000 or more and a tax payable of \$1,000 or more on your latest tax notice of assessment, it is likely that you will have to pay PAYG instalments. The ATO will calculate this based off your last lodged tax return or you can voluntarily elect to pay PAYG instalments.



6 What kind of records do I need to keep?

- payment summaries (or for payments from employers now reporting through Single Touch Payroll (STP), an STP income statement) from your employer (if applicable) and the Department of Human Services
- statements from your bank and other financial institutions
- statements for your investment properties
- dividend statements
- annual tax statements from managed investment funds
- receipts and invoices from asset purchases and sales
- receipts and invoices from expense claims
- private health insurance statement
- fees related to lodging the previous year's tax return
- education debt

If your total work-related expenses exceed \$300 for the year, you must have records to substantiate these claims.

7 How do I keep track of receipts/expenses?

You should keep receipts to prove your business expenses for five years from when you lodge your tax return, in case of an audit.

8 Do I need receipts for everything I claim as a deduction on my tax return?

Yes, it is recommended that you keep payment summaries, receipts, invoices and contracts for five years from when you lodge your tax return.

9 What if I work from home?

If you work from home as part of your business you may be able to claim deductions for expenses relating to that work including, in some cases, expenses that relate to the area of your home used for work purposes. As a care worker, your home would likely not be deemed to be your primary workplace, however you may be able to claim deductions for certain home office expenses depending on whether or not you have a dedicated area that is used exclusively for your work activities (e.g. study or spare room).

See the table below for information on the deductions you may be able to claim if your home is not your primary place of business.

Deductions you may be able to claim	You do have a dedicated work area	You don't have a dedicated work area
Costs of using a room's utilities such as gas and electricity	Yes	No
Work-related phone and internet costs	Yes	Yes
Decline in value (depreciation) of office plant and equipment such as desks, chairs and computers	Yes	Yes
Decline in value (depreciation) of curtains, carpets and light fittings	Yes	No
Occupancy expenses such as rent, mortgage interest, insurance and rates	No	No

2. From ATO <https://www.ato.gov.au/individuals/income-deductions-offsets-and-records/deductions-you-can-claim/working-from-home-expenses/>

Find out more

Head to Airtax to find out more and sign up for free.

<https://careworkers.airtax.com.au/>

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