

Tax Guide For
Rideshare Drivers

Airtax

Effortless tax





Airtax guide for rideshare drivers

At Airtax, we understand tax is complicated. We service thousands of rideshare drivers every year and understand tax combined with ridesharing 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 rideshare driver.

Find out how to get started with tax

Whether rideshare driving is a just a side-hustle, or you're a full-time driver, 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 rideshare driver.

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

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Airtax offer

Receive a

\$49

Airtax credit when you connect your account to Uber.

This credit can go towards your first BAS lodgement or income tax return, it's up to you.

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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 rideshare platforms like Uber, Ola, and Didi in recent years has made it easier than ever for Australian individuals looking for more work to operate as a sole trader, and join in on the gig-economy revolution.

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 business activity in your BAS and annual tax returns.

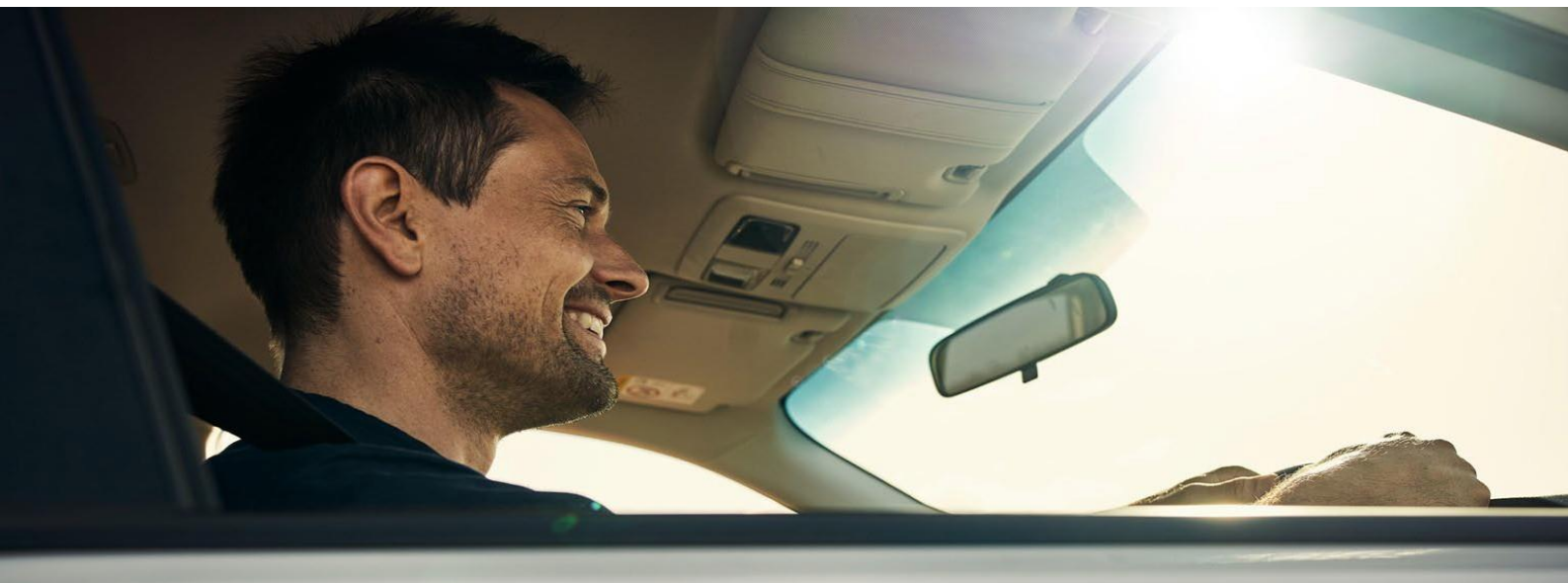
Before you start

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 Uber, Ola or Didi, for example), you are considered to be operating a business and need to have an ABN and pay tax on your business income – even if you have another job as an employee.

1. ABS Counts of Australian, 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 Airtax. We have a super simple form that asks you a series of easy-to-understand questions, takes 5 minutes to complete, and once it is submitted you'll have an ABN ready to use in 1-3 business days after payment is made.

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

Generally sole traders are not required to register for GST until their business income is over \$75,000, however the rules are different for taxi and rideshare drivers. Rideshare drivers are required to be registered for GST purposes regardless of their level of income.

	Earning under \$75k	Earning over \$75k
Any other business activity	GST registration not required	Required to be GST-registered
Rideshare/taxi driving	Required to be GST-registered	Required to be GST-registered

Once again you can register for GST through Airtax for just \$19. Just be sure to list your business activity as "Rideshare driver" on your ABN/GST application, make payment and we will register your ABN for GST.

3 Lodge a regular Business Activity Statement (BAS)

The Business Activity Statement (BAS) tracks the GST you have collected from your business sales (eg Ola trip income), and the GST credits you are entitled to through your business expenses (fuel, for example) 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. Lodging through Airtax usually also gets you an extension of around 28 days to lodge your BAS.

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 (includes your rideshare income), rental property income, etc
- Deductions – any expense amounts you incurred to earn your income
- Family and private health insurance information

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 (including an optional Accountant call). We have connection to ATO, tailored forms and great feedback from customers who say they love the Airtax tax return.

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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.

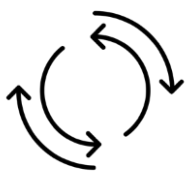
We also have a connection with Uber which allows you to sync your Uber data straight to your BAS at the click of a button, leaving you with less paperwork to hunt down and less fields to complete yourself.

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? (continued)



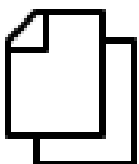
Simplify the lodgement process

Airtax have a range of connections, through our Uber Sync function as well as our Automated Expenses function that enabling the importation of income and expenses straight into your BAS. Saving you time and giving you peace of mind when completing your lodgements.



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!



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, the expense can be substantiated using a business bank account. For any expense over \$82.50 (incl GST), you must hold a tax invoice.

Income Tax Returns

Most working Australians need to lodge an annual income tax return. As a sole trader, you must lodge an income tax return for each financial year even if your income is less than the tax-free threshold, or if your circumstances would typically exclude you from needing to lodge if you weren't a sole trader.



Important tax tip:

You should also consider putting aside some cash for your end of year income tax bill, as unlike a typical employment arrangement, no one is withholding tax on the income you earn from your rideshare 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.

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?

- As a rideshare driver, you need to list *GST-exclusive income and expense amounts in your sole trader section of your income tax return*. 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.

NOTE: If you already lodge your BAS through Airtax, the sole trader section of your Airtax tax return will already be prefilled with all the business income and expense information in BAS submitted through Airtax - leaving you with less to complete yourself!

*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.*

Income Tax Returns

If you're also an employee

It's fairly common for sole traders to operate as a rideshare driver alongside their usual employment. If this situation applies to you, it's important to remember that both of these activities are relevant for your income tax return – they just need to be reported separately. Your employment income will be classified as salary & wages, and you can include any allowable deductions relating to this employment on the Deductions page of the Airtax tax return.

Deductions

What potential deductions can I claim on my tax return?

The following are examples of expenses which you might be able to claim an income tax deduction. If you have claimed GST back on these expenses as a rideshare driver partner earning income from rideshare activities your deduction is the expense excluding GST:

- license or service fees paid to your rideshare platform
- motor vehicle expenses - based on a specified amount per business kilometre or a business use percentage of vehicle running and maintenance costs
- medical checks, police checks and application fees if incurred after becoming a rideshare driver partner
- tissues, newspapers, water and mints provided to passengers
- equipment and accessories: dash cam, seat covers, mobile phone holder
- safety equipment
- bank and interest fees*
- mobile phone bill
- split fare fees, booking fees, airport fees, tolls
- tax agent fees

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

*GST not applicable

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.



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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, Uber 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 for through our Tax Assist package
- Trusted by thousands, your data is secure with Airtax



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FAQs

1 Do I need an ABN?

Yes, as a rideshare driver you will require an ABN in order to operate.

2 How does an ABN change my tax obligations?

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

GST: As a rideshare driver, you are required to register for GST and report BAS.

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 on 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.

1. From ATO

<https://www.ato.gov.au/individuals/income-and-deductions/deductions-you-can-claim/home-office-expenses/>

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 can be claimed for car usage?

If you are paying for the running expenses of your car, you may be able to claim expenses for work-related travel. This does not include travel between home and a regular place of work.

You may be able to claim car usage using the cents per km method (for up to 5,000 business kilometres per car) or the logbook method. The logbook method allows you to claim a percentage of each car expense you incur, however, you will need to keep a logbook record of your car's work versus private usage. .

10 What if I work from home¹?

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 that you use. As a rideshare driver, your home would 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 (eg 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

Find out more

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

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

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