

AUSDANCE QLD
FINANCIAL TOOL KIT FOR
DANCE ARTISTS

Understanding taxation and business financials as an artist can be tricky. Often it is not something we are taught, but something we learn out of necessity. Below are some tips and terms to help you navigate the world of business finance as a dance artist. *See section on understand the COVID-19 packages for help with the current crisis.*

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KEY TERMS

Australian Business Number (ABN)

An ABN is a number that identifies you and/or your business with the government and tax office. To invoice your clients, you will be required to have one. More information on ABN's and registration can be found - <https://www.ato.gov.au/Business/Registration/>

TIP Forgotten your ABN number or registered business name? Find it at <https://abr.business.gov.au> or google *ABN look up*.

Balance Sheet

A statement of asset & liabilities of a business at a particular point in time.

Business Activity Statement (BAS)

This is a form of quarterly reporting required only if your business is registered for GST. It is a statement that lists the financial activity of the business (income, expenditure, GST collected, GST paid, profit and loss). Further information can be found - [https://www.ato.gov.au/Business/Business-activity-statements-\(BAS\)/](https://www.ato.gov.au/Business/Business-activity-statements-(BAS)/)

Financial Year

The Australian financial year runs 1st July to 30th June. The end of the 2019/2020 financial year is 30th June 2020. The beginning of the 2020/2021 financial year is 1st July 2020.

Goods and Services Tax (GST)

GST is a tax of 10% placed on most goods and services sold and consumed in Australia. You are required to register for GST once you earn over \$6,250 in a calendar month and expect to earn over \$75,000 for the next 12 months. More information on GST - <https://www.ato.gov.au/Business/GST/>

Income

There are different kinds of income.

- Gross Income - The amount of income earned before expenses are taken off. This may include GST if you are registered for GST.
- Net Income - The amount of income remaining after your expenses are taken away from your gross income.

PAYG Employee

A Pay As You Go Employee is paid a wage by an employer, and tax is taken out of each pay by the employer. You can be a PAYG employee as a casual, part-time or full-time worker.

PAYG Instalments

PAYG Instalments are an Australian Tax Office system for prepaying tax debts based on prior tax returns. The ATO can request quarterly prepayments of tax. These are credited in your tax return; however, any excess is refunded.

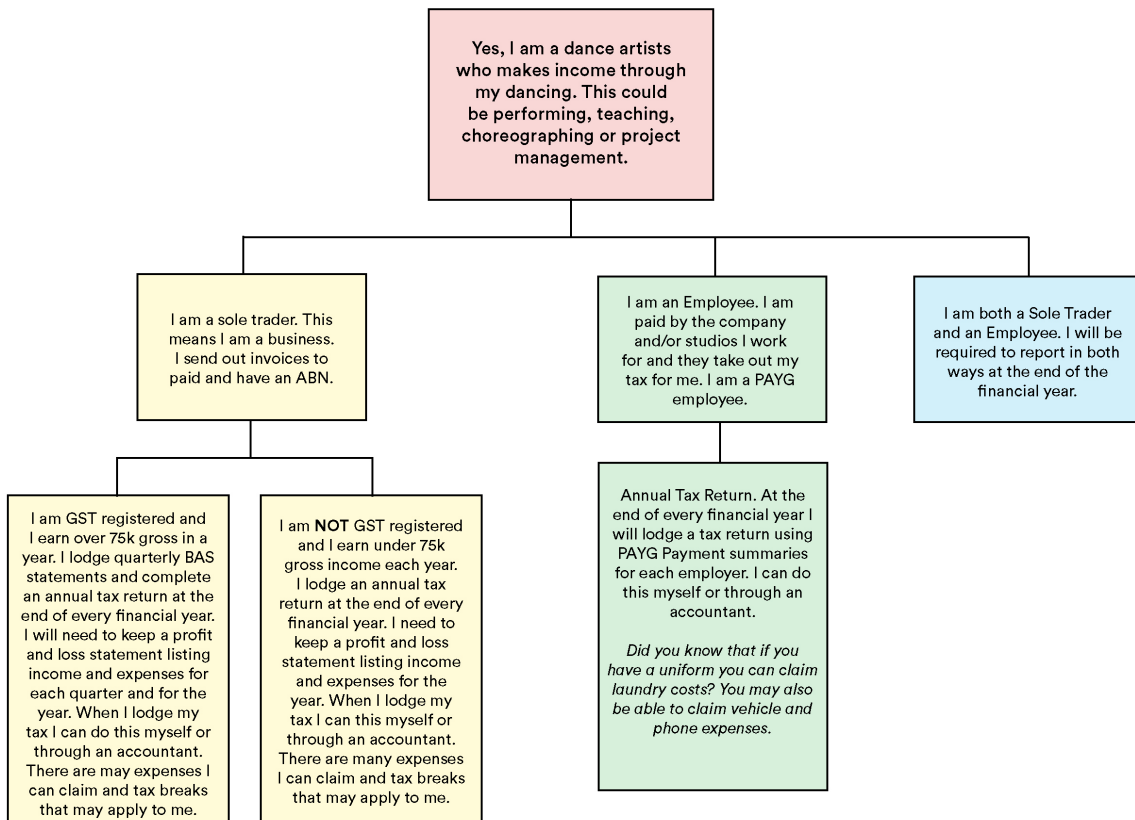
Tax File Number (TFN)

Is a unique personal identification number used for tax purposes. If you need to get a Tax File Number completed the application here - <https://www.ato.gov.au/individuals/tax-file-number/>

WHAT AM I?

Sole trader, PAYG employee, employer, business... which label fits your practice?

When it comes to understanding tax and financial reporting it is important to know your own circumstances, as everyone's situation will be slightly different. This matrix may help you find which label fits your work methods.



Case Study 1 - Isadora the Choreographer

Isadora is an independent artist. She earns her income through teaching and choreography. She invoices her clients for each term of classes and for each choreographic piece she makes. She makes \$45,000 each year and she has an ABN that is registered in her name. Isadora is a business and she does her tax herself in July by keeping a profit and loss statement.

Case Study 2 - Bob the Dancer

Bob is a musical theatre performer and he has a cruise ship contract. He is employed to dance with the Sweet Charity Cruise Ship for six months. They pay him each fortnight and take out tax on his behalf. He is an employee and does his tax through an accountant once a year.

Case Study 3 - Shaaron the Teacher

Shaaron is an academic. She teaches for universities as an employee and also has a business delivering keynote speeches at conferences around the world. Shaaron makes an income through her ABN and as an employee. She also makes royalties through her writing work. She is a business and an employee. She will need to report on all of this income. She has an accountant who helps her.

TIPS FOR TAXATION AND REPORTING

What's the best process? How do you report? What information do you need to keep? Below is some useful information to help you through.

General Tips for Sole Traders

Invoicing

- In order to receive payment you will need to send a valid tax invoice to the client. They will use this for their own reporting and to pay the funds owing to you. A valid invoice is required to have details including your name, address, ABN number, date, description of sale, amount owing and GST if applicable. For more details see requirements for valid tax invoice here: <https://www.ato.gov.au/Business/GST/Tax-invoices/>
- **TIP** Numbering of invoices is important, invoicing software automates this, however if using a word template be careful and consistent with invoice numbers. For example, 0001, 0002 and so on.

Record Keeping

- Keep track of all your income by keeping a copy every invoice you create. You are required to keep these records for 5 years.
- Keep track of all your expenditure by keeping the tax receipts for business related purchases. These can be the paper receipt or a photo of the receipt. You are required to keep these records for 5 years.
- Keep a profit and loss statement to track and tally all of your income and expenditure. You will need this for lodging your tax return.

Banking

- You may want a bank account just for your business income and expenses. There are many great free online accounts that can be set up very quickly. Having your personal expenses separate to your business expenses will make it easy for you to keep track of payments in and out.

Management Software

- You may want to consider software which can generate invoices for you and connect to your bank account/s to track expenses and payments. There are many to choose from however Quickbooks and Xero are very popular.

Superannuation

- Subject to certain tests you can claim a tax deduction for contributions made to your superannuation fund. As a sole trader you may not get paid super by your clients. Chat to your super fund about how to do this.

Budgeting

- Make sure you budget and keep money aside for the tax you will owe on your net income. If you can't pay your tax debt the ATO will set up a payment plan BUT there is an interest rate attached to it.

Case Study 4 - Isadora the Choreographer

Isadora is an independent choreographer and teacher. She invoices each of her clients and creates her own invoices using word documents converted into PDF files. She keep all of her receipts as photographs in a folder on her laptop. She has profit and loss for the year and he has one bank account where all of her earnings go.

Case Study 3 - Shaaron the Teacher

Shaaron is a sole trader with international income and a PAYG employee of two universities. She uses accounting software to keep track of invoices, banking and to create reports. She has an accountant who helps here process her tax quarterly. She is also GST registered.

General Tips for Employees

Record Keeping

- Keep a record of your PAYG statements for each employer. You will get one a year that will help with completing your tax.
- Keep track of any expenditure related to your workplace. Make sure you keep receipts of all eligible deductions. Find out more about what you can claim here - <https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/>

More than one employer?

- Only claim the tax free threshold from one employer (you do this on the Tax File Number declaration form when you start each employment). It can be a good idea not to claim the tax free threshold at all if you have income from multiple sources.

Paying Tax

- Tax will be taken out for you by your employer. At the end of each financial year you will receive a PAYG Statement from each employer in that year. These statements will be used to calculate your overall taxable income and the tax you have already paid. If you earned less than \$400 each month they may not have taken any tax out for you. There is useful information for individuals here - <https://www.ato.gov.au/Individuals/>

Superannuation

- Your employer will make a mandatory contribution to your superannuation. It is possible to make additional personal contributions to your superannuation. Chat to your super fund or accountant about how to do this.

Case Study 2 - Bob the Dancer

Bob is a musical theatre performer and he has a cruise ship contract. He receives fortnightly pay slips from his employer stating his income, tax taken out and super paid. At the end of the year he has an accountant help him calculate his tour allowance deductions and he keeps all his receipts for costs whilst on tour. He also keeps his tour schedule as proof of his journey. Bob also has a Sweet Charity Uniform that he can claim some laundry costs from.

Paying Tax

Who pays Tax?

- All Australian residents are required to pay income tax. The amount you will owe each year will depend on how much you earn.

What is the Tax-free Threshold?

- The first \$18,200 of your yearly income is not taxed, this is called the tax-free threshold. This amount equates to \$350 per week, \$700 per fortnight or \$1517 per month. The amount you earn in addition to \$18,200 is the amount you will pay tax on.
- **TIP** - the exact figure changes from time to time so keep your eyes on the ATO website.
- **TIP** - if you have more than one job as an employee you should consider who you claim this threshold with.

Tax Brackets

- The amount of tax you will need to pay is dependent on your income. The amounts for each income bracket can be found here - <https://www.ato.gov.au/Rates/Individual-income-tax-rates/>

Lodging a Yearly Tax Return

No matter if you are a sole trader or an employee, you will need to lodge a yearly tax return. This can be done online through My Tax that is linked to your My Gov account or through a registered accountant. If you do it yourself make sure you are across the guidelines for tax and acceptable deductions for an artist. Make sure you keep records for five years. Useful information for artists can be found here - <https://www.ato.gov.au/Individuals/Income-and-deductions/In-detail/Occupation-and-industry-specific-guides/Performing-artists---income-and-work-related-deductions/>

Sole Traders/Businesses

You may need

- Gross income for the year
- Expenditure for the year
- A profit and loss statement detailing net income (gross income minus expenditure).
- If you are GST registered, you may need to submit BAS statements and pay tax instalments. If you are not GST registered once a year should be fine. If you are not sure call the ATO for advice.
- **TIP** You may be eligible for a small business income offset that will reduce your tax by up to \$1000.
- **TIP** You can lodge your tax yourself or through an accountant.

Individuals/PAYG Employees

You may need

- PAYG statements from each employer for that year
- List of deductions for the year and receipts
- A profit and loss statement detailing net income (gross income minus

- **TIP** You can lodge your tax yourself or through an accountant.

Want to lodge yourself? do it here, <https://www.ato.gov.au/Individuals/Lodging-your-tax-return/Lodge-online/>

Profit and Loss Statement

As a sole trader you will need to complete a Profit and Loss statement detailing all the income (PROFIT) you earned through your ABN (invoicing clients) and the work related expenses you paid (LOSSES) during that time (for example internet costs, equipment). The expenses (also called deductions) are then taken away from the income and the remaining amount is your NET TAXABLE INCOME. The net taxable income is the amount you will be required to pay tax on. You may want to keep yearly, quarterly or monthly Profit and Loss statements - it will depend on what is best for your business needs.

TIPS

- All income should have an invoice stating the amount
- all expenses should be for the business with proof of purchase (receipts).
- Keep all receipts and records for 5 years.

What is a tax deduction?

A deduction is an expense you have made for your business or for your work, for example, living costs whilst on tour, costumes or a laptop. There are many rules and considerations when investigating deductions that you can make. Some you can claim 100% of the cost, others a percentage depending on its use for business versus personal. Some common examples are below,

- Vehicle Costs. You will need to complete a log book or track the kilometers driven for business purposes. If you use your vehicle for business occasionally, you can only claim that percentage of costs. Costs might be registration, insurance, petrol and maintenance. How to calculate these options are here - <https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/Vehicle-and-travel-expenses/Car-expenses/>
- Equipment or Production Expenses. You may be required to purchase costumes, sets or props for a performance work. You can claim these costs if you have a receipt. General fitness attire is not claimable unless it is a uniform (has a logo), is personal protection wear or is for a production as a costume.
- Mobile Phone. Similarly to vehicle costs, you can only claim the percentage of costs that are used for business.

Other items you may be able to deduct include contractors/artist fees, public liability insurance, internet, website maintenance, equipment such as computers, music and media purchase and software purchases etc. Find out details on deductions here, for businesses <https://www.ato.gov.au/business/income-and-deductions-for-business/deductions/>, for individuals <https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/>.

TIP the ATO loves a good diary – records of phone, vehicle and travel require a diary.

Good and Services Tax (GST)

Businesses and Sole Traders are required to register for GST when you earn monthly over \$6,250 and expect to earn over \$75,00 for next 12 months. This means you will need to keep track of the GST you pay on expenses and charge GST on your invoices. You may also now be required to report your income quarterly (through a business activity statement BAS), pay or claim the GST owing and pay a tax installment. If your gross income is less than \$75,000 you are not required to do this.

Detailed explanation and template from ATO -

<https://www.business.gov.au/Finance/Accounting/How-to-set-up-a-profit-and-loss-statement>

Balance Sheet

Balance sheets are only required annually if you operate through a company or trust. The ATO does not require balance sheets for sole traders. Occasionally a sole trader is asked to present a balance sheet for Centrelink purposes or when seeking finance (trying to get a loan). Typically for sole traders balance sheets are a very simple affair:

A balance sheet shows a summary of your business' assets and liabilities at a particular date. The trick with this one is it needs to balance. There are three main categories that make up the balance sheet formula. These are,

$$\text{Assets} - \text{Liabilities} = \text{Owner's Equity}$$

What are assets?

Assets are the items that the business owns, these might be costumes, furniture and equipment. Assets are broken down into three categories, current assets and fixed assets.

Current assets are short term items, including balance of business bank account, short-term investments, stock, trade debtors (people who owe the business money) and cash on hand. Also, any assets not fully depreciated (see instant asset write off).

Fixed assets, also called capital assets, are assets your business plans to keep longer term, these can include building improvements, equipment, motor vehicles and furniture.

Intangible assets are assets you can't touch, and for artists hold immense value. These can relate to intellectual property (knowledge, information or processes that you have developed or created, including artwork), trademarks/patents and the reputation or goodwill of the business.

What are liabilities?

Liabilities are items that you owe or expect to own money to or on. These are broken down into two categories.

Short-term liabilities are bills you expect to pay within twelve months, these can include credit card debts, loan repayments and GST debt (if registered).

Long-term liabilities are bills not payable within 1 year of the balance sheet date. They include long-term loans, secured bills, director's loans (to the business) and residual value on leases due in more than 12 months.

What is owner's equity

Owner's equity is assets less the liabilities listed above.

TIP That's it – of course this can get way more complicated if you have a work vehicle with debt owing, multiple bank accounts, large assets – if this is you – see an accountant!

Want to know how to set up a balance sheet? Find out more info here -

<https://www.business.gov.au/Finance/Accounting/How-to-set-up-a-balance-sheet>

Instant Asset Write Off

- An instant asset write off applies to assets like computers, cars used for work, sound equipment, studio fit outs etc. In the old days these were depreciated – you'd get a tax deduction for the value of the asset over a few years. These days with the Instant Asset write off - you can claim 100% of the cost in the year of purchase (currently up to \$150,000 per asset). This means bigger tax deductions in the year of purchase and not spread out over multiple years.
- If you have an asset to write off, put the cost in your loss/expenditure section of your profit and loss statement and keep the receipt in your records.

Special Tax Tips for Dance Artists:

Income averaging

- As a performing artist there is a special law to average out the tax paid between years (to account for fluctuations in income between years). While the calculation is complex, tax software will calculate this automatically for you. Can have some big tax benefits, so be sure to claim this. Details here: <https://www.ato.gov.au/Forms/Income-averaging-for-special-professionals-2019/>

Non-commercial loss rules

- There are also special rules if you make a loss from your sole trader enterprise. If you are a Professional Arts Business you can claim the loss against other income so long as that other income is under \$40,000. That is, a bigger refund only for artists! Ask your accountant or find more details here - <https://www.ato.gov.au/Business/Non-commercial-losses/In-detail/Excepted-business-activities/#Whatisaprofessionalartsbusiness>

Accounting for grants

- Generally, grants are realised as income as they are expended. This means you can pay tax on grants across multiple financial years. Good records are essential - budgets, profit and loss and record keeping is very important here, not only for taxation, but for your grant

acquittals. Accounting for grants can get difficult, it's recommended you seek professional advice here.

Travel Allowances (while on tour)

- If you are an employee and are paid a travel allowance you may be able to access special rules for claiming deductions. If done correctly it means you don't need to substantiate (keep all your invoices) for expenses while on tour. This means you can claim the daily rates per the following tax ruling - <https://www.ato.gov.au/Business/PAYG-withholding/Payments-you-need-to-withhold-from/Payments-to-employees/Allowances-and-reimbursements/Travel-allowances/>
- **TIP** Be careful – a lot of errors are made when applying these rates and the ATO looks at claims carefully.

International Income

- If you are an Australian resident for tax purposes and working overseas, you must include your global income in your tax return and pay tax on this income in Australia. This can get complicated. It's worth discussing with your accountant before you head overseas and take this into consideration when negotiating contracts.

UNDERSTANDING COVID-19 FINANCIAL PACKAGES.

In response to the COVID-19 global pandemic the Australian Government has launched a number of financial stimulus packages to assist with those who have lost income.

There are a number of initiatives available

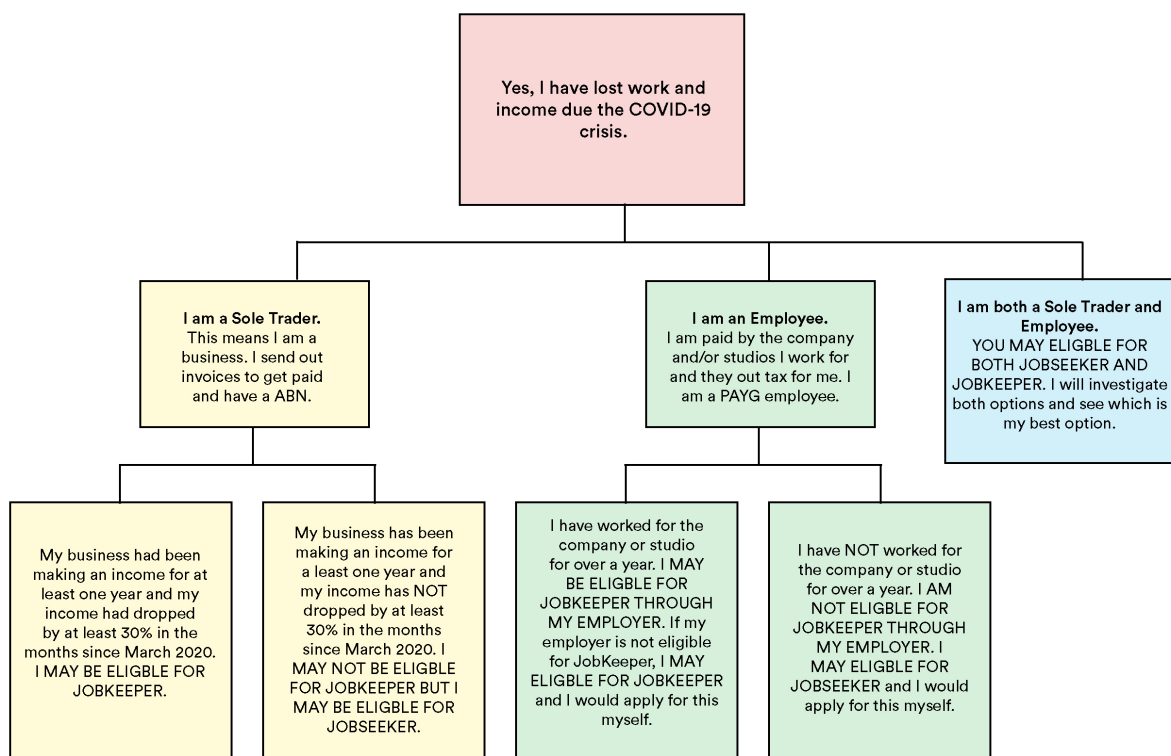
(<https://www.servicesaustralia.gov.au/individuals/subjects/affected-coronavirus-covid-19> and https://www.ato.gov.au/General/COVID-19/?=redirected_covid19_call_centre,

<https://www.ato.gov.au/General/COVID-19/Support-for-businesses-and-employers/>)

however the main two options are JobSeeker and JobKeeper. Some information on applying for both is below.

What am I eligible for?

There are set requirements to be eligible for JobSeeker and JobKeeper. The below chart will assist in finding which is beneficial for you, however calling Services Australia and the Australian Tax Office will be the best option to find what is best for you.



JOBSEEKER

JobSeeker is an initiative managed by Services Australia (previously known as Centrelink). The requirements for eligibility have been relaxed due to COVID-19 to offer support for a wider group of people. The circumstances of each person is taken into account when deciding if eligible for this program.

Online Application

Online applications can be completed via your My Gov online account and steps are provided here - <https://www.servicesaustralia.gov.au/individuals/services/centrelink/jobseeker-payment/how-claim>

You may be asked for the following,

- Your ABN Number
- Bank Statements
- Profit and Loss Statement
- Last financial years tax return
- Balance Sheet
- Assets and Depreciation
- Partners Income
- Living Circumstances

TIP - if your application is rejected call to make sure the assessment process is correct. You may be asked to upload documents to clarify your situation or you can ask for a decision review.

TIP - the phone lines are often overloaded and it is challenging to get through. Good times to call are at the start of the day just as lines opening.

TIP - Be prepared for the process to take some time.

JOBKEEPER

JobKeeper is an initiative managed by the Australian Tax Office (ATO). If you are applying for JobKeeper as a sole trader or business follow the below steps. If you are accessing the payment through an employer you will need to discuss this with them directly.

Application Process

The requirements for eligibility depend on your business registration status - Sole Traders ARE eligible to apply.

Details

- \$1,500 per fortnight for eligible businesses/sole traders from 30th march 2020 until 27th September 2020 (end date may vary)
- To be eligible: gross income must have fallen by at least 30% due to COVID-19 (not for profit businesses a drop of 15% is required)
- Your last financial years tax return lodged
- The payment will be made monthly in arrears to your nominated bank account

Sole Trader Specific Information

- <https://www.ato.gov.au/general/jobkeeper-payment/In-detail/JobKeeper-guide---sole-traders/>
- <https://www.ato.gov.au/General/JobKeeper-Payment/Sole-traders-and-other-entities/>

Online Application

TIP - Complete the process carefully, there is no edit function and any mistakes will require you to call the ATO to fix it up.

Step 1 (available now)

- Log in to your MyGov account (or set it up) and go into the ATO online portal (you may need to link it if you have not done this already).
- Click on the COVID-19 screen and select Step 1 Enrol business for JobKeeper wage subsidies
- Complete the enrolment form (help can be found here - <https://www.ato.gov.au/general/jobkeeper-payment/In-detail/JobKeeper-guide---sole-traders/?anchor=step1#step1>)

You may be asked for the following,

- Your ABN Number
- Your TFN
- Contact details
- Declare a 30% loss of gross income due to COVID-19
- Nomination of employees (this may be 0 if you are a sole trader and only applying for yourself)
- Your nominated bank details

Step 2 (available now)

- Log in to your MyGov account and go into the ATO online portal.
- Click on the COVID-19 screen and select Step 2: Identify and maintain your eligible employees.
TIP Don't worry if you don't have employees, as a sole trader you can still apply.
- Complete the form (help can be found here - <https://www.ato.gov.au/general/jobkeeper-payment/In-detail/JobKeeper-guide---sole-traders/?anchor=step2#step2>)
- Wait on payment

You may be asked for the following,

- Your GST turnover for this month and projected for next month.
TIP Your GST turnover means your gross income for that month.
- Which fortnights you want to claim for in the current month. You can choose one or both.

Step 3 (reporting date tba)

- Log in to your MyGov account and go into the ATO online portal.
- Click on the COVID-19 screen and select Step 3 - Business monthly declaration for JobKeeper payment.
- Complete the form (help can be found here - <https://www.ato.gov.au/general/jobkeeper-payment/In-detail/JobKeeper-guide---sole-traders/?anchor=step3#step3>)
- Wait on payment
- This step MAY be required to be completed each month

You may be asked for the following,

- Your GST turnover for this month and projected for next month.
- Which fortnights you want to claim for in the current month.

TEMPLATES

These can be found on the Ausdance QLD website – ausdanceqld.org.au

- BALANCE SHEET
- INVOICE
- PROFIT AND LOSS STATEMENT
- TAX RETURN CHECKLIST

Created by Tim Hall CA of Bones Accounting and Dr Nerida Matthaei of Phluxus2 Dance Collective on behalf of Ausdance Queensland. 2020.

BONES
ACCOUNTING



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