

Business TAX

OBLIGATIONS

REGISTERING & REPORTING

Every Australian business needs a tax file number, but the TFN setup depends on the business structure. Sole traders generally use their personal TFN for both personal and business dealings with the ATO. Partnerships, companies, trusts and other organisations usually need a separate TFN for the business entity. Most businesses also need an Australian Business Number, although an ABN is not compulsory in every case. An ABN does not replace a TFN; it identifies the business to government, customers and suppliers and is commonly needed for invoicing, GST registration, claiming GST credits and avoiding PAYG withholding on payments you receive.

Many small businesses also need to lodge a Business Activity Statement. A BAS is separate from your annual income tax return. It is used to report and pay obligations such as GST, PAYG withholding, PAYG instalments, and in some cases FBT instalments, luxury car tax and wine equalisation tax. GST reporting is generally quarterly if your GST turnover is under \$20 million, monthly if it is \$20 million or more or you elect monthly reporting, and annual only in limited cases, usually where you are voluntarily registered for GST and below the registration threshold. Monthly BAS is generally due on the 21st of the following month. Quarterly due dates are usually 28 October, 28 February, 28 April and 28 July. An annual GST return is generally due on 31 October.

INCOME TAX

All businesses must report income and claim eligible deductions each financial year. The way income tax is handled depends on the structure. Sole traders include business income in their individual tax return. Partnerships lodge a partnership return, but the partners generally pay tax on their share of the partnership income in their own returns. Companies lodge their own company tax return and pay company tax. Trusts lodge a trust return, and beneficiaries generally pay tax on distributed income, although the trustee may be liable in some circumstances. You still need to lodge the relevant return even if the business made a loss or no tax is ultimately payable.

For companies, the current company tax settings remain important. Base rate entities use the 25% company tax rate, while companies that are not base rate entities pay 30%. That distinction can materially affect after-tax profit and cash-flow planning.



Understand the key tax obligations every Australian business needs to manage, from ABN, GST and BAS reporting to income tax, PAYG, super, record keeping and important lodgement deadlines.

GOODS & SERVICES TAX (GST)

GST is a 10% tax on most goods, services and other items sold or consumed in Australia. Registration is compulsory if your GST turnover reaches or is expected to reach \$75,000, or \$150,000 for non-profit organisations. Taxi, limousine and ride-sourcing businesses must register regardless of turnover. If you reach the threshold after starting out, you generally have 21 days to register. Once registered, you charge GST on taxable sales, report it through your BAS or annual GST return, and may claim GST credits on eligible business purchases.

A useful point for small business owners is that not every sale attracts GST. Most basic food, some education services and some medical and health supplies are GST-free. By contrast, many financial supplies and residential rent are input taxed, which means no GST is charged but GST credits usually cannot be claimed on related inputs. This distinction matters because it affects pricing, bookkeeping and how much GST you can claim back.

If your business is registered for GST, you should issue tax invoices rather than ordinary invoices. If you are not registered for GST, your invoices should not show GST. When a customer asks for a tax invoice, you generally must provide one within 28 days unless the sale is \$82.50 or less including GST. To claim a GST credit for a purchase over \$82.50 including GST, you generally need a valid tax invoice by the time you lodge your BAS.



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PAYG OBLIGATIONS

PAYG withholding is the tax a business withholds from payments to employees and certain other payees, including some directors and office holders. You must register for PAYG withholding before you first make a payment that is subject to withholding, even if no amount is ultimately withheld from that payment. Whether a worker is an employee or an independent contractor matters, because tax and super obligations differ depending on that classification.

Single Touch Payroll is now a central part of employer reporting. Employers generally report payroll information through STP each payday rather than waiting until year end, and end-of-year STP finalisation is generally due by 14 July, with special rules for closely held payees. This means payroll software and payroll processes need to be accurate all year, not just at tax time.

PAYG instalments are different from PAYG withholding. PAYG withholding is tax you collect and send to the ATO on behalf of workers. PAYG instalments are regular prepayments of your own expected income tax bill. The ATO will notify businesses when they need to start paying instalments, usually through an activity statement or instalment notice.

FRINGE BENEFITS TAX (FBT)

FBT can apply when a business provides non-cash benefits to employees or their associates, such as a car for private use, entertainment, gym memberships or other personal benefits. FBT is paid by the employer, not the employee. The FBT year does not follow the normal tax year; it runs from 1 April to 31 March. If you have an FBT liability, you generally lodge and pay by 21 May, or 25 June if your tax agent lodges electronically and has added you to their FBT client list by 21 May. Some businesses also pay FBT instalments through their BAS during the year.

OTHER TAXES AND REPORTS

Depending on what the business does, other federal taxes may also come into play. These can include capital gains tax when business assets are sold, fuel tax credits for eligible fuel use, luxury car tax and wine equalisation tax for relevant products. At the state or territory level, businesses may also face payroll tax, stamp duty and land tax. Payroll tax is calculated under state and territory rules, thresholds and rates vary by jurisdiction, and some contractor payments can also be included.

A commonly missed reporting obligation is the Taxable Payments Annual Report. Businesses in industries such as building and construction, cleaning, courier, road freight, IT, and security, investigation or surveillance may need to report payments made to contractors. The TPAR is generally due by 28 August each year.

This guide is general information, not legal or tax advice. Before locking in a structure, especially a company or trust, it is sensible to get advice from an accountant or lawyer, which business.gov.au also recommends before committing to or changing a structure.



EMPLOYER OBLIGATIONS AND SUPERANNUATION

If you hire workers, superannuation is a major compliance obligation. The super guarantee rate is 12% for salary and wages paid on or after 1 July 2025. For wages paid before 1 July 2026, super must reach the employee's fund by the quarterly due dates: 28 October, 28 January, 28 April and 28 July. The payment has to be received by the fund by those dates, not merely processed by you.

There is also a major upcoming change for small business guides to note. From 1 July 2026, Payday Super starts. That means employers will need to pay super at the same time as salary and wages are paid, and the contribution must generally be received by the fund within 7 business days, unless an extended timeframe applies. Some contractors paid mainly for their labour may also be entitled to super, so worker classification is critical. If a business still uses the Small Business Superannuation Clearing House, it needs to prepare now because that service closes at the end of 30 June 2026.



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RECORD KEEPING AND LODGMENT

Record keeping is a legal requirement, not just good practice. The ATO's general rule is that businesses must keep tax and super records for at least 5 years, although some records must be kept longer. That includes income records, expense records, tax invoices, receipts, payroll records, super records, BAS working papers, asset purchase and sale records, and contractor payment records. Good records support deductions, GST credits and accurate lodgment.

Lodging on time also matters. Businesses need to lodge annual tax returns and any required BAS, instalment notices, FBT returns or TPARs by the relevant due dates. Late lodgment can lead to penalties and interest. Unless you use a registered tax agent, 31 October is the standard self-lodgment due date for sole traders, partnerships and trusts, while company due dates may differ. Anyone charging a fee to prepare or lodge BAS should be a registered BAS or tax agent.

PRACTICAL COMPLIANCE TIPS

For small business owners, the most practical approach is to treat tax as an ongoing cash-flow issue rather than a once-a-year event. Set aside money from each sale for GST and income tax, reconcile bookkeeping regularly, use accounting software that supports STP and the upcoming Payday Super rules, review whether your workers are correctly classified, and use a registered tax or BAS agent where the business is becoming more complex. Those steps reduce errors, protect cash flow and make audit trails much easier to manage.

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