TaxSlayer
Your Business Hero

258 Dorset Road, Boronia VIC 3155
Ph: 1300 Tax Slayer (1300 829 752)
www.taxslayer.com.au

On The Money

March 2025

The information contained in the following articles is up-to-date and covers many topics that need to consider for your everyday life, or if you are running or starting a business. **The articles included below are**:

- Have you considered spouse contribution splitting?
- Exploring early compassionate release of super.
- Choosing the right structure for your business.
- Are payments made to Contractors considered as wages?
- Is it time for a website upgrade or makeover?
- Cash is King.

## Have you considered spouse contribution splitting?

Your individual total super balance (TSB) as of 30 June each year impacts your ability to implement various super strategies in the following financial year. This may include the ability to make non-concessional contributions when your TSB is over $1.9 million, utilising carry-forward provisions for

## Have you considered spouse contribution splitting?... (cont)

large concessional contributions when your TSB is below $500,000, or claiming tax deductions for personal contributions at ages 67–74 when your TSB is below $300,000.

The asset test for Age Pension only includes superannuation for individuals of pension age. If there's a significant age difference between spouses, directing more super to the younger spouse could potentially maximise Age Pension entitlement at retirement.

Spouse contribution splitting allows you to transfer up to 85% of your annual concessional contributions to your spouse's super account, subject to some key points:

- Eligible contributions include superannuation guarantee, salary sacrifice and tax-deductible personal contributions.
- Only contributions from the previous financial year may be split.
- The receiving spouse must be aged under 65, or 60–64 and not retired.
- The split is considered a rollover and doesn't affect the receiving spouse's contribution caps.

You must also check if see if your fund offers spouse contribution splitting, as it's not mandatory for all funds. This can be an effective tool in superannuation equalisation between spouses. Consider your unique circumstances and seek professional advice to ensure this approach aligns with your long-term financial goals.

## Exploring compassionate early release of super

Even though superannuation is designed for retirement, there are limited circumstances where you can access super early on compassionate grounds. The ATO oversees applications for the compassionate release of superannuation. Specific situations that may qualify include:

## Exploring compassionate early release of super… (cont)

- preventing foreclosure or forced sale of your home.
- medical treatment for you or your dependents.
- medical transport for you or your dependents.
- modifying your home or vehicle to accommodate special needs arising from severe disability.
- palliative care for terminal illness; and
- death, funeral or burial expenses for your dependents.

Generally, applications need to be for unpaid expenses and must be a single lump sum, not exceeding what's reasonably required.

Before applying to the ATO, it's crucial to contact your super fund. The fund can confirm if it will be able to release funds and advise on withholding obligations, fees and explain potential impacts on your insurance.

Remember, accessing your super early should be a last resort. It's your future financial security at stake. However, when faced with genuine hardship, it's reassuring to know that this option exists to help through difficult times.

## Salary sacrifice and your super

An important consideration in building your super balance is to salary sacrifice your earnings to make additional contributions to your super.

Your employer can make additional super contributions by salary sacrificing part of your earnings. This is treated as a concessional contribution and is taxed at 15% in the superannuation fund. However, this is compared to your marginal income tax rates if this was not sacrificed.

Potential benefits for the regular salary sacrificed superannuation payments include an acceleration in the growth of your super balance (which could make a big difference at retirement), and this will lower your taxable income and may help you pay less tax, stay in a lower tax bracket, reduce the Medicare Levy or qualify you for certain concessions.

## Choosing the Right Structure for your Business

Choosing the right structure for your business will significantly affect its legal and operational risk, asset protection, tax obligations, legal costs and clientele. There are four common business structures to choose from:

- **sole trader;**
- **partnership;**
- **company; or**
- **trust.**

You can change structures to accommodate your business's growth, but changing legal structures can often be very complex. Therefore, it is essential to think carefully when choosing the right structure for your business to ensure it best reflects your future goals.

### Types of Different Business Structures

### Sole Trader

**Sole Trader** is the simplest of the available business structures. As a sole trader, you manage and operate the business under your name. Such a structure is cheap and easy to set up. However, it is not very flexible and will not accommodate a growing business. The sole trader structure is most suitable for contractors, tradies, entertainers, home businesses, online stores, websites and most small businesses. The majority of small business owners in Australia are sole traders.

### Partnership

A **partnership** is an association of two or more people who carry on business as a partnership. Setting up a partnership structure is simple and relatively cost-effective. However, there are several disadvantages to the structure. Like a sole trader structure, partners are jointly responsible for the debts of the business. Therefore, It is crucial to consider who you enter into a partnership with, as all partners are equally liable for the other partners' actions. A partnership should have a partnership agreement in place, which sets out how the partnership operates.

### Company

A company structure is ideal when you are looking to grow and scale your business. A company is its own legal entity. Therefore, individual shareholders are only liable for debts or liabilities that the company incurs up to the amount unpaid on their shares (which is commonly zero). This limited liability makes this company structure suitable for high-risk businesses. The ability to raise capital and grow via the issue of shares makes this company structure the most suitable for startup businesses. The Corporations Act regulates companies who must abide by their statutory obligations and Constitution or Replaceable Rules. If your company has more than one shareholder, you should have a shareholder's agreement in place.

### Trust

You can use a trust to run a business. A trust will have an individual or corporate trustee who controls the trust. It is their job to distribute profits to the beneficiaries of the trust, per the trust deed. If a trust has an individual trustee, the trustee will be personally liable for the trust's debts. On the other hand, if a trust has a corporate trustee, its shareholders receive protection by the company's limited liability. A trust is not suitable if you require profits left in the business to help its scale, as a trust must distribute any income, or it will be taxed at the top marginal tax rate of 49%. Additionally, a trust may also require a unitholder's agreement (if it is a unit trust) and a shareholder's agreement (if it has a corporate trustee).

### Deciding on a Business Structure

When starting a business, one of the first things you should consider is which structure will have the best long-term benefits and reflect your future goals.

You will need to think carefully about:

- **the type of business you are going to run;**
- **its risk profile;**
- **plans for growth;**
- **the involvement of others; and**
- **how to come to decisions.**

Each structure has different upfront and ongoing costs. A sole trader is the cheapest to establish. Alternatively, more complicated structures, such as a trust with corporate trustees, incur higher legal set up costs and government fees.

The way that tax affects the different business structures will also factor into your decision. The profits made by sole trader businesses are considered personal income and are taxed as such. Companies pay 30% tax on their income but must keep financial records up to date and lodge annual tax returns and reports to ASIC. Using a trust structure may allow you to plan your tax, by streaming distributions to beneficiaries on lower tax rates.

| Business Structure | Sole Trader | Partnership | Company | Trust |
|---|---|---|---|---|
| Expensive to register | No | No | Yes | Yes |
| Difficult to set up | No | No | Yes | Yes |
| Complete control over decision-making | Yes | No | No | No |
| Limited Liability | No | No | Yes | Yes |
| Easy to raise capital | No | Yes | Yes | Yes |
| Easy to dissolve or sell | Yes | Yes | Yes | No |
| Tax benefits | No | Yes | Yes | Yes |
| Can I retain all profits made? | Yes | No | No | No |
| Can I change structures easily? | Yes | No | No | No |

## Ownership vs Control

Additionally, it is essential to consider how each structure is controlled and owned. It is best practice to engage a lawyer to ensure the documents governing each structure are appropriately executed to affect control and ownership distribution amongst the parties. Consequently, choosing the right business structure will allow you to manage the level of ownership and control you desire.

Sole traders wholly own their businesses and operate in their own capacity. Hence, both ownership and control personally reside with them.

The default position for partnerships is that there is a unity of ownership and control; however, the partnership agreement's provisions can refine this. It is crucial to consider how your partnership agreement will divide ownership and control between yourself and your partner(s).

There is a defined separation between the company's owners (shareholders) and its management (directors) in a corporate structure. Management can consist of owners, but this is not a requirement. While the management controls the business's day-to-day decision-making, the owners (shareholders) have the ultimate power to appoint and remove directors from the board. The company constitution typically governs this process; as the Shareholder's Agreement (if the company has one).

A trust structure is defined by the relationship between the beneficial owners (beneficiaries) and the legal owner (trustee). Whilst it is the trustee (legal owner) who makes the decisions concerning distribution amounts and investment strategies following the terms of the trust deed, the ultimate control of the trust resides with the Appointor, who has the power to replace the existing trustee with a new one.

## Are Payments Made to Contractors Counted as Wages?

If your business engages contractors, knowing when payments to them may be subject to payroll tax in each state and territory is essential. Each Australian state and territory has its own payroll tax legislation, with many jurisdictions (except for Western Australia (WA)) employing the "relevant contract" concept to assess whether contractor payments should be treated as taxable wages. Further, each state and territory has "employment agency contract" provisions that can apply when engaging contractors in labour-hire-type arrangements. This article explains the concept of relevant contracts, looks at common exemptions and WA's unique approach, and explains the employment agency contract rules.

### Common Law Employee

Payroll tax is generally payable on wages paid or payable to an "employee". The term "employee" is not defined in payroll tax legislation, which means it takes its ordinary, common-law meaning.

**When engaging contractors, you should assess whether, on balance, the contractor could be considered your employee at common law. If so, they will also be considered your employee for payroll tax purposes and potentially other taxes such as pay-as-you-go withholding, superannuation and fringe benefits tax.**

The following factors are generally what the state or territory revenue office would consider when deciding if a contractor is an employee:

- the degree of control the engaging entity has over the worker;
- how integrated the worker is into the engaging entity's business;
- whether the worker is engaged to achieve a specific result;
- which party bears the ultimate risk of carrying out the work;
- whether the work can be delegated/subcontracted;

- which party is responsible for providing the tools, equipment etc., required to complete the work;
- which party is responsible for business expenses while completing the work;
- whether the worker is subject to any restraints and/or exclusivity arrangements;
- whether the worker is entitled to common law employment entitlements (e.g. annual/sick leave); and
- whether the worker needs to wear a uniform.

**If the contractor is not considered an employee at common law, the payroll tax legislation may still deem the contractor an employee because of the relevant contract provisions.**

**Relevant Contracts in NSW, VIC, QLD, SA, TAS, NT and ACT**

In these states and territories, the concept of a "relevant contract" applies to determine payroll tax obligations for contractor arrangements. A relevant contract exists when:

1. there is a contract, undertaking or arrangement from one person to another person or entity; and
2. the person provides services for or in relation to work performance unless an exemption applies.

If the relationship fulfils the relevant contract test, the person providing the services is deemed an employee for payroll tax purposes. Likewise, the entity that receives the services from the person is deemed their employer.

**Each arrangement must be reviewed to determine if payroll tax applies to the payments made. While certain exemptions may allow you to exclude payments from payroll tax, it is essential to consider each contractor's role, the work arrangement, and the contract terms to make an accurate assessment.**

**Common Exemptions**


Several common exemptions can reduce or eliminate payroll tax liability for contractor payments. Recognising these exemptions can help you manage payroll tax obligations effectively. Each state and territory is different, so you must seek advice in the relevant states or territories. However, common exemptions include the following:

1. **Provision of Goods with Services**: many states and territories offer an exemption where a contractor's services are ancillary to them providing goods under their contract. For instance, if a contractor provides materials or goods integral to their service, payments may be exempt from payroll tax. This exemption is particularly relevant in fields where

contractors provide labour and materials, such as construction or manufacturing.

2. **Services Performed by 2 or More People**: a standard exemption applies when you engage two or more workers to provide the services under the contractor arrangement. Each worker must generally constitute a significant portion of the total work required under the contract.

3. **Short-term Engagements (Limited Days)**: in most states, contractors engaged for fewer than 90 days within a financial year may be exempt from payroll tax. This exemption can reduce your payroll tax obligations when hiring contractors for seasonal, temporary, or highly specialised work that does not extend over a prolonged period.

4. **Services Outside Core Business Operations**: Contractors engaged in specialised tasks outside your business's core functions where the contractor conducts a business of providing such services to the general public may qualify for an exemption. A typical example of this exemption includes specialised technical work that falls outside your business's daily operations, such as that of an electrician, a plumber, or a painter.

Some states and territories (such as VIC, QLD and SA) also specifically exclude certain classes of contracts from the operation of the contractor provisions. The excluded contracts are mainly owner-driver contracts, insurance sales agent contracts, and door-to-door sales agent contracts.

**It remains important to review and assess each contractor agreement individually to determine whether a particular exemption in that state or territory applies.**

### WA's Distinct Approach

Western Australia does not have the relevant contract provisions. However, payments to contractors could still be considered taxable wages in Western Australia if the contractor is considered an employee at common law.

### Relevant Contracts in the Medical Industry

The relevant contract provisions have recently been applied aggressively in the medical industry. In these cases, the revenue offices successfully argued that doctors were employees of medical centres for payroll tax purposes. This created significant uncertainty within this space. If you operate in this space, advice should be sought. You can read more about this here.

### Employment Agency Contracts

An employment agency contract exists when one party (*the employment agent*) procures a worker (*the service provider*) to provide services to the employment agent's client. The most common example of this is labour-hire arrangements. However, the revenue offices have broadly applied the employment agency contract rules in various contexts.

**Under an employment agency contract, the service provider is treated as an employee of the employment agent, who is considered their employer. Consequently, any payments made by the employment agent to the service provider are regarded as taxable wages for the employment agent.**

Unlike the relevant contract provisions:

- there are very limited exemptions which generally only apply where the client of the employment agent is a government body or not-for-profit organisation (however, not all jurisdictions have these exemptions); and
- all states and territories have employment agency contract provisions.

**Generally, where an arrangement could trigger both the employment agency contract and relevant contract provisions, the employment agency contract provisions will prevail. This can significantly impact businesses due to the limited exemptions available in employment agency contracts. As such, advice should be sought if your business involves these arrangements.**

Australian employers must determine if contractor payments are subject to payroll tax. First, assess if the contractor is an employee under common law. If not, most states and territories use the “relevant contract” concept. This can classify contractor payments as taxable wages even when they are not employees under common law. Specific exemptions exist for providing goods with services, short-term engagements, or contractors offering services to the public. In WA, payments to contractors are taxable only if they are common-law employees. Additionally, all states and territories apply “employment agency contract” provisions. This can classify contractors in labour-hire arrangements as employees for payroll tax purposes.

Review each contractor arrangement and seek advice from payroll tax experts to ensure accurate classification. This helps your business meet payroll tax obligations and minimise liabilities across jurisdictions.

**The greatest compliment we receive from our clients is the referral of their friends, family and business colleagues. Thank you for your support and trust.**

# Is It Time for a Website Upgrade or Makeover?

Courtesy of the internet, the business landscape has changed. In the old bricks-and-mortar world, your business' shopfront could last for decades but in the digital and social era, you need to keep up with changing trends. Failure to adapt in the digital age could be the difference between boom and doom.


Your website is often the first touch point with a prospective new customer so it's important that it makes a good first impression and meets their needs. Your prospective customers now turn to Google, your website and social media for answers. They start their buying journey browsing websites and gathering information, so your website is your silent salesperson, working 24/7, 365 days of the year. As such, your website is probably your most important marketing tool, apart from client referrals, and for maximum productivity you need to perform some routine maintenance.

Your website will always be a work in progress because Google and the other search engines crave fresh content. Remember, there's always a competitor looking to leapfrog you in the search engine page rankings for that key word or key term in your industry. With your website, if you think 'build it and they will come', think again. Your competitors are writing more blogs, adding videos, producing webinars and getting more Google Reviews to maintain or claim their own page 1 ranking. Why? Research suggests the first page of Google captures 71% of search traffic clicks. If you're not on page 1 you're not in the 'game'.

When assessing if your website needs a makeover or rebuild you simply need to ask one question: Is your website contributing to your business growth?

**Time to Update Your Website?**


Let's look at some of the warning signs that your business's website might need an update, refresh or even rebuild.

**1. It's Not You Anymore**

Businesses evolve and change. New products and new services are added to the mix. Does your website really reflect who you are and what you do? Are the graphics and images up to date? I recently visited another practice's website, and the owner was wearing a cardigan, and the photo was from the 1990's. Visual appearance is the first impression people get of your business and you need to look modern and fresh. If your website is a dog's breakfast, then it needs a refresh. More white space and clean images will help but most importantly, does your content tell your prospects that you can solve their problems? You need to use plain English and tell your visitors what they need to know. Spell out your products and services and educate them so they make an informed buying decision. Give them the answers to their questions and make sure you include 'calls to action' so they can take the next step and contact you.

**2. Responsive to Mobile Devices**

The majority of your visitors are increasingly accessing your site from a mobile phone or tablet. As such, your website needs to be responsive to these devices and re-shape so it can be easily viewed. You put a lot of effort into attracting visitors to your website, so you don't want to lose them simply


because your site doesn't adapt to the view on a mobile device. Check out your site right now on your mobile phone and if it isn't responsive, it's time for an overhaul and quickly.

**3. Loading Time**

Your website should take only a few seconds to load. If not, your visitor will move on and probably find one of your competitors. Prospects are impatient and want instant results. You must deliver a great customer experience and slow loading times are a customer killer. It tells the customer you are out of date and there could be a number of reasons why it is crawling, including the location of the server, large image files, bulky code, or an outdated content management system (CMS). The good news is they can all be fixed relatively easily by a webmaster. There are also plenty of tools on the web that check your website's loading time.

**4. High Bounce Rate & Low Session Times**

Your 'bounce rate' is the percentage of visitors who leave your site without navigating beyond the page they land on. High bounce rates indicate your visitors haven't found what they're looking for or there's no call to action to tell them what to do next. That might be contact us, buy now, subscribe to our newsletter, book your free consultation, download a demo or get your free sample. Session time is how long people stay engaged on your website. That comes back to your content providing the answers to their questions and encouraging visitors to click through to other pages on your site. You'll also find the session time is a Google ranking factor, so it is important.

**5. Content is King & Videos are Queen**


Most content has a use by date. It's easy to leave stale content on your site but products and services change so you need to update your content to reflect those changes. Relevant and interesting content that engages with your target market is the mission.

If you're looking for customers in the 18 to 34 age group, you can't ignore video content. Following on from the previous point, video is a proven method of keeping people on your site for longer periods and video marketing has become an important part of lead generation and SEO.

Video testimonials from satisfied customers can build trust and videos give your business a human face. They can be more effective than written text at presenting information and according to a study by Animoto, 73% of customers are more likely to make a purchase after watching a video that explains a product or service. Your videos can provide step-by-step instructions for solving common problems, you can do demonstrations and even use SEO tactics to increase your video's visibility by entering common search terms as video tags.

**In Summary**

This year security should be a top priority for your website and could be yet another reason for an update. An updated web design can increase conversions and new content should always be a priority. In any case, your website will always be a work in progress and a regular review of your website should be on the agenda.

# Cash is King

Cash flow is the life blood of any business but history shows its management remains a massive ongoing challenge for business owners. In fact, according to research by the Australian Bureau of Statistics, half of all businesses cease in their first three years of trading and 40% of that is due to poor cash flow and cash flow management.


In a stark wake-up call for Australian businesses, the latest insolvency data from ASIC paints a grim picture of the corporate landscape.

With a staggering 36.2% increase to 7,742 companies entering external administration from 1 July 2023 to 31 March 2024, it's clear that the aftershocks of the pandemic and the current economic climate are taking a heavy toll on businesses across the nation.

It's important for business owners like you to stay informed about these trends and understand the implications they may have for your own enterprise.

While external problems almost always generate cash flow issues, the main reasons for difficulties in the past year have been:

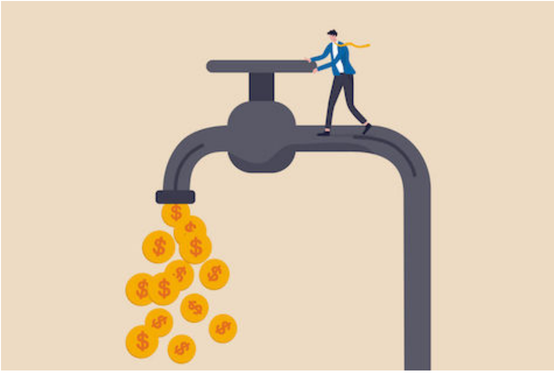
1. **Economic Uncertainty**: After the global economic turbulence of the past few years, 2025 is seeing lingering uncertainties in domestic and international markets. Rising interest rates, inflationary pressures, and fluctuating consumer demand have left many businesses struggling to manage cash flow.

2. **Post-Pandemic Fallout**: While government support during the COVID-19 pandemic provided temporary relief, the withdrawal of such measures has exposed underlying vulnerabilities in many businesses. Companies that relied heavily on subsidies are now finding it challenging to stay afloat.
3. **Increased Regulatory Scrutiny**: In 2025, regulators have already introduced stricter compliance and reporting obligations for businesses, particularly in industries like construction and retail. This has placed additional pressure on businesses that are already financially strained.
4. **Supply Chain Disruptions**: Ongoing global supply chain issues have continued to impact production costs and delivery schedules, affecting profitability and causing financial strain for businesses reliant on imported goods.
5. **Rising Operating Costs**: With increases in wages, energy prices, and other operational expenses, many businesses are finding it difficult to maintain their margins.

Business owns need to focus on cash flow at all times and always treat it as a business asset rather than a small business owner's personal one. You'll often hear the expression, "Cash is King" but for most small businesses that's the problem because it is also known as the "life blood" of a business. As such, its significance can't by underestimated. It also explains why tens of thousands of businesses are under pressure chasing outstanding debts as well as being buried in a pile of unpaid bills.

The Small Business Ombudsman (Kate Carnell) says the number one problem facing small business owners is the impact late payments from customers have on cash flow. Large companies often treat small suppliers "with contempt" and delay payment of invoices. She singled out large supermarket chains and transport companies as examples.

**Cash Flow vs Profit**



From an accountant's perspective, a lot of business owners don't understand cash flow. While they understand the concept of profit, they struggle to understand why their purchase of plant and equipment (such as computers, machinery and vehicles) don't appear on their profit and loss statement. Similarly, their loan repayments are also missing as are their tax payments to the ATO. There are other differences between your profit and loss statement and cash flow statement including depreciation and if you are a sole trader, your drawings. We are happy to explain all these variations with you because it is important that you understand your numbers.

Your cash flow forecast should include all funds that go in and out of your business and the purpose of the statement is to identify future cash flow shortages. It is a planning device that lets you predict when you might need to borrow money or extend the overdraft to deal with cash shortages.

**So, What Can You Do to Improve Your Cash Flow?**

There are plenty of free resources that aim to help small businesses manage their revenue and expenses, but sometimes spreadsheets and templates aren’t enough.

Firstly, understand the invoicing process including quoting and be crystal clear about the terms of your invoice. That might require having a legal document drawn up, so your customers understand your full terms and conditions including late payment penalties. Having your customers agree to your trading terms before you start working with them provides some degree of confidence regarding likely cash flow.

Next, examine your financial statements and understand the numbers beyond your profit and loss statement. Monitor where your money is being spent and see if you could cut some costs. Know your gross profit margin and monitor price hikes from suppliers and make sure you pass the extra costs onto your customers.

**Do cash flow projections because in business, forewarned is forearmed.**


Banks have an application process when lending money and it takes time. You can’t get a business loan in 24 hours so planning ahead is absolutely critical. We can provide you with a cash flow template if required and if cash flow is a concern, contact us today.