

TAXES

Understanding the Difference

We have put together this article to clarify the different types of taxes that you may pay

Individual Tax

Individuals' pay tax based on their taxable income, with different rates applied to different income brackets. Here's a snapshot of the tax rates for Australian residents for the 2024-25 financial year:

New tax bracket as follows

Which Tax bracket am I in?

Look at how much you earn in a year to determine.

\$0 – \$18,200 - Nil

\$18,201 – \$45,000
16c for each \$1 over \$18,200

\$45,001 – \$135,000
\$4,288 plus 30c for each \$1 over \$45,000

\$135,001 – \$190,000
\$31,288 plus 37c for each \$1 over \$135,000

\$190,001 and over- \$51,638 plus 45c for each \$1 over \$190,000

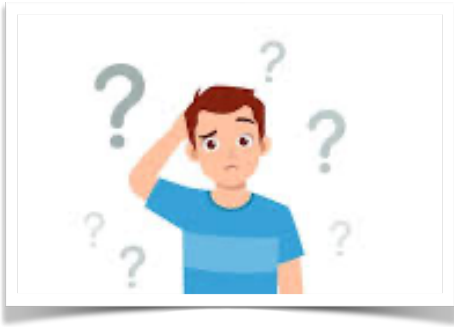


PAYG Instalments for Businesses and Employers

Tax management involves PAYG (Pay As You Go) instalments for businesses. Based on your most recent tax return, these are quarterly prepayments of your estimated annual tax liability, calculated by the Australian Taxation Office (ATO). This system helps businesses avoid large tax bills at the end of the financial year. If you receive an activity statement, it must be completed and lodged, otherwise the ATO will issue an instalment notice with the amount payable.

Employers must withhold a portion of their employee's wages to cover their income tax. This PAYG withholding ensures employees meet their tax obligations progressively throughout the year rather than facing a significant tax bill at the





Company Tax

The standard rate is 30%, but 'small or medium business' companies benefit from a reduced rate of 25%, provided they qualify as a base rate entity.

Here's how it breaks down:

•Small or Medium Business Companies: 25% tax rate

You are eligible for the reduced rate based on the company's aggregated turnover, with a threshold of \$50 million.

Why do I need to know the Difference

Understanding these tax fundamentals can help individuals and businesses manage their financial obligations more effectively.

Whether you're paying individual income tax, managing PAYG instalments, or calculating company tax, knowing the basics can simplify your tax experience and ensure compliance with Australian tax laws.

year-end. The withheld amounts are remitted to the ATO, either by lodging a monthly IAS or quarterly BAS statement for the period.

PAYG Withholding for Individuals

Pay-as-you-go (PAYG) instalments are a system for making regular payments towards your expected annual income tax liability. It only applies to you if you earn business and investment income over a certain amount.

The Tax Office will notify you, or us on your behalf, if you need to start paying by instalments under the PAYG instalment system.

As an individual or sole trader, since 1 July 2015, if you have a myGov account linked to the Tax Office, you have the convenience of viewing, lodging, paying, varying, and managing all your PAYG instalment obligations online, making it easier to stay on top of your tax responsibilities.

What about GST?

In Australia, the Goods and Services Tax (GST) is set at 10% and is overseen by the Australian Taxation Office (ATO).

It applies to most goods and services sold or consumed within the country, except for essential food items, medical services, and educational courses.

Businesses collect GST on behalf of the government, incorporating it into the price of their goods and services. Companies must register for GST if their annual turnover surpasses a specific threshold and regularly report and remit GST to the ATO.

ATO Integrated Accounts

An *Integrated Client Account (ICA)* is an account for taxes other than income tax.

It also shows your business's lodgment behaviour, such as a payment history to the ATO and any outstanding debts.

