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## Common small business tax misconceptions

in [Money](#) by Nigel Bowen

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Galaxy Research recently conducted a survey on behalf of American Express of more than 1,000 Australian small business owners to discover what they knew about the taxation system. The short answer? Not as much as they need to steer clear of heavy ATO penalties. In the interest of helping you avoid either over- or under-claiming while doing your tax return for the 2012-13 financial year, here are some facts you should keep in mind.

### You can't claim up to \$300 worth of deductions without receipts

The study found that as many as 46 per cent of small business owners wrongly believe they don't require any evidence for the first \$300 worth of deductions. If you want to know how trying this will go down with the Australian Tax Office (ATO), imagine your reaction if one of your employees told you they wanted to be refunded \$299.99 for unspecified 'work expenses' but couldn't supply any receipts.

### You only have to register for GST once you're turning over more than \$75,000

A whopping 65 per cent of small businesspeople mistakenly believe the figure is \$50,000. In their defence, that was once the threshold, but it was raised to \$75,000 in 2007. While there may be advantages to levying the GST while turning over less than 75K, there's certainly no obligation to do so.

### There's a chance you can't claim what you think you can, and you can claim what you think you can't

The survey found 44 per cent of small business owners believe they are entitled to claim more than they are actually allowed to but, paradoxically, are unaware of the legitimate deductions they can submit for entertainment expenses.

### There are big tax breaks for purchases under \$6,500

Want some good news? There are attractive tax breaks for any asset purchases you made under \$6,500 in the 2012-13 financial year. Incredibly, 40 per cent of small business owners are in the dark about this, a knowledge gap that could end up costing them thousands. On a related note, one in two home-based small business owners are oblivious to the write-offs they can claim for equipment purchases.

### Young small business owners are worryingly uninformed

As might be expected, those in the 18 to 34 age group were disproportionately unsure of their taxation rights and obligations. For example, over half are not aware that errors in their tax return are their responsibility, not their accountant's, while around a quarter mistakenly believe they can only write off asset purchases of under \$1,000. Be warned, youngsters – the ATO doesn't make allowances for lack of business or life experience with those who've submitted incorrect returns.

Given the complexity of Australia's taxation system, it's not surprising that even otherwise-savvy small businesspeople are confused when it comes to doing their tax.

Nevertheless, you as a business owner are still required to meet your tax obligations, and risk serious penalties if you get things wrong. Ideally, you should have a professional looking after your tax, but if you don't you can always ring the ATO for free advice if you're confused about anything.

#### Source:

Galaxy Research, May 2013 – Conducted online among a representative sample of 1,003 small business owners with an annual turnover of up to \$2 million.

*This article represents the views of the author only and not those of American Express.*

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