

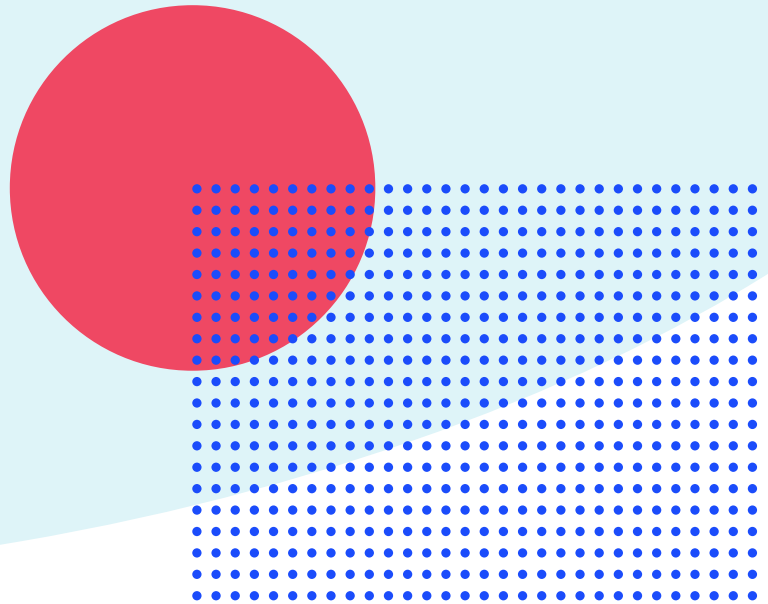


Start freelancing in 30 days

A step-by-step guide for Aussies who are ready to set up their business and start earning money (the right way)

Part 2 » Preparing your finances for freelance success

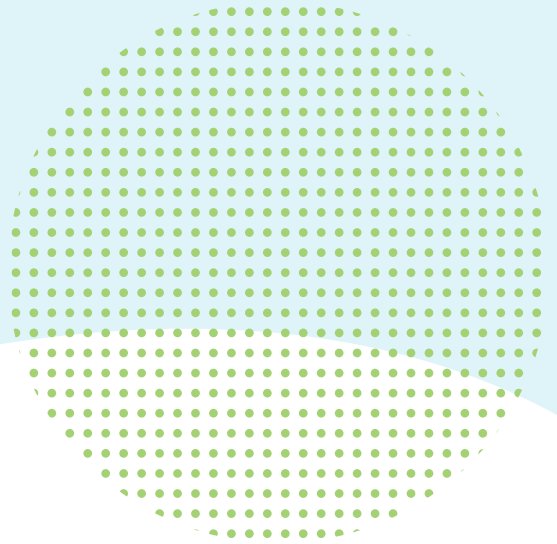
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Introduction

How to use this guide



// I love owning my own business, but managing my money is a headache! **//**

Staying on top of finances is definitely one of the hardest parts of being a freelancer. There are so many new terms to learn and deadlines to watch — not to mention, you need to get paid!

We get it. We created Rounded to take the stress out of the financial side of freelancing, so you can focus on running your business.

In this guide series, you'll find all of our best advice for setting up your freelance business for success. There are three guides in the series:

Part 1 » [Setting up your freelance business](#)

Part 2 » [Preparing your finances for freelance success](#)

Part 3 » [Finding your first clients](#)

You are here

This guide will show you how to:

- ✓ Set financial goals for your business
- ✓ Determine a realistic budget
- ✓ Open business banking accounts
- ✓ Make the most of business expenses
- ✓ Prepare for tax time and PAYG
- ✓ Register for Goods and Service Tax
- ✓ Start filing Banking Activity Statements

Ready to get started?

Let's get your business set up for financial success.

– *The Rounded team*



Hey! Before you get started...

We recommend all freelancers begin this process with a tax accountant in their corner. These professionals can make sure you are ticking all the right boxes as you make your way through this guide.

[How to find the right tax accountant](#)



Setting your financial goals

Find out how much you need to make, and how to monitor your progress



Chapter Checklist

Est. time to complete: 1–5 days

- Create a rough budget for yourself
- Learn what to expect with taxable income
- Make a plan for earning this year

Whether this is your first or fifteenth year running your own business, it's important to set clear financial goals. Doing so can help you:


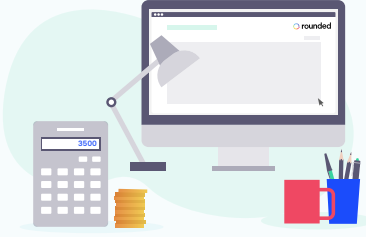

- ✓ Set the right prices for your services
- ✓ Determine how many clients you need to bring on
- ✓ Plan a good marketing strategy
- ✓ Find places where you can save money
- ✓ Budget and plan your life outside of work

To get started, you need to get a sound understanding of your current spending habits.



Here's a quick table you can use to start adding up your various expenses. Copy these over into a spreadsheet, or get out a pen, paper, and calculator.

Monthly Budget Estimate

Living Expenses	Business costs	Lifestyle costs
 <ul style="list-style-type: none"> Housing costs Utility bills Phone and internet bills Grocery costs Loan or debt payments Vehicle or public transit costs 	 <ul style="list-style-type: none"> Equipment costs Software and apps Office supplies Business travel expenses 	 <ul style="list-style-type: none"> Restaurants and take out Entertainment events Holiday costs Shopping expenses

Once you have a good idea of how much you spend each month, multiply that figure by 12 and you'll know roughly how much you need to earn this year.

How taxes factor in

The figure above represents how much money you want to have *after* taxes.

When you own your own business, you're responsible for setting aside money for taxes (more on that coming up). So now let's figure out how much additional money you need to make to reach your budget goals.

To do that, take a look at this tax bracket chart, or use [this tax calculator](#) to determine how much you'll need to put away for tax time.

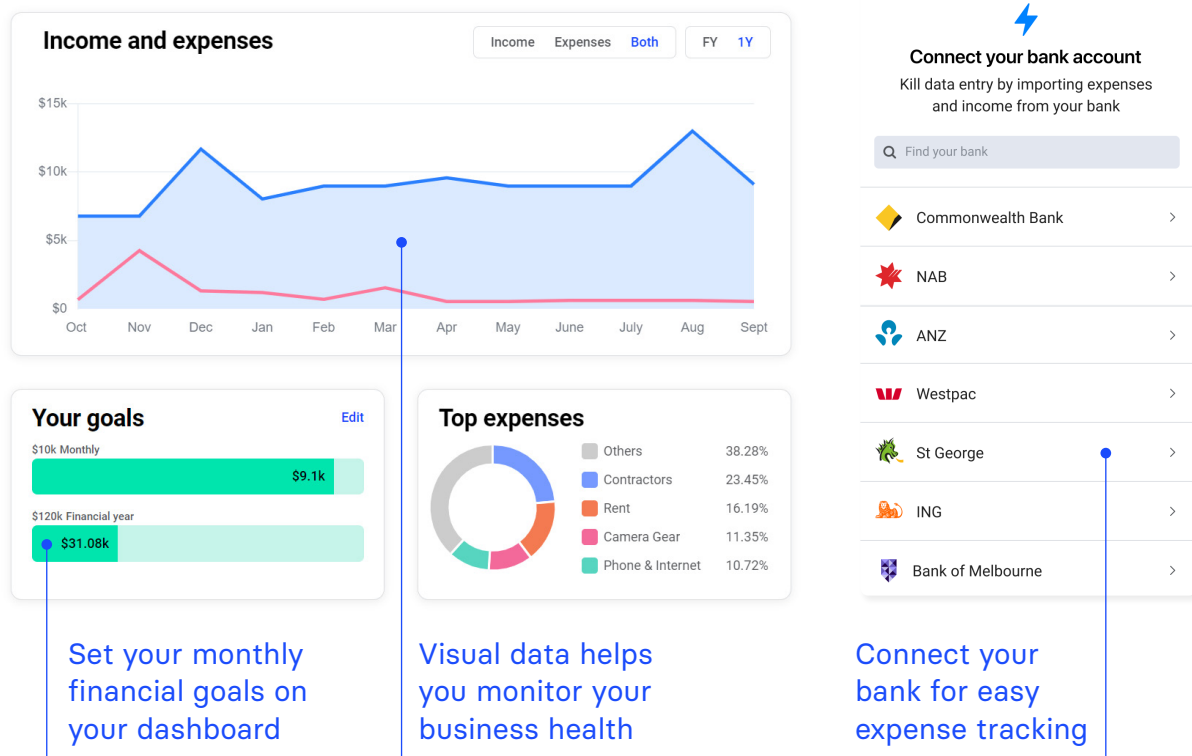
Taxable income	Tax on this income
0–\$18,200	Nil
\$18,201–\$37,000	19c for each \$1 over \$18,200
\$37,001–\$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$90,001–\$180,000	\$20,797 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$54,097 plus 45c for each \$1 over \$180,000



Now, add the amount you'll need for taxes onto the annual amount you need for your budget, and divide the whole thing by 12 once again. This is the average monthly amount you need to bring in over the next year.

As a freelancer, it's natural for your income to go up and down each month, especially as you're just starting out. But having this average goal will help you make sure you're on track through those peaks and valleys.

Track and meet your financial goals with Rounded



Set your monthly financial goals on your dashboard

Visual data helps you monitor your business health

Connect your bank for easy expense tracking

[Start your free 14-day trial →](#)

Opening up a business bank account

- Find out what kind of bank accounts you need
- Learn what to look for in a bank account
- Set up your accounts and start sorting your money

Up Next
→

Opening a business bank account

Learn how to set up the right accounts to keep your money organised

Chapter Checklist

Est. time to complete: 2–7 days

- Learn the basics of business bank accounts
- Review what to look for when finding a bank account
- Choose a bank and set up your accounts

Business bank accounts are incredibly useful for freelancers. They are free to set up, and can help you manage:

- Payments received from clients
- Money spent on your business
- Quarterly and annual tax payments

It may be easiest to set up your business bank account where you do your everyday banking. That way, you'll be able to easily transfer money from one account to another.

If you plan on shopping around for the right bank account, here are some questions to keep in mind:

- Are there excessive monthly fees or ATM charges?
- What is their online or mobile banking service like?
- Do they offer any perks, like cash back or a bonus for opening the account?
- Does it come with a bank card to use for purchasing?

How to register for an ABN

[Read the full article](#) →



When you've decided what bank you want to use for your business, it's typically a pretty straightforward process to set up. You may be able to set up the accounts over the phone, but you can also visit a branch in person. (Call ahead to see if you need an appointment.) Be sure to bring identification and your Australian Business Number with you.

Start tracking your business expenses

- Learn what you can and cannot claim as an expense
- See ways to save money on taxes every year
- Find out how to easily track and report your expenses

Up
Next



Start tracking your business expenses

Chapter Checklist

Est. time to complete: 1–2 days

- Learn what can and can't be claimed as an expense
- Print out the cheat sheet for easy expense claiming
- Learn how Rounded makes it easy to track and manage expenses

Tracking your business expenses is one of the most important parts of managing your freelance business. Having a good tracking process will help you save money and avoid headaches when it comes time to pay taxes.

Below we cover the basics of what can and can't be claimed as an expense. However, this is very nuanced information, so it's always best to speak with a tax accountant and review the [official ATO website regarding deductions and expenses](#).



**What can you claim on tax?
A guide for freelancers**

[Read the full article](#) →

Follow these rules when claiming expenses

- 1** The expense must directly relate to operating your business, not personal use.
- 2** If the expense is for both business and personal use, you can only claim the portion of the cost that is used for your business.
- 3** You must have records to prove it. Often this means a receipt, though there are exceptions to this rule for vehicle and home office running expenses, as well as uniform expenses. [Learn more here](#).
- 4** Always speak with a certified tax accountant before submitting your expense claims to the ATO.



Expenses Cheat Sheet for Freelancers

Can be claimed as an expense



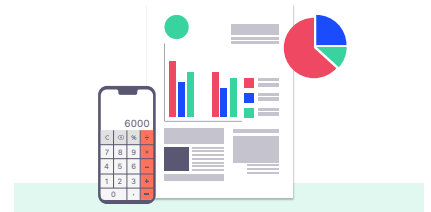
Home office expenses

- Home office equipment
- % of phone bill used for business
- Office supplies
- % of internet bill used for business
- Home office repair costs
- Computer/equipment repairs



Vehicle and travel expenses

- Fuel and oil used for work
- Vehicle repairs
- Motor vehicle loan interest
- Vehicle lease payments
- Motor insurance premiums
- Work-related travel costs



Business operation expenses

- Marketing costs
- Accounting fees
- Business banking fees
- Software subscription fees

Cannot be claimed as an expense



- Entertainment costs
- Childcare fees
- Personal expenses
- Traffic or parking fines
- Costs of running a side-business
- Personal travel expenses



*Source: <https://www.ato.gov.au/Individuals/Income-and-deductions/Deductions-you-can-claim/>

*This graphic is meant only as a general guide. Be sure to review the ATO's website for more information. Always speak with a certified tax accountant when reviewing your expenses.



Easy expense tracking with Rounded

Connect your bank account
Kill data entry by importing expenses and income from your bank

Find your bank...

- CBA
- ANZ
- NAB
- Westpac
- St. George
- Bankwest
- Bendigo

Rounded connects seamlessly with hundreds of banks

Recurring expenses

- Web hosting yearly fee
- Q Suite monthly fee
- Adobe Creative cloud subscription
- Canva subscription
- Spotify subscription
- Home broadband
- Microsoft Office
- Analytics fee
- The Scale subscription

New recurring expense

Total: \$ 64.95
Include GST: \$ 5.90
Start on: 26 Nov, 2021
Repeat: Monthly
Business use: 100 %
Category: Phone and internet
Vendor: Vodafone
Description: Monthly business phone bill

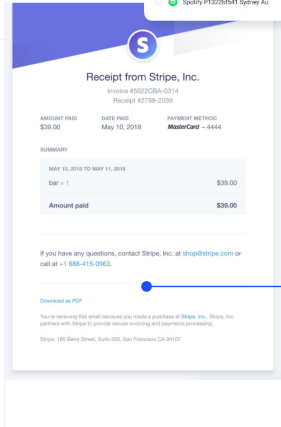
Auto track recurring expenses and easily mark expenses with one click

Bank feeds

Account	Transaction type	No. date range	Specify
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			
*Spotify P1371760d1 Sydney Au			

Add expense

Total: \$ 39.00
Date: 28 Sep, 21
Business use %: 100 %
Include GST: \$ 3.55
Category: Credit card fees
Vendor: Stripe
Assign a client:
Description: Stripe Payment with receipt



Drag and drop your receipts for safe storage

Get a grip on your expenses →

Decide if you need to register for GST

- Learn everything you need to know about GST
- Decide if you need to register for GST
- Learn how to register (if necessary)

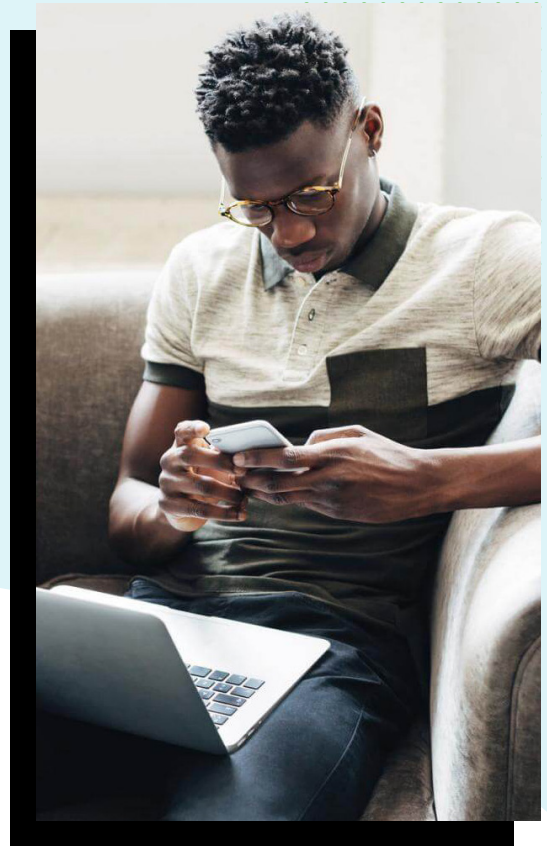


Decide if you need to register for GST

Chapter Checklist

Est. time to complete: 1–2 days

- Learn what GST means
- Find out if your business needs to register for GST
- Follow the steps and register (if necessary)



You may have heard the term GST before. It's a tax on goods and services sold in Australia, first introduced in July of 2000. (That's why they call it a Goods and Services Tax.)

In the vast majority of cases, GST is a 10% tax. Ultimately, consumers are the ones who end up paying GST, but it's up to businesses providing goods and services to charge their customers GST and pass those earnings on to the Australian Tax Office.

We've covered the basics of GST below, but we recommend reading our [full guide to GST](#).

Who has to register for GST?

You must register for GST if you expect your gross income from your business to be \$75,000 or more in a single tax year. (Your gross income is the money you make before taxes and deductions.)

You only need to register if you expect to make \$75,000 from a single business. For example, if you are only earning \$35,000 from your side business, but you have another employer who is paying you \$50,000 per year, you would NOT need to apply for GST.

What freelancers need to know about GST

[Read the full article](#)



How to register for GST

Step 1

Log in to your business portal

Visit the [ATO's Business Portal](#) and set up an account. You will need your ABN to do this (see the previous section for directions on how to apply for one). It's a good idea to familiarise yourself with the business portal, because you'll use it frequently as a sole trader.

Step 2

Navigate to your Registrations screen

Once you're logged into Business Portal, you'll see a small pop-up window. From the left-hand menu, select "Business registration details." From there, you'll see a screen with your basic information. Scroll to the bottom where it says "Select one of the following options to view these details." Then select "Registrations" from the box and hit "Next".

Select one of the following options to view these details Update

- Main trading names
- Other trading names
- Postal addresses
- Business addresses
- Email addresses
- Contact details
- Tax agent details
- Registrations
- Financial institution details

Only roles, branches and related information you are authorised to view will be displayed

Printer Friendly Version Next

Step 3

Choose your account and tax type

On the next screen, you should see your accounts listed, including one that will say something like "Activity statement." Select this, then hit the "Tax type summary" button.

Step 4

Select add GST and enter your details

Next, you'll see a list of tax types to add. You'll want to select "Goods and Services Tax," then hit next. On the next screen, you'll be asked to enter your details.

Step 5

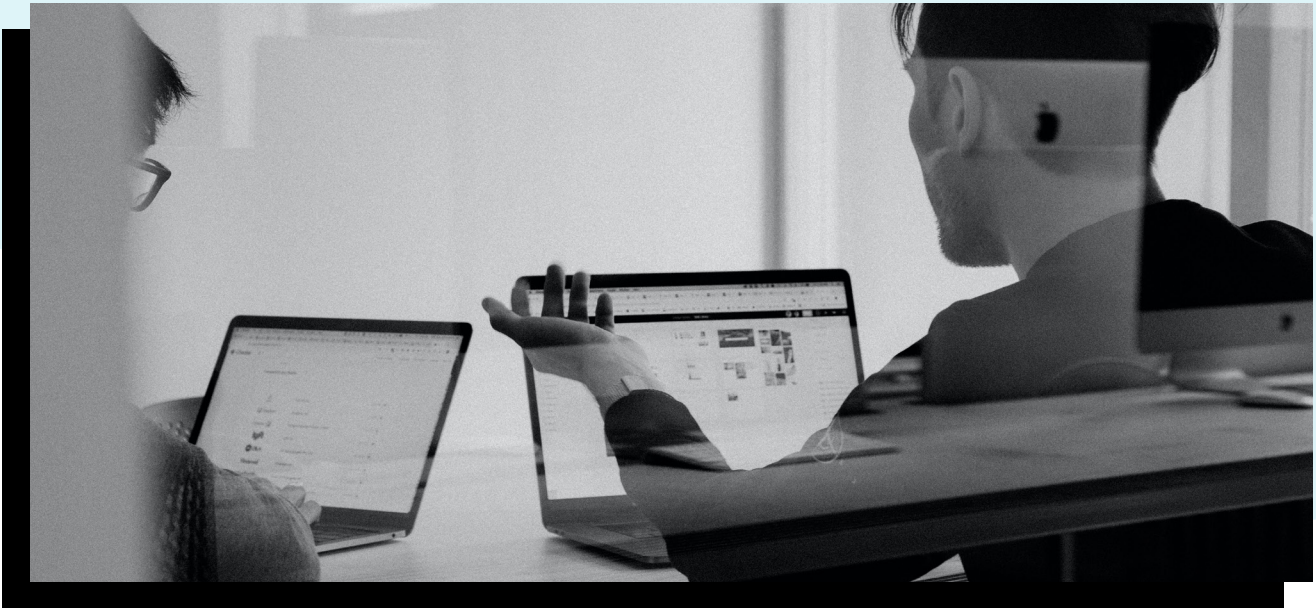
Choose cash or accruals

When filling out these details, you'll have the option to choose between cash and accruals. For freelancers and sole traders, "Cash" is the most common option, but double check with your tax accountant before making this decision.

Step 6

Submit your application and verify

On the next screen, you'll be prompted to submit your information and authorise the submission. Done!



When to register and start charging GST

You can apply for GST whenever you like, even if you aren't earning \$75,000 a year yet. You can also wait to apply for GST until you are approaching that threshold.

However, it's a good idea to start charging GST to your clients right away if you think there's a chance you will reach \$75,000. That way, you won't end up owing GST on early transactions when you didn't add the 10% charge.

If you aren't a Rounded user yet, you can use [this GST calculator](#) to find the right costs.

When clients pay those invoices, you just need to hold onto the amount paid in GST until it's time to submit payments to the ATO.

Charging for GST is simple, **especially if you're a Rounded user.**

Our smart invoices make it easy to automatically charge GST on a client-by-client basis. We also will title the invoice "Tax Invoice" if you are charging GST — that's a small but important requirement from the ATO.

Preparing for PAYG payments and BAS filing

- Find out what you need to know about PAYG
- Learn the basics of BAS filing
- Follow our guidance to submit PAYG and BAS on time

Up
Next
→

Preparing for PAYG payments and BAS filing

There are two more important terms sole traders need to understand: **PAYG** and **BAS**. We've got a breakdown below — keep these pages handy, so you can refer to them at tax time.



How to prepare for PAYG

What is it?

PAYG stands for Pay As You Go, and it's the method the ATO uses to spread tax payments throughout the course of the financial year (usually quarterly).

What do freelancers need to know?

If you expect to earn more than \$4,000 in business income per tax year, then you'll most likely be required to make PAYG instalments.

How do you know how much to pay each quarter?

The ATO starts sending PAYG activity statements to eligible people following the end of financial year (June 30th).

Prepare your business for PAYG

[Read the full guide](#)



When you receive your first PAYG instalment notice, the tax office will use your most recent tax filing information to give you an amount to pay. This can be a bit tricky for freelancers, as your pay is likely to change as you transition from full-time employment to full-time freelancing.

You may want to vary your PAYG instalments for this reason — that's when you elect to pay a different amount, based on your own estimate.

Try using this [free PAYG instalment calculator](#) to get a better estimate.





How to pay your PAYG instalments

- 1 Visit your [MyGov portal](#) and link your MyGov and ATO accounts.
- 2 Wait to receive a PAYG Instalment Notice or Instalment Activity Statement in your MyGov inbox.
- 3 With these forms, fill out the basic information regarding your income, expenses, and investments.
- 4 You will then have an option to make the payment from a bank account, or use a credit card for a fee.

The freelancers guide to BAS

[Read the full guide](#)



How to create and submit your Business Activity Statements (BAS)

What is it?

Your Business Activity Statement is a form you will most likely need to submit to the Australian Tax Office summarising all of your Goods and Services Tax (GST) activity over that period of time. It's submitted quarterly, typically at the same time as your PAYG instalments.

If you are charging clients GST, chances are you will be required to submit this form.

How do you estimate your BAS?

The ATO will send you a form in your MyGov account inbox that asks for three pieces of information:

1. The total earnings for your business over the quarter (line G1)
2. The GST charged to clients over the quarter (line 1A)
3. The GST you paid on business expenses over the quarter (line 1B)

If you're a Rounded user, it's quite easy to find all this information in the "Activity Statement" section of your reports. Rounded automatically tracks the GST you charge to clients, and the GST you pay on your business expenses. All you need to do is copy these figures into the ATO's form, and you're ready to submit.

When do you need to submit your BAS forms?

The ATO will send you an alert via the MyGov portal before you need to make payments, but it's still a good idea to mark down these BAS due dates.

**Dates as of 2021-22*

Quarter 1

Due date:



Period:
July–September

Quarter 2

Due date:



Period:
October–December

Quarter 3

Due date:



Period:
January–March

Quarter 4

Due date:



Period:
April–June

Tax payments made simple

Rounded reporting gathers all the information you need to file your PAYG instalments and Business Activity Statements

Activity Statements

- October - December 2021
- July - September 2021
- April - June 2021
- January - March 2021
- October - December 2020
- July - September 2021
- April - June 2021
- January - March 2021

January - March 2021

G1 Total Sales	\$26,854
1A GST on sales	\$2,441
1B GST on purchases	\$1,176

PAYG Contribution for the quarter

\$3,983

Mark BAS as completed

Done

Cancel

See how it works





Well done!

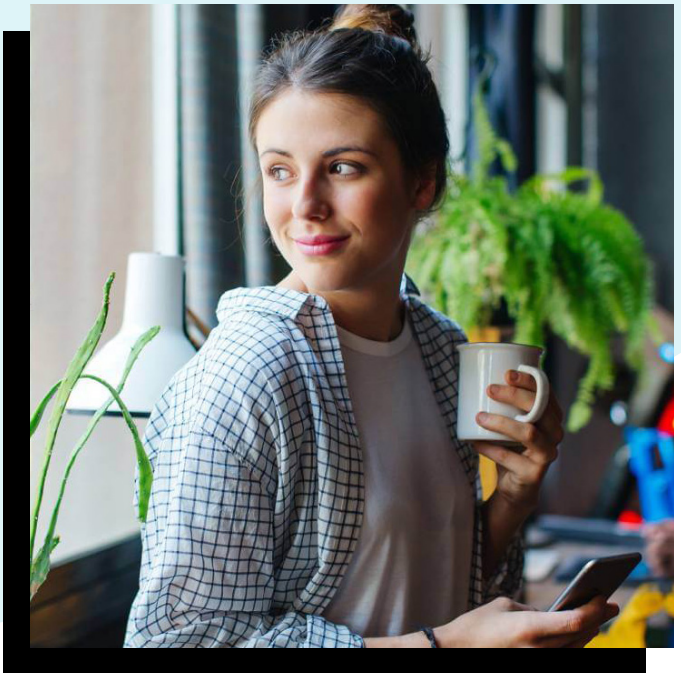
You've learned some of the most important information for freelancers who want to maximise their finances.

It's a lot to take in, but it will make your first year as a freelancer a lot easier.

Speaking of which, now that you're all set up financially, it's time to start bringing in your first clients. We've got you covered in our next guide, which you have hopefully already downloaded.



On the road to freelance success



Congratulations! If you've followed our guidance in this guide, you've got a reason to celebrate. The steps you've taken in these early stages will be paying off for years to come.

While it's impossible to predict what will become of the business you've started, one thing is for sure — you are already laying the groundwork for what will be a very successful career as a freelancer.

Over the coming months and years, you'll be growing your business. You'll bring on new and exciting clients, discover processes and ways of working that make your job easier, and make new connections with others who have followed the same path as you.

The team at Rounded will be here as you grow your business as well. If you haven't yet, come sign up for a free 14-day trial and see why so many Australian freelancers use Rounded to manage their finances.

[Start your free trial](#) →

Want more of our best advice and resources for freelancers?

Join the Rounded Freelance Community

