



The **Ultimate** **Guide** to **Freelancer Taxes**

For Australian freelancers and sole traders

Updated for the FY2023 Tax year

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CHAPTER 1

Introduction: Getting ready for tax season

|| When it comes to taxes, freelancers don't need to feel lost



Let's face it — **no one** likes doing taxes.

But for freelancers, the End of the Financial Year can be especially daunting. You have to maintain day-to-day operations while figuring out things like business expenses, PAYG instalments, and banking activity statements.

We're here to help.

Rounded brings together all of the tools and resources you need to manage a successful freelance business in Australia. That includes this guide.

We teamed up with CPA & registered tax agent Holly Shoebridge, of [Oceans Accounting + Advisory](#), to answer your sole trader tax FAQs and guide you through the process of filing your taxes.



In this guide, you'll learn:

- ✓ Important terms and dates for filing taxes
- ✓ How to estimate your taxable income
- ✓ How to cut down your tax bill with business expenses
- ✓ Everything you need to know about GST
- ✓ How to file your BAS and PAYG instalments
- ✓ How to make taxes easier for next year

How to use this guide:



If you worked as a sole trader this past financial year...

This guide will help you review your year and file your **annual tax return** for the current financial year.



If you're planning to work as a sole trader any time after June 30 of this year...

This guide will help you understand how to be **ready for tax time** in the future.

When you've finished reading through the guide, you'll be ready to submit your tax return and **breathe easy** knowing you've ticked every box.

– The Rounded team



Hey! Before you get started...

In this guide, we've included all of the essential information you need to file your taxes, but everyone's tax situation is unique. This guide does not constitute financial advice and we strongly recommend consulting a tax professional to get advice tailored to your individual circumstances.

Find out if you need an accountant, a bookkeeper, or both →

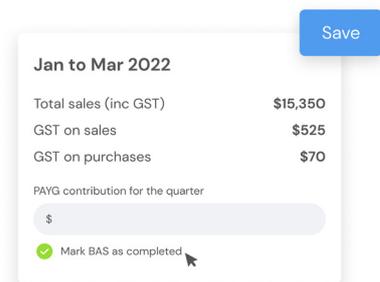
Run your business. Don't let it run you.

Rounded makes it easy for any freelancer to manage their taxes. You stay in control of your business — Rounded just makes it easier.

You want to stay in control of your business, but you don't want to spend all your time tracking expenses one by one or chasing up late invoices. Rounded lets you stay in the driver's seat, while simplifying the money side of your business, so you can **focus on what you do best.**

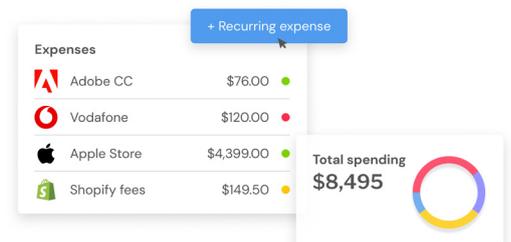
Take Care of Taxes at Lightning Speed

Rounded's reports make it easy to pull all the figures and info you need to file your freelance taxes. We keep track of GST and what you owe for BAS, so you can file in just a few clicks and get back to running your business.



No More Surprise Tax Bills

Stay on top of your expenses, save copies of your receipts, and monitor your finances all year long. With that kind of foresight, you'll never get hit with a surprise tax bill again.



Instant Access for Your Tax Accountant

Working with a tax agent? Grant your accountant secure access to your Rounded account, so they can check over your income and expenses and make sure everything is in order.

Invite

Accountant's email address

Email

Accountant can edit my data

Allow access to my bank feeds

Can change my GST registration status

Need help uploading your info into Rounded?

Our customer service team will happily review your current financial data and recommend the easiest way to get it into your Rounded account. Just message us on our live chat once you've signed in, and we'll get started!

[Start your free 14-day trial →](#)

Vital Information: Glossary, Dates, and Checklist

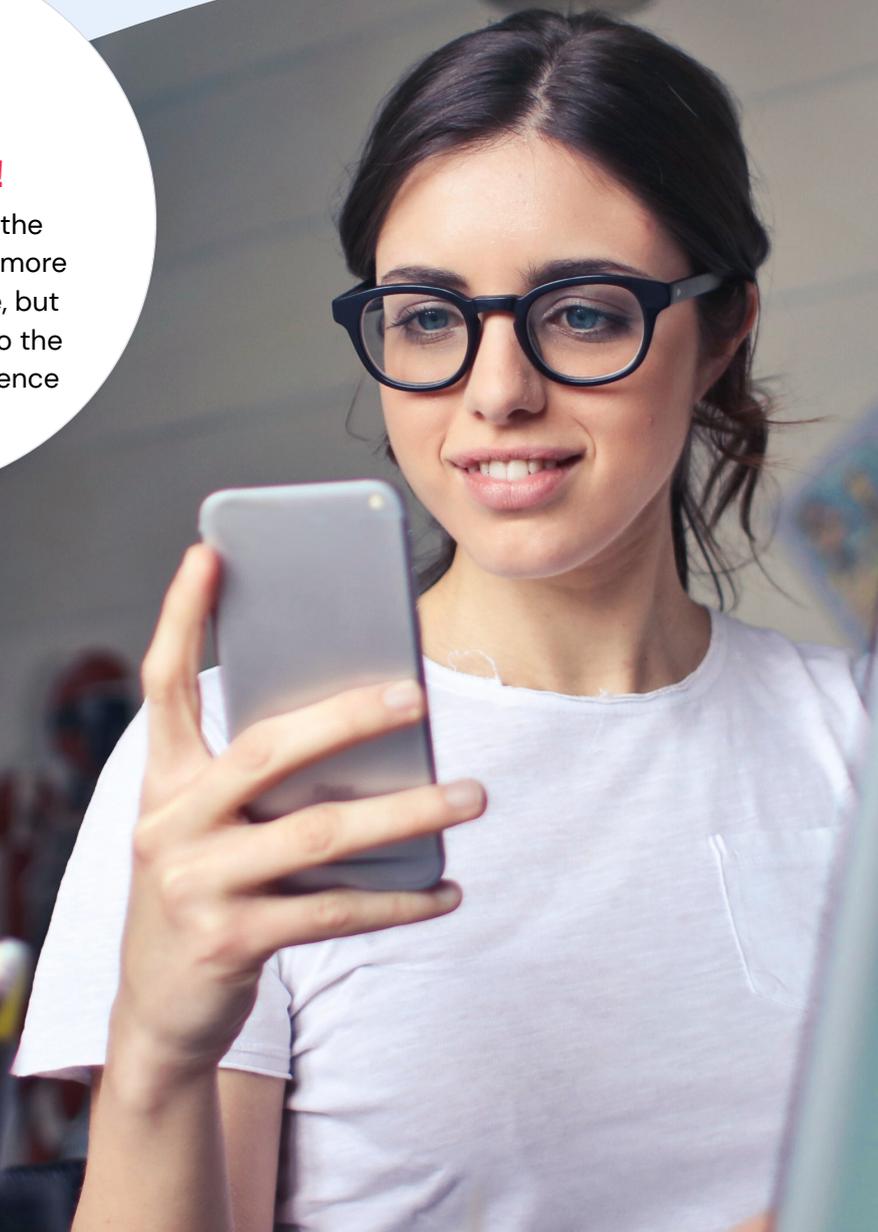
Essential information you need *before* you start

- Understand important terms we'll use throughout this guide
- Learn when PAYG instalments and annual taxes are due



**Keep this first
section handy!**

We'll go through all of the terms in this chapter in more detail later in this guide, but be prepared to return to the following page for reference as you read!



To get started, let's cover a few of the terms you'll need to understand to get your taxes done and dusted.

Glossary of Tax Terms

 <p>GST Goods and Services Tax</p>	<p>GST is a 10% tax charged on goods and services sold in Australia. Freelancers earning more than \$75,000 a year from their business usually have to collect this fee on their invoices.</p> <p>Also, you are likely to be charged GST on some products and services you use. You can claim this back at tax time.</p>
 <p>BAS Business Activity Statement</p>	<p>BAS is a form businesses must submit to the Australian Tax Office, usually on a quarterly basis. It summarises:</p> <ul style="list-style-type: none"><input type="checkbox"/> Your gross income for the quarter<input type="checkbox"/> The GST you charged clients over the quarter<input type="checkbox"/> The GST you paid on business expenses <p>When you submit your BAS, you'll also submit a payment covering your PAYG instalment (see below) and the balance of your GST. (GST you charged minus GST you paid on business expenses.)</p>
 <p>PAYG Pay As You Go</p>	<p>The ATO's PAYG system spreads out tax payments throughout the financial year, typically quarterly. Most freelancers are required to make PAYG instalments.</p> <p>The ATO will use your annual tax return from the prior year to estimate how much you owe for Q1 of the coming financial year.</p> <p>They will either assign you a flat rate dollar amount (like \$1,000 quarterly), or give you a percentage as an instalment rate, like 17% of what you earn.</p> <p>Sole traders can adjust their instalments to more closely reflect their income each quarter, and then avoid over or underpaying.</p> <p><i>Note: These types of PAYG payments are called PAYG-I, which stands for "Individuals." PAYG-w stands for "withholding," which is when you withhold instalments on behalf of your employees.</i></p>
 <p>EOFY End of Financial Year</p>	<p>June 30th is the last day of the financial year, which makes July 1st the first day of the new financial year.</p> <p>Your tax return for the financial year that's just ended must be filed by October 31st if you are lodging on your own, and May 15th if you are filing with a registered tax agent.</p>



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**.

Quarter 1
July–September



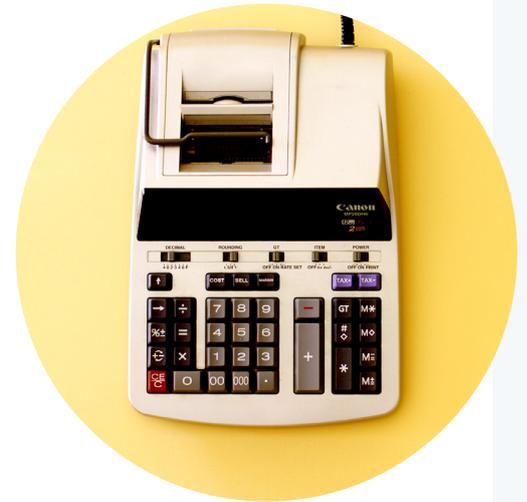
Quarter 2
October–December



Quarter 3
January–March



Quarter 4
April–June



When is your annual tax return due?

In addition to quarterly tax payments, sole traders still need to file an **annual tax return**. We'll show you how to do that later in this guide.



Ask a professional:

What's the difference between quarterly tax payments and your annual tax return?

Your annual tax return is a summary of your business activity over the entire financial year that's just ended. When you file this, you're giving the ATO information about:

- The income you earned over the financial year
- The business expenses you had over the financial year

The ATO then uses this information to estimate your quarterly PAYG payments over the **coming** financial year.

Your fourth quarterly payment for the financial year may happen around the same time as your annual tax return, but they are not the same thing. You always need to file an annual tax return, as well as all four quarterly payments each year.

CHAPTER 3

Calculating your taxable income

The first steps to completing your taxes

- Learn what does and doesn't count as taxable income
- Use a calculator to estimate your taxable income
- Find out what to do with multiple sources of income
- Figure out your tax rate for this year and next year





|| Before Rounded I dreaded EOFY, PAYG and every other ATO related acronym that comes with being a sole trader. Rounded has streamlined my invoicing, quoting, tax and general accounting – my only regret is that I didn't hear about this product sooner!

Missy Dempsey, Graphic Designer

In order to file your taxes, you need to have a good understanding of your taxable income – the money you earned this past financial year that's eligible to be taxed by the ATO. That means the income you earned from full-time, part-time, or casual employment, minus your business expenses.

How can freelancers figure out their taxable income?

To avoid getting hit with a big tax bill at the end of the year, freelancers need to do their best to estimate their income every quarter. This allows you to make payments to the ATO, paying down your tax bill so that EOFY doesn't come as a surprise.

The ATO will begin sending you estimates of how much they expect you'll earn after you've lodged your first income tax return with a business schedule. So for the first year after you register for an ABN, it will be up to you to estimate your own taxes. (More on that on the next page.)

Bear in mind that the ATO's estimate isn't always the most accurate, which is why it's wise to do your own estimates as well.

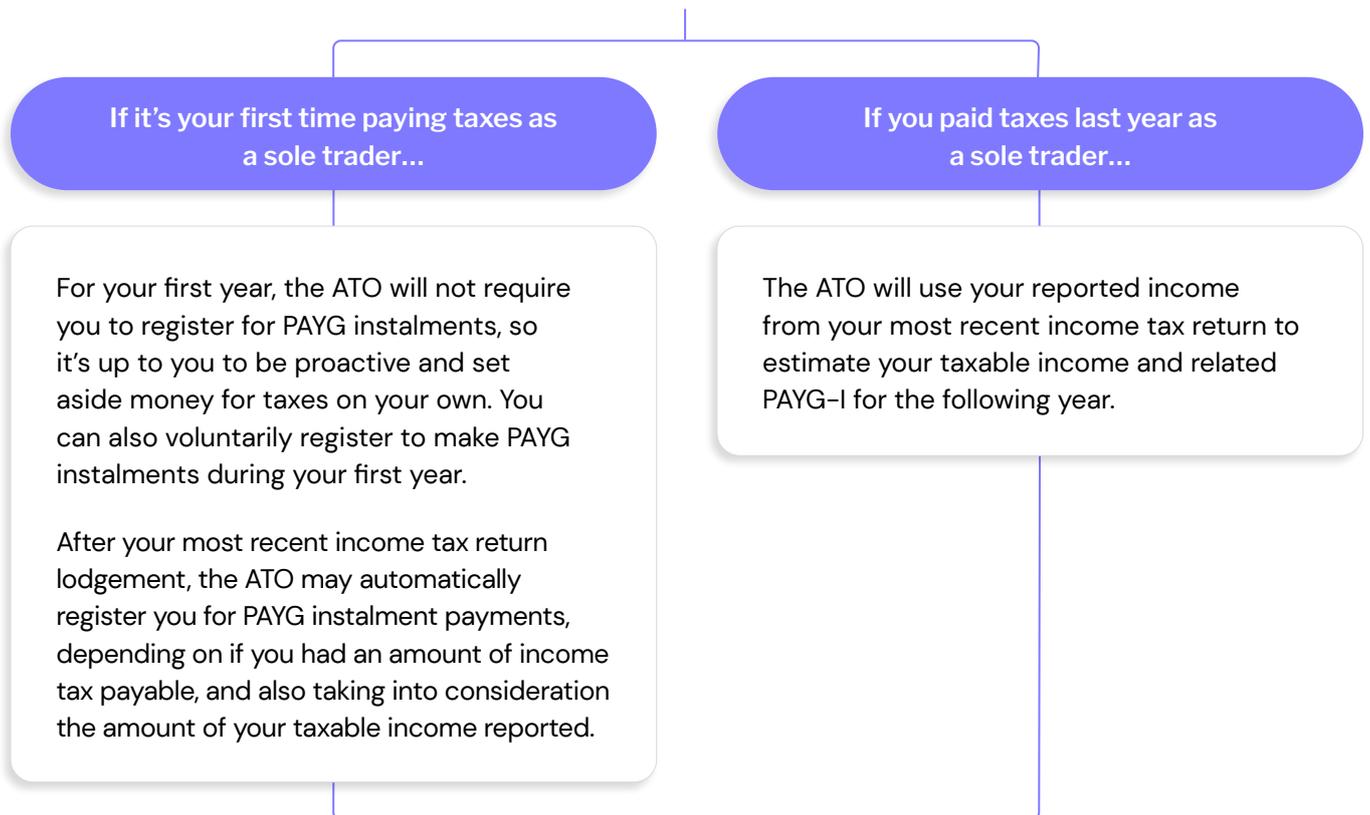
Take a look at this table, which shows you the different **tax thresholds** for Australian taxpayers. You'll fall into one of the brackets on the left, and the right-hand column shows you how much you can expect to be taxed:

Taxable income	Tax on this income
0–\$18,200	Nil
\$18,201–\$45,000	19 cents for each \$1 over \$18,200
\$45,001–\$120,000	\$5,092 plus 32.5 cents for each \$1 over \$45,000
\$120,001–\$180,000	\$29,467 plus 37 cents for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45 cents for each \$1 over \$180,000

*Source: The Australian Tax Office



How does the ATO estimate your income?



What if my situation changed?

It's common for freelancers to experience fluctuations in their income as they settle into their sole trader business. This is why the ATO allows you to make your own estimates, and adjust your quarterly payments based on what you expect to earn.

How do I make my own estimates?



For Rounded users...
Your Rounded dashboard helps you monitor exactly how much money you have coming in and how much you're spending on business expenses. With custom reporting, you can pull all the figures you need to make an accurate estimate of your taxable income.

[Log in to my account →](#)

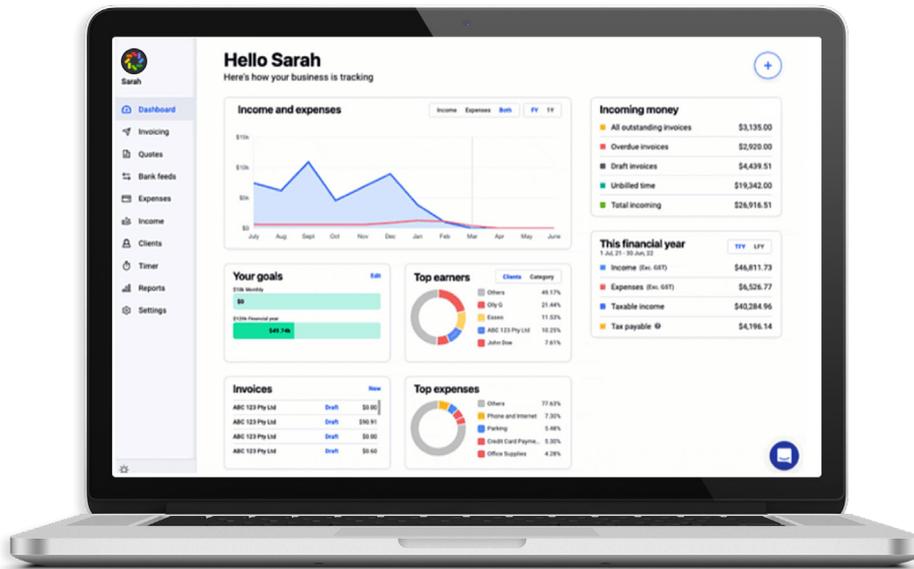
For non-Rounded users...
Use your invoices, bank statements, and receipts to determine how much you've made over the last few quarters. You can use these figures to estimate how much you'll likely owe in the coming quarter. Sound like a headache?
Start your Rounded free trial now.

[Start my free trial →](#)



Keep track of your income all year round

Take the guesswork out of taxes. Monitor your income and expenses on your dashboard, and calculate your tax payments in just a few clicks.



Start your free 14-day trial →



It's always best to overestimate

If you're struggling to estimate your own taxes, it's always best to **overestimate** how much you owe. This way, you'll be more likely to get money back at the end of the year, rather than owe money to the ATO.

Try estimating your taxes using your gross income—everything you earned, without deducting any business expenses. This will give you a conservative estimate, which means you'll be less likely to owe money at the end of the year (and more likely to get some money back).



Ask a professional:

What should I do if I have multiple sources of income?

It's very common for freelancers to also hold a part-time or even full-time job in the course of a single financial year.

For example, you may leave your full-time job partway through the year and begin freelancing full-time. Or you might have a part-time job at a business, and run your own freelance business on the side.

In either scenario, the company that employs you will be responsible for managing quarterly tax payments on your behalf, while you'll be responsible for paying tax on income earned for your freelance business.

You'll report both sources of income to the ATO on your annual tax return, but your quarterly PAYG instalments are only for your freelance income.

Helpful Resources

Read more about tax for sole traders →

Use the ATO's free tax calculator →

CHAPTER 4

How to calculate your business expenses

Use business expenses to cut down on your tax bill

- Learn what sole traders can and cannot claim
- What you need to know about receipts
- Learn how to use Rounded for easy expense tracking



The ATO has rules around what does and doesn't count as a business expense. It's always best to speak with a tax accountant and [review the official ATO website regarding deductions and expenses](#).

Below, we break down some of the basic rules for claiming business expenses, along with a cheat sheet you can keep nearby when putting your expense claims together.

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.

How do you claim business expenses?

Business expenses can be claimed as tax deductions on your annual tax return, filed after June 30. If you're set up as a sole trader, you can claim deductions in the 'Business and professional items' section of your individual tax return. You can either do this yourself by [lodging online with myTax](#), or by using an accountant or tax agent.

If you're set up as a company, you'll need to claim deductions in your company tax return.

What about receipts?

The ATO requires freelancers (and other businesses) to keep records for many expenses they claim at tax time. You are allowed to submit photos or electronic copies of your receipts, which you can upload to Rounded for safekeeping.

[See a list of what expenses **don't** require receipts here.](#)





|| Rounded has made my life so much easier! Tracking expenses as I go makes tax time way less time consuming. And as a newbie to charging GST, BAS is so simple and pain-free.

Joh Kohler, SEO Copywriter & Content Creator

Making a big business expense?

What about depreciating assets?

If you purchase any assets up to the value of \$20,000, and your business has a turnover of less than \$10 million, you may be eligible to claim this immediately as a tax deduction in the year of purchase, by utilising the **instant asset write-off**.

The \$20,000 threshold will apply on a per (eligible) asset basis, so freelancers can instantly write off multiple (eligible) assets.

What does this mean for freelancers?

The tax professionals you work with will need to know details of the item purchased, like the date of purchase, the amount paid, GST withheld, what % of the asset will be used for work purposes, and a copy of the purchase invoice or receipt.

For simplicity, when using Rounded, you may label any assets that may qualify for instant write-off under "Equipment" within your P&L statement.



Helpful Resources

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

Is meeting clients for coffee
tax deductible? →

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.

CHAPTER 5

What you **need to know** about Goods and Services Tax (GST)

Learn how to collect and pay GST

- Find out if you're registered for GST (or if you should be)
- Learn what to do if you haven't collected GST
- Find out how to charge GST and submit payments to the ATO



GST is an important part of taxes, as many freelancers will be required to charge GST to their clients and customers, and then submit GST payments to the ATO every quarter.

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.

There are some exceptions to these rules—for example, rideshare/taxi drivers are required to be registered for GST regardless of how much they earn.

For more details on who needs to register for GST, check out our full article.

[Should you register for GST? →](#)



Ask a professional: **What if I haven't been collecting GST?**

There are a number of reasons people fail to collect GST. You may be unaware that you meet the threshold required to collect it, or you might have registered but forgotten to collect the payments on your invoices.

No matter what your circumstance, the best path forward is to get in touch with a certified tax professional and discuss your options. They can help you sort out the issue.

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



#001
01 January, 2022
14 days
TOTAL: \$2,400.00

Description	
01 Pre-shoot consultation	\$100.00
02 Location shooting and prep	\$1500.00
03 Post production	\$800.00
	\$2,400.00

Thank you for your business. We look forward to working together again.

Taxes

Tax name	Rate
GST	10% <input checked="" type="checkbox"/>

+ Add GST

How to collect GST from your clients

Once you register for GST, it's up to you to charge and collect GST from your clients. You also have to:

- Include the GST as its own line item on the invoice
- Label the invoice "Tax Invoice" if you are charging GST

For Rounded users, **collecting GST couldn't be easier**. Simply create your invoice, and choose whether to add GST on top of the total, or to automatically include it as part of the total.



Be sure to set aside the GST you collect in a separate bank account. You'll need to submit it as a payment when you file your BAS, which we'll cover in the next section.

What about the GST you pay on goods and services?

When you pay GST on goods and services you purchase as a business expense, you can claim GST credits when you submit your quarterly tax payments to the ATO. In other words, if you spend money on GST, you can subtract what you paid from the GST you owe when you submit your BAS.

Here's a [list of items](#) that are **not** eligible for GST credits.

Helpful Resources

[Should you register for GST? →](#)

[The ATO's guide to GST →](#)

CHAPTER 6

Understanding PAYG instalments and BAS

Pay taxes throughout the year to make EOFY easier

- Learn what PAYG instalments are and why they matter
- Learn how to file your quarterly Business Activity Statements
- Figure out what to do if you missed a PAYG instalment
- Prepare to make PAYG instalments for the coming year



If you've followed the steps in this guide, you're nearly ready to file your annual tax return. The previous sections (and your Rounded account) will help you gather what you need:

- Your taxable income from the previous year
- The business expenses you claimed over the year
- The amount of GST you've collected and paid on business expenses throughout the financial year

But remember — once your annual tax return is filed, the ATO will use that information to estimate your first quarterly payment for the coming financial year.

In other words, even though this financial year has just come to a close, freelancers must also use this time of year to start preparing to submit PAYG instalments and BAS filings in just a few months.

To help you get prepared, let's start by clearing up a common question:

BAS vs. PAYG: What's the difference?

Though these two terms are closely related, it's important to understand how they're different



A Business Activity Statement (BAS) is a form you submit to the ATO each quarter if you are registered for GST, summarising:

- The total earnings for your business over the quarter
- The GST you charged to clients over the quarter
- The GST you paid on business expenses over the quarter
- Your quarterly PAYG instalment
- If you have employees, your PAYG-w instalment

The ATO will automatically notify you when your BAS is due each quarter, once you have [registered your business for GST](#) and [received an ABN](#). They'll provide confirmation once it's been received.



Think of BAS like an umbrella term, that includes PAYG and everything else listed in here



Pay-As-You-Go (PAYG) instalments are the ATO's method of collecting quarterly income tax payments, so you don't have to make a huge tax payment in your annual tax return.

You'll pay PAYG instalments quarterly, and if you're registered for GST, your PAYG instalments will be included within your BAS.

The ATO will provide an estimate for how much you owe, and will either send you an instalment notice, or include the PAYG instalment amount within your quarterly BAS.

PAYG withholdings are only relevant if you have employees. If you do pay employees, you are required to withhold a certain amount of tax from their pay, which you will then send to the ATO.





Who has to submit PAYG instalments?

If you expect to earn more than \$4,000 in business income over the course of a tax year, and you had business income tax payable from the year prior, you'll most likely be required to make PAYG instalments. Alternatively, you can register to make voluntary PAYG-I 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). The tax office will use your most recent tax filing information to estimate your first payment—this can be a bit tricky if you've recently transitioned out of full-time work into freelancing.

Fortunately, you can **vary your PAYG instalments** to pay a different amount based on your own estimates. 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.

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.





Rounded makes filing your BAS easy

Rounded generates automatic reports for tax time. In just a **few clicks**, you can easily see all of the information you need to fill out your BAS online, including your total earnings for the year, the GST you charged to clients, and the GST you paid on business expenses.

We'll also send you automatic reminders when it's time to submit BAS or if your form is overdue.*

**If you submit your BAS using a tax agent, you have an additional 30 days after the deadline to submit your form. Keep in this mind, as Rounded's automated reminders are set to the deadlines for those filing individually.*



Ask a professional: **What if I missed a PAYG instalment?**

It's not uncommon for freelancers to miss a PAYG instalment, especially if it's their first time filing taxes as a sole trader.

The best thing to do is contact your professional tax agent, or reach out directly to the ATO to let them know that you cannot make a payment or have missed a payment. They'll help you

organise a payment plan to help make up the missing amount.

Bear in mind, the ATO may apply penalty interest on missed payments. With Rounded, you'll be able to track how much money you need to set aside, and you'll get automatic reminders when BAS filings are due.



A business bank account simplifies tax time

Freelancers need to set aside the GST they collect, and be sure they're saving money for their quarterly tax payments. A dedicated business bank account makes this a lot easier.

[Learn how to set up a business bank account →](#)

Helpful Resources

[The freelancer's guide to a business activity statement →](#)

[How to prepare your freelance business for PAYG →](#)

CHAPTER 7

Ready to file? Tax checklist for freelancers

If you've followed this guide all the way through, you should now be able to gather all the information you need to file your annual tax return:

- Your **Taxable Income figure**
- Record of **PAYG instalments** made over the last financial year
- Records of **business expense claims** from the last financial year
- Records of **GST collected on invoices** over the last financial year
- Records of **GST paid on business expenses** over the last financial year



Rounded users can find all this info in just a few clicks

[Start free 14-day trial →](#)

[Sign In →](#)

Last Step Before Filing: **Speak with a tax professional**

Remember, it's important to have a tax professional review your return before you submit it to the ATO. **Rounded users** can give your tax specialist secure access to your dashboard so they can look everything over.

Checked everything off this list? **Then it's time to file!**

[Visit the myTax Website & Start Filing! →](#)

Congrats! That was hard work. Now it's time to celebrate another year of successful freelancing! Cheers!



Conclusion: Getting a headstart with Rounded

We hope that this guide has taken away the stress that comes with filing your freelancer taxes.

Staying on top of your finances is a lot easier with the right tools in your toolbox. That's why we built Rounded—so freelancers like you could worry less about money, and focus on running a **business you** ❤️

Your free trial
is waiting

Get access to smart invoices,
automated expense tracking, and
custom reports.

Start your free 14-day trial →

FY2022 →