Raw Transcript

2nd Artists Toolkit Livestream
(Via Zoom)

Ainslie + Gorman Arts Centre

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About This Document

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ADELAIDE RIEF: We are live. Excellent. OK. Hello and welcome, everyone, to our second livestreamed Artists Toolkit Information Session. Live captions for this session are available via the link in the comments below, or on the Facebook event page.

My name is Adelaide. I'm the Program Manager at Ainslie and Gorman Arts Centre. We have the friendly folk at the Captioning Studio providing captions for us today.

I acknowledge that I am speaking to you today from Aboriginal land, the land of the Ngunnawal people, and I also acknowledge the Ngambri and Ngarigo peoples and others who travelled and connected with this land, and continue to do so. I recognise the ongoing custodianship by Elders and the unique and specific challenges faced by our first nations people in the light of COVID 19 and also the work they are still doing to hold country for us and to keep it for us. I pay my respects to these Elders and Elders past and emerging.

I will be your host for this session today and I will hopefully be able to guide you through this experience of livestreaming as smoothly as possible. I have definitely been learning a lot about this so we will just learn as we go together and, if you have any problems or things are not working right, please let me know in the comments below this video.

So today's session is part of the Artists Toolkit Program, which is run by Ainslie and Gorman Arts Centre and funded by artsACT. It is designed to support artists to develop and maintain sustainable and meaningful careers. The program offers information sessions like this one. We also have individual advice sessions for artists, which are called toolkit chats, and we also offer resources like information sheets, recordings of previous information sessions and links to other support. I'll post some links to further information about the artist toolkit program in the comments section below once I have finished talking.

Today's session is about giving you some clarity on what is required to prepare your finances for accessing the JobSeeker and the JobKeeper payments, so the two key Federal Government payments available for people who have lost income from their employment as a result of COVID, as well as some guidance on some basic budgeting and cashflow principles, record keeping and various taxes including income tax, GST and PAYG.

So this stuff can often seem pretty confusing and not very exciting but if you can get it right the first time and you can keep your records up-to-date, it makes things much easier in the future, and we are joined by the amazing Peter Bayliss, who will guide us through this in a moment.

At the end of the session, Peter and I will link you to other resources you can use to get your finances in order. For this session, when you have questions, please post those questions in the comments below the Facebook live video. I'll be able to read those questions and I'll pass them on to Peter when we have breaks in the presentation.

So now introducing Peter Bayliss. Peter is a chartered accountant, a tax agent and the Managing Director of Into Tomorrow. On top of all that, he also manages First Base Music, which is a music artist service.

Peter has been involved in the arts industry for over 20 years in a number of roles, including artists - so he really gets it - as well as management, booking and promotion and also on top of that, doing accounting and business. He works across private enterprise, community and arts organisations and government, and he's done so much great work for the arts community in Canberra, recently particularly as we have been facing COVID. So I am really pleased to introduce you to Peter. Take it away, Peter.

PETER BAYLISS: Thank you, Adelaide. You are very kind: it is wonderful to be here and support this amazing industry of artists and the work that Ainslie and Gorman do for you is second to none, I believe, around the country. Hats off to you and thank you for inviting me.

What I'm going to do is I want to first of all express that I wanted to make sure that you're all comfortable in this environment and feel free to communicate any questions, any burning questions, that you need to. This is about you. It's about what you need. It's not about me sprouting how wonderful my world is or anything else. It's really about you. So I want you to walk away, if not with the information, then that little bell behind your ear just going, "Oh, that's right, there's something about that I've got to investigate". So that's kind of a broad principle about how I would like to approach this and want to make sure you feel safe in asking any questions. No question is dumb, except the question you don't ask when you should.

So what I'll do is I'll - because we're limited in time and there's so much ground to cover and I'll try to deep-dive as much as possible, but obviously with limited time, we have to keep it brief, and keep it pertinent to all of you, so I'm going to share my screen and I'll whip through some topics. I'll just highlight some framework type things, just really so that then we can get to the income tax, the JobKeeper, the JobSeeker and other support around this weird environment that we're currently living in.

I just want to make sure - can everybody see that? Yes. Perfect. Alright. So obviously that's what we're going to be talking about today primarily. Really, these are the core topics we will walk through. I won't spend long on this but basically: why do you need to know about the money, what's the type of information you need around all of that, how do you keep records, what are the structures, what are the key structures, I guess, and it's important to know that particularly around things like applying for JobKeeper, and knowing where you sit within the land of that environment and with your tax, the three core tax types that you would generally be involved with - obviously JobSeeker, JobKeeper, and additional COVID 19 financial options that may or may not be available. Then, lastly, as Adelaide mentioned at the top, some places to go for different types of advice and information.

So we'll just get straight into it. Why is it important for you to know about your money? I guess now highlights that very reason. You need to know how you're going to maximise the use of every cent in every dollar. In more general terms, as an artist, you want to make sure that you give your events, whether it's a release, a launch, an exhibition, you want to give it the best chance of success, so knowing the money side of it is really important. How do you budget for it? How much money would you expect if numbers were low versus moderate versus high? How much money do you need just to present it? Then looking at things like how do you sustain your arts practice, your arts business, and for future growth, so if you wanted to expand from, say, a small one or two person theatre production company, for example, to broaden it out to the more community broad organisation or business. Also, you need to know about your money so that you can obtain and attract funding, and right now, that's the JobSeeker and JobKeeper for a lot of people, and, unfortunately, there's far too many people in the situation where this is relevant. I wish we weren't having this conversation, to be honest, particularly around this aspect but we're there so we need to talk about that; we need to front up and look at it.

So you need to know about your money in that context.

Also, for things like grant applications, attracting private investment - whether that's through crowd funding; whether it's through banks; whether it's through other businesses; sponsors; and partnerships - so really you need to know again about your money. Also then there's the legal obligations, the stuff that we might not really want to do. It doesn't light the fire but we have to do it, and that is things like your various taxes, contracts with your agents, managers and funders.

So, what is typical information that you need to be aware of and you would need to have in your toolkit to be able to address some of those things we just spoke about? So there's balance sheet, which is essentially a photograph of your financial position at that time, so we look at your assets - so that's things like bank accounts, people owing you money, assets like house, car, the instruments that you have, all your work tools, all those sorts of things, they're assets - and then liabilities, so what do you owe at that moment in time? It could be you just got an electricity bill, your rent or mortgage is due - the things that you owe.

So, basically, your balance sheet highlights assets and liabilities and then whatever is left over is your net assets. Hopefully, it's positive. If it's not, then obviously things need to be looked at a lot closer.

The second important aspect is the income and expenditure statement. I'll come back to this again when we talk about JobSeeker and JobKeeper because there are certain elements in the application process and what information you need to provide that relate to exactly this stuff.

So income and expenditure statement - it's also known as profit and loss statement - is over a period of time. It could be over a day, a week, a month. Generally, it's over a quarter or a month or a year. When you're doing budgets, organisations or businesses generally do an annual budget, an annual profit and loss budget, and when they review how they went, they're looking at the income and expenditure statement or profit and loss, so over that period of time. So balance sheet is a photograph; income and expenditure statement is over a period of time.

Cashflow is effectively income and expenditure statement, but it's only on a cash basis. So it's only when you receive the money or when you pay the money. The difference is what they call "accruals". So in an accrual world, that's when you look at things like money you have invoiced - so you've done a service; you have made a good; you have invoiced somebody but you have not received the cash yet, but in an accrual world, you would have that as income. Likewise, with the expenses, you would record the expense once you receive the good or service. So in the case of electricity or phone, you have used it and then you get billed and you have not paid that bill yet but you record the expense because you have received that bill. That's the accrual method, whereas cashflow is purely based on if you have paid the cash out and received the cash in.

With a budget, really that is just an estimate for future. It's just your best guess at that moment in time with whatever information you have available at what is going to happen. It is your prediction. Again, thinking about JobKeeper in particular, you have to nominate your projection, which is effectively your budget, for the next month's income. Not an easy thing to do, particularly in this environment, but generally people will base it on past experience. You might run a few different scenarios of, OK, if we only get 10 people through the door at an event, that is what I will budget to. I will make it a conservative budget. Or, you know what, that's break even, that's what I'll budget, on what's a realistic thing, not a pessimistic, careful approach.

Then the last thing is really your tax returns. That could be your business activity statements or your income tax returns, and that is reporting on obligations based on the past but sometimes does include those future estimates.

So I might pause there, Adelaide, and see if there are any questions about what we have talked about so far.

ADELAIDE RIEF: Thank you, Peter. We don't seem to have any questions yet at the moment. Just a few thank yous to you for running this session.

PETER BAYLISS: Thank you, lovely to hear. Alright, so quickly moving on then: record keeping. So this is really important and one thing - whenever I do these webinars, particularly for artists and self-starters, so entrepreneurs, freelancers - we all put so much of our own ego, and I mean that in a positive way - like, the confidence to create an art work and hang it on a wall and have people critique it, or record music and put it out there and have people critique it - it is your heart and soul you are putting out there to the world. So to then come back and admit "I'm shabby at something as mundane as record keeping" and whether you understand it or don't or whether you're shying away from it, to admit that to yourself is a really hard thing to do. We all think we're good. We put that painting on the wall. We have been on stage. We have danced in front of somebody or sang in front of somebody, but admitting that you're not good at record keeping or you need to improve it is really important. The worst thing you can do is not keep good records and assume that the records and all the obligations that go around what those records will then help you with as far as meeting obligations - if you throw them in a corner, what starts off as a little problem can manifest into quite serious problems. So my advice is: don't shy away from it. This is kind of the alcoholics anonymous part of the session, where admit you're not got at record keeping. Once you make that admission, find somebody around you that you're comfortable with that is good and willing to help, and that could be your partner; it could be your parents; your next door neighbour; it could be a professional - a bookkeeper or an accountant or tax agent. The important thing is: recognise that you're not good and you'll either upskill or you will find help. So that's the sermon from my pulpit around record keeping.

The second thing I want to emphasise is: keep receipts for everything, absolutely everything, because what you don't want to do is get to tax time or reporting time and find that you don't have that receipt because you thought, oh, yeah, I won't need it or I won't get a deduction for it, and then actually the legislation has changed or "I didn't know that little thing and I actually can claim it", but if you don't have the receipt, you don't have an ability to claim it. So keep receipts for everything. They're my two key messages around record keeping.

Why do we keep good records or why do we need them? They help determine business versus hobby, particularly relevant in income tax world and particularly for people like artists. That's important when it comes to - if you're a hobbyist, so let's say you do two performances a year with the local orchestra and you might get $200 a performance, that's probably going to be a hobby, and if that's all you care about, that's fine. You just address it that way. If, however, you want to build a business or you want to be able to claim deduction for the instruments you purchased, the repairs and maintenance on those, for the outfits that you create, the wonderful wardrobe you create for your theatre, the canvasses for your paintings, then you've got to look at the business side of it. A lot of people think of business, that you have to have a specific level of income or a specific number of invoices or turnover. The ATO look at things in a more wholistic manner around whether you're a hobby versus business. They look at things like: do you have an ABN? Do you have a website or social media presence? Do you actively go and engage on those to try to highlight your work? Do you have a dedicated bank account? Do you operate with a profit motive or in a business-like manner? Then, of course, they look at the dollar side of it as well. The reason they do this is two-fold: they want you to be able to not just say, "Oh, I'm a hobbyist or siphon away a lot of money" or claim these things and you're not really a business, and it's things from years ago where you had a lot of merchant bankers and business people in Sydney buying hobby farms so they could get deductions off their main income. That's where it stems from but it's obviously broad.

In the arts area, I encourage people to think of it like "sure, you might not make a profit in your creative practice but wouldn't you rather help it pay a lot of its own way but getting those deductions?".. so when you buy that guitar and all the canvasses and all the oils, that you can then get a valid deduction. So it's just about thinking, what do you really want? If all you want to do is play a couple of performances in the year down at the local park, then that's absolutely and that would be a hobbyist, but if you want a little bit more, if it's part of your heart and soul that you want to express, then why not help it pay its own way? So it's more of a lifestyle business in that sense.

Record keeping - back to record keeping. Obviously, it helps you fulfil any contractual obligations, whether that's with agents, with funders, with the Tax Office, other compliance. It helps you obtain funding so you can actually prepare some of those things that we already talked about, those financial reports which will help you display that you're professional and organised and so people are willing to back you financially. It also helps you track performance. For example, as a scenario, if you were a music performer or a theatre performer and you were spending $5,000 per show on advertising on a regional tour and you had already sold out three venues that are going to be happening in a few weeks time, by being able to track the performance, you are then going to be able to reallocate the funds you were going to bolster the advertising for those events into other areas, so ones that are struggling, or you might want to expand the production equipment or you might just want to put that away for a rainy day. So it kind of helps you manage your business a little bit better.

Types of records: they're quite broad but they could include your business name, your Australian business number - ABN - contracts, bank accounts, invoices, receipts. Just a little word around receipts and bank accounts, so with the Tax Office or most places that want you to validate something, like an expense, they want the bank statement because that shows that you have made the payment, but they also want the receipt, and you might think, "Oh, but the bank statement is enough". It's enough to show that you have made a payment. The receipt shows the nature of the payment, so if you think of going to Woolworths and, as you're getting your groceries you go, "Oh, I need all of this stationery or I need some big cards because I want to do a couple of sketches that I'll sell at the markets tomorrow", then you buy those items, the bank statement will not show that. It's just going to show Woolworths $150 or whatever. The receipt will show Woolworths $150, of which $30 is relevant to your business, and that $30 is what you're going to be able to claim. So that's really important. That's why I said before: keep receipts for everything because that validates the nature of the payment.

So are there any questions on any of that, Adelaide?

ADELAIDE RIEF: We don't have any questions yet. No.

PETER BAYLISS: Cool. So I'm either boring people silly or doing an OK job.

ADELAIDE RIEF: I think you're doing a great job.

PETER BAYLISS: Or they're asleep! So really quick: structures. Really, the core ones are sole trader, partnership and company. Most people in the arts world start off as a sole trader, and my advice is keep it simple. Stay a sole trader as long as possible or needed. There are times when you would structure into a partnership or a company. So a partnership is basically - it's not a separate legal entity. Neither is a sole trader. The business is you as a sole trader. A partnership - the business is you and whoever your partners are. So partnership is not a separate legal entity, so they're good where you're collaborating on an album or a single production and you are bringing people in, and you're sharing the risk; you're sharing resources; things like that. Be aware, though, because it is not a separate legal entity that, if one partner signs up for all these grandiose expenses and then does a runner to Vanuatu or something and goes into hiding, the other partners will still be liable for those expenses. So you are jointly and severally liable, which is the technical term.

Partnerships - you have to lodge a tax return but they don't pay tax in their own right because they're not a separate entity. Basically, whatever is left over after the income, less all the partnership expenses, gets divided among the partners. So if it's a duo - let's say a musical duo that's a partnership, they make $5,000, they pay $4,000 in expenses, so there's $1,000 left over. If they do a 50/50 split, you have to declare $500 in your tax return and I declare $500 in mine. That's kind of how partnerships work.

Companies are a separate legal entity. You can be a single person company, so you would be the Director and the shareholder. That would be a private company. You could have more than one shareholder and only one Director or you could have multiple Directors and shareholders. Scenarios you might create those in is if you think about where you want to be in 10, 20 years and you want to build up a business and then eventually sell it, then a company is probably a better vehicle for that because it's not all about you as a person. A sole trader, when you go to sell a business, you're really selling you as well, but a company is actually selling a separate legal entity and a true business in that sense.

One of the key benefits of having a company is limited liability, so as long as you fulfil your role as a Director, then the liability is limited to the company. So that is why you see in the news a lot of companies going bust but the Directors still have money. That's because they have upheld their Directorship duties and the company goes into bankruptcy and liquidation.

The last one is a trust. Really they're a separate legal entity again and they're kind of related more around families, for example. That's a common use, and about maintaining wealth for your children. So it's a financial planning tool and a tax tool really. I should say with each of those, obviously the simplest to set up is a sole trader and/or a partnership. The costs of each of those as far as tax and compliance are a lot lower. A company costs more to set up, plus there's about a $250 fee each year to ASIC for the company registration, plus obviously the tax returns and things like that are more expensive. So they are things you need to think about in making those decisions.

So far as - why this is relevant not only for tax but for things like JobKeeper is understanding where you sit within that scheme. So JobKeeper is about a business and keeping people employed, hence job keeper.

There are special circumstances around being a sole trader as opposed to a company, just with the application process and what information you need to provide. You can apply, as a sole trader, and not have to declare - and we will get on to this in a few minutes - but you don't have to declare other employees if you don't have any as a sole trader because really it's you. We will come back to that one.

So moving on, I might not stop there, Adelaide, just because I think that's a bit of ground work. So really there's three kind of tax types that would be relevant to any of us. There's goods and services tax, and again that may not be relevant for most of us. So the first thing is as a business owner, you would have an ABN or an Australian business number. Just a word on that, I get a lot of clients asking about having multiple ABNs as a sole trader and multiple business names. An ABN is one number. It's like your tax file number. When it's attached to you, it's one number attached to you. You could have multiple business names - so I could have Peter Bayliss pie making, Peter Bayliss crusty cakes, Peter Bayliss Haulage, all these things attached to my one ABN. When it's a company, it's a bit different but I just want to emphasise that Australian business number, it's one thing and it stays with you, whereas business names come and go. You can get multiple ones.

Goods and services tax is a separate tax regime and it's on the provision of goods and services. Do you have to register for GST as a business owner? No, you don't, unless you earn $75,000 or more, or $150,000 or more for nonprofit organisations, so that's in a financial year. So if you're less, you still have the option. You can sign up for goods and services tax but you don't have to. What does that then mean? It means that if you were registered, you would have to lodge a business activity statement. You can choose the basis, and we talked about cash or accrual method. You can choose the basis. Most people as sole traders go with the cash because it's easier to track until you get to a certain level of operations, but basically you're declaring how much income you have earnt, how much you have paid out in expenses and what's the GST related to each of those, so if you're registered, all of your income will have GST attached, except for exempt income, so things like foreign sourced income is exempt, so you still declare the foreign sourced income but there's no GST component attached to it.

Expenses are a different kettle of fish because expenses are reliant on the GST status of the supplier, so I might be GST registered; Adelaide might not be GST registered. You get invoices from us both. You will get GST back from 10% of what I charge but Adelaide, there is no 10% on what she is charging because she is not registered. I just want to urge caution around that side of it, that it's not an automatic 10% on everything you pay. Things like rent generally don't have GST unless it's commercial. Things like bank fees don't. They're a specific category and they're called input taxed, so they're taxed at source, rather than you copping the tax.

The way it works is when you do a business activity statement, you will lodge it. You will say "I've had income of X", which includes GST of 10%. Let's say it's $100. "I've had expenses of Y". Let's say it's GST of $200. So there's a difference of $100 more that you have paid. You will get a GST refund of $100. If it was $100 you have earned, $100 of GST on what you have earned, and only $50 of GST expense, then you would have to pay the ATO that $50. So it kind of washes through the ATO, all the GST.

Basically, my opinion certainly in the arts world - because generally you are dealing with people that are not GST registered - there's not a lot of benefit to register until you have to. In other industries where most expenses attract GST and particularly when you are starting out, it can help with cashflow, then possibly register before you reach the 75 threshold.

When should you register if you're getting close to that 75,000 is also a question. The basic guidance is when you think you're going to hit that 75,000 threshold or you do hit it, that's when you register. It's only applicable from that date or time when you register. So if this week I happen to get a really awesome contract from somebody, then that's when I would register and I am only paying GST from that point onwards and only receiving GST from that point onwards. So that's the GST side of things. I might pause there just because that is something a lot of people tend to ask or worry about. So any questions, Adelaide?

ADELAIDE RIEF: We do have some questions now. We have a question about business structures. So Louise is asking if they were setting up a new music festival in the community, would it be good to be a company limited probably by guarantee I imagine, and how does that impact your potential for receiving funding by grants, sponsorship, donations or private investment?

PETER BAYLISS: Great question. So if it's a festival, I guess it really depends on your intent behind it. If you want to make it a big private festival like, let's say, something like Groove in the Move or Falls festival or something like that where it might have a community spirit about it but really it's a privately owned festival, then you would set up a company. Whether it's limited by guarantee or not, that is dependent on how you would like to structure it, you and your co-investors. If, however, you want to attract government funding and things like that and you want it to be a truly community festival, you would be probably better off looking at an incorporated association in whatever area and making it a nonprofit, so then you can attract things like donations, government funding and things like that. What that would mean is then you can still do a company limited by guarantee to do that but really that's still a members' organisation and you would just have to reframe the constitutions around that. So they're probably the two things to consider. The main thing is what type do you want it to be? Is it a business you want to grow and sell and take money from, so a commercial type festival, or is it more community and you are happy to bring in other people to sit around the table on a board or a committee, make all the decisions together, in which case then you would look at whether it's a limited by guarantee versus an incorporated association.

So does that kind of answer the question, Louise?

ADELAIDE RIEF: I think it does, yes. And we have another question, which is about GST turnover, which I feel like you might perhaps answer in your section about JobKeeper. So I might hold it over until you get to that section.

PETER BAYLISS: Sure. Alright. Cool. Thank you. Alright. So moving on, pay as you go. So this is one particularly when artists have set up their business and they're just starting to make OK money, that can trip you up. Pay as you go and pay as you go withholding, in their wonderful wisdom, the ATO sometimes do this with the naming conventions - so pay as you go, in broad terms, is the tax that you will pay to the ATO as your own employer or as the business owner employer. So if you think - when you're an employee, you might get paid $2,000 a fortnight or a month or whatever but only receive $1800 in the hand and $200 is tax and that goes direct to the Tax Office, that is basically the pay as you go, but it's pay as you go when it's you doing that. So that's kind of the concept. So you are your business. You are your employer.

So pay as you go, generally you're the one with the responsibility to remit that, and the pay as you go regime, when you first kind of reach the income thresholds or the tax thresholds where you have to pay them a certain amount of tax based on your business income - basically that you'll have to pay tax on your business income because you're making a semblance of a profit - then they will automatically enter you into the pay as you go regime, so there will be an obligation each quarter to pay an instalment. That instalment is based on the prior year income tax return. So let's say, for example, I made enough money that I then incurred $10,000 that I owed the Tax Office in my income tax return. They will base it on that $10,000 and they will say, in broad terms, "OK, Peter, we expect you to pay $2,500 each quarter". Now, in the arts, we know the world doesn't work like that. If you're a writer, for example, and you might last year have launched a book, you might have released it and you got all the advances or the sales and the income has gone through the roof, so that's why you paid $10,000 in tax, but this year you're bunkered down and you're writing your next nov, then your income will be low. So you're not going to be able to, A, afford $2,500 a quarter but your obligation at the end of the year will not be $10,000. So what you can do about it is each quarter when you go to do the instalment, you can vary it. So you can vary it down basically to zero if you're going to have no income or, let's say that quarter you got that big, fat advance from the European book publisher, then you can vary it up because you're going to have the cash; you have to declare the income in that quarter anyway because of the BAS; you would vary it up and pay it there.

What that then does is if you think again as an employee, your employer is paying the tax every fortnight or every month to the ATO. When it comes time to do your tax, you can get a refund sometimes because you have already paid tax to them and when you work out your tax, it works out lower than what you have already paid, so you have already generated a credit. You have deposited, if you like, money to the ATO, or your employer has. Pay as you go is the same thing. If you end up paying, as in that previous example $10,000, you have a $10,000 deposit, for want of a better phrase, with the ATO. When you do your tax, if it works out that you actually only owe them $8,000, you will get a refund of $2,000. So that's basically - pay as you go is, if you really dumb it down, no different to you paying as an employee to the ATO through every pay; it's just you don't see it. It goes out the door before you get that amount in your bank account.

So that's the core things around PAYG. I just want to emphasise: stay on top of it. Don't be scared to each quarter vary it. If you're in doubt, get advice and act quickly because this is one area that I have seen a lot of people get tripped up on, particularly in that transition where you're going from basically no income to actually some income and having a tax liability. So I'll just emphasise that. There's a link there. By the way, we'll look at how we can best share this PowerPoint with all of the attendees as well. Adelaide and I will talk about that after this. Certainly, we will make this available to you all so you can have all these key points to reflect on and any links that we share.

So that's PAYG. Are there any queries on that one?

ADELAIDE RIEF: I don't think so. No questions on PAYG.

PETER BAYLISS: Boom. Alright. Let's go. Income tax - so this could be an entire couple of hours on its own, particularly around the deductions because I know we all love trying to maximise our refund or minimise what we have to pay, but I'll try to keep it brief because obviously we have to talk about COVID. Basically, income tax is the tax you pay on income you generate. You have a tax file number which is unique to you. You only ever get one in your life. There's a tax-free threshold, which is just under $19,000, basically so the first 19,000-odd dollars that you earn is free of tax. You don't get taxed on it. Then in Australia we have a sliding scale, so we have brackets which attract a certain percentage of tax. But one thing that is a furphy is that when you jump up, you're getting taxed at that rate for everything. So let's say the top tax rate, the minute you earn $1 of the top tax rate at 47%, that everything is taxed at 47% - that is not true because we have income tax averaging. So that 47%, if you're $1 over, it's actually 0 to 19,000 at zero. So already that 47,000 on an average basis is a lot lower. So really, you've got to think about it in those terms, what is your average rate of tax because that's what you are going to be paying. So I just want you to be aware of how that works. There's the different tiers and then basically the key thing is your average rate of tax, not what you're paying on $1 up here or $10,000 here. It's about that collective view.

Types of income, so you've got employment income; you've got any performance or sales, depending on your art form; you've got royalties; any endorsements. I also want to touch on crowd funding and grants, those two in particular, around income. So grants - if you're in the business of being an artist and you get grant funding, yes, it's income. Prizes is another one. If you're in the business of an art form and you receive an art prize, for example, and you're an artist, then, yes, it's income.

With crowd funding, it's kind of a bit different. It's a "depends". If you're crowd funding and people that give you money are not getting anything in return other than that warm, fuzzy feeling, then that's effectively a donation so it's not tied to a provision of service or good, so, therefore, it's not income. If, however, you're giving them a hand sketch or a handwritten lyric sheet or a CD or an art work or whatever, then they're receiving something for that money that they have paid you, so that would then be deemed income. So you have to be aware, even if you have a crowd funding campaign that has those different components, that you're going to have to separate the stuff that does not have things attached to the rest of it that does have things you are giving for money.

Things like allowances - so some of you in your employment might have got a phone allowance, a motor vehicle allowance, things like that - they are income. Thing about allowances is - and back to record keeping, keeping receipts for everything - the thing about allowances is they're allowances for actually doing an activity and it should have an offsetting expense. So if you're using your motor vehicle to drive from here to Sydney for a conference or an exhibition and you get paid a travel allowance for that, you should be able to claim a certain amount of expense because you have paid for petrol or done the kilometres or had meals while you have been away, you have paid for accommodation, things like that, so just bear that in mind. Allowances are income, but you should also make sure that you capture any relevant expenses as deductions.

There's reportable fringe benefits. So anybody that's working part time or full-time in the nonprofit sector would potentially get these reportable fringe benefits. They don't impact the direct tax you pay but they affect things like if you have a HELP or HECS debt, any family tax benefits, things like that. Just be aware they're not part of the income tax side of it but they can affect those other elements.

As far as deductions, the golden rule around deductions besides keep receipts for everything is drawing a link or what they call a nexus between the income-earning activity and the expense. So that's the broad rule of thumb. So if you think of what you do for the art form - you've got your materials; you've got your tools of trade, which could be paint brushes, a guitar, could be the costumes that you pop up on stage - all of those things are claimable. You've got home office, so when you're organising a tour or it might be your design or digital design, then that office is being used for that business. That's claimable and the elements around that. I won't get into the specifics today, just because of time, but there's a few pretty cool options there. So think about that. Same with if you're using a shed for storage for your theatre equipment, for example, or your production equipment, you're a PA operator, or if you have a studio in the backyard or there might be a dedicated room where you're recording, you're doing pod casts, things like that, then there's deductions around all that. Travel - obviously if you go away for any reason and you're paying for taxis, hire cars, airfares, meals if you're away for more than 24 hours, any sort of incidentals, then they're all claimable. Motor vehicles are the same. Now, motor vehicles - if it's your business - and it's a bit different for employment so I'll just focus purely on business today for this one - if it's your business, and your business is where you live, if that's your registered business address and like you don't have an office that you worked from, then the minute you drive out of your driveway for any business activity, whether it's to drop off some mail, pick up some mail, get some stationery, meet somebody who is a mentor, go to a workshop, a rehearsal, an exhibition, any of those activity in your car are claimable. How you claim again I won't go into too much detail here but basically there's the cents per kilometre method up to 5,000 kilometre and all you need are diary entries, whereas logbook, you keep a logbook, get a business percentage and apply that across all the motor vehicle costs.

Depreciation is where you buy major assets. It could be a computer. It could be furniture. It could be musical instruments. It could be a motor vehicle, a trailer to haul stuff around. It could be any of those sorts of things. It used to be that you had to spread the expense or the depreciation across a number of years but at the moment - I have to update this because they have changed the limit with the COVID response. It used to be you had to spread it over time and then they raised the limit to $20,000 per item, so you could buy a car for $19,000, immediately write it off and get the deduction, but now it's substantially more per item. For us poor artists, we are not going to keep $150,000, or $200,000, which the limit is basically up to now, but rest assured you can then do an immediate write-off around that.

There is also offsets, rebates and incentives, so in the arts, you have to access to special professional income averaging, so basically where we talk about the peaks and troughs, whether you have a book release one year and then not the next, or an album release or a production tour that goes through one year but then you develop another one the next year, have exhibition, things like that where there are all those bumps, the peaks and troughs, income averaging helps smooth that out. It's not a basic like, "OK, the last five years I averaged $20,000, so that's what my income from special professional income is". There's more nuance than that but it's kind of that broad-brush stroke approach. Bear that in mind as well.

Then there's professional arts business losses, so if, say, for example, you make a loss in your arts practice, so you've got a business but you've got part-time job as well and you earn less than $40,000 in that part-time job, you can claim that loss from the arts business as a deduction or use that as an offset to your income employment. If you go above that $40,000 threshold, you don't lose the loss. You basically then fall into the small business provisions, so you can access the loss depending on the situation of your business, so there's a few tests that you have to go through. One of them is three out of five years you have a profit that doesn't specify how much - it could be $1 profit - or if you earn $20,000 or more a year in your business, so your arts practice, then you will be able to access that loss. If you then can't satisfy any of those, you still don't lose the loss. It just gets deferred to the following year or years. It's pretty lucrative. I often talk about an example where I have a client that is a studio engineer. He has a day job that is almost six figures. He also built a studio in his residence and it was earning about $10,000ish. His day job, like I said, almost six figures. He was getting frustrated when he built the studio that he could not access the losses for the studio build, but that was because he didn't satisfy the small business offsets. The minute it ticked over $20,000 of turnover, his home studio, bang, all of those losses from all the prior years came into play and he got a very, very nice refund that year and the subsequent year because he didn't use all the losses. So that's kind of how losses work. You don't lose them. It's just a matter of when you can utilise them.

Then there's international tax issues, which I won't deal with here, suffice to say it can be quite complex. So, Adelaide, are there any burning questions around tax?

ADELAIDE RIEF: There are a few questions. Just noting the time, Peter, I wonder if you would like to take these questions afterwards and I can pass them on, and I think one or two of them you might answer in your next sections about the COVID issues.

PETER BAYLISS: Alright, let's do that then, thank you. On to the COVID stuff, there's really the two core funding components that you would all have access to. So there's the JobKeeper. Again, as mentioned earlier, this is really targeted at businesses to keep people in employment, so hence JobKeeper. It's basically $1500 per eligible employee per fortnight. So in this case, $3,000 per month. It's in arrears, so, for example, the May payment is based on the two fortnights in April. That's how they are judging it. I've got eligibility there. Basically, the bottom line is you have had a fall in your turnover of 30% really. That's what relates to our world.

ADELAIDE RIEF: Can I just jump in there. One of the questions earlier was what the definition of GST turnover is. I think that has been a question a lot of people have been asking when looking at the JobKeeper payment.

PETER BAYLISS: Yes, so if you're not registered for GST, it's almost irrelevant. It's what your turnover is, so it's whatever - if it's $60,000 per year - obviously with this, you're looking at specific periods for comparison, so whether it's the same month last year or the same quarter last year or the previous six months prior to the application - so there's a few different options there for comparison, but really, it's about how much money you earnt in the business as a sole trader - I'll pick on sole traders because that's the most common for our industry - yes, so GST turnover or GST income is really how much money you are earning, and they have to frame it that way because if you were registered for GST, people would think, "Oh, I'll just take GST out of the picture and only report on the ex GST or the GST exclusive amount", but that's not actually the case. For most of us who are under the threshold, I would just think of it as: what is your turnover?

ADELAIDE RIEF: Thank you, helpful. Thank you, Peter. Great.

PETER BAYLISS: Like I said, the key thing here is about the fall in turnover, which for our level, it's 30%. A key thing about JobKeeper is - and I'll come down to this - I'll just go down to the bottom of this screen, so the restrictions - is you can't receive the payment twice as an employee. So you need to check if you have employment whether they have registered you and registered for you. They should have had a discussion with you because there has to be a form that's completed that sets out that relationship as an employee and an employer but you can only receive it once. So if you have a job and they've applied for it and are getting it, you can't then apply for it as a sole trader. If you're a sole trader and you have two businesses, for example, you can only really apply for it for one of those businesses. You can get it for one business. The other key component is the employer has to pay it on to the employee. So people get confused thinking, "Oh, but I only earn $1,000 a fortnight and this is $1500". That's actually irrelevant because what the ATO and the Government have identified is that if you earn less, then this is a top-up on top of it, so basically your gross earnings would go to $1500. The employer is obligated to pay that to you. If you earn more than that, then it's basically a subsidy for what you normally get paid. Again, it comes back to helping the business maintain employees.

So on the first screen, they're the core components. It is really cutting to the chase of the amount and if you are eligible, have you had that fall? The tests around the fall of 30%, generally if you - let's say, for example, you earnt $10,000 in April last year and you earn $3,000 or less this year - sorry, $6,600ish or less, then you would be eligible. If you're not, don't despair because, again, there might be peaks and troughs. You might have got a big whack of funding or you might have not started your business until July, so they've got alternative tests in place and one of those is what was the income you had in the previous six months prior to COVID and prior to the applicable period, being April or March or May, depending on what you're applying for. So there are alternate tests, so don't panic about your circumstances. My advice would be talk to the ATO or talk to a professional to help you through it. Don't just think "oh, I'm going to apply" or leave it and panic.

ADELAIDE RIEF: Just jumping in there, we've got a question about eligibility, so the question from Lilian is what happens if my sole trader business recovers from the 30% fall in turnover in a later month. Does that mean she has to opt out of the payment?

PETER BAYLISS: The way it works - I have mentioned there, as far as the steps to apply - so basically I'll just touch on that first because I think this will lead into that. Basically you enrol, so basically you give intention that you're going to go for JobKeeper. Then you identify and maintain your eligible employees or business participants. So for a sole trader with no employees, that's you. If you have more employees, you would basically have to nominate them. You have to get them to fill out a form. You don't submit that form. You just need to have it on record, but then when you talk to the ATO and do your submission, you would identify them. You have to give some details about the specific employees. Part of that process is then identifying your turnover, which generally is - let's say you're applying for April fortnights, so the payment in May - because it's paid in arrears - you would declare your actual income for April and your projection for May, so your projected income, your prediction for May.

Then, when it comes to your next month, you have to make a business monthly declaration, so you have an obligation under the JobKeeper funding to continually report once a month to the ATO. So basically when you get to June, you report your actuals for May. And the ATO will then look at that compared to what your projection was and update their records. You will also do a projection for June. Now, if you somehow get a wonderful client that comes on board who is going to pay your way, by reporting through that mechanism, the ATO will then say, "OK, Peter, enough is enough. We know that you're making money now. You can either opt out or we're going to push you out really". That's probably putting it in a different context but that's kind of how it works. You make the monthly declarations and then the ATO will advise whether you're still applicable or not.

ADELAIDE RIEF: Great. Thank you.

PETER BAYLISS: Perfect. So the JobKeeper impact - one of the key questions I get asked is around "I've gone for JobSeeker, I'm getting that and I am applying for JobKeeper. Does that mean then I lose or have to repay anything?".. really it depends. Because JobSeeker is income tested, it depends on where you sit within those income tests. So what you do need to do, however, is you are obligated to provide JobKeeper income in your reporting for JobSeeker because it's an additional income stream basically. For tax - it's not subject to GST but it is deemed assessable income, so when it comes time to doing your tax return, it will be another income stream.

So bearing in mind this is from your business. It's not you as an individual; it's you as a business. Are there any questions around JobKeeper?

ADELAIDE RIEF: Let me just have a little look. No, no more questions around JobKeeper. We're good to go.

PETER BAYLISS: I should highlight as well, the application process you can do on your own through your business portal. If you're not set up for that, it's a bit onerous. It's pretty easy. Go to MyGov ID. There's links in the ATO how to get there. Or talk to your registered tax agent if you have one because they could do it for you or they can advise how you can do it yourself.

Alright, JobSeeker. I won't go through all of these individually but basically there's some key components of eligibility. Pretty much most people in our world are going to be eligible because it's quite a broad brush stroke of society, particularly in light of COVID. The amount varies and it depends on situations, so it varies - the bottom tier is the $1,115 for singles with no children up to $1,340 and that's for single principal carers. They have made additional criteria. So that is things like foster carers and things like that. If you have other parents obligations, you would probably sit somewhere in the middle of that bracket.

The application process - if you're going to do it online, I can't help you as a tax agent because this is you as an individual and it's your personal stuff, kind of like Medicare or other Centrelink payments. So basically you go through your MyGov account and you need to make sure it is linked to Centrelink. You know how when you have your MyGov account you can link it to the other government services, whether Medicare or ATO, you need to make sure it is linked to Centrelink and you should be able to navigate your way through that. If you want to deal with it offline, the first port of call is to phone them, and I hate saying that because we know of all the issues that the phone lines have had, but I have a link there that you can use. I put the link there just because they have a number of different phone numbers based on your circumstance, so whether you have a diversity of language, diversity of home situation, things like that, so basically that's the link to follow, but if you Google that, if you go to Services Australia and look for Contact us JobSeeker, you should get there. Again, we will provide this presentation to you.

Further information around JobSeeker - and this is probably the stuff I get asked more about. When people are asked to provide information, they're asked all these different things and get confused - what's a profit and loss? What's depreciation schedule? What do I need to provide? Where do I get it from? So I'll just put some of the core things there. Again, there's a link which has more information on common - it's not all but common supporting documentation. But really it's typical things like your tax file number, your bank statements, profit and loss statements, so when - again, I have an example behind me if we need to refer to it, but basically it's your income less your expenses that gives the bottom line; assets, that's basically everything from any instruments, any other assets for your business, any personal assets, so a car, your furniture, your home and contents basically, you can rely on some of that stuff, and also superannuation, so they're typical financial aspects.

If you're studying, then there's things like the course details, because really they want to know how that applies to then your income activities and what you're claiming and what obligations you have. So scholarships - obviously there's some income attached to that. Fee enrolment details and academic transcripts. Again, what they're trying to do is get a picture of your life, not to be just deliberately intrusive but just to make sure that the amount of money they're going to pay you is not overpaying you or under-paying you. Really they are trying to assess that.

Same with employment - obviously tax returns. It's interesting, people with a number of years of outstanding tax have all of a sudden got organised because they have had to. Their life is on the line literally by getting organised. So tax returns. Payment summaries from employment. Profit and loss statements, which we touched on a bit above, and tax NOA, which is your notice of assessment from the Tax Office, so once you have lodged your income tax return and it's been assessed, you should get a piece of paper back saying, "Here is your notice of assessment on what we have done and how much your refund is" or "the amount payment". So that's it for JobSeeker or the core elements. Any questions around that?

ADELAIDE RIEF: We do have one question about JobSeeker, Peter. This is from Michael. Quite a few artists in the ACT might have gotten the new home front funding and if those people also are getting the JobSeeker payment and a scenario is given, so if they get $4,000 of the grant, if only $1500 of that is actually income for them as an artist; the remainder of the grant is going to expenses like paying other people and materials and things, when they're reporting their income to Centrelink for their JobSeeker payment, do they need to declare just the income that they're getting from that grant or do they need to declare the whole $4,000, and how will Centrelink treat that? Will it be per fortnight or will they kind of average it out over a long period of time?

PETER BAYLISS: So I just want to be really clear about when we talk income, income is what you earn, and there's gross income and net income. So gross income would be the whole grant. Net income is the whole grant less whatever expenses is whatever is left over. So when you have to declare income, you have to declare the whole amount. So I can't remember if it's $3,000, you have to have as income, $3,000, but then what you have - and this is why they talk about having a profit and loss statement, is that you then make sure you demonstrate all of the expenses associated with that because there's going to be other expenses as well, not just dedicated to the grant but dedicated to your business that you will also be declaring, if you know what I mean, so things like if you have a website, you're going to have a website subscription, you're going to have all the tools and tools of trade that you use that are not specific to that grant but you can still get a deduction for and they're business expenses, so you will highlight those in the profit and loss statement. So that's why I just want people to be really clear to think about gross income, which is what you need to declare in a profit and loss statement or a tax return, is that total amount, not the net. The net comes out of it. Once you claim all the expenses, you will get a net figure and it will not just be that after-grant expenses because there's all these other expenses that don't relate to the grant, that don't relate to your business, that you will also be claiming. I just want to clarify that.

ADELAIDE RIEF: Does that mean then that the person's payment would go down for just that fortnight because their income is so high or would it be averaged out over a couple of fortnights for their JobSeeker income?

PETER BAYLISS: They tend to look more on an average basis, and particularly if - most government departments are good if you have clear dialogue with them and consistent dialogue, so if you explain to them and make sure they have notes on the file that you're an artist and there's peaks and troughs that we talked about earlier, and just because you have an exhibition or you got a grant, there's a bump in income for this fortnight or this month, you shouldn't then be penalised for that because over a year you might have radio silence for the rest of the year, or the expenses may not come into play largely this year but they might sit next year. So it's really about encouraging you to paint that picture for Centrelink as well. But what you can also do is if it's going to go over a couple of years, then I would tend to then accrue - use the accrual basis that we talked about earlier and bring in expenses that relate to the grant or only declare the income portion that relates to that period because you actually have not done the activity until the following period but you just have to be careful on what you have been reporting on, whether it's cash or accruals, so if you're reporting GST, for example, on a cash basis, you wouldn't be able to do those accruals, if that makes sense, but if you're not doing GST reporting, and that's the way you will approach things, then you have a bit more wherewithal to be able to do some of that juggling purely legally and purely honestly, really to paint that more correct picture. So they do look at things over a longer period of time and they also do look at circumstance to try to get the nature of it. They have file notes and the important thing is that as long as you highlight those and make sure they put notes on the file - and mostly they're pretty good, whether it's the ATO or Services Australia, they are pretty good at that if you ask them to put notes on file because then you can then go back at them if something goes amiss.

ADELAIDE RIEF: Great. Thank you, Peter. And just a time check for you, we have about five minutes left.

PETER BAYLISS: Cool. Alright. This is just a really quick one but other things to be aware of in the current COVID environment. So cashflow boost. So businesses with pay as you go withholdings - so they're businesses that pay withholding tax on your income as an employee to the ATO, they would have got an automatic cashflow boost based on that pay as you go withholding when they do their income activity statement or business activity statement each month or quarter, and that was really to help - or is still really to help them keep people employed again.

Rates relief - so depends on your jurisdiction but I certainly know in the ACT they have looked at some rates relief, whether it's just deferrals or reductions, again depending on your local jurisdiction. Same with rent relief - if you're struggling to pay your rent, discuss it with your agent or your landlord because, again, depending on the jurisdictions, there's been a lot of changes to the legal side of it and a lot of landlords may not be being nice but a lot of them, a heck of a lot of them, are being nice and understanding the situation and it's really about how do you negotiate your way through this environment. Same with the banks - if you have loans or credit cards, discuss a freeze on payments or a reduction on payment amounts. Really you won't get out of paying it, but you will be deferring things at least to help your cashflow. Same with any suppliers. So if you're getting materials and goods and supplies, just talk to them about having a payment plan or an account with them, any discounts they might be able to offer you and deferrals. The same with looking at your spending. Have you still got me there, Adelaide? Yes.

ADELAIDE RIEF: Certainly do.

PETER BAYLISS: Cool. Just checking. Look at your essentials. Obviously, everybody is paring back a lot but just get serious about what you're spending money on and looking at food on the table and heating and just get back to basics, I guess, where it's people still want to have everything in the old world but now is not the time to necessarily do that if you can't do it, if you don't have the wherewithal. Look for jobs in other areas, so, for example, areas that are hiring a lot at the moment, so supermarkets, and also as an artist, look at alternative revenue stream. So look at your crowd funding. If you are at home and have a lot of time, go crazy on crowd funding. Set up crowd funding. Get all those little signed bits of memorabilia you can offer. Get your platform sorted and just get out there. Same with things like creating online courses. You might have a unique way of doing something, creating something, so have a look at that and look at ways you can collaborate with other artists, so pooling your resources and pooling your audiences as well. So they're kind of some things. They're not fix-alls but just some things to think about that may or may not help in your circumstance.

Then, lastly, here is just a list of places to go around ATO, business register. So the business register is where you would go to do business name registration, ABN or look up an ABN to see if it's GST registered if you're in that world. If you're engaging accountants and tax agents and BAS agents, particularly agents and BAS agents, we have to have appropriate registration, so you can't be an accountant and a tax agent. So I can be an accountant, sorry, and not necessarily be a registered tax agent. I cannot then trade as a tax agent if I don't have that registration. So just make sure that you do due diligence if you're looking to get a professional, what their area of expertise is and what their requirements are, so there are places that you can look at for that.

There's a couple of entry points for JobKeeper, JobSeeker, COVID 19 and Queanbeyan/Palerang, they are responses to the COVID 19. So I think that's it.

ADELAIDE RIEF: Wonderful. Thank you so much, Peter, for all of this information, all of that detail. I think that's been super helpful. We have had lots of comments from people thanking you for answering their questions and a few questions that people have asked which I'll pass on to you and we can respond to outside of this session because we have just about run out of time.

PETER BAYLISS: Absolutely.

ADELAIDE RIEF: And we will make this presentation that you have had for us available for everybody after the session as well, so I'll chat to you, Peter, about how we do that, but for everyone listening and watching, we will make it available for you afterwards.

There's also a few links and things that Peter and I will both pop in the comments section of this video. So please check back in a day or so to see if any of those resources or links are useful to you. And I just want to remind people that if they need some further advice or information about any aspect of their arts practice, we offer individual advice sessions for artists as part of the artists toolkit program and you can sign up to have an individual one-hour consultation with myself or one of my colleagues about any aspect of your career, so funding opportunities, particularly if you missed out on the home front grants. Please feel free to get in touch with us to talk about more opportunities, as well as things like career development, marketing and digital platforms, things that everybody is looking into with gusto at the moment. We'll also be posting a recording of this session in the next few days. The video will have captions and we will also provide a full transcript of this session. I just want to finish by thanking you, Peter, again for your great session. Thank you so much for being with us today and providing all of that great information. It has been so helpful.

PETER BAYLISS: Absolute pleasure. Any time, Adelaide, and like you mentioned, anybody out there with burning questions, make sure you get in touch because we want you all to be safe and healthy and confident moving forward with your arts practice.

ADELAIDE RIEF: Indeed. Alright, thank you, everyone, for joining us today and keep in touch with Ainslie Gorman via our Facebook page. We also have Instagram. We will be announcing more information sessions as part of the artists toolkit program coming up in the next few weeks. Have a lovely afternoon. See you and goodbye.