

Shout Group

Are you contemplating IT contracting for the first time, maybe you are already working as a PAYG for an agency or even own your own PTY LTD company.

There are many things to consider when thinking of going it alone!

Firstly, let's look at the pros, do you remember when someone once told you that setting up a PTY LTD company opened the door to limitless tax offsets, rebates or ways to reduce personal tax rates. Unfortunately, whilst there is some truth the stark reality is that any benefit may be completely offset by the cost of running the entity. Put simply, you are only entitled to claim eligible work related expenses incurred in the operation of your business, for most of us that doesn't amount to much.

Not everything is deductible, just because you have an ABN doesn't mean that new Home Theatre System is deductible, nor the GST able to be offset!

Pros:

- ✓ Deductible or pre-tax expenses for eligible business expenses

That's about it, so what are the dangers and negatives of operating a company for IT consultants?

Cons:

- ATO determination and application of the 80/20 rule, you must be able to prove that your income was derived from multiple sources, not just personal exertion with a single client.
- Compliance costs, ASIC, Accountants and Tax agents etc
- Regulatory / Compliance obligations, QAS, PAYG, Superannuation, FBT, Workers Comp, Professional Indemnity, Annual Returns etc

And it's not just a case of the legal obligations and costs in running a business, being 'your own boss' as an IT Contractor is problematic.

- ❖ Financial institutions hate you! Have you ever tried to get a loan as a contractor, particularly if you are engaged on short rolling contracts, 'Low Doc' and higher interest rates await you even if you can demonstrate a good contracting history.
- ❖ ATO has you in their sights, you will be audited one day and even the most careful and diligent person will find it difficult to defend the inevitable conclusion that your company has been set up to 'avoid' taxes, income split or support non-business (or income earning) expenses.

Here's how we can help, we have 20 years experience and can help you set up a structure that will enable you to maximise your earning potential, reduce any compliance risks and stop the cold sweats at tax time.

If you are interested, please visit our Contractor Financial Services page and contact us for an obligation free discussion.