

Establishing yourself as a Self-directed Support Contractor

Rationale

Self-directed Support is a new and exciting development within the way services to people with a disability, their families and friends can be purchased. In Queensland, under Your Life Your Choice, people with disabilities, at times with the support of family or friends, are able to receive their funding directly into a bank account they establish or via a Host Provider depending on how much responsibility they want to take on for their funding. There are checks and balances under both systems to ensure that people with disability obtain the assistance they need to direct their supports and manage their funds well.

With this development, people with disabilities, their family & friends are able to exercise more control over the supports they receive and engage workers directly.

This development brings the need for people who have an identified skill set to assist people who are directing their own support or where families are directing on behalf of the person in receipt of funding.

Expectations of Contractors

Self-directed Support Contractors should have the necessary skills to provide value based personalised supports to people in a developmental way.

The aim of a Contractor should be to work with individuals to assist them to further develop their experience, skills and competencies of living in the community and managing their own support. The work should be results focussed – to assist the person to identify their goals in community living and apply your skills and knowledge to assist the person to attain these goals.

Contracts should vary in length depending on the complexity of the goals that being aimed for.

Each contract should specify the outcomes the person is aiming to achieve & give approval for the work that can be assigned to other people. It may be that the Contractor will develop associations with other people who may be more able to assist with certain skills and sub-contract this work out if this is in the genuine best interest of the person and this is requested in the terms of the Contract.

As a Contractor operating as Sole Trader you should be able to make yourself available for multiple contracts with people who are self-directing their support &/or self-managing their funding.

People with disabilities often require varying levels of personal care support on a day to day basis whilst working on their goals. A contractor may provide personal care support as the person requires but this would not necessarily be the primary purpose of the role.

What is a Sole Trader?

Description: A sole trader is the simplest business structure. If you operate your business as a sole trader, you trade on your own and control and manage the business.

Tax File Number (TFN): As a sole trader, you use your individual TFN when you lodge your tax return.

Australian Business Number (ABN): As a sole trader, if you carry on an enterprise in Australia, you can apply for an ABN for your business and use this number for all your business dealings.

Who pays income tax? The business income is treated as your individual income and you are solely responsible for any tax the business must pay. This means that, after claiming a deduction for all allowable expenses, you include all your business income with any other income and report it on your individual tax return.



As a sole trader, you pay the same tax as individual taxpayers, at personal income tax rates. From July 1 2012 individuals who are Australian residents don't pay tax on the first \$18,200 they earn. This is called the tax-free threshold.

You must generally pay PAYG instalments during the year towards the amount of tax you expect to pay at the end of the year.

GST: Unless you earn more than \$75,000 or more you do not have to register for GST.

Super: As a sole trader, you are responsible for your own super arrangements. You may also be able to claim a deduction for any personal super contributions you make. If you have any eligible workers, you must pay a minimum of 9.5% of their ordinary time earnings as superannuation guarantee contributions on their behalf.

If you operate your business as a sole trader you trade, control and manage all aspects of your business.

Advantages

- There are few legal and tax formalities involved setting up the business
- The structure is inexpensive to set up
- You have full control of the business
- You receive the full benefit of profits made by the business

Things to consider

- Your access to finances is usually limited to your own resources
- If you have no employees, you usually have to do all the work
- You are legally responsible for all aspects of the business

For more information about sole traders, refer to [Tax basics for small business](#) (NAT 1908).

Australian Business Number (ABN)

The ABN is a unique 11 digit identifier which:

- helps you claim goods and services tax (GST) credits
- lets you claim fuel tax credits you qualify for
- if not quoted to businesses you deal with, may result in amounts being withheld from payments to you under pay as you go (PAYG) withholding
- allows businesses to easily confirm your details for ordering and invoicing.

If your business has a GST turnover of \$75,000 or more (or \$150,000 or more for not-for-profit entities) you must register for GST and you'll need an ABN to do this. If your business has a lower GST turnover, it's up to you whether you register.

Applying for your ABN online

The first step in commencing your business is to get an ABN. You must have a Tax File Number before you can apply for an ABN.

To apply for an ABN use the link: <http://www.ato.gov.au/businesses/entry.aspx?menuid=43064>. Sole traders, companies, partnerships, trusts and superannuation funds can apply for an ABN online. Provided your details can be validated, you will receive your ABN in real time. Written confirmation of your ABN registration will follow.

The ATO website also provides an online questionnaire should you wish to determine whether you are entitled to register for an ABN.

http://calculators.ato.gov.au/scripts/axos/axos.asp?CONTEXT=&KBS=ABN_Entitlement.xr4&go=ok

ABN entitlement tool (individuals/sole traders)

Based on the information provided below the ATO ABN Entitlement Tool determined: that the person applying is entitled to be registered for an ABN. (29/5/2012)

Questions	Response	Rationale
Your main business activity	Other	Business activity not listed
Have you started trading as an enterprise/business	No	Answer yes if have commenced trading
Have you undertaken sufficient activities to establish an enterprise?	Yes	On the presumption that some of the following activities have been undertaken: Completed a business plan and/or rates for services Obtained any relevant insurances to operate Registered a business name Advertised your business Recruited staff Signed a contract or registered with an organisation (excluding labour hire firms) to provide services Issued an invoice
Are you applying for an ABN to operate as a contractor?	Yes	
Will your work agreement allow you to pay another person to perform work on your behalf?	Yes	This clause is included in the Contractor Agreement

At the end of the questionnaire you will be provided with a report. Provided your answers reflect the actual circumstances of the arrangement, you will not be penalised for following the information provided in this decision tool.

Any information provided is for you to make your own informed decision. As part of this process, it is recommended that you talk to your tax adviser or the ATO.

Any information report provided to you by the ATO is based on the information you have provided. If there is a change in your circumstances, the information provided by the ATO to you may be subject to change.

Staying in step with your ABN

The Australian Business Register gives you instant electronic access to ABN information.

To update your ABN details via the Australian Business Register you need an AUSkey <https://abr.gov.au/AUSkey/Registering-for-AUSkey/Verify-your-eligibility-for-an-AUSkey/> for more information. Alternatively, see your tax agent or phone 13 28 66 to update your details.

Remember to update your ABN details within 28 days of any changes.

Lodging your activity statements online

With an AUSkey you can lodge your activity statements online through the Business portal - you'll receive instant confirmation that it has been lodged.

Employee/Contractor decision tool

The ATO has a tool to determine your status as either an employee or a contractor.

Based on the information provided below the ATO Employee/Contractor decision tool determined: that the worker is engaged as a CONTRACTOR. (24/5/2012)

Work Agreement		Rationale:
Do you pay a company, partnership or trust (other than a labour hire firm) for the services of the worker?	NO	The payment is made directly to the person contracted. The person engaged is operating as a Sole Trader with an ABN
Do you pay a labour hire firm for the services of the worker?	NO	As above
Is the worker an apprentice?	NO	The person engaged requires skills and experience to perform the tasks
The worker's main activity or trade is:		Mentor / Community Living / Self-directed support – this role is not about typical support work (although the provision of personal support might be required due to nature of work). There would be clearly articulated outcomes required.
Does the worker have an ABN?	YES	It is assumed that the person engaged has acquired an ABN
Who does the work?		
Does the agreement you have give the worker the right to pay another person to do the work instead of them?	YES	The person engaged is able to sub-contract work to others under this Contractor arrangement. This would more typically be about small pieces of work e.g. engaging a facilitator for a meeting, engaging someone with a particular expertise to do development work. This would be included in any work plan developed with the Contractor.
Is this specified in a written contract between you and the worker?	YES	The Contractor Agreement includes this clause.
Has the worker paid another person to do any of the work under this agreement?	NO	This is a new Agreement so there has been no opportunity.

It is recommended on the website that you enter some personalised details and print out as a record of the decision. None of this information is recorded by the ATO.

More information on Commonwealth taxation and superannuation obligations relating to contractors can be found at www.ato.gov.au/businesses/ or by phoning 13 28 66 or 13 10 20 (superannuation only) or email: SmallBusinessLaw@ato.gov.au

Claimable Expenses

Guide to Claimable Expenses/Deductions for Sole Traders

Refer to the following ATO Guides (available from ATO publications) for more detail:

1. Guide for small business operators. Income and deductions for small business NAT 10710
2. Guide for sole traders. Person services income for sole traders NAT 72511

Deductions you can claim against PSI (Personal Services Income for Sole Traders)

You can claim the following deductions against the PSI you received, if you incurred the expenses to generate this income:

- Gaining work – for example, advertising, tendering and quoting for work
- Registration and licensing fees
- Insuring against loss of income, earning capacity
- Insurance premiums including professional indemnity, public liability, worker's compensation, motor vehicle
- Salary or wages for an arm's length employee (not an associate). As a sole trader you cannot claim a deduction for salary and wages you pay to yourself. However you can claim a deduction for salary and wages you pay to other employees
- Reasonable amounts paid to an associate for principal work
- Expenses related to your home work area
- Phone expenses
- Motor Vehicle expenses
- Educational, technical or professional qualification expenses
- Bank and other account keeping fees and charges
- Tax related expenses, such as the cost of preparing and lodging tax returns or activity statements
- Contributions to a super fund on behalf of an arm's length employee