

What is Personal Services Income?



Personal services income (PSI) is income received as payment for individual personal efforts and skills. It applies to many contractors who provide services as their means of earning an income. PSI rules can apply to individual sole traders and

other types of business entities, but not employees. If PSI rules apply, the entity is called a personal services entity (PSE).

The PSI rules ensure the income is attributed to the individual who performed the services and not apportioned across other entities.

There are several tests to work out if your income is PSI or if you are instead conducting a personal services business (PSB), which means the PSI rules don't apply. If a personal services entity qualifies as a PSB, the ordinary tax rules apply for that financial year.

At least one of these four tests must be satisfied for an entity to be classified as a PSB.

- **Results test:** the individual must be paid to produce a result, is required to supply their own equipment and tools to produce that result and is liable for the cost of rectifying defects in the work.
- **Unrelated clients test:** the sole trader or entity must be engaged by unrelated clients, and services must be advertised to the public.
- **Employment test:** in general, a sole trader or other

entity must engage one or more entities to perform at least 20% of the sole trader's principal work. Entities other than individuals must not be associated with the sole trader.

- **Business premises test:** the entity must maintain and use business premises to conduct personal services. The business premises must be exclusively used by the PSE and physically separate from private premises and customers.

If more than 80% of income in a financial year is derived from one customer, the PSE must satisfy the results test to be classified as a PSB.

If none of the four tests are met, the income is classified as personal services income, and the PSI taxation rules apply. PSI rules restrict the type of allowable tax deductions made in relation to personal services income-earning activities.

If you'd like to know more about PSI, talk to us to see if the services you provide meet the tests for conducting a personal services business. We'll make sure you are claiming the maximum allowable deductions and being taxed correctly.

Are You Suffering from Business Burnout?



The last two years have been demanding and exhausting for many business owners. Are you one of them?

The challenges have been relentless, and we know many small business owners have had to navigate unprecedented demands because of the pandemic and related government regulations.

Burnout results from long-term stress and can manifest in emotional and physical exhaustion, which may affect your enthusiasm for running the business you once loved.

So, What Can You Do About it?

We understand that as a business owner, you have many responsibilities, and often you do everything on your own. So we know how hard it can sometimes be to keep on top of all your legal obligations.

The most important step is to acknowledge you feel burned out and need a break.

Take a break as soon as you can. Plan ahead for time away from the business. However, while getting some rest in the short-term will help, long-term stress will take commitment to recover from.

Strategies to Help Recover from Burnout

What can you do differently to avoid prolonging or retriggering the burnout?

- **Delegate** – Look at the low-value tasks you spend time on and pay someone to do them for you. This will free up time and energy.
- **Re-energise** – If you're struggling with a lack of enthusiasm or purpose, talk to colleagues or a business coach for support. If possible, connect with people in the same industry so you can share among others who may be facing similar challenges.
- **Stand back** – Take an objective look at how much you are working and how effective you are. For example, is it time to streamline your work activities and put boundaries around working hours?
- **Reassess your goals** – Do you have clear business goals for the short-term and long-term? Either set some realistic goals or revise them if they are too difficult right now.
- **Commit to some regular self-care actions** – Think about what you love doing outside your business that is nourishing. Regular exercise? Time in nature? Going on a retreat? Learning something for fun? Improving your diet? Get an app on your phone that reminds you to take mini breaks throughout each day. Whether that is movement, mindfulness or music, use technology to help.
- **Celebrate milestones and achievements** – When overwhelmed with stress or exhaustion, it's easy to forget the positives. Remind yourself of just how much you have done in the last year!

Need Some Support?

You'll be better able to face challenges, run your business well and assist others if you are looking after yourself well.

We'd love to help support you back to passionate engagement with your business. If you're feeling burned out and need help in managing systems, technology, payroll or other financial and administrative management, talk to us today, and we'll

back your recovery.

How to get the best from AI content writing tools like Chat GPT



The chances are that you've heard ChatGPT being mentioned heavily in your social feeds and in business articles in recent months. But what exactly is ChatGPT? In essence, it's an artificial intelligence (AI) tool that promises to automate a

lot of tasks, including write your content for you.

But do these AI content-writing tools live up to the hype? And what's the best way to balance using a solution like ChatGPT with the core skills of good human-powered writing?

What does ChatGPT do?

ChatGPT is an AI chatbot model from OpenAI that can produce complex, well-written responses to any prompt you give it. It uses a huge database of sources to provide you with complete blog posts, articles, email – in fact, it will write whatever you ask it to.

Is AI content writing the answer to your

business prayers?

If you believe what technologists and business leaders are saying, these AI tools have the potential to replace a lot of the human work involved in writing. This could mean writing your blog posts, sales emails, or even looking after your internal comms. (There will be a lot of other functions the tools will be applied to, but we are focussing on writing here)

But does a solution like ChatGPT live up to this promise? Yes and no. Here are a couple of things that you'll want to bear in mind when you use these tools.

1. Creating content that stands out

ChatGPT can certainly provide you with business content – but it can be quite generic and bland. This [generic nature of AI content](#) may be a problem. You want your brand content to stand out and be unique – but this is more difficult when using the same AI tools as every other small business. As [Tom Fishburne](#) puts it, the issue is that *'much of what is created is already a sea of sameness, written more to appease Google's search algorithms than actual people.'*

A human, like you and me, has opinions, personality and can deliver unique insights. AI cannot do this. It's limited to the source data and models it's been provided with. So, if you want your business content to stand out, you need an experienced human writer who writes for humans not just the bots.

Content writing is as much about having good ideas as it is about writing well. So, what you input as your prompt to the AI is just as important as the text that the software spits out.

2. Content accuracy

When Chat GPT's rival, Bard was first launched it wrongly attributed the discovery of an exoplanet to a telescope that didn't exist at the time of the discovery. The problem is that the internet has become increasingly cluttered with fake news, spam links and content that's designed purely for SEO. So it's no wonder that the AI will sometimes provide you with content that is inaccurate.

As a business owner you'll want to make sure that a human is involved – to create a unique and original brief and then to review the output for accuracy and relevance for your brand and your audience.

What's the best balance between AI and human writing?

AI tools are useful. But, at present, you still need a human in the equation. Someone to come up with the ideas, write intelligent prompts for the AI and edit the output so it sounds more human and personalised.

Working with both AI tools AND a content professional is the best way to ensure you're getting the eye-catching content you deserve.

Your Q4 2023 Deadlines for the Diary

Soon enough, we'll be into the last quarter of the financial year, often a busier time for small businesses.

We've highlighted some upcoming business lodgment due dates to help you get organised for the next few months.

Lodgement Type	Period End Date	Lodgement and Payment Due Date	Notes
Activity Statement monthly	End of Month	21st of the following month	
Superannuation Guarantee Contributions	31/03/2023	28/04/2023	Check the cut-off date of your super clearing house - they may require payment a few days earlier.
March Activity Statement	31/03/2023	28/04/2023 26/05/2023	<ul style="list-style-type: none"> - For business lodging directly with the ATO - For agents lodging electronically
Fringe Benefits Tax Return	31/03/2023	25/06/2023	When lodging via an agent Get your FBT records together before the end of March, logbooks, diaries, employee declarations etc
Stocktake	30/06/2023	-	If you must prepare a stocktake for your tax return, plan ahead so you have time and staff available for the task.

Talk to Us About Lodgment Planning

If we're already lodging on your behalf, lodgment extensions automatically apply. You may have earlier deadlines if you're lodging activity statements and other forms directly with the ATO. If you need more time to lodge and pay, let us know, and we can help you meet your obligations or arrange a lodgment extension if required.

It's good practice to plan for your lodgment dates, so you're always on top of your cash flow planning for ATO liabilities.

Start getting organised now!

Requesting payment of overdue accounts in an economic slowdown

Cash has always been king but it's even more important during times of economic slowdown. The slower the economy, the less cash is available in businesses, and the more likely it will be for some customers to be unable to pay.

To protect your business and minimise the risk to your cashflow, follow these six steps to help ensure you get paid.

1. You must continue to enforce your Terms of Trade, however, your approach must change.

Do not adjust your expectation to receive what you are owed but tread carefully with your payment request, or you could risk irreparable damage to your brand and reputation.

2. Triage your debtors.

Consider each customer's likely financial position; how impacted will their cashflow be in these times? Those who are

most at risk need to be treated with empathy and flexibility.

3. A phone call is likely to be the most appropriate contact method.

An email may get missed or inadvertently deleted. Also, it's hard to portray empathy in an email. A quick, polite phone call to your customer will be respected.

4. When you call customers with outstanding payments, first ask how they are.

Your initial assumptions may be wrong, and they may have been more impacted than you realise. Be respectful and kind in your positioning. If your customer is genuinely struggling, demanding payment within 48 hours may not be appropriate.

5. Offer severely impacted customers options to resolve their balance.

Be honest and tell the customer you are calling to discuss their overdue account and offer them some options, such as spreading payments across the next 6-12 months. Empathy, directness and professionalism are key.

6. Reach an agreement, record the details and set a reminder to check when due again.

If payment doesn't come through on the agreed date/dates, follow up with the customer (again, with empathy, flexibility and options). Flexibility now will pay off in the future.

In reality, some customers may simply be unable to make payments. If this is the case, referring their account to a debt collection agency may be pointless. Consider the potential brand damage of appearing aggressive during difficult times.

Nobody is immune to the impact of an economic downturn, now or in the future.

Contact us for some scripts that will help you achieve better debtors' outcomes when phoning clients to discuss overdue

accounts. We can also provide you with a Credit Management Guide to support you to manage your accounts receivable and ensure your best shot at getting paid.

Budgets are boring – 5 ways to spend less without budgeting

If you hate budgets and budgeting, how can you easily cut your spending? Here are five ways to save without tracking every transaction:

1. **Review your subscriptions** – Your fixed outgoings are the easiest way to cut back: big outgoings like your insurance, power, phone and entertainment subscriptions. If you can reduce or eliminate even a few of these, you'll make an immediate difference to your spending.
2. **Embrace low-cost social activities** – A night of drinking and dining out is fantastic fun, but it's also costly, so try to make it an occasional treat. Instead, check out the free and cheap activities in your area and swap an expensive night out for a more [cost-effective option](#).
3. **Have a zero spend day** – Pick one day a week, or one day each fortnight, and try to spend nothing. Make your own food and coffee, stay away from the shops and don't add anything to your cart.
4. **Plan your meals** – Groceries have shot up in price over recent years. Planning your meals for the week and shopping accordingly means you can spend less and buy fewer takeaways.
5. **Pay yourself first, then live off what's left** – Pay a

realistic amount into your investments, savings or debt reduction first, [advises the author of Automatic Millionaire](#). Then pay your commitments, like the utilities. Whatever is left over, live off that. If you're not sure how much to pay yourself, we can help.

Confession time: we love budgets!

We actually love budgets, even though they have a boring reputation. They're part of the spreadsheet family, and you know that spreadsheets are close to our hearts.

While you can save money without a budget, if you embrace one it can turbocharge your success. There are apps to make it easier and support your saving goals.

So whether you want help with saving, or a budget for your personal life or your business, we can definitely give you a hand. Get in touch, we'd love to hear from you.

Business plant and equipment: Buy or lease?

When your business needs new plant or equipment, what's the best choice – buy or lease? The answer will depend on your specific circumstances, but there are some basic considerations that can help you weigh up the options.

The advantages of buying

Buying gives you certainty and ownership, at a higher upfront price, but a lower total price. Owning an item of plant or equipment gives you unrestricted use for the lifetime of the item. You can alter it to suit your business, and you can sell

it if you need to free up some cash. The full cost is paid up front, so you have no ongoing payments, and there may be opportunities for tax depreciation.

When equipment lasts for a long time and maintains its value, ownership can be a particularly good choice. Overall, the total price of ownership is usually lower than the total cost of leasing the item.

The advantages of leasing

Leasing tends to give you more flexibility, at a higher cost. It spreads out the cost of an expensive item – you don't need to save or borrow the purchase price, and instead you make regular payments. You can return a leased item if it's not working out, or upgrade to a better model as your business grows.

If the equipment or plant is something that quickly becomes obsolete, or that you're likely to upgrade, or that you're not totally certain is right for your business, leasing could be ideal. While leasing is generally more expensive across the lifetime of the item, it also frees up your money to invest in other areas of the business.

Running the numbers can help you find the right decision

The decision to invest in new plant or equipment can be a tricky one, but we can help. We can tally up the upfront and ongoing costs, and weigh these against the economic benefits you might get from the new equipment. We consider your cashflow, the cost of borrowing, and sales projections, so you can make an informed choice.

Drop us an email or give us a call – we're here to help.

Paid Family and Domestic Violence Leave – New Entitlement Rules

Employees of non-small business employers can now access 10 days of paid family and domestic violence leave in a 12-month period.

Employees of small businesses can access the leave from 1 August 2023.

Employees have had an entitlement to unpaid family and domestic violence leave (FDVL) for some time as part of the National Employment Standards (NES). But as of 1st February this is a paid leave entitlement for employees of larger employers and 1 August 2023 for employees of small employers (fewer than 15 employees).

The new law allows ten days of paid leave every 12 months, but the leave does not roll over and accumulate.

The full pay rate will apply as if the employee had worked as usual on the day of the leave.

The new FDVL means employees can take time off to deal with the impacts of domestic violence or abuse if they need to take care of things during working hours. This includes attending court, accessing police or support services, or making arrangements for the safety of oneself or close relatives.

FDV Leave Eligibility and Proof

- Applies to all employees, permanent and casual.

- Close relatives include a spouse, partner, former partner, child, grandchild, parent, grandparent or sibling; or the child, parent, grandparent, grandchild or sibling of a current or former spouse or partner. Torres Strait Islander and Aboriginal kinship relatives are also included.
- The leave is available as soon as an employee starts with an employer.
- Employees must inform the employer as soon as possible about the need for FDVL and the expected length of leave.
- The employer can ask for evidence such as police, court, or support service documents, or a statutory declaration, even if the leave period is less than a day.

Plan for Increased Payroll Costs

Because the new leave provision applies from day one of employment for all employees, employers should plan for the potential cost of the leave. While it's unlikely that all employees will take this leave, preparing for the possible cost means you won't get caught out if you do have to pay FDV leave, particularly for casual workers.

If you have any questions about how the FDV could affect your business, please contact our office on 08 6118 6111 or email hello@prescottsolutions.com.au

More information

- Fair Work Ombudsman
 - [Employer guide to family and domestic violence \(fairwork.gov.au\)](https://www.fairwork.gov.au)
 - [New paid family and domestic violence leave – Fair Work Ombudsman](https://www.fairwork.gov.au)

- How to process FDV Leave
 - Xero Help Guide – [Process family and domestic violence leave – Xero Central](#)
 - KeyPay/ Your Payroll Help Guide [Paid family and domestic violence leave guide – Payroll Support \(AU\) \(yourpayroll.com.au\)](#)
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Understanding Your Breakeven Point



Understanding your business breakeven point is essential to know how much money you need to make to stay in business. It can therefore help you make well-informed financial decisions and practical business plans.

The breakeven point is the income or sales needed to cover all costs. Any earnings above this point generate profit. So your breakeven point tells you the minimum sales required to continue operating a viable business.

Understanding the breakeven point in conjunction with financial reports can give you valuable data to analyse fixed and variable costs and set sales targets for the business or individual staff members.

Fixed and Variable Costs

- **Fixed costs** – remain the same regardless of how many sales you make. Expenses like rent, equipment lease

repayments or full-time staff have to be paid whether you sell any goods or services or not. Fixed costs are often called overheads.

- **Variable expenses** – (sometimes called production costs) fluctuate based on sales. For example, cost of goods sold, production labour, and commissions paid to salespeople will vary according to the number of goods or services sold.

It's helpful to work out an amount or percentage of variable costs compared to the sale price of your products or service. This may not be exact initially, but even if you get a rough figure to work with, this will help calculate your breakeven point. Over time as you analyse your financial reports, you'll be able to refine the calculation and adjust your selling price accordingly.

How to Calculate Breakeven

You'll need to know your fixed costs (overheads), selling price and production costs.

One common method of calculating breakeven is as follows:

- *Overheads / (selling price – production cost)*

For example, let's say overheads per month (rent, vehicle lease, administration staff) are \$20,000, and you sell a coaching program for \$3,000 with variable costs (coach fees, handout materials for participants, advertising) of \$1,500 per program.

- $\$20,000 / (\$3,000 - \$1,500) = 13.33$

You would need to sell over 13 programs per month to break even, which equates to \$40,000 worth of sales.

If the same program had variable costs of \$1,800, you would need to sell 17 programs per month to generate \$50,000 worth of monthly sales just to cover costs. Variable costs of \$1,000

per program would mean you only need to sell 10 per month to break even.

With these examples, you can see how important it is to understand your fixed and variable costs. Then you'll know exactly how much you need to make to remain in business and the resulting impact on your financial position. Once you have a reasonably accurate breakeven figure, you can quickly calculate your profit before tax for sales above the breakeven point. In the example where variable costs are \$1,500 per program, let's say you sell 20 programs each month. This would result in an extra \$10,000 in profit (before tax) after paying for overheads and variable costs.

Can breakeven help with your pricing?

Understanding your breakeven point can give you some deep insights into your selling prices, helping you understand if they're realistic.

For example, if your variable costs are high, how much more income will you need to reach breakeven. Is there a fair price for consumers that covers your expenses in a reasonable time frame? Do you need to raise prices to account for fixed and variable costs accurately?

Talk to us about calculating your breakeven point

There are different ways of calculating your breakeven point to confirm the viability of your business, and the ideal pricing point for driving both sales and profitability.

We'd love to help you understand your business financials in more depth, so you can plan for long-term sustainability, enjoyment and profitability.

Your Q3 2023 Deadlines for the Diary

The ATO lets us have a little extra time for December lodgments so we can enjoy the summer holiday period. But once you're back in the swing of things after a break (or busy trading period), you'll need to plan for deadlines, lodgments and payments.

Remember, Single Touch Payroll Phase 2 is now mandatory, although some software providers, such as Xero have extensions in place until 31st March 2023. If your payroll software is STP2 compliant, upgrade now if you haven't already. If your payroll has grown in the last year, you may need to look at upgrading your payroll software – talk to us, and we can get you set up on a solution that is better suited to your business.

We've highlighted some upcoming business lodgment due dates to help you get organised for January to March, the third quarter of the 2023 financial year.

Lodgment Type	Period End Date	Lodgment and Payment Due Date	Notes
Single Touch Payroll Phase 2	31/12/2022	Each pay run	STP Phase 2 reporting mandatory for all employers unless you have an extension in place with ATO or your payroll software.
Activity Statement Monthly	End of month	21 st of the following month	December 2022 monthly activity statement lodgment extension until 21 st February 2023.
Superannuation Guarantee Contributions	31/12/2022	28/01/2023	Check the cut-off date of your super clearing house – their due date could be earlier than the ATO due date.
Activity Statement December Quarter	31/12/2022	28/02/2023	The due date for businesses lodging directly with the ATO is the same as the tax agent due date for the December quarter only.
Fringe Benefits Tax Return	31/03/2023	25/06/2023	Paper lodgments are due by 21 st May. Get your FBT records together before the end of March – vehicle logbooks and documents, lease documents, invoices and employee declarations.

Talk to Us About Lodgment Planning

If we're already lodging on your behalf, registered agent lodgment extensions automatically apply.

You may have earlier deadlines if you're lodging activity statements and other forms directly with the ATO. If you need more time to lodge and pay, let us know, and we can help you meet your obligations or arrange a lodgment extension if required.

Some tax return due dates fall within the first quarter of

2023 – talk to us if you're unsure of your business entity's tax return due date.

It's good practice to plan for your lodgment dates, so you're always ahead with cash flow planning for ATO and superannuation liabilities.