



Goods and Services Tax

Introduction

The Goods and Services Tax (GST) is a tax on *consumption*, not a tax on doing business.

Step One

Decide whether or not you need an ABN (Australian Business Number).

Who doesn't need to register for an ABN?

Any individual (or any company, partnership, trust, non-profit organisation, charity or unincorporated association) conducting a hobby, without any reasonable expectation of a profit.

What happens if you don't have an ABN?

Flantech will retain 48.5% of any bonuses you earn as withholding tax and pay it to the Australian Tax Office. You may claim credit for it on your next income tax return.

If your turnover (see below) reaches \$50,000 for the twelve month period up to, and including, the current month, you must register for an ABN and GST within 21 days.

Everyone else in the Flantech member network in Australia needs an ABN.

Many Flantech members will earn incomes well above what they expected when they first joined.

Because our network activity rate tends to be high, and individual incomes are generally higher by comparison with other network marketing companies, we strongly suggest that all Flantech members apply for an ABN to avoid possible problems along the track, as their incomes grow quickly, even within the first year.

Having an ABN ensures that Flantech will not have to withhold 48.5% of your bonuses.

It's important to note that registering for an ABN does NOT mean you must lodge an income tax return. *Having an ABN does NOT affect your obligations under Income Tax legislation. These are all separate issues.*

Who should apply for an ABN?

Any entity or individual carrying on a business for profit. (Note: if you do not engage in retailing the Australian Tax Office may rule that you do not have a business, but a hobby or personal interest only. You may be unable to claim business-related tax deductions. Consult your tax advisor for guidance.)

Step Two

Decide if you need to register for GST

Who should register for GST?

- Anyone who intends to collect and remit GST to the Australian Tax Office.
- If your annual turnover (see below) is \$50,000 or more, you should register.

What counts as turnover?

Turnover for direct sellers (including network marketers) is defined by the Australian Tax Office as

- the total sales turnover of products and services you sold (excluding your own consumption), plus
- the amount of personal bonus income earned by you in this month and the preceding eleven months.

If your total turnover during that twelve month period reaches \$50,000, you must register for GST.

If your turnover for the twelve month period is below \$50,000 you may choose to register for GST if you wish. If you sell to businesses you may find it advisable to register.

NOTE: You sell services to Flantech in the form of recruiting and training new members, for which you are paid bonuses. (See Bonus GST Uplift.)

How often should your turnover be reviewed?

Your turnover must be reviewed every month. If it reaches a total of \$50,000 for this month and the preceding eleven months, you must register for GST within 21 days.

How is GST you receive accounted for?

Businesses registered for GST will use the Business Activity Statement (BAS). You can choose to lodge your BAS and GST payments quarterly or annually. If your turnover is \$20 million or more, you must lodge your BAS and GST payments monthly. (Network marketing companies are more likely to have to comply with this requirement than their distributors.)

If you choose to apply for an ABN, please complete the proper application form and send it to the Australian Business Registrar. Kits are available from post offices, banks and Australian Tax Offices, or you can register on-line at www.business.gov.au.



If you're not sure whether you need to apply for an ABN or not, consult your financial advisor or tax agent for proper professional advice

What is Withholding Tax?

In all business-to-business transactions, the purchaser is required to withhold 48.5% of their payments to suppliers and remit it to the ATO unless

- the amount is less than \$50, or
- the supplier provides an ABN
- the payment is less than \$50.

Since you supply services to Flantech, the company is required to withhold 48.5% of all payments to you unless

- we receive your ABN
- we receive a Declaration that your business is a hobby or Personal Interest, without reasonable expectation of making a profit after deduction of all relevant business expenses, or
- your bonus for the month is less than \$50.

Note: Your Flantech business may be regarded as a hobby or Personal Interest if your total bonus income for the year is less than \$2,000. But you must file a Declaration with Flantech.

How GST affects your bonus income

As a distributor for Flantech, you provide the company with services in the form of sponsoring and training of new distributors (members).

This does *not* include retailing of products, which is rewarded in the form of *retail commissions*. Your customers pay you GST on the retail price. Retail prices are determined by you under Flantech's established pricing policy and the Australian Trade Practices Act.

Unlike most network marketing distributors, Flantech members have always been authorised distributors, not limited agents. Limited agents solicit orders for their company's products, at prices set by the company, pay a distributor deposit against delivery of the products by the company, and all customers belong to the company, which retains title in the

products until received by the customer.

Other network marketing companies have had to change their relationships with their distributors to a "buy/ sell" basis as authorised distributors (resellers) since 1 July 2000. They buy products at wholesale prices (including GST) and resell the products at retail (including GST). Retail prices are no longer able to be fixed by the companies.

Flantech members have always been resellers. This has been Flantech's relationship with its distributors since it began in business.

As a supplier of services to Flantech, payments to you will normally be subject to GST. However, if you aren't registered for GST, you're not entitled to collect GST on behalf of the ATO, so no GST will be payable to you by Flantech.

Bonus "uplift"

If you are registered for GST, Flantech will "uplift" your bonus by 10% for the GST that you MUST remit to the ATO with your next Business Activity Statement, whether annually or quarterly.

Flantech will send you a "recipient generated tax invoice" setting out the amount of tax paid to you. Flantech will claim this back from the ATO as a tax input credit against the GST paid by you on your product purchases for the reporting period.

1. Make yourself familiar with the requirements of the GST and PAYG provisions. (You can obtain free information from post offices, banks and tax offices. Regular updates are sent to all businesses and homes.)
2. Keep adequate records.
3. Complete and lodge your Business Activity Statements and GST payments on time.

Disclaimer

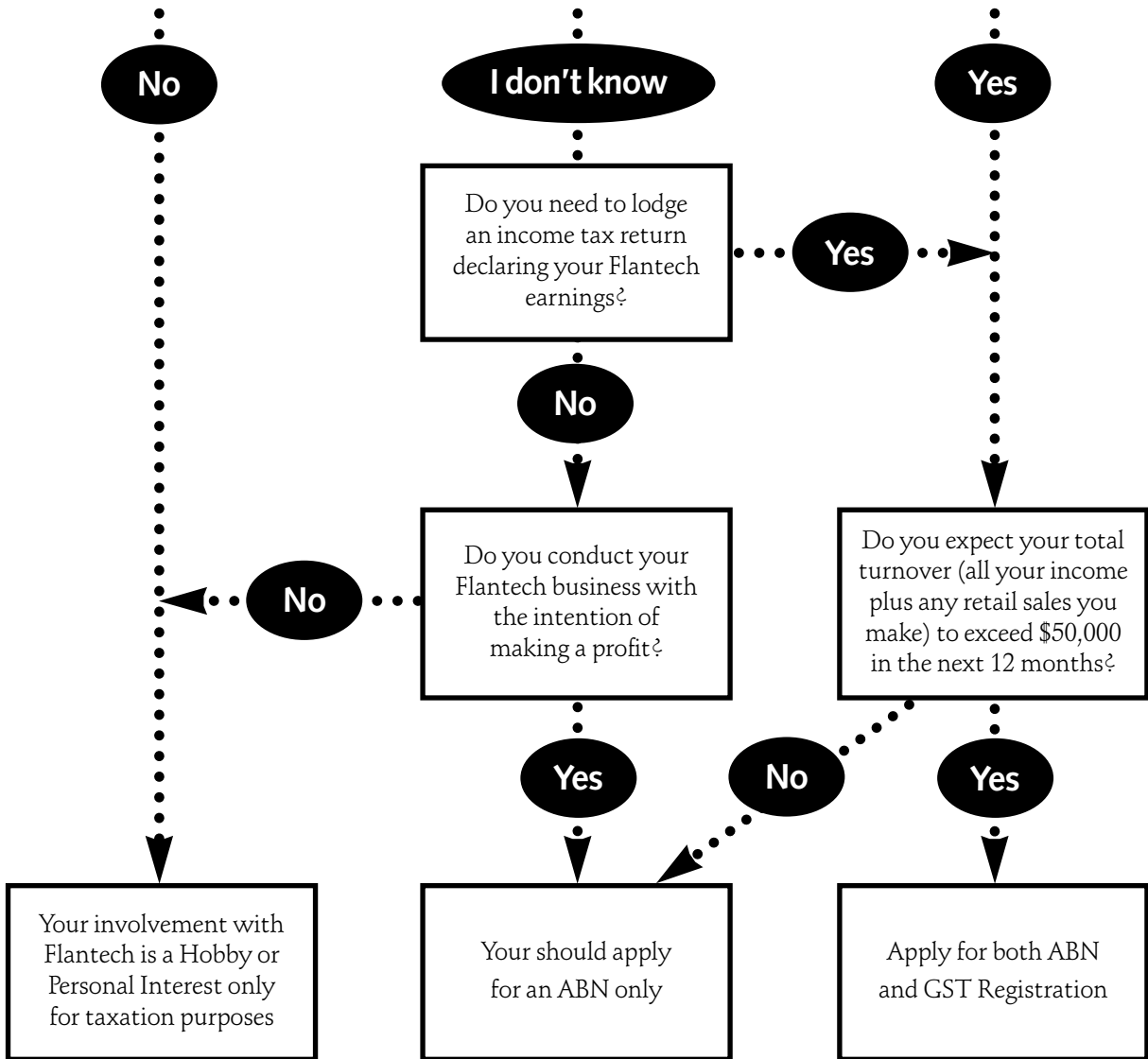
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Do you need to register for an ABN or GST?

Think carefully about the question below, then work your way downward until you arrive at an answer that will help you choose the appropriate option on the ABN/GST Declaration form. Consult your tax advisor.

Question: Are you in business?



Tick Declaration box 1

- Sell products at retail, including GST.
- Pay GST on all expenses.
- No input credits for GST paid.
- No BAS needs to be lodged.
- No GST uplift on bonuses.



Tick Declaration box 2

- Sell products at retail, including GST.
- Pay GST on all expenses.
- No input credits for GST paid.
- No BAS needs to be lodged.
- No GST uplift on bonuses.



Tick Declaration boxes 2 & 3

- Sell products at retail, including GST.
- Pay GST on all expenses.
- Claim input credits for GST paid.
- BAS needs to be lodged.
- Receive GST uplift on bonuses.



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