



Earning income as a PSB? Have your say

Have your say on our draft guidance that outlines what you need to know about managing your income as a PSB.

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Do you earn personal services income (PSI) through a company, partnership or trust (also known as a personal services entity), and qualify as a personal services business (PSB)? There are a few things you need to know about managing your income for tax purposes.

There's a misconception that once you qualify as a PSB, you can split or divert your PSI or retain PSI to gain a tax advantage. Even if you qualify as a PSB, the income remains PSI.

For example, you've set up a private company to provide your services through. You employ your spouse to provide admin support one day a fortnight.

In an income year, your company earns \$250,000 for your services. Your spouse is paid a salary of \$100,000 and you're paid a salary of \$150,000. This means:

- payments you receive don't represent the value of your personal services
- payments your spouse receives don't represent to the value of their administrative support
- as net PSI is diverted away from you, your personal income is reduced and an overall lower rate of tax is paid.

This is likely to be considered a form of tax avoidance.

We've drafted guidance to help PSB operators understand how they can meet their obligations when it comes to their PSI.

This draft guidance is currently open for consultation and we want to hear your views.

Your feedback ensures we can provide information that helps you get your tax obligations right.

Have your say at **Personal services businesses and Part IVA of the Income Tax Assessment Act 1936** by 11 October.

QC 103024

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