

Russell Toplis*
presents
at
Artists Alliance
Workshop

10 September 2011



SALES

Direct Costs

Gross Margin

Overheads

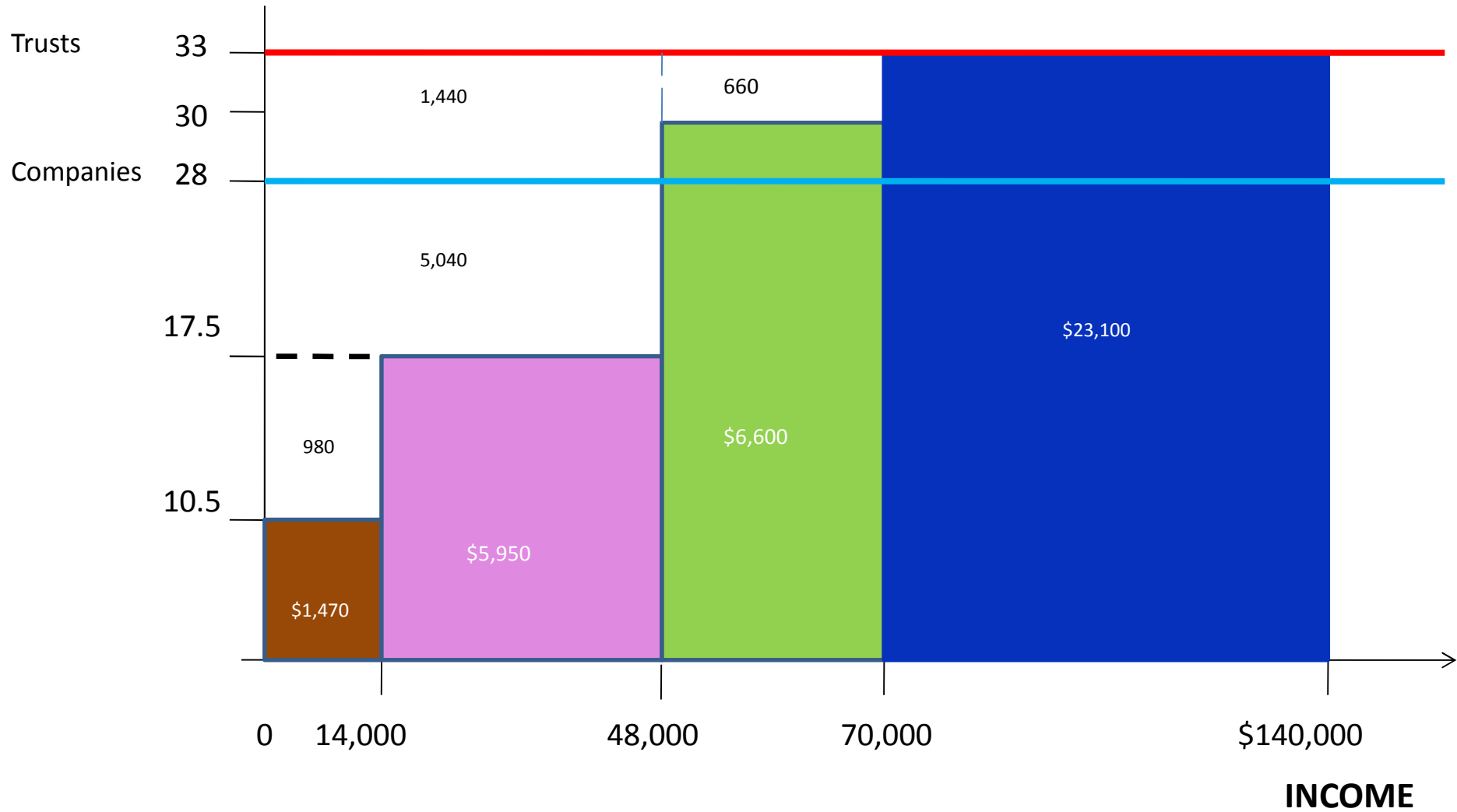
Net taxable Profit

Tax

Tax Paid Profit

TAX RATES from 1 October 2010

Income	\$70,000	\$140,000
Total Tax	\$14,020	\$37,120
Average Rate	20.03%	26.5%



Rate of GST 15%

Must register if \$60,000 pa

15% on = 13% off

15% on = 3/23 off

GST content = three twenty thirds of GST inclusive selling price

Accounting basis:

Payments/Cash

<\$2m (excl GST) over 12 months

Invoice

> \$2m

Hybrid

Frequency:

Monthly

Two Monthly

Six monthly

< \$500,000 (excl GST) Sales over 12 months

Artist **NOT** GST Registered - art is **hobby**

Sells Art for \$1,000 to private collector

Artist doesn't add GST (keeps \$1,000)

Not exposed to Income Tax

Private Collector cannot claim GST

Sells Art for \$1000 to GST registered Gallery

Artist doesn't add GST (keeps \$1,000)

Not exposed to Income Tax

Gallery claims GST on purchase (2nd Hand Goods)

Artist **NOT** GST Registered - art is **business** but sells less than \$60,000

GST as above

Artist is exposed to Income Tax

Artist **IS** GST Registered - art is **business**

Sells Art for \$1,000 to private collector

Either: Artist adds GST (Invoices \$1,150 and keeps \$1,000)
\$1,000 is exposed to Income Tax

Private Collector cannot claim GST

Or: Artist sells for \$1,000 (and keeps \$870)

\$870 is exposed to Income Tax

Private Collector cannot claim GST

Sells Art for \$1000 to GST registered Gallery

Artist does add GST (Invoices \$1,150 and keeps \$1,000)
\$1,000 is exposed to Income Tax

Gallery claims GST on purchase (their net cost \$1,000)

Artist keeps ownership of work and sells on commission

Artist and Gallery **are** GST registered

Art (belonging to Artist) sells for		\$1,125
Artist must give GST to IRD	125*	
Net Sale Price		\$1,000
Commission to gallery @ 40%	\$400	
Plus Gallery charges GST	50	
Artist receives (\$1,125 - \$450)		\$675
Artist passes over net GST to IRD (*\$125-\$50)	\$75	
Net Taxable Income	\$600	