

**Editor's Note**

Hiring for a start-up is very different than for a larger business. Today, we explain the key qualities you need to look out for.



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How do you keep the taxman at bay if you run a cash business?

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I've read that the ATO is looking to crack down on cash-heavy businesses. Given that I run a café, what are the kinds of things I should be doing to ensure the taxman isn't on my back?

The ATO has been looking at cash businesses for a number of years now. It makes sense that the ATO has always had a heavy focus on such businesses.

Every year the ATO says that it is focusing on cash businesses and ramping up its audit department. It is only a matter of time before you will get that phone call.

To track down those businesses that aren't doing the right thing, the ATO has released a set of industry benchmarks that they have compiled as an average of the results of other businesses in your industry and other industries. They are using this information to compare your business results against the average results.

They are looking for variances from the benchmarks. Now, just looking up these rates and making sure you are reporting the same figures won't keep you safe, but it is a good start to make sure that you aren't too far out of the benchmark.

You should be looking at what information the ATO is expecting to see your business reporting and the percentage of expenses versus your income. Don't forget that these are only averages and vary based on the size of your business.

If you find that your business is outside a benchmark but you have reported the correct figure, there is no need to panic as long as you can prove that your figures are correct. But if you are claiming \$100,000 of Costs of Goods Sold and \$10,000 in sales, I would expect a phone call and a please explain!

Given this, record keeping has to be your biggest priority. Keeping cash register records to show how much cash has been received against the bank deposit slip showing all that cash deposited.

I see a lot of cash business paying for their supplies from the till and in cash. Stop paying for supplies with cash. You're always tempted to pull cash out of the till to pay for something or supplies, and then this amount doesn't get recorded or gets missed. Put an end to this. Bank all your cash and pay for any supplies on account. This way you will have an audit trail.

As a general rule, always be able to provide an audit trail or prove the amount you are claiming and reporting.

Brad Callaghan, of [Callaghan Partners](#), has more than nine years' professional accountancy experience. He has worked in senior management roles within taxation and business services dealing with a number of clients from a range of business sectors.

Ask Brad or any other StartupSmart Mentor a question [here](#).