

If you are a writer (or, in general, anyone pursuing a creative endeavour) you will fall into one of two categories. You cannot sit on the fence on this one. While you may sit in one category today, and another tomorrow, you cannot have a foot in both camps; having your cake and eating it as well. Further, once you have moved from one camp to another, generally you will be there for quite some time and may, indeed, never return. Obviously I'm not talking about whether you are in the successful camp or the not-so-successful one (the latter will, however, offer more companionship); or whether you are in the romance writer camp or the chick-lit camp (and where the lines may be more blurred with much to-ing and fro-ing) or whether you are even in the full-time writer or part-time camps. All of these you may move between as you will, and as your mood or the vagaries of the market drive you.

The two camps I'm talking about are the writers-in-business and the non-commercial-writers camps. There are no dual residency permits here. To be a hobby writer in business is as possible as being a vegetarian who loves a steak sandwich.

Most writers, though not all, will have started their careers in the non-commercial-writers camp. They may have a full-time job and write solely for pleasure, enjoying the thrill of occasionally seeing something in print, and for which they will rarely be remunerated. They may enter competitions, but only for the challenge. At the extreme end they may self-publish, usually an autobiography or a very specialised piece of historical research – *The History of the Four-Wheel Dray in Australia from 1800 to 1900* – the market for which is limited, which is like saying it gets a bit humid in Darwin in the summer.

For such writers the pleasure and satisfaction is in the process of writing; there is no commercial objective because there is no commercial reality.

In the other camp, however, there is a commercial reality (however tiny) and there is, therefore, a commercial objective. Words on paper are a product to be marketed and commercially exploited to the greatest extent possible. I'm not saying the results will be positive, but the writer-in-business pursues that objective relentlessly. It doesn't matter that the returns are meagre...it's only a matter of time before the publishers get it...and that it's necessary to hold down a full or part-time job in the meanwhile. It doesn't matter that you do some tutoring, run some workshops, do manuscript appraisals; something has to pay the bills after all. Everything else, though, is the supporting act – the star waiting in the wings is a regular (paid for) column, a novel going into its tenth print run in ten languages or a screenplay optioned by Steven Spielberg. You want fame and fortune, and you'll take fortune over fame if given a choice. You might have started out in the camp of non-commercial writers (as I am right now) but one day you say to yourself

“time to start making some money, time to jump the fence and join the writers-in-business” (as I will in hopefully the not-too-distant future).

Now if you are in this camp, then you are, as the ATO would put it, conducting an enterprise and you are most definitely not, as it has become characterised “a hobbyist”.

Once your writing becomes a business, then all income related to that activity will be included in your tax return. This will include advances, royalties, payments for commissioned pieces, speaker’s fees, income earned from running workshops and manuscript appraisals, grants and prizes – the latter including cash and non cash prizes – and receipts from the sale of self published works. Income which is connected to the creation of intellectual property (copyright) is also subject to the averaging provisions; more later on that. The flip side is that all expenses related to this activity then become tax deductible, the income tax laws providing that any money which you spend, which is in some way related to an activity that you are pursuing with a commercial objective, will be tax deductible. This means that you need to be thinking about tax deductions not so much in the context of what items will be tax deductible (computer costs, research, professional development, travel and so on) but simply whether a particular expense is related to your writing. There are some exceptions to this general rule: entertainment – as in wining and dining – clothing, medical expenses and food. In other words, don’t expect much sympathy if you want to claim thermal underwear and the cost of medical treatment, being expenses incurred while you were off doing a travel piece in the Antarctic and you got frostbite tapping out an article on your laptop. The food would, however, be deductible because you were travelling on a writing trip. You need to be thinking creatively now and keep asking the question “Is this expense in some way (even just a leeeetle bit) related to my writing” If you think it is, then keep a record of it. It’s no good going to the accountant at the end of the year and saying “when I went down to Kununurra to do a story on the flooding would that be deductible, even if no one picked it up?” and the accountant says “sure is!” and you think “stuff it, I knew I should have kept the docket” Some things will be 100% deductible, such as a subscription to the esteemed NT Writers’ Centre, but others, such as your car expenses and maybe part of your rent, will have to be apportioned. Remember to keep all, and I mean *all* of your receipts. The ATO takes no prisoners!

I mentioned the averaging provisions: these are designed to mitigate the effects of big income (well, big according to our standards) in one year and bummer all for the years before and, as likely, after. They work on the assumption that you might spend three or four years working on a manuscript before you see any income, so the effect is to tax the income in the year it has been received, but at the rate that would apply if it had been earned over a five year period. Say you earned nothing, nothing at all for five years, then in the sixth year your work was finally

published and you collected \$30000, after expenses. Over a five year period, that averages out at \$6000 a year. How much tax would you pay on \$6000? \$0 – what’s five times \$0? \$0. The calculation is complicated by other income and as the years progress the average changes, but that gives you the picture. The threshold for averaging is \$2500 so as soon as your taxable (after expenses) income from writing gets to that level you put the amount in the Taxable Professional Income box in the tax return. You need to do this because if you don’t it’s like you’re saying to the ATO “I’m entitled to the benefits of income averaging but frankly I can’t be bothered” and that would be just plain foolish.

Being in business as a writer means that you will need to have an Australian Business Number (ABN); otherwise 48.5% tax will be deducted from your earnings as a writer. If your income from writing and writing related activities is likely to exceed \$50000 (before expenses) then you will also need to be registered for GST. If you are registered for GST that means that you will be paid an extra 10% on top of your advances, royalties, speaking and workshop fees. That 10% is then paid to the ATO on a quarterly basis, reduced by the GST you will have paid on all of your business costs, and which is reported on a Business Activity Statement (BAS). If you have paid more GST than you collected then you will get a refund of the difference.

If you have an ABN but are not registered for GST, then you don’t have to complete a BAS. Also, if you are not registered for GST then you do not charge GST and are not entitled to claim back the GST you have paid to your suppliers – you just claim the GST component of your expenses as a tax deduction, and remember to keep all your receipts.

Too easy!

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