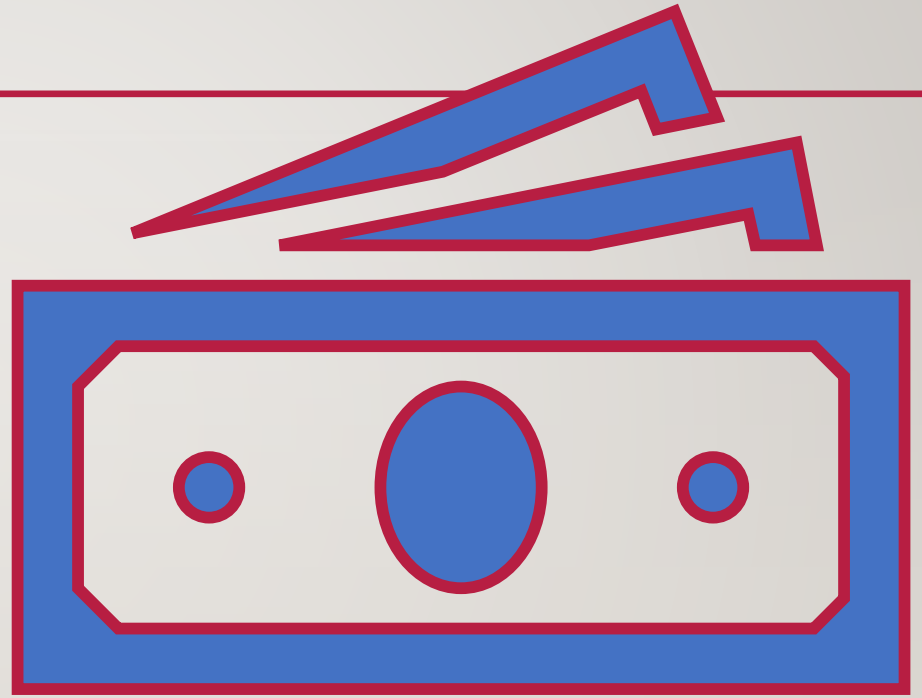
PERSONAL SERVICE INCOME



What is Personal service income:-

- Income produce from



WHY PSI



To Stop the splitting income

There are special tax rules aimed at improving the integrity and equity in, the tax system. This is by ensuring you cannot reduce or defer your income tax by diverting income received from your personal services through companies, partnerships or trusts

Example:

Doctor\IT consultant

Pay tax on Slab rate

Wages from Employee

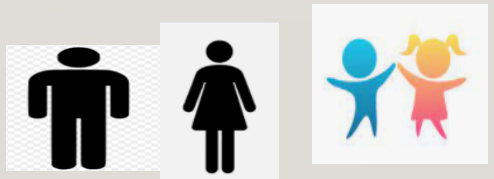
$400,000 PA

Doctor\IT consultant

Work as contractor

Create a company, Trust, Partnership or can act as sole trader.

$400,000. as fees



- Your client must have to justify whether income. is PSI or PSB

YOU CAN RECEIVE PSI IN ALMOST ANY INDUSTRY, TRADE OR PROFESSION. HOWEVER, SOME COMMON EXAMPLES INCLUDE.

- IT consulting
- Management consulting
- Doctor
- Engineering
- Medical services
- Locuming
- E.tc

STEP 1

Have you received PSI?

If more than 50% of the **income** received for a contract/invoice was for your labour, skills or expertise,then all **income** receivd is PSI.



Labour Skills Expertise

PSI

If yes, then go to Step-2 or PSI do not apply.

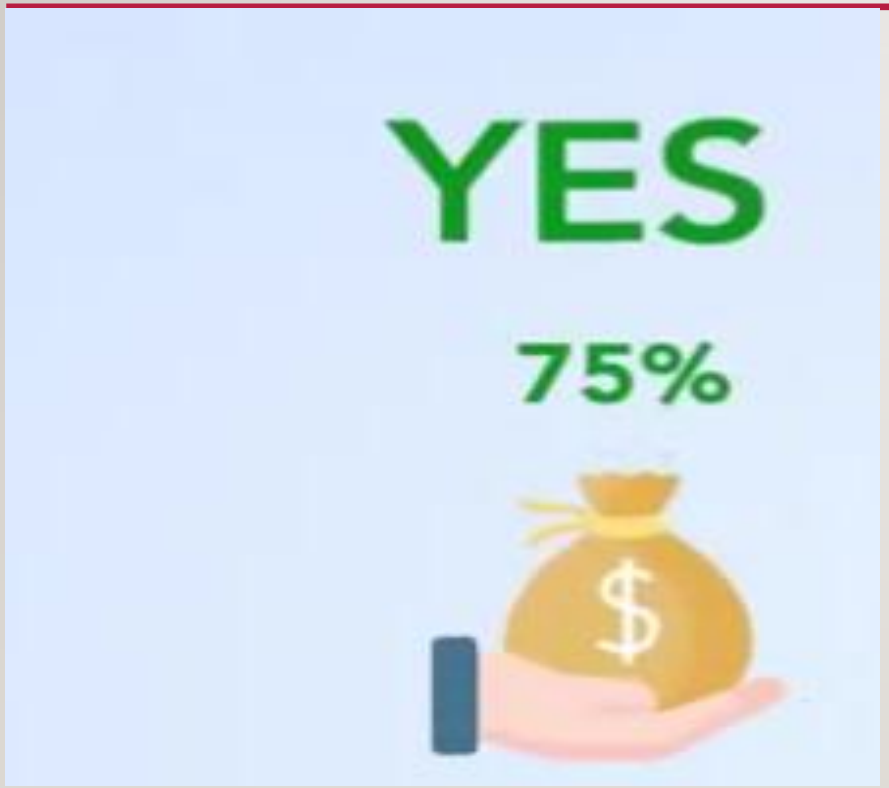
STEP-2- RESULT TEST.

If you've worked out that your income includes PSI, your next step is to work through the results test. This test is about the nature of your agreement to perform the work, including the basis on which you are paid.

To pass the results test in an income year, you need to meet the following three conditions



YES



You pass the result test and PSI rule don’t apply.

NO

- For example- If you meet one of the condition and rest are not meet then go the 3rd step.

- Step-3 :- 80\20 rules.



Total Annual Income
$250,000

< $200,000

80%

Go to Step 4

> $200,000

PSI rules do apply

STEP-4 : THE REMAINING TEST

We need to pass one of the test for PSI rule do not apply.

- Unrelated clients test- Two or more client .
- Employment test- you have employment someone to provide service.
- Business premises test.- You have physical business office separated from the home.

IF IT IS NOT MEETING TO YOUR CLIENT THEN PSI DO NOT APPLY.

PASSING NONE OF THE TESTS – THE PSI RULES WILL APPLY.

- SOLE TRADER
  - You will not be able to claim certain deductions such as..
    - Rent, mortgage interest, rates or land tax for your home office Payments to your spouse (or other associate) for support work such as secretarial duties
    - You will need to declare the PSI you received in your tax return

- COMPANY, PARTNERSHIP AND TRUST
  - Treat the PSI income received as belonging to each individual who performed the services, and each individual will need to declare that income in their tax return.
  - you will not be able to keep it as part of your business profits.
  - Follow additional PAYG withholding obligations, unless your company, partnership or trust promptly pays the PSI to each individual who performed the services as salary or wages.