# Using your business money and assets

## Fast facts

## Using business money and assets for personal use

- Companies and trusts are complex business structures. One of the fundamental things you need to know about these structures is how to pay yourself or how to use business funds or assets for personal use, without causing adverse tax consequences.
- Companies and trusts are separate tax entities governed by their own rules. When you take money from or use assets of a business which is run through a company or a trust, you must record this as a business transaction.
- The main ways you can take money from your business or use your business assets for personal are as follows:
  - A business run through a company
    - salary, wages, and director fees
    - dividends (which is another way of saying a formal distribution of your business profits)
    - loans from your business
    - the personal and private use of the company's assets.
  - A business operated through a trust:

- salary and wages
- distributions (a trust pays out its profits to its beneficiaries through distributions)
- loans from the trustee
- the personal and private use of the assets held in trust

- Each one of these transactions have different reporting and record keeping requirements.
- If you don't treat the business money you take or business assets you use, for private purposes, in one of the ways listed above you may face unexpected tax consequences.
- It is likely that the Division 7A rules will apply, if you take money out of your company for private use, or use its assets for private purposes, and do not treat the transaction in one of the ways listed. This means the payments will be treated as unfranked deemed dividends (untaxed payments) paid to you.
- If you as a beneficiary, do not take money out of a trust in one of the ways listed, and where it has been going on for some time, there can be costly tax consequences.

## Amending errors

- If you are not correctly reporting transactions or keeping appropriate records, talk to a registered tax professional and make sure that you correctly report the use of the company or trust money or assets in your next tax return.
- If you have made a mistake or left something out of your previous tax returns, you can lodge an amendment.

- You can use the Division 7A calculator and decision tool to work out whether a payment your company has made will be treated as an unfranked dividend. The calculator also works out the minimum yearly repayment that must be made each year.
- If you make an honest mistake when trying to comply with your obligations, you should tell the ATO or your registered tax agent or accountant as soon as possible. There are ways you can get back on track without a penalty.

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