

Being Self-Employed in Australia

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Or

**What I Wish I Got Told
10+ Years Ago**

A bit about me

(I'll keep it quick)

- Worked in casual jobs as a teenager
- Started a science degree in 2005
- Made my money doing short software dev contracts in summer holidays

All this work was on someone else's payroll

I got curious about *making* a business

I did some research, and registered an ABN in 2008

I did maths/physics tuition to supplement summer work

- From 2010, stopped tuition and only did dev (still using ABN)
- Worked at Google as SRE from 2013
- Quit in 2015 to do freelance dev and cloud work
- Incorporated in 2017

The Basics of How to Make a Business

(The stuff I asked in 2007)

Pro tip: get some *real* pro tips

There are good books and even live humans available

Aside: Australian tax law recognises hobbies

You might not need to do the extra paperwork

<https://www.business.gov.au/planning/new-businesses/a-business-or-a-hobby>

The basic essentials:

- Deciding on a business structure and trading name
- Registering an Australian Business Number (ABN)

A couple of business structures are popular

Sole trader (a.k.a. sole proprietor)

- *You* are your business
- You trade under your own name
- You sign contracts
- You own everything
- Business revenue is taxed as your income at your personal rate

The good: simple and low on operating costs

The bad:

- Harder to separate business/personal assets/expenses
- No protection of personal assets
- Less respect from bigger businesses
- Might not be the best deal for tax

Alternatively, a company is a totally
separate legal entity from you

(Taxed at a flat ~30% on profit.)

The downside is that *everything* costs money:

- The company registration
- The trading name registration
- Business activity statements
- Bank accounts
- Workers' compensation insurance
- Etc.

It can make sense to start as a sole trader,
then incorporate when you have steady revenue

(It's what I did.)

Note: you don't need a company to register for GST

The Stuff They Don't Tell You

(Or, what I didn't know to ask in 2007)

You'll likely need an accountant in practice

(E.g., to vouch for you if you want to rent a home)

Savings

How long could you survive without receiving income?

I recommend 6 months *minimum*

When you go for a month without pay,
3 months won't sound like a long time any more

Personally, I keep enough in cash
for foreseeable expenses

The rest goes into investments like index funds

Billable hours for services

You're unlikely to be paid for more than about 85% of the year

85% is typical for a rolling 6-month contract

Freelancers might only get close to 50%

Some industries get less

(Factor this in when estimating rates and total income)

Do things that don't scale

<http://www.paulgraham.com/ds.html>

I.e., things you can do better than anyone bigger or smaller than you

Important special case:

Focus on good customers

Even if you charge everyone equally,
some customers are worth much more than others

(Some even have negative value)

Bad customers

- Don't pay you money when you need it
- Sometimes don't pay at all
- Waste your time on non-billable things like unreasonable complaints, or changing demands
- Don't refer you to good customers

<https://clientsfromhell.net/>

Ask: does your business model make
good customers come back?

Counterexample: two-sided marketplaces

Bad customers need the platform more than good customers

Public advertising, job boards, etc.,
won't get you the best customers

You have to actively hunt for them

Good news: once you've got them,
good customers spread the word for you

Detecting good customers is hard

But here are some tips

Good customers are goal-driven

Bad customers are wannabes

Good customers ask for proof of quality

Bad customers keep asking about price

Good customers don't because
they know their budgets

Bad customers ask you for a discount
because of the “exposure” they promise

Good customers ask for things like
insurance certificates

Bad customers ask for cash-in-hand deals

Quiz question:

Do premium airlines get more complaints
than budget airlines?

No

Budget airlines get more bad customers, who complain more

If you charge too little

- You lose money over time (obviously)
- You scare away good customers
- You attract bad customers

If you learn nothing else from this talk:

Don't undercharge!

Made up example:

Alice is a salaried dev considering contracting

What's a minimum she might charge?

(Warning: made up numbers!)

- \$90k total gross income (inc. super, before tax)
- \$5k annual business expenses
- 75% of year billable

$(\$90000 + \$5000) \div .75 \div 52 \div 5 = \490 (per day)

Alice might negotiate above that,
but accepting less would be a mistake

Remember: if you never hear “No”,
you’re doing it wrong

Questions?

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