



Australian Government  
Australian Taxation Office

## Small business

# Top questions at tax time

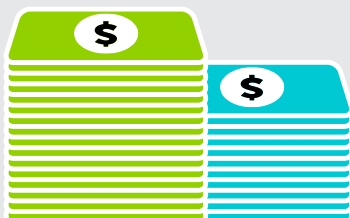
Small businesses often ask questions during tax time. Whether you use a registered tax agent or lodge your own tax return, here are the ATO's answers to some common questions asked each year.



### What business income do I need to declare in my tax return?

When thinking about business income, start by including all of your gross earnings received through the ordinary course of your business. This includes any cash, EFTPOS, credit or debit card, and online sales. There may be other sources of business income you need to declare, depending on your circumstances.

- ✓ Some common examples include:
  - net capital gains made when disposing of business assets
  - rental income from property owned by your business
  - any assessable government industry payments such as fuel tax credits
  - foreign income from overseas business activities (if you're an Australian resident)
  - distributions to your business from partnerships and trusts.
- ✓ If you are running a business and are paid mainly for your personal efforts, skills or expertise, you may be earning personal services income (PSI). The personal services income tool ([ato.gov.au/psitool](http://ato.gov.au/psitool)) will help you work out if your income is PSI and if the special tax rules apply to you.
- ✓ For more information, go to [ato.gov.au/businessincome](http://ato.gov.au/businessincome)



### What can I claim for my business at tax time?

You can claim most expenses you incur in running your business. While different businesses will have different costs, here are common expenses:

- ✓ **Operating expenses**  
Most businesses have everyday operating expenses, including the costs of stationery, trading stock, advertising, bank fees and insurance. There are also operating expenses when your business is online such as registration, web hosting and licensing fees.
- ✓ **Business premises costs**  
You can claim business premises costs such as electricity, phone, water, rental or lease. If you run your business at your home or your business is based from home, you can claim the business portion of occupancy expenses and running expenses, like mortgage and electricity.
- ✓ **Travel for business**  
Do you or your employees travel for business? You can claim business travel expenses such as bus, plane, Uber or taxi trips. If you have a vehicle for your business, you can claim motor vehicle expenses associated with running and maintaining the vehicle such as petrol, rego and insurance.
- ✓ **Salaries and wages**  
If you're an employer, you can claim the costs of employing people such as salaries and wages, and super contributions you make on their behalf.
- ✓ For all your business expenses, use the three golden rules:
  - 1. The money must have been spent for your business – not a private expense.**  
For example, you can't claim private expenses such as traffic fines or clothes for your family.
  - 2. If it is for a mix of business and private use, only claim the portion that is related to your business.**  
For example, if you buy a computer for your business and your kids use it to do their homework; that's private use. You'll need to work out how much of the computer's use was for your business and only claim a deduction on that portion of the computer's cost.
  - 3. You must have records to prove it.**  
Whether it's paper or electronic, it is important to have a record like a receipt for your business expenses. You'll also need to show how you calculated the business portion of expenses, if that applies to the expense.
- ✓ For more information, go to [ato.gov.au/businessdeductions](http://ato.gov.au/businessdeductions)



