Australian Government
Australian Taxation Office

2024 Tax Time toolkit for small business

We're here to help.

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Contents

Welcome to the 2024 Tax Time toolkit for small business

Small businesses are the engine room of the Australian economy and vital participants in the tax and super system. During the 2022–23 income year, they contributed more than $909.3 billion to the economy and employed more than 7 million people.

As stewards for small businesses, our role in making it easy for you to get your tax right is more important than ever. In everything we do, we approach our work with you in mind.

If you operate a small business, we're committed to helping you grow your tax and super expertise and build resilience to deal with the unexpected challenges many small businesses face. We do this by providing timely and tailored advice, and information and education resources to support you.

Earlier this year, we launched our new online learning platform for small businesses called 'Essentials to strengthen your small business.'

This exciting new platform includes over 25 short, free courses about essential topics such as record keeping, cash flow, deductions and many more. We encourage you to explore and complete the courses that best support your business to enhance your skills and knowledge, and help your small business thrive. We've included a link to this invaluable resource in the help and support section of this toolkit.

We know that successful small business operators understand their tax obligations. They also have support from someone who understands their business, such as a registered tax or BAS agent, bookkeeper or accountant.

Unexpected events can make it more difficult for you to meet your small business obligations; but remember, we're here to help. If you're experiencing difficult times or serious financial hardship, contact us about your situation as early as possible. We can give you support specific to your circumstances.

Each year we refresh this toolkit to keep it up-to-date and brimming with useful information to help you and your advisers. I hope you find it helpful and I encourage you to share it with others.

Emma Tobias
Assistant Commissioner for small business experience – Australian Taxation Office

Small business directory for tax time

We have a range of information, resources, tools, calculators and services available to help small businesses at tax time and all year round.

Information

- **Assessable income for business**
  Find out what to include in your business's assessable income and what to exclude.
- **atoTV Business channel**
  Access a wide range of videos that cover tax time information at a time that best suits you.
- **Business Activity Statement (BAS)**
  If you're registered for GST, you need to lodge a BAS report and pay your GST, pay as you go (PAYG) instalments, PAYG witholding tax and other taxes by the due date. You need to lodge on time even if you're lodging a 'nil' BAS.
- **Business tax deductions**
  You can claim a tax deduction for most expenses from carrying on your business, as long as they are directly related to earning your assessable income.
- **Concessions for eligible businesses**
  Information on a range of concessions to help reduce the amount of tax you pay.
- **Due dates by topic**
  Find due dates for all your obligations by topic.
- **Government grants, payments and other disaster relief**
  Information if you have received state, territory or Australian Government grants, payments or stimulus as a result of COVID-19.
- **Income tax return**
  There's no threshold for business income so you need to lodge a tax return if you carried on a business, even if your business has not earnt any income. This page also explains how to lodge an income tax return for your business.
- **Lodge with a registered tax agent**
  How to lodge your tax return using a registered tax agent.

Stay up to date

- **Small business newsroom**
  Visit the Small business newsroom for the latest updates to help you get your tax and super right. You can also subscribe to our newsletter – Small business news – to receive regular updates direct to your email inbox.
- **Social media**
  Get the latest tax and super information on the go. Follow us to get tax tips and updates, share information and stay informed.

Tools and calculators

- **ATO app**
  Free to download and use, with a range of features and tools to help you keep on top of your tax and super.
- **myDeductions**
  A tool in the ATO app for sole traders or individuals to record business income and expenses. Making it easier and more convenient to keep records in one place.
- **Other calculators and tools**
  To help you run your business.
- **Small business benchmarks**
  Help compare your business's performance against similar businesses in your industry.

Help and support

- **ATO Community**
  Get answers to your questions on our online community forum.
- A full list of tools and services, including help to lodge and pay, is available at **Supporting your small business**.
- **Essentials to strengthen your small business**
  A flexible and free online learning platform for small businesses to learn how to get their tax and super basics right.

Primary producers

If you're a primary producer, you may be interested in these fact sheets:

- Landcare and riparian maintenance – expenses
- Prevent and prepare for fire emergencies – expenses
- Tree farming (forestry operations) – income and expenses

For more information, visit **ato.gov.au/primaryproducers**

New measures for small business

Small business skills and training boost

Available to small businesses with an aggregated annual turnover of less than $50 million and offers an additional 20% tax deduction to train new and existing employees.

If you're eligible, you can claim a deduction for the cost of external training courses delivered to employees in person in Australia, or online but the providers need to be registered in Australia.

For more information, visit **ato.gov.au/skillstrainingboost**

Small business energy incentive

Available to businesses with an aggregated annual turnover of less than $50 million. If you're eligible, you can claim a bonus 20% tax deduction on new assets, or improvements to existing assets, that support more efficient energy use.

For more information, visit **ato.gov.au/energyincentive**

Instant asset write-off

Available to businesses with an aggregated annual turnover of less than $10 million. If you're eligible, you may be able to deduct the full cost of eligible assets which cost less than $20,000.

Eligible assets must be first used or installed ready for use, between 1 July 2023 and 30 June 2024. The $20,000 threshold will apply on a per asset basis, so you can instantly write off multiple assets.

For more information, visit **ato.gov.au/instantassetwriteoff**

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Small business:

Home-based business expenses

This information will help you if you are a small business owner claiming deductions for the costs of using your home as your main place of business.

Key points

- The types of expenses you can claim depend on how you operate your business from your home.
- You can only claim deductions for the portion of your expenses that relate to running your business.
- You must keep records for at least 5 years to show that your business incurred the expenses and how you calculated your claim.
- If you sell your home, there may be capital gains tax (CGT) implications.
- If you are entitled to goods and services tax (GST) input tax credits, you must claim your deduction in your income tax return at the GST exclusive amount.

Business structure

Your business structure affects your entitlements and obligations when claiming deductions for your home-based business expenses.

Sole traders and partnerships

If you operate your business as a sole trader or partnership, you can claim a deduction for the costs of running your business from home.

There are 2 types of expenses for your home-based business – running expenses and occupancy expenses. Whether you can claim running expenses only, or both running and occupancy expenses, depends on whether you have an area of your home set aside as a 'place of business'.

Running expenses

Running expenses are the increased costs from using your home's facilities for your business, for example:

- the costs of using a room (such as heating, cooling and lighting)
- cleaning costs
- landline phone and internet costs
- decline in value (depreciation) and cost of repairs to
  - equipment such as computers, tools and machinery
  - furniture such as chairs, desks and bookcases
  - furnishings such as curtains, carpet and light fittings (you can only claim furnishings if you have a dedicated or separate room).

You can claim running expenses if you run your business from home, such as in a separate study or a desk in a lounge room, even if it doesn't have the character of a 'place of business'.

Calculating your claim

To calculate the running expenses of your home-based business, you can use one of the following methods or any other method as long as:

- it is reasonable in your circumstances
- you exclude your normal (private) living costs
- you have records to show how you calculated the business expense.

For the 2023–24 income year you must keep a record of all hours worked from home such as, timesheets, rosters or diary for the whole period.

Fixed rate method, floor area method or actual cost method

Calculating your claim:

- You can use the floor area method if you have an area of your home set aside as a 'place of business'. In addition to the floor area method, you can also claim a deduction for decline in value of the business related portion of depreciating assets and equipment.
- Actual cost method, where you can only claim based on receipts or other written evidence.
- You can use the fixed rate of 67 cents per work hour. This rate incorporates the following usage expenses:
  - electricity
  - gas
  - stationery
  - computer consumables
  - internet
  - phone.

  For more information, see: ato.gov.au/homebasedbusinessexpenses

Heating, cooling and lighting

If you are using the actual cost method and have an area set aside for your business, it may be appropriate to split your heating, cooling and electricity bills based on the proportion of the floor area of your home that you use for your business and proportion of the year that you used it for business.

If you are using the 67 cents an hour fixed rate method, you don't need to calculate heating, cooling and lighting amounts as they are already included in the rate.

Home phone and internet

If you are using the actual cost method for home (landline) phones, you can claim your business calls and a portion of the line rental costs

For internet expenses, you can claim the proportion of time or data you used your internet for business use

You can calculate the business portion of your home phone and internet using an itemised account or pattern of use.

Note: you can't claim the cost of assets, such as phones, modems and routers, because they are capital costs (not running expenses), but you can claim a depreciation deduction for them.

Depreciation (decline in value) of business assets

You can choose to use the simplified depreciation rules if you have an aggregated turnover of less than $10 million. Find out more at ato.gov.au/SBdepreciation

If you use the 67 cents an hour rate, you can separately claim a deduction for the decline in value of depreciating assets, such as laptops, mobile phones and office furniture.

If you use assets for both personal and business use, you can separate your business deprecation expenses from personal based on your pattern of use.

Occupancy expenses

Occupancy expenses are expenses that you pay to own or rent your home, for example:

- mortgage interest or rent
- council rates
- land taxes
- house insurance premiums.

You can only claim occupancy expenses if the area of your house set aside for your business has the character of a 'place of business' (including if most of your business is conducted online). Indicators that the area of your home that you've set aside is a place of business include:

- clearly identifiable as a place of business (such as a sign at the front of your house)
- not easily suitable or adaptable for private or domestic use
- used exclusively or almost exclusively for your business
- used regularly for business visits by your clients.

If you're eligible to claim occupancy expenses, you can also claim running expenses.

You usually calculate occupancy expenses based on the proportion of the floor area of your home that is a place of business and the proportion of the year it was used for business.

Trusts and companies

If you operate your home-based business as a company or trust there should be a genuine, market-rate rental contract (or similar agreement) with the owner of the property and the company or trust that operates your business. This will determine which expenses the company or trust pays for and can claim as a deduction. Generally, the agreement would cover running and occupancy expenses.

If there isn't a genuine rental contract, there may be tax implications for you (as an individual) and the company or trust that operates your business for providing benefits to you. For more information, see ato.gov.au/Division7A

If you are an employee of the company or trust that operates your business and it pays for or reimburses you for some of the costs of running your business from home, you can't claim a deduction for the expenses in your individual income tax return. The company or trust that operates your business may be subject to fringe benefits tax (FBT) if it pays or reimburses you for the expenses.

Certain exemptions and concessions may reduce any FBT liability. You may need to keep additional records. For more information, see ato.gov.au/FBT

Personal services income (PSI)

If you earn PSI, whether it is earned as a sole trader or through a partnership, company or trust, PSI rules may affect deductions for some occupancy expenses. To find out more, see ato.gov.au/PSI

Capital gains tax (CGT)

If you were entitled to claim occupancy expenses or you own your home and receive rental income from your business, there may be CGT implications when you sell your home. The main residence exemption may not apply for the proportion of your home and the periods that you used it for your business.

For more information, see ato.gov.au/HomeBasedBusinessCGT

Records you need to keep

You need to keep records to substantiate your claims for all of your home-based business expenses. This includes written evidence, tax invoices or receipts for:

- purchase and repairs of equipment, furniture and furnishings used for your business
- utility bills and cleaning expenses
- mortgage interest, rent, insurance and council rates (if you claim occupancy expenses)
- rental contract between homeowner and business (if you claim occupancy expenses)
- how you separate your business and private use (for example records of how you calculated the percentage of your floor plan dedicated to your business).

Example: Rocco the plumber

Rocco is a sole trader plumber who doesn't have a dedicated business premises. He travels to his clients' houses each day from home.

He does his bookkeeping in his dining room on a computer he purchased on 10 November 2023 that he only uses for his business.

Rocco kept:

- a record of the total number of hours he worked from home between 1 July 2023 and 30 June 2024.

Rocco calculates he spent 480 hours this income year on his bookkeeping.

Rocco claims:

- Running expenses using the fixed rate of 67 cents an hour for 480 hours ($321.6)
- the cost of his computer, used only for his business under the simplified depreciation rules, because depreciation of computer equipment is not covered by the fixed rate.

Rocco cannot claim:

- occupancy expenses, as he doesn't have a dedicated area for his business.

Example: Fern the photographer

Fern runs her business – Fern's Photos Pty Ltd – as a company from the home that she owns.

Fern's house has a dedicated studio where she keeps her photography equipment.

Fern's Photos Pty Ltd has a formal rental agreement with Fern to hire the studio for $500 per month. This covers use of the space and facilities such as electricity. It is consistent with what it would cost the company to hire a similar studio elsewhere.

Fern's Photos Pty Ltd claims rent paid to Fern.

Fern must report the rental income that she receives from her company in her personal income tax return. She can claim expenses that she incurs in making that income.

There may be CGT implications if Fern sells her house.

If you're a sole trader with simple tax affairs, you can use the myDeductions tool in the ATO app to record your expenses. For more information, see ato.gov.au/myDeductions

This is a general summary only.
For more information, go to ato.gov.au/homebasedbusiness or speak to a registered tax professional.

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Small business:
Motor vehicle expenses

This information will help you when claiming a deduction for motor vehicle expenses for your business.

Key points

- The way to calculate your claim depends on your business structure.
- If you change your business structure, your entitlements and obligations may change.
- If you use your motor vehicle for both business and private use, you can only claim the portion that is used for business.
- You must keep records for 5 years to prove your expenses. Consider keeping a logbook if you want more options when claiming a deduction for your motor vehicle.

Types of motor vehicles

The type of motor vehicle you drive can affect how you calculate your claim. A motor vehicle is either a car or an 'other vehicle'.

Car

A 'car' is a motor vehicle (including electric vehicle) that is designed to carry:

- a load of less than one tonne, and
- fewer than 9 passengers.

Many four-wheel drives and some utes are classed as cars.

Other vehicle

Your motor vehicle is an 'other vehicle' if it is not a car. Other vehicles include:

- motorcycles
- minivans that can carry 9 or more passengers
- utes or panel vans designed to carry loads of one tonne or more.

Expenses incurred in running a ute are not automatically tax deductible; you need to use the ute in your business and you can only claim the business portion.

Types of expenses

Common types of motor vehicle expenses you can claim include:

- electricity (for charging an electric vehicle)
- fuel and oil
- repairs and servicing
- interest on a motor vehicle loan
- lease payments
- insurance
- registration
- depreciation (decline in value) of the vehicle.

Business structure

Your business structure affects your entitlements and obligations when claiming deductions for motor vehicle expenses.

Sole traders and partnerships

If you operate your business as a sole trader or partnership (where at least one partner is an individual), the way to calculate your deduction depends on the type of vehicle and how it is used. The vehicle can be owned, leased, or hired under a hire purchase agreement.

You can only claim motor vehicle expenses that are part of the everyday running of your business (such as travelling between different business premises). If the vehicle is used for both private and business purposes, you must exclude any private use (such as driving your children to school).

Cars

For cars, you can use the cents per kilometre method or the logbook method.

Cents per kilometre method

You can claim a maximum of 5,000 business kilometres per car per income year using the cents per kilometre method.

Rates are reviewed regularly so make sure you check the rate for the income year you are claiming for. The rate is 85 cents per kilometre for the 2023–24 income year and this takes all of your car running expenses, including depreciations, into account. This means you can't make a separate claim for depreciation of the car's value.

You don't need written evidence, but you must be able to show how you worked out your business kilometres (for example, calendar or diary records).

For claims above 5,000 kilometres, you must use the logbook method to claim the entire amount.

For more information, see ato.gov.au/centsperkm

Logbook method

You can claim the business-use percentage of each car expense, based on logbook records.

You must record:

- when the logbook period begins and ends
- the car's odometer reading at the start and end of the logbook period
- details of each journey, including start date and finishing date, odometer readings at the start and end, kilometres travelled, and reason for the journey.

You must keep the logbook for a period (at least 12 continuous weeks) that is representative of your travel throughout the year. You can then use this representative period to calculate your claim for 5 years if you:

- keep the logbook
- take odometer readings at the start and end of each year that you use it.

Work out the percentage of business travel from your logbook and use this to claim your business-related car expenses.

You can't claim capital costs, such as the purchase price of the car, but you can claim this as depreciation.

For more information, see ato.gov.au/logbook

Other vehicles

For all other vehicles, you can't use the cents per kilometre or logbook method. Your claims must be for actual costs for expenses you incurred, based on receipts. You can use a diary or journal to separate private use from business use.

If you're a sole trader with simple tax affairs, you can use the myDeductions tool in the ATO app to keep a logbook and record business-related car trips and other car expenses. For more information, see ato.gov.au/myDeductions

Companies and trusts

If you operate your business as a company or trust, you can only claim the actual costs for motor vehicle expenses that are part of the everyday running of your business (such as travelling between different business premises, visiting clients or picking up goods for sale). You can only claim actual costs based on receipts for expenses incurred.

You cannot use the cents per kilometre or logbook method to calculate your claim.

If your business is a private company that provides a vehicle to a shareholder or their associate to use in their capacity other than as an employee, this may be treated as a dividend or loan (Division 7A) which could affect the deductibility of your motor vehicle expenses. For more information, see ato.gov.au/Div7AFBT

Motor vehicle ownership

There are other things you need to consider depending on the ownership of the vehicle.

Vehicle owned or leased by your business

Your business can claim a deduction for the running expenses of a vehicle that is owned or leased by your business.

If the vehicle is available for private use by an employee or their associate (such as a spouse), fringe benefits tax (FBT) may apply. For more information, see ato.gov.au/carfringebenefits

Vehicle owned by your employee

If your employee uses their own vehicle for business-related purposes and you pay them a motor vehicle allowance or reimburse them their costs, your business can claim a deduction for the allowance or expenses reimbursed, such as the cost of fuel.

You can't claim depreciation if the vehicle is owned by your employee.

Your employee can claim a deduction for costs related to the business use of their vehicle in their own tax return, minus any reimbursements they received from your business.

Depreciation (decline in value) of a motor vehicle

If you work out your deduction for expenses using the logbook method or actual costs, then you can generally claim a deduction for capital costs, such as the purchase price of a motor vehicle, over a period of time. This is known as depreciation. For more information, see ato.gov.au/depreciation

You can choose to use the simplified depreciation rules if you have an aggregated turnover of less than $10 million. Find out more at ato.gov.au/SBdepreciation

If the business vehicle is a car, there's a limit on the cost you can use to work out your depreciation claim. For the 2023–24 income year, the limit is either:

- $68,108, or
- the cost of the vehicle if it's less than this amount.

If you're a sole trader or partnership and use:

- the cents per kilometre method, you cannot make a separate claim for depreciation of the vehicle as this is already taken into account
- the logbook method, you can only claim depreciation on the business portion of the motor vehicle's cost.

Records you need to keep

The records you need to keep depends on the method you use to calculate your motor vehicle expenses. Regardless of the method you use, you will need to keep:

- loan or lease documents
- details on how you calculated your claim
- tax invoices
- registration papers.

Other records include:

- details of the kilometres travelled for business and private use
- receipts for fuel, oil, repairs, servicing and insurance cover.

This is a general summary only.
For more information, go to ato.gov.au/motorvehicleexpenses or speak to a registered tax professional.

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Small business:

Travel expenses

This information will help you if you are a small business owner claiming a deduction for expenses you incur when travelling for your business.

Key points

- You must keep your business travel expenses separate from your private expenses. You can only claim the business portion.
- You must keep records for 5 years that prove your expenses.
- If you travel for 6 or more consecutive nights, you may need to keep a travel diary.
- There is a separate factsheet about business motor vehicle expenses and travelling to and from your places of business. For more information about these expenses, see ato.gov.au/motorvehicleexpenses

Types of expenses

As the owner of a small business, you can claim a deduction for expenses that you incur when you travel for your business. Common expenses include:

- fuel, tolls and car parking
- airline, bus, train, tram and taxi or ride-sourcing fares
- car-hire fees and the costs you incur when using a hire car for business purposes
- accommodation and meals if you are away overnight.

You can't claim a deduction for any travel undertaken before you started running your business.

Claiming travel expenses

Your business can claim a deduction for travel expenses related to your business, whether the travel is taken within a day, overnight, or longer. You must have records to prove that the expenses were for business.

You cannot claim any private costs of the travel, for example, leisure activities, a holiday that you add onto your business travel, or the costs of a family member who travels with you.

To claim expenses for overnight travel, you must have a permanent home elsewhere and your business must require you to stay away from home overnight. You can't claim travel expenses that arise because you are relocating or living away from home.

If you operate your business as a company and the business pays for private portions of your travel, there may be tax implications for you (as an individual) and your business for providing benefits to you. For more information, see ato.gov.au/Division7A and ato.gov.au/FBT

Employee travel expenses

Whatever your business structure, if you have employees who travel for your business, the business must actually incur the travel expense (by paying for it directly or reimbursing the employee) to be able to claim it as a deduction.

Your business may be subject to FBT if it pays or reimburses your employees for their travel expenses or private activities. Certain exemptions and concessions may apply to reduce your FBT liability. To access the exemptions and concessions, you may need to obtain records from your employee. For more information, see ato.gov.au/FBTexemptionsandconcessions

If you pay your employees a travel allowance or a living-away-from-home allowance, there are different considerations.

For more information, see ato.gov.au/FBT and ato.gov.au/travelallowances

> If you are entitled to goods and services tax (GST) input tax credits, you must claim your deduction in your income tax return at the GST exclusive amount.

Records you need to keep

You need to keep records that prove all your business travel expenses for 5 years. These records can include:

- tax invoices
- boarding passes
- tickets
- travel diary
- details of how you worked out the private portion of expenses.

If you are a sole trader or partner in a partnership, you need to keep a travel diary if you are away for 6 or more consecutive nights. A travel diary is also highly recommended if you run your business as a company or trust, as it will help you to determine the portion of the travel that was for private purposes.

> If you're a sole trader with simple tax affairs, you can use the myDeductions tool in the ATO app to record your business-related expenses.
>
> For more information, see ato.gov.au/myDeductions

Travel diary

In your travel diary, record the details of each business activity as you go, including:

- the nature of each business activity
- the date and approximate time the business activity began
- how long the business activity lasted
- the name of the place where you engaged in the business activity.

The travel diary can be in any format that records this information.

Example: Rebecca's travel diary

Rebecca owns a business as a sole trader landscape gardener. She is invited to exhibit at the Chelsea flower show in England. This involves 6 days of work representing her business at the show. After the show is finished, Rebecca spends some time sightseeing.

Rebecca's son James joins her on her trip. James is not involved in the business and spends the days exploring London while Rebecca is at the Chelsea flower show.

As Rebecca is travelling for more than 6 nights, she keeps the below travel diary.

Travel diary for May

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
28	29	30	31	1	2	3
4	5	6	7	8	9 10am flight Q13 to London (via Dubai)	10 Arrive London 1pm local time. Bus to hotel in Chelsea 3pm
11 Rest day	12 Chelsea flower show set-up day from 9am	13 Chelsea flower show day 1	14 Chelsea flower show day 2	15 Chelsea flower show day 3	16 Chelsea flower show day 4	17 Chelsea flower show day 5, ends 5pm
18 Sightseeing in London	19 Sightseeing day trip to Oxford	20 Bus to airport. Flight home Q23 6pm from London, arrive 10pm local time	21	22	23	24
25	26	27	28	29	30	31

This shows that Rebecca travelled for 12 days. She spent the majority of the time on business-related activities and took the opportunity to do some sightseeing while in London for 2 extra days. Rebecca can only claim deductions for the business-related portion of her travel

Rebecca can claim:

- the return airfare to London (which does not have to be separated out as the primary purpose of her travel is for business, the sightseeing was incidental)
- her bus fares to and from the airport
- the costs associated with working at the Chelsea flower show, including the exhibitor's fee and transport to and from the location from her hotel
- Rebecca's accommodation in Chelsea up to and including 17 May
- meals and incidental costs on the days she attended the Chelsea flower show.

Rebecca cannot claim:

- accommodation, meals or transport expenses on the days noted for sightseeing
- additional private costs from the whole of her time away (such as souvenirs)
- costs of visas, passports or travel insurance
- any of James's expenses (such as his airfares, the cost of his meals or the cost of an extra hotel room for James).

Example: Noah's travel diary

Noah owns a business as a sole trader interior designer and decorator. He lives and works in Perth. A new customer has asked him to design and decorate her home in Broome. This will take two weeks to complete.

Noah flies to Broome on Sunday evening and returns to Perth two weeks later. On the weekend, he does some sightseeing and catches up with friends. He keeps the following diary:

Travel diary for September

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
26	27	28	29	30	31	1 Fly to Broome (depart 4pm, arrive 6.30pm)
2 Purchase decorating supplies 9am–10.30am. Working at client's house 10.45am – 4pm	3 Working 7.30am to 4pm at client's house	4	5	6	7 Day trip to Horizontal Falls. Dinner with Pam and Geoff	8 Sightseeing around Broome
9 Working 7.30am to 4pm at client's house	10	11	12	13	14 Return flight to Perth (depart 10am, arrive 12.30pm)	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	1	2	3	4	5	6

Noah can claim:

- his return airfare to Broome and taxi to his hotel and from hotel to airport
- accommodation in Broome for all nights (as the weekend in between was incidental and the primary purpose of travel was for business)
- costs of undertaking his work in Broome (such as hire of tools)
- meals and incidental costs of his work.

Noah cannot claim his private expenses, including:

- the cost of the sightseeing he does on the weekend
- the dinner he has with friends.

This is a general summary only.
For more information, go to ato.gov.au/businesstravel or speak to a registered tax professional.

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Small business:

Digital product expenses

This general information will help you if you are a small business owner claiming deductions for the cost of digital products used in running your business.

Key points

- The type of expense – operating expense or capital expense – determines when you claim your deduction.
- Your business may be eligible to claim an immediate or accelerated deduction for a capital expense using a tax depreciation incentive.
- You can only claim deductions for the portion of your expenses that relate to running your business.
- You must keep records to prove your expenses and how you calculated your claim.

Expenses you can claim

As a business owner, you can claim a tax deduction for the cost of digital products used in running your business.

There are two types of expenses you can claim:

- operating expenses
- capital expenses.

The type of expense determines when you claim your deduction.

Operating expenses

Operating expenses are the expenses you incur in the everyday running of your business.

Examples include:

- internet service provider fees
- software subscription fees (for example, accounting, cybersecurity, point of sale, learning, job, and client management software)
- cost of running a website (for example, site maintenance that preserves its character)
- file sharing services
- cloud storage
- lease payments.

You claim most operating expenses as a tax deduction in the year you incur them.

Capital expenses

Capital expenses are either:

- the expense of a depreciating asset – including the amount you paid for the asset and the expense of transporting and installing it
- an expense associated with establishing, replacing, enlarging or improving your business.

Examples include:

- computers and computer accessories
- mobile phones and tablets
- connectivity boosters
- cameras
- point of sale machines
- in-house software
- cost of acquiring or developing a website.
- You generally claim capital expenses over time, reflecting the asset's depreciation (decline in value).

Your business may be eligible to claim an immediate or accelerated deduction for a capital expense using a tax depreciation incentive. For more information, see ato.gov.au/depreciationincentives

Software expenses

You can claim some software costs as operating expenses in the year you incur them, including:

- software subscription fees
- the cost of commercial off-the-shelf software with an effective life of one year or less.

If the effective life is more than a year, you need to consider if it is in-house software.

In-house software

In-house software is computer software, or the right to use computer software that you acquire, develop or have someone else develop for your business use, not for sale.

Expenses for in-house software may be calculated in a few ways depending on the circumstances and your eligibility to use a tax depreciation incentive.

If the software is still in development and is not ready for use, you can use the software development pool rules.

For more information,
see ato.gov.au/in-housesoftware

Exclude private use

When calculating your claim, you must apportion your expenses between business and private use, only claiming a deduction for the business portion.

For more information,
see ato.gov.au/privateuseofassets

Records you need to keep

You must keep accurate records to substantiate your claims for digital product expenses.

This includes:

- tax invoices
- loan or lease documents
- details of how you calculated your claim.

For more information,
see ato.gov.au/recordkeeping

Examples

Software subscription

Zoe from Zoe's hair salon subscribes to a software as a service (SaaS) provider, which allows her a right to access software for up to 300 of her customers per month to book a hair appointment online. It is a standardised cloud-based service where no modifications to her IT infrastructure were required.

Zoe can claim the month-by-month fee for this service as an operating expense in the year she incurs them.

Scanner and photocopier lease

On 1 November 2023, Flowers R Best Pty Ltd entered a 12-month lease agreement for a scanner and photocopier. The monthly fee is $100.

Flowers R Best Pty Ltd can claim the lease cost as an operating expense in its 2023–24 tax return.

It does not qualify as a capital expense because ownership of the assets sits with the entity leasing them to Flowers R Best.

In-house software

Software development pool

Nguyen is a sole trader who runs an interior design business. He set up a software development pool in 2022 when he started his business's website. In August 2023 he paid $1,500 to have customised software developed to create bookings and store client information.

Nguyen must allocate this expenditure ($1,500) to a software development pool and claim a deduction over the next 5 years in his tax returns.

If you are registered for GST and can claim the full GST credit, you must exclude the GST amount of the asset when calculating your claim.

This is a general summary only.
For more information, go to ato.gov.au/digitalexpenses
or speak to a registered tax professional.

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Australian Government
Australian Taxation Office

Small business:

Using business money and assets

This information will help you if you are involved in running a business through a company or a trust and you are receiving financial or other benefits through the business.

Key points

- There may be tax consequences if you take or use money or assets from your company or trust for private purposes.
- You need to:
  - report these transactions correctly in the company, trust and individual tax return
  - keep accurate records.

How to record and report the use of business money or assets

There are different ways to take or use money or assets from a company or trust. It's important to understand the reporting and record-keeping requirements for transactions.

Salary, wages and directors' fees

You can be an employee, director and shareholder of the company that operates your business. You can also be an employee and a beneficiary of the trust that operates your business.

You must include any salary, wages or directors' fees you receive from your business, in your individual tax return.

The **company or trust** that operates your business can generally claim a deduction for any salaries, wages or director's fees paid if it complies with the pay as you go (PAYG) withholding and reporting obligations for each payment.

Your **business** (company or trust) must:

- register for PAYG withholding and withhold an amount from salary, wages and directors' fees.
- report the payment information to the ATO using Single Touch Payroll (STP), unless covered by a deferral exemption, and on your business activity statement (BAS).
- pay the amount withheld to the ATO and compulsory employee superannuation contributions to a complying super fund by the cut-off dates.

For more information about employer obligations, see ato.gov.au/employers

Example

Taking money as salary or wages

Daphne is the sole director of a private company that sells speciality gift hampers to customers. She and her partner Jo are equal shareholders in the company. Before this income year, Daphne ran the business as a sole trader.

As a sole trader, Daphne paid $1,500 a month out of her business account and into her personal account for personal expenses. Regardless of the amounts that were transferred to her personal account, all the income Daphne earned as a sole trader is included as business income in the business and professional items schedule on her individual tax return.

Daphne decided to change business structures and set up a private company to run her business. Daphne is an employee, shareholder and director of the private company.

Daphne's tax agent explains to her that there are different tax consequences now that the business is run through a company, which is a separate legal entity.

As an employee of the company, Daphne is paid $1,500 a month as a salary. Daphne now reports the $1,500 a month she receives from her employment as salary in her individual tax return.

The tax agent helps Daphne set up PAYG withholding and STP reporting, as well as meet her company's superannuation guarantee obligations.

The company lodges a separate annual tax return. It reports the business income and claims a deduction for the salary paid to Daphne in the company tax return.

Fringe benefits tax and allowances

Fringe benefits tax (FBT) applies when an employer provides certain benefits to its employees, directors, and their associates. This could be a payment or reimbursement of private expenses or being allowed to use the business assets for private purposes, such as the business's car.

Your **business** (company or trust):

- may be entitled to claim a deduction for the cost of providing fringe benefits
- can generally claim GST credits for items provided as fringe benefits
- must lodge an FBT return and pay any FBT that applies to the fringe benefits provided to the employees or their associates
- must keep all records relating to the fringe benefits it provides, including how the taxable value of benefits was calculated.

You don't need to report the value of fringe benefits that you (or your associate) receive, in your tax return, unless they are included as reportable fringe benefits on your income statement.

For information about exemptions, concessions and reducing FBT liability, see ato.gov.au/FBT

Example

Reporting a fringe benefit

Sameera is the sole director and shareholder of a small tourism company that runs tours and owns 3 coastal holiday houses. Sameera is also one of 3 employees of the private company.

Each employee is given the opportunity to stay in one of the holiday houses for up to 4 weeks each year during the off-peak season.

This year, Sameera and her family take up this offer and stay at their favourite holiday house for 2 weeks of their own holidays at no cost.

This is an employee's private use of one of the company's business assets. The company is providing Sameera, in her capacity as an employee, with a fringe benefit.

The company reports the fringe benefit in its FBT return and pays FBT on the benefit.

Distribution of income and profits

Dividends

If your business is run through a company, the company can distribute its profits by paying dividends to its shareholders, which can include you.

The dividend may include a franking credit (the amount of tax already paid by the company) which can be used by shareholders to offset their income tax liability.

The **company**:

- must issue a distribution statement to each shareholder who receives a dividend, showing the franking credit on the dividends paid
- may need to lodge a franking account tax return
- can't claim a deduction for dividends paid as these are a distribution of company profit and not a business expense.

You must report any dividends you receive (and the franking credits on them) in your individual tax return.

For more information about paying dividends and other distributions to shareholders, see ato.gov.au/dividends

Trust distributions

If your business is operated through a trust, the trustee may make the beneficiaries presently entitled to a share of trust income by the end of the income year according to the terms of the trust deed.

The **trustee** should advise and document in the trustee resolution:

- details of the beneficiaries
- their share of the net income of the trust.

If the trustee resolution is not made according to the terms of the trust deed, default beneficiaries or the trustee may be assessed on the relevant share of the trust's income at the highest marginal tax rate.

Details of the trust distribution should be included in the statement of distribution which is part of the trust tax return. The trust can't claim a deduction for distributions paid as it is a distribution of trust income and not a business expense.

For more information, see ato.gov.au/trusts

If the beneficiary of a trust is a company, and the trust doesn't pay the amount the company is entitled to, there may be tax implications.

For more information, see ato.gov.au/division7Atrusts

If you have a trust within your family group, you may need to include a trustee beneficiary statement as part of the trust return lodged.

For further guidance, see ato.gov.au/closelyheldtrusts

Lending money or assets

Companies lend money or assets to shareholders and their associates

When a private company lends money or assets to its shareholders or their associates, the shareholder or associate may be taken to have received a Division 7A deemed dividend if certain conditions are not met.

If this happens, the shareholder or associate will need to report an unfranked dividend in their individual tax return. The company will also have to report the unfranked dividend paid in its company tax return and adjust its balance sheet to reduce its retained profits.

To avoid a Division 7A deemed dividend, before the company tax return is due or lodged (whichever comes first), loans must either be repaid in full or put on complying terms.

To be put on complying terms, the loan must be made subject to a written agreement that:

- states the names of the parties to the agreement, being the private company and the shareholder or shareholder's associate (the loan recipient)
- is signed and dated by the private company and loan recipient
- has an interest rate for each year of the loan that at least equals the benchmark interest rate
- does not exceed the maximum term of 7 years, or 25 years in certain circumstances when the loan is secured by a registered mortgage over real property.

The **company** must include any interest earned from the loan in its company tax return and complete the Division 7A company tax return labels.

As the shareholder (or shareholder's associate), **you**:

- must make the minimum yearly repayment for the loan each income year (use the Division 7A calculator to work this out)
- can't borrow money from the company to make the minimum yearly repayment
- can make repayments on the loan by offsetting against your entitlement to a dividend declared by the company. This dividend must be reported in your individual tax return.

For more information, see ato.gov.au/Division7A

Example

Loan received from the company and put on complying terms

Amir is the sole director of a private company that provides administration services to other businesses. He and his partner Aiesha are equal shareholders in the company.

Amir and Aiesha's daughter is about to start high school and they have to pay $2,000 in school fees. Amir decides they should use money from the company to pay for the fees.

Amir knows that he can't pay for a private expense using the company's money without properly accounting for it. As the director, he decides that the company will lend him and Aiesha the $2,000.

He draws up a written loan agreement for the loan to be repaid over 2 years, with an interest rate equal to the benchmark interest rate. The loan agreement identifies the company, Amir and Aiesha as the parties, and the repayment terms. It's signed by all parties.

The loan agreement is made on complying terms under Division 7A.

The company lends Amir and Aiesha the money, which they pay back to the company with interest each year according to the agreement over the next 2 years.

When Amir prepares the company tax return, he declares the interest as income for the company.

Trustees lend money or assets to beneficiaries and their associates

If you borrow money from the trust, **you** need to keep a record of it. If the loan is on commercial terms, **you** need to repay the principal and interest as per the loan agreement. The **trust** needs to report the interest in its tax return.

For more information on an integrity rule that may apply to certain loans by trustees, see ato.gov.au/trusttaxreimbursement

Repayments of loans made to companies and trusts

If you have lent money to your business, your business can't claim a deduction for any repayments of principal it makes to you.

However, it may be able to claim a deduction for interest it pays to you on the loan. The company or trust should keep records of any loan agreements and documents explaining these payments being made to you.

You don't have to declare the principal repayments, but any interest you receive from your business is assessable income to you and must be included in your individual tax return.

When you take your business's money or assets in another way

If you take money out of your company or trust or use its assets for private purposes in a way not described above, you or the entity running your business may have unintended tax consequences.

To ensure your business transactions are transparent, you should:

- consider setting up a separate bank account for your business to pay business expenses from, and don't use it for private expenses
- keep records that explain all your relevant transactions, including income, payments and loans to you and your associates from the business
- make sure that if your pprivate company lends money to you or your associates, the loan complies with Divison 7A
- report transactions correctly for tax purposes.

If you make an honest mistake when trying to comply with these obligations, tell us or your registered tax agent as soon as possible.

Example

Repaying a loan before the company's lodgment day

Jian is the sole director and shareholder of a private company, that he uses to run his plumbing business.

Jian decides to have his home repainted, which he pays for using his company's bank account.

Jian meets regularly with his bookkeeper, who notices the unusual transaction.

The bookkeeper advises Jian that the transaction will be treated as a Division 7A deemed dividend if he doesn't pay the money back or make it a complying loan before the earlier of when the company tax return is due or lodged for the income year (the company lodgment day). Jian has enough money in his personal bank account, so he decides to repay the company the full amount.

As he repays the full amount before the company's lodgment day, there are no Division 7A consequences for Jian.

He also takes his bookkeeper's advice and makes sure he stops paying his private expenses from the company bank account.

This is a general summary only.
For more information, go to ato.gov.au/businessmoney or speak to a registered tax professional.

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Australian Government
Australian Taxation Office

Small business:

Pausing or permanently closing your business

This information will help you understand what you need to do for tax purposes if you are a small business owner and you have had to pause or permanently close your business.

Key points

- There are different things you need to know and do depending on whether you are pausing or permanently closing your business.
- This includes registrations (ABN and GST), tax and super obligations, disposing of capital assets, Single Touch Payroll (STP) and record keeping.

Registrations (ABN and GST)

Pausing your business

You don't need to cancel your ABN and GST registration if you have:

- paused trading activities in your business, with the intent of restarting
- paused your business for a lengthy or uncertain time period.

You will continue to receive a business activity statement (BAS). Even if you have nothing to report, you still need to lodge your BAS as 'nil' by the due date.

You are still required to update your ABN details within 28 days of changes to your registered business details. For more information, see Update your ABN details by the due date.

We may still contact you to confirm you are still using your ABN. If contacted, you will need to follow the instructions in our communication to confirm your ABN is still required.

You will only need to cancel your ABN and GST registration if you permanently close your business.

Example: Jodie pausing her café

Jodie runs a café and needs to pause her business. She doesn't provide takeaway services and she is uncertain when she will reopen her business.

Jodie keeps the café's assets and continues to pay reduced rent on the premises. The business has not permanently closed so she doesn't need to cancel her ABN. Jodie will continue to report business expenses and losses in her income tax return and lodge her BAS to claim GST credits for the GST on expenses related to her business.

Permanently closing your business

A business closes when the activities related to that business stop – this occurs when all assets are disposed of (for example, selling, scrapping or abandoning assets) or converted to another purpose or use, and all tax and super obligations have been met.

When permanently closing your business, there are several obligations that need to be finalised.

These may include:

- preparing final accounts, activity statements and income tax returns
- finalising super payments and quarterly lodgments (including superannuation guarantee charge statements for missed or late super payments)

- finalising your STP data or lodging a payment summary annual report (for payments you don't report through STP).

GST

If you permanently close or sell your business, you need to cancel your GST registration within 21 days of ceasing to carry on your business.

Cancelling your GST registration may affect some of your other registrations, including:

- fuel tax credits
- luxury car tax
- wine equalisation tax.

For more information, see ato.gov.au/GSTceasingbusiness

You need to lodge your final BAS before permanently closing your business. This allows the ATO to finalise your account and issue any refunds that might be owed to you.

Note: You need to cancel your GST registration if you no longer need it. If it is your only obligation, you'll no longer receive a BAS. Remember to also finalise all outstanding lodgment and payment obligations. For more information, see ato.gov.au/cancelGSTregistration

ABN

If you permanently close your business, you need to cancel your ABN within 28 days of stopping your business activities. It is important that your tax and super obligations are finalised to avoid being charged penalties and interest.

For more information, see Cancel your ABN

Example: Joel closing his shop

Joel runs a craft shop selling craft supplies and decides to close his shop. All assets are sold except for some stationery items. Joel expects to sell the stationery items in the future and pays to have them stored in a commercial warehouse.

The business has not permanently closed until the stationery is sold or is determined to be of no or little value.

Tax and super obligations

If you are pausing or permanently closing your business, you still need to meet your tax and super obligations. This may include:

- fringe benefits tax
- pay as you go (PAYG) withholding for employees
- Super guarantee (SG) for your employees
- income tax – including any capital gains tax (CGT) events
- GST.

Before pausing or permanently closing your business, contact us to discuss your changed circumstances if you:

- were on a payment plan for amounts you owe
- had arranged for the deferral of some or all of the amounts you owe.

By contacting us, we will be able to provide more personalised support based on your individual circumstances.

You still need to pay the minimum amount of super for your employees (based on their ordinary time earnings for the quarter) into the correct fund by the due date to avoid becoming potentially liable to pay the SG charge.

If you cannot pay the full SG contributions, pay as much as you can to their fund by the due date, as this will reduce the SG charge. You will need to lodge an SG charge statement within a month of the SG due date and pay the charge to us to avoid additional penalties.

For more information, see ato.gov.au/SGcharge, ato.gov.au/SuperRate and ato.gov.au/helpwithpaying

Disposing of capital assets

There may be GST and CGT implications when you dispose of your capital assets. See ato.gov.au/InvoluntarydisposalCGT

Single Touch Payroll (STP)

STP reporting provides important information to the ATO. Having the most up-to-date employment information helps us support the community.

If an employee's employment has ended, make sure you report their cessation (end) date in your STP report. If you have already paid them their final pay, you can still tell us this information by submitting an update event.

If you have let employees go, you don't need to wait until the end of financial year to finalise your STP data. Finalising is an important step as it allows individuals to lodge their income tax return at the end of the year.

For more information on Single Touch Payroll finalisation requirements, see ato.gov.au/STPfinalisation

Pausing your business

You or your registered tax or BAS agent can let us know that you no longer need to report to us through:

- Online services for business – select **Employees**, then **STP deferrals and exemptions**, and select the most appropriate option
- Online services for agents – select **Business** then **STP deferrals and exemptions**.

Record keeping

Whether you are pausing or permanently closing your business, you will need to keep records of all transactions relating to:

- sales (including the sale of your business and assets if applicable) and purchases
- payments to employees
- payments to other businesses.

For more information, see ato.gov.au/ceasingbusiness_records

More information

If you're affected by a recent event or disaster such as a bushfire, cyclone, drought, flood or storm and you need assistance with your tax affairs, we can help you.

For more information, see ato.gov.au/support or talk to your tax professional for help tailored to your circumstances.

This is a general summary only.
For more information, go to ato.gov.au/ceasingbusiness or speak to a registered tax professional.

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