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Tax Time toolkit for small business

Information to help small businesses at tax time and all year round.

Last updated 12 July 2024

For a summary of this content in poster format, see [Tax Time toolkit for small business \(PDF, 2MB\)](#) .

Welcome to the 2024 Tax Time toolkit for small business



Assistant Commissioner, Emma Tobias, welcomes the 2024 Tax Time toolkit for small business.

Small business directory for tax time



A helpful directory for small businesses.

Small business guides



Helpful guides and fact sheets for small business.

New measures for small businesses



Check if your business is eligible for these new measures.

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Welcome to the 2024 Tax Time toolkit for small business


Assistant Commissioner, Emma Tobias, welcomes the 2024 Tax Time toolkit for small business.

Last updated 12 July 2024

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

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Small business directory for tax time


A helpful directory for small businesses.

Last updated 12 July 2024

We have a range of information, 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 to report and pay your GST, pay as you go (PAYG) instalments, PAYG withholding 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're 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.
- [Essentials to strengthen your small business](#)  – a flexible and free online learning resource for small businesses, educators and tax professionals to share and use with their staff, students and clients.
- **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 earned 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 and newsletter** – 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 inbox.
- **Social media** – 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](#).


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Small business guides

Helpful guides and fact sheets for small business.

Last updated 12 July 2024

Information for primary producers is also available. 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 [Primary producers](#).

Home-based business expenses

How to claim deductions for the costs of using your home as your main place of business as a small business owner.

Motor vehicle expenses

How to claim a deduction for motor vehicle expenses for your business.

Travel expenses



How to claim a deduction for expenses you incur when travelling for your business.

Digital product expenses



How to claim a deduction for digital product expenses for your business.

Using business money and assets



Running a business through a company or a trust and receiving financial or other benefits through the business.

Pausing or permanently closing your business




Information for small business owners who have had to pause or permanently close their business.

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Home-based business expenses

How to claim deductions for the costs of using your home as your main place of business as a small business owner.

Last updated 1 August 2024

For a summary of this content in poster format, see [Home-based business expenses \(PDF, 337KB\)](#) .

Key points

The following are 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.
- You should keep complete and accurate records so you can choose the method that works best for your circumstances.
- If you choose to use the fixed rate method, you need to keep a record of all hours worked from home. For the 2022–23 income year only, if you don't have a record of all your hours for the year:
 - we will accept a representative record of your hours from 1 July 2022 to 28 February 2023
 - you will still need a record of the total number of actual hours (from 1 March to 30 June 2023).

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.

For the 2022–23 income year you can claim expenses based on your 'pattern of use', which you can work out by keeping a diary for a representative 4-week period. If you can't show a regular pattern, you need to keep detailed records for the whole period.

Actual cost method:

- where you can only claim based on receipts or other written evidence.

Fixed rate method:

- 67 cents an hour fixed rate - you can use a fixed rate of 67 cents an hour for each hour that you operate your business from home – based on either your actual use or pattern of use. This covers electricity, gas, stationery, computer consumables, internet and phones.

Floor area method:

- 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.

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 deduction for the decline in value 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 [Simpler depreciation for small business](#).

If you use the 67 cents an hour fixed rate method, 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 need to apportion your business depreciation expenses from personal based on your pattern of use.

For more information, see [Running Expenses](#).

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.

If you earn personal services income (PSI), you may not be able to deduct some occupancy expenses. To find out more, visit [Personal services income \(PSI\)](#).

For more information, visit [Occupancy Expenses](#).

Trusts and companies

If you operate your home-based business as a trust or company, 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 [Division 7A](#).

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. Your 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 [Fringe benefits tax \(FBT\)](#).

If you earn personal services income, you may not be able to deduct some occupancy expenses. To find out more, visit [Personal services income \(PSI\)](#).

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 **Home-based business and CGT implications**.

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, a diary of time worked from home for the full income year or 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 for the period 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 can't 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, you can use the myDeductions tool in the ATO app to record your business expenses. For more information, see [myDeductions](#).


This is a general summary only. For more information, see [Deductions for home-based business expenses](#) or speak to a registered tax professional.

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Motor vehicle expenses

How to claim a deduction for motor vehicle expenses for your business.

Last updated 12 July 2024

For a summary of this content in poster format, see [Motor vehicle expenses \(PDF, 272KB\)](#) 

Key points

The following are key points:

- The method you use to calculate your claim for motor vehicle expenses 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 of your expenses that is used for business.
- You must keep records of your expenses for 5 years - (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.

Similar to other vehicles, 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:

- fuel and oil
- electricity (for charging an electric vehicle)
- 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 calculate your deduction using 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 2023–24 and takes all of your car running expenses, including depreciation, into account. This means you can't make a separate claim for depreciation of the car's value.

You don't need to keep a logbook, 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.

Logbook method

You can claim the business-use percentage of each car expense, using the **logbook method**.

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, as a general deduction but you can claim the depreciation over the life of the vehicle.

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, 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 [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.

Your company or trust **can't** 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 [Division 7A and fringe benefits tax](#).

Motor vehicle ownership

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

Vehicle owned or leased by your company or trust

Your company or trust 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 [Car fringe benefits](#).

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 [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 [simpler depreciation for small business](#).

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.

For more information, go to [Claiming a tax deduction for motor vehicle expenses](#) or speak to a registered tax professional.

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Travel expenses

How to claim a deduction for expenses you incur when travelling for your business.

Last updated 12 July 2024

For a summary of this content in poster format, see [Travel expenses \(PDF, 366KB\)](#). [🔗](#)

Key points

The following are 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 [Motor vehicle expenses](#).

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

You 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 can't 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 it pays for private portions of your travel, there may be tax implications for you (as an individual) and your company for providing benefits to you. For more information, see **Division 7A and Fringe benefits tax (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 **Exemptions and concessions**.

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

For more information, see **Fringe benefits tax (FBT) and Travel allowances**.

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 may 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 a 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, you can use the **myDeductions** tool in the ATO app to record your business expenses.

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:

- Saturday 9 May – 10.00am flight Q13 to London (via Dubai)

- Sunday 10 May – Arrive London 1.00pm local time. Bus to hotel in Chelsea 3.00pm
- Monday 11 May – Rest-day
- Tuesday 12 May – Chelsea Flower Show set-up day from 9.00am
- Wednesday 13 May – Chelsea Flower Show day 1
- Thursday 14 May – Chelsea Flower Show day 2
- Friday 15 May – Chelsea Flower Show day 3
- Saturday 16 May – Chelsea Flower Show day 4
- Sunday 17 May – Chelsea Flower Show day 5, ends 5.00pm
- Monday 18 May – Sightseeing in London
- Tuesday 19 May – Sightseeing day trip to Oxford
- Wednesday 20 May – Bus to airport. Flight home Q23 6.00pm from London, arrive 10.00pm local time.

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 can't 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 2 weeks to complete.

Noah flies to Broome on Sunday evening and returns to Perth 2 weeks later. On the weekend in Broome, he does some sightseeing and catches up with friends. He keeps the following diary:

- Sunday 1 September: Fly to Broome (depart 4.00pm, arrive 6.30pm)
- Monday 2 September: Purchase decorating supplies 9.00am–10.30am. Working at client's house 10.45am – 4.00pm
- Tuesday 3 – Friday 6 September: Working at client's house 7.30am to 4.00pm
- Saturday 7 September: Day trip to Horizontal Falls. Dinner with Pam and Geoff
- Sunday 8 September: Sightseeing around Broome
- Monday 9 – Friday 13 September: Working 7.30am to 4.00pm at client's house
- Saturday 14 September: Return flight to Perth (depart 10.00am, arrive 12.30pm).

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 can't 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 [Claiming a tax deduction for business travel expenses](#) or speak to a registered tax professional.

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Digital product expenses

How to claim a deduction for digital product expenses for your business.

Last updated 12 July 2024

Find out about [Claiming a tax deduction for digital product expenses for your business](#).


For a summary of this content in poster format, see [Digital product expenses \(PDF, 249KB\)](#) [🔗](#).

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Using business money and assets

Running a business through a company or a trust and receiving financial or other benefits through the business.

Last updated 12 July 2024

For a summary of this content in poster format, see [Using business money and assets \(PDF,279KB\)](#) .

Key points

The following are 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 reporting and record-keeping requirements for transactions.

Salary, wages and directors' fees

You can be an employee and a shareholder or director 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.

The company or trust must:

- register for pay as you go (PAYG) withholding and withhold an amount from salary, wages and directors' fees
- report the payment information to the ATO using Single Touch Payroll (STP)
- 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 **While people work for you**.

Example: taking money as salary or wages

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

As a sole trader, Daphne paid herself \$1,500 a month out of her business account and into her personal account. Daphne doesn't need to report this because it is already included as business income on her individual tax return.

When she sets up the company, Daphne becomes an employee of the company and is paid \$1,500 a month as a salary. Her tax agent explains that there are different tax consequences now that the business is run through a company, which is a separate legal entity.

Daphne now reports the \$1,500 a month income as salary in her individual tax return. The company reports business income and claims a deduction for her salary in its company tax return. The tax agent helps Daphne set up PAYG withholding and STP reporting, as well as meet her company's superannuation guarantee obligations.

Fringe benefits tax and allowances

Fringe benefits tax (FBT) may apply when employees or directors of a company or their associates receive benefits from the company or trust. This could be a payment or reimbursement of private expenses or being allowed to use business assets for private purposes (such as the business's car).

Your 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 **Fringe benefits tax (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 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 **Paying dividends and other distributions**.

Trust distributions

If your business operates through a **trust**, the trustee may distribute a share of trust income to beneficiaries.

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.

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 **Division 7A and trusts**.

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 **Rules for closely held trusts**.

Lending money or assets

Companies lend money or assets to shareholders and their associates

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

If this happens, you (the shareholder) need to report an unfranked dividend in your individual tax return. The company has to adjust their balance sheet to reduce their retained profits.

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

To be put on complying terms, the loan must:

- be a written agreement, signed and dated by the lender
- have an interest rate for each year of the loan that at least equals the benchmark interest rate
- 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 tax return.

As the shareholder, you:

- must make the minimum yearly repayment each 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 payments on the loan using a dividend declared by the company. This dividend must be reported in your individual tax return.

For more information, see **Private company benefits – Division 7A dividends**.

Example: loan received from the company

Amir is the sole director of a company that provides administration services to other businesses. He and his partner Aiesha are equal shareholders in the company. Before this financial year, Amir ran the business as a sole trader.

Amir's and Aiesha's daughter is about to start high school and they have to pay \$2,000 in school fees. The business has had a few good years and Amir decides to use the money from the business to pay the fees.

However, 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 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 is signed by all parties.

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 [Trust taxation – reimbursement agreement](#).

Repayments of loans made to companies and trusts

If you have lent money to your business, your business will make repayments to you.

Your company or trust can't claim a deduction for any repayments of principal it makes but may be able to claim a deduction for interest it pays on the loan.

The company or trust should keep records of any loan agreements and documents explaining payments made to you.

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

When you take 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 your company or trust may have unintended tax consequences. This may include triggering Division 7A.

To ensure your business transactions are transparent, you should:

- consider setting up a separate bank account for your business to pay business expenses, and don't use it for private expenses
- keep records that explain all your business transactions, including income, payments and loans to you and your associates from the business, and loans from you to the business
- make sure that if your company lends money to you or your associates, it's based on a written agreement with terms that ensure it's treated as a complying loan

- 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 private expenses

Jian is the director and sole shareholder of a plumbing company. Jian decides to have his home repainted, which he pays for using his company's bank account. He meets regularly with his bookkeeper, who notices the unusual transaction.

The bookkeeper advises Jian that the transaction will be treated as a Division 7A dividend if he doesn't pay the money back or make it a complying loan before his next company tax return is due. Jian has enough money in his personal bank account, so he decides to repay the company the full amount.

As he pays before the company's lodgment date, there are no Division 7A consequences for Jian. He also takes his bookkeeper's advice and stops paying for his private expenses with the company bank account.


This is a general summary only. For more information, go to [Using your business money and assets for private purposes](#) or speak to a registered tax professional.

QC 59613

Pausing or permanently closing your business

Information for small business owners who have had to pause or permanently close their business.

Last updated 12 July 2024

For a summary of this content in poster format see [Pausing or permanently closing your business \(PDF, 262KB\)](#) .

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](#) .

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 [If your business changes or ceases](#).

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 [Cancelling your GST registration](#).

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.

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 can't 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 [The super guarantee charge](#), [Super guarantee percentage](#), and [Help with paying](#).

Disposing of capital assets

There may be GST and CGT implications when you dispose of your capital assets. See [GST and the disposal of capital assets](#).

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 [End-of- year finalisation through STP](#).

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 [Selling or closing your business – 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 [Support in difficult times](#) or talk to your tax professional for help tailored to your circumstances.

This is a general summary only. For more information, go to [Changing, selling or closing your business](#) or speak to a registered tax professional.

QC 59613

New measures for small businesses

Check if your business is eligible for these new measures.

Published 12 July 2024

Claim a deduction for the cost of external training

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 see [small business skills and training boost](#).

Claim a bonus deduction on expenditure to improve energy efficiency

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 see [small business energy incentive](#).

Claim a deduction on the cost of eligible assets

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 see [instant asset write-off for eligible businesses](#).

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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