



Top Tax Deductions for Small Business in Australia

Are you looking to maximise your small business tax refund? Knowing how and what business expenses you can claim at tax time, will help you reduce the income on which you need to pay tax. Paying tax can be a large business expense, so finding ways to minimise what you need to pay can make a big impact.

The Australian Taxation Office (ATO) calculates your taxable income by calculating your entire income and then taking away the business related expenses. The more expenses you can claim, the greater you will reduce your taxable income.

Assessable income – tax deductions = taxable income

The money you earn from running your small business is deemed your assessable income. Your tax deductions are defined as the direct business related expenses you incur as a part of running your business.

Get Organised

The ATO has three golden rules when it comes time to claim your tax:

1. The expense must be a business-related expense
2. You must have already incurred the expense
3. You must have the proof

In order to claim any business expense, you must keep accurate and complete records. Using a software program to log your incoming and outgoings will help you provide financial records. Don't forget, the ATO now requires you to report your Pay-As-You-Go Withholding (PAYGW) and superannuation using Single Touch Payroll (STP) with every pay period. Up-to-date software programs will have an automated function to help you.

Alongside any records you keep through your software, you'll also need to keep your receipts. Bank statements may not contain enough information to claim your expense. Receipts contain all of the information you'll need to show your expense and be accepted by the ATO.

Pro Tax Tip: You can keep electronic copies of your receipts to avoid deterioration. Use your software program to categorise and log expenses as you receive them to avoid the last minute tax time rush.

You'll need to keep your records in English and save them for five years after the expense has been made.

Often, you'll incur an expense that is part personal and part business. For a greater deduction, working out the business related part of any expense can add up to big savings. Every dollar you can deduct off your overall income can make a big impact to your small

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business overall expenses. For example, there may be added deductions you can find for making business related phone calls, internet usage and travel.

Travel

Most Australian small businesses incur travel expenses. Claiming the costs of your vehicle can add up the deductions you can make.

There are two methods for calculating vehicle expenses. The log book method requires 12 continuous weeks of logging kilometres travelled, which are then averaged out over the year. You'll also be able to claim fuel and oil expenses. If you don't want to keep a log book, you'll be able to claim 68 cents per litre up to 5,000 kilometres travelled, however, you will still be required to substantiate those kilometres.

Accommodation, meals and transport expenses for airfares, train, tram, bus or taxi fares can be claimed. Fringe benefits tax may be incurred for some travel.

Home Office

Running a small business means that you'll need space for an office. Sometimes this is at the place of work. Other times it is at a private residence. There's good news. There are home office related expenses that you'll be able to claim.

If you run your business from home, you may be eligible to claim occupancy expenses, such as mortgage, interest, rent, council rates, land tax and insurances. Keep receipts for your running expenses, such as electricity, phone, internet, equipment, cost of repairs to furniture and furnishings, as well as cleaning. Claiming depreciation on buildings and other expenses on 'owned' homes may lead to paying Capital Gains Tax.

You'll also be able to claim vehicle costs for trips between your home and other places, if the travel is for business reasons.

Buy Equipment

If you've been holding off buying that piece of equipment you've had your eye on, it might be time to make a purchase. With the government's \$30,000 Instant Asset Write Off, you'll be able to buy your equipment, reduce your income and set yourself up to grow your business. Upgrade your computers, buy your tools and invest in your businesses assets. This can be applied to purchasing commercial vehicles such as utes and even part-commercial vehicles.

Advertising

If you run a small business, you'll need to let people know you're in business. It pays to advertise, not only because you'll be letting people know where to buy your products and services, but because your advertising costs are a business-related expense.

Advertising includes social media advertising, google ads, and print ads in newspapers and magazines. You'll also be able to claim the cost of your designer for brochures and booklets, as well as the printing of your marketing assets.

Every small business wants to save money at tax time. It's important to minimise your expenses so you can build a thriving business. While having an understanding will help you, there's nothing like expert help to really make a difference. Speaking with a small business tax accountant can make a huge difference. Why spend more in tax than you need to.

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ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.



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