When deciding whether you are undertaking a business or a hobby as defined by the taxation department there are several factors to be considered. Bear in mind that it is not a black and white decision. The Australian Tax Office will look at all the circumstances of a case to arrive at its decision. Consider the following.

- Is your business expected to make profits now or in the future? Do you have a profit motive for this business? You should be able to show how your activity can make a profit.
- Does your activity have a significant commercial purpose or character? Is the business based on a commercially viable idea?
- Have you in fact commenced operating a business? It is important for you to be able to show that you are not just setting up or preparing to go into business. You must have actually commenced your business.
- Is there repetition and regularity to your activity? It is a common feature of most business that repetitive activities are performed on a regular basis. In some cases one-off activities can constitute a business but it is not common.
- Are the activities your business performs on appropriate to the type of activities performed in your industry? You should perform at least a minimum level of these activities to satisfy the tax office that you are operating a business. Whether the way you are operating your business is consistent with industry norms or with businesses in the same field is also important.
- What is the size and scale of your activity? Is the size and scale consistent with that of other businesses in your industry?
- Is your activity planned, organised and performed on in a business-like way.
- The following may indicate that this is the case.
  - A registered business name.
  - Business records and books of accounts.
  - A business bank account.
  - An Australian Business Number (ABN).
  - Licenses or qualifications.
  - Business premises.

All the above factors together, will allow you and the tax office to determine if your activity is a business or a hobby. No one factor is decisive on its own. The decision is a process of weighing all of the facts, and all cases have to be decided on their own facts.
Other factors which the tax office may consider in determining whether your activity constitutes a business includes the following.

- Have you prepared a business plan for this business?
- Do you have prior experience or special knowledge and skills in this area?
- How much time do you spend on the activity?
- Have you done any market research and development?
- How much capital have you invested in this activity?
- Is the activity your main income earning source?
- Do you advertise?