Small Business Management Toolbox

Manage finances

Business expenses

Under tax law, a person carrying on a business can claim deductions for outgoings that are necessarily incurred in carrying on their business to produce assessable income, provided these expenses are not of a private, domestic or capital nature. Examples of expenses of a capital nature include expenses of establishing, replacing, enlarging or improving the business structure. Capital expenses are not tax deductible, although some can be depreciated.

The following are some common expenses for which you may be able to claim a tax deduction, providing they are incurred in the operation of your business.

- Stock purchases.
- Motor vehicle expenses.
- Business travel.
- Repairs and maintenance: you can deduct the non-capital cost of repairing property, plant, machinery, equipment and other items used for producing assessable income or carrying on a business to produce such income.
- Business premises: lease and rental payments, rates, electricity and telephone.
- Employment related expenses: salaries and wages, workcover, superannuation and so on.
- Plant and equipment: hire or lease payments and depreciation on the assets.
- Tools: expenditure incurred in purchasing loose tools to carry out the duties of the trade, providing the expenditure is not of a capital nature.
- Business stationery and computer consumables.
- Insurance payments.
- Interest on borrowed money.
- Subscriptions and memberships to professional magazines and associations.
- Advertising expenses.
- Tax agents fees.

Motor vehicle expenses and business travel expenses are subject to special substantiation rules. These rules apply to sole proprietors and to partnerships, but not to companies or trusts. Documentary evidence must be obtained to support your claims for a tax deduction in either of these two categories. Other records such as logbooks and travel diaries may also be required. Other expenses such as entertainment costs may also be treated as non-deductible under special provisions of the tax laws.
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All documentary evidence must be kept for five years from the due date of lodgement of your tax return. Documentary evidence for a company, is required by corporations law, to be kept for seven years.

For further information you should visit the Australian Tax Office website (www.ato.gov.au) or talk to your accountant.