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Tax deductions you can claim for your business.

If you operate a business you know there are plenty of costs that need to be taken into account. With the 2023-24 financial year well underway, now is the time to start thinking about what business expenses might be tax deductible.

What can my business claim?

Generally, as long as the expenses your business incur are directly related to earning your assessable income, you will be able to claim a tax deduction for them.

These include expenses relating to:

- The daily operation of your business
- Purchases of products or services for your business
- Certain capital expenses, such as the cost of depreciating assets like machinery and equipment used in the business.

Voice of the Australian hair industry

Suite 1B/2 Ocean Street, Newcastle NSW 2300
p. (02) 4929 6098 w. www.theahc.org.au



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But remember, when claiming a tax deduction, it is important to remember these three rules:

- The expenses must have been for your business, be an allowable deduction and not be for private use.
- Where the expense is a mix of business and private use, you can only claim the portion that is used for your business.
- You must have the records to prove it.

What are some of the specific expenses your business can claim as a tax deduction?

Interest on money borrowed and bank fees

The interest incurred on a loan for your business may be tax deductible where the loan is used for:

- Producing assessable income or purchasing income-producing assets, such as machinery.
- Income tax obligations, employer super contributions or late payment or lodgement of tax.

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Bank fees for your business bank accounts may also be tax deductible.

Lease expenses

A tax deduction may be available for the costs of hiring or leasing equipment or machinery or renting premises where they are used as part of producing your assessable income. These may include the cost of hiring or leasing:

- Motor vehicles
- Equipment or machinery including computers and printers
- Commercial premises or the business portion of your private residence where you run a home-based business.

Digital product expenses

A tax deduction may be available for digital products used as part of producing your assessable income. These can include expenses that are incurred in the everyday running of your business such as internet service provider fees, software subscription fees, the maintenance of your business website, cloud storage and lease payments.

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They can also include expenses that are capital in nature and will need to be depreciated, such as computers and computer accessories, mobile phones, and tablets, point of sale machines and in-house software.

Insurance

A tax deduction may be available for the following types of insurance:

- **Business Insurance:** insurance related to your business such as public and product liability, loss of profits, fire or theft.
- **Income Protection Insurance:** insurance that protects your income – just remember the policy must be a separate policy to your superannuation fund. If the policy is through your superannuation fund and the premiums are deducted from your contributions no tax deduction will be available.
- **Car insurance:** if you use your car as part of running your business you may be able to claim a tax deduction for the business portion of your car use. You can use the [log book method](#) to calculate this portion.
- **Home insurance:** if you operate some or all of your [business from home](#), you may be able to claim a tax deduction for the business portion of your home insurance.

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- **Tax audit insurance:** if a tax discrepancy arises and your business is audited, tax audit insurance helps with managing the associated costs of a tax audit such as obtaining tax advice.

Annual fees charged by statutory bodies and union, trade, business, and professional membership.

A tax deduction may be available for annual fees charged by statutory bodies such as ASIC. However, deductions are not available for penalties or fines imposed by those statutory bodies.

A tax deduction may also be available for union fees and subscription fees to trade, business and professional memberships that are related to producing your assessable income.

Costs incurred with employing staff

As a business owner you may need to employ staff. Generally, a tax deduction will be available for:

- Salaries and wages you pay to employees, and

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- Super contributions you make on time to a complying super fund or retirement savings account for your employees and for certain contractors.

Travel Expenses

You may be able to claim a tax deduction for travel expenses related to your business including:

- Airfares
- Train, tram, bus, taxi, or ride-sourcing fares.
- Car hire fees and related costs when the hire car is used for business purposes.
- Accommodation
- Meals, if you are away overnight.

Remember the expenses cannot be private such as a holiday and you must keep a travel diary if you are a sole trader or partner in a partnership. Further information

If you want to know more about what business expenses may be tax deductible, check out the Australian Taxation Office's website on business tax deductions.

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