

# GJB's CHECKLIST OF BUSINESS DEDUCTIONS

This non-exhaustive checklist is designed to provide an easy reference guide to the types of deductions that might be claimed by business. It should be read in conjunction with a similar checklist for employees (see GJB's website) before deciding on the deductibility of an outgoing the taxpayer's particular circumstances should be taken into account.

All businesses are required to maintain records of every transaction that relate to their income and expenditure as well as CGT transactions, GST, FBT and other requirements. If there is any private use element, that should also be noted in the records.

Car and travel expenses must be substantiated.

**NOTE:** All section and division references are to the *Income Tax Assessment Act 1997* (ITAA97) unless otherwise stated.

- **Accident insurance premiums**
- **Accounting fees** Preparation of income tax and FBT returns etc. including costs relating to investigations, objections and appeals
- **Advertising expenses**
- **Agent's commission** Collection of rent
- **Annual leave** If actually paid by the employer (but not on accruing liabilities)
- **Audit fees**
- **Bad debts**
- **Bank charges** Including Debits tax
- **Borrowing expenses** Claim in full if \$100 or less, otherwise over the period of the loan or one fifth each year if five years is shorter commencing from the date finance is acquired
- **Bribes** (public officials) No deduction is allowed, nor can the amount form part of CGT cost base
- **Business trips**
- **Business-related cost** For business related costs of a capital nature that can be written-off in equal amounts over five years commencing from the first day in the income year that the expense was incurred
- **Capital works** On buildings and structural improvements
- **Car expenses** Applies to employees, partners and self employed persons
- **Car parking**
- **Cleaning expenses**
- **Clothing**
- **Commissions paid to real estate agents** for collection of property income
- **Conference expenses**
- **Copyrights, patents and designs** See Capital allowance provisions (Division 40) also consider the R&D concessions for companies
- **Cultural bequests** If made to Australian fund, public art gallery museum or library
- **Decline in value** (depreciation) Of plant or articles used in business
- **Directors' fees**
- **Discharge of mortgage expenses** Where loan money used to derive assessable income (s25-30)
- **Distributions by co-operatives** To members
- **Donations of property** If market value is greater than \$5,000
- **Education expenses** If paid for employees but FBT may apply
- **Electricity connection costs** To business premises. Capital allowance provisions (Division 40).
- **Entertainment of employees** But FBT payable.
- **Environmental impact studies** Pooled and treated under the uniform capital allowance system (decline in value)
- **Environment protection expenditure**

- **Equipment service fees**
- **Exploration or prospecting** For minerals (including petroleum) and quarry materials
- **Film investment** 100% deduction for investment in certain Australian made films
- **Freight costs**
- **Fringe benefits tax**
- **Fuel and oil**
- **Gifts of \$2 or more** To certain prescribed or approved organisations
- **Gifts to clients, etc** But not if entertainment
- **Gratuities to employees** Recognition of past services (s25-30)
- **GST** Claims should be GST exclusive for those businesses that are registered for GST. The GST-inclusive price is deductible for those taxpayers not registered or required to be registered for GST
- **Home office expenses** Apportionment of interest, rates, etc. only if a business is carried out on the premises and whether an area is set aside exclusively for that purpose
- **Illegal activities** Where taxpayer convicted of indictable offences (no deduction allowed nor can the amount form part of CGT cost base). Applies from 30 April 2005
- **Insurance premiums** Accident insurance paid by employees, and other insurance paid in relation to a business or some income-producing property. This is subject to the prepayment rules
- **Interest paid**
- **Internet and data access costs** Share investing and business websites
- **Land tax** Business or rental premises. Deductible when incurred. The Tax Office has released guidance specifying that land tax is incurred in the year to which it refers, not when it is paid (see ATO ID 2010/192)
- **Lease payments**
- **Lease preparation, registration or stamping expenses** Paid by either the landlord or (a business) tenant (s25-20)
- **Leave payments** Paid by employer (but not on accruing liabilities)
- **Legal expenses** Unless capital expenditure, including discharge of a mortgage (s25-30) or relating to borrowing expenses (s26-40) the nexus with ordinary activities of the business in producing assessable income will determine deductibility
- **Licenses to operate business** Prepayment rules may apply
- **Losses, current year** Loss claims by companies may be limited in certain situations (Division 165), (s170-10). Losses by trusts are subject to Trust Loss Provisions
- **Losses, previous years** Company losses brought forward may be limited unless the company can pass the continuity of ownership test (s165-12) or the 'same business' test (s160-10); no time limit for losses incurred after 30 June 1989 (s36-10). Losses by trusts are subject to Trust Loss Provisions
- **Loss (book loss) on disposal of depreciable assets** (s40-285(2))
- **Loss on sale of property** If acquired before 20/09/85 for resale at a profit (s25-40); if property is sold in the ordinary course of business the loss will be on revenue account (see TR 92/3), otherwise a capital loss arises pursuant to Part 3 of ITAA97
- **Loss through misappropriation by employees, or by theft** (s25-45)
- **Maintenance expenses** (s8-1)
- **Management expenses** Annual fees but not the capital cost of subscribing to some income-earning investments
- **Managing tax affairs** Costs of travel, accommodation, advice, booklets, seminars etc, depreciation on computers, software and other capital expenditure is deductible if incurred in managing tax affairs
- **Mortgage protection insurance** (s8-1)
- **Moving trading stock**
- **Newspapers for employees** Depends on occupation. Share traders (and maybe investors) can claim

- **Overseas travel expenses** Substantiation rules apply
- **Payroll tax**
- **Petrol and oil** Not subject to substantiation rules
- **Petroleum resource rent tax**
- **Postage** For investors or businesses
- **Power**, lighting and heating
- **Primary producers**
- **Printing and stationery**
- **Professional or business association subscriptions and fees** Prepayment rules may apply
- **Project expenditure** To be written-off over life of project
- **Protective clothing**
- **Rates and taxes** On income-producing or business properties
- **Rebates and discounts** Given to customers
- **Rent of business premises** Including part of the costs for a home used for a business (say, trading stock is stored in an area set aside exclusively for that purpose); but with a home office (or a study) rent cannot be apportioned, but some associated costs are claimable
- **Repairs to cars, equipment, or to an income-producing property** (s25-10)
- **Research & Development costs**
- **Retiring allowances** Paid to ex-employee (or their dependent) for past services (s25-50)
- **Royalties** Paid for use of equipment etc. – withholding tax may apply
- **Salaries and wages paid to employees**
- **Scientific research related to business** If incurred before July 1995 and R&D claim is not available: accelerated write-offs for capital expenditure into scientific research (s73A ITAA36)
- **Self-education expenses** Only if related to employment/business
- **Seminars**
- **Sickness/accident premiums In some cases**
- **Solicitor's fees**
- **Stock purchase**
- **Storage expenses**
- **Structural improvements**
- **Subcontractors NOTE:** May be considered employees and subject to the 9% superannuation guarantee provisions in certain circumstances
- **Superannuation contributions**
- **Tax agents fees** Preparation of income tax, fringe benefits tax returns, GST etc. (s25-5) including costs relating to investigations, objections and appeals
- **Telephone expenses**
- **Telephone lines Installation**
- **Tool replacement** Depreciation
- **Trade journals**
- **Trading stock purchases**
- **Travelling expenses** Domestic and overseas, but note the substantiation provisions
- **Traveller accommodation buildings**
- **Uniforms** (FBT)
- **Workcover/Workers compensation premium**
- **Worker entitlement funds** Only if fund approved under regulations