



Tax Deductions for Self Employed: Know What You Can Claim at Tax Time

Running your own business is tough enough without the added pressure of organising your financial records come tax time. There's client meetings, phone calls and then you have to find time to do the jobs that come in.

But there's good news.

There are ways to make it easier and streamline the process. Knowledge is power. If you know what you can and can't claim, you'll not only be well and truly organised, you'll be able to maximise your tax return. After all, it's about paying less tax than you have to. The Taxation Office has three golden rules:

1. You must have already incurred the expense for your business
2. The expense must directly relate to your income stream
3. You must have the records to back up your claims

If you have all of those, you're all set to maximise your tax deductions. But what can you claim?

Home Office

The self-employed across Australia have taken over a room in their house and claimed it as their home office. After all, you need a dedicated space as the backbone of your business. There's administration, invoicing, payments, reconciliations to do, as well as

the hours spent working your job. When you work from home, you can claim certain expenses.

They are:

Occupancy expenses

- Rent
- Mortgage interest
- Rates
- House insurance

Running expenses

- Heating, cooling, lighting
- Phone and internet costs
- Declines in equipment, such as computers, printers, scanners etc
- Decline in value of furniture and furnishings, such as tables, chairs, curtains/blinds
- The cost of repair to furniture and furnishings
- Cleaning costs

Tool and Equipment

You'll need tools and equipment to do your work, right? These might be items such as cameras, computers, power tools or machinery. These expenses can be claimed in bulk or may be depreciated over time.

The instant asset write-off provides small businesses with a deduction for assets costing between \$20,000

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to \$30,000 each depending on the tie of the year that the asset was purchased.

Equipment may also be depreciated. This method might be more favourable to lower your tax over time. It's best to speak with your tax accountant to work out which way works best for your business.

Advertising and Promotion

It pays to advertise - how else will your customers find out about you? These are considered running costs against your income stream. Any materials used to promote your business, such as web hosting, internet fees, online advertising such as Facebook or Adwords campaigns, fees to marketing agencies, salespeople, videographers, or tradeshows can be claimed.

Likewise any professional service you need in the administration of your business, such as accountants, lawyers, personal assistants, tax agents all incurs a cost on which your income stream is dependant on and subsequently can be claimed.

Trade Licenses

Being a part of unions and professional organisations are sometimes part of your employment terms, as is keeping up with trends and information. Magazine and online subscriptions, trade journals, professional organisations and clubs, networking organisational fees, costs and charges are all claimable.

Education

You need to keep on top of your game if you're self-employed and education is key to doing this. You'll be able to claim the cost of your course, as long as it's directly related to your current income stream. Books, stationery, internet, parking and vehicle expenses related to your course can also be claimed.

Travel

Travel is often a regular part of work and travelling by car is a huge part of the expense of travel. Costs such as petrol, repairs, maintenance, registration can be claimed in two ways:

The Log Book method

- You'll need to keep a logbook for a continuous 12 week period, which is then averaged out for the year
- You'll need to include the make, model and registration number of the car, date, and odometer readings at the beginning and end of each business journey, the reason for the journey and places travelled
- To work out the business percentage, you'll need to divide your business kilometres by your total kilometres and then multiply by 100
- This may yield better claims than the cents per kilometre method

The cost per kilometre method

- You'll be able to claim a flat rate of 68 cents per business kilometre travelled up to a maximum of 5,000 kilometres

Keep those receipts for other types of travel. Taxis, tolls, parking, flights, meals and accommodation are all relevant business expenses and can be claimed.

Pro Tax Tip #1

Don't forget to keep a record of all of your expenses. This includes receipts, bills and invoices, as bank statements often don't contain enough information to fully back up your claims. ITP recommend using a cloud-based accounting package such as QuickBooks Online This way you can keep your finances up to date as you go. It's not just good for tax purposes. At any given time you'll be able to see your businesses financial position and will go a long way keeping you organised.

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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Pro Tax Tip #2

Keep a separate bank account for your business. You'll only be able to claim the business-related portion of your costs and expenses. You don't want to mix that in with your personal bank account. Set aside a separate account for your tax and contribute into that account as you go. This will also help satisfy the ATO requirements for a legitimate business

Don't forget PAYG and GST

You might need to pay a quarterly pay-as-you-go contribution to the ATO. You'll also need to register for GST if your gross business income before expenses exceeds \$75,000 per year.

Being self-employed can be a rewarding experience for some people. In order to be your own boss there are responsibilities with the ATO and obligations that you'll need to meet. If you know what you can claim, you'll be able to minimise your tax obligation. After all, why pay more tax than you have to.

Speak with a Professional

Talking to an ITP Professional can help you organise your financial position and keep you in the green, not only a tax time but also to help your business grow. ITP offers bookkeeping services, whether you need that for one hour or three days a week. Our accountants will also offer financial advice and can set up businesses for sole traders, partnerships, trusts and companies.

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