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Ten tax deductions for small business

If you run a small business, almost any purchase that helps generate income is tax deductible. While you'll need to be careful to ensure that these expenses are genuinely claimable, they are commonly overlooked and could save you come tax time. A lot of little deductions can add up to a big refund. Here are some commonly overlooked ones:

1. Tools and materials

If you are a renovator, you can claim tools and materials you bought from Bunnings or any hardware warehouses.



2. Home office

When you work from your home regularly, you can claim some of your electricity, water and gas bills, as well as home-insurance premiums. The amount claimed is often based on floor space of the home office. You might also deduct some of your council rates and mortgage interest, though this can create capital-gains tax implications when you sell the house.

3. Nice bag

If you carry your work laptop in a designer handbag, it's effectively a laptop bag — and that's tax deductible. You should use the bag primarily for work, and its price should be a reasonable proportion of your taxable income. While there are no ATO thresholds here, claiming a \$1000 luxury bag might look unreasonable. But a \$200 handbag should be fine.



4. Sun protection

If you're running a landscaping business, you can claim sunscreen and makeup that has an SPF factor. Both offer protection from harmful UV rays. The same goes for sunglasses. These can be a smart deduction if you have a small business that puts you behind the wheel for long periods, such as truck driving. Buy a quality pair that are polarised.



5. Education and skill upgrades for making more money

Education and training are tax deductible, even if they're outside of your nominated profession. Independent lawyers can take acting classes to improve their courtroom performances, and claim the cost of tuition. A plumber can take a TAFE course in marketing to learn about expanding his business. As long as the training will help you run the business better, you can likely claim the cost.



6. Car and transport expenses

Most business owners know petrol costs are tax deductible, but many neglect to claim highway tolls when they're driving to a client site to undertake work.

Business men and women can also forget to deduct the cost of train and bus tickets when they take public transport to a job. The simplest way to avoid this mistake is to get a business credit and use it exclusively when buying train or bus fare. If you travel via Uber, create a Business profile in the app and track your work trips easily. And if your business takes you into the air, remember you can claim the cost of membership fees for Qantas Club, Virgin Lounge and the like.

7. Travel related accommodation expenses

If you travel to remote locations to work for extended periods, you may be able to claim the costs of a caravan. Full-time builders sometimes spend weeks or months on a job site and run their operations. It's no different than renting a hotel room. If you use the caravan for holidays too, that portion won't be tax deductible, but the rest will be. Take advantage of the \$20,000 instant write-off, or depreciate the cost of the vehicle over time. Don't forget to claim maintenance expenses too.



8. Interesting and financial cost

If you have a business loan then interests are deductible. Bank fees and charges are also deductible.

9. Accounting cost

Your accountant's fees are tax deductible. Even the travel costs to visit their tax agent are claimable. Likewise, you can deduct the cost of accounting software.

10. Depreciation

Your car and other tools may depreciate its value and the depreciate cost in claimable.