

**BUSINESS EXPENSES**  
**CATEGORIES OF EXPENSES ALLOWABLE**

**Use this to set up your MYOB Chart of Accounts**

**Cost of Goods Sold**

If your business involves keeping a trading stock, then you will need to do a stocktake, to records the stock on hand at 30<sup>th</sup> June (at the cost price).

To calculate your Cost of Goods Sold, the formula is:

Opening Stock	\$10,000
<u>Add</u>	
Purchases +	<u>1,000</u>
Subtotal +	\$11,000
<u>Deduct</u>	
Closing Stock -	<u>900</u>
= Cost of Sales	\$10,100

(This is then deducted from your sales figure, to arrive at your Gross Profit from trading).

**Note:** If you run a café, or food store then part of your stock used for personal consumption is to be added to business income.

There is a Tax Ruling out that specifies this for different types of business, so ask me about this.

**Advertising**

Keep receipts for advertising in newspapers and journals and for leaflets and pamphlets, notices, signs, etc.

**Bank Fees/Charges**

A cheque account should be opened in the name of the business and all receipts and expenses should be put through this account. Claim: all bank fees and charges for the account.

**Cartage/Freight**

This expense is for cartage and freight on goods and materials or for courier expenses for document transfers etc.

## **Depreciation**

Depreciation of office equipment, plant equipment and professional library can be claimed providing you have kept the receipt or a record of the original purchase price for each item. Office equipment includes desks, chairs, bookshelves, heaters, faxes, modem, typewriter, desk lamp, floor rugs/carpet, storage cupboards, filing cabinets, answering machine, mobile phone, computer/printer, tape recorder/Dictaphone etc.)

(**Note:** for computer and related equipment, please keep a log of usage over one month to demonstrate business/private usage).

## **Donations**

Donations made to registered charities and to scientific, religious, educational or political organizations may be claimed, if over \$2 per donation. (However, if your business runs at a loss, then the donations do not form part of the carried forward loss).

## **Electricity/Gas**

Claim fully for official offices, warehouses, surgeries, etc. plus a proportion of your home costs for a running a home office. For home office you will need to keep a log of the time spent in your office over one month. (Alternatively you could claim 26 cents per hour for the time spent in your home office – as documented by a log kept for a month).

## **Insurance**

Types of Insurance allowed:

- Sickness and Accident (or Income Protection)
- Public Liability Insurance
- Professional Indemnity Insurance
- Theft, Fire and Accident Insurance (for office contents/equipment etc.)
- Computer/mobile phone insurance
- Workers Compensation

## **Motor Vehicle**

If your business travel is less than 5,000km p.a. then a record of the purpose of the travel and distance must be kept, to allow a claim under the set rate per kilometre method. (The rates per km are set by the Tax Office – generally .63 - .75 cents/km depending on the size of the engine). For business travel over 5,000km p.a. you must keep a log book for a 12 week period, showing business and private use. Receipts for running expenses for the motor vehicle should be kept e.g. petrol, oil, services, repairs/maintenance, tyres, batteries, car seat covers, NRMA, wash and polish, comprehensive insurance, green slip (Compulsory 3<sup>rd</sup> Party Insurance), Pink Slip, registration, smash repairs and insurance excess amounts for smash repairs etc. In addition, you can claim parking, bridge and freeway tolls. Please also bring along your contracts for finance for the vehicle and the contract for purchasing the vehicle, (so we can work out your claim for interest, lease and depreciation). There is a limit on the depreciation value allowed for luxury cars = \$57,466.

### **Printing/Stationery**

Keep receipts for printing of business cards and letterheads, plus photocopying and all stationery (pens, paper, folders, envelopes etc)

### **Postage**

Keep all receipts for posting business mail.

### **Rent**

Claim rent paid for your official office plus a proportion (based on usage/area used) for home office e.g. of rent or, if you are paying your house off, a proportion of mortgage interest, council rates, water board rates, building and contents insurance.

**Note:** If your business is a part time one, then the home office claim must be proportional to the time that you spend on that business.

### **Repairs/Maintenance**

Repairs to office and home office furniture and equipment and plant equipment (e.g. painting, electrical repairs etc.) are deductible.

### **Salaries/Wages**

Amounts paid to employees (full time or casual):

**Note:** You will need to take out W.C. Insurance for employees and maybe also

### **Subcontractors**

Amounts paid to subcontractors for subcontractors (depending on whether you directly control them). In addition you may be required to deduct PAYG withholding tax from subcontractors (providing they have a voluntary agreement with you).

### **Subscriptions**

Amount paid for membership of professional associations and for business and professional journals and magazines. I recommend you start an account with your local newsagent for these and pay monthly, thereby creating a record for tax purposes.

## **Superannuation**

Contributions to private superannuation funds:

### **If Self Employed**

#### **From 2008/09:**

A general deduction limit of \$25,000 pa will apply to all taxpayers from 1/7/07, except for those aged 50 or over, who are able to contribute \$50,000 pa until 2011/12. (This will be extended for taxpayers who have a superannuation fund balance of less than \$500,000).

### **For Employees**

From 1/7/02, 9% compulsory Superannuation is to be paid for employees who earn more than \$1300 per quarter. (Sub contractors who are also directly controlled by you may also be eligible to have superannuation paid on their behalf). From 01/07/03, compulsory superannuation must be paid quarterly and an advice given to each employee of the details of the payment made on their behalf.

## **Telephone**

Claim fully for official office telephones and mobile phones and a proportion of home telephone for running a home office. Also, keep a diary entry of public telephone usage and/or keep your expired phone cards. (For home office telephone, you will need to keep a log of business and private calls (incoming and outgoing) over one month, to establish the portion of business use).

## **Travelling Expenses**

Bus, train and taxi expenses (for business) plus airline, accommodation and meal expenses can be claimed if travelling away on business. (Keep receipts for all these, including meals).

## **Other Business Expenses**

Miscellaneous expenses e.g. reference books, small items of equipment under \$300 in value, briefcase, attaché case, diary, calculator, batteries, video and audio tapes (if relevant to your business), training courses, conferences, seminars, protective clothing, protective shoes, laundry/dry cleaning, uniform costs (if compulsory) or for protective clothing such as overalls, dust coats), or the traditional uniform such as worn by Nurses, Chefs, etc.)

## **Self Education Expenses**

If related to your business – for official courses at TAFE Colleges or Universities:

- Course/Student Union Fees
- Text Books
- Stationery
- Photocopying (keep a record in your diary)
- Typing
- Printing/Binding
- Travel to and from College/University e.g. bus, train, taxi – keep record of fees paid, or car – keep a record of number of km travelled, plus parking/tolls
- Excursions
- Postage
- Phone Calls
- Computer Requisites: floppy disks, printer ribbons, software
- Specialist Journals/Magazines
- Internet fees

### **Useful Contacts**

Financial Planner      Matthew Byrne - Ph: 02 9818 2920, for Superannuation, Investment, Insurance and loans (Matthew works full time at our office at Rozelle)

Solicitor                Kirk McKenzie - Ph: 02 9223 3155 for Contracts, Partnerships, Wills, and Conveyancing.

Loans                     Alycia Inglis – Ph:0412 212 099 - INGLIS & ROCK

Prepared by                David R Le Page  
                                      B Bus M Tax Law FCPA (Taxation) JP  
                                      Certified Practicing Accountant  
                                      Registered Tax Agent 69832 009

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