Print whole section

Helping small business get it right

We want small businesses to get it right. Each quarter, we will highlight risk areas that are attracting our attention.

Our approach for small business

Our treatment methods and approach to poor compliance.

What attracts our attention in small business

Poor compliance behaviours that are attracting our attention.

Small business focus areas

The risks we're focused on and information on how to get it right.

QC 103449

Our approach for small business

Our treatment methods and approach to poor compliance.

Last updated 9 February 2026

Our focus

We focus on areas where our audits, data matching and intelligence show businesses may not be correctly registered or may be operating outside the tax and super systems.

Our treatment approaches vary depending on the level of risk we identify.

Education and awareness activities

We want to help small businesses get it right. We aim to:

- provide education and tailored support to address common errors
- offer free, self-paced courses on essentials to strengthen your small business
- promote the benefits of regular reporting and timely payments to support cash flow management
- work with professional and industry associations
- intervene early when we see debts growing or taxpayers going off track
- send reminders or prompts to keep obligations on track
- deliver industry specific guidance and messaging to keep small businesses on track
- publish relevant information on
  - ato.gov.au website
  - Small business newsroom
  - Tax professionals newsroom
  - ATO webinars and other masterclasses.

Help and correction activities

If we find a concern, we contact the small business owners' tax professional (or small business owner if they don't use an agent) to clarify or correct errors. This may include:

- pre-issue checks to correct any claims before a refund is released

- phone calls direct to the small business owner's tax professional (or small business owner if they don't use an agent)
- issuing direct letters or emails to the small business owner's tax professional (or small business owner if they don't use an agent) on specific issues
- moving small businesses to monthly BAS reporting, rather than quarterly to get them back on track.

Firmer action

If a small business deliberately avoids us or their obligations, we take firmer action to ensure that the correct amount of tax is paid. This may include:

- reviews or audits
- penalties (up to 75%) and interest on any unpaid tax, plus debt collection activities
- applying administrative penalties, or seeking the application of civil or criminal sanctions in more serious cases.

QC 103452

What attracts our attention in small business

Poor compliance behaviours that are attracting our attention.

Last updated 9 February 2026

What attracts our attention and what we're doing about it

We'll be clear about the behaviours that concern us, why they matter, and what we do in response. This helps you get it right the first time and supports transparency in how we work.

Poor compliance behaviours that attract our attention

We look more closely at small businesses that:

- knowingly operate outside of the system, like not declaring all income and over-claiming expenses
- deliberately don't report or register correctly, and don't lodge and pay in full and on time
- don't know their tax and super obligations, including employer responsibilities
- pay employees in cash and don't declare income to avoid their tax and super obligations
- use business funds and assets to support their personal lifestyle, tax-free
- have poor record keeping and/or cash flow management.

Why we share this information

We provide this information to:

- be transparent about what draws our attention
- explain the consequences of operating outside of the system
- support conversations between small businesses and their tax professionals
- encourage good business habits from the start.

How we define a small business

A small business is sole trader, company, trust or partnership that both:

- operates a business for all or part of the financial year
- has an aggregated annual turnover of less than $10 million.

Your concerns

If you're concerned about your tax or super position, you can:

- engage with us for advice
- correct a mistake by requesting an amendment or making a voluntary disclosure
- contact your registered tax professional for help and advice.

If you know or suspect illegal phoenix activity, tax evasion or shadow economy behaviour you can either:

- complete the tip-off form, which is also available in the contact us section of the ATO app
- phone the Shadow Economy hotline on **1800 060 062**.

The information you provide is treated confidentially, and tip-offs can be made anonymously. There are laws that will protect your privacy.

Help and support

If any of these risk areas apply to your business, help is available:

- Learn more about learning resources, tools and services available to support small business.
- Complete free, self-paced courses on essentials to strengthen your small business.
- Learn how to create good business habits.
- Stay informed with Small business newsroom and Tax professionals newsroom.
- For businesses with a turnover greater than $10 million, visit our What attracts our attention page.
- Find out how to fix a mistake or error.
- Register your business correctly.
- Speak to a registered tax professional or contact us.

QC 103451

Small business focus areas

The risks we're focused on and information on how to get it right.

Last updated 9 February 2026

We'll help you get it right the first time

We know most small businesses try to do the right thing.

To ensure all businesses meet their tax, super and registry obligations, we will take firmer action on those who knowingly do the wrong thing. This will prevent them from gaining an unfair advantage over others.

Our focus areas

Focus areas	Risks
Omitted income	Using business money and assets for personal benefit Contractors omitting income Businesses using cash to dodge obligations
Deductions and concessions	Non-commercial business losses Small business capital gains tax concession Small business boost measures Over-claiming expenses and GST credits
Operating outside of the system	Overlooking and misreporting FBT on private use of work vehicles GST registration and income of taxi, limousine and ride-sourcing services Property and construction industry - key tax and super risks

	Tax risks: Property, construction and professional services
Building good habits	Quarterly to monthly GST reporting Get ready for business

QC 103450

Using business money and assets for personal use or benefit

Our focus on small businesses using business money and assets for personal use and benefit.

Last updated 9 February 2026

Our focus

Division 7A of the *Income Tax Assessment Act 1936* contains a series of integrity rules. These may apply when a private company attempts to provide money or other benefits to its shareholders or their associates in an income tax-free manner. Division 7A is one of the top areas we see where both small businesses and tax professionals are making errors.

How to get it right

The most common errors we see are caused by:

- shareholders (owners and associates) not understanding that a company is a separate legal entity and the company's money and assets are not the owners', such as
  - using private company assets for private purposes
  - using a single bank account (or credit card) for private and company expenses, making it difficult to distinguish between private and business expenditure
- poor or no business records

- not meeting Division 7A requirements when making, repaying and managing loans made to shareholders or their associates.

Errors that arise from loans

We see Division 7A errors arise when private companies make loans to their shareholders or their associates. This includes:

- not entering a written complying loan agreement before the company's lodgment day
- loan agreements being made between the wrong entities
- private companies charging interest on loans below the benchmark interest rate
- private companies not declaring interest earnt on Division 7A loans in their assessable income
- the private company using journal entries to record repayments that haven't been made
- shareholders or their associates not meeting their minimum yearly repayments due to
  - not making their repayments by the 30 June deadline
  - incorrectly calculating their minimum yearly repayments resulting in them paying less than the required repayment amount to the private company, for example, by applying an interest rate less than the benchmark interest rate
  - borrowing money from the private company to make a minimum yearly repayment.

Example: Logan the carpenter

Logan is a carpenter and is the sole director and shareholder of a private company.

Logan uses the company credit card to pay $20,000 towards his children's school fees and $15,000 for a family holiday.

Logan reasons that he will repay these amounts to the company when the company needs the money. Logan doesn't repay the money to the company or convert the payments into complying

loans before the company's lodgment day. Due to this, the payments are deemed Division 7A dividends.

Logan must declare both payments as unfranked dividends in his individual tax return. Logan will pay tax on the unfranked dividends at his marginal tax rate. He won't get a credit for the tax the company has paid on those profits.

Logan lodges his individual tax return. In addition to the pre-fill income information, Logan also declares $35,000 of unfranked dividends. Logan later receives his notice of assessment, which shows he has a tax bill for the 2024 income year.

Keep up to date

Access our short free online courses and webinars to get it right and avoid Division 7A errors:

- Using your business money and assets
- Essentials to strengthen your small business
- ATO webinars (Division 7A)

You can also:

- Subscribe to our free Small business newsletter to get updates that might impact your business.
- Contact your tax professional to obtain advice specific to your business needs.

QC 103854

Contractors omitting income

Our focus on contractors incorrectly reporting or omitting contractor income.

Last updated 9 February 2026

Our focus

As part of the taxable payments reporting system (TPRS), businesses must lodge a Taxable payments annual report (TPAR) to report payments made to contractors for providing the following services.

- building and construction
- courier
- cleaning
- information technology (IT)
- road freight
- security, investigation or surveillance.

If you work as a contractor and provide any of these services, the business you contract to will report those payments to us on their TPAR. You need to include this income on your tax return.

Through data matching, we are seeing some contractors incorrectly reporting or omitting contractor income. You need to report all your income, including payments made by businesses for your contracting work. If we suspect you may have omitted TPRS income on your tax return, we may:

- contact you or your tax professional via email to request you amend your tax return
- contact you or your tax professional via phone call to better understand your circumstances and potentially request you amend your tax return.

If you don't take action, we may conduct a review and audit of your business. Penalties and interest may apply.

For more information, see Taxable payments reporting and contractors.

How to get it right

If you are a contractor providing TPRS services, remember to include all your income on your tax return. To help you get it right, we include information reported to us about contractor payments to you, in our:

- pre-filling service – easily include these payments in your tax return if you are a sole trader
- reported transactions service in ATO online platform – these records give you transparency about the data that has been provided to us about your business transactions.

Example: Mike the carpenter

Mike is a carpenter who operates his business as a sole trader. Mike sub-contracts to multiple builders and completes his tax return himself.

As he provides building and construction services, the builders must report the payments they made to him during the 2024 income year. They must do this by lodging a Taxable Payment Annual Report (TPAR) with the ATO by 28 August 2024.

Mike does not use the pre-filled TPAR amounts for his tax return. This results in Mike not including all his contractor payments in his reported income. On review, the error was identified, and his 2024 assessment was amended to include the missing income. Mike was required to repay the tax shortfall and may be subject to penalties and interest.

Next year when Mike is completing his tax return, he can review and accept the pre-filled TPAR amounts. These will auto fill into his tax return, making it easy to ensure he has included all his contractor payments in his income.

Keep up to date

We want to make sure you're aware that:

- your tax obligations and allowable deductions may change if the personal services income rules apply to your income
- keeping accurate and complete records will help you meet your tax, super and employer obligations, and help you stay on track.

Learn more by taking our free self-paced online courses at:

- Record keeping

- Personal services income.

You can also:

- Subscribe to our free Small business newsletter to get updates that might impact your business.
- Contact your tax professional to obtain advice specific to your business needs.

QC 103860

Businesses using cash to dodge obligations

Our focus on businesses that use cash to avoid obligations.

Last updated 1 October 2026

Our focus

We're cracking down on businesses that use cash to avoid meeting their tax, employer and business obligations. We are focused on businesses that don't report or underreport cash income, paying for business goods using cash or paying cash wages. Keeping transactions 'off the books' is not a mistake – it's a deliberate action that affects everyone in the community.

Businesses that do this may:

- fail to report all sales transactions and fail to issue receipts
- avoid paying GST, income tax, pay as you go (PAYG) withholding, super guarantee, insurance and workers compensation
- report their income as an amount below the $75,000 threshold to avoid registering for GST
- exploit workers by not meeting award conditions and workers compensation protections

- undercut honest businesses by offering cheaper prices for cash.

This behaviour creates an unfair playing field for businesses doing the right thing. It undermines the integrity of the tax system, erodes public trust and reduces funding for essential services like hospitals, schools and roads.

The hidden cost of cash-in-hand

Workers who are paid cash-in-hand or are working 'off the books' are often disadvantaged. They typically:

- miss out on entitlements such as paid holiday and sick leave
- receive less than the award wage
- have income tax liabilities if no tax is withheld from their pay
- experience difficulty to obtain finance to purchase assets – for example, buying a home
- don't receive the super they are entitled to, impacting their future retirement
- lack coverage under workers compensation for injuries.

This means they are not receiving the entitlements and protections they should. If they are injured at work, they are not protected and may have large medical expenses to pay themselves. Taxpayers that do the right thing have to pick up the slack when it comes to pensions, social services and support.

How to get it right

If you run a business, it’s important to:

- report all income, including cash
- pay your workers correctly and meet your ongoing employer and super obligations
- keep accurate records and use digital tools where possible
- register for GST if
  - your GST turnover is $75,000 or more

– you provide taxi or limousine travel for passengers (including ride-sourcing) regardless of your GST turnover.

Small businesses often rely on tax professionals to help them stay on top of their tax and super obligations. These professionals play a vital role in supporting the integrity of the system by asking the right questions about cash income and ensuring businesses report correctly.

We use sophisticated data and analytics to detect businesses that aren't doing the right thing. Our compliance teams, along with joint operations across government agencies, are actively targeting cash-only businesses that deliberately avoid their obligations.

If you suspect a business is avoiding its obligations, you can report it to our Tax Integrity Centre.

If you're an employee who is paid in cash, you can refer to receiving cash for work you do.

Example: underreporting income and paying cash wages

Stella is the director of a liquor production and wholesale company in Sydney CBD. The business showed unusual patterns of large cash withdrawals and deposits linked to Stella's personal account.

Third-party data and tip-offs suggested underreported income and cash wages. Previous compliance action had not improved record keeping or reporting.

We audited the 2020–21 to 2023–24 income years and business activity statements from 1 January 2022 to 30 June 2024.

Our audit identified concerning behaviours, including:

- poor and incomplete records
- failure to provide requested information
- inconsistent explanations about transactions
- cash sales not deposited into business accounts

- unexplained cash deposits below $10,000 to avoid amounts being reported as part of anti-money laundering
- business cash income diverted to the director's personal accounts and used for private expenses
- same-day cash deposits and withdrawals for personal liabilities.

We:

- identified significant unreported income
- amended tax obligations across income tax, goods and services tax (GST), wine equalisation tax (WET) and PAYG withholding
- gathered further evidence using formal powers.

We adjusted the business's tax position to reflect unreported income and errors, resulting in:

- $854,414 additional GST
- $1,242,637 in additional income tax
- $330,685 PAYG withholding shortfall
- $2,779,948 additional WET
- $54,170 in disallowed GST credits
- $106,888 shortfall interest charge.

This resulted in total primary liabilities of $5,315,572.

As the business made false or misleading statements, penalties of up to 75% of the tax shortfall were applied:

- $3,235,678 for business activity statement shortfalls
- $1,119,273 for income tax shortfalls
- $248,273 for failing to withhold PAYG.

Total penalties were $4,602,965, bringing total liabilities to $9,918,537.

We also reviewed the director's personal tax affairs, identifying an estimated $564,870 in personal liabilities for the 2023 and

2024 income years. Their tax position was adjusted to reflect the use of business funds for personal expenses.

This shows how important it is for small businesses to:

- keep accurate records of all transactions
- report all income, including cash
- understand tax obligations as a director
- keep business and personal finances separate, and avoid using business funds for personal expenses.

How we're taking action

We're taking firm action against businesses that try to gain an unfair advantage by using strategies to omit income including dealing in cash. The community plays an important role, as we receive more than 1,000 tip-offs each week about dishonest activities. Most tip-offs relate to shadow economy practices, such as demanding cash payments for work.

Since July 2025, we have engaged with over 17,000 small businesses encouraging them to take action to correct their tax affairs where there were signs of omitted income resulting in nearly $3 million in corrected obligations.

During 2025–26 our audits uncovered more than $210 million in unpaid taxes and issued over $50 million in penalties to those deliberately omitting or underreporting income such as cash payments.

For more information, see Action to address the shadow economy.

Example: director omitting cash income

Peter is the director of the Ink & Olive Bistro in Adelaide.

He uses a bank account and POS system to record income, wages, sales and expenses, with a 10% discount on cash payments.

Data showed poor record keeping, missing invoices and reports, underreported cash sales and omitted income. A 2021 and 2022 financial year audit found that:

- records of cash sales weren't properly kept with amounts being lower than those reported, using price overwrites and voided sales and discounts for cash
- wages and expenses paid in cash weren't reported
- cash income was mixed between business and personal use by depositing cash into personal accounts and using it to pay personal credit cards and expenses.

These actions resulted in a total of:

- $1,430,946 unreported income for both years with adjustments made
- a PAYG withholding shortfall of over $550,000
- additional tax of around $392,000 when omitted income was added to the director's returns.

Because of this, we:

- disallowed over $120,000 in deductions due to missing records
- treated $862,174 as unreported income of the director
- imposed penalties for false or misleading statements, which were applied at 75% for intentional disregard with a 20% uplift
  - $338,093 for income tax
  - $129,276 for GST shortfall
  - $317,577 due to the director's intentional disregard and repeated behaviour.

We also applied a director penalty of $416,584 for failure to withhold. This was reduced by 25% due to the disclosure made during our audit.

This shows how important it is for small businesses to:

- keep accurate records of all transactions
- report all income, including cash
- understand tax obligations as a director, as ignoring them can lead to serious consequences.

Keep up to date

Keep your small business on track by staying up to date with the latest tax and compliance information. Learn more by taking our free self-paced online courses designed to help small businesses get it right:

- Good business habits
- Manage your business cash flow
- Essentials to strengthen your small business – a suite of courses to help you build confidence in managing your obligations, including Recording business income and expenses and Cash flow for small business success.
- Small business benchmarks – compare your performance against similar businesses in your industry.

You can also:

- Subscribe to our free Small business newsletter to get updates that might affect your business.
- Contact your tax professional to obtain advice specific to your business needs.

QC 106118

Non-commercial business loss risks

Our focus on individuals who incorrectly claim and offset business losses against other income sources.

Last updated 9 February 2026

Our focus

We are seeing individuals incorrectly claim and offset losses from non-commercial business activities against other income sources.

A non-commercial business loss (NCL) is a loss you make from a business activity, as either a sole trader or an individual in a

partnership, where that activity isn't related to your primary source of income.

You can't offset an NCL against assessable income you earn from other activities in the year the loss is made. You must:

- defer it to a later income year
- treat it as a deduction you incur (in relation to that business activity) in the next income year in which you carry on that business activity.

How to get it right

If you're an individual who has or is planning to offset or defer an NCL loss, we want to make sure you're aware of:

- the income requirement
- the 4 tests for offsetting business losses
- how to defer your loss
- how to offset your loss.

Common errors

The most common NCL errors we see are caused by:

- offsetting losses from hobby or other non-business-like activities
- problems applying the rules for offsetting losses when your taxable income for non-commercial loss purposes (excluding your business losses) is greater than $250,000
- issues with the rules for offsetting losses when failing to pass any of the 4 eligibility tests
- failing to apply for the Commissioner's discretion to allow the claim or not applying PCG 2022/1 in good faith.

Example: Susan the IT consultant

Susan works as a consultant for an IT company, and also earns income from her own IT consulting business and investments in shares and managed funds.

In the 2020–21 income year Susan also started her own IT consulting business. Despite hiring staff and her business doing well, it has not yet made a profit for income tax purposes in any of the last 3 years.

In the 2023–24 income year the deductions from Susan's IT consulting business exceeded the income from that business by $46,000. Susan's taxable income for non-commercial loss purposes in 2024 (excluding the tax loss from her business) was $251,000.

Susan doesn't use an agent and lodges her own individual tax return. She incorrectly reports on her 2024 return the business activity losses of $46,000, can be offset against her other assessable income claiming non-commercial loss code 1 (indicating the business met the income requirement).

However, as Susan incorrectly calculated her taxable income for non-commercial loss purposes, she was required to defer the loss of $46,000 until her business made a profit or the Commissioner exercised the discretion in her favour. On review, the error was identified, and her 2024 assessment was amended to reflect that she was required to defer this loss. Susan was required to repay the tax shortfall and may be subject to penalties and interest.

Keep up to date

Learn more by taking our free self-paced online courses at:

- Losses
- Essentials to strengthen your small business.

You can also:

- subscribe to our free Small business newsletter to get updates that might impact your business
- contact your tax professional to obtain advice specific to your business needs.

QC 103454

Small business capital gains tax concession risks

Our focus on small businesses that incorrectly apply small business capital gains tax (CGT) concessions.

Last updated 9 February 2026

Our focus

As a small business operator, there are 4 capital gains tax (CGT) concessions available to you. If you're eligible, you can use these concessions to reduce the amount of CGT.

The way you report the concession depends on your business structure. This means, if you're a:

- sole trader or partnership, in the supplementary section for individuals in your tax return
- company or trust, in the CGT schedule for companies and trusts.

We want to ensure that small businesses accessing the CGT concessions are genuinely eligible and reporting the correct amount.

How to get it right

As a small business operator reporting CGT concessions, we want to make sure you're aware of:

- the small business CGT concessions eligibility conditions
- how to calculate and report your net CGT position. See the CGT schedule and tax return instructions for details.

Common errors

Some of the common errors we see when applying CGT concessions are a result of:

- misunderstanding or misuse of the eligibility requirements, including requirements around
  - whether you are carrying on a business (not a hobby or personal asset)
  - whether your aggregated turnover exceeds $2 million and the business assets owned are under $6 million
  - your age
- incorrect reporting or application of correct concession codes
- miscalculation by
  - using the wrong dates when buying or selling an asset
  - applying a discount incorrectly
- inappropriate use of
  - CGT rollover relief
  - a CGT discount.

Keep up to date

Learn more by taking our free self-paced online courses at:

- Capital gains tax (CGT)
- Essentials to strengthen your small business.

You can also:

- subscribe to our free Small business newsletter to get updates that might impact your business
- contact your tax professional to obtain advice specific to your business needs.

QC 103455

Small business boost measures risks

Our focus on small businesses who incorrectly claim the small business boost measures.

Last updated 9 February 2026

Our focus

If your business meets the standard aggregated annual turnover rules (with an increased $50 million threshold), you may be eligible to claim an additional 20% tax deduction under the:

- Small business skills and training boost
- Small business technology investment boost.

Small business skills and training boost

The small business skills and training boost applies to eligible expenditure incurred from 7:30 pm AEDT on 29 March 2022 until 30 June 2024.

The expenditure must be for the provision of external training courses delivered to your employees by registered training providers.

Small business technology investment boost

The small business technology investment boost applies to eligible expenditure incurred between 7:30 pm AEDT on 29 March 2022 and 30 June 2023.

The boost is for business expenses and depreciating assets to help digitise your small business. It is capped at $100,000 of expenditure per income year. You can receive a maximum bonus deduction of $20,000 per income year.

How to get it right

We are seeing some small businesses incorrectly claim the boost measures due to errors or misunderstanding of the law.

If you claimed either boost measure and believe you don't meet the eligibility criteria or have made an error, we encourage you to amend your tax return.

If you incorrectly claim, we may get in contact with you or your tax professional. If no action is taken, we may conduct a review and audit of your business.

See how to avoid errors and claim correctly for the:

- Skills and training boost
- Technology investment boost.

Skills and training boost

The errors we are seeing some small businesses make when claiming the **skills and training boost** include:

- claiming when you are not in business, or your aggregated turnover is over $50 million
- claiming for training where the person is not an employee of your business
- sole traders claiming the boost deduction for expenditure on training for themselves
- claiming more than the additional 20% deduction for eligible employee training expenditure
- claiming when training is not provided by a registered training provider.

If you are planning on claiming, ensure you meet the skills and training boost eligibility criteria, and check:

- it's for an expense that was incurred between 7:30 pm AEDT on 29 March 2022 and 30 June 2024
- it's for expenditure with a registered external training provider that is not you or an associate of yours
- it's for the provision of training to employees of your business, either in-person in Australia, or online
- where you are a sole trader, the training is for your employees and not yourself
- the training is already deductible for your business.

Example: claiming skills and training boost

Maya and Jackson are directors and shareholders of Sports Academy Pty Ltd. The company has no employees.

Sports Academy Pty Ltd spend $6,240 on a bookkeeping training course with a registered training provider for Maya. Sports Academy Pty Ltd claim a 20% ($1,248) skills and training boost deduction on its 2022–23 company tax return.

However, because Maya is not an employee of the company, Sports Academy Pty Ltd is not eligible to claim the skills and training boost deduction. The deduction they claimed is disallowed.

Sports Academy Pty Ltd must amend their company tax return to exclude the skills and training boost deduction. This adjustment increases the company's taxable income, leading to a higher tax liability for the 2023 income year.

Sports Academy Pty Ltd lodge an amended company tax return. It reflects the corrected taxable income. They later receive a notice of assessment, which shows an adjusted tax liability for the 2023 income year.

Technology investment boost

The errors we are seeing some small businesses make when claiming the **technology investment boost** include:

- expenses not meeting definition of eligible digital expenditure
- exceeding annual turnover threshold requirement
- claims exceeding the cap on expenditure
- claims by businesses with no reported depreciating assets
- incorrectly claiming over multiple years.

If you are planning on claiming, ensure you meet the technology investment boost eligibility criteria, and check:

- it's for an expense that was incurred between 7:30 pm AEDT on 29 March 2022 and 30 June 2023
- it's for expenditure of business expenses or depreciating assets (or both) to help digitise your small business

- the expense is already deductible for your business.

Example: claiming technology investment boost

Sami, Omar and Leila are directors of a private company. It supplies pharmaceutical products to retailers and other businesses.

In May 2022 the directors of Pharmacy Supplies Pty Ltd decide to:

- Purchase an electronic point-of-sale system and accounting software, at a cost of $30,000. This is to improve record keeping and better understand their business. It will be used from 1 July 2022.
- Invest in a cyber security system and plan from 1 July 2022 to move to a digital record keeping system. It will cost $40,000 to start and $5,000 a year for updates and maintenance.
- Modernise their website and implement a mobile app, which will go live in September 2022, at a cost of $40,000.

Pharmacy Supplies Pty Ltd has spent $110,000 on eligible costs in the 2023 income year. Pharmacy Supplies Pty Ltd claims a $22,000 tech investment boost deduction for 2022–23.

However, due to the $100,000 cap on eligible business expenses and depreciating assets, or $20,000 per income year, Pharmacy Supplies Pty Ltd has incorrectly claimed $2,000 more than allowed.

Pharmacy Supplies Pty Ltd must amend its 2022–23 company tax return. It must reduce the technology investment boost deduction. This adjustment increases the company's taxable income, leading to a higher tax liability for the 2023 income year.

Pharmacy Supplies Pty Ltd lodges an amended company tax return, reflecting the corrected taxable income. They later receive a notice of assessment, which shows an adjusted tax liability for the 2023 income year.

Keep up to date

Learn more by taking our free self-paced online courses at:

- Claiming small business tax deductions
- Essentials to strengthen your small business.

You can also:

- subscribe to our free Small business newsletter to get updates that might impact your business
- contact your tax professional to obtain advice specific to your business needs.

QC 103859

Overlooking and misreporting FBT on private use of work vehicles

Our focus on businesses that overlook or misreport their fringe benefits tax (FBT) for private use of work vehicles.

Last updated 12 March 2026

Our focus

A fringe benefit is like a payment that an employer might make to an employee, but in a different form from salary or wages. For small businesses, providing private use of a work vehicle is one of the most common fringe benefits provided to employees.

If you provide a work vehicle to employees (or their family members or associates) for private use or it's available for private use, then the benefit arising from private use of the work vehicle may be subject to FBT.

If the vehicle is a car and is provided to employees (or their associates) for their private use or made available for private use, then it constitutes a car fringe benefit.

If the vehicle is not a car, and the employees (or their associates) use it for private purposes, then you may be providing a residual fringe

benefit rather than a car fringe benefit.

Even a car garaged at an employee's home is treated as available for their private use regardless of whether they have permission to use it privately. This means you may have an obligation to lodge an FBT return and pay FBT.

We're focusing on employers who may not be meeting their FBT obligations in relation to work vehicles. Employers that do this may:

- fail to lodge an FBT return when they're required to do so
- mistakenly assume that private use of a dual cab ute is automatically exempt and doesn't attract FBT
- incorrectly claim vehicle exemptions
- not keep adequate records, such as valid logbooks to support the exemptions claimed
- incorrectly treat private use as business use, or avoid apportioning private use of a vehicle
- not keep accurate and valid records to substantiate their FBT position or support any exemptions they've claimed.

Not reporting or incorrectly reporting fringe benefits you provide to employees affects everyone. Meeting your employer obligations ensures fairness and a level playing field for all employers. When you do the right thing, it also helps your employees meet their tax obligations.

How to get it right

If you provide a work vehicle that is available for private use, you must first determine if it is a fringe benefit by:

1. Identifying the type of motor vehicle provided.
2. Understanding how the vehicle is used for business and private purposes, and accurately apportioning the usage.
3. Correctly assessing if any exemptions apply to the vehicle or its private use.
4. Keeping adequate records, such as logbooks and odometer readings, as well as records to support any exemption claims and calculations.

If you've identified that the private use of a work vehicle is a fringe benefit, you need to take the following steps to correctly calculate and report your FBT:

5. Determine the taxable value of the car fringe benefit and calculate the FBT payable You can use the FBT car calculator to help you do this.
6. Lodge your FBT return and pay the FBT amount owed by 21 May, or by 25 June if you use a tax agent.
7. Check if you need to report the fringe benefit through Single Touch Payroll on an employee's income statement or on your employee's payment summary.

Private use of motor vehicles including the use of eligible commercial vehicles such as dual cab utes is an area we continue to focus on. We use sophisticated data and analytics to detect businesses that aren't meeting their obligations. Our compliance teams are actively contacting businesses and employers that don't get it right or are deliberately avoiding their FBT obligations.

It's important to stay on top of your FBT obligations. Potential audit, penalties and interest charges may apply for employers who fail to comply with their obligations.

If you suspect a business is avoiding its obligations, you can report it to our Tax Integrity Centre.

Example: failure to report FBT correctly

Freya operates a restaurant and bar business, Juniper & Tonic Pty Ltd, in an inner-city area in Melbourne. The business has 3 luxury vehicles, 2 Porsches and a Mercedes, with a combined value of $618,078. These vehicles were allegedly used for travel between business locations and to purchase food and beverages for the restaurant.

Despite the use of high-value vehicles for business purposes, the company had not lodged any FBT returns since 2020.

An audit was conducted due to discrepancies identified in vehicle ownership and usage, combined with the absence of FBT lodgments. We found that:

- the company submitted logbooks to support business use of the vehicles, but these didn't record the minimum details required for each business journey and the logbooks were invalid and so they couldn't be relied upon for FBT purposes
- additional documentation was not provided to substantiate the use of the vehicles
- due to the lack of reliable records, the statutory formula method was applied to calculate the taxable value of the car fringe benefits.

We issued the business with:

- default assessments for the 4 income years, resulting in FBT payable of $461,000
- a 75% administrative penalty was applied, totalling $345,000
- General Interest Charge (GIC) of $132,000 was imposed
- total liability payable: $938,000.

The case highlights the importance of maintaining accurate and valid documentation to substantiate your claims and meet your FBT obligations, particularly when high-value assets are involved.

Keep up to date

Keep your small business on track by staying up to date with the latest tax and compliance information. Learn more using our resources designed to help small businesses get it right:

- Download our factsheet, Car fringe benefits tax guide for small business (PDF, 415KB).
- View our detailed FBT Guide for employers.
- Essentials to strengthen your small business – a suite of courses to help you build confidence in managing your obligations.
- Small business benchmarks – compare your performance against similar businesses in your industry.

You can also:

- Subscribe to our free Small business newsletter to get updates that might affect your business.
- Contact your tax professional to obtain advice specific to your business needs.

QC 106119

GST registration and income of taxi, limousine and ride-sourcing services

How to get your taxi, limousine and ride-sourcing provider goods and services tax registration right and declare income.

Last updated 9 February 2026

Our focus

If you provide taxi, limousine or ride-sourcing services you must register for goods and services tax (GST) regardless of your turnover. You must collect and pay the GST and income tax on all your rides and all other business income.

We use a range of data sources, including data provided to the ATO by taxi and ride-sourcing platforms, to review the tax file number (TFN), Australian business number (ABN) and GST registration status and other activities of drivers in this industry.

If you're a driver in this industry and don't have a TFN, ABN and GST registration, you need to:

- register now
- collect, report and pay GST on all your future rides as required under the law
- report all your income from your rides in your next tax return.

How to get it right

To get it right, you'll need a TFN, an ABN and register for GST. If you're not using a tax professional for your tax affairs, the best way to securely register, report and pay your GST on all your future rides is to get a myID and register for ATO online services or Online services for business.

If you don't register for GST, penalties and interest may apply. If you haven't declared all your income for ride-sourcing in prior years you can amend a previous tax return.

You can also contact your tax professional to obtain advice specific to your business needs.

What we'll do if you don't register

We'll continue to monitor drivers who don't have a TFN, ABN or GST registration and those who haven't declared all their assessable income.

If you're a driver who is not registered and complying with your GST and income tax obligations, we may:

- register you for GST
- back-date your GST registration
- instruct you to back-pay all the GST on your prior rides, plus interest
- determine what income tax you need to pay on your taxable income
- apply financial penalties, which you'll also need to pay
- instruct you to complete a number of online courses.

Ride-sourcing driver campaign results

We have seen a positive response to a recent campaign contacting ride-sourcing drivers to remind them to register for GST and check that their tax affairs are in order.

Over 3,000 ride-sourcing drivers registered for GST over a 6-week period through this campaign.

We continue to monitor driver responses to our contact and may take firmer action with drivers who don't engage with us.

Keep up to date

Learn more by taking our free self-paced online courses at Essentials to strengthen your small business.

You can also:

- subscribe to our free Small business newsletter to get updates that might impact your business
- contact your tax professional to obtain advice specific to your business needs.

QC 103456

Property and construction industry – key tax and super risks

Our focus on the property and construction industry, including businesses that incorrectly report income or expenses.

Last updated 9 February 2026

Our focus

The property and construction industry is a major contributor to Australia's economy, with businesses ranging from sole traders to large businesses. It's also one of the top industries we receive tip-offs about, particularly regarding tax and super compliance concerns.

While most small businesses try to do the right thing, we see ongoing issues in this industry with paying the correct amount of tax and GST compliance.

We want to ensure that small businesses in the property and construction industries, for example, builders, contractors or tradies, understand their tax and super obligations and are reporting and claiming correctly. We will take firm action against those who

deliberately choose not to engage with us or comply with their obligations.

Due to mistakes, misunderstanding or deliberate behaviour, we are seeing some small businesses in the property and construction industry:

- omitting income through
  - not reporting all income, whether received in cash or money deposited into bank accounts
  - incorrectly classifying income from property development
  - contractors omitting income reported to the ATO through the taxable payments reporting system
- overclaiming expenses and GST credits
- incorrectly reporting expenses that are private in nature as business expenses, or not apportioning an expense correctly for business and personal use
- not registering for GST when required
- using business funds and assets to support their personal lifestyle, tax-free.

How to get it right

To get it right, you need to report all assessable business income, including cash income and any money deposited to your business and private accounts that is related to your business activities. You also need to correctly report your expenses and business deductions, including correct apportionment of expenses if the asset was used for both business and private purposes.

Over the coming months we will have a specific focus on the property and construction industry. If we suspect you may have omitted income or overclaimed expenses in your tax return or business activity statements (BAS), we may:

- contact you or your tax professional to request you fix a mistake or amend your tax return or adjust or fix your BAS
- contact you or your tax professional to better understand your circumstances and potentially request you amend your tax return or

BAS

- conduct a review or audit of your business – penalties and interest may apply.

Example: omitted TPRS income

Ethan is a sole trader. During the 2024 income year most of his work came from a contracting job through Stonewell Property Group Pty Ltd (Stonewell Property Group), who paid him $50,000 (GST inclusive) for a commercial retail fit out.

When preparing his BAS and income tax return, Ethan failed to include the income from Stonewell Property Group. This income was reported to the ATO by Stonewell Property Group through the Taxable Payments Reporting System (TPRS).

Ethan was selected for an audit because he didn't report his TPRS income from Stonewell Property Group. During the audit it was found that he also claimed motor vehicle expenses in both his BAS and income tax return without apportioning it between business and personal use.

As a result, Ethan's income tax return and BAS were amended to reflect the correct income and apportionment of deductions. The ATO issued amended assessments with a tax shortfall for the 2024 income year, along with a 50% base penalty as Ethan made a false and misleading statement when reporting his income and expenses. Interest charges also applied to the shortfall.

Keep up to date

Learn more by taking our free self-paced online courses:

- Claiming small business tax deductions
- Goods and services tax (GST)
- Essentials to strengthen your small business provides a suite of self-paced courses that can help you get it right.
- Small business benchmarks can help you compare your business's performance against similar businesses in the same industry.

You can also:

- Subscribe to our free Small business newsletter to get updates that might impact your business.
- Contact your tax professional to obtain advice specific to your business needs.

QC 105299

Tax risks: property, construction and professional services

As small businesses grow, they must report income and claim deductions and offsets correctly.

Last updated 9 February 2026

Our focus

As small businesses grow, their tax and super obligations often become more complex. We want to ensure that growing small businesses with a turnover of between $1 million to $10 million clearly understand their responsibilities, particularly when it comes to accurately reporting all income, deductions and offsets.

We continue to see recurring issues in specific industries. We're watching closely, conducting audits, and applying penalties and interest where needed.

Our focus is on small businesses in:

- The property and construction industry – including builders, contractors and tradies.
- The professional, scientific and technical services sector – such as engineering, design, IT, management and consulting professionals.

In these industries, we continue to see recurring issues due to mistakes, misunderstandings or deliberate behaviour. Common errors include:

- incorrect claims for the R&D tax incentive (R&DTI), especially for activities that don't meet the eligibility criteria
- omitting sales and income in the BAS and tax returns, including income from related entities
- overclaiming expenses and GST credits
- private expenses incorrectly reported as business-related, or not properly apportioned between business and personal use
- failure to register for GST when required
- not seeking independent advice from a registered tax agent, particularly in head contractor and subcontractor arrangements.

While most small businesses try to do the right thing, these areas remain a concern. We'll continue to detect, treat and address those deliberately not meeting their obligations to ensure all small businesses can compete on a level playing field.

Our goal is to support small businesses in getting it right – so they can meet their tax and GST obligations with confidence and honest businesses doing the right thing aren't disadvantaged.

Example: incorrectly claimed R&D tax incentive

Joe and Angus run a solar retail business, Suntraxion Solar Pty Ltd, selling solar panels, batteries and installation services. The business is structured to operate autonomously, outsourcing core functions to overseas suppliers who work with local contractors for installations.

In 2021, the business registered its research and development (R&D) activities with the Department of Industry, Science and Resources (DISR). The purpose of the activities were to develop software that enabled users to design and quote their own solar system and installation. Between 2021 and 2024, Suntraxion Solar Pty Ltd claimed $1.3 million in deductions, resulting in $569,000 in refundable R&DTI offsets, mostly for reporting payments to associates, including family members.

Suntraxion Solar Pty Ltd was selected for review due to their large refunds, payments to associates and their outsourced business model. The review found there was insufficient

evidence to support the R&DTI claims, especially for payments to associates and because most expenses claimed were part of the business's day-to-day operations.

Despite multiple extensions, Suntraxion Solar Pty Ltd only provided complete records for 7% of the total claim.

As a result, Suntraxion Solar Pty Ltd made a voluntary disclosure, reducing the R&DTI claim by 93%. We issued the business with:

- a tax shortfall of $205,000
- a 25% base penalty of $51,250 for failing to take reasonable care
- interest charges of $75,153 on the outstanding amount.

Claiming the R&DTI offset: key considerations

We've been seeing some small businesses get the following requirements wrong when claiming the R&DTI offset. When claiming it, ensure:

- you're conducting eligible R&D activities – you can only claim the R&DTI offset if you've actually undertaken eligible R&D activities during the income year
- your notional deductions are eligible – only certain R&D-related expenses qualify for the offset, including eligible R&D expenditure, the decline in value of R&D assets and contributions made under the Cooperative Research Centres Program
- you're maintaining accurate and complete records – you must keep detailed records that clearly demonstrate the R&D activities undertaken and support the amount claimed, including documentation such as project reports, staff timesheets and evidence of who conducted the activities and when
- your R&D activities are registered with Department of Industry, Science and Resources (DISR) – while registration with DISR is mandatory, it does **not** confirm eligibility or guarantee payment of the tax offset
- you're seeking advice from a registered tax agent – discuss your intent to claim the R&DTI offset with a registered tax agent and be cautious of R&D consultants who don't ask you for supporting

evidence or who suggest claims that seem overly generous or too good to be true.

We have detailed information available about the Research and development tax incentive to help you get it right.

Example: omitting income and overclaiming expenses

Rakesh, a sole trader in the IT sector, earned income during the 2024 income year from 2 income sources:

- $66,000 from a contract with a large IT company, for developing a software program. This work was performed on the company's premises.
- $55,000 from additional IT services – including computer repairs, upgrades and website design – generated via social media and word of mouth.

While preparing his BAS and tax return, Rakesh correctly reported the $66,000 from the IT company, as this amount was pre-filled in his tax return based on data submitted through the Taxable payments annual report (TPAR). However, he failed to report the additional income of $55,000, assuming it would go undetected since he'd used the funds to purchase a new car and caravan.

Rakesh was selected for an audit following a tip-off from another small business owner. The tip-off alleged that Rakesh requested payment into his personal account and didn't issue a valid tax invoice. The audit revealed:

- undeclared income deposits in Rakesh's bank account
- large cash payments made towards the car and caravan
- incorrect expense claims, including mortgage interest on his private residence, despite not operating a business from home.

As a result, we amended Rakesh's tax return and BAS to reflect the correct income, and disallowed the deductions. We issued him with:

- an amended assessment with a tax shortfall of $15,575 and GST payable of $5,000
- a 50% base penalty for reckless behaviour, amounting to $10,287
- interest charges on the outstanding amount of $1,468.

Example: failure to report contractor payments and business income

Liam operates a construction business, Biophilix Build Pty Ltd, contracting for large developers. During the 2024 income year, Liam engaged several subcontractors to assist with a series of property developments. One of these subcontractors was Maya, a sole trader who he paid $85,000 for carpentry and finishing work.

Liam failed to lodge the Taxable payments annual report (TPAR) by 28 August 2024 deadline, and didn't report the payments made to Maya and other subcontractors. We identified this omission during a data-matching review and, as a result, we selected Biophilix Build for an audit.

Our audit revealed that the business had failed to lodge its TPAR, omitting subcontractor payment details. We then issued the business with a failure to lodge penalty of $1,650, and required the business to submit its overdue TPAR with accurate contractor payment details.

Our further investigation uncovered that Biophilix Build had also under-reported income earned from contracting work. We issued the business with:

- amended assessments with a tax shortfall of $180,000
- a 50% base penalty for making false and misleading statements amounting to $90,000
- interest charges.

We also audited Maya and found she had under-reported her business income in her tax return. We issued her with:

- an amended assessment with a tax shortfall of $25,500

- a 50% base penalty for false and misleading statements amounting to $12,720
- interest charges.

How to get it right

To get it right you need to:

- Report all assessable business income
  - include cash income and any deposits into business or private accounts that relate to your business activities
  - if your income is primarily generated from your personal skills and effort, the personal services income (PSI) rules may apply. You'll need to complete specific questions in your tax return and associated schedules.
- Correctly report business expenses and deductions
  - ensure all business expenses are accurately reported
  - if an asset is used for both business and private purposes, you must apportion the expense correctly
  - only claim deductions that are directly related to your business activities and supported by appropriate records.
- Correctly claim the R&DTI offset
  - you can only claim the offset if you've actually carried out eligible R&D activities during the income year
  - ensure your notional deductions – such as R&DTI expenses, asset depreciation and contributions under the Cooperative Research Centres Program – are eligible
  - maintain complete and accurate records that detail the R&DTI activities, who conducted them and the time spent
  - register your R&DTI activities with the Department of Industry, Science and Resources (DISR). **Note:** registration does **not** confirm eligibility or payment of the offset.

If we suspect you may not have met your reporting obligations, we may:

- contact you or your tax professional to review your engagement processes and help reduce exposure to high-risk subcontractor arrangements
- request that you fix a mistake or amend your tax return or adjust or fix your BAS
- seek further information to understand your circumstances and determine whether amendments are required
- conduct a review or audit of your business – if we identify non-compliance, penalties and interest charges may apply.

Keep up to date

Keep your small business on track by staying up to date with the latest tax and compliance information. Learn more by taking our free self-paced online courses designed to help small businesses get it right:

- Claiming small business tax deductions
- Goods and services tax (GST)
- Essentials to strengthen your small business – a suite of courses to help you build confidence in managing your obligations
- Small business benchmarks – compare your business's performance against similar businesses in your industry.

You can also:

- Subscribe to our free Small business newsletter to get updates that might affect your business.
- Contact your tax professional to obtain advice specific to your business needs.

QC 105558

Quarterly to monthly GST reporting

The 2025 ‘Getting it right’ campaign moves GST reporting from quarterly to monthly for non-compliant businesses.

Last updated 17 August 2026

Our focus

In March 2025, as part of our 'Getting it right' campaign, we notified 3,500 businesses with a history of non-compliance that they would be moved from quarterly to monthly GST reporting, effective from 1 April 2025.

These businesses had not responded to previous communications from us and demonstrated ongoing poor compliance behaviours, for example:

- paying late or not paying the amount due
- not lodging or lodging late
- reporting their tax obligations incorrectly.

The change was intended to support these businesses to meet their obligations and embed good business habits, by more closely aligning GST reporting with their regular reconciliation and cash flow processes.

This move to monthly reporting applies for a minimum period of 12 months.

Following the success of this campaign, the ATO will continue to move businesses with a poor compliance history to monthly GST reporting where appropriate, as part of our broader compliance approach.

Find out why we may change your GST reporting cycle, how it effects your other reporting and what to do if you disagree.

Quarterly to monthly GST reporting campaign results

The campaign has generated a positive response from participating businesses.

Many businesses reported that monthly reporting made it easier to track their finances and business performance, helping them make more informed and timely decisions.

As at March 2026, the campaign has resulted in:

- approximately a third of the businesses updating their registration details
- approximately half of the businesses lodging and paying on time
- some businesses recognising the need for additional support and registering with a new tax agent.

These early results indicate improved engagement and progress toward stronger ongoing compliance.

Example: business moved from quarterly to monthly reporting

Andrew has been running a carpentry services business in the building and construction industry for a few years, growing to a team of 14 employees. While the business has been reporting pay as you go (PAYG) withholding monthly through Single Touch Payroll (STP), they struggled to meet their tax obligations on time. Irregular payments common in construction work have made cash flow unpredictable, and despite attempts to engage with the ATO, their debt continued to increase until it reached $251,920.

As his business grew, keeping up with quarterly GST reporting became harder. Lodgments were often late, and payment arrangements were set up but later defaulted. Meeting large quarterly amounts all at once placed extra pressure on their cash flow.

In April 2025, the ATO moved the business to monthly GST reporting for a minimum of 12 months due to poor compliance. In October 2025, they engaged a new tax agent who helped them lodge their activity statements, set up long-term payment plans through to 2028 and improved their bookkeeping processes. This shift marked a turning point.

Monthly reporting made their obligations feel more manageable, and the smaller, regular amounts helped them stay on top of cash flow.

When seasonal pressures affected them in January 2026, they sought help early and asked the ATO for a deferral of their monthly business activity statement (BAS). The ATO approved

the request under low-risk criteria, giving them extra time to lodge and pay without falling behind.

Over the following months, the business maintained strong lodgment behaviour, submitting 10 BAS, an income tax return and a taxable payments annual report (TPAR) on time. At the end of the 12 month period, they chose to continue reporting monthly.

With their tax agent's support, they aligned their PAYG withholding cycle with their GST reporting, reinforcing good habits and preparing the business for future obligations such as Payday Super.

Keep up to date

Find out how to change your BAS lodgment cycle and about voluntarily changing your reporting cycle.

Learn more by taking our free self-paced online courses at:

- Goods and services tax (GST)
- Essentials to strengthen your small business.

You can also:

- subscribe to our free Small business newsletter to get updates that might impact your business
- contact your tax professional to obtain advice specific to your business needs.

QC 103861

Get ready for business

How to get your tax, super and registration obligations right as a new business owner.

Last updated 9 February 2026

Our focus

New businesses sometimes make mistakes with their registration, reporting and recordkeeping responsibilities. It's important new business owners understand their obligations to ensure they're getting it right from the start.

If your hobby has turned into a profit-making business, you are responsible for your tax, super and registration obligations. Setting up your business correctly from the start will make it easier to meet these obligations.

How to get it right

If you're planning on starting, or have recently started a new business, we have Ready for business information to help you navigate your obligations.

Here are the top 7 things you need to know when starting a business.

1. Use digital tools and maintain accurate records to help you manage daily activities and cash flow. Explore our key rules and free resources to strengthen your business practices.
2. There are some registrations you will need to complete when you start a business, for example registering for an ABN or a business name.
3. You can claim a tax deduction for most business expenses if they are directly related to earning your income. Remember to keep records and only claim the business portion of mixed-use expenses.
4. The type of business structure you set up will affect your tax and registration requirements. It's important to choose the right business structure and understand your obligations.
5. If you're an employer, it's important you know you have extra responsibilities and obligations.
6. You need to lodge and pay your taxes on time. You can prepay your estimated income tax liability, through pay as you go (PAYG) instalments. You can voluntarily enter PAYG instalments to help you smooth out your cashflow and avoid a large tax bill when you lodge your tax return.

7. Businesses that maintain accurate records, lodge and pay on time and avoid errors not only steer clear of penalties and general interest charge but also become more resilient when facing challenges.

Example: Barry's photography hobby takes flight

Barry works an office job Monday to Friday and enjoys taking photos of birds in his spare time. Barry has become well known by members of his local community as a talented photographer.

Over the past 12 months Barry has been approached to photograph local events and demand for his skills is increasing. Barry charges a fee for each event and is now earning money from his photos.

With the growing interest, Barry cuts back on his office work and starts to invest more time into photography. Barry sets up a website, sets up a booking system and starts advertising his services online. He also buys more photography equipment to improve his production quality, so he can earn more from each event.

Barry wants to know if his photography side hustle is a business. He looks at all his activities together and determines he is running a business because he:

- intends to make a profit to supplement his salary and wage income
- set up a regular schedule for these activities
- operates in a business-like way (he has a plan and system for making a profit).

Know your responsibilities as an employer

Whether you're hiring your first worker, or you're an experienced employer, it's important you understand and meet your employer obligations. This includes:

- reporting tax and super information to us through Single Touch Payroll (STP) enabled software each time you make a payment to your workers
- withholding a portion of your workers' pay for tax (PAYG withholding) and paying it to the ATO
- paying the right amount of super guarantee (SG) on time and to the right fund
- reporting and paying your fringe benefits tax (FBT) on time.

Keep up to date

Learn more by taking our free self-paced online courses at Essentials to strengthen your small business.

You can also:

- subscribe to our free Small business newsletter to get updates that might impact your business
- contact your tax professional to obtain advice specific to your business needs.

QC 104906

Over-claiming expenses and GST credits

Our focus on businesses that claim expenses and GST credits they're not entitled to.

Last updated 1 October 2026

Our focus

We're seeing small businesses claim expenses and GST credits that don't meet the rules for deductibility.

To claim a business deduction, an expense must:

- directly relate to earning your business income
- not be private in nature
- be supported by valid records.

If there's a mix of business and private use, you can only claim the business portion.

If you're registered for GST, you can claim GST credits for the GST included in the price of goods and services you buy for your business. If you claim a GST credit, you can't also claim the GST amount as a deduction in your income tax return.

Common errors we see

- **Overclaiming deductions and GST credits** – including unsupported claims and errors in tax returns and Business activity statement (BAS) such as overclaimed expenses and GST credits.
- **Double claiming expenses and GST credits** – including claiming a GST credit in a BAS and then claiming the GST component of the same expense as a deduction in an income tax return.
- **Incorrect claims** – including claiming GST credits where GST is not included in the price.
- **Claiming private expenses** – where private expenses are wrongly claimed as business deductions or not correctly apportioned.
- **Poor record keeping** – leading to incorrect claims or an inability to substantiate expenses.

How to get it right

- You can claim a tax deduction for most business expenses if they're directly related to earning your income.
- Apportion expenses correctly where there is a mix of business and private use.
- Correctly report your expenses and business deductions in your tax return and BAS.
- Use digital tools and keep accurate records to help you manage daily activities and cash flow.

For more information about when you can and can't claim see Claiming GST credits.

Example: claiming private expenses as business deductions

Jordan is the sole director of a disability support service company in New South Wales. The business was selected for review as part of a Government payments pilot program.

We audited the 2020–21 to 2022–23 income years and BAS from 1 July 2021 to 30 June 2023.

Our audit identified concerning behaviours, including:

- overclaimed GST credits and business deductions
- poor record keeping
- using business funds for private expenses
- failure to report all business income.

During the audit, we found:

- GST credits and business deductions were overclaimed
- private expenses were paid from business accounts and treated as business expenses for tax purposes – these expenses included
  - family court fees
  - child support
  - private health insurance
  - childcare fees
  - groceries and household items, and
  - travel, legal, and entertainment expenses that could not be demonstrated to have a business purpose
- the company claimed substantial amounts as business deductions but could not provide evidence they were related to business activities.

We adjusted the business's tax position to reflect overclaimed credits, disallowed deductions and unreported income, resulting in:

- $118,860 in reduced GST credits
- $565,360 in additional income tax liabilities.

This resulted in total primary liabilities of $684,220.

As the business made false or misleading statements, penalties were applied:

- $106,500 for activity statement shortfalls
- $508,800 for income tax shortfalls
- $3,270 for failing to withhold pay as you go (PAYG).

Total penalties were $618,570, bringing total liabilities to $1,302,790.

This shows how important it is for small businesses to:

- keep accurate records to support all claims
- claim GST credits only when entitled to do so
- claim only legitimate business expenses
- understand their tax obligations when operating a company
- keep business and personal finances separate, and avoid claiming private expenses through the business.

Key takeaways

This shows how important it is for small businesses to:

- keep accurate records of all transactions
- report all income, including cash
- ensure you only claim expenses and GST credits you're entitled to
- understand your tax obligations, even if you use a tax agent, as ignoring them can lead to serious consequences.

Keep up to date

Keep your small business on track by staying up to date with the latest tax and compliance information. Learn more by taking our free self-paced online courses designed to help small businesses get it right:

- Claiming small business tax deductions
- Claiming GST credits
- Recording business income and expenses
- Essentials to strengthen your small business – a suite of courses to help you build confidence in managing your obligations.
- Small business benchmarks – compare your performance against similar businesses in your industry.

You can also:

- Subscribe to our free Small business newsletter to get updates that might affect your business.
- Speak with your tax professional to obtain advice specific to your business needs.

QC 107646

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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