



myTax 2018 Business and professional items

How to complete the business and professional items section of your return using myTax.


Last updated 28 June 2018

This section must be completed if either of the following selections were made at **Personalise return**:

- **Personal services income**
- **Business income or loss.**

For further help about this section, use the left hand side table of contents.

Completing this section

We have pre-filled your tax return with information from the [Personal services income tool](#) .

You need details of your main business activity, including your Australian business number.

1. Answer the question **Did you receive any personal services income?** For more information, see [Personal services income](#).

If **Yes**, go to step 2. Otherwise go to step 3.

2. If you received personal service income, answer the remaining questions about your personal services income. For more information, see [Personal services income conditions](#).
3. Complete the remaining fields and questions in this section. For further details, including if you are having difficulty finding a **Main**

business or professional activity description, see [Completing your business details](#).

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Personal services income (PSI)

Guide on PSI. Refer to the examples, what it doesn't include and information on PSI earned as a sole trader.

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Personal services income (PSI) is income that is mainly a reward for an individual's personal efforts or skills. Examples of PSI are:

- income of a professional practitioner in a sole practice
- income payable under a contract which is wholly or principally for the labour or services of a person
- income derived by a professional sportsperson or entertainer from the exercise of professional skills
- income derived by consultants from the exercise of personal expertise.

PSI does not include income that is mainly:

- for supplying or selling goods, for example, from retailing, wholesaling or manufacturing
- generated by a significant income-producing asset, such as a bulldozer
- for granting a right to use property, for example, the copyright to a computer program
- generated by a business structure, for example, a large accounting firm.

This section concerns PSI earned as a sole trader only. If you gained all your PSI as an employee or through a company, partnership or trust you did not receive any PSI.

If you have earned PSI but not as an employee, you may not be able to claim certain deductions in relation to earning that income – for example, rent, mortgage interest, rates or land tax for your home, or payments to your spouse (or other associate) for support work, such as secretarial duties. This depends on whether:

- you have a personal services business determination from the Commissioner of Taxation stating that your PSI was from conducting a personal services business for the whole of the period you earned PSI, or
- you satisfied one of the four tests in [Personal services income conditions](#).

If you earned PSI as a sole trader, you need to read [Personal services income conditions](#) to determine whether deductions in relation to your PSI are affected by the PSI rules.

The PSI rules do not affect your legal, contractual or workplace arrangements; you won't be treated as an employee as a result of the rules.

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Personal services income conditions

This guide helps you answer the questions about your personal service income.

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Use the links and information below to help you answer the questions about your personal service income.

- [Did any activity satisfy the results test?](#)
- [Have you received a personal services business determination\(s\) that was in force for the whole of the period you earned PSI?](#)
- [Did you receive 80% or more of your PSI from one source?](#)
- [Did you satisfy the unrelated clients test?](#)

- [Did you satisfy the employment test?](#)
- [Did you satisfy the business premises test?](#)

Did any activity satisfy the results test?

If you earn PSI, you satisfy the results test for 2017–18 if, in respect of at least 75% of your PSI, you can answer yes to all of the following three questions:

- Under your contract or arrangement, was the PSI paid to achieve a specified result or outcome?
- Did you have to provide the tools or equipment necessary to do your work? (If no tools or equipment were required for your work, answer yes.)
- Were you liable for rectifying defects in your work?

You are paid to achieve a result under your contract when your contract requires the production of a specified result or outcome, and payment is conditional upon that outcome being achieved. The essence of the contract is to achieve a result and not just do work as required.

Have you received a personal services business determination(s) that was in force for the whole of the period you earned PSI?

This is a notice from the Commissioner stating that you are conducting a personal services business. If you have a personal services business determination from the Commissioner, the PSI rules do not apply to your PSI and any deductions.

Did you receive 80% or more of your PSI from one source?

If you don't satisfy the results test and 80% or more of your PSI in 2017–18 came from one client and its associates, you cannot self-assess whether you satisfy the other personal services business tests. The PSI rules apply to you unless you get a determination from the Commissioner.

If you don't satisfy the results test, you can self-assess against the other tests only if less than 80% of your PSI came from each client.

You should consider PSI obtained by merely putting your name with a labour hire firm, placement agency or similar organisation as income from one client.

Special rules apply to commission agents. For more information, phone **13 28 66**.

Did you satisfy the unrelated clients test?

You will satisfy the unrelated clients test for 2017–18 if you can answer yes to:

Did you receive PSI from two or more clients who are not associated with each other or with you?

You must provide the personal services work as a direct result of making offers to the public, for example, by advertising. Do not count clients obtained by registering with a labour hire firm, placement agency or similar organisation.

Did you satisfy the employment test?

You satisfy the employment test in 2017–18 if you can answer yes to either of the following questions:

- Did you have one or more apprentices for at least half of 2017–18?
- Did you have employees, or did you engage subcontractors or entities, who performed at least 20% (by market value) of your principal work?

Principal work is the main work that generates the PSI and does not usually include support work, such as secretarial duties. You can count a spouse or a family member who does principal work, but not companies, partnerships or trusts associated with you.

Did you satisfy the business premises test?

You satisfy the business premises test if you can answer yes to all of the following questions. For the whole period during which you earned PSI, were your business premises:

- maintained by you
- mainly used by you for work earning your PSI, for example, more than 50% of the use
- used exclusively by you
- physically separate from your private residence or the private residence of any of your associates

- physically separate from the business address of your clients or their associates?

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Completing your business details

Guide to help you complete your business details.

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Use the links and information below to help you complete your business details.

- [Main business or professional activity](#)
- [Number of business activities](#)
- [Main business name](#)
- [Main business address](#)
- [Did you sell goods or services using the internet?](#)

Main business or professional activity

Select the main business or professional activity description where your gross income comes from.

If you are having difficulty finding an appropriate description, we recommend you take the following steps:

1. Enter your activity into the [Business industry code search tool](#) 
2. From the search tool results, click on the link for the most appropriate description for your activity.
3. From here, you will see a **number** and a **description** (for example **69320 Accounting Services**). Enter this description at **Main business or professional activity** in myTax.

There are a limited number of descriptions from the Business industry code search tool that are not listed in myTax. If this applies to you, use the list below to determine what you should choose to enter at **Main business or professional activity** in myTax.

Main business or professional activities - myTax substitute

From the Business industry code search tool	In myTax
Nursery Production (Under Cover)	Nursery and Floriculture Production
Forestry	Forestry and Logging
Basic Organic Chemical Manufacturing	Basic Chemical Manufacturing
Computer and Electronic Equipment Manufacturing	Computer and Related Manufacturing
Waste Remediation and Materials Recovery Services	Waste Treatment, Disposal and Remediation Services
Other Agricultural Product Wholesaling	Agricultural Product Wholesaling
Clothing and Footwear Wholesaling	Textile, Clothing and Footwear Wholesaling
Sport and Camping Equipment Retailing	Recreational Goods Retailing
Telecommunications Services	Wired Telecommunications Network Operation
Taxi Service Operation	Taxi Service Operation (Owner Operator)
Taxi Driver	Taxi Driver (Except Owner Operator)
Superannuation Funds	Superannuation Funds or First Home Saver Account Trusts
Other Auxiliary Finance and Investment Services	Auxiliary Finance and Investment Services

Other Specialised Design Services	Architectural, Engineering and Technical Services
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Number of business activities

Enter the number of separate and distinct business activities you operated as a sole trader and in partnership during 2017–18. The number of business activities you show here should not be less than the number you show at **Loss details**.

Main business name

The registered business name of the main business activity should be consistent from year to year, except in the year of a name change or when it is no longer the main business activity. If the business name is legally changed with the Australian Securities & Investments Commission (ASIC), advise us in writing at the time the change is made. The current business name should be shown on your tax return.

Main business address

Enter the street address of the place where most of your business operations are conducted.

Did you sell goods or services using the internet?

You must answer yes if, in deriving income, you used the internet for one or more of the following:

- to receive orders for goods or services, for example, you received orders by email or a web page form (rather than by conventional post, phone or facsimile)
- to receive payment for goods or services, for example, you received
 - credit card or charge card details by email or web page form (rather than by conventional post, phone or facsimile) or
 - digital cash
- to deliver goods or services, for example, you
 - used email, the world wide web or file transfer protocol (FTP) to deliver digitised music, news articles or software (rather than using conventional post to deliver software on a disk)

- used email in conjunction with a website to give advice and received a payment in connection with this advice
- advertised on the internet goods or services of other businesses for a fee, or
- hosted internet sites or provided access to the internet.

You must answer no if none of the above applied, for example, if you used the internet only to:

- advertise your goods and services
- give support to your customers
- buy your stock
- do your banking online.

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More information

General information on records you need to keep, choice of superannuation fund and more.

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On this page

[Records you need to keep](#)

[Choice of superannuation fund](#)

[Hobby or business](#)

[Assets put to a tax-preferred use](#)

[Concessions for small business entities](#)

Records you need to keep

You must keep records of most transactions in English for five years after you prepared or obtained them, or five years after you completed the transactions or acts to which they relate, whichever is the later.

Taxation Ruling TR 96/7 *Income tax: record keeping – section 262A - general principles* clarifies the record-keeping obligations of small businesses, particularly for cash transactions.

If you have losses, you should generally keep records for four years from the year of income when a tax loss is fully deducted or if you have applied a net capital loss, you should generally keep your records of the capital gains tax (CGT) event that resulted in the loss until the end of any period of review for the income year in which the capital loss is fully applied. Penalties can apply if you do not keep the records for the period required.

We are helping small business operators to meet their record-keeping obligations by reviewing their record-keeping practices. These reviews start with a phone call or a brief visit to the business premises. You can ask questions and an interview is arranged for a later date.

Some of the more significant record-keeping problems we have identified are failure to:

- record cash income and expenditure
- account for personal drawings
- record goods for your own use
- separate private expenses from business expenses
- keep valid tax invoices for creditable acquisitions when registered for the goods and services tax (GST)
- keep adequate stock records
- keep adequate records to substantiate motor vehicle claims.

For more information, see [Record keeping for business](#).

Choice of superannuation fund

You must keep records that show you have met your choice of superannuation fund obligations.

For more information, see [Super for employers](#) or phone **13 28 64**.

Hobby or business

It is important to determine whether you are carrying on a business or pursuing a hobby, sport or recreational activity that does not produce income.

In general, you are considered to carry on a business if the activity:

- has started
- has a significant commercial purpose or character
- has a purpose of profit as well as a prospect of profit
- is carried out in a manner that is characteristic of the industry
- is repeated, regular or continuous
- is planned, organised and carried on in a business-like manner
- is of a sufficient size, scale and permanency to generate a profit
- cannot be more accurately described as a hobby, recreation or sporting activity.

For more information, see:

- Are you in business?
- Taxation ruling TR 97/11 *Income tax: am I carrying on a business of primary production?*

Assets put to a tax-preferred use

Division 250 of the *Income Tax Assessment Act 1997* applies to the leasing of assets and other similar arrangements to tax-preferred end users (such as tax-exempt entities, non-residents, and permanent establishments of Australian residents that carry on business in a foreign country).

If Division 250 applies to an arrangement, then capital allowance deductions will be denied for the asset and the arrangement will be treated as a deemed loan that is taxed as a financial arrangement on a compounding accruals basis. Division 250 applies to all relevant arrangements where the tax-preferred use of an asset started on or after 1 July 2007. However, Division 250 does not apply if the use occurs under a legally enforceable arrangement that was entered into before 1 July 2007.

Division 250 does not apply if you are a small business entity for the income year in which the arrangement period for the tax-preferred use of the asset starts, and you choose to deduct amounts under Subdivision 328-D (capital allowances for small business entities) for the asset for that income year. Division 250 does not apply to certain relatively short-term and lower-value arrangements.

Concessions for small business entities

Small businesses with an aggregated turnover of less than \$10 million are called 'small business entities' and may qualify for a range of tax concessions. Prior to 2016–17 the turnover threshold was \$2 million.

The threshold for the fringe benefits tax concessions increased to \$10 million from 1 April 2017. The \$10 million threshold applies to most of the small business concessions, except for:

- the small business income tax offset, which is available to businesses with an aggregated turnover of less than \$5 million (claimed by individual partners)
- the capital gains tax (CGT) concessions, where the turnover threshold of \$2 million continues to apply.

Eligible businesses can choose to use the concessions that best suit their needs. It is not necessary to elect to be a small business entity each year in order to access the concessions, however businesses must review their eligibility each year.

A small business entity may be eligible for the following concessions:

- CGT 15-year asset exemption
- CGT 50% active asset reduction
- CGT retirement exemption
- CGT small business rollover
- tax offset equivalent to 8% of the income tax payable on your net small business income (capped at \$1,000)
- simplified depreciation rules
- simplified trading stock rules
- deducting certain prepaid business expenses immediately

- deducting certain business start-up expenses immediately
- accounting for GST on a cash basis
- annual apportionment of GST input tax credits
- paying GST by instalments
- fringe benefits tax car-parking exemption
- fringe benefits tax portable electronic device exemption
- pay as you go (PAYG) instalments based on gross domestic product adjusted notional tax
- small business restructure roll-over.

Eligibility

You are a small business entity if you are carrying on a business and have an aggregated turnover of less than \$10 million.

Aggregated turnover is your annual turnover plus the annual turnovers of any entities that are connected with you or that are your affiliates (adjusted to ignore dealings between connected entities and affiliates). Using aggregated turnover prevents larger businesses from structuring or restructuring their affairs to take advantage of the small business entity concessions.

You must review your eligibility each year.

For more information, see **Aggregation** or phone **13 28 66**.

Calculating your turnover

Turnover includes all ordinary income earned in the ordinary course of business for 2017–18. The following are some examples of amounts included and not included in ordinary income of a business:

Include these amounts:

- sales of trading stock
- fees for services provided
- interest from business bank accounts
- amounts received to replace something that would have had the character of business income.

Do not include these amounts:

- GST charged on a transaction
- proceeds from the sale of business assets
- capital gains
- insurance proceeds for the loss or destruction of a business asset
- amounts received from repayments of farm management deposits.

There are special rules for calculating your annual turnover if you have retail fuel sales or business dealings with associates.

The business operated for only part of the year

If you carried on a business for only part of 2017–18, your annual turnover is worked out using a reasonable estimate of what the turnover would have been if you had carried on the business for the whole of 2017–18. This includes winding up the business.

Satisfying the aggregated turnover threshold

Your business satisfies the \$10 million aggregated turnover requirement if you meet one of the following:

- your aggregated turnover for 2016–17 was less than \$10 million
- you estimate at the beginning of 2017–18 that your aggregated turnover for the year will be less than \$10 million (and your aggregated turnover in 2015–16 or 2016–17 was less than \$10 million), or
- your actual aggregated turnover, worked out at the end of 2017–18, was less than \$10 million. You rely on this test only if you do not satisfy either of the other two tests above. If you satisfy this test only, you cannot use the GST and PAYG instalments concessions for 2017–18.

For more information, see [Small business entity concessions](#).

Former simplified tax system (STS) taxpayers

Continued use of the STS accounting method

Although the STS has now ceased, you may continue using the STS accounting method for 2017–18 if you:

- were an STS taxpayer continuously from the income year that started before 1 July 2005 (that is from 2004–05) and until the end of 2006–07
- used the STS accounting method from 2005–06 to 2016–17
- are a small business entity for 2017–18.

If you meet these three requirements, you can continue using the STS accounting method until you choose not to or you are no longer a small business entity. If you continue to use the STS accounting method, you base the amounts you include on the STS accounting method. If your accounting system or financial statements do not reflect the STS accounting method, you may need to make additional reconciliation adjustments at **Reconciliation items**.

The STS accounting method does not apply to income or deductions that receive specific treatment under income tax law, for example, net capital gains, dividends, depreciation expenses, bad debts and borrowing expenses.

In addition, if another provision of the income tax law apportions or alters the assessability or deductibility of a particular type of ordinary income or general deduction, the timing rule in the specific provision overrides the received or paid rule under the STS accounting method, for example, double wool clips or prepayment of a business expense for a period greater than 12 months. Because of these specific provisions, you may need to make adjustments at **Reconciliation items**.

Ceasing use of the STS accounting method

If you have discontinued using the STS accounting method, or you are no longer a small business entity, then business income and expenses that have not been accounted for (because they have not been received or paid) will be accounted for in this year. You may need to make additional reconciliation adjustments at **Reconciliation items**.

There is also a special rule that applies if you are winding up a business this year that you previously carried on, and you were an STS taxpayer in the income year you ceased business.

For more information, see **Small business entity concessions**.

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Publications

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- Deductions for prepaid expenses
- Guide to depreciating assets
- Information for primary producers
- Law Administration Practice Statement PS LA 2001/6 *Home office and electronic device expenses*
- Law Administration Practice Statement PS LA 2003/8 *Practical approaches to low-cost business expenses*
- Other capital expenses (including capital works deductions)
- Partnerships
- Private ruling application form (not for tax professionals)
- Private ruling form (non-commercial losses)
- Small business entity concessions
- Taxation Ruling TR 92/18 *Income tax: bad debts*
- Taxation Ruling TR 93/30 *Income tax: deductions for home office expenses*
- Taxation Ruling TR 96/7 *Income tax: record keeping – section 262A – general principles*
- Taxation Ruling TR 97/11 *Income tax: am I carrying on a business of primary production?*
- Taxation Ruling TR 97/23 *Income tax: deductions for repairs*
- Taxation Ruling TR 2003/10 *Income tax: deductions that relate to personal services income*
- Taxation Ruling TR 2006/3 *Income tax: government payments to industry to assist entities (including individuals) to continue, commence or cease business*

- Taxation Ruling TR 2007/6 *Income tax: non-commercial business losses: Commissioner's discretion*
- Thin capitalisation

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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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