



Businesses doing it tough through COVID-19 reminded of tax options

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ATO Assistant Commissioner Andrew Watson said “We know some small business owners are under incredible amounts of stress and facing uncertainty like never before. We understand your tax obligations may not be at the top of your list of things to do. So if you need some extra help with your tax and super affairs, I urge you to contact your registered tax professional or the ATO. We’re here to help.”

“If you’re feeling overwhelmed or getting behind with your tax, let us know as early as possible so we can work with you to find a solution. No matter what your situation is, it’s never too late to ask for help.”

The ATO anticipates that in 2019–20 and 2020–21, a number of businesses that would ordinarily be turning a profit may be making a loss due to COVID-19, possibly for the first time.

“If you find yourself in this boat, you may be able to claim a deduction for the loss. It’s crucial that you keep proper records to ensure you can claim the deduction you’re entitled to,” Mr Watson said.

Sole traders and individual partners in a partnership who meet certain conditions can offset current year losses against other assessable income (such as salary or investment income) in the same income year. Otherwise, they can defer the loss or carry it forward and offset it to a future year when the business next makes a profit.

Businesses that are set up under a company structure that have made a tax loss in a current year can generally carry forward that loss for as long as they want and claim a deduction for their business in a future year.

“You’ll need to keep records for five years for most transactions. However, if you fully deduct a tax loss in a single income year, you only need to keep records for four years from that income year,” Mr Watson said.

There are some deductions that can't be used to create or increase a tax loss, such as donations or gifts and personal super contributions.

Mr Watson also acknowledged that some businesses may need to close their doors – either temporarily or permanently – due to COVID-19, particularly in Victoria.

Businesses that are closing temporarily are encouraged to do their best to keep up with tax and super obligations, and to reach out to the ATO on **1800 806 218** or contact their registered tax professional if they need additional time or support.

“If you have to close your business permanently as a result of COVID19 or for any other reason, there’s a few things you’ll need to do, like lodge any outstanding activity statements and instalment notices, make GST adjustments on your final activity statement and lodge final tax returns – so we can finalise your account and issue any refunds that might be owed to you.”

“After you’ve finalised your tax affairs, don’t forget to cancel your ABN, and GST registration if you have one. If you need help doing this, ask your registered tax professional or call us,” Mr Watson said.

“You’ll also need to keep your business records for at least five years after the end of the financial year you sell or close your business in.”

The ATO also acknowledged that businesses may be finding it difficult to estimate income for the purposes of pay as you go instalments.

“To assist businesses affected by COVID-19, we will not apply penalties or interest for excessive variations when you make your best attempt to estimate your end of year tax,” Mr Watson added.

To help businesses navigate through these difficult times, the ATO is offering a series of webinars:

- Tax support for small business
- Considering your small business viability
- Closing your small business

More information

Information about claiming business losses is available at ato.gov.au/businesslosses

Information about options for business owners experiencing mental health issues is available at ato.gov.au/smallbizmentalhealth

Notes to journalists

- Video of Assistant Commissioner Andrew Watson discussing business losses is available for download from the [ATO media centre](#).
- A high-resolution headshot of Assistant Commissioner Andrew Watson is available for download from the [ATO media centre \(JPG 223KB\)](#) [📄](#).
- ATO file footage is available for download and use in news bulletins from the [ATO Media centre](#).

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