



# Side hustles are front of mind this tax season

**Last updated** 16 September 2021

The Australian Taxation Office (ATO) is reminding Australians that it is paying close attention to undeclared income from secondary work, including from the sharing or 'gig' economy this tax time.

Assistant Commissioner Tim Loh has noticed some confusion about when these side hustles cross the line and become taxable.

“Generally, when you provide your labour, skills or goods for a fee, you need to report this income in your tax return. This applies regardless of whether you’re using a digital platform or more traditional means, such as word of mouth.”

“We know lots of people have picked up a side hustle during the pandemic. This has included a wide range of activities such as freelancing, setting up a local market stall or receiving income from subscribers through platforms like Patreon, Twitch or OnlyFans.”

It doesn't matter whether you are an employee, independent contractor, carrying on a business, or none of these. When you receive payment for your services, the income needs to be reported – even if it's a one-off.

The Pay As You Go Instalment system helps you set aside tax payments throughout the year to avoid bill shock.

“We receive income information from a range of providers including financial institutions, online marketplaces, ride-sourcing applications and short-term rental websites. The data we receive is growing, which means the places to hide are shrinking,” Mr Loh said.

If you declare side hustle income, the good news is you can also claim deductions for expenses if you have kept your receipts and it directly

relates to earning this side hustle income, this includes the cost of managing your tax affairs through a registered tax agent.

Importantly, you can only claim a deduction for the work-related part of your expenses. If you're a food delivery rider, you can claim some of your bike costs, but you can't claim for your personal riding time and costs.

"Don't rely on what other people claim as a guide to what you can claim. Every job is different, and what is required to earn an income for one occupation may not qualify in another."

"Chefs can claim the knives and hairdressers can claim the scissors they use for their job, but a train driver or a salesman would have the same claims get knocked back," Mr Loh said.

If your side hustle becomes a side business, you may want to get advice from a registered tax agent. You will need to consider your additional tax obligations including the need for an ABN, registering for GST, implementing a record keeping system to track income and expenses. You will also need a plan for paying tax on your business income when you lodge your activity statements and annual tax returns.

## **Scenario – homemade jewellery as a side hustle**

### **Taxpayer does not need to declare any income**

Amber wears her homemade jewellery to meet up with a few friends. She offers to make them some pieces, after receiving compliments. Her friends shout her dinner as thanks for the gift.

As she was not paid for the jewellery and this was a private arrangement there are no tax consequences for Amber.

### **Taxpayer needs to declare income**

After the positive feedback from her friends, Amber decides to sell her jewellery on a regular basis with the intention of making a profit. She uses an existing online marketplace, pays sales fees, and sets up social media accounts to advertise her products.

Since Amber has increased the scale of her operations and is now making regular sales with the intention of making a profit, she needs to

declare this income in her tax return.

While it's not compulsory at this scale, Amber can choose to apply for an ABN. As her GST turnover is under \$75,000, she does not need to register for GST.

## More information

If you're unsure if you need to declare your side hustle, visit [ato.gov.au/IncomeYouMustDeclare](https://ato.gov.au/IncomeYouMustDeclare) or speak to your registered tax agent.

For advice on what can be claimed in each industry, check out the ATO's [occupation guides](#).

For everything else tax time, visit [ato.gov.au/TaxEssentials](https://ato.gov.au/TaxEssentials)

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