



Deductions and concessions

Risks that attract our attention when small businesses incorrectly claim deductions and concessions.

Non-commercial business loss risks



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

Small business boost measures risks



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

Small business capital gains tax concession risks



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

QC 103855

Non-commercial business loss risks

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

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 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

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- [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.

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Small business boost measures risks

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

Published 21 February 2025

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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 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 & 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.

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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:

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Small business capital gains tax concession risks

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

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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](#) 

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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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