Australian Government
Australian Taxation Office

Are you in the business of online selling?

This guide helps individuals who sell goods or services online understand whether they are carrying on a business. This guide:

- explains what online selling is and common activities carried out by online sellers
- helps you work out whether you are carrying on a business
- provides examples of when an online seller is carrying on a business
- provides an overview of your tax obligations if you are carrying on a business, and
- explains your tax obligations if you are not carrying on a business.

What is online selling?

An online seller is an individual who sells physical or digital goods or services online and receives income from it.

Common activities of an online seller

Online selling activities can take many forms including renting out short-term accommodation online, and selling various kinds of physical or digital goods or services through your own or a third-party digital platform.

If you are an online seller you may carry out one, or all of the following activities:

- buying materials to make or produce products to sell online
- sourcing and purchasing products to sell online
- making or sourcing digital goods to sell online
- making your home or investment property ready to rent out (up to the standards required for a short-term rental or under a third-party platform's terms e.g. Airbnb)
- listing products or rental space on your own or a third-party digital platform and accepting customer orders
- supplying finished products to clients or utilising a third-party digital platform's system for delivering customer orders.

Business, side hustle or hobby: why does it matter?

Understanding whether your online selling activities amount to carrying on a business is important because it affects your tax obligations. Your online selling activity may be:

- a business
- an income-producing activity that does not amount to carrying on a business, or
- a hobby or recreational pursuit (including casual sales of unwanted personal items).

If you're carrying on a business as an online seller, you must:

- declare your business income, including non-cash income
- keep appropriate records
- claim only eligible deductions and concessions, and
- meet other tax and reporting requirements.

If you're not carrying on a business, amounts you receive from online selling may still be assessable.

This commonly occurs where you are carrying out a **side hustle**. A side hustle is an activity that you do in addition to your primary job or business to earn additional income. Depending on the particular facts and circumstances, your side hustle may amount to carrying on a business or be an income-producing activity that does not amount to carrying on a business.

It's important to remember that '**not** being in business' does not automatically mean amounts you receive are tax-free. Even where your online selling activity is not a business, amounts you receive may still be assessable income and need to be declared in your tax return.

The main exceptions are where the activity is a genuine hobby or recreational pursuit or involves the casual sale of unwanted personal items.

A hobby is an activity that is done primarily for personal enjoyment, recreation or leisure rather than to make a profit. While a person may occasionally receive amounts from a hobby, those receipts are generally incidental to the pursuit of the hobby rather than the reason for doing it.

For example, a person may occasionally sell items they have created, won, collected or accumulated as part of their hobby, without the activity taking on a commercial character.

Similarly, selling unwanted personal items that were originally acquired for private use, rather than for resale, will generally not result in assessable income.

Amounts received from a hobby or casual sales are generally not assessable income and associated expenses are not tax deductible.

Table 1: Tax summary based on activity type

Activity type	Income assessable?	Other tax implications
Business	Yes Declare business income, including non-cash amounts	• Claim eligible deductions and concessions. • Keep appropriate records. • Meet relevant registration obligations (e.g. ABN and GST).
Other income-producing activity that is not a business	Generally, yes Declare income, including non-cash amounts	• Claim eligible deductions. • Keep appropriate records. • Other business obligations such as ABN/GST registration do not apply.
Hobby or recreational pursuit, or casual sale of unwanted personal items	Generally, no	• Related expenses are not deductible. • No other tax implications.

How do you work out if you're carrying on a business?

There is no single factor that determines whether you're carrying on a business. You don't need to satisfy every factor below. The factors should be considered together, and the answer depends on the overall impression of your activity. Some factors may be more important than others depending on your circumstances.

The following is a summary of the factors you need to consider when working out if you are carrying on a business:

Your activity has a significant commercial purpose or character:

- You set up your online storefront (for example, through a marketplace like Etsy or eBay, a social media platform, your own website or using another third-party website or app).

- You are doing your online selling activities to generate income, setting competitive pricing, advertising your products and/or doing market research.
- You have a business-like mindset and are not engaging in online selling as a hobby or for recreation.

There is more than just an intention to carry on a business:

- The reason you are currently selling online must be to run a business, especially given that it's common for people to sell goods or services online with no intention to run a business.
- However, wanting to be in business is not enough, your desire to run a business has to be paired with real active efforts to start and keep a business going and minimum business assets.

You intend to make a profit from the activities and whether there is a reasonable prospect of making a profit:

- While you might enjoy your online selling activities, your main motivation for carrying out the activity must be to turn a profit.
- You don't have a purpose to make a profit if you're selling online just to claim deductions, become eligible for small business concessions, evade tax or otherwise.
- You must realistically be able to turn a profit consistently from your activities – this is called profitability. While it's possible to be carrying on a business if you're making a loss, you must reasonably expect to make a profit in a future income year.

Repetition and regularity of the activities:

- What is regular and routine may look different for online sellers than it does for traditional brick and mortar businesses with set working hours and measurable performance indicators.
- Instead, you might be selling online as your main activity or alongside your ordinary employment.
- The more regular your efforts to list and sell a good or service, the more likely it is that you're carrying on a business.
- You may still be carrying on a business if you have a small undertaking or be unable to put all your time and efforts toward the activity. However, you need to be listing and selling online often enough that there is a clear pattern and routine to show how and when you carry out this activity.
- Your activities may include
  - either creating or buying a product or the requisite equipment to offer a service
  - regularly updating your website or online storefront
  - monitoring stock levels and sales
  - interacting with your customers
  - keeping records of sales you make and expenses you incur, and
  - advertising your goods or services, including through social media.

Your activity is planned, organised and carried on in a business-like manner:

- The more you plan, organise and carry on your activity like a normal business in the online selling industry, the more likely it is that your activity is going to be a business.
- Undertakings that help demonstrate that you're organising and carrying on your activities in a business-like manner include preparing and following a business plan; documenting market research you undertake; detailed profit and loss records; planning to increase your profit margin or increase your customer base; advertising; and employing systems and services to assist you in doing any of those things.

Size and scale of the activity; and:

- Activities that are larger in size and scale are more likely to amount to carrying on a business.
- When you're considering the size and scale of activities you should have regard for the size and scale of other similar businesses. That is, if similar online selling businesses are small in size and scale then the fact that your activities are small is less likely to indicate that you are not in business.
- You may still be carrying on a business if your activities are small in size and scale, and if you have little to no capital.
- Starting small does not stop the activity from being a business if you are making every possible effort (through regular and routine actions) to run a business and you tick the other factors listed.

Your activity is more than a hobby or a form of recreation:

- A hobby or recreation is something you do primarily for enjoyment, exercise of skill, as an enthusiast of a sport or activity, or as a creative outlet that you do not commercialise.
- If in weighing these factors, your activity is better described as a hobby or a form of recreation then you're not carrying on a business in the online selling industry.
- You may begin carrying on an activity as a hobby or recreational pursuit and begin carrying on a business from the activity at some later time. You will start carrying on a business if at some point you commit by intention, active efforts, and assets to actually run a business in the online selling industry and ultimately turn a profit.

Remember, whether you are carrying on an online selling business depends on the overall impression gained when considering these factors. This means that you should consider the indicators individually, in combination, and as a whole.

When does your business start or end

You have started carrying on a business when you have moved beyond planning and begin actively online selling with the intention of earning income.

This typically occurs when you have made a clear decision to start the business, acquired equipment and assets needed to operate and actively begun conducting the business activities with the intention of earning income.

Your business has **ended** when you no longer intend to continue the business or cease carrying out online selling activities. You may have:

- ceased carrying on a business if you have been inactive for a significant period of time
- deleted or deactivated online storefronts or profiles on online selling platforms
- you have cancelled or opted not to renew contracts with suppliers and/or customers
- you have disposed of business assets, or
- you have cancelled relevant registrations such as ABN or GST.

Examples

Example 1: Carrying on a business (Airbnb host)

Alec owns 2 houses.

In year 1, Alec lists one of the houses as short-term accommodation on Airbnb while transitioning out of IT support work. During the year, Alec occasionally hosts guests and receives income from providing short-term accommodation. Alec has not committed significant time, effort or resources to the activity and does not yet carry it on in a sufficiently organised or business-like way.

In year 2 Alec decides to commit to AirBnB hosting long-term with the intention of making a profit. Alec begins regularly hosting guests throughout the year, averaging 2 to 3 bookings each month. Alec also invests significant time and effort in managing the accommodation and improving the guest experience.

To support the activity, Alec purchases additional items and amenities and begins providing:

- a hamper of local products
- food for breakfast is provided in the fridge and cupboard
- yoga classes that the guests can book
- additional linens, kitchen and dining, bedroom, bathroom and laundry amenities
- cleaning during the stay at request
- a phone number and WhatsApp contact service available from 8 am to 9 pm each day
- luggage drop-off for early arrival or late departure.

Alec keeps records of income and expenses and monitors the profitability of the activity.

On the weighing of the factors, Alec's activities in year 2 have a commercial character and amount to the carrying on of a business.

While the property was available for short-term accommodation in year 1, the activity only became a business when Alec committed to operating it on a commercial basis, with the intention of making a profit and through regular, organised and ongoing efforts.

Alec's business commenced in year 2 when Alec:

- decided to operate the activity to make a profit
- invested in additional assets, amenities and services for guests

- began regularly and systematically carrying out the activity, and
- maintained records to manage the activity and track its performance.

The income Alec received from providing short-term accommodation in year 1 is still assessable income and must be declared in Alec's tax return, even though the activity was not yet a business. Alec may be entitled to claim deductions for eligible expenses incurred in earning that income.

From year 2, Alec is carrying on a business.

Alec must continue to declare income earned from the activity and may claim deductions for eligible expenses. As a business operator, Alec may also have additional tax obligations, such as record-keeping and registration obligations, depending on their circumstances.

Example 2: Starting to carry on a business (Handmade journals)

Shae is an employed real estate agent who makes handmade bullet journals in her spare time. She gives the journals to family, friends and colleagues as gifts.

After receiving positive feedback, Shae decides she wants to turn her passion into a business. Over the next year, she researches the best and most affordable materials, conducts market research, develops a business plan and saves money for start-up expenses.

In the following year, Shae is ready to launch her business. She purchases a book-binding machine and enough paper, glue and other materials to make journals for the next 6 months. She creates a website and lists her products for sale, advertises on multiple social media platforms and uses MYOB to keep records of sales, income and expenses.

Two months after launching the website, Shae is spending most of her spare time accepting orders and making journals for customers. As demand grows, she decides to take long-term leave from her employment to focus on the activity.

In weighing the factors, Shae is carrying on a business in the online selling industry.

Although Shae spent a year researching, planning and saving money, those activities alone did not mean she had started carrying on a business. Her business started when she moved beyond planning and began actively selling journals with the intention of making a profit.

In weighing all the relevant factors, Shae's activity has an overall commercial character. She has committed to operating a profit-making venture, acquired the assets needed to operate it, established sales and advertising channels, maintained business records and begun regularly selling products to customers.

Example 3: Carrying on a business (Personal shopper/op shop reseller)

Briar is a university student who enjoys op shopping. Friends regularly ask Briar to find specific clothing items they have seen online or on social media.

After identifying demand for the service, Briar decides to start a business sourcing and reselling second-hand clothing. She creates a website where customers can upload images or 'wish lists' of items they would like her to find. Customers can place orders, communicate with Briar and pay through the website.

Briar purchases packing and shipping materials based on her forecast customer demand and advertises her services on social media. She also purchases software to track customer orders, sales and expenses and maintains records of all transactions.

Although the business is relatively small, Briar dedicates 2 afternoons each week and most weekends to sourcing products, communicating with customers, shipping orders and managing customer enquiries. Over time, she develops a small but consistent customer base.

Briar is carrying on a business in the online selling industry.

In weighing all of the relevant factors, Briar's activity has an overall commercial character. Her activities are organised and carried on in a business-like manner, are carried out with the intention of making a profit and involve regular and ongoing efforts to obtain and fulfil customer orders.

While Briar's operation is relatively small in size and scale, this does not prevent it from being a business. The activity has established sales channels, business systems, record-keeping processes and a growing customer base. Taken together, these factors indicate that Briar is carrying on a business.

Example 4: A side hustle that is not a business (Weekend reseller)

Riley works full-time as a teacher and wants to earn some extra money.

Throughout the year, Riley regularly visits garage sales, markets and op shops looking for items that can be resold at a higher price. Riley lists the items for sale on eBay and Facebook Marketplace and earns around $4,000 profit during the year.

Riley does not have a business plan, does not advertise their activities, has no separate business accounts and only spends a few hours each month sourcing and listing items. Riley purchases items opportunistically when they come across a good deal rather than operating in a systematic or organised way.

When weighing the factors, Riley's activity does not have the overall commercial character of a business. The activity is relatively small in scale and is not carried on in a sufficiently organised or business-like manner.

Riley is not carrying on a business.

However, Riley acquired items for the purpose of resale at a profit and the amounts earned are assessable income that must be declared in their tax return. Riley may be entitled to claim deductions for eligible expenses incurred in earning that income.

Example 5: Selling personal items is not a business (Casual sales)

Frankie wants to make some extra cash to buy a new TV. He decides to sell unwanted clothes, old toys, electronics and other personal belongings through Gumtree.

Over the course of 3 months, Frankie receives $800 from selling the items and uses the money to buy a new TV. Once the items have been sold, Frankie stops listing items for sale.

Frankie is not carrying on a business.

In weighing all the relevant factors, Frankie's activity does not have an overall commercial character. His intention is to dispose of unwanted personal belongings rather than operate a profit-making enterprise. The activity is temporary, does not involve any ongoing commitment and is not carried out in a business-like manner.

Frankie's activity is a personal disposal of unwanted items rather than a business or income-producing activity. The $800 received from selling the items is not assessable income

Example 6: Selling trading cards (Hobby)

Scott is a massive NRL fan and has been collecting Official NRL Collector and Trading Cards for his favourite team since 1994. Each year throughout the NRL season, he purchases card packs and boxes online and from retail outlets to build his personal collection. He keeps the cards in official collector albums, which are displayed in a custom cabinet in his home. Scott's primary goal is to grow and enjoy his collection rather than generate income.

As part of the collecting process, Scott often acquires duplicate cards. He usually trades these cards with other collectors to obtain cards missing from his collection. Any duplicates he can't trade, he occasionally lists for sale on eBay or Facebook Marketplace. He generally sells the cards as bundles and prices them at around the cost of postage plus a small amount. For particularly rare cards, he may seek the highest price a collector is willing to pay. Any money Scott receives from these sales is used to help fund additions to his collection.

Scott is not carrying on a business.

In weighing all the relevant factors, Scott's activity does not have an overall commercial character. He collects NRL trading cards primarily for his personal enjoyment and not for the purpose of making a profit. The online sales are incidental to the hobby and are carried out mainly to dispose of duplicate cards and offset the cost of continuing his collection rather than to generate income.

Amounts received from a hobby are generally not assessable income and related expenses are generally not deductible. Scott does not need to include the amounts he receives from these online sales in his tax return.

Table 2: Activity comparison versus hobby

Feature	Business	Income-producing activity (not a business)	Casual sale of personal items	Hobby
Main reason for activity	Operate a profit-making enterprise	Earn extra income	Dispose of unwanted items	Personal enjoyment
Intention to make a profit	Yes	Yes	No	Usually no
Regular and ongoing activity	Usually	Often	No	Sometimes
Planned and organised	Yes	Limited	No	No
Tax outcome	Income assessable	Income is generally assessable	No tax implications	No tax implications

You're in business, what next?

If you're carrying on a business as an online seller, this means you need to:

- Register for an ABN
- Register for GST if you are making $75,000 or more in a 12-month period and once registered
  - You must charge GST on your taxable sales
  - Noting GST-free sales payments from foreign advertising networks) count towards your $75,000 registration threshold
  - You can claim GST credits on business expenses
  - You must lodge business activity statements (BAS)
- Have a look at what type of small business concessions and deductions you can claim
- Consider pay as you go (PAYG) instalments if you're concerned about ending up with a tax bill at the end of the financial year. This allows you to pay your tax throughout the year in smaller, more manageable amounts
- Look into contributing to your own superannuation fund
- Maintain records of all transactions relating to your business and keep them for at least 5 years
  - Businesses in the online selling industry have access to lots of different ways to plan, organise and establish good book-keeping methods
  - This includes traditional methods, (for example, keeping physical books to record profit and loss and paper receipts) and through more modern avenues (MYOB, Xero)
  - If you operate your activity through an online marketplace, there might be built in features which allow you to view and measure your sales, the number of hits your virtual storefront gets and more.

How do I declare my business income?

When you are carrying on a business, the income you must declare includes:

- sales made through online marketplaces
- sales made through your own website or online store
- sales made through social media platforms
- payments received by cash, electronic transfer or other payment methods
- income from sales made through third-party platforms, including amounts paid to you after platform fees or commissions are deducted
- foreign income.

You need to declare non-cash benefits such as products or services as income on your tax return.

Still unsure whether you're carrying on a business?

You can:

- read more about the business indicators on our website Are you in business?
- review information about Tax tips for managing your side hustle if your activity is a side hustle or other income-producing activity
- consider completing Small Business essentials training to improve your business knowledge Essentials for strengthening your small business
- speak with a registered tax professional who can help you understand how the rules apply to your circumstances
- apply for a private ruling if you would like the ATO's view on your circumstances Applying for a private ruling.

This is a general summary only.
For more information, speak to a registered tax professional.

This information is for individuals or sole traders only.
It does not cover specific circumstances for companies, partnerships or trusts.

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