Recording business income and expenses

Fast facts

Importance of keeping accurate records

Recording business income and expenses correctly allows you to make quick, accurate and informed business decisions.

- Set up your record-keeping system to record income and expenses specific to your business.
- Accounts are usually grouped by type, with subcategories appropriate to your business.
- Monthly summaries of your cash books can be useful tools for making decisions and managing your business.

Types of income

Everyday income is income from your everyday business activities. It's received regularly and it's recorded regularly. It may include:

- income from all sales
- specific streams of income (e.g. renting out business equipment)
- income from the shared economy and other marketplaces
- ride-sourcing income and income earned as a self-employed taxi driver

- income earned as an online content creator.

Other income is not part of your everyday business activities. It may include:

- goods taken from stock for your own use
- value of livestock killed for rations
- value of livestock exchanged for other goods or services
- amounts received as recoupment of expenses
- bad debts recovered
- profit on sale of depreciating assets
- royalties
- insurance recoveries
- subsidies
- employee contributions for fringe benefits
- assessable non-government assistance from all sources
- foreign exchange (forex) gains.

Types of expenses

You can claim a tax deduction for most business expenses, as long as they are directly related to earning your assessable income. You may be able to claim tax deductions for:

- cost of sales (of trading stock)
- motor vehicles expenses
- repairs and maintenance of machinery, tools or premises.
- the cost of being a tenant to rent land, real estate and buildings
- other expenses like workers' salaries/wages, office supplies and advertising

- costs from financial leases and operating leases for assets like motor vehicles and plant
- interest paid on borrowed money to acquire income-producing assets used in your business, finance business operations or meet current business expenses
- salaries and wages you pay to employees
- super contributions you make on time to a super fund or retirement savings account for your employees
- capital expenses.

Categorising accurately

The ATO small business benchmarks can be used to compare your business against similar businesses in the same industry.

- Pay attention if one of your benchmarks is a lot higher or lower than the industry benchmark. This may indicate that you are not correctly categorising part of your income and/or expenses.
- You may need to revise your bookkeeping to make sure you've categorised everything correctly.

Reporting accurately

It is important to categorise and submit your income and expenses under specific labels in the tax return.

- Use the correct label in the tax return to avoid processing delays or auditing actions.
- Use the figures that were recorded in your chart of accounts or spreadsheet, and input these into the corresponding labels of the tax return.

Last modified: 20 May 2026