



# 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 complying 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: 19 Sep 2022