SML Bookkeeping & Tax

Claiming Business Deductions

KS-006

How small business owners should think about deductible expenses and supporting evidence.

TOPIC	PREPARED BY	FORMAT
Small business education	SML Bookkeeping & Tax	Knowledge Sheet

Key message

A business deduction generally needs to be connected to earning business income and supported by appropriate records. Not every business payment is automatically deductible, and some expenses need to be apportioned, excluded or reviewed carefully.

Business deductions - review workflow

1 **Identify**
List the expense and why the business paid it.

2 **Connect**
Check how it relates to earning business income.

3 **Evidence**
Keep invoices, receipts and payment records.

4 **Review**
Check private use, capital items and special rules.

What is a business deduction?

A business deduction is an amount that may reduce taxable income when it is incurred in carrying on the business and meets the relevant tax rules. The exact treatment depends on the facts, timing and type of expense.

Common deductible expense categories

- Accounting, bookkeeping and professional fees.
- Business software, subscriptions and office costs.
- Advertising and marketing costs.
- Vehicle, travel or home office costs where business use is properly supported.
- Wages, contractor costs and super payments where rules are met.

Expenses that need extra care

- Private or mixed-use expenses.
- Assets that may need depreciation instead of immediate deduction.
- Entertainment, gifts, meals and travel.
- Payments to owners, directors or related parties.
- Expenses without invoices, receipts or clear business purpose.

Good records to keep

- Tax invoices and receipts.
- Bank or credit card payment records.
- Business purpose notes for unusual expenses.
- Logbooks, diaries or usage records for mixed-use items.
- Contracts or agreements for larger payments.

Example

A consultant buys a laptop used mostly for business but also occasionally for personal tasks. The owner should keep the invoice and discuss the business-use percentage and correct tax treatment with the accountant.

Common Questions

Can I claim anything paid from the business bank account?

No. Payment from a business account does not automatically make an expense deductible.

What if an expense is partly private?

The business portion may need to be separated from the private portion.

Do I need receipts for small expenses?

Businesses should keep appropriate evidence. Specific rules can vary, so it is safer to keep the receipt or digital copy.

Reference Sources

Source	Used for
Australian Taxation Office	Business deduction rules, substantiation and specific expense categories.
CPA Australia	Professional context on deductions and business records.
Business.gov.au	General small business expense and record keeping guidance.

Important note

This Knowledge Sheet provides general information only. It does not take into account the full circumstances of any business. Speak with SML Bookkeeping & Tax before making tax, payroll or compliance decisions.