

Business Information Sheet

Private Expenses

Allowing for Private Expenses

The ATO acknowledges that at times it is convenient for a business owner to purchase goods through their business that are in fact for private use, and also that there are goods that are purchased that may legitimately be used for both home and work purposes.

There is no problem with you paying for such goods through your business; however, you cannot claim the GST or the purchase amount as a business-related expense where it relates to private usage, unless Fringe Benefits Tax applies.

You may only claim a GST credit for the portion that relates to business usage.

Generally a business would report the private usage adjustment on each BAS quarterly.

How to Work out the Private Portion of Expenses

1. Estimate or calculate accurately the portion of private use
2. Calculate the percentage of private use cost and the corresponding GST amount
3. Adjust the GST claim on each BAS

Annual Private Apportionment

A small business may elect to account for private usage annually rather than quarterly in some circumstances:

- Your annual turnover is less than \$2 million
- You must assess eligibility for annual reporting by 31 July each year.

This means that you only make one adjustment either at the end of the financial year or in conjunction with the preparation of your income tax return, to account for private usage throughout that year.

Criteria for Claiming a GST Credit in Relation to Private Expenses

- The purchase must be at least partly for business use
- GST is included in the purchase price
- The business has paid (or will pay) for the expense
- You have a valid tax invoice for the purchase

Common Examples of Private Expenses Adjustments

- Purchase of a laptop computer for use at both home and office
- Purchase of vehicle for both leisure and work use
- Percentage of contractor's invoice where work was performed at home office

Hospitality Industry Stock Used for Private Use

The ATO will accept an estimate of the value of goods taken from trading stock for private use in certain hospitality / food related businesses. The ATO publishes a schedule of accepted amounts for each financial year. See below for detail if relevant to your business.

What You Can't Claim

You may not claim expenses that are solely private or domestic in nature, for example, childcare fees, clothing, or paying a cleaner for your home. Nor can you claim expenses that are not legally tax deductible such as parking fines, loans undertaken to pay off an ATO debt, or penalties imposed by court order.

Entertainment expenses are in their own category. You may be able to claim some entertainment expenses where it relates to employees and associates, however, these may also be considered for Fringe Benefits Tax. You will need to check before claiming the cost of any entertainment related expenses.

Bookkeeping and BAS Preparation

As your bookkeeper / BAS Agent, I will make any necessary adjustment on your BAS according to your instructions regarding specific percentages related to the following expenses:

- Vehicle use
- Laptop use
- Contractor XYZ
- Other...

You may need to provide the accountant with verification for your claims at the end of the financial year.

References

- ATO - Fringe Benefits Tax and Entertainment
- ATO - Hospitality Industry Stock Used
- ATO - Annual Apportionment
- ATO - GST and Annual Apportionment
- ATO - Taxation Determination 2016/9 Private Use for 2015-16
- ATO - Using Trading Stock for Private Purposes
- ATO - Small Business Benchmarks