

“Life’s spectator or participant”?

Are you one of “life’s spectators or one of life’s participants”?

You can apply this question to your business and ask yourself: Am I running a business or is it seen by the Tax department as a hobby? Has your accountant told you about the concept of “Non-Commercial Losses (NCL)” This simply means that you may be working hard: seeing clients, paying your bills, even having a second job, attending to your professional development, running your car and then you get to your accountant and they say: “you can not use

these deductions: you don’t earn enough. You don’t have a business, you have a hobby! “

The Australian Taxation Office has provisions that apply in circumstances where your business income outweighs your deductions: thus the loss.

Currently to be able to offset any business losses against other income, your business must satisfy the following tests:

1. Have at least \$ 20,000 assessable (gross) income for the year
2. Have produced a profit in at least 3 out of the preceding 5 years

3. Use real property (land and/or commercial premises) valued in excess of \$500,000
4. Use other assets (tools, machinery and equipment) valued in excess of \$ 100,000 or
5. Obtain permission from the ATO to allow the loss even if the above tests are not satisfied.

If your business does not satisfy any of the above tests, you will generally have to defer the loss to be offset against your future business income. You don’t lose the income and expenses, they are quarantined and you will offset them against future profits from your business.

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“REAL ACCOUNTANTS FOR REAL PEOPLE”

It is tax time again and we are not going to tell you what we do but how we do it:

- Saving you money by being up to date with the latest tax changes
- Explaining your figures to you simply and in *plain English*
- Educating you about deductions and what the figures are really telling you
- Returning your calls,
- Being easily approachable and accessible
- Assisting you in realising your wealth potential
- Helping you stay one step ahead of the ATO with tax planning

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“When you give someone a book, you don't give him just paper, ink, and glue. You give him the possibility of a whole new life.”

Christopher Morley - 1890-1957, Novelist, Journalist and Poet