Australian Government
Australian Taxation Office

Non-commercial losses

You can't claim a loss for a business that is little more than a hobby or lifestyle choice. Even if it has business-like characteristics, if it is unlikely to ever make a profit and doesn't have a significant commercial purpose or character, you can't offset the loss against your other income. In this case, you can defer the loss until you make a profit from the business. This applies whether your business loss from an Australian or a foreign source.

You can only claim losses from genuine business activities. You can't offset losses from hobbies or investments.

See also:

- Are you in business? (/business/starting-your-own-business/before-you-get-started/are-you-in-business-/)

Who offsets losses and who defers losses

To assess whether you can offset your business loss from your other income, or you have a non-commercial loss that you defer, complete the steps in the following table. If you are a partner in a partnership, the income and tests are slightly different – see Partnerships (/business/non-commercial-losses/partnerships).

Table: Non-commercial losses

Steps	Details

Step 1:Look at your assessable income and other income	If your loss making business is in **primary production or the professional arts** this is an 'excepted activity'. If your assessable income from other sources is less than $40,000, you can offset your losses from your other income. You don't have to go any further. If your loss-making business **is in something else** and the income year is:
	- 2009–10 or later and your other income is
	  - less than $250,000, go to step 2
	  - more than $250,000, go to step 3
	- before 2009–10, go to step 2.

Step 2: Check the four tests (/business/non-commercial-losses/four-tests)	You can offset your losses in the current year if you pass any of the four tests: - assessable income test - profits test - real property test - other assets test If you don't pass any of the four tests, go to step 3

Step 3: Commissioner's discretion (/Business/Non-commercial-losses/In-detail/Commissioner-s-discretion/)	Check if you should apply for a Commissioner's discretion

Other income

Your other income is the income you receive, other than from your loss-making business and includes:

- taxable income (ignoring any business losses)
- reportable fringe benefits
- reportable superannuation contributions
- total net investment loss.

Next steps:

- Four tests (/business/non-commercial-losses/four-tests)
- How to defer your losses (/business/non-commercial-losses/how-to-defer-your-losses)
- How to offset your losses (/business/non-commercial-losses/how-to-offset-your-losses)
- Ending your business (/business/non-commercial-losses/ending-your-business)

See also:

- Primary production activities (/business/primary-producers/primary-production-activities/)
- Income requirement and excepted business activities (/Business/Non-commercial-losses/In-detail/Income-requirement-and-excepted-business-activities/)

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Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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