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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
<p>Step 1: Look at your assessable income and other income</p>	<p>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:</p> <ul style="list-style-type: none"> • 2009–10 or later and your other income is <ul style="list-style-type: none"> • less than \$250,000, go to step 2 • more than \$250,000, go to step 3 • before 2009–10, go to step 2.
<p>Step 2: Check the four tests (/business/non-commercial-losses/four-tests)</p>	<p>You can offset your losses in the current year if you pass any of the four tests:</p> <ul style="list-style-type: none"> • assessable income test • profits test • real property test • other assets test <p>If you don't pass any of the four tests, go to step 3</p>

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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