



“The Bottom Line” SIMMONDS LE-FEVRE

Tax & Super Information that's Important to You

November 2024



How taxable is that side hustle?

With Australia going through a major cost of living crisis and interest rates not coming down as quickly as hoped, more and more people are looking at ways of creating additional cash flow to help make ends meet.

About this newsletter

Welcome to your tax and super update from Simmonds Le-Fevre. This newsletter is aimed at keeping you on top of the issues you need to know about and changes as they happen. If you have any queries don't hesitate to contact us.

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What is a side hustle?

Earning extra income on top of your primary job is sometimes known as a side hustle. While the extra money is no doubt welcome, it's important to stay on top of the tax issues this sort of activity can throw up.

Side hustles can take many forms and may include:

- posting content to platforms such as TikTok and attracting viewing hours;
- being an influencer on a social media platform and attracting followers;
- picking up casual work through platforms such as Airtasker;
- garden maintenance;
- providing tech support;
- creating content for OnlyFans;
- cleaning business premises or private homes;
- coaching or tuition;
- dog walking or pet sitting;
- freelance writing;
- creating and selling art;
- gold fossicking.

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How taxable is that side hustle? cont

Business or a hobby?

Whether or not the net income from these kinds of activities is subject to tax depends on whether they amount to a business, and this is where the sometimes fuzzy boundary between a business and a hobby comes into play.

In determining on what side of the line your activities fall, the following questions have to be answered:

- does the activity have a commercial purpose?
- do you have the intention of making a profit?
- is the activity conducted in a business-like manner?
- do you advertise or employ people?

In many cases the answer will be obvious – the whole point of a side hustle is to earn extra money so you can afford to keep paying the mortgage or cover the rent. Getting gigs through Airtasker to provide services, or picking up garden maintenance jobs would generally be something done with the intention of making a profit.

Gold fossicking, on the other hand, tends to be something people take up as a hobby. They enjoy seeing the countryside and any gold nuggets they may find are a bonus. But while occasional finds involving valuable nuggets might get a run on the evening TV news, they are rare. Most fossickers would run at a net loss, although whether the activity is actually profitable is not necessarily determinative.

And what if you own the most adorable cat who enjoys being dressed up and posed for photos? After putting a few shots up on social media you might be shocked to find you have many thousands of likes and your cat has more followers than Taylor Swift.

That sort of online attention can be monetised, sometimes for astonishing amounts. It does happen occasionally, even where there were no expectations of generating any revenue. If all you do is put up fresh shots on a regular basis and just collect the advertising revenue, you might fall outside the tax net. It all depends on the facts, but something that throws off a lot of money isn't always taxable.

We can help you sort out where on the taxable spectrum your side hustle sits.

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

Tax compliance issues

If the activity falls on the business side of the dividing line, the income from your side hustle is just as taxable as the income from your primary job. You will need to keep track of all your income and deductions and pay tax on the net profit.

You will also need to register for GST (and charge GST) if your annual turnover exceeds \$75,000. Registering for GST comes with an Australian Business Number (ABN), although you can apply for an ABN before reaching the \$75,000 threshold. Once you have an ABN you need to keep the details up to date and cancel the ABN on closing your business.

The net profit from any side hustle that is conducted as a business gets added to taxable income from your primary job, which can leave you with a tax bill come tax time. To avoid any nasty surprises you could put aside some of your net profit as you go along to cover the tax bill when it arrives. How much to put away depends on what tax bracket the combined income from your primary job and your side hustle puts you in. You can also ask your employer for your primary job to take out more by way of PAYG deductions by completing a withholding declaration. We can help you work out the best course of action.

If you make a net loss from your side hustle, but the activity qualifies as a business, you may not be able to offset the loss against the income from your primary job if the non-commercial loss rules apply to quarantine the loss until the business grows.

Deductions

What sort of deductions you can claim very much depends on the nature of your side hustle. Bear in mind that any amounts you may want to claim have to be incurred in carrying on your business and you cannot claim private expenses against business income. Some things, like car expenses, may need to be apportioned (and it would be helpful to maintain a logbook or diary that keeps track of business and private use of your car).

Occupancy costs for your home (mortgage interest, rates and taxes, house insurance) are only deductible where part of your home is used exclusively as business premises. Using the dining table in the evenings to prepare invoices doesn't cut it.

We can help you sort out what is what on the deductions front and prevent your side hustle becoming a tax hassle. 💰