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NON-COMMERCIAL LOSSES RULES

Individuals are able to offset a loss from your business against your other income if taxpayers' adjusted taxable income for the relevant year is LESS than $250,000 and also the business activity satisfies one of the following 'commerciality' tests:

- ***Assessable Income Test***
  The assessable income (including capital gains) of the business results in at least $20,000 in the relevant year.
  If the business activity started or ceased during the year, then a reasonable assessment is necessary.

- ***Profit Test***
  The business has produced a profit in at least 3 out of the past 5 income years, including the current year.

- ***Real Property Test***
  Real property or interests in real property is continually used in carrying on the business over the relevant year worth at least $500,000. The value of private dwellings, adjacent land and tenant fixtures are not included.

- ***Other Assets Test***
  The total value of assets, other than motor vehicles used on a continually basis in carrying on the business during the relevant year worth at least $100,000.

Primary producers and professional artists do not need to meet the tests if their assessable income is less than $40,000.

If you don't meet the income requirement or any of the 4 tests, losses from the relevant activity are non-deductible in that year, then the loss must be deferred and may be able to offset in a later year. The deferred losses can only be offset against other income if a business activity passes one of the 4 tests or make a profit in the business.