

Hobby

Business

**Business or
Hobby**



CONTENT

- Are you in Business?
- Is it just a hobby?
- Online selling: hobby or business?



ARE YOU IN BUSINESS?

Characteristics of a business

- You intend to **make a profit** for a long term period;
- You have made a decision and started to operate a business, such as: registered a **business name**, obtained an **ABN** or you have a **business plan**;
- You repeat **similar types of activities**;
- Your activity's **scale is consistent with other businesses** in your industry;
- Your activity is **planned, organized and carried out in a businesslike manner**, including:
 - keeping business records and account books;
 - having a separate business bank account;
 - operating from business premises;
 - having licenses or qualifications;
 - having a registered business name.

ARE YOU IN BUSINESS?

Steps to work out if you are in business

Step 1: Identify all relevant, related activities

Examples of relevant, related activities include:

- keeping records;
- obtaining and maintaining licences and permits;
- if you rent out premises or goods, everything you do to rent out those premises or goods;
- if your activity is providing goods or services, everything you do in providing them.

ARE YOU IN BUSINESS?

Steps to work out if you are in business

Step 2: Are the activities a business?

The more of the following questions you answer yes to, the more likely it is your activities are a business:

- Do you intend to be in business?
- Do you intend to and have a prospect of making a profit from your activities?
- Is the size or scale of your activity enough to make a profit?
- Are the activities repeated and continuous?
- Are your activities planned, organised and carried out in a business-like manner?

keep business records and have a separate business bank account?

- advertise and sell your goods and services to the public, rather than just to family or friends?
- operate from business premises?
- maintain required licences or qualifications?
- have a formal business plan or budget?
- have a business name or an ABN?



IS IT JUST A HOBBY

Characteristics of a hobby

- **NO INTENTION TO PROFITS;**
- **MAKE A DECLARATION OF NOT HAVE AN ABN;**
- Gain personal enjoyment from the activity;
- Gift or sell your work for the cost of materials;
- Do it in your spare time or when people contact you;
- Have no reporting obligations of a business.

A hobby is a **pastime** or **leisure activity** conducted in your spare time for recreation or pleasure.



COMPARISON

Activity	Hobby	Business
Declaring payments	Do not need to	Mandatory
Claiming tax deductions	Cannot claim	Can claim
Keeping records	Do not need to	Mandatory
Licenses and permits	Do not need to	Mandatory
Australian Business Number (ABN) eligibility	Not eligible	Essential



ONLINE SELLING

- If you set up a 'shop' on online, you are likely to be carrying on a business especially if you **paid fees**;
- If your online shop has a **brand name**, proper business name or any other sign that people would likely expect from a business;
- You intend to make a **profit** by selling items online;
- You make **repeated or regular sales**;
- If you **charge more** for items **than they cost you**;
- If the items or services you are selling are commonly available or reasonably **easy to find in a physical store**.

If you satisfy the above conditions, It's likely to be considered as a business.

ONLINE SELLING

However:

If your primary objective for selling items online is as follows :

- Clearing your **excess items**, such as clothes that you do not wear anymore, or unused items;
- Not improving the **value** of the items;
- Not intending to sell items **for a long time**;
- Generally **receiving less than the original purchase price** of the items.

You are likely to be considered not carrying on a business.



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