



**Professional
Contractors and Consultants
Australia**

DEDUCTIONS UNDER THE PSI RULES





Where contractors fail to establish an exemption from the PSI rules (by satisfying the employment, business premises, unrelated clients or results test or successfully applying for a Personal Services Business Determination), certain deductions will be disallowed. The ATO has provided a list of deductions detailing which deductions are affected by the PSI rules.

Alienation of personal services income: contractors and consultants

What deductions can you claim?

The following table shows how the changes to the tax law for contractors and consultants may affect the deductions you can claim against personal services income.

Deduction	Can I claim it if I don't satisfy the Rules to be regarded as a PSB so the PSI rules apply to me? ¹	Can I claim it if I'm a PSB or exempt from the PSI rules because I have a PSB Determination from the ATO? ¹
Premiums for workers compensation, public liability and professional indemnity insurance	Yes	Yes
Bank and other account-keeping fees and charges	Yes	Yes
Tax-related expenses, such as the cost of preparing and lodging tax returns or activity statements	Yes	Yes
Registration or licensing fees	Yes	Yes
Expenses for advertising, tendering and quoting for work	Yes	Yes
Depreciation	Yes	Yes
Running expenses for your home office (not including rent, mortgage interest, rates or land taxes, see below)	Yes	Yes
Rent, mortgage interest, rates or land tax for your home that is a place of business	No	Yes
If you are a personal services entity, expenses or fringe benefits tax for more than one car that is used partly or solely for private purposes	No	Yes
Salary and wages for an arm's length employee (not an associate)	Yes	Yes
Salary and wages paid to the principal worker within 14 days of the end of each PAYG withholding payment period	Yes	Yes
Contributions to a super fund on behalf of the principal worker or an arm's length employee (not an associate)	Yes 2	Yes 2
Reasonable amounts paid to an associate for principal work	Yes	Yes
Contributions up to the super guarantee amount for an associate doing up to, but less than, 20% of the principal work	Yes	Yes
Reasonable amounts paid to an associate for non-principal work	No	Yes
Reasonable contributions to a super fund for an associate doing solely non-principal work	No	Yes

1 This table is a guide only. You may need further information to determine whether a specific deduction is available to you in your circumstances. You can claim a deduction for an amount you have paid or incurred only if it relates to gaining or producing your assessable income. This applies if you are an individual or an entity.

2 You may not necessarily be entitled to a deduction for personal superannuation contributions. For example, an individual generally cannot deduct their personal superannuation contributions if they are entitled to superannuation support from their employer. A person who enters into a contract wholly or principally for their labour will be an employee for the purposes of Superannuation Guarantee and therefore entitled to superannuation support from the contracting entity. For assistance in determining your entitlement to a deduction for your personal superannuation contributions, contact the ATO.



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