



# Is it a business loss or non-commercial loss?

Learn the difference between business losses and non-commercial losses for your business.

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Your business makes a **business tax loss**, when the total deductions you claim in an income year exceeds the total of your assessable and net exempt income in the same year.

If your business makes a **tax loss**, you could carry forward the loss and claim a **deduction for your business** in a later year, if you meet all requirements.

Remember, your business structure can affect whether you offset and claim the loss in the current year, or carry it forward and claim the deduction in a later year.

If you're a sole trader or an individual partner in a partnership, you may be able to offset your business losses against other types of assessable income in the same income year. Or you may be able to defer the loss, or carry it forward and offset it, when you next make a profit.


If you operate a company, you may be able to carry forward the tax loss for as long as you want and choose the income year you want to claim the deduction.

## Non-commercial losses

A **non-commercial business loss** is a loss you incur, either as a sole trader or in a partnership, from a business activity that isn't related to your primary source of income.

The business activity needs to have business-like characteristics and a significant commercial purpose or character.

The losses from a non-commercial business activity can't be offset against other assessable income in the year where the loss has incurred, unless an exception applies or you made a profit.

To learn more, visit [Essentials to strengthen your small business](#)  for a self-paced course on non-commercial losses.

If you still have questions on business losses and non-commercial losses, you can speak with your registered tax professional.

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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