

Making the most of your furry friend?

During the pandemic, many turned to side hustles to make some extra cash. With more time at home to work on our hobbies and interests the opportunity to start making income was there!

For some with super cute pets that side hustle was animal breeding.

Are you in business?

Extra money = amazing. Unplanned tax debt = not so amazing!

If you've made the decision to breed that cute pup or kitty (or mini goat or chicken!) then you need to know if you're in business, because that will change how you need to declare any money you make.

The ATO has information available to help you work out if your animal breeding is a [business](#). For example if:

- you are intending to be in business and make a profit
- you do repeated and continuous activities
- your activities are planned, organised and carried out in a business-like manner

If furry Frederica ignored social distancing rules at the local dog park and ended up with a once off litter, then it's probably not a business, but if you decided to keep breeding, then it may be.

Knowing whether you're in business, and what tax, super or registration obligations you have, can help make the most of the income you're earning. Remember you can only claim deductions if they relate to earning your income, you cannot claim deductions for personal expenses.

You're ready to take the plunge! What next?

When you're [setting up a business](#) it's important to know what [business structure](#) you will have, as this defines who owns and operates your business which effects your tax and registration requirements. There are four main types - sole trader, partnership, company and trust.

A [sole trader](#) is an individual running a business. It is considered the easiest and cheapest business structure to run. These are people who either work for someone else and run their business on the side (aka, the side hustle!), or they run their own business full time. Sole traders can also have employees!

Sole traders pay tax at the individual rates of tax and include business income on their individual tax return. All their income (including any salary or wages they receive from both their regular job and side hustle) is calculated at tax time and is used to determine how much tax they pay.

Sole traders may also be entitled to some [concessions](#) which can help reduce the rate of tax paid, while still being eligible for the income tax free threshold.

Animal Breeders and primary producers

When you hear the term "[primary producers](#)" you could be forgiven for thinking of farmers and their cattle, but did you know if you breed domestic pets for sale, and you're in business, then you're also a primary producer?

A primary producer can be an individual (sole trader), partnership, trust or company, and there are some tax considerations you need to know.

As a primary producer you are automatically added to the [tax averaging](#) system when you lodge your income tax return. Tax averaging evens out business income and tax payable over a maximum of 5 years to allow for changes in prices and production. This ensures that you do not pay more tax over a number of years than taxpayers on comparable but steady incomes.

This may benefit you as an animal breeder if your business income is expected to vary over the years. If you expect your income to remain comparatively steady, you can [opt out of averaging](#), and pay tax at the ordinary rate each financial year.

If you're considering breeding animals as a business, check out [starting your own business](#) and [Taxation Ruling 97/11](#) Income tax: am I carrying on a business of primary production?

Can you afford to breed those pets?

We all know the point of a side hustle is to earn extra income, but with that extra income comes extra responsibilities!

When you're breeding animals as a business and are a primary producer, there are special rules that apply to the way primary producers [manage tax](#), including goods and services tax (GST), luxury car tax (LCT), and pay as you go (PAYG) instalments.

If you're earning salary and wages, plus sole trader income, both of these things will impact your payments for Medicare levy and income contingent loans – hello study loan (aka Fee-HELP!). It's important to remember this – because if you earn enough to put you in a higher tax bracket, then you may be paying more tax. So make sure you find out about what it means to be a primary producer and how it can impact your taxes!