



Dog Breeding and Taxation

It's that time of year again....tax time!

Dogs Victoria has been approached by the Australian Taxation Office with a reminder that animal breeding activities may be classed as **primary production business** for the purposes of taxation.

Whether you breed dogs, cats, goats or chooks, your breeding activities may be a '**business**', and as such you are liable to pay tax on any income that you make.

If you are in **business**, you need to consider what business registrations you require (including whether you need an ABN). It may also affect how the GST law applies to you, and whether your additional income may change the way you pay tax.

Although Dogs Victoria registered breeders are classified as 'Recreational Breeders' for the purposes of the Victorian **Domestic Animals Act 1994**, the Australian Taxation Office has its own rules and rulings for what constitutes a hobby activity and what constitutes a '**primary production business**' which apply Australia-wide:

'Generally, a business involves a set of continuous and repeated activities you do for the purpose of making a profit. Profit can be in money, but it can also be made through other means, like being paid with good or services (such as a barter deal).'

From the Australian Taxation Office point of view, breeding multiple litters may constitute a 'side hustle' and would tick the box for 'continuous and repeated' activities - one of the indicators that you are in business.

Selling or advertising puppies for sale to the general public, rather than just to friends and family, would also constitute 'business-like activities'.

The Australian Taxation Office has a section on their website to help you [determine if your breeding activities may constitute a business](#).

But it's just a hobby.....

Although there are no hard and fast rules, there are a set of 'indicators' that are used to determine whether or not a **primary production business** is occurring.

- » Whether the activities are conducted for the purposes of making a profit (whether a profit is made or not)
- » Repetition and regularity of the activities
- » Organisation, keeping of books and records relating to the activities
- » Size and scale of the operation

Even if the activity of breeding dogs begins as a hobby, there may come a time where it tips over into being a business.

The taxation office provides a lengthy 'ruling' that uses examples of hobby vs business according to their definitions. You can read it in full here:

[Taxation Ruling TR 97/11: Income tax: am I carrying on a business of primary production?](#)





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There are some examples given in the ruling document to highlight this 'hobby or recreation' division in paragraphs 86–93.

Example 17 (Paragraph 92-93 of the ruling document) is very similar to the activities of most of Dogs Victoria's registered breeders:

92. Richard was a musician and singer in a rock band. He was also interested in dressage. Richard owned a substantial land holding on which he bred horses to obtain better mounts for his dressage competitions. He trained his own horses. He belonged to the local dressage club and usually sold any unwanted and untrained offspring through his club and the local newspaper. The sale prices were well below the expenses associated with maintaining the horses. He conducted research into breeding and training techniques and tried to keep up to date with the latest information. He kept detailed records of breeding and all expenses associated with the horses. When the horses became too old to compete he put them out to pasture, as he could not bear to part with his old companions. Was Richard carrying on a business of horse breeding?

93. No, despite the keeping of records, the organisation, the repetition and regularity of activity and the research conducted, because:

- » *the activity was primarily motivated by his desire to compete and any returns were merely incidental to this purpose;*
- » *no profit was made from the activity;*
- » *there was no intention to carry on a business or to make a profit; the keeping of records, the research and the sales were all associated with Richard's dressage activities; and*
- » *there was no significant commercial purpose or character to the activity.*

In this scenario the keeping of records, researching of pedigrees, husbandry, and training techniques, membership of organisations, repeated breeding activities and sales of animals bred did not constitute a business despite ticking many of the required indicators for a business – largely because Richard was breeding for the purposes of competing, and the sales were an incidental part of his hobby.

If we apply this example to the breeding activities of many Dogs Victoria registered breeders, there are definite similarities.

Most breeders are small scale, do not produce a profit, and despite having repeated litters over the years, they are breeding to produce their next show or dog sports competition dog.

Therefore, it is likely that sales of other pups born in a litter may still constitute a hobby.

However, if you are regularly breeding litters and sell **ALL** of the puppies you breed with no intention (or history) of competing then your breeding activities may well constitute a business.

How can I be sure my dog breeding activities are not a business?

There are heavy penalties for tax avoidance, so it is important that you get proper, qualified advice for your particular situation.

Dogs Victoria would recommend that you consult a registered taxation professional and discuss your breeding activities with them.

You may also seek to have a private ruling from the Commissioner by applying to the Australian Taxation Office, either directly or through your registered tax agent.