Stick to the rules for bad debt claims
To claim for a bad debt as a tax-deductible write-off, you have to obey the rules.

These are:
1. It must be written off by the last day of the financial year. We will explain below what "written off" means.
2. You must have made reasonable efforts to collect the money. A typical reasonable effort might be several follow-up calls and written threats to take action if a debt is not repaid.
3. You must have reasonable grounds for considering you may not be paid. A typical situation would be a failed business or a business which has ceased trading or in a dispute.

What does "write off" mean?

The answer depends on how sophisticated your record keeping is. If you have a proper debtors ledger, it is easier to write off the bad debt. You put it through a process, which gets it off your debtor's ledger. Be sure to record the date you did this. Some clients just send out their invoices and keep copies. These act like a debtor's ledger. If you're one of these people, the best thing to do is to move your copy invoice into another folder and write on it "written off as a bad debt" – put the date and then sign it.

It's perfectly permissible to continue to pursue your bad debts after they are written off. If you're fortunate and get some money later, treat it as taxable income.