Print whole section

Company tax return and instructions 2024

Use these instructions to help you complete the Company tax return 2024 (NAT 0656).

Published 30 May 2024

Information to support your lodgment, administration, record keeping requirements and contact details.

Instructions to complete the company tax return 2024

Instructions for how to complete the Company tax return 2024.

Worksheet 2 other reconciliation items

Use worksheet 2 to help you reconcile items in the company tax return.

Appendixes for the company tax return

Additional information to help you understand and complete certain sections of your company tax return.

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How to get the company tax return 2024

How to get the company tax return, instructions and who should use the company tax return.

Last updated 3 July 2024

Get the company tax return

Go to [Company tax return 2024]() on our Publication Ordering Service (POS) at iorder.com.au to get a copy.

Get the company tax return instructions

For help preparing the tax return, see **Instructions to complete the Company tax return 2024**.

The *Company tax return instructions 2024* are not available in print.

You can create and save a PDF copy (1.55 MB) from this webpage – select the **Print or Download** icon under the page heading then select **PDF whole topic**.

Using the company tax return instructions

All companies, including head companies of consolidated and multiple entity consolidated (MEC) groups need to complete the *Company tax return 2024*.

When we say **you** or **your business** in these instructions, we mean either:

- you as a business entity (the company) that conducts a business
- you as the tax agent or public officer responsible for completing the tax return.

These instructions are **not** a guide to income tax law. If these instructions don't fully cover your circumstances, **contact us** or a registered tax adviser.

Continue to: **What's new for companies?**

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What's new for companies?

Find out what's new in legislation or other changes to consider when lodging the company tax return.

Last updated 10 July 2024

On this page

Small business – $20,000 instant asset write-off

The Treasury Laws Amendment (Support for Small Business, Charities, and other Measures) Act 2024 provides a temporary increase to the instant asset write-off threshold to support small business entities (with an aggregated annual turnover of less than $10 million).

Eligible small business entities are able to immediately deduct the full cost of eligible depreciating assets costing less than $20,000 that were first used or installed ready for use for a taxable purpose between 1 July 2023 and 30 June 2024.

The $20,000 threshold applies on a per asset basis, so small business entities can instantly write off multiple assets. Small business entities are also able to immediately deduct an eligible amount included in the second element of a depreciating asset's cost.

The 5-year 'lock out' rule is suspended until 30 June 2024. This rule prevented small business entities from re-entering the simplified depreciation regime if they opted out.

To claim a deduction under the **instant asset write-off**, complete item **6** – label **X – Depreciation expenses** and item **10** – label **A – Deduction for certain assets**.

For more information, see **Small Business Support – $20,000 instant asset write-off**.

Small business energy incentive

The **Treasury Laws Amendment (Support for Small Business Charities, and other Measures) Act 2024** provides businesses with an aggregated annual turnover of less than $50 million with access to a bonus deduction equal to 20% of the cost of eligible assets and improvements to existing assets that support more efficient energy use.

This is a temporary measure to support small businesses to improve their energy efficiency and save on energy bills. The bonus deduction applies to the cost of eligible assets and improvements up to a maximum amount of $100,000 with the maximum bonus deduction being $20,000.

To claim the bonus deduction for the small business energy incentive complete item **7** – label **K – Small business energy incentive**.

For more information, see **Small business energy incentive**.

Thin capitalisation

The Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Act 2024 amends thin capitalisation rules for income years starting on or after 1 July 2023.

Under the new thin capitalisation rules:

- The newly classified 'general class investors' will be subject to one of 3 new tests
  - Fixed ratio test
  - Group ratio test
  - Third party debt test.
- Financial entities will continue to be subject to the existing safe harbour test and worldwide gearing test or may choose the new third party debt test.
- Authorised deposit-taking institutions (ADIs) will continue to be subject to the existing thin capitalisation rules.
- The arm’s length debt test will be removed.

These rules are supported by the new integrity rules – debt deduction creation rules, which will apply to assessments for income years starting on or after 1 July 2024. If you answer yes at item **29** – label **O – Did the thin capitalisation provisions affect you?**, on the *Company tax return 2024*, you must also complete and lodge an **International dealing schedule 2024**.

For more information, see **Thin capitalisation**.

Trust income schedule

From the 2024 income year, if you received one or more distributions from trusts, you must complete a *Trust income schedule 2024* and attach it to your company tax return. The trust income schedule details each distribution that you receive from trusts.

Complete the schedule if you report a distribution from a trust at:

- item **6 Calculation of total profit or loss** – labels **E**, **H**
- item **7 Reconciliation to taxable income or loss** – label **A**
- item **8 Financial and other information** – labels **G**, **R**, **B**, **U**, **V**.

For information to help you complete the trust income schedule and who must complete the schedule, see **Trust income schedule and instructions 2024**.

Off-market share buy-backs and selective share cancellations

The [Treasury Laws Amendment (2023 Measures No. 1) Act 2023]() made changes to align the tax treatment of off-market share buy-backs undertaken by listed public companies with the treatment of on-market share buy-backs. It also made changes in respect of selective share cancellations undertaken by listed public companies.

As a result of these changes no part of the purchase price in respect of an off-market share buy-back undertaken by a listed public company is taken to be a dividend. In addition, a dividend distribution made by a listed public company that is consideration for the cancellation of a membership interest in itself, as part of a selective reduction of capital, is unfrankable.

A listed public company that undertakes an off-market share buy-back or selective share cancellation may be required to debit the balance of its franking account.

The changes apply to off-market buy-backs announced and undertaken by a listed public company after 7:30 pm (AEDT) on 25 October 2022, and to selective share cancellations announced and undertaken by a listed public company on or after 18 November 2022.

For listed public companies, amounts you enter at item **8** – label **J – Franked dividends paid** or label **K – Unfranked dividends paid** may be impacted by these changes.

For more information, see **Improving the integrity of off-market share buy-backs**.

Franked distributions funded by capital raisings

The Treasury Laws Amendment (2023 Measures No. 1) Act 2023 amends the *Income Tax Assessment Act 1997* to add distributions funded by capital raisings to the list of distributions that are unfrankable.

For more information, see **Franked distributions funded by capital raisings**.

Offshore banking unit regime

The Treasury Laws Amendment (2021 Measures No. 2) Act 2021 amends Australia's Offshore Banking Unit (OBU) Regime. This change became law on 13 September 2021.

The government has removed the concessional tax treatment for OBUs in respect of offshore banking activities, effective from the start of the OBU’s 2023–24 income year.

Rules that deem an OBU to have only paid a fraction of its foreign income tax on its assessable OB income also no longer apply. This means you will need to calculate the foreign income tax offset (FITO) using the ordinary rules.

For interest paid on or after 1 January 2024, the government has also removed the interest withholding tax exemption for OBUs.

For more information, see **Changes to Australia's Offshore Banking Unit Regime**.

AASB 17 accounting standard

The Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Act 2024 amends Division 321 of the *Income Tax Assessment Act 1997* to broadly align the treatment of general insurance contracts with the AASB 17 accounting standard.

This change to tax law allows general insurers to continue to use audited financial reporting information, calculated according to the new standard, as the basis for their tax returns. This measure is effective for income years starting on or after 1 January 2023.

New items in the Company tax return 2024

In the *Company tax return 2024*, the following labels have been added:

- Item **7** Reconciliation to taxable income or loss
  - Label **K** Small business energy incentive
- Item **24** Digital games tax offset
  - label **A** Current year refundable DGTO amount being claimed
  - label **B** Total amount of current year DGTO already claimed or being claimed by related companies.

Removed items in the Company tax return 2024

In the *Company tax return 2024*, the following labels have been removed:

- Item **7** Reconciliation to taxable income or loss
  - label **L** Small business technology investment boost
  - label **P** Offshore banking unit adjustment
- Item **9** Capital allowances
  - labels **P to U** – the temporary full expensing opt out related labels
- Item **13** Losses information
  - All tax loss carried back related labels (except labels **U** and **V**).

Continue to: How to lodge your company tax return and pay

Return to: How to get the Company tax return 2024

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How to lodge your company tax return and pay

How and when to lodge the company tax return, including the first tax return and the payment options available.

Published 30 May 2024

On this page

Lodging the company tax return and schedules

Companies that derived assessable income in 2023–24 must lodge a company tax return for 2023–24.

Companies that carry forward losses (that exceed $1,000) to 2024–25 must also lodge a tax return for 2023–24, even when no assessable income was derived in 2023–24.

Non-profit companies that are residents and have taxable income of $416 or less don't have to lodge a tax return, unless specifically requested.

Keep records so that the information you report in your tax return can be verified at a later date, if required.

For a list of schedules that you can send with your *Company tax return 2024*, see **Schedules for companies**. If you lodge a schedule separately from your tax return, complete the taxpayer's declaration section of the schedule.

Don't send other unlisted schedules or documents with your *Company tax return 2024*. Keep these schedules or documents with your tax records.

You can lodge elections required by Taxation Ruling **IT 2624** *Income tax: company self assessment; elections and other notifications; additional (penalty) tax; false or misleading statement* with your company tax return.

First company tax return

Apply for a tax file number (TFN) before lodging your first tax return to ensure that payments are credited to the correct account. You can apply for a TFN at abr.gov.au.

If the company has applied for a TFN, but has not received notification of its TFN at the time of lodging its *Company tax return 2024*, include a copy of the TFN application with the tax return. Prominently highlight the TFN application with the following words in block letters:

> ‘ATTENTION COPY ONLY – TFN NOT RECEIVED WHEN LODGING 2024 TAX RETURN’

There may be delays in processing a tax return lodged without a TFN.

If the company does not have a copy of the original TFN application, **contact us**.

Lodgment due date

The date for lodgment of the company tax return (including any relevant schedules) is notified in a legislative instrument on the Federal Register of Legislation.

We may allow later lodgment dates, see **income tax due dates for lodging and paying**.

Companies with an approved substituted accounting period (SAP), see **due dates for SAPs**.

You must lodge your tax return and all the required schedules by the due date.

If you lodge your tax return without all the required schedules, we may not consider it to have been lodged in the approved form.

Unless your tax return and all schedules are lodged by the due date, you may be charged a penalty for failing to lodge on time.

Don't attach your payment to your company tax return, see How to pay your company's tax debt.

Lodgment address

The postal address for lodgment of your company tax return is below.

> **Australian Taxation Office**
> **GPO Box 9845**
> **IN YOUR CAPITAL CITY**

The address must appear as shown above.

Don't send payments to this address**,** for payment information see How to pay your company's tax debt.

To write to us, send your correspondence to:

> **Australian Taxation Office**
> **PO Box 9990**
> **PENRITH NSW 2740**

Lodging the tax return from outside Australia

Foreign resident companies carrying on a business in Australia or deriving Australian income need to provide an Australian address for service in their tax return.

This may be an Australian postal address.

If you have no Australian postal address, provide the address of the appointed public officer.

If the tax return relates only to a foreign resident capital gain under Division 855 and there is no presence in Australia, an overseas address is acceptable.

If you are sending your paper tax return from outside Australia, post it to:

> **Australian Taxation Office**
> **GPO Box 9845**
> **SYDNEY NSW 2001, AUSTRALIA**

How to pay your company's tax debt

How and when to pay your tax debt and what to do if you can't pay your tax debt when due.

Paying your tax debt

The tax payable by a company for an income year becomes due and payable on the statutory due date, which is the first day of the sixth month of the following income year. For example, for 30 June balancing companies the statutory due date is 1 December.

We offer a range of convenient payment options, for the full list, see **How to pay**. Your payments must reach us on or before the due date.

When you use a valid **payment reference number** (PRN), your payment may take up to 4 business days to appear on your ATO account.

We apply **general interest charge (GIC)** to any outstanding amounts owing after the due date.

If you can't pay your tax debt when due

You are expected to organise your affairs to ensure that you pay your debts on time.

If you can't pay your debt on time, you may be eligible for a **payment plan**. You need to consider how much you can pay so you can meet each ongoing payment amount, and future obligations.

We recommend you use the **payment plan estimator** to work out a plan you can afford.

Even if you enter into a payment plan, GIC will accrue on the unpaid amount on a compounding basis. If your business owes $200,000 or less you can set up a payment plan:

- through Online Services for business – select **Accounts and payments** then **Payment plans**
- through your registered tax agent or BAS agent who can use online services to enter a payment plan on your behalf
- by phoning our **automated service for business enquiries**.

To set up a payment plan, you need your Australian business number (ABN) or tax file number (TFN), and the full details of your outstanding amount.

If your business owes over $200,000, phone our **lodge and pay enquiry line** during operating hours to discuss your options.

Continue to: **Schedules for companies**

Return to: **What's new for companies?**

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Schedules for companies

Get the information and schedules that you may need to complete and attach to your company tax return.

Last updated 3 July 2024

On this page

About the company schedules

Complete only one copy of each appropriate schedule.

Attach all completed schedules to *Company tax return 2024* unless specified otherwise.

Lodge your tax return and all the required schedules by the **due date**.

If you lodge your tax return without all the required schedules, we may not consider it to have been lodged in the approved form.

If you don't lodge your tax return and all schedules by the due date, you may be charged a penalty for failing to lodge on time.

Part-year subsidiary members of consolidated or multiple entry consolidated (MEC) groups lodging a company tax return for the non-membership period must complete all relevant schedules for the non-membership period, if required by the following instructions.

Schedule of additional information

Where we refer to a schedule of additional information, you must record any additional information on a separate sheet of paper and attach it to the tax return.

Capital gains tax schedule

Companies that have one or more capital gains tax (CGT) event happen during the income year must complete a *Capital gains tax schedule 2024*.

Complete and attach the CGT schedule to the tax return if either your:

- total current year capital gains are greater than $10,000
- total current year capital losses are greater than $10,000.

The **head company** of a consolidated or MEC group (as head company of the consolidated or MEC group and while not a subsidiary member of another consolidated or MEC group) must complete a *Capital gains tax (CGT) schedule 2024* subject to the thresholds above.

If a **subsidiary member** of a consolidated or MEC group must lodge a company tax return for any non-membership periods during the year of income, then that company may also need to lodge a *Capital gains tax (CGT) schedule 2024* for the non-membership periods.

For help completing the schedule and a copy of the schedule, see Capital gains tax schedule and instructions 2024.

You may also need the:

- capital gain or capital loss worksheet 2024 – for calculating a capital gain or capital loss for each CGT event
- CGT summary worksheet 2024 – for calculating a net capital gain or net capital loss for the income year.

Consolidated groups losses schedule

A head company of a **consolidated group or MEC group** must complete a *Consolidated groups losses schedule 2024*.

Complete and attach it to the *Company tax return 2024* if **any** of the following apply:

- The total of the group's tax losses and net capital losses carried forward to later income years is more than $100,000.
- The total tax losses and net capital losses transferred from joining entities is more than $100,000.
- The total of its deducted tax losses and applied net capital losses is greater than $100,000.
- It has an interest in a controlled foreign company (CFC) that has current year losses greater than $100,000.
- It has an interest in a CFC that has deducted or carried forward a loss to later income years greater than $100,000.
- It is a life insurance company or is treated as a life insurance company under subdivision 713-L of the ITAA 1997, and the total of complying superannuation class tax losses and net capital losses carried forward to later income years is greater than $100,000.

Transfer the totals of tax losses carried forward and net capital losses carried forward in Part A of the *Consolidated groups losses schedule 2024* to item 13 Losses information – labels **U** and **V** in the *Company tax return 2024*.

For help completing the schedule and a copy of the schedule, see Consolidated groups losses schedule instructions 2024.

If a head company needs to complete a *Consolidated groups losses schedule 2024*, it may also need to complete a *Capital gains tax schedule 2024*.

Losses schedule

Complete the *Losses schedule 2024* and attach it to the *Company tax return 2024,* if your company doesn't need to submit a *Consolidated groups losses schedule 2024,* and any of the following apply:

- It has total tax losses and net capital losses carried forward to later income years greater than $100,000.
- It can only deduct a tax loss or apply a net capital loss in the income year or a later income year if the business continuity test has been satisfied (The 'same business test' and the 'similar business test'

are collectively known as 'business continuity test' – for more information, see How to claim a tax loss).

- Having passed the continuity of ownership test, it deducted tax losses and applied net capital losses totalling more than $100,000.
- It has a changeover time that occurred after 1:00 pm by legal time in the ACT on 11 November 1999 and determined that it has an unrealised net loss as defined in the provisions of Subdivision 165-CC of the ITAA 1997.
- It is a life insurance company and the total of complying superannuation class tax losses and net capital losses carried forward to later income years is greater than $100,000.
- It has an interest in a CFC that has 2023–24 CFC losses greater than $100,000.
- It has an interest in a CFC that has deducted or carried forward a loss to later income years greater than $100,000.

If the company is required to complete a *Losses schedule 2024*, transfer the totals of the amounts at Part A of the *Losses schedule 2024* to item **13 Losses information** labels **U** and **V** on the *Company tax return 2024*.

If a company needs to complete a *Losses schedule 2024* under the above criteria, it may also need to complete a *Capital gains tax schedule 2024*.

If a subsidiary member of a **consolidated or MEC group** must lodge a company tax return for any non-membership periods during the year of income, that company may also need to lodge a *Losses schedule 2024* for the non-membership periods.

For help completing the schedule and a copy of the schedule, see Losses schedule and instructions 2024.

Trust income schedule

Complete a *Trust income schedule 2024* if you received one or more distributions from trusts and attach it to your company tax return.

These are amounts you show at:

- item **6 Calculation of total profit or loss** – label **E**, **H**
- item **7 Reconciliation to taxable income or loss** – label **A**
- item **8 Financial and other information** – labels **G**, **R**, **B**, **U**, **V**.

For help completing the schedule, who must complete it and a copy of the schedule, see Trust income schedule and instructions 2024.

Research and development tax incentive schedule

Complete the *Research and development tax incentive schedule 2024,* if you make a claim for an R&D tax offset under the R&D tax incentive, that is, Division 355 of the ITAA 1997 at either:

- Item **21 Non-refundable R&D tax offset** – label **A**.
- Item **21 Refundable R&D tax offset** – label **U**.

You must complete, attach and lodge it with the *Company tax return 2024*.

We have a requirement to publish the research and development (R&D) expenditure a company claims 2 years after the end of financial year. We will use information from the R&D tax incentive schedule to meet our publishing obligations.

For information, see About the R&D program.

For help completing the schedule and a copy of the schedule, see Research and development tax incentive schedule and instructions 2024.

You don't need to complete the *Research and development tax incentive schedule 2024,* if:

- you have **additional assessable income** in relation to a clawback amount, but are not claiming a tax offset under the R&D tax incentive in this income year – you will still need to work out this amount and include it at both
  - item **21 Research and development tax incentive** – label **W**
  - item **7 Reconciliation to taxable income or loss** – label **B** in the *Company tax return 2024* (for information about how you work out your clawback amount, see Part B of the Research and development tax incentive schedule instructions 2024).
- you have a **deductible balancing adjustment amount** but are not claiming a tax offset under the R&D tax incentive in this year of income – you will still need to work out the catch up deduction for the deductible balancing adjustment and include it in the company tax return at
  - item **21 Research and development tax incentive** – label **X**

- item **7 Reconciliation to taxable income or loss** – label **X** (for information to work out your deductible balancing adjustment, see **Part B** of the *Research and development tax incentive schedule 2024 instructions*).

If a subsidiary member of a **consolidated or MEC group** must lodge a company tax return for any non-membership periods during the year of income, that company may also need to lodge a *Research and development tax incentive schedule 2024* for the non-membership periods.

If you request an amendment

If your company has made a request for an amendment that includes changes to its R&D claim, you must complete a *Research and development tax incentive schedule 2024* that shows the figures you amend.

Send the amended schedule, with a letter requesting the amendment, to:

Australian Taxation Office
PO Box 3004
PENRITH NSW 2740

Reportable tax position schedule

Companies must lodge a reportable tax position (RTP) schedule if they meet the RTP schedule lodgment criteria.

Where a company is required to lodge, you must select **Yes** at item **25** label **B Are you required to lodge a reportable tax position schedule?** in the *Company tax return 2024*.

Complete and attach the *Reportable tax position schedule 2024* to the *Company tax return 2024*.

A RTP is one or more of the following:

- Category A – a position that is about as likely to be correct as incorrect or less likely to be correct than incorrect.
- Category B – a position in which uncertainty about taxes payable or recoverable is recognised or disclosed in the taxpayer's financial statements or a related party's financial statements.
- Category C – a reportable arrangement.

For help completing the schedule and a copy of the schedule, see **Reportable tax position schedule and instructions 2024**.

International dealings schedule

Company's where the relevant information is reported in the company tax return must complete the *International dealings schedule 2024*.

Complete and attach the *International dealings schedule 2024* to the *Company tax return 2024*.

If a subsidiary member of a **consolidated or MEC group** must lodge a company tax return for any non-membership periods during the year of income, that company may also need to lodge an *International dealings schedule 2024* for the non-membership periods.

For help completing the schedule and a copy of the schedule, see **International dealings schedule and instructions 2024**.

Thin capitalisation rules

If your company is subject to the thin capitalisation rules, see **item 29** and **Appendix 6**, you must complete and attach the *International dealings schedule 2024* to the C*ompany tax return 2024*.

For help completing the schedule and a copy of the schedule, see **International dealings schedule instructions 2024**.

For guidance in applying the arm's length debt test in Division 820 of the *Income Tax Assessment Act 1997*, see Practical Compliance Guidance **PCG 2020/7** *Arm's length debt test – ATO compliance approach*.

Dividend and interest schedule

You must lodge a *Dividend and interest schedule 2024* that shows the information listed below.

Complete and attach the *Dividend and interest schedule 2024* to the *Company tax return 2024*.

Companies who are required to report the same information in an **Annual investment income report** (AIIR) for the 2023–24 year **don't** have to lodge the Dividend and interest schedule.

Complete and attach the *Dividend and interest schedule 2024* to the *Company tax return 2024*. It must show:

- the names, addresses, dates of birth and tax file numbers (TFNs) or Australian business numbers (ABNs), where quoted, of all shareholders (including employee shareholders in a consolidated or MEC group) to whom dividends, or deemed dividends, have been paid during 2023–24 (or approved substituted accounting period (SAP))
- the amount of dividends paid to each shareholder, and any franking credits for that amount (you show unfranked dividends that are and are not declared to be conduit foreign income (CFI) at separate items)
- the names, addresses, dates of birth and TFNs or ABNs, where quoted, of all investors, other than those investors in the business of providing business or consumer finance, to whom interest of $1 or more was paid or credited during 2023–24 (or approved SAP), and the amount of interest paid or credited to each person
- where dividend or interest amounts are paid more than once during 2023–24 to the same investor, aggregate the amounts and report the investor's details once
- nil returns are not required.

Consolidated and MEC groups

Consolidated and MEC groups **don't include**:

- dividends paid under a demerger unless the head entity of the demerger group elected under **subsection 44(2)** of the *Income Tax Assessment Act 1936* (ITAA 1936) to treat those dividends as assessable income
- dividends paid by one member to another within a consolidated or MEC group
- interest paid by one member to another within a consolidated or MEC group.

Consolidated and MEC groups **include** interest paid or credited by a subsidiary member of a consolidated or MEC group to an investor outside the group.

If a subsidiary member of a consolidated or MEC group must lodge a company tax return for any non-membership periods during the year of income, that company must also lodge a schedule showing the above details for dividends or interest paid during the non-membership periods.

For a copy of the schedule, see **Dividend and interest schedule 2024**.

You can lodge the schedule with the company tax return or under separate cover. You must lodge it by the due date for lodgment of the company tax return for companies whose income year ends on 30 June 2024.

Companies with an approved SAP must lodge their schedule by 31 October 2024 or the due date for lodgment of their company tax return, whichever is later.

If you are lodging your schedule separately from your company tax return, complete the Taxpayer's declaration section.

Non-individual PAYG payment summary schedule

Pay as you go (PAYG) withholding applies to several withholding events including:

- payments for a supply where no ABN is quoted
- payments arising from investments where no TFN or ABN is quoted
- certain payments to foreign residents described in the Taxation Administration Regulations 2017 (sections 31–33 have foreign resident withholding provisions) and former *Taxation Administration Regulations 1976* (regulations 44A–44D have foreign resident withholding provisions).

If the company has had an amount withheld from payments covered by PAYG withholding, the payer should have given the company a payment summary. A payer may issue a receipt, remittance advice or similar document in place of the approved form. If the company did not receive or has lost its copy of the payment summary, contact the payer responsible and request a signed photocopy of the payer’s copy.

Complete and attach a *Non-individual PAYG payment summary schedule 2024* to the *Company tax return 2024,* if your company has an amount at:

- Item **6 Income** – label **A Gross payments where ABN not quoted**.
- Item **6 Income** – label **B Gross payments subject to foreign resident withholding** (except where the amount is from partnership or trust distributions).
- **Calculation statement** – label **H2 Credit for tax withheld – foreign resident withholding**.

- **Calculation statement** – label **H3 Credit for tax withheld where ABN is not quoted**.

Income subject to foreign resident withholding that has been included in a distribution received by the company from a partnership or trust is declared at either:

- item **6 Income** – label **D Gross distribution from partnerships**
- item **6 Income** – label **E Gross distribution from trusts**.

However, a *Non-individual PAYG payment summary schedule 2024* is not required for these distributions because they don't have an associated payment summary.

For a copy of the schedule, see Non-individual PAYG payment summary schedule.

Completing the Non-individual PAYG payment summary schedule 2024

Write the company's TFN and name in the appropriate boxes at the top of the schedule.

From each PAYG payment summary – withholding where ABN not quoted and PAYG withholding from foreign residents – payment summary, record on the *Non-individual PAYG payment summary schedule 2024*:

- the appropriate letter for your type of withholding
  - **F** for foreign resident withholding
  - **N** for withholding where an ABN is not quoted
- payer's ABN (or withholding payer number)
- total tax withheld
- gross payment
- payer's name.

Don't attach copies of any payment summary to the company tax return. Keep the payment summaries with the company's copy of the tax return. Keep a copy of the *Non-individual PAYG payment summary schedule 2024* with the company's tax records.

If a subsidiary member of a **consolidated or MEC group** must lodge a company tax return for any non-membership periods during the year of income, that company may also need to lodge a *Non-individual*

PAYG payment summary schedule 2024 for the non-membership periods.

Continue to: General administration for companies

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General administration for companies

Information to support your lodgment, administration, record keeping requirements and contact details.

Last updated 3 July 2024

On this page

Director identification number

New directors must apply for their director ID before appointment from 1 November 2022.

You require a [director identification (ID) number](#) for the director or alternate director of:

- a company, registered Australian body, or registered foreign company under the *Corporations Act 2001* (Corporations Act)
- an Aboriginal and Torres Strait Islander corporation registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act).

The fastest way to get your director ID is to apply online.

Single Touch Payroll

With **Single Touch Payroll** (STP) you report your employees' payroll information to us each time you pay them through STP-enabled software. It is a mandatory obligation, and there are different reporting options depending on the number and type of your employees.

We have a range of **resources** to help you understand STP reporting.

Report of entity tax information

Under the corporate tax transparency reporting requirements, we publish a **report of entity tax information** about corporate tax entities with total income equal to or exceeding $100 million.

This threshold is applicable from the 2022–23 income year and onwards.

The information will be extracted from tax returns and amendments by the relevant entity that have been processed by 1 September in the year following the one being reported. We publish the report around November. For example, information from 2022–23 is extracted on 1 September 2024 and we will publish it around November 2024.

The information you include at items **1**, **2** and **3**, along with certain income labels, will be used to identify entities for inclusion in the report.

Information matching

We use information-matching technology to verify the correctness of tax returns to ensure that all information is fully and correctly declared on the company tax return.

If possible, the company tax return should fully itemise all investment income, rather than including the income in gross business income or profit and loss statements. Failure to do so could result in the company receiving an income discrepancy query letter from us.

Ensure that the company has not quoted an individual's TFN to a financial institution for any income it intends to declare in a company tax return, or vice versa.

In particular, we will check the following in the 2024 tax returns:

- distributions from partnerships and trusts, including unit trusts
- income and credits for withholding if an ABN has not been quoted against information provided to us by payers
- total salary and wages paid against the PAYG withholding system
- the amount of prior year losses claimed which will be reconciled with the amounts of losses carried forward on tax returns of earlier years
- dividend and interest income.

Record keeping requirements

If you carry on a business, you must **keep records** that record and explain all transactions and other acts you engage in that are relevant for any taxation purpose.

This includes:

- Record keeping and retention
- Consolidated or MEC groups
- Recording the choice of superannuation fund
- Keeping records for capital gains tax
- Keeping records for uniform capital allowances and depreciation claims
- Keeping records of tax losses
- Keeping records for overseas transactions and interests
- Record keeping provisions.

Record keeping and retention

Subsection 262A(2) of the ITAA 1936 prescribes the records to be kept as including:

- any documents that are relevant for the purpose of ascertaining the person’s income or expenditure
- documents containing particulars of any election, choice, estimate, determination or calculation made by the person for taxation purposes and, in the case of an estimate, determination or calculation, particulars showing the basis on which, and the method by which, the estimate, determination or calculation was made.

You must keep these records for your financial arrangements covered by the Taxation of Financial Arrangements (TOFA) rules even if you are not carrying on a business in relation to those arrangements.

Generally, a company must keep all relevant records for the later of either:

- 5 years after those records were prepared or obtained
- 5 years after the completion of the transactions or acts to which those records relate.

The 5 year period may be extended in certain circumstances.

Keep business records in writing and in English. You can keep them in an electronic form or on microfiche as long as the records are in a form that we can access and understand to determine your taxation liability.

For more about general record keeping principles and keeping electronic records, see:

- Taxation Ruling TR 96/7 *Income tax: record keeping – section 262A – general principles*
- Taxation Ruling TR 2018/2 *Income tax: record keeping and access – electronic records*.

The company is not expected to duplicate records. If the records that the company keeps contain the information specified in these instructions, you don't need to prepare additional records.

For some items on the tax return, these instructions refer to specific record-keeping requirements. In general, the records specified relate to instances where the required information may not be available in the normal company accounts.

The record-keeping requirements in the instructions indicate the information that the company uses to calculate the correct amounts to declare on the tax return. The record-keeping requirements are not an exhaustive list of the records that a company maintains.

Prepare and keep the following documents:

- a statement of financial position
- a detailed operating statement
- livestock and produce accounts for primary producers
- notices and elections
- documents containing particulars of any estimate, determination or calculation made for the purpose of preparing the tax return, together with details of the basis and method used in arriving at the amounts on the tax return
- a statement describing and listing the accounting systems and records – for example, chart of accounts that are kept manually and electronically.

If an audit or review is conducted, we may request, and a company is expected to make readily available:

- a list and description of the main financial products (for example, bank overdrafts, bills, futures and swaps) that were used by the company to finance or manage its business activities during the income year
- for companies that have entered into transactions with associated entities overseas
  - an organisational chart of the company group structure
  - all documents, including worksheets, that explain the nature and terms of the transactions entered into.

The company will be liable to pay interest, in addition to the shortfall amount, if it doesn't declare the correct amount of taxable income or tax payable. Penalties may also apply.

For more information, see Significant global entities – penalties.

The company is also liable to penalties if it doesn't keep records, or keeps inadequate records, about business transactions or the items disclosed on the tax return.

For guidelines on record-keeping obligations and remission of penalty for failure to keep or retain records, see Law administration practice statement PS LA 2005/2 *Penalty for failure to keep or retain records*.

Consolidated or MEC groups

Generally, the head company of a consolidated or MEC group must keep records that, among other things, document:

- the choice in writing to form a consolidated group or MEC group
- the process of forming the group
- entries and exits of subsidiary members into and out of the group
- events which result in an entity being no longer eligible to be a head company or provisional head company (PHC)
- consolidation eliminations or adjustments to derive the income tax outcome for the head company of the group.

This would be in addition to those records usually retained to ascertain the income tax liability of the head company.

You will need to ensure you keep all documents containing particulars of any election, choice, estimate, determination or calculation and allocation processes. This includes showing the basis on and method by which the estimate, determination or calculation and allocation processes whereas made under the consolidation regime.

Recording the choice of superannuation fund

You must keep records to show that you have met your employer obligations about the **choice of superannuation fund**.

Keeping records for capital gains tax

A company must keep records of everything that affects its capital gains and capital losses for at least 5 years after the relevant capital gains tax (CGT) events.

If a company carries forward a net capital loss, the company should generally keep records of the CGT event that resulted in the loss for, whichever is the longer of:

- 5 years from the year in which the loss was made
- 4 years from the date of assessment for the income year in which the capital loss is fully applied against capital gains.

For more information, see:

- **Guide to capital gains tax 2024**
- Taxation Determination **TD 2007/2** *Income tax: should a taxpayer who has incurred a tax loss or made a net capital loss for an income*

year retain records relevant to the ascertainment of that loss only for the record retention period prescribed under the income tax law?

- Taxation Ruling **TR 2002/10** *Income tax: capital gains tax: asset register*.

Keeping records for uniform capital allowances and depreciation claims

You generally need to **keep records of depreciating assets** for as long as you have the asset, and then another 5 years after you sell, or otherwise dispose of, the asset. Different time periods and requirements apply if:

- the depreciating asset is in a low-value pool
- the depreciating asset is subject to rollover relief.

Failure to provide records when requested in a review or audit may lead to record keeping penalties.

Keeping records of tax losses

If a company incurs tax losses, it may need to keep records longer than 5 years from the date on which the losses were incurred. Generally, tax losses incurred can be carried forward indefinitely until they are applied by recoupment or, in very limited circumstances, transferred to another group company. When applied, the loss amount is a figure that leads to the calculation of the company's taxable income in that year. It is in the company's interest to keep records substantiating the ascertainment of this year's losses until the amendment period for the assessment in which these losses are applied has lapsed (up to 2 or 4 years from the date of that assessment).

The head company of a consolidated group (or provisional head company of a MEC group) must keep all documents containing particulars, including the basis and methods for determining losses transferred to the group, losses utilised and the available fractions calculated for the loss bundles transferred from joining entities (including the head company) at the date the group was brought into existence, and any losses transferred from joining entities after that date and at any other adjustment event.

For more information, see Taxation Determination **TD 2007/2** *Income tax: should a taxpayer who has incurred a tax loss or made a net capital loss for an income year retain records relevant to the* *ascertainment of that loss only for the record retention period prescribed under income tax law?*

Keeping records for overseas transactions and interests

Keep records of any **overseas transactions** in which the company is involved, or has an interest, during the income year.

The involvement can be direct or indirect – for example, through persons, trusts, companies or other entities. The interest can be vested or contingent, and includes a case where the company has direct or indirect control of either:

- any income from sources outside Australia not disclosed elsewhere on the tax return
- any property, including money, situated outside Australia. If this is the case, keep a record of
  - the location and nature of the property
  - the name and address of any partnership, trust, business, company or other entity in which the company has an interest
  - the nature of the interest.

If an overseas interest was created by exercising any power of appointment, or if the company had an ability to control or achieve control of overseas income or property, keep a record of:

- the location and nature of the property
- the name and address of any partnership, trust, business, company or other entity in which the company has an interest.

Record keeping provisions

Summary of your record keeping provisions to consider

Type of provision	Legislative Reference
General provision – records to be kept: • that record and explain all transactions • are in English or so as to be readily accessible and easily convertible into English	Section 262A – ITAA 1936 Section 132 – FBTAA 1986 Section 79 – SGAA 1992 Section 112 – PRRTAA 1987 (records must be retained for 7 years)

- that enable the entity's liability under the relevant Act or compliance with obligations to be readily ascertained - for 5 years (except if otherwise indicated).	Division 382, Section 396-25 & Section 396-125 – TAA 1953 Schedule 1
Controlled foreign companies	Part X Division 11 – ITAA 1936
Imputation	Subdivision 214-E – ITAA 1997
Forgiveness of commercial debts	Section 245-265 – ITAA 1997
Capital gains tax	Division 121 – ITAA 1997
Thin capitalisation	Subdivision 820-L – ITAA 1997
Coronavirus economic response payments	Sections 15 and 16 – CERPABA 2020
Grants or benefits claims	Sections 26 and 27 – PGBAA 2000
Accruals system of taxation of certain non-resident trust estates	Section 102AAZG – ITAA 1936

Private ruling by the Commissioner of Taxation

A **private ruling** is binding advice that sets out how a tax law applies to a company for a specified scheme or circumstance.

The easiest way to **apply for a private ruling** is to use one of the approved forms. They help you provide the information we need.

Amendment under self-assessment

You can alter your taxable income or the amount shown for tax offsets or some credits after you lodge your tax return. You can request an amendment to a tax assessment or lodge an objection disputing an assessment, generally up to 2 or 4 years following the assessment:

- 2 years for most companies that are small or medium businesses
- 4 years for all other companies.

The 2 year time limit for medium businesses applies to assessments for income years starting on or after 1 July 2021.

For more information, see **Request an amendment to a business or super tax return**.

Penalties, shortfall interest charges, general interest charges

Find out about penalties and interest charges we may impose, including:

- penalties
- shortfall interest charge
- general interest charge.

Winding down, liquidating or being deregistered

If the company is winding down, liquidating or being deregistered, ensure it has complied with its lodgment, reporting, payment and other administrative responsibilities. See, **Exiting a business**.

If you are a trustee appointed under the *Bankruptcy Act 1966*, you may also have **Administrative responsibilities**.

Contact details

Contact details if you need to speak to a client service representative.

To speak to a client service representative, **contact us**.

If you're from non-English speaking background and need help, phone the Translating and Interpreting Service (TIS National) on **13 14 50**.

If you have difficulty hearing or speaking to people who use a phone, you can contact us through the National Relay Service (NRS).

Continue to: **Instructions to complete the Company tax return 2024**

Return to: **Schedules for companies**

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Instructions to complete the company tax return 2024

Instructions for how to complete the Company tax return 2024.

Published 30 May 2024

Company information

Instructions for how to complete the company information on the company tax return.

Items 1 to 5

Instructions for how to complete the labels for items 1 to 5 of the company tax return.

Items 6 to 14

Instructions for how to complete the labels for items 6 to 14 of the company tax return.

Information statement – items 15 to 25

Instructions for how to complete the labels for items 15 to 25 of the company tax return.

Overseas transactions, interests or thin capitalisation – items 26 to 30

Instructions for how to complete the labels for items 26 to 30 of

Calculation statement

Instructions for how to complete the calculation statement on the company tax return.

Declarations

Instructions for how to complete the declarations on the company tax return.

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Company information

Instructions for how to complete the company information on the company tax return.

Last updated 3 July 2024

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Tax file number (TFN)

Write the TFN of the company in the boxes provided.

If the company has not previously been allocated a TFN, include a copy of the TFN application with the tax return, prominently highlighted with the words in block letters 'ATTENTION COPY ONLY – TFN NOT RECEIVED AT THE TIME OF LODGING 2024 TAX RETURN'.

If the company has not applied for a TFN, complete a TFN application and attach it to the tax return. There may be delays in processing a tax return you lodge without a TFN.

The head company of a **consolidated or multiple entry consolidated (MEC) group** continues to use its existing TFN.

Name of company

When recording the name of the company:

- write the company name exactly as it appears on the company certificate of incorporation (also known as a certificate of registration) unless the company name is legally changed
- for subsequent tax returns, ensure that the company name is consistent from year to year unless the name changes.

If the company name is legally changed, notify us of the change at the time the change is made.

You can update your details:

- online through Australian Business Register or Online services for businesses
- by phone – if you're an authorised contact for the company, phone us on the business enquiries line (not applicable for adding or updating public officer details)
- by lodging a form – order the *Change of registration details* form (NAT 2943) using our **publication ordering service**
- through your registered tax agent or BAS agent.

Write on the tax return the current company name as registered with the Australian Securities & Investments Commission (ASIC).

For a **consolidated or MEC group**, use the head company's name.

Australian business number (ABN)

Write the ABN of the company in the boxes provided if the company is registered on the Australian Business Register (ABR).

For a **consolidated or MEC group**, write the ABN of the head company. It is important to use the correct ABN to avoid delays in processing the tax return.

We are authorised by the *A New Tax System (Australian Business Number) Act 1999* and other taxation laws to collect certain information relating to your entity, see Privacy statement – ABR transaction site.

You can find details of agencies that regularly receive information from the ABR at Your business information on the ABR.

Previous name of company

If the company name has changed, write the previous name exactly as shown on the last lodged tax return.

Write the Australian company number (ACN) or Australian registered body number (ARBN) in the boxes provided.

Current postal address

If the current postal address for the company has not changed, write the address exactly as shown on the last tax return lodged.

If outside Australia you must provide an Australian address, see **Lodging the tax return from outside Australia**.

Use C/- when 'care of' is part of an address, it is the only acceptable format. Using any other term will delay the processing of the tax return.

Postal address on previous tax return

If the address has changed from the previous tax return, write the address exactly as shown on the last lodged tax return.

Use C/- when 'care of' is part of an address, it is the only acceptable format. Using any other term will delay the processing of the tax return.

Business address of main business

Write the street address of the main business. It is the place where most of the business decisions are made.

For a **consolidated or MEC group**, write the business address of the head company.

Final tax return

If there will be no requirement for the company to lodge tax returns in future income years, print **X** in the **Yes** box at this item.

Otherwise, print **X** in the **No** box.

Subsidiary members of **consolidated or MEC groups** should not print **X** in the **Yes** box, if membership of the consolidated or MEC group is the only basis on which the company will not be required to lodge future tax returns.

If the company is **winding down, liquidating, or being deregistered**, ensure it has complied with its lodgment, reporting, payment and other administrative responsibilities.

Electronic funds transfer (EFT)

We need your financial institution details to pay any refund owing to the company, even if you provided them to us before.

Write the following details in the boxes provided on the form:

- Bank State Branch (BSB) number – this number has 6 digits, don't include spaces or hyphens
- account number – this number has no more than 9 digits, don't include spaces or hyphens
- account name – for example, Citizen Pty Ltd
  - don't show account type, such as cheque in the account name. Include spaces between each word and initials where required
  - if it exceeds 32 characters, provide the first 32 characters only.

We can only pay the refund into a recognised financial institution account located in Australia.

Continue to: **Items 1 to 5**

Return to: **Instructions to complete the Company tax return 2024**

Items 1 to 5

Instructions for how to complete the labels for items 1 to 5 of the company tax return.

Published 30 May 2024

1 Ultimate holding company name and ABN or country code

Instructions to help you complete the ultimate and immediate holding company name and ABN or country code.

2 Description of main business activity

Instructions to help you complete your main business industry code and percentage of foreign shareholders.

3 Status of company

Instructions to help you complete the labels to provide information about the status of your company.

4 Interposed entity election status

Instructions to help you complete your interposed entity election status.

5 Country-by-country reporting entities – GPFS obligation

Instructions to help you with GPFS obligations.

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1 Ultimate holding company name and ABN or country code

Instructions to help you complete the ultimate and immediate holding company name and ABN or country code.

Published 30 May 2024

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Item 1 Report of entity tax information

We use the information you include at item **1**, along with certain income labels to identify entities for inclusion in the Report of entity tax information.

Ultimate holding company name and ABN or country code

Write the name of the ultimate holding company in the group.

This is the company that has ownership and controlling interest over the whole group of companies of which the company lodging the *Company tax return 2024* and the immediate holding company form part.

For a **consolidated or multiple entry consolidated** (**MEC) group**, write the name of the ultimate holding company of the head company.

If the ultimate holding company is registered on the ABR, write the ABN of the ultimate holding company.

If it is resident in another country, give the code for that country, see Appendix 2.

Immediate holding company name and ABN

If the company has no immediate holding company, don't complete this item. Otherwise write the name of the immediate holding company.

This is the company that has the largest share of the controlling interest in the operations of the company lodging the company tax return, and that is immediately above that company in the company group. If it is registered on the ABR, write the ABN of the immediate holding company.

For a **consolidated or MEC group**, write the name of the immediate holding company (if any) of the head company.

Continue to: **2 Description of main business activity**

Return to: **Instructions to complete the Company tax return 2024**

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2 Description of main business activity

Instructions to help you complete your main business industry code and percentage of foreign shareholders.

Published 30 May 2024

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Item 2 – Description of main business activity

We use the information you include at item **2**, along with certain income labels to identify entities for inclusion in the Report of entity tax information.

Describe as accurately as possible the business activity from which the company derived the most gross income. For example, beef cattle breeding, vegetable growing, clothing manufacturing, confectionery wholesaling, domestic appliance retailing, investing in shares and stocks, investing in residential property. Don't use general descriptions, such as farming, manufacturing, wholesaling, investing or company.

For a **consolidated or multiple entry consolidated (MEC) group**, write the business activity from which the group derived the most gross income.

B – Industry code

Write the appropriate industry code for the company's main business at label **B**. You can use the Business industry code tool to work out which code to use.

Code the business activity as accurately as possible. The industry code is made up of 5 digits – for example, if the industry is 'dairy cattle farming', write the code on the tax return as '01600'.

For a **consolidated or MEC group**, write the industry code for the business activity from which the group derived the most gross income.

An incorrect code may result in clients not receiving a necessary service or material from us or could lead to incorrect targeting of audits. The industry code provided is also used to publish industry benchmarks in Taxation statistics. Our industry codes are a modified version of the Australian and New Zealand Standard Industrial Classification (ANZSIC), produced jointly by the Australian Bureau of Statistics and Statistics New Zealand.

It is important to use the correct industry code to avoid delays in processing the tax return.

A – Percentage of foreign shareholding

Examine the top 10 shareholders of the company at the end of the income year. From these top 10 shareholders, identify the foreign shareholders and aggregate their percentage of shareholding held in the company. Write this percentage in whole numbers at label **A**. If this aggregate percentage is less than 10%, disregard label **A**.

For the purpose of label **A**, a foreign shareholder includes, but is not limited to, a shareholder:

- whose address in the share register is shown as being outside Australia
- that has directed that their dividends be paid at a place outside Australia
- that is a company not incorporated in Australia
- that is a company that does not have an Australian company number (ACN).

Continue to: **3 Status of company**

Return to: **Instructions to complete the Company tax return 2024**

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3 Status of company

Instructions to help you complete the labels to provide information about the status of your company.

Last updated 3 July 2024

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> [Z – Consolidated indicator – labels Z1 and Z2]

About the status of company

We use the information you include at item **3**, along with certain income labels to identify entities for inclusion in the **Report of entity tax information**.

The status of a company is defined with reference to several sections of the income tax law. It is important that you correctly complete this item as the information is used for multiple purposes including assessment, verification activities and for the purposes of the annual corporate tax transparency report.

C – Residency – labels C1, C2 and C3

Print **X** in the box that shows the appropriate description.

Residency status is not required if you select labels **D7 Corporate unit trust** or **D8 Public trading trust**.

Complete label **C3** if the company is a non-resident company carrying on a business in Australia through a permanent establishment (PE).

D – Entity type – labels D1 to D10

Print **X** in the box that shows the appropriate description. Complete only one of these. If more than one applies, select the one that appears first.

Marking the incorrect box may result in you not receiving a necessary service or material from us or could lead to incorrect targeting of audits.

A friendly society that carries on life insurance business must describe its status as label **D10 Public** otherwise, its status is label **D3 Non-profit**. For more information on friendly societies that carry on life insurance business, see item **16 Life insurance companies and friendly societies only**.

Label **D4 Strata title** body corporates are treated as public companies under the tax law and must lodge a company tax return for any year in which non-mutual income is earned. A strata title body corporate can't use the strata title body corporate tax return but needs to complete a company tax return if it:

- has net capital gains
- has received franked dividends
- has losses brought forward from earlier income years claimed as a deduction
- has tax offset refunds
- has overseas transactions or interests
- needs to make an interposed entity election.

For more information, see Strata title body corporate tax return and instructions 2024.

Label **D7 Corporate unit trust** applies only to trusts that were a corporate unit trust within the meaning of former section 102J of the ITAA 1936. You can only select this status if the entity is the head company of a consolidated group because it has made a choice under Subdivision 713-C of the ITAA 1997.

For more information, see Unit trusts treated as corporate entities and Repeal of Division 6B.

Label **D8 Public trading trust** applies only to trusts that are public trading trusts as defined in section 102R of the ITAA 1936.

Legislative amendments in 2016 to modify Division 6C resulted in some trusts ceasing to be public trading trusts for income years starting on or after 1 July 2016. For more information, see Unit trusts treated as corporate entities and 20% tracing rule in Division 6C.

Corporate unit trusts and public trading trusts

Trusts that satisfy the conditions of section 102P (public trading trusts) of the ITAA 1936 in an income year:

- are subject to the company tax arrangements
- lodge company tax returns
- must apply for a company TFN.

The trust loss legislation in Schedule 2F to the ITAA 1936 applies to these trusts.

Consolidated or multiple entry consolidated (MEC) groups

Subdivision 713-C of the ITAA 1997 enables a public trading trust to be the head company of the consolidated group, if certain conditions are met. A public trading trust which is a head company of a consolidated group will be treated as a company for all income tax purposes including the treatment of losses.

If the trust that satisfied former section 102J (corporate unit trust) of the ITAA 1936 is the head company of a consolidated group because it has made a choice under Subdivision 713-C of the ITAA 1997, the trust will continue to be treated as a company for income years commencing on or after 1 July 2016 despite the repeal of Division 6B of the ITAA 1936.

For more information, see **Unit trusts treated as corporate entities**.

Label **D9 Private** or **D10 Public** is a company's status for tax purposes, not for company law purposes. A company must determine its status (as a public or private company) for tax purposes each income year.

If you are a consolidated head company, you need to indicate if you are label **D9 Private** or **D10 Public**. You also need to select label **Z1 Consolidated head company**.

International taxation – treatment of certain foreign hybrid entities

Broadly, 'foreign hybrid' means entities such as:

- foreign hybrid limited partnerships
- limited liability companies in the United States of America (US LLCs), and
- UK Limited Liability Partnerships (UK LLPs).

Australia treats such foreign hybrid entities as companies for tax purposes, but in their country of formation they are taxed on a partnership basis. That is, the overseas jurisdiction taxes the members on their share of the entity's income and the entity itself is not taxed in that jurisdiction.

For Australian income tax purposes, if certain foreign hybrid entities (such as foreign hybrid limited partnerships, US LLCs and UK LLPs) meet the conditions specified under **Division 830** of the *Income Tax Assessment Act 1997* (ITAA 1997) these foreign hybrid entities are treated as partnerships and not as companies.

Investors in these foreign hybrid entities are treated for Australian income tax purposes as having partnership interests. There are other special rules in addition to those normally applying to partnerships.

E – Activity indicator – labels E1 to E3

Print **X** in the box that shows the appropriate description. If more than one box applies, select the one that appears first. If none apply, leave the boxes blank.

F – Business indicator – labels F1 and F2

Complete labels F1 and F2 relating to the company as below.

F1 Small business entity

Print **X** at label **F1** if the company is a small business entity for 2023–24.

A small business entity is eligible for the small business entity concessions. If you are an eligible small business entity it is important to indicate it at this label as we use it to correctly assess pay as you go (PAYG) instalments.

Eligibility for the small business entity concessions

The company will be a small business entity if it is carrying on a business and has an aggregated turnover of less than $10 million. This is known as the small business entity test.

Broadly, aggregated turnover is the company's annual turnover plus the annual turnovers of any entities that are connected to or affiliated with it.

Companies that would be small business entities if the aggregated turnover threshold was $50 million are also eligible for immediate deduction for certain prepaid expenses and certain start-up expenses.

For information see:

- What it means for a company to be carrying on a business, see TR 2019/1 *Income tax: when does a company carry on a business?*
- How to determine a company's aggregated turnover, see Calculating turnover.
- LCR 2019/5 *Base rate entities and base rate entity passive income*.

Small business entity concessions

You must review your eligibility for the small business concessions each year.

Depending on its aggregated turnover for an income year, a small business entity may be eligible for the following concessions:

- Capital gains tax (CGT)
  - 15-year asset exemption
  - 50% active asset reduction
  - retirement exemption
  - rollover provisions, including the small business restructure rollover with effect from 1 July 2016
- **Simpler depreciation for small business**
- **Deduction for professional expenses for start-ups**
- **Deduction of certain prepaid business expenses immediately**
- **Simplified trading stock rules**
- accounting for goods and services tax (GST) on a cash basis
- annual apportionment of GST input tax credits
- payment of GST by quarterly instalments
- **Fringe Benefit tax (FBT) car parking exemption**
- **FBT work-related devices exemption**
- PAYG instalments based on GDP-adjusted notional tax.

Businesses that would be small business entities if the aggregated turnover threshold was $50 million may also be eligible for the following concessions:

- **Deduction for professional expenses for start-ups**
- **Deduction of certain prepaid business expenses immediately**.

Some of these concessions have **specific eligibility conditions that must also be satisfied**.

F2 Base rate entity

Print **X** at label **F2** if the company is a base rate entity for 2023–24.

A company can be both a small business and a base rate entity.

For 2023–24, the lower company tax rate of 25% applies to a company that is a base rate entity. The company tax rate remains at 30% for all other companies that are not base rate entities. The lower rate doesn't apply to companies that are subject to a specific rate of tax – for example, companies in trustee capacity and certain life insurance, pooled development funds, non-profit companies and medium credit unions. See Base rate entity company tax rate.

Maximum franking credits

The maximum franking credit that can be allocated to a frankable distribution is based on a company's applicable corporate tax rate for imputation purposes.

For 2023–24, the company's corporate tax rate for imputation purposes may be either 25% or 30%, depending on the company's circumstances.

For more information, see Allocating franking credits.

Base rate entities

A company is a base rate entity for 2023–24 if it has both:

- an aggregated turnover for 2023–24 of less than $50 million
- no more than 80% of its income is *base rate entity passive income* – this income includes
  - dividends other than non-portfolio dividends
  - franking credits on such dividends
  - non-share dividends
  - interest income (some exceptions apply)
  - royalties and rent
  - gains on qualifying securities
  - net capital gains
  - income from trusts or partnerships to the extent it is referable (either directly or indirectly) to an amount that is otherwise base rate entity passive income.

Broadly, aggregated turnover is the company’s annual turnover plus the annual turnovers of entities that are connected to or affiliated with it.

For information about what it means for a company to be carrying on a business, see TR 2019/1 *Income tax: when does a company carry on a business?*

A company may be both a base rate entity for the lower company tax rate purposes and a small business entity for the purposes of the small business concessions.

Calculating turnover

Turnover includes all ordinary income that the company earned in the ordinary course of business for the income year.

For information about how to determine a company's aggregated turnover, see **Calculate your aggregated turnover**.

There are special rules for calculating the annual turnover if the company has retail fuel sales or business dealings with associates that are not at market value.

Aggregation rules

Special aggregation rules, will determine who the company is **connected** to or **affiliated** with.

These rules prevent larger businesses from structuring or restructuring their affairs to take advantage of the small business entity concessions or the lower company tax rate.

An entity that is connected with the company or that is its affiliate is referred to as a relevant entity.

When calculating the company's aggregated turnover, don't include:

- income from dealings between the company and a relevant entity
- income from dealings between any of the company's relevant entities
- income from a relevant entity when it was not the company's relevant entity.

If the company is not connected or affiliated with any other entities and its annual turnover for the relevant period is less than $10 million, then the company is a small business entity.

For more information, see **TD 2021/7** *Income tax: aggregated turnover – calculating the annual turnover of a connected entity or affiliate with a different accounting period to you*.

Business operated for only part of the year

If the company, or a relevant entity, carries on a business for only part of the income year, annual turnover must be worked out using a reasonable estimate of what the turnover would have been if the company, or relevant entity, had carried on a business for the whole of the income year.

Satisfying the aggregated turnover threshold

There are 3 ways to satisfy the $10 million aggregated turnover threshold or the $50 million aggregated turnover threshold. Most businesses will only need to consider the first method. These are:

- Previous year turnover
- Estimate of current year turnover
- Actual current year turnover.

Previous year turnover

If the company’s aggregated turnover for the previous income year was less than $10 million, it will be a small business entity for the current year. This is regardless of its estimated or actual aggregated turnover for the current year.

If the company's aggregated turnover for the previous income year was less than $50 million, it can access those small business entity concessions with an aggregated turnover threshold of less than $50 million.

Estimate of current year turnover

If the company’s estimated aggregated turnover for the current income year is less than $10 million, it will be a small business entity for the current year.

If the company's estimated aggregated turnover for the current income year is less than $50 million, it can access those small business entity concessions with an aggregated turnover threshold of less than $50 million.

If you are estimating the company’s turnover you need to:

- estimate the company’s turnover based on the conditions you are aware of at the relevant date
- assess whether the aggregated turnover is more likely than not to be less than $10 million or $50 million as at the relevant date.

The relevant date is either:

- the first day of the income year
- the time the business started, if the company started a business part way through the year.

Companies that began carrying on a business in the current year need to make a reasonable estimate of what their turnover would have been had the business been carried on for the entire year.

This method can't be used if the company's aggregated turnover in each of the previous 2 income years was equal to or more than the aggregated turnover threshold.

Actual current year turnover

If the company's actual aggregated turnover is less than $10 million at the end of the income year, it will be a small business entity for that year.

If a company's actual aggregated turnover is less than $50 million at the end of the income year, it can access those **small business entity concessions** with an aggregated turnover threshold of less than $50 million.

This method is only needed if the first 2 tests can't be met.

If the company is a small business entity by means of this third method only, it can't use the GST and PAYG concessions for that income year because those particular concessions must have been chosen earlier in the income year.

G – Significant global entity – labels G1 and G2

Complete labels **G1** and **G2** relating to the company as below.

G1– Significant global entity

Print **X** at label **G1** if the entity was a significant global entity (SGE) for the income year.

An entity is an SGE if it is either:

- a global parent entity with an annual global income of A$1 billion or more
- a member of a group of entities consolidated for accounting purposes, and one of the other group members is a global parent entity with an annual global income of A$1 billion or more
- a member of a notional listed company group, and one of the other group members is a global parent entity with an annual global income of A$1 billion or more.

A notional listed company group is a group of entities that would be required to be consolidated for accounting purposes as a single group, on the assumption that an entity of the group were a listed company. Disregard any exceptions in accounting principles that may permit an entity not to consolidate with other entities.

An entity is also an SGE if it is a global parent entity, or a member of an actual or notional accounting consolidated group which includes a global parent entity, and the global parent entity has been given a notice by the Commissioner determining that its annual global income would have been A$1 billion or more for the period had global financial statements been prepared.

For more information about the definition of a SGE and what it means to be a SGE, see **Significant global entities**.

If you are a SGE, you also need to consider whether you are a **country-by-country (CBC) reporting entity**. CBC reporting entities must complete label **G2**, and may have additional reporting obligations.

G2 – Country-by-country reporting entity

Print **X** at label **G2** if the entity was a CBC reporting entity for the income year.

An entity is a CBC reporting entity if it is either:

- a CBC reporting parent
- a member of a CBC reporting group, and one of the other group members is a CBC reporting parent with an annual global income of A$1 billion or more.

A CBC reporting group may be a group that is consolidated for accounting purposes as a single group or a notional listed company group. A notional listed company group is a group of entities that would be required to be consolidated for accounting purposes as a single group, on the assumption that an entity of the group were a listed company.

Unlike under the SGE definition, the exception to consolidation in the accounting principles related to investment entities is not disregarded. That is, if applicable, the investment entity exception in the accounting principles should be applied when determining whether an entity is a CBC reporting entity.

If an entity is a CBC reporting entity for an income year, it may have CBC reporting and General Purpose Financial Statement (GPFS) obligations:

- CBC reporting obligations depend on whether an entity was a CBC reporting entity for the whole or part of the preceding income year.
- GPFS obligations in part depend on whether you meet the definition of a CBC reporting entity for that income year.

For more information about the definition of a CBC reporting entity and CBC reporting obligations, see **Country-by-country reporting**.

If you are a CBC reporting entity, you must complete item **5** in the company tax return.

Z – Consolidated indicator – labels Z1 and Z2

Print **X** in the box that shows the appropriate description for the companies consolidation. Only complete one of these labels:

- Select **Z1 Consolidated head company** if the company was a head company of a consolidated or multiple entry consolidated (MEC) group at any time during the income year. Consolidated head companies also need to indicate entity type either label **D9 Private** or **D10 Public**.
- Select **Z2 Consolidated subsidiary member** if label **Z1** does not apply and the company was a subsidiary member of a consolidated or MEC group that had a period when it was not a member of the group (non-membership period) during the income year. For more information, see Subsidiary member – non-membership period.

If neither label applies, leave the boxes blank.

Consolidation – taxing wholly owned groups as single entities

The taxation of **consolidated groups** and **MEC groups**, that is, the taxing of a group of wholly owned eligible companies, partnerships and trusts as if they are a single company, was introduced on 1 July 2002. Consolidation may be an option for your business if the business structure includes a company that wholly owns one or more entities.

If you are lodging a company tax return as a head company for a consolidated or MEC group, print **X** in the box at **Z1 Consolidated head company**. Print **X** in all other boxes that apply in item **3 Status of the company**.

Printing **X** at label **Z1** in the return does not meet the requirement to notify the Commissioner that you have made a valid choice in writing to form a consolidated or MEC group. We recommend **notifying the Commissioner** at least 28 days before lodging your income tax return.

Subsidiary member – non-membership period

If the company is a subsidiary member of a **consolidated** or **MEC group** and is lodging a tax return because it had a period during the income year when it was not a member of a consolidated group (a non-membership period), print **X** in the box at label **Z2 Consolidated subsidiary member**.

If a subsidiary member of a **consolidated** or **MEC group** must lodge a company tax return for any non-membership periods during the year of income, the company must complete all relevant schedules for the non-membership periods.

For information about reporting multiple non-membership periods during the income year, see the **Consolidation reference manual, C9-5-110**.

If you completed label **Z2**, don't complete the part-year details at the top of page one of the tax return unless the company has an approved substituted accounting period (SAP). Even though the company will include only the income and deductions properly attributable to all of the periods of non-membership during the year, the tax return:

- is still regarded as being for the whole of the income year, that is, from 1 July to 30 June or equivalent SAP and
- is lodged at the usual time.

Don't complete the **Final tax return** box if membership of the consolidated or MEC group is the only basis on which the company will not be required to lodge future tax returns.

Key elements of the consolidation regime

Find out more about the key elements of the consolidation regime.

Choice to form a consolidated group or MEC group

To form a consolidated group, a group must consist of an Australian resident head company and at least one other Australian resident entity (a company, trust or partnership) wholly owned by the head company.

A consolidated group comes into existence when a head company of a consolidatable group makes a choice in writing that it is forming a consolidated group from a particular date.

To form a MEC group, there must be a potential MEC group consisting of 2 or more eligible tier-1 companies of a top company. A MEC group comes into existence when the relevant eligible tier-1 companies of a potential MEC group make a choice in writing that they are forming a MEC group from a particular date. The choice must also include the appointment of the provisional head company (PHC) of the group by the eligible tier-1 companies.

Certain corporate unit trusts and public trading trusts can be the head company of a consolidated group.

The choice to consolidate is optional, but once made is irrevocable.

If a head company of a consolidatable group chooses to consolidate on a specified date then, from that time, both the head company and all of its eligible wholly owned subsidiaries will be members of the consolidated group for income tax purposes. Similarly, where the eligible tier-1 companies of a potential MEC group choose to consolidate, all the eligible tier-1 companies and their eligible wholly owned subsidiaries will be members of the MEC group for income tax purposes.

The choice to consolidate must be made in writing no later than either:

- the day on which the head company lodges its tax return for the income year in which the day specified in the choice occurs
- the day it would otherwise have been due, if a tax return is not required for that income year.

The period for making a choice in writing to consolidate can't be changed. If the choice to consolidate is not made within the prescribed time, the group can't be treated as consolidated for that income year.

The Commissioner does not have the power to extend the time period for making the choice in writing.

If more time is required to make a choice to consolidate, it is recommended that you ask for an extension of time to lodge the relevant tax return.

The choice, in writing to form a consolidated or MEC group is not required to be given to the Commissioner in the approved form to be effective, although notification of the choice (and relevant details in respect of it) must still be provided to the Commissioner in the approved form.

Notifying the Commissioner of your choice

The head company of a consolidated group or MEC group must notify the Commissioner, using the appropriate approved form, of its choice to consolidate.

You must lodge the appropriate notification within the same time period as applies to making a choice to consolidate.

For a consolidated group, the head company needs to complete and lodge a **Notification of formation of an income tax consolidated group form**.

For a MEC group, the head company needs to complete and lodge a **Notification of formation of a multiple entry consolidated (MEC) group form**.

If you can't lodge your notification of formation within the required timeframe, **contact us** to discuss an extension of time to lodge your tax return.

Operating

On consolidation of the consolidated or MEC group:

- the subsidiary members cease to be recognised as separate entities (or taxpayers) for income tax purposes
- the head company is the only entity (or taxpayer) recognised for income tax purposes.

The assets of an entity that joins a consolidated or MEC group (other than eligible tier-1 companies) have a tax cost worked out in accordance with the tax cost setting rules. This tax cost is the cost base, value or amount required to be used by the head company when calculating the taxable income or tax loss of the consolidated or MEC group.

The consolidated or MEC group operates as a single entity for income tax purposes. The head company both:

- lodges a single tax return
- pays a single set of pay as you go (PAYG) instalments for the group.

The head company of a MEC group is the eligible tier-1 company that is the PHC of the group at the end of the income year (or at the time the group ceases to exist). If the PHC becomes ineligible to be the PHC, a choice to appoint a new PHC must be made in writing by all of the remaining eligible tier-1 companies and notified to the Commissioner.

A consequence of choosing to consolidate is that transactions that occur solely between members of the consolidated or MEC group will be disregarded for income tax purposes.

If an entity joins (or leaves) a consolidated or MEC group part-way through the income year (meaning it has a period or periods when it was not a subsidiary member of a consolidated or MEC group, that is, non-membership periods) it will need to lodge a tax return for the income year but based only on amounts that are properly attributable to the non-membership periods.

The franking credits, pre-commencement excess foreign income tax, conduit foreign income (CFI) and attribution account surpluses held by a joining entity at the time of joining a consolidated or MEC group can generally be transferred to, and used by, the head company of the group (for income tax purposes after the joining time). Special rules apply to determine whether the carried forward losses held by a joining entity at the joining time may be transferred to the head company and (to the extent transferred) modify the way in which the COT or SBT are applied to determine whether the head company may utilise them (to reduce taxable income) after the joining time.

Carry-forward losses, franking balances, pre-commencement excess foreign income tax and CFI transferred to the head company of the group remain with the head company when an entity leaves the group.

The consolidation regime does not affect a subsidiary member's obligations for other taxes such as:

- goods and services tax (GST)
- fringe benefits tax (FBT)
- pay as you go (PAYG) withholding
- petroleum resource rent tax (PRRT).

Where a consolidated or MEC group includes one or more subsidiary members that are life insurance companies, special consolidation rules apply to take into account the particular taxation treatment of life insurance companies. For more information, see **Consolidation reference manual, C9-6**.

The head company of a consolidated or MEC group (or PHC where relevant) must, among other things:

- pay the group's PAYG instalments when it is issued with a consolidated instalment rate after the lodgment by the head company of its first group tax return

- determine, report and make any balancing adjustments to meet the group's annual income tax liabilities
- manage any ongoing income tax liabilities and supply income tax information to us when required
- notify us of members that join or leave the group.

Consolidated and MEC groups – head company tax returns

The tax return disclosures are the head company's principal means of communicating its consolidated group tax data to us. They are also used by the Commissioner to calculate the head company's instalment rate. This data is useful in our role as administrator of Australia's tax system as we and the government evaluate and monitor the tax system for the benefit of the community.

We expect each completed consolidated tax return to be at least as relevant and as useful as other statutory financial reports.

Groups should have record-keeping, accounting and tax systems in place to ensure that correct consolidated data is available for your *Company tax return 2024* and will have them for future tax returns.

Given that consolidation is about taxing wholly owned groups as single entities, a head company of a consolidated or MEC group must complete only one of each required **schedule**. Each required schedule will contain the information for the consolidated or MEC group.

Continue to: **4 Interposed entity election status**

Return to: **Instructions to complete the Company tax return 2024**

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4 Interposed entity election status

Instructions to help you complete your interposed entity election status.

Last updated 3 July 2024

On this page

When you must complete item 4

This item must be completed if **any** of the following apply:

- The company is making one or more interposed entity elections specifying a day in the 2004–05 or later income years in accordance with section 272-85 of Schedule 2F to the ITAA 1936.
- The company has previously made one or more interposed entity elections specifying a day in the income years from 1994–95 to 2022–23 in accordance with
  - section 272-85 of Schedule 2F to the ITAA 1936, and
  - if applicable, item 23 or 23A of Schedule 1 to the *Taxation Laws Amendment (Trust Loss and Other Deductions) Act 1998*, and
  - at least one interposed entity election has not been revoked, in accordance with subsections 272-85(5A) to (8), in an income year before 2023–24.
- The company is revoking, from a time in 2023–24, one or more previously made interposed entity elections in accordance with section 272-85 of Schedule 2F to the ITAA 1936.

Don't attach election forms for an interposed entity election made specifying an income year before 2004–05 to the *Company tax return 2024*. Under section 272-85 of Schedule 2F to the ITAA 1936 a company can't make an interposed entity election specifying a year earlier than 2004–05 in the *Company tax return 2024*.

For help completing the form and a copy of the form, see **Interposed entity election or revocation and instructions 2024**.

If you are not using practitioner lodgment service (PLS), and an *Interposed entity election or revocation 2024* is being lodged with your *Company tax return 2024*, send your tax return and the *Interposed entity election or revocation 2024* to:

Australian Taxation Office
GPO Box 9845
IN YOUR CAPITAL CITY

Election

If the company has not previously made, or is not currently making, any interposed entity elections, **don't** complete this item.

If the company is making one or more interposed entity elections specifying a day in 2004–05 or later income year, write the earliest income year specified in the box at label **L**. Complete an *Interposed entity election or revocation 2024* for each election specifying a day in 2004–05 or later income year.

If the company has previously made one or more elections specifying a day in an income year before 2023–24, write the earliest income year specified in the box at label **L** unless the company is making one or more elections specifying a day in the 2004–05 or later income year.

If the company has previously made one or more elections specifying a day in an income year before 2004–05 and took advantage of the one-off opportunity in PS LA 2004/1 (GA) (Withdrawn) *Lodgment opportunity for family trust and interposed entity elections* to specify an earlier year, write the earliest income year specified in the box at label **L** unless the company is making one or more elections specifying a day in 2004–05 or later income year.

Revocation

An interposed entity election can only be revoked by a company that satisfies all of the relevant conditions in subsection 272–85 of Schedule 2F to the ITAA 1936. A revocation must be made with your tax return for the income year from which the revocation is to be effective.

Print code **R** in the box at this item if the interposed entity election made by the company is being revoked from a time in 2023–24. An *Interposed entity election or revocation 2024* must be completed and lodged with the *Company tax return 2024*.

Example 1: new election, specifying the current year

The company has not previously made an interposed entity election. The company wants to make an interposed entity election specifying a day in 2023–24.

Print **2024** in the box at label **L**.

Complete an *Interposed entity election or revocation 2024*, specifying a day in 2023–24, to provide details of the interposed entity election the company is making.

The completed form can be attached to the company's tax return 2024.

Example 2: new election, specifying an earlier year

The company has not previously made an interposed entity election. The company wants to make an interposed entity election specifying a day in 2004–05.

Print **2005** in the box at label **L**.

Complete an *Interposed entity election or revocation 2024*, specifying a day in 2004–05, to provide details of the interposed entity election the company is making.

The completed form can be attached to the company's tax return 2024.

Example 3: one existing election

The company has previously made an interposed entity election specifying a day in 1994–95 and is not making another interposed entity election.

Print **1995** in the box at label **L**.

The company does not need to complete an Interposed entity election or revocation 2024.

Example 4: multiple existing elections

The company has previously made interposed entity elections specifying a day in 1997–98 and 2005–06 respectively. It is not making another interposed entity election.

Print **1998** in the box at label **L**.

The company does not need to complete an Interposed entity election or revocation 2024.

Example 5: additional election, specifying a current year

The company has previously made an interposed entity election specifying a day in 1996–97 and is making another interposed entity election specifying a day in 2023–24.

Print **2024** in the box at label **L**.

An *Interposed entity election or revocation 2024* form must be completed, specifying a day in 2023–24, to provide details of the interposed entity election the company is making.

The completed form can be attached to the company's 2024 tax return.

Example 6: revoking an election

The company has previously made an interposed entity election specifying a day in 2020–21 and is revoking the election from a day in 2023–24.

Print **2021** in the box at label **L**.

Print code **R** in the box at this item.

Complete an *Interposed entity election or revocation 2024*, specifying the day in 2023–24.

The form must be lodged with the company's tax return 2024.

An interposed entity election is taken to be revoked if the family trust election to which it relates is revoked.

Family trust distribution tax

A company may make an interposed entity election under section 272-85 of Schedule 2F to the ITAA 1936 to be included in the family group of an individual specified in a family trust election made by a trust under section 272-80 of Schedule 2F to the ITAA 1936.

A company that is wholly owned, directly or indirectly, by the relevant family will not need to make an interposed entity election to be included in the family group of the specified individual, see subsection 272-90(5) of Schedule 2F to the ITAA 1936.

A consequence of a company making an interposed entity election is that under section 271-30 of Schedule 2F to the ITAA 1936 the company pays a special tax, called family trust distribution tax (FTDT), at 47% on any conferral of present entitlement to, or distribution of, the company's income or capital to persons who are not members of the family group of the specified individual within the meaning of section 272-90 of Schedule 2F to the ITAA 1936. For this purpose, a company's distribution of income or capital has the meaning given in sections 272-50 and 272-60 of Schedule 2F to the ITAA 1936.

For income years commencing on or after 1 July 2007, the definition of 'family group' includes a former spouse, a former widow or widower, and a former stepchild.

From 1 July 2009 and later years **spouse** includes another person (of any sex).

Complete and send the **Family trust distribution tax payment advice** and FTDT payment to us. Make cheques or money orders payable to the 'Deputy Commissioner of Taxation' and print 'Not negotiable' across the cheque. Tender all cheques in Australian currency. Don't send cash by post.

Continue to: **5 Country-by-country reporting entities – GPFS obligation**

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5 Country-by-country reporting entities – GPFS obligation

Instructions to help you with GPFS obligations.

Published 30 May 2024

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About country-by-country reporting entities

Country-by-country (CBC) reporting entities that are corporate tax entities are required to give the Commissioner a **general purpose financial statement** (GPFS) if they:

- are Australian residents or foreign residents operating an Australian permanent establishment at the end of the income year, and
- don't lodge a GPFS with the Australian Securities & Investments Commission (ASIC) within the time provided under subsection 319(3) of the *Corporations Act 2001*.

The GPFS must be for the financial year that most closely corresponds to the income year, and it must be given to the Commissioner by the time the entity is required to lodge its tax return.

GPFSs can't be lodged with the tax return and must be lodged through Online services for business.

Item 5 – label A

Have you lodged a general purpose financial statement with ASIC in relation to this income year (before the due date for lodgment of the statement with ASIC)?

Print **X** in the appropriate box, either **Yes** or **No**.

Print **X** in the box, **Yes** if you have lodged a GPFS with ASIC on or before the due date(s) for lodgment of the statement with ASIC and your income tax return. The GPFS must be for the financial year that most closely corresponds to this income year. You don't need to answer item **5** – label **B**.

Print **X** in the box, **No** in all other circumstances. You must answer item **5** – label **B**.

Item 5 – label B

Will you be lodging a general purpose financial statement with ASIC in relation to this income year (before the due date for lodgment of the statement with ASIC)?

Print **X** in the appropriate box, either **Yes** or **No**.

Print **X** in the box, **Yes** if you intend to lodge a GPFS with ASIC on or before the due date(s) for lodgment of the statement with ASIC and your income tax return. The GPFS must be for the financial year that most closely corresponds to this income year.

Print **X** in the box, **No** in all other circumstances.

You must lodge a GPFS with the ATO on or before the due date for lodgment of your income tax return if you have not already lodged a GPFS with the ATO for the income year.

Continue to: **Information statement – items 6 to 14**

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Items 6 to 14

Instructions for how to complete the labels for items 6 to 14 of the company tax return.

Published 30 May 2024

6 Calculation of total profit or loss

About the amounts for item 6 for the calculation of total profit or loss.

6 Income

Instructions to complete the income portion of the calculation of total profit and loss.

6 Expenses

Use these instructions to complete the expenses portion of the calculation of total profit and loss.

7 Reconciliation to taxable income or loss

Instructions to complete your reconciliation to taxable income or loss.

8 Financial and other information

Instructions to complete your financial and other information.

9 Capital allowances

Instructions to complete your capital allowances.

10 Small business entity simplified depreciation

Instructions to complete this item if you are a small business entity using the simplified depreciation rules.

11 Consolidation deductions

Instructions for consolidation deductions relating to rights to future income, consumable stores and work in progress.

12 National rental affordability scheme

Instructions to complete your entitlement to a national rental affordability scheme (NRAS) tax offset.

13 Losses information

Instructions to complete any losses you had to carry forward to later income years.

14 Personal services income

Instructions to complete personal services income (PSI) included in the company's income.

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6 Calculation of total profit or loss

About the amounts for item 6 for the calculation of total profit or loss.

Published 30 May 2024

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About calculation of profit or loss

The amounts at item **6 Income** and item **6 Expenses** are accounting system amounts and correspond to the amounts in the company's financial statements for the income year, except for the depreciation expenses of small business entities using the simplified depreciation rules. These are to be written as tax values at item **6** – label **X Depreciation expenses** (see Small business entities).

If you are lodging a company tax return as a head company for a consolidated or multiple entry consolidated (MEC) group, the item **6 Income** and item **6 Expenses** amounts should reflect only the accounting system amounts for the consolidated or MEC group.

Gross income for accounting purposes may include all income which may be exempt income, other non-assessable income and foreign source income for tax purposes. Total profit or loss may include extraordinary revenue or expenses, such as net domestic or foreign source gains or losses from events that are outside the ordinary operations of the company.

Adjustments to the accounting amounts for tax purposes are made at item **7 Reconciliation to taxable income or loss** to determine taxable income or loss. In some cases, it is necessary to make a reconciliation adjustment at item **7** to add back or subtract the whole of an amount shown at item **6** and to include the amount for income tax purposes at a specific label at item **7**. For example, where a capital profit for accounting purposes is included at item **6**, it should be included in full at item **7** – label **Q Other income not included in assessable income**. The company's net capital gain for tax purposes should be written at item **7** – label **A Net capital gain**.

If goods and services tax (GST) is payable for income, exclude the GST from the income derived. Deductions are reduced by the input tax credit entitlement. If the company is not registered nor required to be registered for GST purposes or is not entitled to claim input tax credits, its deductions are not adjusted for GST. The company claims the GST-inclusive amount incurred on outgoings. Special rules apply to GST adjustments.

If the company is eligible and is continuing to use the simplified tax system (STS) accounting method, see Former STS taxpayers.

Continued use of the STS accounting method

Although the STS has now ceased, a transitional provision allows for limited continued use of the STS accounting method.

A company may continue using the STS accounting method if it:

- was an STS taxpayer and used the STS accounting method in 2006–07
- used the STS accounting method in each subsequent year
- is a small business entity for 2023–24.

If the company meets these 3 requirements, it can continue using the STS accounting method until it chooses not to, or is no longer a small business entity.

The STS accounting method does not apply to income or deductions that receive specific treatment in income tax law – for example, net capital gains, dividends, depreciation expenses, bad debts and borrowing expenses.

In addition, if another provision of the tax law apportions or alters the assessability or deductibility of a particular type of ordinary income or general deduction, the timing rule in that provision overrides the STS accounting method – for example, double wool clips or prepayment of a business expense for a period greater than 12 months. Because of these specific provisions you may need to make adjustments at item **7**.

Amounts the company includes at item **6** should be based on the STS accounting method if that method is reflected in the company's accounts. If the company is continuing to use the STS accounting method and its accounts don't reflect the STS accounting method rules, you may need to make additional adjustments at item **7**.

If the company has stopped using the STS accounting method, business income and expenses that have not been accounted for (because they have not been received or paid) are accounted for in this income year. You may need to make additional reconciliation adjustments at item **7**.

Continue to: **6 Income**

Return to: **Instructions to complete the Company tax return 2024**

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6 Income

Instructions to complete the income portion of the calculation of total profit and loss.

Last updated 3 July 2024

On this page

B – Gross payments subject to foreign resident withholding

Only complete label **B** if the company is a foreign resident. An Australian resident should not include an amount, such as, foreign sourced income, at label **B**.

Foreign resident withholding applies to payments made to foreign residents where the payment is:

- for promoting or organising casino gaming junket activities
- for entertainment or sports activities
- under contract for the construction, installation and upgrading of buildings, plant and fixtures, and for associated activities.

This withholding is not a final tax. A credit can be claimed in the **Calculation statement** at label **H2 Credit for tax withheld – foreign resident withholding**.

Write at label **B** the gross payments made to the company that were subject to foreign resident withholding. Gross payments include amounts of tax withheld, or that should have been withheld.

Don't include at label **B** amounts subject to foreign resident withholding that were distributed to the company from a partnership or trust. Include these at item **6 –** labels:

- **D Gross distribution from partnerships**
- **E Gross distribution from trusts**.

Don't include at this label amounts subject to the foreign resident capital gains withholding.

Don't include at label **B** amounts that are subject to a final withholding tax – for example, amounts subject to withholding tax under section 128B of the ITAA 1936.

Include these amounts at:

- item **6 Income** – label **F Gross interest** or **H Total dividends** or **R Other gross income**
- item **7** – label **Q Other income not included in assessable income** in the **Reconciliation to taxable income or loss**.

A final withholding tax can't be claimed at in the **Calculation statement** – label **H2 Credit for tax withheld – foreign resident withholding**.

If an amount is written at label **B**, complete and attach a *Non-individual PAYG payment summary schedule 2024*. For instructions on completing this schedule, see Non-individual PAYG payment summary schedule 2024.

Any income included at label **B** that is not assessable in Australia should also be included at item **7** – label **V Exempt income**.

A – Gross payments where ABN not quoted

Write at label **A** the gross payments made to the company that were subject to withholding where an Australian business number (ABN) was not quoted. Gross payments include amounts of tax withheld.

If you write an amount at label **A**:

- complete a *Non-individual PAYG payment summary schedule 2024*. For instructions, see Completing the Non-individual PAYG payment summary schedule 2024.
- ensure that you write the corresponding amount of tax withheld in the **Calculation statement** – label **H3 Credit for tax withheld where ABN is not quoted**.

C – Other sales of goods and services

Write at label **C** the:

- gross sales of trading stock including wool, produce and livestock, including the assessable value, for income tax purposes, of forced disposal
- gross sales of manufactured goods
- gross sales of goods taken ex-stock
- gross sales of livestock killed for rations or exchanged for other goods or services
- gross income from sale of goods not treated as trading stock
- gross earnings from services.

Gross income is to be shown before any legal set off or other netting off between amounts.

Don't include at label **C**:

- any payments where tax has been withheld for failure to quote an ABN (include these amounts at label **A Gross payments where ABN not quoted**)
- any amounts subject to foreign resident withholding (include these amounts at label **B Gross payments subject to foreign resident withholding**)
- sales of shares and land that are not held as trading stock for income tax purposes.

D – Gross distribution from partnerships

Write at label **D** the gross distributions from all partnerships, including any share of franking credits attributable to dividends paid by an Australian company.

Include at label **D**:

- any amounts subject to foreign resident withholding in Australia that were distributed to the company from a partnership
- the company's share of credit from foreign resident withholding.

A credit can be claimed for the company's share of credit from foreign resident withholding in the **Calculation statement** – label **H2 Credit for tax withheld – foreign resident withholding**.

If the taxation of financial arrangements (TOFA) rules apply to the company, show at label **D** all distributions from partnerships. This includes amounts from financial arrangements subject to the TOFA rules.

Specific rules applying to stapled structures took effect from 1 July 2019. This label may now include an amount referable as **Non-concessional MIT income** (NCMI) or Excluded from NCMI.

Don't include at label **D**:

- distributions from a corporate limited partnership (unless that distribution is attributable to profits made before it became a corporate limited partnership). Include these amounts at item **6** – label **H Total dividends**
- any amount referable to Australian franking credits received indirectly from a New Zealand franking company through a partnership. Include these amounts at item **7** – label **C Australian franking credits from a New Zealand company**.

Include any adjustment for taxation purposes at item **7** – label **B Other assessable income** or label **X Other deductible expenses**.

Special rules apply if an entity is a partner in a partnership and joins a consolidated or multiple entry consolidated (MEC) group part way through an income year.

Also include the company's share of franking credits included in the gross distribution from the partnership in the **Calculation statement** – label **C Non-refundable non-carry forward tax offsets**.

However, the company is not entitled to a franking tax offset if:

- the relevant interest is not held at risk as required under the holding period and related payments rules
- there is some other manipulation of the imputation system
- the gross distribution from the partnership is exempt income or non-assessable non-exempt income (other than because of certain provisions mentioned in section 207-110 of the ITAA 1997).

Don't write the amount of franking credit attached to these distributions in the **Calculation statement** – label **C Non-refundable non-carry forward tax offsets**. Instead, the company is entitled to a deduction under section 207-150 or section 207-95 of the ITAA 1997 equal to its share of the franking credit, and this is included at item **7** – label **X Other deductible expenses**.

If the amount at label **D** is a loss, print code **L** in the **CODE** box.

To the extent that family trust distribution tax (FTDT) has been paid on income received by the company from partnerships, that amount is excluded from the assessable income of the company under section 271-105 of Schedule 2F to the ITAA 1936.

If the company's share of partnership income includes an amount received indirectly from a closely held trust on which trustee beneficiary non-disclosure tax (TBNT) has been paid, you don't need to include the amount in the company's assessable income.

Any losses or outgoings incurred in deriving an amount that is excluded from assessable income because FTDT or TBNT has been paid are not deductible. The company can't claim a tax offset for any franking credits attributable to the whole or a part of a dividend that is excluded from assessable income under these provisions.

Keep a record of the following:

- full name of the partnership
- TFN of the partnership, if known
- amount of income
- deductible expenses relating to the amount of income that were not claimed in the partnership tax return but are claimed on the company tax return.

Include expenses incurred by the company as a partner at item **6** – label **S All other expenses**.

Add back non-deductible expenses at item **7** – label **W Non-deductible expenses**.

E – Gross distribution from trusts

Write at label **E** the total amount of gross distributions received from trusts, including any share of franking credits attributable to dividends paid by an Australian company as advised by the trustee.

If you report a distribution from a trust at item **6 Income** – label **E**, complete a **Trust income schedule** and attach it to the company tax return.

Include at label **E**:

- any amounts subject to foreign resident withholding in Australia that were distributed to the company from a trust
- the company's share of credit from foreign resident withholding.

A credit can be claimed for the company's share of credit from foreign resident withholding in the **Calculation statement** – label **H2 Credit for tax withheld – foreign resident withholding**.

If the TOFA rules apply to the company, show at label **E** all distributions from trusts. This includes amounts from financial arrangements subject to the TOFA rules.

Specific rules applying to stapled structures took effect from 1 July 2019. This label may now include an amount referable as Non-concessional MIT income (NCMI) or Excluded from NCMI.

Don't include at label **E**:

- distributions from a public trading trust or corporate unit trust – include these amounts at item **6** – label **H Total dividends**
- capital gains received from a trust – include these at item **7** – label **A Net capital gain**. For information on how to include an amount of a capital gain received from a trust at label **A** (for example, how to gross-up a capital gain from a trust), see Guide to capital gains tax 2024
- any amount referable to Australian franking credits received indirectly from a New Zealand franking company through a trust – include these amounts at item **7** – label **C Australian franking credits from a New Zealand company**.

The amount at label **E** can't be a loss.

Also write the company's share of the franking credits included in the gross distribution from the trust at label **C Non-refundable non-carry forward tax offsets** in the **Calculation statement**. However, the company is not entitled to a franking tax offset if:

- the relevant interest is not held at risk as required under the holding period and related payments rules
- there is some other manipulation of the imputation system
- if the gross distribution from the trust is exempt income or non-assessable non-exempt income (other than because of certain provisions mentioned in section 207-110 of the ITAA 1997).

Don't write the amount of franking credit attached to these distributions at label **C Non-refundable non-carry forward tax offsets**.

Instead, the company is entitled to a deduction under section 207-150 or section 207-95 of the ITAA 1997, and this is included at item **7** – label **X Other deductible expenses**.

Include any part of a distribution in the gross amount – for example, a part of a distribution that is not taxable income. Write any adjustment for taxation purposes at item **7**. Include that part of the distribution at item **7** – label **Q Other income not included in assessable income**, to ensure that the amount is not included in taxable income.

Special rules apply if an entity is a beneficiary or object of a trust and joins a consolidated or MEC group part way through an income year.

To the extent that FTDT has been paid on income or capital of a trust to which the company is presently entitled or which has been distributed to the company, that income or capital is excluded from the assessable income of the company under section 271-105 of Schedule 2F to the ITAA 1936.

If the company's share of trust income includes an amount received indirectly from a closely held trust on which trustee beneficiary non-disclosure tax (TBNT) has been paid, you don't need to include the amount in the company's assessable income.

Any losses or outgoings incurred in deriving an amount that is excluded from assessable income because FTDT or TBNT has been paid are not deductible. The company can't claim a tax offset for any franking credits attributable to the whole or a part of a dividend that is excluded from assessable income under these provisions.

In the **CODE** box, print the code from table 2 that best describes the type of trust for the amount of income written at label **E**. If this amount is from more than one type of trust, print the code that represents the trust for the greatest amount of income. Descriptions of the types of trusts listed in table 2 are in table 3.

If the type of trust making the distribution is unknown, contact the trustee of that trust.

Table 2: Trust codes

Code	Type
D	Deceased estate
E	Testamentary trust
F	Fixed trust, other than a fixed unit trust or a public unit trust shown at labels **U**, **P** or **Q** of this table
H	Hybrid trust

S	Discretionary trust, where the main source of income of the trust is from service and/or management activities
T	Discretionary trust, where the main source of income of the trust is from trading activities
I	Discretionary trust, where the main source of income of the trust is from investment activities
M	Cash management unit trust
U	Fixed unit trust (including Corporate Collective Investment Vehicle (CCIV) sub-fund trust), other than a public trust described in label **P** or **Q** of this table
P	Public unit trust (listed), other than a cash management unit trust
Q	Public unit trust (unlisted), other than a cash management unit trust

Table 3: Descriptions of trusts

Trust type	Description
Testamentary trust	A trust that resulted from a will, codicil, court order, or intestacy
Fixed trust	A trust in which persons have fixed entitlements (as defined in section 272-5 of Schedule 2F to the ITAA 1936) to all of the income and capital of the trust at all times during the income year
Hybrid trust	A trust that is not a fixed trust but in which persons have fixed entitlements (as defined in section 272-5 of Schedule 2F to the ITAA 1936) to income or capital of the trust during the income year
Discretionary trust	A trust that is neither a fixed trust nor a hybrid trust and under which persons benefit from income or capital of the trust upon the exercise of a discretion by persons, usually the trustee
Fixed unit trust	A fixed trust in which interest in the income and capital of the trust are represented by

	units
Public unit trust	A fixed unit trust that is a widely held unit trust (as defined in section 272-105 of Schedule 2F to the ITAA 1936) at all times during the income year
Public unit trust, listed	A public unit trust in which any of its units were listed for quotation in the official list of a stock exchange in Australia or elsewhere during the income year
Public unit trust, unlisted	A public unit trust in which none of its units were listed for quotation in the official list of a stock exchange in Australia or elsewhere during the income year

Keep a record of the following:

- full name of the trust
- TFN of the trust, if known
- amount of income
- deductible expenses relating to the amount of income.

Include expenses incurred by the company as a beneficiary at item **6 Expenses** – label **S All other expenses**.

Add back non-deductible expenses at item **7** – label **W Non-deductible expenses**.

X – Forestry managed investment scheme income

Find out about forestry managed investment scheme (FMIS) and how to complete item **6** – label **X**.

Definitions relating to forestry managed investment scheme

A company is an **initial participant** in a FMIS if:

- it obtained its forestry interest in the FMIS from the forestry manager of the scheme, and
- its payment to obtain the forestry interest in an FMIS results in the establishment of trees.

A company is a **subsequent participant** in an FMIS if it acquired its interest through secondary market trading. This means it acquired its interest other than as an initial participant, usually by purchasing that interest from an initial participant.

The **forestry manager** of an FMIS is the entity that manages, arranges or promotes the FMIS.

A **forestry interest** in an FMIS is a right to benefits produced by the FMIS (whether the right is actual, prospective or contingent, and whether it is enforceable or not).

The amount of the company's **total forestry scheme deductions** is the total of all the amounts that it can deduct or has deducted for each income year that it held its forestry interest. For more information on amounts that you can deduct, see item **7** – label **U Forestry managed investment scheme deduction**.

The amount of the company's **incidental forestry scheme receipts** is the total of all the amounts that it received from the FMIS in each income year that it held its forestry interest, other than amounts received because of a capital gains (CGT) event, that is, a sale or a harvest.

Write at item **6** – label **X Forestry managed investment scheme income** the total income from the following activities for each FMIS in which the company holds a forestry interest.

Don't include capital gains from an FMIS; show these at item **7** – label **A Net capital gain**. For more information on the CGT treatment of the company's forestry interests, see **Guide to capital gains tax 2024**.

If the company is a member of a collapsed agribusiness managed investment scheme, then for information on calculating your income and deductions, see **Collapse and restructure of agribusiness managed investment schemes – participant information.**

Participants in an FMIS – for an initial participant

As an initial participant in FMIS, consider:

- Thinning receipts
- Sale and harvest receipts – forestry interest no longer held
- Sale and harvest receipts – forestry interest still held.

Thinning receipts

If the company received thinning proceeds from its forestry interest) – include the actual amount received at item **6** – label **X Forestry**

managed investment scheme income.

Sale and harvest receipts – forestry interest no longer held

Include the market value of the forestry interest at the time of the CGT event at item **6** – label **X Forestry managed investment scheme income**, if the company:

- ceased holding its forestry interest as a result of a CGT event (because it sold its interest or it received harvest proceeds), and
- has claimed a deduction, or can claim a deduction, or would be entitled to deduct such amounts but for a CGT event happening within 4 years after the end of the income year in which the company first pays an amount under the FMIS.

Sale and harvest receipts – forestry interest still held

Include at item **6** – label **X Forestry managed investment scheme income** the amount by which the market value of the forestry interest was reduced as a result of the CGT event, if:

- a CGT event happened and the company still held its forestry interest (because it sold part of its interest or there was a partial harvest), and
- the company has claimed a deduction, or can claim a deduction, or would be entitled to deduct such amounts but for a CGT event happening within 4 years after the end of the income year in which the company first pays an amount under the FMIS.

Participants in an FMIS – for a subsequent participant

As a subsequent participant in FMIS, consider:

- Thinning receipts
- Sale and harvest receipts – forestry interest no longer held
- Sale and harvest receipts – forestry interest still held.

Thinning receipts

If the company received thinning proceeds from its forestry interest – include the actual amount received at item **6** – label **X Forestry managed investment scheme income**.

Sale and harvest receipts – forestry interest no longer held

Include at item **6** – label **X Forestry managed investment scheme** the amount worked out below if the forestry interest is no longer held and the company both:

- ceased holding its forestry interest as a result of a CGT event (because it sold its interest or it received harvest proceeds), and
- has deducted, or can deduct, or could have deducted, an amount if the company had paid the amount under the FMIS in relation to the forestry interest.

The amount at label **X Forestry managed investment scheme income** is the lesser of the following 2 amounts:

- the market value of the forestry interest at the time of the CGT event, or
- the amount (if any) by which the total forestry scheme deductions exceeded the incidental forestry scheme receipts.

Sale and harvest receipts – forestry interest still held

Include at item **6** – label **X Forestry managed investment scheme income** the amount worked out below if the forestry interest is still held, and both:

- a CGT event happened and the company still held its forestry interest (because it only sold part of its interest or there was a partial harvest), and
- the company can deduct, or has deducted, or could have deducted, an amount if the company had paid the amount under the FMIS in relation to the forestry interest.

Use the following steps to work out the amount included at item **6** – label **X Forestry managed investment scheme income**.

Step 1: Work out the lesser amount

- The market value of the forestry interest at the time of the CGT event.
- The amount (if any) by which the total forestry scheme deductions exceeded the incidental forestry scheme receipts (net deductions).

Step 2: Work out the income amount

Use the lesser of the 2 amounts from Step 1 in the following formula:

> Lesser of 2 amounts above, **multiplied by** [the decrease (if any) in the market value of the forestry interest (as a result of the CGT event), **divided by** the market value of the forestry interest just before the CGT event].

In a future income year (a year in which the company receives further proceeds from a harvest or the sale of its forestry interest), disregard the amount of the net deductions that has already been included at item **6** – label **X Forestry managed investment scheme income**.

Step 3: Complete item 6

Add up all the amounts you worked out for the company's FMIS income and write the total at item **6** – label **X Forestry managed investment scheme income**.

See **Examples 7** and **8** for how to calculate the amount you show at item **6** – label **X Forestry managed investment scheme income** where the company is a subsequent participant that holds the forestry interest on capital account.

For more information on the CGT treatment of a company's forestry interest, see Guide to capital gains tax 2024.

Example 7: sale receipts – forestry interest no longer held

Cedar Pty Ltd is a subsequent participant in an FMIS. It sold its forestry interest at the market value of $20,000. The sale of the forestry interest is a CGT event. The original cost base was $14,000.

In the time that the company held the forestry interest, it claimed $4,000 in deductions (its total forestry scheme deductions) for lease fees, annual management fees and the cost of felling that it paid to the forestry manager. In an earlier period, it received $1,500 from thinning proceeds (its incidental forestry scheme receipts).

Cedar Pty Ltd will need to include **$2,500** (that is, $4,000 – $1,500) at item **6** – label **X Forestry managed investment scheme income**, because this amount is less than the market value of its forestry interest at the time of the CGT event.

CGT notes:

- Cedar Pty Ltd will take the amount that it included at item **6** – label **X Forestry managed investment scheme income** into account when working out the amount to include at item **7** – label **A Net capital gain**.
- The capital gain would be $3,500 (capital proceeds of $20,000 less cost base of $16,500 (made up of $14,000 plus $2,500 that was included in assessable income)).

Example 8: harvest receipts – forestry interest still held

Oakey Pty Ltd is a subsequent participant in an FMIS. It will receive harvest proceeds over 2 income years. It received the first harvest payment of $5,000 in 2023–24.

The market value of its forestry interest is $20,000 just before it received its payment for the first harvest (which is a CGT event). After it received this first harvest payment, the market value of its forestry interest was reduced to $15,000. Its original cost base was $14,000.

In the time that it has held its interest, Oakey Pty Ltd claimed $4,000 in deductions (its total forestry scheme deductions) for lease fees, annual management fees and the cost of felling that it paid to the forestry manager. In an earlier period, it received $1,500 from thinning proceeds (its incidental forestry scheme receipts).

Step 1: The market value of the forestry interest (at the time of the CGT event) is $20,000.

The amount by which the total forestry scheme deductions exceed the incidental forestry scheme receipts is $2,500 (that is, $4,000 − $1,500 = $2,500).

The amount to use in step 2 is $2,500.

Step 2: Work out the amount to disregard using the amount from step 1.

$2,500 × ($5,000 ÷ $20,000) = $625

Oakey Pty Ltd disregards $625 when determining the amount to include in step 2 for any future income year when it receives harvest proceeds or sells its forestry interest. This is because the $625 amount is already reflected in its assessable income in the current income year.

Step 3: Oakey Pty Ltd includes **$625** at item **6** – label **X Forestry managed investment scheme income**.

CGT notes:

- Oakey Pty Ltd has disposed of 25% of its forestry interest. Oakey Pty Ltd takes the amount that it included at item **6** – label **X Forestry managed investment scheme income** into account when working out the amount to include at item **7** – label **A Net capital gain**.
- For 2023–24 the capital gain is $875 (capital proceeds of $5,000 less apportioned original cost base of $4,125). The $4,125 is made up of $3,500 (25% of $14,000), plus $625 which is included in assessable income.

F – Gross interest

Write at item **6** – label **F Gross Interest** the total interest from all sources, including interest received from or credited by an associate, a shareholder or an associate of a shareholder. The amount at label **F** can't be a loss.

If the TOFA rules apply to the company, show at item **6** – label **F Gross Interest** all interest received or credited to it. This includes interest from financial arrangements subject to the TOFA rules.

Keep a record of the following:

- name and address of the borrower
- amount of principal received or credited.

G – Gross rent and other leasing and hiring income

Write at item **6** – label **G Gross rent and other leasing and hiring income** the company's total income from leasing and hiring activities. The amount at label **G** can't be a loss.

For more information, see Rental properties guide 2024.

H – Total dividends

Write at item **6** – label **H Total dividends** the total dividends, including all dividends and non-share dividends franked and unfranked, foreign source dividends (including New Zealand dividends and supplementary dividends, bonus shares), dividend applied under dividend reinvestment plans, deemed dividends, and liquidators' and other company distributions. The amount at label **H** can't be a loss.

If you report a distribution from a trust at item **6** Income – label **H**, complete a **Trust income schedule** and attach it to the company tax return.

For an overview of the debt and equity rules and an explanation of a non-share dividends, see **Guide to the debt and equity tests**.

If the TOFA rules apply to the company, show at item **6** – label **H Total dividends** all unfranked dividends that were paid or credited to it from all sources. This includes unfranked dividends from financial arrangements subject to the TOFA rules.

Don't include at item **6** – label **H Total dividends**:

- a dividend received under a demerger unless the head entity of the demerger group has elected under **subsection 44(2)** of the ITAA 1936 that the dividend be treated as an assessable dividend
- any franking credits that were attached to dividends received from an Australian company; include these amounts at item **7** – label **J Franking credits**
- any Australian franking credits from a New Zealand franking company; include them at item **7** – label **C Australian franking credits from a New Zealand company**.

All transactions that occur between members of a **consolidated or MEC group**, including distributions between group members, are not recognised for income tax purposes. Don't include at item **6** – label **H Total dividends** distributions between members of the same consolidated or MEC group.

To the extent that family trust distribution tax (FTDT) has been paid on a dividend (including a non-share dividend) paid or credited to the company by another company that has made an interposed entity election, that amount is excluded from the assessable income of the company under section 271-105 of Schedule 2F to the ITAA 1936.

Any losses or outgoings incurred in deriving an amount that is excluded from assessable income under section 271-105 of Schedule 2F to the ITAA 1936 are not deductible. The company can't claim a tax offset for any franking credit attributable to the whole or a portion of a dividend that is excluded from assessable income under section 271-105 of Schedule 2F to the ITAA 1936.

Keep a record of the following for dividends and non-share dividends:

- name of the payer
- date received or credited or applied
- franked amount
- unfranked amount
- the portion of unfranked amount declared to be conduit foreign income (CFI)
- franking credit allocated
- franking percentage
- gross amount
- type of distribution – for example, foreign source dividend, bonus shares, phasing-out dividend, liquidator's distribution
- any withholding tax amount has been deducted.

I – Fringe benefit employee contributions

Write at item **6** – label **I Fringe benefit employee contributions** all payments that the company has received from recipients of fringe benefits.

Employee contributions form part of the employer's or associate's assessable income if employees make payments for **fringe benefits** that they received.

If you are the head company of a **consolidated or MEC group**, include all fringe benefit employee contributions received by you or by an entity that was a subsidiary member of the group when the contribution was received.

Q – Assessable government industry payments

Generally, government credits, grants, rebates, benefits, bounties and subsidies are assessable income of the recipient if they are received in, or for, the carrying on of a business. This generally includes payments of a capital nature. However, payments relating to the commencement or cessation of a business may not be assessable income but may give rise to a capital gain. In certain circumstances a specific grant or payment is considered to be exempt income or non-assessable non-exempt income.

A number of Commonwealth, State and Territory government grants and payments have been made available to businesses in response to recent natural disasters. Only those grants and payments that are assessable income will need to be included at this item.

Don't include at this item the following grants and payments:

- cash flow boost
- payments (COVID-19) (non-assessable, non-exempt income)
  If you included the cash flow boost in the gross income for accounting purposes, include it at item **6** – label **R Other gross income** and at item **7** – label **Q Other income not included in assessable income**
- Commonwealth and State government grants and payments that are tax free.

For more information, see Natural disaster support.

Write at label **Q** all assessable government industry payments, including:

- bounties
- employee subsidies
- industry assistance grants including grants relating to R&D
- JobMaker Hiring Credits
- apprentices and trainees wage subsidy
- fuel tax credits
- producer rebate (wine equalisation tax)
- excise refund scheme for alcohol manufacturers
- product stewardship for oil program benefit.

If this amount includes a fuel tax credit, producer rebate (wine equalisation tax), excise refund scheme for alcohol manufacturers or product stewardship for oil program benefit, print **D** in the **CODE** box. For more information on fuel schemes, phone our business enquiry line.

JobMaker hiring credit reporting

The accounting basis used determines the way you report JobMaker hiring credit payments.

- Accruals accounting basis – JobMaker hiring credit payments are derived when the company provides the ATO with a valid claim form after each JobMaker period. JobMaker hiring credit payments relating to valid claim forms made during the 2024 income year are assessable in the 2024 income year.
- Cash accounting basis – JobMaker hiring credit payments are derived when the company receives those payments. Payments received during the 2024 income year are assessable in the 2024 income year.

For more information, see:

- Taxation Ruling TR 2006/3 *Income tax: government payments to industry to assist entities (including individuals) to continue, commence or cease business*
- Natural disaster support
- Reporting disaster payments and grants in your tax return
- Disaster support grants and deductions for business.

J – Unrealised gains on revaluation of assets to fair value

Write at label **J** the amount (if any) of any unrealised gains made on the revaluation of assets and liabilities to fair value that may arise as a result of the adoption of Australian equivalents to the international financial reporting standards.

- Include any unrealised gain on the revaluation of a financial arrangement to fair value assessable under the TOFA rules.
- Adjustments for tax purposes are made at item **7 Reconciliation to taxable income or loss**.
- An unrealised gain that is not assessable income is included at item **7** – label **Q Other income not included in assessable income**.
- Any net capital gain for taxation purposes is written at item **7** – label **A Net capital gain**.
- Any net capital loss is included with any unapplied capital losses carried forward to later income years and is written at item **13 Losses information** – label **V Net capital losses carried forward to later income years**.

R – Other gross income

Other gross income includes:

- royalties
- insurance recoveries
- bad debt recoveries
- life insurance premiums
- non-government subsidies
- assessable non-government assistance from all sources
- profit on sale of depreciating assets, including assets used in R&D activities subject to the R&D tax incentive
- any assessable gains from the company's financial arrangements to which the TOFA rules apply, except where they have already been included at item **6**
- any extraordinary revenue, that is, revenue or gains from events outside ordinary operations of the company that don't recur, including work-in-progress amounts assessable under section 15-50 of the ITAA 1997. An extraordinary gain that is not assessable income is included at item **7** – label **Q Other income not included in assessable income**.

Write at label **R** the total amount of other gross income.

Don't show at label **R** amounts you included above at item **6 Income** – labels **B** to **J**.

If the amount at label **R** is a loss, print **L** in the **CODE** box.

Keep a record of the following:

- types of income – for example, sales, commissions
- amount derived for each type of income.

If various profit and loss account balances are combined when calculating label **R**, keep a list of the names and amounts of those accounts.

S – Total income

Write at label **S Total income** the total of all income items written at item **6** – labels **B** to **R**. If this amount is a loss, print **L** in the **CODE** box.

If this amount is greater than zero then complete item **6 Expenses** – label **X Depreciation expenses** for any book depreciation expenses for assets used in deriving that income even if that amount is zero.

Continue to: 6 Expenses

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QC 101684

6 Expenses

Use these instructions to complete the expenses portion of the calculation of total profit and loss.

Last updated 3 July 2024

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About expense amounts

Write all expense amounts from the company's financial statements at labels **B** to **S**, see relevant item.

Write at label **B Foreign resident withholding expenses** all expenses that directly relate to income subject to foreign resident withholding. Don't include these amounts at other expense labels.

Input tax credit entitlements that arise for outgoings are excluded from expenses, see **6 Calculation of total profit or loss**.

Write non-deductible expenses incurred in deriving any exempt income at the appropriate expense labels. Add back these non-deductible expenses at item **7** – label **U Non-deductible exempt income expenditure**.

Other expenses, to the extent that they are not deductible in 2023–24, which have been included at item **6** – labels **A** to **S**, are added back at item **7** – label **W Non-deductible expenses**. This includes non-deductible expenses incurred in deriving any non-assessable non-exempt income.

Record prepaid expenses that appear in the company's financial statements at the relevant expense label. Where the amounts of those expenses differ from the amounts which are deductible for income tax purposes in 2023–24, make adjustments at item **7** – labels **W Non-deductible expenses** or **X Other deductible expenses**.

For a company to claim a deduction for gifts and donations made to an organisation, the organisation must be a deductible gift recipient (DGR). DGRs are endorsed by the ATO or specifically named in the income tax law. All receipts issued for gifts to a DGR must include the name of the fund, authority or institution to which the gift has been made and the DGR's ABN, and must state that the receipt is for a gift. To check whether an organisation is a DGR, go to [abr.business.gov.au] or phone **1300 130 248**.

The company may elect to spread a deduction for a gift over 5 income years or less where the gift is money, property gifted to the Cultural

Gifts Program, certain heritage property or property valued by us at more than $5,000.

B – Foreign resident withholding expenses

Only complete item **7** – label **B Foreign resident withholding expenses** if the company is a foreign resident. An Australian resident should not include expenses, such as expenses incurred in deriving foreign sourced income, at label **B**.

Write at label **B**, all expenses directly relating to gaining income subject to foreign resident withholding (shown at item **6** – labels **Income**, **B Gross payments subject to foreign resident withholding**, **D Gross distribution from partnerships** or **E Gross distribution from trusts**).

Any expenses written at label **B** that directly relate to gaining income that is not assessable in Australia should also be written at item **7** – label **U Non-deductible exempt income expenditure**.

Don't include at this label expenses in relation to foreign resident capital gains withholding.

A – Cost of sales

Consider cost of sales, for:

- Small business entities
- All companies.

Small business entities

Small business entities only need to account for changes in the value of their trading stock in limited circumstances; see **Closing stock**. If the company does not need to account for the change in value of closing stock, its closing stock value will equal its opening stock value. If the company needs to account for the change in value of closing stock, or chooses to do so, see **Closing stock** for information about how to calculate the closing stock value. For more information on calculating cost of sales, see below.

All companies

Write at item **6** – label **A Cost of sales** the cost of anything produced, manufactured, acquired or purchased for manufacture, sale or exchange in deriving the gross proceeds or earnings of the business. This includes freight inwards and may include some external labour costs if these are included in the cost of sales account in the normal accounting procedure of the business.

If the cost of sales account is in credit at the end of the income year (that is, a negative expense), print **L** in the **CODE** box at the right of the amount at label **A**. Don't print brackets around this amount.

For more information on the circumstances in which packaging items held by a manufacturer, wholesaler or retailer are ‘trading stock’ as defined in section 70-10 of the ITAA 1997, see Taxation Ruling TR 98/7 *Income tax: whether packaging items (i.e. containers, labels, etc) held by a manufacturer, wholesaler or retailer are trading stock*.

Don't include input tax credit entitlements in cost of sales.

For more information, see Accounting for business trading stock.

C – Contractor, sub-contractor and commission expenses

Write at label **C** the expenditure incurred for labour and services provided under contract other than those in the nature of salaries and wages.

For example:

- payments to self-employed people, such as consultants and contractors, this includes those who operate under a labour-hire arrangement or a voluntary agreement
- commissions paid to people not receiving a retainer
- agency fees – for example, advertising
- service fees – for example, plant service
- management fees
- consultant fees.

Don't include the following at label **C**:

- expenses for external labour that are incorporated into the amount written at item **6** – label **A Cost of sales**
- expenses for accounting or legal services – include them at item **6** – label **S All other expenses**.

Keep a record of the following:

- name and address of the payee

- nature of the labour or services provided
- the amount paid.

D – Superannuation expenses

Write at label **D** the superannuation expenses incurred for the income year.

Employers are entitled to a deduction for contributions made to a complying superannuation, provident, benefit or retirement fund, or retirement savings account (RSA), if the contribution is to provide superannuation benefits for employees or to provide benefits to an employee's dependants on the employee's death. Superannuation benefits mean payments for superannuation member benefits or superannuation death benefits.

Provided certain conditions are met, employers can claim a deduction for superannuation contributions made for a former employee within 4 months of the employee ceasing employment and at any time after the employee ceases employment for defined benefit interests.

A deduction is allowable in the income year in which the contributions are made.

There is no limit on the amount of contributions that can be claimed as a deduction by an employer contributing to a complying superannuation fund or RSA for employees under the age of 75 years. However, the employee may be liable to pay additional tax if their concessional contributions exceed their concessional contributions cap. For more information, see **Caps, limits and tax on super contributions**.

If an employee has reached the age of 75 years, there is a restriction on the deduction that can be claimed for an employer contribution to a complying superannuation fund or RSA. For contributions made after the 28th day of the month following the employee's 75th birthday, the deduction claimable is limited to the greater of the following amounts:

- the amount of the contribution required under an industrial award, determination or notional agreement preserving state awards
- the amount of the contribution that reduces the employer's charge percentage under the *Superannuation Guarantee (Administration) Act 1992* for the employee.

The adjustments for taxation purposes are included at item **7 –** label **W Non-deductible expenses**.

No deduction is allowable if the fund is a non-complying fund.

In addition, contributions made to a non-complying fund don't count towards superannuation guarantee obligations. The superannuation guarantee charge is payable on the superannuation guarantee shortfall. As such, it is neither a superannuation contribution nor tax deductible.

Contributions made by employers to be offset against a superannuation guarantee charge liability are not deductible.

Contributions paid by an employer for employees to a non-complying superannuation fund may be fringe benefits and, as such, may be subject to tax under the *Fringe Benefits Tax Assessment Act 1986*.

Consolidated or multiple entry consolidated (MEC) groups

The head company includes at label **D** the employee superannuation expenses of all the members of the group.

The head company includes at item **7** – label **W Non-deductible expenses** any non-deductible employee superannuation expenses of all the members of the group.

For more information, see Key super rates and thresholds.

E – Bad debts

Write at label **E** the bad debts expense incurred for the income year:

- Include recovery of bad debts at item **6 Income** – label **R Other gross income**.
- A deduction for bad debts is not allowable under subsection 25-35(1) of the ITAA 1997 unless the debt that is bad has previously been included in assessable income, or is for money lent in the ordinary course of the business of lending money by a company carrying on that business.
- Don't include accounting provisions for doubtful debts at label **E** – include these at item **6 Expenses** – label **S All other expenses** and add them back at item **7 Reconciliation to taxable income or loss** – label **W Non-deductible expenses**.
- Before a bad debt can be claimed, it must be bad and not merely doubtful. The deduction depends on the facts in each case and, where applicable, the action taken for recovery. For more information, see Taxation Ruling TR 92/18 *Income tax: bad debts*.

A deduction can also be claimed for:

- partial debt write-offs where only part of a debt is bad and is written off
- losses incurred in debt-equity swaps for debt extinguished after 26 February 1992 if sections 63E to 63F of the ITAA 1936 are satisfied. Under these sections, a deduction may be allowable for the difference between the amount of the debt extinguished and the greater of the market value of the equity or the value at which the equity is recorded in the creditor's books at the time of issue. Generally, the market value of the equity is the price quoted on the stock exchange or, if the equity is not listed, the net asset backing of the equity.

A deduction for a bad debt or loss on a debt-equity swap is only allowable if the company claiming the deduction satisfies:

- a continuity of ownership test (or we consider it unreasonable to have to satisfy the test), see **Subdivision 165-C** of the ITAA 1997
- the business continuity test (if the continuity of ownership test is not satisfied or it is not practicable to show that it is) – for the operation of the business continuity test, see
  - **Subdivision 165-E** of the *ITAA 1997*
  - Taxation Ruling **TR 1999/9** *Income tax: the operation of sections 165-13 and 165-210, paragraph 165-35(b), section 165-126 and section 165-132*
  - Law Companion Ruling **LCR 2019/1** *The business continuity test – carrying on a similar business*.

Where a debt was incurred in an income year prior to that in which it is written off as bad, the company must satisfy the continuity of ownership test at all times from the date on which the debt was incurred through to the end of the income year in which it writes off the debt.

Where a debt was both incurred and written off as bad in the same income year, the company must satisfy the continuity of ownership test at all times during that income year.

The continuity of ownership tests applicable to bad debts are subject to:

- the anti-avoidance provisions in Subdivision 165-D of the ITAA 1997 relating to arrangements designed to affect the beneficial ownership of shares or enjoyment of rights attaching to shares

- the anti-avoidance provisions in Subdivision 175-C of the ITAA 1997 relating to schemes designed to obtain tax benefits from unused bad debt deductions.

For widely held companies and eligible Division 166 companies, the continuity of ownership test in Subdivision 165-C may be modified by Subdivision 166-C of the ITAA 1997, which provides a simplified method for determining the company's ultimate majority ownership.

If the Taxation of Financial Arrangements(TOFA) rules apply to the company, show at label **E** all of the company's bad debts. This includes amounts from financial arrangements subject to the TOFA rules.

If the company writes off bad debts during the income year, keep a statement for each debt for which a write-off occurred, showing:

- the debtor's name and address
- the amount of the debt
- the reason why the debt is regarded as bad
- the income year that the amount was returned as income.

Consolidated and MEC groups

Special rules apply to determine if the head company of a consolidated or MEC group can deduct a bad debt that for a period has been owed to a member of a consolidated or MEC group and for another period has been owed to an entity that was not a member of that group, see Subdivisions 709-D and 719-I of the ITAA 1997.

F – Lease expenses within Australia

Write at item **6** – label **F Lease expenses within Australia** the expenditure incurred through both finance and operating leases on leasing assets, including motor vehicles and depreciating assets such as plant. However, don't include the expenditure at label **F** if it is incurred under a hire-purchase agreement. Such expenses are referred to in Appendix 4.

Don't include the cost of leasing real estate or the capital expenditure incurred to terminate a lease or licence. However, section 25-110 of the ITAA 1997 provides a 5 year straight-line deduction for certain capital expenditure incurred to terminate an operating lease or licence if the expenditure is incurred in the course of carrying on a business or in connection with ceasing to carry on a business. Include the allowable deduction at item **7** – label **X Other deductible expenses**.

See **Worksheet 2** and **Note 6**, and **Tax deductions for depreciating assets and capital expenses**.

I – Lease expenses overseas

Write at item **6** – label **I Lease expenses overseas** the lease expenses incurred through both finance and operating leases on leasing depreciating assets, including motor vehicles. However, don't include the expenditure at label **I** if it is incurred under a hire-purchase agreement. See, **Appendix 4**.

Exclude the cost of leasing real estate, capital expenditure incurred to terminate a lease or licence, and expenditure on items other than depreciating assets leased from non-residents. For more information on capital expenditure incurred to terminate an operating lease or licence, see item **6** – label F Lease expenses within Australia.

If a deduction is claimed for the cost of leasing depreciating assets, keep a record of the following:

- a description of the items leased
- where applicable, the country from which the items were leased
- full particulars of the lease expenses for each item of property, including motor vehicles, showing
  - to whom the payments were made
  - where applicable, the country to which the payments were made
  - the terms of the payments, including details of any prepayments or deferred payments
  - if any assignment, defeasance or re-direction to pay the payments was entered into, full particulars of those arrangements, including to whom the payments were made
  - details of any use other than for producing assessable income
  - any documentation on or relating to the lease of the asset.

In certain cases, an amount of tax (withholding tax) is withheld from amounts paid or payable under equipment leases to non-residents and overseas branches of residents, and must be remitted to the ATO. If you have withheld amounts from payments to non-residents, you may need to lodge by 31 October 2024 a **PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report**.

H – Rent expenses

Write at item **6** – label **H** the expenditure incurred as a tenant on rental of land and buildings used in the production of income.

V – Interest expenses within Australia

Write at item **6** – label **V** the interest expenses incurred on money borrowed from Australian sources.

If the TOFA rules apply to the company, show at label **V** all interest incurred on money borrowed from Australian sources. This includes interest on financial arrangements subject to the TOFA rules.

An amount of interest may not be an allowable deduction – for example, where the thin capitalisation provisions disallow an interest deduction. Include the amount of interest not allowable at item **7** – label **W Non-deductible expenses**.

For information on thin capitalisation, see Appendix 6.

Distributions from a non-share equity interest are not deductible; see the Guide to the debt and equity tests. This provides an overview of the debt and equity rules and explains what a non-share equity interest is.

J – Interest expenses overseas

Write at item **6** – label **J** the interest expenses incurred on money borrowed from overseas sources.

If an amount is reported at label **J**, complete and attach an *International dealings schedule 2024* to your company tax return.

For more information, see Practical Compliance Guideline PCG 2017/4 *ATO compliance approach to taxation issues associated with cross-border related party financing arrangements and related transactions*.

If the TOFA rules apply to the company, show at label **J** all interest expenses incurred on money borrowed overseas. This includes interest on financial arrangements subject to the TOFA rules.

An amount of tax (withholding tax) is generally withheld from interest paid or payable to non-residents and to overseas branches of residents and must be remitted to the ATO. If you have withheld amounts from payments to non-residents you may need to lodge a PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report by 31 October 2024.

An amount of interest may not be an allowable deduction – for example, where the thin capitalisation provisions disallow an interest deduction. Include the amount of interest not allowable at item **7** – label **W Non-deductible expenses**.

For information on thin capitalisation, see Appendix 6.

Distributions from a non-share equity interest are not deductible. For an overview of the debt and equity rules and an explanation of a non-share equity interest, see Guide to the debt and equity tests.

If interest is paid to non-residents, keep a record of the following:

- names and addresses of recipients
- amount of interest paid or credited
- documents that identify the substance of the financial arrangement and support the amount of interest expenses claimed, for instance, a signed copy of the loan agreement
- details of tax withheld, where applicable, and the date on which it was remitted to us.

U – Royalty expenses overseas

Write at item **6** – label **U** the royalty expenses incurred during the income year to non-residents.

If an amount is reported at label **U**, complete and attach an *International dealings schedule 2024* to your company tax return.

An amount of tax (withholding tax) is generally withheld from royalties paid or payable to non-residents and overseas branches of residents and must be remitted to the ATO. If you have withheld amounts from payments to non-residents, you may need to lodge a PAYG withholding from interest, dividend and royalty payments paid to non-residents – annual report by 31 October 2024.

Keep a record of the following:

- names and addresses of recipients
- amounts paid or credited
- documents that identify the nature of the benefit derived – for example, a signed copy of the royalty agreement
- details of tax withheld, where applicable, and the date on which it was remitted to us.

W – Royalty expenses within Australia

Write at item **6** – label **W** the royalty expenses paid during the income year to Australian residents.

Keep a record of the following:

- names and addresses of recipients
- amounts paid
- nature of the benefit derived – for example, a copy of the royalty agreement
- details of amounts withheld, where applicable, and the date on which they were remitted to us.

X – Depreciation expenses

If the company is an eligible small business entity and has chosen to use the simplified depreciation rules, see Small business entities using simplified depreciation.

Otherwise, go to All other companies.

Small business entities using simplified depreciation

Show the depreciation expenses of small business entities using the simplified depreciation rules as tax values, at item **6** – label **X Depreciation expenses**. See Small business entities for how to calculate this amount.

Small business entities using simplified depreciation should complete item **10 Small business entity simplified depreciation**, as applicable.

Don't complete item **7** – label **F Deduction for decline in value of depreciating assets**.

All other companies

Show at item **6** – label **X Depreciation expenses** the book depreciation expenses for depreciating assets.

Don't include:

- profit on the sale of a depreciating asset, include at Income, item **6** – label **R Other gross income**

- loss on the sale of a depreciating asset, include at Expenses, item **6** – label **S All other expenses**.

If an amount is written at item **6** – label **X Depreciation expenses**, make reconciliation adjustments at item **7** even if the depreciation expense is the same amount as the deduction for decline in value.

You need to complete:

- item **7** – label **W Non-deductible expenses**
- item **7** – label **F Deduction for decline in value of depreciating assets**.

For reconciliation purposes, split the amount written at item **6 –** label **X** into R&D and non-R&D amounts when adding back. Include non-R&D amounts at item **7** – label **W Non-deductible expenses** and include R&D amounts at item **7** – label **D Accounting expenditure in item 6 subject to R&D tax incentive** when adding back.

Write the deduction for decline in value of most depreciating assets at item **7** – label **F Deduction for decline in value of depreciating assets**. If a depreciating asset is subject to the R&D tax incentive, this amount will form part of your notional R&D deduction and not be included at item **7 –** label **F**. Eligible companies can claim this notional R&D deduction amount as an R&D tax offset.

For more information, see:

- 21 Research and development tax incentive
- Research and development tax incentive schedule and instructions 2024.

Simplifying tax obligations for business

Law administration practice statement PS LA 2003/8 *Practical approaches to low-cost business expenses* provides guidance on the threshold rule and the sampling rule taxpayers can apply to determine if their business expenses on low cost items are to be treated as revenue expenditure.

Subject to certain qualifications, the 2 methods cover expenditure below a threshold and the use of statistical sampling to estimate total revenue expenditure on low-cost items.

Under the threshold rule, low-cost items with a typically short life costing $100 or less are assumed to be revenue in nature and are immediately deductible.

The sampling rule allows taxpayers with a low-value pool to use statistical sampling to determine the proportion of the total purchases on low-cost tangible assets that are revenue expenditure.

Small business entities

How to complete this section if you are a small business entity and have chosen to use the simplified depreciation rules.

- Small business concessions changes to simplified depreciation rules
- Calculating depreciation deductions for small business entities
- Five year restriction.

Small business concessions changes to simplified depreciation rules

In 2023–24, the **instant asset write-off** applies to small business entities using the simplified depreciation rules.

If the company is an eligible small business entity and has chosen to use the simplified depreciation rules, write at item **6** – label **X Depreciation expenses** the total depreciation deductions being claimed under the simplified depreciation rules and the uniform capital allowances (UCA) rules. You must also complete:

- item **10** – label **A Deduction for certain assets (costing less than the relevant instant asset write-off threshold)** for eligible assets where the instant asset write-off applies
- item **10** – label **B Deduction for general small business pool** to record the deduction claimed for your small business pool.

Some depreciating assets are excluded from the simplified depreciation rules, but a deduction may be available under the UCA or other capital allowance (such as the R&D depreciating asset regime). For more information, see **Assets and exclusions**. Special rules also apply if the depreciating asset is a **passenger vehicle**.

For more information about the small business entity depreciation rules, see **Simpler depreciation for small business** or **phone us**.

Calculating depreciation deductions for small business entities

Use calculations 1 to 5 in **Appendix 11** to calculate the depreciation deductions **only** if the company is an eligible small business entity and has chosen to use the simplified depreciation rules.

Transfer the **tax** values to the **Worksheet**.

Five year restriction

The 5-year 'lock out' rule is suspended until 30 June 2024. This rule prevented small business entities from re-entering the simplified depreciation regime if they opted out.

If the company is a small business entity that has previously chosen to use these simplified depreciation rules but in a later year has chosen to stop using this concession, the company can again choose to use the simplified depreciation rules until the end of 30 June 2024.

To notify the Commissioner of the choice, lodge the company tax return and **keep relevant records** for the required period of time. The company is not required to lodge any other form to notify of their choice.

Y – Motor vehicle expenses

Write at item **6** – label **Y** Motor vehicle running expenses only. These expenses include fuel, repairs, registration fees and insurance premiums. They don't include the expenses shown at item **6** – labels:

- **F Lease expenses within Australia**
- **I Lease expenses overseas**
- **V Interest expenses within Australia**
- **J Interest expenses overseas**
- **X Depreciation expenses**.

Z – Repairs and maintenance

Write at item **6** – label **Z** the expenditure on repairs and maintenance of plant, machinery, implements and premises.

If the company has any item of a capital nature at label **Z**, add it back at item **7** – label **W Non-deductible expenses**.

Provided it is not expenditure of a capital nature, the company may deduct the cost of repairs to property, plant, machinery or equipment used for producing assessable income or in carrying on a business for that purpose. Deductions for expenditure on repairs to property must be reduced to reflect the extent to which the property is not used for an income-producing purpose – for example, where the property is also used for private purposes, or in the production of exempt income.

If items are newly acquired, including by way of a legacy or gift, the cost of remedying defects in existence at the time of acquisition is generally of a capital nature. Expenditure incurred in making alterations, additions or improvements is of a capital nature and is not deductible when incurred. However, it may be subject to depreciation under the UCA or another capital allowance regime. For more information on deductions for repairs, see Taxation Ruling TR 97/23 *Income tax: deductions for repairs*.

G – Unrealised losses on revaluation of assets to fair value

Write at label **G** the amount of any unrealised loss made on the revaluation of assets and liabilities to fair value that may arise as a result of the adoption of Australian equivalents to the international financial reporting standards.

- Include any unrealised loss on the revaluation of a financial arrangement to fair value deductible under the TOFA rules.
- Adjustments for tax purposes are made at item **7 Reconciliation to taxable income or loss**.
- An unrealised loss that is not deductible is added back at item **7** – label **W Non-deductible expenses**.
- Any net capital gain for taxation purposes is included at item **7** – label **A Net capital gain**.
- Any net capital loss is included with any unapplied capital losses carried forward to later income years and is written at item **13** – label **V Net capital losses carried forward to later income years**.

S – All other expenses

Write at item **6** – label **S** the total of all other expenses. This includes losses on the disposal of depreciating assets, including assets used in R&D activities subject to the R&D tax incentive.

Include at label **S**:

- any losses from the company's financial arrangements to which the TOFA rules apply, except where they have already been included at item **6**
- any extraordinary expenses, that is, expenses or losses from events outside ordinary operations of the company that don't recur – an

extraordinary loss that is not deductible is added back at item **7** – label **W Non-deductible expenses**.

Don't include at Label **S** amounts included at item **6 Expenses** – labels **B** to **G**.

Calculation of some deductions may be affected by the commercial debt forgiveness provisions, see **Appendix** 5.

Q – Total expenses

Write at item **6** – label **Q** the total of all expense items written at item **6** – labels **B** to **S**.

If there is a negative amount at item **6** – label **A** (marked with code **L**) that exceeds the total of labels **B** and **C** to **S**, print **L** in the **CODE** box at the right of the amount at item **6** – label **Q**.

Example 9: negative cost of sales

Ausco reports a negative cost of sales of $1,000 at label **A** (code **L**). The other expense items listed at labels **B** and **C** to label **S** amount to $900.

Therefore, Ausco needs to print code **L** in the box at the right of the amount reported at label **Q** of $100.

T – Total profit or loss

Write the company's total profit or loss at item **6** – label **T**. Total profit or loss is the amount written at item **6 Income** – label **S Total income**, less the amount written at item **6 Expenses** – label **Q Total expenses**. If this amount is a loss, print code **L** in the box at the right of the amount at label **T**.

Continue to: 7 Reconciliation to taxable income or loss

Return to: Instructions to complete the Company tax return 2024

7 Reconciliation to taxable income or loss

Instructions to complete your reconciliation to taxable income or loss.

Last updated 3 July 2024

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Completing item 7

These items are adjustments for tax purposes to reconcile item **6** – label **T Total profit or loss** with item **7** – label **T Taxable/net income or loss**.

Former STS taxpayers

If the company is eligible and is continuing to use the **STS (simplified tax system) accounting method**, the following might apply.

You might need to make additional adjustments at item **7**, if either:

- the company is using the STS accounting method and the amounts the company has written at the item **6 Income** and **Expenses** sections of **Calculation of total profit or loss** are not based on the STS accounting method
- the company stops using the STS accounting method.

These adjustments are explained in more detail below. Use Worksheet 2 to help you with the calculations.

Trade debtors and creditors as at 30 June 2024

If the company is eligible and has chosen to continue using the STS accounting method, and has included at any labels at item **6 Income** amounts of ordinary income that have been derived but not received in 2023–24, (for example, trade debtors as at 30 June 2024), the amounts not received are not assessable this year.

Include these amounts at item **7** – label **Q Other income not included in assessable income**.

If the company is eligible and has chosen to continue using the STS accounting method and has included at any labels at item **6 Expenses** amounts of general deductions, repairs or tax-related expenses that have been incurred but not paid in 2023–24, (for example, trade creditors as at 30 June 2024), the amounts not paid are not deductible this year.

Include these amounts at item **7** – label **W Non-deductible expenses**.

Ceasing to use the STS accounting method

You may need to make adjustments if the company has stopped using the STS accounting method and changed to an accruals accounting method this year.

If you have not included anywhere at item **6 Income** amounts of ordinary income that the company derived but did not receive while using the STS accounting method (for example, trade debtors as at 30 June 2024), these amounts are assessable this year.

Include these amounts at item **7** – label **B Other assessable income**.

If you have not included anywhere at item **6 Expenses** amounts of general deductions, repairs or tax-related expenses that the company incurred but not paid while using the STS accounting method, (for example, trade creditors as at 30 June 2024), these amounts are deductible this year.

Include these amounts at item **7** – label **X Other deductible expenses**.

Use Worksheet 2 to help you with the calculations.

Other reconciliation adjustments

Information to help you understand other reconciliation adjustments.

Ceasing to hold depreciating assets

If the company has ceased to hold depreciating assets during the income year, include the following amounts (if any) at item **7** – label **B Other assessable income**:

- the taxable purpose proportion of the termination value of low-cost assets which the company has ceased to hold and for which an immediate deduction has been claimed
- the amount below zero if the closing pool balance of the general small business pool is less than zero
- assessable balancing adjustment amounts on the disposal (or deemed disposal) of, or otherwise ceasing to hold, depreciating assets not subject to the small business entity depreciation rules.

Include at item **7** – label **X Other deductible expenses** any deductible balancing adjustment amounts where you ceased to hold depreciating assets not deducted under the small business entity depreciation rules.

Include at item **7** – label **Q Other income not included in assessable income** any profit on sale of depreciating assets included at item **6 Income** – label **R Other gross income**.

Include at item **7** – label **W Non-deductible expenses** any loss on sale of depreciating assets included at item **6 Expenses** – label **S All other expenses** item **6**. See Worksheet 2.

Prepaid expenses

Generally, prepaid expenses are deductible over the eligible service period or 10 years whichever is less. Small business entities and entities that would be small business entities if the aggregated turnover threshold was less than $50 million are entitled to an immediate deduction for prepaid expenses if the 12-month rule applies, that is:

- the expenditure is incurred for a period of service not exceeding 12 months, and
- the eligible service period ends on or before the last day of the next year of income.

If the 12-month rule does not apply, apportion the deduction for the expenditure over the eligible service period or 10 years, whichever is shorter. The immediate deduction under the 12-month rule does not apply to expenditure incurred under a tax shelter agreement.

Broadly, the eligible service period is the period during which the thing is to be done under the agreement in return for the expenditure.

If you are an early balancer and, on a date that was both before 1 July 2024 and falls within 2023–24, you incurred expenditure under a forestry management agreement, phone us for further assistance.

For more information, see Deductions for prepaid expenses 2024.

If the labels at item **6 Expenses** include prepaid expenses that differ from the amounts allowable as deductions in 2023–24, include the reconciliation adjustment at item **7** – label **W Non-deductible expenses** or label **X Other deductible expenses** as required, see Worksheet 2.

G – Did you have a CGT event during the year?

If a capital gains tax (CGT) event happened to the company during the income year, or the company received (or is treated as receiving) a capital gain amount from a trust, print **X** in the **Yes** box at item **7** – label **G**.

Otherwise print **X** in the **No** box.

CGT events are the different types of transactions or events that may result in a capital gain or capital loss. Many CGT events involve a CGT asset (for example, the disposal of a CGT asset) while other CGT events relate directly to capital receipts.

An Australian resident company makes a capital gain or capital loss if a CGT event happens to any of its worldwide CGT assets. A foreign resident company is only subject to CGT if a CGT event happens to assets that are taxable Australian property. For more information, see the Guide to capital gains tax 2024.

If the company ceases to hold or to use a depreciating asset that was used for both taxable and non-taxable purposes, a CGT event may happen to the asset. A capital gain or capital loss may arise to the extent that the asset was used for a non-taxable purpose.

For more information about CGT events, see the Guide to capital gains tax 2024.

For help completing the schedule and a copy of the schedule, see Capital gains tax schedule and instructions 2024.

You may also need the:

- **Capital gain or capital loss worksheet 2024** – for calculating a capital gain or capital loss for each CGT event.
- **CGT summary worksheet 2024** – for calculating a net capital gain or net capital loss for the income year.

The worksheets help in calculating a company's net capital gain or net capital loss for the income year and completing the tax return labels that relate to CGT. Completion of the worksheets is not mandatory. Don't attach them to the company tax return, but keep them with the company's tax records.

However, the company must complete a *Capital gains tax schedule 2024* and attach it to the company tax return, if the company has either:

- total current year capital gains greater than $10,000
- total current year capital losses greater than $10,000.

Consolidated or multiple entry consolidated (MEC) groups

Transfers of assets between members of the same consolidated or MEC group are not recognised for the head company's income tax purposes.

Any CGT events occurring between a subsidiary member of the consolidated or MEC group and parties external to the consolidated or MEC group, are taken to be CGT events of the head company of the consolidated or MEC group.

M – Have you applied an exemption or roll-over?

If you have disregarded or deferred a capital gain or capital loss because you are eligible to apply a CGT exemption or roll-over, print **X** in the **Yes** box at item **7** – label **M**. If you are required to lodge a CGT schedule, you may need to provide details of certain CGT exemptions and roll-overs.

If you answered yes at label **M** print in the **CODE** box the code from Table 4, for the CGT exemptions and roll-overs you have applied to disregard or defer a capital gain.

Choose the most specific roll-over and exemption that applies, such as Scrip for scrip roll-over (**Subdivision 124-M**), before you choose a more general roll-over and exemption, such as Replacement asset roll-overs (**Division 124**).

If you have applied more than one CGT exemption or roll-over, select all of the codes that apply.

If you are lodging by paper, write the code that represents the CGT exemption or roll-over that deferred or disregarded the largest amount of capital gain.

Table 4: CGT exemptions or roll-over code

Code	Type
A	Small business active asset reduction
B	Small business retirement exemption
C	Small business roll-over (Subdivision 152-E)
D	Small business 15-year exemption (Subdivision 152-B)
E	Foreign resident CGT exemption (Division 855)
F	Scrip for scrip roll-over (Subdivision 124-M)
G	Inter-company roll-over (Subdivision 126-B)
H	Demerger exemption (Subdivision 125-C)
J	Capital gains disregarded as a result of the sale of a pre-CGT asset
K	Disposal of assets to, or creation of assets in, a wholly-owned company (Division 122)
L	Replacement asset roll-overs (Division 124)
M	Exchange of shares or units (Subdivision 124-E)
N	Exchange of rights or options (Subdivision 124-F)
O	Exchange of shares in one company for shares in another company (Division 615)
P	Exchange of units in a unit trust for shares in a

	company (Division 615)
Q	Disposal of assets by a trust to a company (Subdivision 124-N)
R	Demerger roll-over (Subdivision 125-B)
S	Same asset roll-overs (Division 126)
T	Small business restructure roll-over (Subdivision 328-G)
U	Early stage investor (Subdivision 360-A)
V	Venture capital investment (Subdivision 118-F)
X	Other exemptions and roll-overs

Note: use code **T** if you have either received or disposed of an asset under the small business restructure roll-over provisions.

If the company is required to lodge a CGT schedule, you may need to provide details of the capital gains deferred or disregarded as a result of applying certain CGT exemptions and roll-overs.

For more information, see **Guide to capital gains tax 2024**.

Add-back items

Add the following items to item **6 Calculation of total profit or loss** – label **T Total profit or loss**:

- A – Net capital gain
- U – Non-deductible exempt income expenditure
- J – Franking credits
- C – Australian franking credits from a New Zealand franking company
- E – TOFA income from financial arrangements not included in item 6
- B – Other assessable income
- W – Non-deductible expenses
- D – Accounting expenditure in item 6 subject to R&D tax incentive

A – Net capital gain

Write at item **7** – label **A** the company's net capital gain. If the company has used the CGT summary worksheet or CGT schedule this is the amount at either:

- **part 6** – label **6A** of the CGT summary worksheet
- **part 6** – label **A** of the CGT schedule.

The company's net capital gain is the total of the capital gains it made (that are not disregarded other than by one of the small business concessions listed below) reduced by current year capital losses (that are not disregarded), prior year unapplied net capital losses and, if applicable:

- 50% active asset reduction
- retirement exemption
- rollover provisions.

A company is **not** eligible for the CGT discount.

Any amount received by a company that is referable as NCMI capital gains or Excluded from NCMI capital gains would be included in the calculation of the amount at item **7** – label **A Net capital gain**.

For more information:

- on NCMI, see Stapled structures
- see Guide to capital gains tax 2024
- see Small business CGT concessions.

Include any net capital loss with any unapplied net capital losses carried forward to later income years and record it at item **13** – label **V Net capital losses carried forward to later income years**.

The company may need to complete either a:

- Consolidated groups losses schedule
- Losses schedule.

If you report a distribution from a trust at item **7** – label **A**, complete a Trust income schedule 2024 and attach it to the company tax return.

U – Non-deductible exempt income expenditure

Write at item **7** – label **U**, any expenditure incurred in deriving exempt income written at item **7** – label **V Exempt income**.

Don't include expenditure incurred in deriving exempt income from retirement savings accounts (RSAs) or debt deductions allowed by

section 25–90 of the ITAA 1997.

J – Franking credits

Write at item **7** – label **J** the amount of franking credits attached to assessable distributions received from Australian corporate tax entities.

Don't include franking credits attached to:

- a distribution the company receives indirectly, through one or more partnerships or trusts (include these at item **6** – label **D Gross distribution from partnerships** or **E Gross distribution from trusts**)
- a distribution that is exempt income or non-assessable non-exempt income
- franked distributions received from a New Zealand franking company (include these at item **7** – label **C Australian franking credits from a New Zealand company**)
- a distribution where the shares are not held at risk as required under the holding period and related payments rules, if the dividend washing integrity rule applies, or there is other manipulation of the imputation system.

There is no entitlement to a franking tax offset in these circumstances.

Under the simplified imputation system, a company must include in its assessable income the amount of franking credits attached to assessable franked distributions received.

The maximum franking credit that can be allocated to a frankable distribution is based on the corporate tax rate for imputation purposes of the company making the distribution.

For 2023–24, a company's corporate tax rate for imputation purposes may be either 25% or 30%, depending on the company's circumstances. For more information, see **Allocating franking credits**.

Example 10: determine allowable franking credit

Bee Jay's Honey Pty Ltd received the following 3 payments for the income year:

- Company X paid Bee Jay's Honey a franked dividend of $700 with a $200 franking credit attached.
- Company Y paid Bee Jay's Honey a franked dividend of $7,000 purportedly with a $3,500 franking credit attached.

- Company Z paid Bee Jay's Honey a franked non-share dividend of $14,000 with a $6,000 franking credit attached.

Companies X, Y and Z each have a corporate tax rate for imputation purposes of 30% and this determines the maximum franking credit that Bee Jay's Honey can report for each of the distributions that it receives.

Bee Jay's Honey will complete J Franking credits in the following way

Company	Amount of frankable distribution	Franking credit attached to distribution received	Maximum franking credit	Allowable franking credit (lesser of columns 3 & 4)
X	$700	$200	$300	$200
Y	$7,000	$3,500	$3,000	$3,000
Z	$14,000	$6,000	$6,000	$6,000

The amount recorded at label **J** is the sum of all allowable franking credits for the income year.

In this example Bee Jay's Honey would record $9,200 ($200 + $3,000 + $6,000) at label **J** as the amount of allowable franking credits for the income year.

Bee Jay's Honey does not record $9,700, as declared on the distribution statements it received, at label **J**. This is because the amount of franking credit allocated to the distribution received from company Y exceeded the maximum amount of franking credits that can be allocated to that distribution.

For most companies, the amount of franking credits included at label **J** is allowable as a tax offset and should be claimed in the **Calculation statement** at label **C Non-refundable non-carry forward tax offsets**. If the company is an eligible resident income tax exempt entity or life insurance company or organisation entitled to claim a refund of excess franking credits, claim the refundable amount in the **Calculation statement** at label **E Refundable tax offset**.

Trans-Tasman imputation

Australian shareholders may benefit from the Australian franking credits attached to distributions made by a New Zealand resident company that has elected into the **Trans-Tasman imputation measure** (referred to as a 'New Zealand franking company'). This allows the New Zealand franking company to join the Australian imputation system. The New Zealand franking company then maintains an Australian franking account and attaches Australian franking credits to its frankable distributions one month after it makes an election.

C – Australian franking credits from a New Zealand franking company

Write at item **7 –** label **C** amounts of Australian franking credits from a New Zealand franking company that are included in assessable income because of a franked distribution paid to the company by a New Zealand franking company or because of its receipt indirectly through a partnership or trust. To work out whether the distribution is included in assessable income, see the **Foreign income return form guide**.

To calculate the amount to write at label **C**, the Australian franking credits received directly or indirectly from a New Zealand franking company must be reduced by the amount of a supplementary dividend or the company's share of a supplementary dividend if both:

- the supplementary dividend is paid in connection with the franked distribution
- the company is entitled to a foreign income tax offset because of the inclusion of the distribution in assessable income.

If the shares or interests are not held at risk as required under the holding period and related payments rules, or there is other manipulation of the imputation system, don't include the Australian franking credit in assessable income at label **C** and there is no entitlement to a franking tax offset.

For most companies the amount of Australian franking credits included at label **C** is allowable as a tax offset and should be claimed in the **Calculation statement** at label **C Non-refundable non-carry forward tax offsets**. If the company is a life insurance company or organisation entitled to claim a refund of excess franking credits, claim the refundable amount in the **Calculation statement** at label **E Refundable tax offset**.

A dividend from a New Zealand franking company may also carry New Zealand imputation credits. An Australian resident can't claim any New Zealand imputation credits.

E – TOFA income from financial arrangements not included at item 6

If the company has financial arrangements to which the TOFA rules apply, include at item **7 –** label **E** assessable gains under the TOFA rules from financial arrangements which have not been shown at item **6**.

For more information, see Guide to taxation of financial arrangements (TOFA).

B – Other assessable income

Write at item **7 –** label **B** the total of the amounts that form part of assessable income if you have not included them as income at item **6** or at item **7** labels:

- **A Net capital gain**
- **J Franking credits**
- **C Australian franking credits from a New Zealand company**.

For example, attributed foreign income of a controlled foreign company (CFC), and timing adjustments such as that which reconciles interest receivable to assessable interest income. For more examples of specific items, see the list of items in Worksheet 2.

The following items are shown at item **7 –** label **B**:

- The excess of the company's foreign source income and attributed foreign income for taxation purposes over income from such sources shown in the accounts. Gross up foreign source income by the amount of foreign tax paid. Include any add-back or subtraction adjustment to expenses claimed against such income separately at item **7** – label **W Non-deductible expenses** or at item **7 –** label **X Other deductible expenses**.
- Assessable foreign exchange (forex) gains to the extent that they have not been included at item **6** or at any other label of item **7**, see Foreign exchange gains and losses for more information.
- Assessable balancing adjustment amounts for non-R&D assets.
- Clawback of the incentive component of the R&D offset where there are
  - assessable balancing adjustment amounts for assets used in R&D activities

- R&D recoupment amounts arising from receiving or becoming entitled to receive a government recoupment (such as a government grant or reimbursement) that relates to expenditure for which you or a related entity have claimed a notional deduction under the R&D tax incentive
- feedstock adjustment amounts as a result of expenditure on goods, materials or energy used, and claimed as notional R&D deductions on R&D activities that produce marketable products supplied or applied to the company's own use.

- If the company ceases to hold a depreciating asset, or permanently ceases using it (or ceases having it installed ready for use) for any purpose and expects (or has decided) never to use it again, a balancing adjustment event occurs – where
  - assets are subject to the small business entity depreciation rules, see **Calculation 4: Ceasing to hold depreciating assets**
  - assets are not subject to the small business entity depreciation rules, calculate a balancing adjustment amount to include in the company’s assessable income or to claim as a deduction
  - the asset was used for both taxable and non-taxable purposes, reduce the balancing adjustment amount by the amount attributable to the non-taxable use. A capital gain or capital loss amount may arise attributable to that non-taxable use. For more information, see the **Guide to depreciating assets 2024**.
- If a company receives a distribution from a partnership or trust and that partnership or trust claimed a deduction for a listed investment company (LIC) capital gain amount, then the company must add back as income its share of the deduction claimed by the partnership or trust. There is a modification for life insurance companies. For more information, see item **16 Life insurance companies and friendly societies only**.
- Excessive deductions for capital allowances that are to be included in assessable income under the limited recourse debt rules contained in Division 243 of the ITAA 1997. This will occur where
  - expenditure on property has been financed or re-financed wholly or partly by limited recourse debt
  - the limited recourse debt is terminated after 27 February 1998 but has not been paid in full by the debtor, and
  - because the debt has not been paid in full, the capital allowance deductions allowed for the expenditure exceed the deductions

that would be allowable if the unpaid amount of the debt was not counted as capital expenditure of the debtor. Special rules apply in working out whether the debt has been fully paid. 'Limited recourse debt' is a debt where the rights of the creditor as against the debtor in the event of default in payment of the debt or of interest, are limited wholly or predominantly to the property that has been financed by the debt or is security for the debt, or rights to such property.
A debt is also limited recourse debt if, notwithstanding that there may be no specific conditions to that effect, it is reasonable to conclude that the creditor's rights as against the debtor are capable of being so limited.
Limited recourse debt includes a notional loan under a hire-purchase or sale agreement of goods to which Division 240 of the ITAA 1997 applies. See **section 243-20**. The rules in **section 243-75** apply where Division 243 and Division 245 of the ITAA 1997 (commercial debt forgiveness, see **Appendix 5**) both apply to the same debt.

- Amounts assessable under Division 45 of the ITAA 1997. Broadly, if a taxpayer holds plant which has been used principally for leasing and some part of the lease period occurred on or after 22 February 1999, Division 45 and related amendments may apply from that date to include an amount in the assessable income of the taxpayer upon disposal of such plant, or an interest in the plant, or an interest in, or rights under, a lease of the plant, see **section 45-5** of the ITAA 1997. Similar tax consequences arise for a partner in a partnership if the partnership holds plant which has been used principally for leasing and some part of the lease period occurred on or after 22 February 1999, see **section 45-10** of the ITAA 1997.

  A subsidiary member of a wholly owned company group is treated under Division 45 as if it had disposed of and immediately reacquired plant that it holds where

  – the subsidiary has previously claimed or is eligible to claim deductions for the decline in value of the plant

  – more than 50% direct or indirect beneficial ownership in the shares of the subsidiary are acquired on or after 22 February 1999 by an entity or entities, none of which is a member of the wholly owned group

  – the main business of the subsidiary was to lease assets and the plant has been used principally for leasing and some part of the lease period occurred on or after 22 February 1999

  - at that acquisition time, the plant's written down value is less than the plant's **market value**
  - the main business of each acquiring entity is not the same as the main business of the wholly owned group immediately before the relevant acquisition, see **section 45-15** of the ITAA 1997.

- Similar tax consequences arise if the subsidiary is a partner in a leasing partnership, see **section 45-20** of the ITAA 1997.
- Each company in the wholly owned group may become jointly and severally liable for any outstanding amount of tax payable by the subsidiary (because of section 45-15 or 45-20) at the end of 6 months from the time such tax becomes due and payable by the subsidiary, see **section 45-25** of the ITAA 1997.

W – Non-deductible expenses

Write at item **7** – label **W** expense-related adjustments that are added back to the amount written at item **6** – label **T Total profit or loss** to reconcile with the amount written at item **7** – label **T Taxable/net income or loss**.

The amount written at label **W** excludes:

- any amount included at item **7** – label **U Non-deductible exempt income expenditure**
- any amount included at item **7** – label **D Accounting expenditure in item 6 subject to R&D tax incentive**.

Generally, label **W** includes the amounts that are an expense for accounting purposes but are not deductible for income tax purposes, including timing variations. Examples are:

- debt deductions disallowed under the thin capitalisation rules
- unrealised losses on revaluation of assets and liabilities to fair value under international financial reporting standards
- any expenses (including interest or amounts in the nature of interest) incurred in deriving non-assessable non-exempt income such as foreign income that is non-assessable non-exempt income under section 23AH of the ITAA 1936
- a **non-share dividend**, to the extent that it is an expense for accounting purposes and therefore taken into account in determining total profit and loss, but which is not deductible for income tax purposes.

For more examples of specific items, see Worksheet 2.

If a foreign exchange (forex) loss for accounting purposes, included in item **6**, exceeds the deductible forex loss, include the difference at label **W**. For more information, see Foreign exchange gains and losses.

If Australian and foreign source capital losses for accounting purposes are included at item **6 Expenses** – labels **G Unrealised losses on revaluation of assets to fair value** or **S All other expenses**, also include them at label **W**. For Australian taxation purposes, include any net capital loss with any unapplied capital losses carried forward to later income years and write it at item **13** – label **V Net capital losses carried forward to later income years**.

D – Accounting expenditure in item 6 subject to R&D tax incentive

Write at label **D**, the expense amounts included at the expenditure labels at item **6 Calculation of total profit or loss**, which relate to amounts that you are claiming as a notional R&D deduction under the R&D tax incentive provisions.

Also include at label **D** any book depreciation expenses for assets used in activities which are subject to the R&D tax incentive that were included at item **6** – label **X Depreciation expenses** (any amounts not subject to the R&D tax incentive must be included at item **7** – label **W Non-deductible expenses**).

At label **D** you also need to include amounts that you have written at the expenditure labels in item **6 Calculation of total profit or loss** which you have incurred to your associates that are not yet paid or claimed and are to be carried forward.

For more information, see Research and development tax incentive schedule and instructions 2024.

If no expense amounts relating to notional R&D deduction have been included at item **6** (for example, amounts are capitalised) write **0** (zero) at label **D**.

The amount written at label **D** on the company tax return must be the same as the amount written at label **D Preliminary calculation – Add-back of research and development (R&D) accounting expenditure** on the *Research and development tax incentive schedule 2024*.

Subtotal

Write the sum of the amount transferred from item **6** – labels **T Total profit or loss** and the add-back items at item **7** – labels **A**, **U**, **J**, **C**, **E**, **B**, **W** and **D**.

If this amount is a loss, print **L** in the **CODE** box.

Subtraction items

Deduct the following items from the amount at **Subtotal**:

C – Section 46FA deduction for flow-on dividends

Write at item **7** – label **C** any amounts claimed as a deduction during the income year that are deductible under section 46FA of the

ITAA 1936. If an amount is reported at label **C**, complete and attach an *International dealings schedule 2024*.

This deduction is allowable in certain cases where a non-portfolio dividend that is not fully franked is on-paid by a resident company to its non-resident parent.

If a deduction is claimed under section 46FA, the claiming entity must maintain an unfranked non-portfolio dividend account under section 46FB of the ITAA 1936 and complete item **43 Do you have an unfranked non-portfolio dividend account (section 46FB ITAA 1936)?** on the International dealings schedule 2024.

F – Deduction for decline in value of depreciating assets

If the company is not a small business entity using the simplified depreciation rules, write the deduction for decline in value of most depreciating assets for taxation purposes at item **7** – label **F**.

If you complete item **7** – label **F**, then you also need to consider and complete item **7** – label **I Capital works deductions** for any capital works items (Division 43) that are not eligible capital allowance items or assets even if that amount is zero – see, Capital works deductions.

If item **7** – label **F** is completed then you also need to complete item **9 Capital allowances** – labels **A**, **B**, **C**, **D**, **E**, **F**, **G**, **H** and **I**.

This amount is often different from the amount of depreciation calculated for accounting purposes written at item **6** – label **X Depreciation expenses** and added back at item **7** – label **W Non-deductible expenses**.

If a depreciating asset is used in R&D activities, the notional decline in value amount will form part of your notional R&D deduction. Eligible companies can claim this notional R&D deduction amount in calculating the R&D tax offset.

For more information, see:

- 21 Research and development tax incentive
- Research and development tax incentive schedule and instructions 2024.

If a decline in value amount is included as a notional R&D deduction, add back at item **7** – label **D Accounting expenditure** in item **6 subject to R&D tax incentive** any related depreciation expenses included at item **6** – label **X Depreciation expenses**.

If the company is a small business entity using the simplified depreciation rules, include deductions for depreciating assets at item **6** – label **X Depreciation expenses**.

If the company is not using the simplified depreciation rules, and is continuing to claim a deduction for any prior pool, this deduction should be included at item **6** – label **X Depreciation expenses**.

General depreciation rules

If the company has allocated depreciating assets to a low-value pool, include the deduction for decline in value of those assets at item **7** – label **F**.

If you use a depreciating asset in R&D activities, add the notional decline in value amount to your notional R&D deduction. Eligible companies can claim this notional R&D deduction amount in calculating the R&D tax offset. For more information, see:

- 21 Research and development tax incentive
- Research and development tax incentive schedule and instructions 2024.

If you have elected to use the hedging tax-timing method provided for in the TOFA rules and you have a gain or loss from a hedging financial arrangement used to hedge risks for a depreciating asset, work out separately:

- the deduction for decline in value of depreciating assets (include this at item **7** – label **F Deduction for decline in value of depreciating assets**), and
- your gain or loss on the hedging financial arrangement; include this at either
  - item **7** – label **E TOFA income from financial arrangements not included in item 6**, or
  - item **7** – label **W TOFA deductions from financial arrangements not included in item 6**.

Include the decline in value of water facilities at item **7** – label **N Landcare operations and deduction for decline in value of water facility**, **fencing asset and fodder storage asset**.

For information about how to work out deductions for decline in value, see Appendix 4.

Law administration and practice statement PS LA 2003/8 *Practical approaches to low-cost business expenses* provides guidance on the threshold rule and the sampling rule taxpayers can apply to determine if their business expenses on low-cost items are to be treated as revenue expenditure.

Subject to certain qualifications, the 2 methods cover expenditure below a threshold and the use of statistical sampling to estimate total revenue expenditure on low-cost items. Under the threshold rule, low-cost items with a typically short life costing $100 or less are assumed to be revenue in nature and are immediately deductible. The sampling rule allows taxpayers with a low-value pool to use statistical sampling to determine the proportion of the total purchases of low-cost tangible assets that are revenue expenditure.

For more information, see Record keeping for capital expenses.

U – Forestry managed investment scheme deduction

For more information on the terms in this section, see Definitions.

The company may be able to claim a deduction at this item for payments made to an FMIS if:

- the company currently holds a forestry interest in an FMIS, or held a forestry interest in an FMIS during 2023–24
- the company paid an amount to a forestry manager of an FMIS under a formal agreement
- the forestry manager has advised the company that the FMIS satisfies the 70% direct forestry expenditure rule in Division 394 of the ITAA 1997
- the company does not have day to day control over the operation of the scheme
- there is more than one participant in the scheme or, the forestry manager or an associate of the forestry manager manages, arranges or promotes similar schemes, and
- the trees are established within 18 months of the end of the income year in which an amount is first paid under the FMIS by a participant in the scheme.

If the company is an **initial participant** in an FMIS it can claim initial and ongoing payments at this item. However, the company can't claim a deduction if it has disposed of its forestry interest in an FMIS within 4 years after the end of the income year in which it first made a payment. The deduction will be allowed if the disposal occurs because of circumstances outside of the company's control, provided the company could not have reasonably foreseen the disposal happening when they acquired the interest. Disposals that would generally be outside the company's control may include compulsory acquisition, insolvency of the company or the scheme manager, or cancellation of the interest due to fire, flood or drought.

If the company is a **subsequent participant**, it can't claim a deduction for the amount paid for acquiring the interest. The company can only claim a deduction for ongoing payments.

The deduction is claimed in the income year in which the payment is made.

Excluded payments

The company can't claim a deduction at this item for any of the following payments:

- payments for borrowing money
- interest and payments in the nature of interest (such as a premium on repayment or redemption of a security, or a discount of a bill or bond)
- payments of stamp duty
- payments of goods and services tax (GST)
- payments that relate to transportation and handling of felled trees after the earliest of the
  - sale of the trees
  - arrival of the trees at the mill door
  - arrival of the trees at the port
  - arrival of the trees at the place of processing (other than where processing happens in-field)
- payments that relate to processing
- payments that relate to stockpiling (other than in-field stockpiling)
- payments that relate to marketing and sale of forestry produce.

While the payments are not deductible FMIS payments, they may qualify as revenue or capital payments under another label.

Write at item **7 –** label **U Forestry managed investment scheme deduction** the total amount of deductible payments made to an FMIS.

Non-deductible expenditure and the deductible payments made to an FMIS must also be included at item **7** – label **W Non-deductible expenses** to the extent that they have been included as an expense at item **6**.

E – Immediate deduction for capital expenditure

Companies in the mining, petroleum and quarrying industries should write at label **E** the total amount of capital expenditure (other than on depreciating assets) claimed as an immediate deduction for:

- exploration and prospecting
- rehabilitation of mining or quarrying sites
- payment of petroleum resource rent tax.

For more information, see Guide to depreciating assets 2024.

H – Deduction for project pool

Write at item **7** – label **H** the total amount of the company's deductions for project pools.

If a project is abandoned, sold or otherwise disposed of, the company can deduct the project pool value at that time. Include this deduction at label **H**.

Include the expenditure allocated to the project pool for the income year at item **7** – label **W Non-deductible expenses** to the extent that it has been included as an expense at item **6**.

If the entity operates in mining (ANZSIC codes 06000 to 10900) and completes item **7** – label **H**, you should also complete item **9** – label **J Total mining capital expenditure and/or transport capital that you allocated to a project pool and for which you can claim a deduction this income year**.

For more information about project pools, see Appendix 4.

I – Capital works deductions

Write at item **7** – label **I** the deduction claimed for capital expenditure on buildings and structural improvements (such as bridges, pipelines, retaining walls and sealed roads), which includes eligible capital expenditure on extensions, alterations or improvements, and shop fitouts. Exclude capital expenditure for mining infrastructure buildings and timber milling buildings.

For more information on capital works deductions, see Appendix 3. Commercial debt forgiveness provisions may affect the calculation of some deductions, see Appendix 5.

Z – Section 40-880 deduction

Write at item **7** – label **Z** the total of the company's deductions allowable under section 40-880 of the ITAA 1997.

The expenditure deductible under section 40-880 must be included at item **7** – label **W Non-deductible expenses** to the extent that it has been included as an expense at item **6**.

For information on section 40-880 deductions, see Appendix 4.

N – Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset

Write at item **7** – label **N** the company's total deductions for landcare operations expenses and for water facilities, fencing assets and fodder storage assets.

Don't include the deduction for the decline in value of water facilities at item **7** – label **F Deduction for decline in value of depreciating assets**.

The expenditure on landcare operations, water facilities, fencing assets and fodder storage assets must be included at item **7** – label **W Non-deductible expenses** to the extent that it has been included as an expense at item **6**.

For information on deductions for landcare operations and water facilities, fencing assets and fodder storage assets, see Appendix 4.

O – Deduction for environmental protection expenses

Write at item **7** – label **O** the amount of allowable expenditure on environmental protection activities (EPA).

The deductible expenditure on EPA must also be included at item **7** – label **W Non-deductible expenses** to the extent that it has been included as an expense at item **6**.

For information on deductions for expenditure on EPA, see Appendix 4.

V – Exempt income

Write at item **7** – label **V** all income that is exempt from Australian tax.

Don't include at label **V** amounts that are not assessable income and not exempt income. For example, any foreign income amounts that are treated as non-assessable non-exempt income under sections 23AH, 23AI, 23AK, 99B(2A) of the ITAA 1936 or Subdivision 768-A of the ITAA 1997. Include these amounts at item **7** – label **Q Other income not included in assessable income**.

Don't include at label **V** income exempt under an RSA. Exempt income from retirement savings accounts (RSAs) is taken into account in determining the **Net taxable income from RSAs** at item **19** – label **V**.

Q – Other income not included in assessable income

Write at item **7** – label **Q** income-related adjustments that have to be subtracted from item **6** – label **T Total profit or loss** to reconcile with item **7** – label **T Taxable income or loss**.

Don't include again amounts included at item **7** – labels **C Section 46FA deductions for flow-on dividends** to **V Exempt income** at item **7** – label **Q**.

Generally, the amounts that are included at label **Q** are income for accounting purposes, but not assessable for income tax purposes.

Write exempt income separately at item **7** – label **V Exempt income**.

Include the following items at label **Q**:

- any excess of gross foreign source income, shown in income at item **6**, over the amount that represents assessable income
  - when calculating the excess, include dividends and other amounts that are not assessable because of sections 23AH, 23AI, 23AK, 99B(2A) of the ITAA 1936 or Subdivision 768-A of the ITAA 1997
  - complete and attach an **International dealings schedule 2024** if the company received dividends or other amounts covered by any of these provisions
- any part of an unfranked distribution that is not assessable due to sections 802-15 or 802-20 of the ITAA 1997 (these provisions are relevant to conduit foreign income)
- other amounts of non-assessable non-exempt income (don't include demerger dividends or other amounts not shown at item **6**)
- cash flow boost if you included it at item **6**
- profits on disposal of assets used in R&D activities which are subject to the R&D tax incentive included at item **6** – label **R Other**

gross income

- Australian and foreign source capital gains for accounting purposes that have been included at item **6** – labels **J Unrealised gains on revaluation of assets to fair value** or label **R Other gross income** (For Australian taxation purposes, include any net capital gain at item **7** – label **A Net capital gain**.)
- any excess of a forex gain for accounting purposes, included at item **6**, over the assessable forex gain – for more information on the forex measures, see Foreign exchange gains and losses
- any Large Generation Certificate (LGC) shortfall charge refunds where the amount has been included in item **6** – label T Total profit or loss, that is, the amount included at label **Q** was income for accounting purposes, but non-assessable non-exempt income for income tax purposes.

For more examples of specific items, see Worksheet 2.

W – TOFA deductions from financial arrangements not included in item 6

If the company has financial arrangements to which the TOFA rules apply, include at item **7** – label **W** losses allowable under the TOFA rules from financial arrangements which have not been shown at item **6**.

For more information, see the Guide to taxation of financial arrangements (TOFA).

X – Other deductible expenses

Write at item **7** – label **X** expense-related adjustments that are subtracted from item **6** – label **T Total profit or loss** to reconcile with item **7** – label **T Taxable income or loss**.

Don't include items included under item **7** – labels **C** to **O** at item **7** – label **X**. Generally, label **X** shows amounts, including timing differences, that are an allowable deduction for income tax purposes but are not shown in the accounts or specifically shown at item **7** – labels **C** to **O**.

For examples of specific items to be included, see Worksheet 2.

If the company is a life insurance company, include at label **X**:

- tax losses deducted in the complying superannuation class

the deduction it is entitled to if it receives a dividend from a LIC, which includes a LIC capital gain amount. For more information, see 16 Life

insurance companies and friendly societies only. Other companies are not entitled to this deduction.

Show at **X** any capital expenditure you incurred under Subdivision 40-J of the ITAA 1997 for the establishment of trees in a carbon sink forest. Only costs incurred in establishing trees for the purpose of carbon sequestration are deductible. These costs are deductible over 14 years and 105 days at a rate of 7% per annum. If you are eligible to claim an extra deduction for the destruction of trees in a carbon sink forest, include the amount calculated under section 40-1030 of the ITAA 1997 at label **X**.

Include at label **X** deductible forex losses to the extent that they have not been included in item **6** or in any other label at item **7**.

For more information on the forex measures, see **Foreign exchange gains and losses.**

Show at label **X** balancing adjustment losses for assets used for both R&D and non-R&D activities. If the company is otherwise eligible for an R&D tax offset under section 355-100 of the ITAA 1997, an additional balancing adjustment catch-up deduction is calculated under Subdivision 355-H of the ITAA 1997. See the *Research and development tax incentive schedule 2024* and instructions for details about how you calculate the catch-up deduction and include it in your return.

J – Small business skills and training boost

Write at item **7** – label **J** the total bonus deduction amount for the small business skills and training boost.

Don't include the total skills and training expenditure amount at this label for which you claim an ordinary deduction.

When the bonus deduction is claimed

If you are a normal balancer – for eligible expenditure incurred between 1 July 2023 and 30 June 2024, you claim the bonus deduction at item **7** – label **J**.

If you are a late balancer – for eligible expenditure incurred between the start of your 2023–24 income year and 30 June 2024, you claim the bonus deduction at item **7** – label **J**.

If you are an early balancer:

- for eligible expenditure incurred in your 2023–24 income year, you claim the bonus deduction at item **7** – label **J**

- for eligible expenditure incurred in your 2024–25 income year (up until 30 June 2024), you claim the bonus deduction in your 2024–25 tax return.

For more information on small business bonus deductions, see Appendix 10.

K – Small business energy incentive

Write at item **7** – label **K** the total bonus deduction amount for the small business energy incentive.

Don't include here your ordinary deduction for expenditure on assets or improvements eligible for the energy incentive.

The small business energy incentive provides businesses with an aggregated annual turnover of less than $50 million with access to a temporary bonus deduction equal to 20% of the cost of eligible assets or improvements to existing assets that support more efficient energy use.

For more information on small business bonus deductions, see Appendix 10.

R – Tax losses deducted

You generally make a tax loss when the total deductions you can claim for an income year (except tax losses for earlier income years) exceed the total of your assessable and net exempt income for the year.

The company may need to complete either a

- Losses schedule 2024
- Consolidated groups losses schedule 2024.

Include at item **7** – label **R** those tax losses of prior income years that are deducted for 2023–24 under section 36-17 of the ITAA 1997.

Foreign losses are not quarantined from domestic assessable income (or from assessable foreign income of a different class). Resident taxpayers are not required to make an election to deduct domestic tax losses against assessable foreign income.

Therefore, for the purposes of loss utilisation, no distinction is made regarding the source of the assessable income, deductions and exempt income, whether foreign or domestic. A taxpayer combines both foreign and domestic deductions. Where the combined deductions exceed assessable income and net exempt income from all sources, the excess is a tax loss and can potentially be deducted from assessable income of a future income year.

Prior year tax losses are deducted in later income years in the order in which they were incurred, to the extent that they have not already been deducted or carried back under Division 160 of the ITAA 1997.

A prior year tax loss may be reduced by the ’net forgiven amount’ of debt forgiven under the commercial debt forgiveness rules. See Appendix 5.

What not to include in label R

Don't include at label **R**:

- tax losses deducted in the complying superannuation class of a life insurance company or the head company of a consolidated or multiple entry consolidated (MEC) group that has at least one subsidiary member that is a life insurance company. These tax losses should be included at item **7** – label **X Other deductible expenses**
- the film component of any tax loss (film loss). For information about deductions for film losses, see Division 36 and former Division 375 of the ITAA 1997. Film losses are only deducted from net exempt film income or net assessable film income for taxation purposes and are shown at either item **7** – labels **W Non-deductible expenses** or **X Other deductible expenses**
- pooled development fund (PDF) tax losses unless the PDF tax losses are deductible under Division 195 of the ITAA 1997
- capital losses as a capital loss is different from a tax loss. Capital losses may only be applied against any capital gains in the same income year or carried forward to be applied against future capital gains in accordance with Division 102 of the ITAA 1997.

Continuity of ownership and business continuity tests

A company can't deduct a tax loss of an earlier year unless it satisfies the continuity of ownership test as prescribed by section 165-12 of the ITAA 1997 (or the special alternative under section 165-215 of the ITAA 1997). If a company fails the continuity of ownership test, it may still deduct losses provided if it satisfies the 'business continuity test' as prescribed by section 165-13 of the ITAA 1997. The 'business continuity test' refers to the 'same business test' in 165-210 of the ITAA 1997 and the 'similar business test' in section 165-211 of the ITAA 1997.

As a test for accessing past year losses, the 'similar business test' will only be available for losses made in income years starting on or after 1 July 2015.

For more information, see:

- **How to claim a tax loss – companies**
- Law Companion Ruling **LCR 2019/1** *The business continuity test – carrying on a similar business*
- Taxation Ruling **TR 1999/9** *Income tax: the operation of sections 165-13 and 165-210, paragraph 165-35(b), section 165-126 and section 165-132*.

Control

Additionally, even if a company satisfies the continuity of ownership test or the business continuity test, it may be prevented from deducting a tax loss where there has been a change in control of the voting power as prescribed by subsection 165-15(1) of the ITAA 1997. However, this will only occur where the company also fails to satisfy the 'business continuity test' in subsections 165-15(2) and (3).

Record keeping

Keep a record of tax losses and account for any adjustments, including those made by us. Keep these records until the amendment period for the assessment in which the tax losses of the company were fully recouped has lapsed (up to 2 or 4 years from the date of that assessment).

For more information, see: **Keep records longer for losses**.

Consolidated or MEC groups – tax losses deducted

The head company may need to complete a **Consolidated groups losses schedule 2024**.

Write at label **R** the tax losses deducted during the year of income under section 36-17 of the ITAA 1997.

A head company may be entitled to deduct tax losses broadly comprising:

- tax losses made by the consolidated or MEC group for prior income years (group tax losses), and
- tax losses that were originally made by an entity before it became a member of the consolidated or MEC group and that were transferred to the head company of that group (transferred tax

losses). The amount of such losses that can be claimed by the head company is calculated by reference to an available fraction, which limits the annual rate at which these losses may be recouped by the head company.

Before deducting a 'group tax loss' or a 'transferred tax loss', the head company must satisfy the continuity of ownership test and control tests. If it does not, then it must satisfy the business continuity test.

For more information, see **How to claim a tax loss – companies.**

For more information on the business continuity test, see:

- sections **165-13** and **165-210** of the ITAA 1997
- Taxation Ruling **TR 1999/9** *Income tax: the operation of sections 165-13 and 165-210, paragraph 165-35(b), section 165-126 and section 165-132*
- Taxation Ruling **TR 2007/2** *Income tax: application of the same business test to consolidated and MEC groups*, principally, the interaction between section 165-210 and section 701-1 of the ITAA 1997 (as at 20 June 2007)
- Law Companion Ruling **LCR 2019/1** *The business continuity test – carrying on a similar business*.

S – Tax losses transferred in (from or to a foreign bank branch or a PE of a foreign financial entity)

Write at item **7 –** label **S** the amount of tax losses transferred to the company from group companies under Subdivision 170-A of the ITAA 1997.

A company (the loss company) may transfer the whole or a part of a tax loss to another company (the income company) where:

- both companies are members of the same wholly owned group
- one of the companies is
  - an Australian branch of a foreign bank, or
  - an Australian PE of a foreign financial entity if the tax loss is for an income year commencing on or after 26 June 2005
- the other company is
  - the head company of a consolidated or MEC group, or
  - not a member of a consolidatable group, and

- further conditions in Subdivision 170-A of the ITAA 1997 are satisfied.

The tax loss transferred to the income company is deductible to the income company in accordance with the provisions of section 36-17 of the ITAA 1997 in the year of transfer (for example, the tax loss transferred to the income company is first deducted against the income company's net exempt income, then against its assessable income).

The amount of tax loss that one member of the group (the loss company) can transfer is limited to an amount of loss that the loss company itself can't use. Tax losses transferred can't be used to create a tax loss in the income company.

The Commissioner has power in certain circumstances to amend assessments to disallow a deduction for an amount of a transferred tax loss despite section 170 of the ITAA 1936 – see **section 170–70** of the ITAA 1997.

Consolidated or MEC groups

Don't show tax losses transferred from subsidiary companies under Subdivision 707-A of the ITAA 1997. These losses should be shown in Part A of the *Consolidated groups losses schedule 2024* at item 1 or item 2.

Subtraction items subtotal

Write the total of the amounts from item **7** – labels **C Section 46FA deductions for flow-on dividends** to **S Tax losses transferred in (from or to a foreign bank branch or a PE of a foreign financial entity)** at **Subtraction items subtotal**.

T – Taxable or net income or loss

Write at item **7** – label **T**, all assessable income less deductions that equals the amount at item **6** – label **T Total profit or loss** plus or minus the reconciliation adjustments at item **7**.

If this amount is a loss, print **L** in the **CODE** box at the right of the amount.

If the company has a taxable income of $1 or more, transfer the amount in the **Calculation statement** at labels **T** to **A Taxable or net income**.

The company's tax loss at label **T** is the excess of its total deductions (except tax losses for earlier income years) over its total assessable income and net exempt income, see section 36–10 of the ITAA 1997. The company's net exempt income is calculated under section 36-20 of the ITAA 1997 and is not necessarily equal to the amount written at item **7** – label **V Exempt income**. Check that the amount at item **7** – label **B Other assessable income** includes the amount of net exempt income taken into account in calculating the company's tax loss. If the company has a tax loss at label **T**, write zero in the **Calculation statement** at label **A Taxable or net income**.

If the company has excess franking offsets that can be converted under section 36-55 of the ITAA 1997 into a tax loss to be carried forward (see Excess franking offsets), don't include at label **T Taxable/net income or loss** the amount of that tax loss. However, that amount should be taken into account in calculating the company's tax loss at item **13** – label U – Tax losses carried forward to later income years. This means that a company may have a taxable income at label **T** and a tax loss carried forward at item **13**. Alternatively, if the company's total deductions exceed total assessable income and net exempt income, it would show an amount at label **T** that, disregarding section 36-55 of the ITAA 1997, would have been its tax loss for the income year.

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8 Financial and other information

Instructions to complete your financial and other information.

Last updated 20 September 2024

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N – Functional currency translation rate

Complete item **8** – label **N** if the company keeps its accounts solely or predominantly in a foreign currency (its applicable functional currency) and has chosen to use that currency as its applicable functional currency to work out its taxable income or tax loss. If the company is using a functional currency. See, **Guide to functional currency rules.**

Don't complete label **N** if the company has chosen to use a non-A$ functional currency only to calculate the net income attributable to the activities of an overseas permanent establishment, or the attributable income of a controlled foreign company, or transferor trust. For more information, see Foreign income return form guide.

Write at label **N** the exchange rate employed to translate the net taxable income figure from the applicable functional currency into A$. The translation rate is the amount by which the functional currency amount must be divided in order to reflect an equivalent amount of A$, that is, the number of non-A$ currency units that equal one A$, rounded to 4 significant figures.

If you complete label **N**, also complete item **8** – label **O Functional currency chosen**.

O – Functional currency chosen

Complete item **8** – label **O** if item **8** – label **N Functional currency translation rate** has been completed.

Write at label **O** the functional currency code that corresponds to the functional currency chosen by the company. See, Guide to functional currency rules for Currency codes for item **8** – label **O**.

Show amounts calculated for tax purposes at item **8** – labels:

- **A Opening stock**
- **S Purchases and other costs**
- **B Closing stock**
- **J Total debt**
- **K Commercial debt forgiveness**.

A – Opening stock

Write at item **8** – label **A** the total value of all trading stock on hand at the beginning of the income year or accounting period for which the company tax return is being prepared. The amount shown by the company at label **A** is the value for income tax purposes under section 70-40 of the ITAA 1997. For small business entities using the simplified trading stock rules, see subsection 328-295(1) of the ITAA 1997. The opening value of an item of stock must equal its closing value in the previous income year.

If a taxpayer did not have any trading stock in the previous year, the value of trading stock at the start of the year is zero. This might occur in the case of a new business in the first year a taxpayer has trading stock. It might also occur where the trading stock rules for small business entities cease to apply either because the entity is no longer eligible to be a small business entity, or because the entity chooses to account for changes to trading stock.

Include motor vehicle floor plan stock and work in progress of manufactured goods.

Don't include any amount that represents opening stock of a business that commenced operations during the income year. Include this amount at item **8** – label **S Purchases and other costs**.

For more information, see **General trading stock rules**.

S – Purchases and other costs

Write at item **8** – label **S** the cost of direct materials used for manufacture, sale or exchange in deriving the gross proceeds or earnings of the business. This amount includes freight inwards.

Former STS taxpayers

If the company is eligible and continuing to use the STS accounting method, only write at label **S** the costs that the company has paid. (See **Former STS taxpayers**).

For information on goods and services tax (GST) and input tax credits, see item **6 Calculation of total profit or loss**.

B – Closing stock

If the company is an eligible small business entity, see Small business entities. Otherwise, see **All companies**.

Small business entities

The company must account for changes in the value of its trading stock only if the difference between the following 2 amounts is more than $5,000:

- The value of the company's stock on hand at the start of the income year as shown at item **8** – label **A Opening stock**.
- A **reasonable estimate** of the value of the company's stock on hand at the end of the income year.

If the difference is $5,000 or less, the company can still choose to conduct a stocktake and account for changes in the value of trading stock.

If the difference between the value of the opening stock and a reasonable estimate of its closing stock is more than $5,000, the company must account for changes in the value of its trading stock. Go to step 2 if the difference is more than $5,000 or the company wishes to account for changes in the value. Otherwise, go to step 1.

Step 1: Difference is $5,000 or less

If the difference referred to above is $5,000 or less and the company chooses not to account for this difference, the closing stock value written at item **8** – label **B Closing stock** is the same value that the company wrote for item **8** – label **A Opening stock**. Don't put the company's reasonable estimate at label **B Closing stock**.

Print the code in the **CODE** box at label **B Closing stock** from **table 5** that matches the code the company used to value closing stock in the previous year.

If this is the company's first year in business, the value of its closing stock will be zero. Print code **C** in the **CODE** box.

Table 5: Valuation method codes

Code	Valuation method
C	Cost
M	Market selling value
R	Replacement value

Step 2: Difference is more than $5,000

If the difference referred to above is more than $5,000 or the company chooses to account for the difference in trading stock, the closing stock values must be brought to account under section 70-35 of the ITAA 1997.

Include in closing stock value at label **B Closing stock** the value of all stock on hand, regardless of whether the company has paid for the stock.

For more information, see Valuing trading stock.

All other companies

Write at item **8 –** label **B** the total value of all trading stock on hand at the end of the income year or accounting period for which the company tax return is being prepared. The amount at label **B** is the value calculated for income tax purposes under section 70-45 of the ITAA 1997.

If the company is registered or required to be registered for GST, the value of closing stock should not include an amount equal to the input tax credit that the company has claimed or is entitled to claim. Some items of trading stock, such as shares, are not subject to GST meaning there will be no input tax credits to consider.

Include floor plan stock and work in progress of manufactured goods.

Don't include any amount that represents closing stock of a business that ceased operations during the income year. Include this amount at item **6 Income** – label **R Other gross income**.

Print the code in the **CODE** box from **table 5** indicating the method used to value closing stock for income tax purposes. If more than one method is used, use the code applicable to the method representing the highest value.

Different methods of valuation may be used to value the same item of trading stock in different income years, and similar items may be valued using different methods in the same income year.

However, the opening value of an item in a particular income year must equal the closing value for that item in the previous income year. The company can't reduce the value of stock on hand by creating reserves to offset future reduction of the value of stock, or any other factors. Keep records showing how each item was valued.

If incorrect trading stock information has been included on a tax return, advise us by submitting a full statement of the facts, accompanied by a reconciliation of the value of stock as returned for each income year with the values permissible under the law.

Companies engaged in manufacturing include the value of partly manufactured goods as part of their stock and materials on hand at the end of the income year.

For more information on the circumstances in which packaging items held by a manufacturer, wholesaler or retailer are 'trading stock' as defined in section 70-10 of the ITAA 1997, see:

- Taxation Ruling TR 98/7 *Income tax: whether packaging items (i.e. containers, labels, etc) held by a manufacturer, wholesaler or* *retailer are trading stock*

- Taxation Ruling TR 98/8 *Income tax: whether materials and spare parts held by a taxpayer supplying services are trading stock*.

Consolidated or multiple entry consolidated (MEC) groups

If the company was a subsidiary member of a consolidated or MEC group at the end of the income year and is completing a tax return because of any non-membership periods, write at item **8** – label **B** the value for trading stock on hand as at the end of the latest non-membership period.

The amount at label **B** is generally a tax-neutral value. This may not be the case if the company was a continuing majority-owned entity when it became a member of the group.

Trading stock election

A company may elect to value an item of trading stock below the lowest value of cost, market selling value or replacement value because of obsolescence or any other special circumstances. The value that is elected must be reasonable.

For guidelines on trading stock valuations where obsolescence or other special circumstances exist, see Taxation Ruling TR 93/23 *Income tax: valuation of trading stock subject to obsolescence or other special circumstances*.

If an election is made, print **X** in the **Yes** box.

Otherwise print **X** in the **No** box.

Include amounts taken from the company's financial statements at item **8** – labels **C Trade debtors** to **H Total liabilities**, and label **N Loans to shareholders and their associates** as these amounts relate to accounting values.

C – Trade debtors

Write at item **8** – label **C** the total amounts owing to the company at year end for goods and services provided during the income year, that is, the gross amount of current trade debtors from the company's accounts. Also include this amount at item **8** – label **D All current assets**.

If the company was a subsidiary member of a **consolidated or MEC group** at the end of the income year and is completing a tax return because of any non-membership periods, write at label **C** the relevant amount as at the end of the latest non-membership period.

D – All current assets

Write at item **8** – label **D** all current assets of the company, including cash on hand, short-term bills receivable, inventories and trade debtors as written at item **8** – label **C Trade debtors**.

If the company was a subsidiary member of a **consolidated or MEC group** at the end of the income year and is completing a tax return because of any non-membership periods, write at label **D** the relevant amount as at the end of the latest non-membership period.

E – Total assets

Write at item **8** – label **E** all assets of the company, including fixed, tangible and intangible assets and all current assets as written at item **8** – label **D All current assets**.

For a **consolidated or MEC group** include all the assets of the group as disclosed in the financial accounts and not the amounts that are calculated by way of the allocable cost amount.

If the company was a subsidiary member of a **consolidated or MEC group** at the end of the income year and is completing a tax return because of any non-membership periods, write at label **E** the relevant amount as at the end of the latest non-membership period.

F – Trade creditors

Write at item **8** – label **F** the total amounts owed by the company at year end for goods and services received during the income year, that is, current trade creditors. Also include this amount at item **8** – label **G All current liabilities**.

If the company was a subsidiary member of a **consolidated or MEC group** at the end of the income year and is completing a tax return because of any non-membership periods, write at label **F** the relevant amount as at the end of the latest non-membership period.

G – All current liabilities

Write at item **8** – label **G** the total obligations payable by the company within the coming year. Also include the amount written at item **8** – label **F Trade creditors**.

If the company was a subsidiary member of a **consolidated or MEC group** at the end of the income year and is completing a tax return because of any non-membership periods, write at label **G** the relevant amount as at the end of the latest non-membership period.

H – Total liabilities

Write at item **8 –** label **H**, all liabilities of the company, including other creditors and deferred liabilities such as loans secured by mortgage and long-term loans. Also include the amount shown at item **8 –** label **G All current liabilities**.

If the company was a subsidiary member of a **consolidated or MEC group** at the end of the income year and is completing a tax return because of any non-membership periods, write at label **H** the relevant amount as at the end of the latest non-membership period.

J – Total debt

Write at item **8 –** label **J** the average total debt of the company for the income year. Calculate the average total debt by adding the opening and closing balances of the total debt of the company for the income year and dividing this total by 2.

The total debt of a company includes all financial instruments and arrangements that were used by the company to provide funds for their operations and investments. The instruments and arrangements that are shown at label **J** include all loans, securities and instruments that give rise to deductible finance expenses, which include any of the following:

- interest, a payment in the nature of interest, or a payment in substitution for interest
- payments made for assignments of the right to interest
- a discount on a security for a finance arrangement
- an amount that is taken under a tax law to be an amount of interest for a lease, a hire-purchase arrangement or any other financial instrument specified by that law
- any application or processing fee for a finance arrangement
- any finance expense for a repurchase agreement or securities lending arrangement
- any other form of yield associated with a finance arrangement

- any such amount that, instead of being paid to a party to the arrangement, is dealt with in any way on behalf of that party.

Accordingly, there is no requirement that amounts included at label **J** satisfy the definition of 'debt interest' for the purposes of Division 974 of the ITAA 1997 (the debt and equity rules).

For an overview of the debt and equity rules, see Guide to the debt and equity tests.

If the company was a subsidiary member of a **consolidated or MEC group** at the end of the income year and is completing a tax return because of any non-membership periods, write at label **J** the relevant amount calculated as at the end of the latest non-membership period.

K – Commercial debt forgiveness

Write at item **8** – label **K** the net forgiven amount of the debt calculated pursuant to section 245-85 of the ITAA 1997. Broadly, a debt is a commercial debt if any part of the interest payable on the debt is, or would be, an allowable deduction. A debt is forgiven if the company's obligation to pay the debt is released, waived or otherwise extinguished.

The net forgiven amount of commercial debts must be applied to reduce the company's deductible revenue losses, net capital losses, certain undeducted revenue or capital expenditure and the cost base of certain capital gains tax (CGT) assets, in that order.

For more information, see Appendix 5.

Show at labels **J** to **H** and labels **D** to **V** amounts calculated for tax purposes.

J – Franked dividends paid

Write at item **8** – label **J** the amount of fully franked dividends paid or credited during the income year, including non-share dividends or deemed dividends that are fully franked, and the franked deemed dividend component of any off-market share buy-back price under section 159GZZZP of the ITAA 1936.

From 7:30 pm (AEDT) on 25 October 2022 only a company that is not a listed public company could announce and undertake an off-market share buy-back with a dividend as part of the buy-back price.

If a partly franked dividend has been paid during the income year, include the franked portion at label **J** and the unfranked portion at item **8 – label K Unfranked dividends paid**.

Don't include dividends paid by one member to another within a **consolidated or MEC group**.

Keep a record of the following:

- dividends or non-share dividends paid
- recipients
- dates paid
- amounts paid.

K – Unfranked dividends paid

Write at item **8 –** label **K** the amount of unfranked dividends paid or credited during the income year, including amounts deemed to be dividends by various sections of the ITAA 1936 and the ITAA 1997. Include unfranked non-share dividends, unfranked deemed dividends under Division 7A of Part III of the ITAA 1936 and the unfranked deemed dividend component of any off-market share buy-back price under section 159GZZZP of the ITAA 1936.

From 7:30 pm (AEDT) on 25 October 2022 only a company that is not a listed public company could announce and undertake an off-market share buy-back with a dividend as part of the buy-back price.

Consolidated and MEC groups **don't** include:

- dividends paid by one member to another within a consolidated or MEC group
- a dividend paid under a demerger unless the head entity of the demerger group has elected under subsection 44(2) of the ITAA 1936 that it be treated as an assessable dividend.

Under Division 7A of Part III of the ITAA 1936, payments, loans and debts forgiven (unless they come within specified exclusions) by a private company to a shareholder or associates of a shareholder are treated as assessable dividends to the extent of the private company's distributable surplus as defined in Division 7A.

The provision of a private company owned asset for the use by a shareholder (or associate of a shareholder) is to be treated as a payment. This includes provisions provided under a lease or licence arrangement.

A payment made in 2023–24 by a private company to a shareholder (or associate of a shareholder) can be converted into a loan before the end of the private company’s lodgment day that is defined to be the earlier of the due date for lodgment or the date of lodgment of the company’s tax return for the year in which the loan is made.

Loans, and payments converted to loans in 2023–24, made by a private company to a shareholder (or associate of a shareholder) that are not repaid, may be put on a commercial footing before the private company’s lodgment day. This will prevent the loan from being treated as a deemed dividend.

Keep a record of the following:

- dividends or non-share dividends paid
- recipients
- dates paid
- amounts paid.

Cooperatives – option to frank dividends

Cooperative companies may frank distributions made to members from assessable income.

Cooperative companies that don't choose to frank distributions made to members are entitled to claim a deduction to the extent that a distribution of assessable income is not franked.

P – Opening franking account balance

Write at item **8** – label **P** the balance of the franking account at the beginning of 2023–24 (the balance can be zero).

If the balance of the franking account is in deficit at the beginning of 2023–24 leave label **P Opening franking account balance** blank. You are required to have lodged a franking account tax return for 2022–23 and have paid franking deficit tax (FDT) for that income year if you have a deficit balance at the beginning of 2023–24.

M – Closing franking account balance

Show at item **8** – label **M** the balance of the franking account at the end of 2023–24. The franking account balance limit does not apply if you were a foreign resident (other than a New Zealand franking company).

Provide the franking account balance at the end of 2023–24 (the balance can be zero).

If there is a deficit balance in the franking account at the end of the income year:

- leave the closing franking account balance blank
- the company must lodge a **Franking account tax return 2024**
- pay franking deficit tax (FDT) by the last day of the month following the end of the income year. If the company is a late balancing company that has elected to have its FDT liability determined on 30 June 2024, it must lodge its franking account tax return on or before 31 July 2024.

If the company is a pooled development fund (PDF) and its venture capital sub-account is in deficit at the end of the PDF's income year or immediately before it ceases to be a PDF, the company is liable to pay venture capital deficit tax. If the PDF has a liability to venture capital deficit tax, you must lodge a **Venture capital deficit tax return**.

Shareholder loans and other advances made by private companies that are deemed dividends are not frankable unless a section in the ITAA 1936 or ITAA 1997 provides that the dividend can be franked, for example, where the Commissioner exercises a limited power to permit the deemed dividend to be franked, or where the deemed dividend is paid in connection with a relationship breakdown.

Deemed dividends may also arise when a shareholder (or associate of such shareholder) of a private company that has (or will have by a certain time) an unpaid present entitlement from a trust estate receives a payment or loan or has a debt forgiven in their favour by the trustee of the trust estate. However, this will not result in a debit to the franking account of the private company with the unpaid present entitlement.

A company needs to determine whether its franking account needs adjustment, because these measures may affect imputation benefits available to shareholders, deny franking credits, or give rise to additional franking debits.

If you are a company that receives a R&D refundable tax offset, then only include franking credits arising from either payments of pay as you go (PAYG) instalments or income tax after all deferred franking debits have been utilised. For more information on how a R&D tax offset affects your franking account, see the **Franking account tax return and instructions 2024**.

For more information see **Imputation**.

Franking account tax return

Corporate tax entities may be entitled to claim a FDT offset. In certain circumstances, the FDT offset reduction rule reduces the amount of FDT that can be offset against future income tax liabilities. For more information, see Franking deficit tax offset.

As a result of these rules, you must complete label **C Offsetable portion of current year FDT** in the *Franking account tax return 2024*.

Complete a franking account tax return for all Australian corporate tax entities (including head companies of consolidated or MEC groups, corporate limited partnerships, corporate unit trusts and public trading trusts) and New Zealand franking companies that have either:

- a liability to pay FDT
- a liability to pay OFT
- an obligation to disclose information to the Commissioner for their benchmark franking percentage.

Lodge the franking account tax return separately from your company tax return. If you lodge your franking account tax return at the time your company tax return is due, your franking account tax return may be late and an interest charge may apply to any outstanding tax amounts. Your franking account tax return is generally due one month after the end of your income year.

For more information on completing this tax return, see Franking account tax return and instructions 2024.

Consolidated and MEC groups

If the company was a subsidiary member of a consolidated or MEC group at the end of the income year and is completing a tax return because of any non-membership periods, write at label **M** its franking account balance as at the end of the latest non-membership period if it is a surplus balance. If there is a deficit balance at the end of any non-membership period, the company must lodge a franking account tax return and pay FDT.

X – Select your aggregated turnover range

You must complete item **8** – label **X** if you are relying on your aggregated turnover for eligibility for any of the following:

- Instant asset write-off
- Small business CGT concessions
- Small business restructure roll-over

- Small business skills and training boost
- Small business energy incentive.

Select a category below based on your aggregated turnover range and write the category code at label **X**.

Your aggregated turnover range selected can be either your 2023–24 aggregated turnover or your 2022–23 aggregated turnover.

Table: Category of aggregated annual turnover ranges

Category	Aggregated annual turnover ranges
A	$0 to less than $7.5 million
B	$7.5 million to less than $10 million
C	$10 million to less than $20 million
D	$20 million to less than $40 million
E	$40 million to less than $50 million
F	$50 million to less than $100 million
G	$100 million to less than $200 million
H	$200 million to less than $300 million
I	$300 million to less than $400 million
J	$400 million to less than $500 million
K	$500 million to less than $600 million
L	$600 million to less than $700 million
M	$700 million to less than $800 million
N	$800 million to less than $900 million
O	$900 million to less than $1 billion
P	$1 billion or over

You will not be penalised for specifying an incorrect category where you make your best attempt to calculate your aggregated turnover.

For more information, see **Calculate your aggregated turnover** and **Entities connected with you and control relationships**.

Y – Aggregated turnover

Item **8** – label **Y** is mandatory where you have an aggregated turnover of $1 billion or more, or you are a significant global entity.

Write at item **8** – label **Y** your actual aggregated turnover rounded to the nearest $100 million. Your actual aggregated turnover specified can be either your aggregated turnover for 2023–24 or your 2022–23 aggregated turnover. For further information, see **Satisfying the aggregated turnover threshold**.

You will not be penalised for specifying an incorrect amount where you make your best attempt to calculate your aggregated turnover.

H – Excess franking offsets

Write at item **8** – label **H** any excess franking offset calculated as follows.

Step 1: Calculate the amount of franking tax offsets that the company is entitled to

Franking tax offsets are available under Division 207 of the ITAA 1997 as a result of receiving a franked distribution, and Subdivision 210-H of the ITAA 1997 as a result of receiving a franked distribution franked with a venture capital credit. The amount of franking tax offset that a company is entitled to is equal to the share of franking credits included in distributions received from partnerships and trusts, the amount of franking credits included at item **7** – labels **J Franking credits** and **C Australian franking credits from a New Zealand company**.

Don't include any franking tax offsets that are subject to the refundable tax offset rules under Division 67 of the ITAA 1997. For example, franking tax offsets of a life insurance company are generally subject to the refundable tax offset rules to the extent that they relate to distributions paid on shares and other membership interests held on behalf of policy holders. Don't include these amounts. Generally, the franking tax offsets of other companies are not subject to the refundable tax offset rules.

Step 2: Calculate the income tax that would be payable

Calculate the amount of income tax that would be payable, taking into account all tax offsets (including its foreign income tax offset) with the exception of the following tax offsets:

- any franking tax offsets
- any tax offsets subject to the tax offset carry forward rules or the refundable tax offset rules
- any tax offset arising from an FDT liability.

Step 3: Calculate the amount of excess franking offsets

If the amount of franking tax offsets from step 1 exceeds the amount of hypothetical tax calculated at step 2, the excess is the amount of excess franking offset which should be written at item **8 –** label **H**.

Excess franking offsets can affect the choice a company can make in how much of any prior year tax loss it can deduct this year. For more information, see item **7 –** label **R – Tax losses deducted**.

If the company has excess franking offsets, it may convert the excess franking offsets into an amount of tax loss to carry forward to later income years. For more information, see item **13 –** label **U – Tax losses carried forward to later income years.**

Example 13: excess franking offsets

For 2023–24 Veck Company Ltd, has the following:

- item **6 –** label **H Total dividends**, franked distributions of $280
- item **7 –** label **J Franking credits** of $120
- item **7 –** label **X Other deductible expenses** of $80.

The $120 franking tax offset is not subject to the refundable tax offset rules in Division 67 of the ITAA 1997. Veck Company Ltd has no net exempt income for the year and it does not have a tax loss for the year.

Veck Company Ltd is a base rate entity and its applicable company tax rate for 2023–24 is 25%.

Veck Company Ltd would work out its excess franking offsets as follows:

1. Calculate the amount of franking tax offsets it is entitled to.
   In this instance, Veck Company Ltd's franking tax offsets are not subject to the refundable tax offset rules, therefore it is entitled to franking tax offsets of **$120**. However, for the purposes of calculating the amount of excess franking offset, these offsets are ignored in step 2 below.
2. Calculate the amount of income tax payable, ignoring franking tax offsets.
   Calculated as:
   Taxable income ($280 + $120 − $80) = **$320**

   Gross tax (25% of $320) = $80

   Non-refundable non-carry forward tax offsets $0 (Veck Company Ltd is required to disregard the franking tax offset).

   Tax payable = $80

The excess franking offsets amount is equal to $40, that is, the amount left over after deducting the amount at step 2 from the amount at step 1 **($120 – $80)**. Veck Company Ltd would record $40 at label **H**.

Veck Company Ltd would now convert this amount of excess franking offsets into a tax loss by dividing the excess franking offsets amount ($40) by the applicable corporate tax rate for imputation purposes for 2023–24 (25%) which results in a tax loss amount of $160.

Veck Company Ltd would record the amount of this tax loss at item **13** – label **U Tax losses carried forward to later income years**.

N – Loans to shareholders and their associates

Complete item **8** – label **N** only if:

- the company is a private company or a closely held corporate limited partnership
- the company or closely held corporate limited partnership has a loan to a shareholder or an associate of a shareholder that has a debit balance at the end of the income year, and

- the recipient of the loan was a natural person, partnership or trust.

Division 7A of Part III of the ITAA 1936 also applies to closely held corporate limited partnerships. A closely held corporate limited partnership is a corporate limited partnership that has fewer than 50 members or an entity has, directly or indirectly and for the entity's own benefit, an entitlement to a 75% or greater share of the income or capital of the partnership.

For the purposes of completing label **N** all references to shareholders include partners in a closely held corporate limited partnership.

Write at label **N** the sum of all such loans that have a debit balance at the end of the income year. Write the sum in whole figures only.

Print the relevant code from **table 6** in the **CODE** box at label **N**.

Table 6: Loan codes

Code	Description
A	All loans were made on or after 4 December 1997.
B	All loans were made before 4 December 1997.
M	Some loans were made before 4 December 1997 and some loans were made on or after 4 December 1997.

Under Division 7A of Part III of the ITAA 1936, loans by a private company or a closely held corporate limited partnership to a shareholder or associates of a shareholder (unless the loans come within specified exclusions) are treated as assessable dividends to the extent of the distributable surplus including realised and unrealised profit. Advances or loans to shareholders or associates may represent a distribution of profits and may be assessed to the recipient as unfranked dividends.

A loan made in 2023–24 by a private company or closely held corporate limited partnership to a shareholder (or associate) may be repaid or put on a commercial footing before the end of the entity's lodgment day. This will prevent the loan from being treated as a dividend. The lodgment day is the earlier of the due date for lodgment or the date of lodgment of the private company's or closely held corporate limited partnership's tax return for the year in which the loan is made.

For loans made in an earlier income year that have not been fully repaid by the end of 2023–24, a deemed dividend may arise if the Division 7A minimum yearly repayment has not been made to the company or the closely held corporate limited partnership by the end of 2023–24.

D – Total salary and wage expenses

Write at item **8 –** label **D** the total salary, wage and other labour costs incurred, including directors' remuneration, as per income statements.

These expenses include any salary and wage component of item **6 –** label **A Cost of sales**, that is, allowances, bonuses, casual labour, retainers and commissions paid to people who received a retainer, and workers compensation paid through the payroll.

Also included are direct and indirect labour costs, directors' fees, holiday pay, locums, long service leave, lump sum payments, other employee benefits, overtime, payments under an incentive or profit sharing scheme, retiring allowances and sick pay. Any salary and wages paid by a private company to a current or former shareholder or director of the company, or to an associate of such a person, is included here and at item **8 –** label **Q Payments to associated persons**.

However, don't include agency fees, contract payments, sub-contract payments, service fees, superannuation, reimbursements or allowances for travel, management fees, consultant fees, and wages or salaries reimbursed under a government program.

Salary and wage expenses can't be deducted where you have not complied with your pay as you go (PAYG) withholding obligations. See Removing tax deductibility of non-compliant payments.

Print the code in the **CODE** box from **table 7** at label **D** that matches the description of the expense component where salary and wage expenses have been wholly or predominantly reported at item **6**.

Table 7: Salary and wage expenses codes

Code	Salary and wage expenses included in:
C	Cost of sales
A	All other expenses

B	Cost of sales and All other expenses
O	Other than Cost of sales and/or All other expenses

Q – Payments to associated persons

Write at item **8 –** label **Q** the amounts, including salaries, wages, commissions, superannuation contributions, allowances and payments in consequence of retirement or termination of employment, paid by a private company to associated persons. An associated person is a current or former shareholder or director of the company, or an associate of such a person.

Also include the amounts of salaries and wages paid to associated persons at item **8** – label **D Total salary and wage expenses**.

Excessive remuneration paid to an associated person may not be deductible and could be treated as an unfranked dividend (see **section 109** of the ITAA 1936).

Keep records to establish the reasonableness of remuneration including:

- age, if under 18 years old
- hours worked
- nature of duties performed
- other amounts paid, for example, retiring gratuities, bonuses and commissions
- total remuneration.

G – Gross foreign income

Write at item **8 –** label **G** assessable income derived by the company from foreign sources, grossed up by the amount of the foreign tax withheld or paid at source on that income.

If you report a distribution from a trust at item **8** – label **G** complete a **Trust income schedule 2024** and attach it to the company tax return.

R – Net foreign income

Write at item **8** – label **R** assessable income derived by the company from foreign sources grossed up by the amount of the foreign tax, but net of expenses. This amount includes:

- foreign source capital gains, after offsetting any unapplied capital losses
- assessable dividends paid by a New Zealand company
- income attributable to a dividend from a New Zealand company received from a partnership or trust.

Don't write at label **R**:

- attributed foreign income (such as attributed income from a controlled foreign company (CFC))
- any amount of Australian franking credits attached to franked distributions received from a New Zealand franking company. Include these amounts at item **7** – label **C Australian franking credits from a New Zealand company**.

If the amount at label **R** is a loss, print **L** in the **CODE** box.

Foreign losses are not quarantined from domestic assessable income (or from assessable foreign income of a different class) from the first income year starting on or after 1 July 2008.

Foreign source capital gains are made by an Australian resident company if a CGT event happens to any of its overseas CGT assets unless the gains are excluded from assessable income.

Any foreign source capital gains made during the income year should be reported at label **R** and should also be included as part of the company's total capital gain which is reported at item **7** – label **A Net capital gain**. For more information on CGT, see the Guide to capital gains tax 2024.

Don't apply debt deductions other than those attributable to an overseas PE of the taxpayer against foreign source income for the purpose of calculating net foreign income or loss.

The company may need to complete either a:

- Consolidated groups losses schedule
- Losses schedule.

If you report a distribution from a trust at item **8** – label **R**, complete a Trust income schedule 2024 and attach it to the company tax return.

Attributed foreign income

Complete item **8** – labels **B**, **U** and **V** to report attributed foreign income.

If you report a distribution from a trust at item **8** – labels **B**, **U**, or **V**, complete a **Trust income schedule 2024** and attach it to the company tax return.

B – Listed country

Write at item **8** – label **B** the amount of attributed foreign income from controlled foreign entities in listed countries. Listed countries are included in Regulation 19 of the Income Tax Assessment (1936 Act) Regulation 2015.

Don't include amounts attributed from transferor trusts, see item **8** – label V – Transferor trust.

U – Unlisted country

Write at item **8** – label **U** the amount of attributed foreign income from controlled foreign entities in unlisted countries. Unlisted countries are countries that are not listed countries in Regulation 19 of the *Income Tax Assessment (1936 Act) Regulation 2015*.

Don't include amounts attributed from transferor trusts, see item **8** – label **V Transferor trust** below.

V – Transferor trust

Write at item **8** – label **V** the amount of attributed foreign income from transferor trusts. A company has an interest in a transferor trust if the company has ever made, or caused to be made, a transfer of property or services to a non-resident trust. 'Transfer', 'property' and 'services' are defined in section 102AAB of the ITAA 1936. Sections 102AAJ and 102AAK of the ITAA 1936 provide guidance on whether there has been a transfer or deemed transfer of property or services to a non-resident trust.

Taxation of financial arrangements (TOFA)

Complete the TOFA labels **T**, **U** and **S**.

Taxation of financial arrangements (TOFA) rules

For the purposes of these instructions, 'TOFA rules' is a reference to the TOFA rules contained in Division 230 of the ITAA 1997, and not to the 'foreign exchange (forex) gains or losses' rules contained in Division 775 of the ITAA 1997.

The TOFA rules found in Division 230 of the ITAA 1997 generally provide for:

- methods of taking into account gains and losses from financial arrangements, being accruals and realisation, fair value, forex retranslation, hedging, and reliance on financial reports and balancing adjustment
- the time when the gains and losses from financial arrangements will be brought to account.

The TOFA rules will apply to the following entities:

- authorised deposit-taking institutions, securitisation vehicles and financial sector entities with an aggregated turnover of $20 million or more
- superannuation entities, managed investment schemes or entities with a similar status to a managed investment scheme under foreign law relating to corporate regulation with assets of $100 million or more
- any other entity (excluding individuals) which satisfies one or more of the following
  - an aggregated turnover of $100 million or more
  - assets of $300 million or more
  - financial assets of $100 million or more.

Once the TOFA rules apply to a company, they will continue to apply to that company, even if its aggregated turnover, value of assets or value of financial assets subsequently falls below the requisite threshold.

A company that does not meet these requirements can elect to have the TOFA rules apply to it.

The aggregated turnover tests may mean that the TOFA rules will apply to companies that don't meet the turnover thresholds in their own right. Aggregated turnover includes the annual turnover of any entity a company is connected with, or any affiliate of the company, including overseas entities. See, Taxation Determination **TD 2021/7** *Income tax: aggregated turnover – calculating the annual turnover of a connected entity or affiliate with a different accounting period to you*.

There are a number of elections available to companies under the TOFA rules. Elections under the TOFA rules are irrevocable and should be carefully considered before being made.

For more information about completing the TOFA labels, including at labels **T**, **U** and **S**, see:

- TOFA tax return labels
- Guide to taxation of financial arrangements (TOFA).

T – Total TOFA gains

Write at item **8 –** label **T** the total of all assessable TOFA gains from financial arrangements recognised at item **6** and item **7**.

In working out a company's total TOFA gains, take into account the company's assessable TOFA gains from financial arrangements included in any of the following:

- item **6** – label **D Gross distribution from partnerships**
- item **6** – label **E Gross distribution from trusts**
- item **6** – label **F Gross interest**
- item **6** – label **H Total dividends**
- item **6** – label **J Unrealised gains on revaluation of assets to fair value**
- item **6** – label **R Other gross income**
- item **7** – label **E TOFA income from financial arrangements not included in item 6**.

U – Total TOFA losses

Write at item **8 –** label **U** the total of all allowable TOFA losses from financial arrangements recognised at item **6** and item **7**.

In working out a company's total TOFA losses, take into account the company's allowable TOFA losses from financial arrangements included in any of the following:

- item **6** – label **D Gross distribution from partnerships**
- item **6** – label **E Bad debts**
- item 6 – label **V Interest expenses within Australia**
- item **6** – label **J Interest expenses overseas**
- item **6** – label **G Unrealised losses on revaluation of assets to fair value**
- item **6** – label **S All other expenses**

- item **7** – label **W TOFA deductions from financial arrangements not included in item 6**.

S – TOFA gains from unrealised movements in the value of financial arrangements

Write at item **8** – label **S** the total of all TOFA gains recognised at item **6** as a result of unrealised movements in the value of financial arrangements. A company may have TOFA gains from unrealised movements in the value of financial arrangements as a result of making certain TOFA rules tax-timing method elections.

For more information, see:

- TOFA elections
- Guide to taxation of financial arrangements (TOFA).

Continue to: 9 Capital allowances

Return to: Instructions to complete the Company tax return 2024

QC 101684

9 Capital allowances

Instructions to complete your capital allowances.

Published 30 May 2024

Small business entities

If you are a small business using the simplified depreciation rules continue to 10 Small business entity simplified depreciation.

Depreciating assets first deducted this income year

For all other entities that are not a small business using the simplified depreciation rules, complete the following labels:

- A – Intangible depreciating assets first deducted
- B – Other depreciating assets first deducted
- C – Self-assessment of effective life.

A – Intangible depreciating assets first deducted

Write at item **9** – label **A** the cost of all intangible depreciating assets for which the company is claiming a deduction for decline in value for the first time.

The following intangible assets are regarded as depreciating assets (as long as they are not trading stock):

- certain items of intellectual property (patents, registered designs, copyrights and licences of these)
- computer software, or a right to use computer software, that the company acquires, develops or has someone else develop for its use for the purposes for which it is designed (in-house software)
- mining, quarrying or prospecting rights and information
- spectrum licences
- certain indefeasible rights to use telecommunications cable systems (IRUs)
- certain telecommunications site access rights.

A depreciating asset that the company holds starts to decline in value from the time the company uses it (or installs it ready for use) for any purpose. However, the company can only claim a deduction for the decline in value to the extent it uses the asset for a taxable purpose, such as for producing assessable income.

If the company has allocated any intangible depreciating assets with a cost of less than $1,000 to a low-value pool for the income year, also include the cost of those assets at label **A**. Don't reduce the cost for estimated non-taxable use.

Expenditure on in-house software which has been allocated to a software development pool is not included at label **A**.

For more information on decline in value, cost, low-value pools, in-house software and software-development pools, see Guide to depreciating assets 2024.

Consolidated or multiple entry consolidated (MEC) groups

The head company of a consolidated or MEC group must also include the cost of intangible depreciating assets that a subsidiary member would have included at label **A** if it had not joined the consolidated or MEC group. However, the head company must not include the cost of depreciating assets at label **A** if the subsidiary member deducted their decline in value before becoming a member of the consolidated or MEC group.

For a company that was a subsidiary member of a consolidated or MEC group for part of the income year and is completing a tax return because of any non-membership periods, write at label **A** the cost of intangible depreciating assets first deducted during the non-membership periods. However, don't include the cost of depreciating assets where the head company of the consolidated or MEC group deducted its decline in value during any period that the subsidiary was a member of the group, and that period was before the non-membership period in which the subsidiary first deducted the decline in value.

B – Other depreciating assets first deducted

A depreciating asset that the company holds starts to decline in value from the time the company uses it (or installs it ready for use) for any purpose. However, the company can only claim a deduction for the decline in value to the extent it uses the asset for a taxable purpose, such as for producing assessable income.

Write at item **9** – label **B** the cost of all depreciating assets (other than intangible depreciating assets) for which the company is claiming a deduction for the decline in value for the first time.

If the company has allocated any assets (other than intangible depreciating assets) with a cost of less than $1,000 to a low-value pool for the income year, also include the cost of those assets at label **B**. Don't reduce the cost for estimated non-taxable use.

For information, see:

- Guide to depreciating assets 2024
- Record keeping for capital expenses.

Consolidated or MEC groups

The head company of a consolidated or MEC group must also include the cost of depreciating assets that a subsidiary member would have included at label **B** if it had not joined the consolidated or MEC group. However, the head company must not include the cost of depreciating assets at label **B** if the subsidiary member deducted its decline in value before becoming a member of the consolidated or MEC group.

For a company that was a subsidiary member of a consolidated or MEC group for part of the income year and is completing a tax return because of any non-membership periods, write at label **B** the cost of depreciating assets first deducted during the non-membership periods. However, don't include the cost of depreciating assets where the head company of the consolidated or MEC group deducted its decline in value during any period the subsidiary was a member of the group, and that period was before the non-membership period in which the subsidiary first deducted the decline in value.

C – Self-assessment of effective life

For most depreciating assets, you can choose to:

- work out the effective life yourself (self-assess), or
- use an effective life determined by the Commissioner.

If you have adopted the Commissioner's effective life determination for all your depreciating assets, print **X** in the **No** box at item **9** – label **C**.

If you have self-assessed the effective life of any of your depreciating assets, print **X** in the **Yes** box at label **C**.

For all depreciating assets

Complete the following labels:

- D – Recalculation of effective life
- E – Total adjustable values at end of income year
- F – Assessable balancing adjustments on the disposal of intangible depreciating assets
- G – Deductible balancing adjustments on the disposal of intangible depreciating assets
- H – Termination value of intangible depreciating assets
- I – Termination value of other depreciating assets

- N – Subsequent year accelerated depreciation deductions for assets using backing business investment.

D – Recalculation of effective life

You may recalculate the effective life of assets in certain circumstances if the effective life you have been using is no longer accurate. There are also circumstances where you must recalculate the effective life of a depreciating asset.

If you have not recalculated the effective life of any of your depreciating assets in this income year, print **X** in the **No** box at label **D**.

If you have recalculated the effective life of any of your depreciating assets this income year, print **X** in the **Yes** box at label **D**.

E – Total adjustable values at end of income year

Write at item **9** – label **E** the total of the adjustable values of your depreciating assets as at the end of the income year. This is the value of all assets costs (first and second elements) less any decline in value up to that time, or the closing value of all assets.

If the company has allocated any assets with a cost of less than $1,000 to a low-value pool for the income year, don't include the adjustable values of those assets at label **E**.

F – Assessable balancing adjustments on the disposal of intangible depreciating assets

Write at item **9** – label **F** the total assessable income you have from balancing adjustment events where you ceased to hold intangible depreciating assets this income year (this type of assessable income may arise if, for example, you disposed of an intangible depreciating asset for more than its adjustable value). If you don't have any assessable balancing adjustment amounts for intangible assets this year, leave label **F** blank.

If the company has allocated any assets with a cost of less than $1,000 to a low-value pool for the income year, don't include the assessable balancing adjustments for these assets at label **F**.

G – Deductible balancing adjustments on the disposal of intangible depreciating assets

Write at item **9** – label **G** the total deductible amount you have from balancing adjustment events where you ceased to hold intangible depreciating assets this income year (this type of deduction may arise if, for example, you disposed of an intangible depreciating asset for less than its adjustable value). If you don't have any deductible balancing adjustment amounts for intangible assets this year, leave label **G** blank.

If the company has allocated any assets with a cost of less than $1,000 to a low-value pool for the income year, don't include the assessable balancing adjustments for these assets at label **G**.

H – Termination value of intangible depreciating assets

Write at item **9 –** label **H** the termination value of each balancing adjustment event occurring for intangible depreciating assets to which the uniform capital allowances (UCA) rules in Division 40 of the ITAA 1997 apply, including assets allocated to a low-value pool.

Don't write at label **H** any termination value for in-house software for which the company has allocated expenditure to a software development pool.

A balancing adjustment event occurs if the company stops holding or using a depreciating asset or decides not to use it in the future, for example, assets were sold, lost or destroyed.

A balancing adjustment event may occur if the company has claimed temporary full expensing for an asset, on either the cost of acquisition or improvements in a prior year. If so, the company will need to calculate a balancing adjustment amount.

Any non-taxable use of an asset in an income year after the year in which temporary full expensing has been claimed will not reduce balancing adjustment amounts for balancing adjustment events happening after the claim year.

Generally, the termination value is the amount the company received or is deemed to have received for the balancing adjustment event. It also includes the market value of any non-cash benefits, such as goods and services that the company receives for the asset.

For more information on balancing adjustment events, termination value, in-house software and software development pools, see Guide to depreciating assets 2024.

A special balancing adjustment event will also occur in an income year after the year in which temporary full expensing has been claimed when it is no longer reasonable to conclude that:

- the company will use the depreciating asset principally in Australia for the principal purpose of carrying on a business; or

- the depreciating asset will never be located in Australia.

This special balancing adjustment event is not triggered with respect to companies using the simplified depreciation rules, other than for those depreciating assets that are excluded from the simplified depreciation rules. For those other depreciating assets, the event may still be triggered if temporary full expensing has been claimed with respect to that asset.

If this special balancing adjustment event is triggered:

- the company is treated as though it had ceased to hold the asset and the termination value of the asset will be equal to its **market value** at that time, resulting in the temporary full expensing deduction being clawed back to the extent of the assets then market value; and
- the first element of cost is modified so that the first element of cost of the asset is the asset’s termination value at the time of the event, such that though the company may not thereafter work out the decline in value for that asset using temporary full expensing, the company might, in a later income year, be entitled to claim other capital allowances it is entitled to for that asset (for example, under the general capital allowances rules for the proportion of business use). The company may not claim a deduction for the asset under the general capital allowance rules in the same year as the special balancing adjustment event.

For information on record keeping, see **Record keeping for capital expenses**.

I – Termination value of other depreciating assets

Write at item **9 –** label **I** the termination value of each balancing adjustment event occurring for depreciating assets, including assets allocated to a low-value pool.

Don't include at label **I** any termination value for:

- assets allocated in a prior year to a general small business pool
- intangible depreciating assets
- buildings or structures for which a deduction is available under the capital works provisions
- assets used in R&D activities that are subject to the R&D tax incentive

- assets falling within the provisions relating to investments in Australian films.

A balancing adjustment event occurs if the company stops holding or using a depreciating asset or decides not to use it in the future, for example, assets were sold, lost or destroyed.

A balancing adjustment event may occur if the company has claimed temporary full expensing for an asset, on either the cost of acquisition or improvements in a prior year. If so, the company will need to calculate a **balancing adjustment amount**.

Any non-taxable use of an asset in an income year after the year in which temporary full expensing has been claimed will not reduce balancing adjustment amounts for balancing adjustment events happening after the claim year.

Generally, the termination value is the amount the company received or is deemed to have received for the balancing adjustment event. It also includes the market value of any non-cash benefits, such as goods and services that the company received for the asset.

A special balancing adjustment event will also occur in an income year after the year in which temporary full expensing has been claimed when it is no longer reasonable to conclude that either:

- the company will use the depreciating asset principally in Australia for the principal purpose of carrying on a business
- the depreciating asset will never be located in Australia.

This special balancing adjustment event is not triggered with respect to companies using the simplified depreciation rules, other than for those depreciating assets that are excluded from the simplified depreciation rules. For those other depreciating assets, the event may still be triggered if temporary full expensing has been claimed with respect to that asset.

If this special balancing adjustment event is triggered:

- the company is treated as though it had ceased to hold the asset and the termination value of the asset will be equal to its market value at that time, resulting in the temporary full expensing deduction being clawed back to the extent of the assets then market value
- the first element of cost is modified so that the first element of cost of the asset is the asset’s termination value at the time of the event, such that though the company may not thereafter work out the

decline in value for that asset using temporary full expensing, the company might, in a later income year, be entitled to claim other capital allowances it is entitled to for that asset (for example, under the general capital allowances rules for the proportion of business use). The company may not claim a deduction for the asset under the general capital allowance rules in the same year as the special balancing adjustment event.

For more information on balancing adjustment events and termination value, see the **Guide to depreciating assets 2024**.

N – Subsequent year accelerated depreciation deductions for assets using backing business investment

If you are an entity that used the Backing business investment – accelerated depreciation in a previous year for one or more assets, write at item **9 –** label **N** the amount of depreciation you are claiming in 2023–24 for these assets.

For entities connected with mining operations, exploration or prospecting

Complete in this section, labels **J**, **K** and **L**.

Write at item **9 –** label **J** the total of any amounts you have allocated to a project pool for mining capital expenditure or transport capital expenditure incurred this income year. If you have not allocated any such amounts to a project pool, leave label **J** blank.

For information on project amount and how to work out your deductions, see the **Guide to depreciating assets 2024**.

Item **9 –** labels **K** and **L** require information on your deductions for the decline in value of depreciating assets used in exploration or prospecting. This includes deductions claimed for the cost of depreciating assets used in exploration or prospecting. If you did not claim any deductions for depreciating assets used in exploration or prospecting, you don't need to complete these items.

Write at item **9 –** label **K** the total of your deductions for decline in value of intangible depreciating assets used in exploration or prospecting.

Write at item **9 –** label **L** the total of your deductions for decline in value of other depreciating assets used in exploration or prospecting.

Continue to: **10 Small business entity simplified depreciation**

Return to: **Instructions to complete the Company tax return 2024**

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10 Small business entity simplified depreciation

Instructions to complete this item if you are a small business entity using the simplified depreciation rules.

Last updated 3 July 2024

On this page

Small business concessions – simplified depreciation rules

In 2023–24, the instant asset write-off applies to small business entities using the simplified depreciation rules.

To complete this item, use the amounts the company calculated for small business entity depreciation deductions in the **Worksheet** for item **6** – label **X Depreciation expenses**. For more information, see Small business entities.

A – Deduction for certain assets (costing less than the relevant instant asset write-off threshold)

Transfer the deduction for certain assets at row **a** in the **Worksheet** to item **10** – label **A**. Don't show cents.

B – Deduction for general small business pool

Add up the general small business pool deduction amounts at rows **b** and **c** in the **Worksheet**. Write the total at item **10** – label **B**. Don't show cents.

The total of item **10** – label **A** and item **10** – label **B** combined can't be more than the amount entered at item **6** – label **X Depreciation expenses**.

Continue to: 11 Consolidation deductions

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11 Consolidation deductions

Instructions for consolidation deductions relating to rights to future income, consumable stores and work in progress.

Published 30 May 2024

Who should complete this item?

Only complete this item if the head company of a **consolidated group or a MEC group** has claimed in this income year at item **6 Calculation of total profit or loss** or item **7 Reconciliation to taxable income or loss**, all or part of the tax cost setting amount of:

- a right to future income that is a work in progress (WIP) amount asset under subsection 701-55(5C) of the ITAA 1997 prospective rules, or
- consumable stores under subsection 701-55(5D) of the ITAA 1997 prospective rules.

The prospective rule amendments, as made by *Tax Laws Amendment (2012 Measures No. 2) Act 2012* Schedule 3 Part 3, apply, for Division 705 and section 701-55 of the ITAA 1997 purposes, to all entities (or more specifically the assets of all entities) that join a consolidated or multiple entry consolidated (MEC) group on or after 31 March 2011 (under the Division 705 entry asset cost setting rules).

F – Prospective rules deductions

Write at item **11** – label **F** the total amount the company has claimed in 2023–24 under the prospective rules at another label in item **6 Calculation of total profit or loss** or item **7 Reconciliation to taxable income or loss** for the tax cost setting amount of:

- a right to future income that is a WIP amount asset under 701-55(5C) (and section 25-95) of the prospective rules
- consumable stores under 701-55(5D) of the prospective rules.

Continue to: 12 National rental affordability scheme

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12 National rental affordability scheme

Instructions to complete your entitlement to a national rental affordability scheme (NRAS) tax offset.

Published 30 May 2024

J – National rental affordability scheme tax offset entitlement

Write at item **12** – label **J** the company's entitlement to a tax offset under the National Rental Affordability Scheme (NRAS). Show cents.

The NRAS is designed to encourage large-scale investment in affordable housing. The NRAS offers incentives to providers of new dwellings on the condition that they are rented to low and moderate income households at 20% below market rates.

The refundable tax offset is only available when the secretary of the Department of Social Services has issued a certificate under the NRAS. In order to claim the tax offset in 2023–24, the NRAS certificate must relate to the NRAS year 1 May 2023 to 30 April 2024.

For more information, see **National rental affordability scheme – refundable tax offset and other taxation issues**.

The NRAS tax offset is intended to be subject to the refundable tax offset rules and can be claimed in the **Calculation statement** at label **E Refundable tax offsets**.

Continue to: **13 Losses information**

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13 Losses information

Instructions to complete any losses you had to carry forward to later income years.

Published 30 May 2024

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Consolidated or multiple entry consolidated (MEC) groups

Any company that is a subsidiary member of a **consolidated** or **MEC group** at the end of 2023–24 is **not** required to complete item **13** – labels **U** and **V**. Other companies, including the head company of a consolidated or MEC group at the end of 2023–24, may need to complete item **13** – labels **U** and **V**.

U – Tax losses carried forward to later income years

Write at item **13** – label **U** the unapplied (undeducted or not transferred) amount of tax losses incurred by the company and carried forward to a later income year under section 36-17 of the ITAA 1997.

If the company is a designated infrastructure project (DIP) entity, ensure the amount of tax losses carried forward to later income years include any uplift amount. Net exempt income (if any) must be taken into account in calculating the amount of tax losses carried forward to a later income year, see **sections 36-10** and **36-17** of the ITAA 1997.

Tax losses carried forward may be affected by the commercial debt forgiveness provisions, see **Appendix 5**.

Under sections 36-17 and 36-55 of the ITAA 1997, a company is, subject to certain limitations, able to choose the amount of prior year tax losses it wishes to deduct in a later year of income from the excess (if any) of its assessable income over total deductions (other than tax losses). This choice means that companies can choose not to deduct prior year losses in order to pay sufficient tax to be able to frank their distributions. In certain circumstances, a company is able to convert excess franking offsets into a tax loss for the income year and carry forward the tax loss for consideration as a deduction in a later income year. If the company has excess franking offsets at item **8** – label **H Excess franking offsets**, calculate the company's tax loss for the income year under the method statement in subsection 36-55(2) of the ITAA 1997 as follows:

1. Work out the amount (if any) that would have been the company's tax loss for the year under section 36-10, 165-70, 175-35 or 701-30 of the ITAA 1997, disregarding any net exempt income.
2. Divide the amount of excess franking offsets by the applicable corporate tax rate.
3. Add the result of steps **1** and **2**.
4. Subtract the company's net exempt income (if any).

The result (if a positive amount) is the company's tax loss for the income year. Include this amount at label **U** with any unapplied tax losses from prior income years.

If you are required to complete a *Losses schedule 2024*, the amount of the tax losses you show at item **1 Tax losses carried forward to later income years** – label **U Total** in part A of that schedule must be the same as the amount you show at label **U** in the *Company tax return 2024*.

Don't include any net capital losses to be carried forward to later income years at label **U**. Show these separately at:

- item **13** – label **V Net capital losses carried forward to later income years** on the *Company tax return 2024*
- Capital gains tax schedule 2024, if a capital gains tax (CGT) schedule is required.

Consolidated or MEC groups

If a head company of a **consolidated or MEC group** is required to complete a *Consolidated groups losses schedule 2024*, the amount of the tax losses shown at item **5 Tax losses carried forward to later income years** – label **U Total** in part A of that schedule must be the same as the amount shown at label **U** in the *Company tax return 2024*.

If the company is a subsidiary member of a consolidated or MEC group at the end of the income year, label **U** is not applicable.

V – Net capital losses carried forward to later income years

Write at item **13** – label **V** the total of any unapplied net capital losses from collectables and unapplied net capital losses from all other CGT assets and events. This information is calculated or transferred from:

- **3B** in table 5 and **3A** in table 9 of the CGT summary worksheet for 2024 tax returns
- **A** and **B** in part **3** of the CGT schedule, if a CGT schedule is required.

For more information, see Guide to capital gains tax 2024.

If the company is required to complete a *Losses schedule 2024*, the amount of the net capital losses shown at item **2 Net capital losses carried forward to later income years** – label **V Total** in part A of that schedule must also be the same as the amount shown at label **V** on the *Company tax return 2024*.

Consolidated or MEC groups

If a head company of a **consolidated or MEC group** is required to complete a *Consolidated groups losses schedule 2024*, the amount of the net capital losses shown at item **10 Net capital losses carried forward to later income years** – label **V Total** in part A of that schedule must also be the same as the amount shown at label **V** on the company tax return.

If the company is a subsidiary member of a consolidated or MEC group at the end of the income year, label **V** is not applicable.

Continue to: 14 Personal services income

Return to: Instructions to complete the Company tax return 2024

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14 Personal services income

Instructions to complete personal services income (PSI) included in the company's income.

Last updated 3 July 2024

On this page

N – Does your income include an individual's personal services income?

Personal services income (PSI) is income that is mainly a reward for an individual’s personal efforts or skills (or would mainly be such a reward if it was derived by the individual). If more than 50% of the income received under a contract is for an individual's personal efforts or skills, then all income from that contract will be PSI. If 50% or less of the income received under a contract is for an individual's personal efforts or skills, then none of the income for that contract is PSI.

A company may derive income which includes the PSI of one or more individuals.

Use the PSI decision tool to work out whether your income included PSI of one or more individuals, and if the PSI rules apply to that income.

Personal service income tool

Alternatively, see **Personal services income** and **How to attribute PSI**.

Examples of PSI include:

- income for the services of a professional practitioner in a sole practice
- income derived under a contract which is wholly or mainly for the labour or services of an individual
- income for the exercise of professional skills by a professional sportsperson or entertainer
- income for the exercise of personal expertise by a consultant.

PSI does not include income that is mainly:

- for supplying or selling goods – for example, from retailing, wholesaling or manufacturing
- generated by an income-producing asset – for example, from contracting to provide a bulldozer
- for granting a right to use property – for example, the copyright to a computer program
- generated by a business structure – for example, a large accounting firm.

If the company receives an individual’s PSI other than in the course of conducting a personal services business (PSB), and don't promptly pay it to the individual as salary or wages:

- the net amount of PSI is attributed to the individual and is not assessable to the company, and
- certain related expenses are not deductible under the special rules.

For more information, see Appendix 8: Personal services income.

Print **X** in the **Yes** box at item **14** – label **N** if the company's income includes an individual's PSI. Otherwise print **X** in the **No** box.

If you answered **No** at label **N**, you don't need to complete the remaining labels at item **14**.

If you answered **Yes** at label **N**, read on and complete the remaining labels at item **14**. For more information, see Taxation Ruling TR 2022/3 *Income tax: personal services income and personal services businesses*.

A – Total amount of PSI included at item 6 income

Write at item **14** – label **A** the total amount of income gained by you during the year that is PSI of one or more individuals that you have included at item **6 Income** (including income earned in the course of conducting a PSB).

Don't include at label **A** any exempt or non-assessable non-exempt components of the PSI – for example, goods and services tax (GST).

B – Total amount of deductions against PSI included at item 6 expense

Write at item **14** – label **B** the total amount of deductions against PSI included at item **6 Expenses**.

C – Did you satisfy the results test in respect of any individual?

If you satisfy the results test for any individual, print **X** in the **Yes** box at item **14** – label **C**; otherwise, print **X** in the **No** box at label **C**.

You will meet the results test in an income year if:

- having regard to the custom or work practice when work of that kind is performed, at least 75% of the PSI of the individual doing the personal services work is paid to achieve a contractually specified result under your contract or agreement

- you provide the tools or equipment necessary (if any) to do the work, and
- you are liable for the cost of rectifying defects in the work performed.

PSI is considered to be paid to achieve a result when the individual is required to produce a specified result or outcome, and payment is conditional upon that result or outcome being achieved. The essence of the contract or agreement has to be to achieve a result and not just to do the work as required.

D – Do you hold a personal services business (PSB) determination in respect of any individual?

If you hold a personal services business (PSB) determination for any individual, print **X** in the **Yes** box at item **14** – label **D**; otherwise, print **X** in the **No** box at label **D**.

To apply, see **Personal services business determination application**. If your income is the PSI of more than one individual, you can apply for a determination for each of those individuals.

E – Personal services business tests

Complete in this section, labels **E1**, **E2**, **E3**.

Labels **E1**, **E2** and **E3** require information for any individual for whom you did not satisfy the results test or hold a PSB determination, and where each source of their PSI income yielded less than 80% of their total PSI.

If 80% or more of the PSI in the income year comes from one client (and their associates):

- you can't self-assess whether you meet the unrelated clients test, employment test or business premises test, and
- don't complete labels **E1**, **E2** and **E3**.

When considering the 80% rule, don't take into account income that is not PSI (for example, investment income or income from the sale of goods or the use of an income-producing asset or income an individual received as an employee).

If you are a commission agent your PSI will be treated as coming from each customer provided you meet all of the following conditions:

- You are an agent of the principal but not an employee.
- You receive income from your principal for services that you provide to customers on the principal's behalf.
- At least 75% of that income is performance-based commissions or fees.
- You actively seek other customers to whom you could provide services on the principal's behalf.
- You don't provide any services to the customers, on the principal's behalf, using premises that the principal (or their associate) owns or has a leasehold interest in, unless you use the premises under an agreement entered into at arm's length.

If you meet all of these conditions and, as a consequence, less than 80% of the PSI is treated as coming from each source, you can self-assess against the unrelated clients test, the employment test and the business premises test. You don't need a determination from the Commissioner to be a PSB although you may apply for a determination if you are unsure.

For any individual for whom you did not satisfy the results test or hold a PSB determination, and each source of their PSI income yielded less than 80% of their total PSI, indicate whether you satisfied any of the PSB tests.

E1 Unrelated clients test

If you satisfied the unrelated clients test, print **X** in the box at label **E1**.

You meet the unrelated clients test, in the income year:

- if you generate PSI from 2 or more clients who are not associated with each other, or with the individual, or with you, and
- those clients were obtained as a direct result of making offers to the public – for example, by advertising.

Don't count clients obtained as a result of registering your name with a labour-hire firm, placement agency or similar organisation.

Separate government departments are deemed not to be associates of each other for the purposes of this test.

If you are a commission agent who meets all of the conditions for the special rules, you will pass the unrelated clients test if your services are provided to at least 2 customers as a direct result of your making offers or invitations to the public on behalf of your principal.

E2 Employment test

If you satisfied the employment test, print **X** in the box at label **E2**.

Subject to certain exceptions noted below, you will meet the employment test in the income year if you:

- have employees, engage subcontractors, or engage entities that perform at least 20% (by market value) of the principal work, or
- have one or more apprentices for at least half the income year.

'Principal' work is the main work that generates the PSI and does not usually include support work such as secretarial duties.

You can count a spouse or family member of an individual whose PSI you receive and who you engaged to do principal work. You can also count companies, partnerships or trusts that you engage to do principal work unless they are associated with you or an individual whose PSI you receive.

Don't count any individual whose PSI you receive.

E3 Business premises test

If you satisfied the business premises test, print **X** in the box at label **E3**.

You meet the business premises test if, at all times during the income year, you maintain and use business premises:

- that are mainly used by you for work in earning PSI (that is, more than 50% of the activities conducted at the premises are directed at producing an individual's PSI) of which you have exclusive use
- that are physically separate from premises used for a private purpose by
  - the individual doing the personal services work
  - their associates
  - your associates
- that are physically separate from the business premises of your clients or their associates.

The phrase 'at all times during the income year' is taken to mean the whole period during which activities are conducted for the purposes of generating PSI.

You don't need to maintain and use the same business premises throughout the year, but you must satisfy all the above criteria.

Treatment of net PSI on your company tax return

Include item **7** adjustments relating to:

- non-deductible expenses at label **W Non-deductible expenses**
- attributed PSI at label **Q Other income not included in assessable income**.

For information on how to complete item **7** for PSI attributed to an individual, see **Appendix 8**, **Worksheet 2** and **Note 4**.

Continue to: **Information statement – items 15 to 25**

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Information statement – items 15 to 25

Instructions for how to complete the labels for items 15 to 25 of the company tax return.

Published 30 May 2024

15 Licensed clubs only

Instructions to complete the income attributable to non-members of licensed clubs.

16 Life insurance companies and friendly societies only

Instructions to complete life insurance companies and friendly

18 Pooled development funds

Instructions to complete pooled development fund amounts.

19 Retirement savings accounts providers only

Instructions for retirement savings accounts (RSAs) providers only, to complete labels U to V.

20 Foreign income tax offset

Instructions to complete your foreign income tax offset (FITO).

21 Research and development tax incentive

Instructions to complete research and development (R&D) tax incentives.

22 Early stage venture capital limited partnership tax offset

Instructions to complete the early stage venture capital limited partnership (ESVCLP) tax offset.

23 Early stage investor tax offset

Instruction to complete the early stage investor tax offset.

24 Digital games tax offset

Instructions to complete item 24 if you are claiming the digital games tax offset (DGTO).

25 Reportable tax position

Instruction to complete item 25 if you need to lodge the reportable tax position schedule.

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15 Licensed clubs only

Instructions to complete the income attributable to non-members of licensed clubs.

Published 30 May 2024

A – Percentage of non-member income

Write at item **15** – label **A** the percentage, in whole figures, of total income attributable to non-members.

Clubs, societies and associations

Taxable clubs, associations, societies and organisations are generally treated as companies. Such companies can be either non-profit or other taxable companies depending on the company's constituent documents and purposes.

Non-profit companies that are Australian residents and have taxable income of $416 or less don't have to lodge an income tax return, unless specifically requested. If the non-profit company doesn't need to lodge an income tax return, they need to notify us a return is not necessary.

For taxable not-for-profit organisations required to lodge an income tax return, see Income tax returns for not-for-profit organisations.

For more information, see:

- Mutuality and taxable income for not-for-profits
- Company tax rates.

Continue to: 16 Life insurance companies and friendly societies only

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16 Life insurance companies and friendly societies only

Instructions to complete life insurance companies and friendly societies amounts.

Published 30 May 2024

On this page

Life insurance companies and life insurance business

A life insurance company is defined for tax purposes as a company registered under the *Life Insurance Act 1995* and includes:

- life insurance companies
- life reinsurance companies
- friendly societies carrying on life insurance business.

If a friendly society **doesn't** conduct life insurance business, write **0** (zero) at item **16** – labels **B** to **F**.

Life insurance companies separate their taxable income into 2 classes (the ordinary class and the complying superannuation class) and multiply the taxable income of each class by the appropriate tax rate to determine their gross tax. The tax rates are specified in section 23A of the *Income Tax Rates Act 1986*. Where a life insurance company is an RSA provider and there is no TFN contributions income, the tax rate is determined in accordance with section 29 of the *Income Tax Rates Act 1986*.

The taxable incomes of the complying superannuation class and the ordinary class are worked out separately.

Tax losses of one class can only be applied to reduce future income of the same class.

The tax rates to assist with the calculation of the gross tax amount for life insurance companies are listed in **Appendix 1**.

Life insurance companies, including friendly societies carrying on life insurance business, are entitled to a franking tax offset for franked dividends. If franking tax offsets exceed the tax that would be payable after all other tax offsets are taken into account, life insurance companies may be entitled to a refund of the excess to the extent that it relates to distributions paid on shares and other membership interests held on behalf of policy holders. Claim the amount of franking tax offset that is refundable in the **Calculation statement** at label **E Refundable tax offsets**.

If a life insurance company receives a dividend from a LIC which includes a LIC capital gain amount, the life insurance company is entitled to a deduction of thirty three and one third percent of its share of the LIC capital gain amount if the shares in the LIC are complying superannuation assets. The deduction should be included at item **7** – label **X Other deductible expenses**.

If a life insurance company's assessable income includes a distribution from a partnership or trust that claimed a deduction for a LIC capital gain amount, the company must add back an amount as income in accordance with subsection 115-280(5) of the ITAA 1997. Include the amount added back at item **7** – label **B Other assessable income** item **7**.

Consolidated or multiple entry consolidated (MEC) groups

The special rules in the income tax law that apply to life insurance companies will apply to the head company of a **consolidated or MEC group** if that group has at least one subsidiary member that is a life insurance company at any time during the income year.

B – Complying superannuation class

Write at item **16** – label **B** the amount of taxable income of the complying superannuation class.

The life insurance company may need to complete a *Losses schedule 2024*, if it is not a member of a consolidated group, and has tax losses or net capital losses carried forward to later income years in the complying superannuation class.

Consolidated or MEC groups

The head company of a **consolidated or MEC group** that has at least one subsidiary member that is a life insurance company at any time during the income year is also taken to be a life insurance company for the purposes of applying the income tax law.

The head company of a consolidated or MEC group may need to complete a *Consolidated groups losses schedule 2024*, if it has a subsidiary member that is a life insurance company and has tax losses or net capital losses carried forward to later income years in the complying superannuation class.

C – Net capital gain – complying superannuation class

Write at item **16** – label **C** the amount of the net capital gain that accrued from the investment of complying superannuation assets.

D – Net capital gain – ordinary class

Write at item **16** – label **D** the amount of the net capital gain that is included in the ordinary class of taxable income.

For the head company of a consolidated or MEC group that has at least one subsidiary member that is a life insurance company, include at label **D** the net capital gain for all members of the consolidated or MEC group, except for any net capital gain from complying superannuation assets.

E – Assessable contributions

Write at item **16** – label **E** assessable contributions of complying superannuation funds that were transferred to the life insurance company under section 295-260 of the ITAA 1997 and are included in its assessable income under paragraph 320-15(1)(i) of the ITAA 1997.

F – Fees and charges

Write at item **16** – label **F** the amount of all fees and charges included in assessable income. This includes premium-based fees, establishment fees, time-based account fees, asset fees, switching fees, surrender penalties, buy–sell margins, exit fees and interest on overdue premiums.

For more information on fees and charges, see Taxation Ruling TR 2003/14 *Income tax: Life insurance companies: the actuarial determination of fees and charges*.

Continue to: **18 Pooled development funds**

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18 Pooled development funds

Instructions to complete pooled development fund amounts.

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G – Small and medium sized enterprises income

Write at item **18** – label **G** the small and medium sized enterprises (SME) income component.

A pooled development fund's (PDF) SME income component is its SME assessable income, less deductions allowable to the PDF for the income year, whether those deductions relate to the SME assessable income or not. (Allowable deductions to a PDF are offset first against

SME assessable income, then applied against unregulated investment income.)

SME assessable income is the **total** of:

- non-CGT assessable income derived from an SME investment or derived from the disposal of an SME investment at a time when the company was a PDF
- the overall capital gain allocated to the SME assessable income class.

The overall capital gain allocated to the SME assessable income class is the amount of any ordinary capital gain that would otherwise arise from a CGT event at a time the company was a PDF for an SME investment less:

- any ordinary capital loss for that class
- any overall capital loss from another class of assessable income
- any prior year net capital losses.

Capital gains in one class of assessable income are first reduced by capital losses in that class and then by capital losses in another class. Prior-year capital losses are applied first against capital gains in the SME assessable income class.

Full-year PDF

For a company that is a PDF for the full income year, the SME income component is SME assessable income less deductions allowable to the PDF for the income year.

Part-year PDF

A company that becomes a PDF part way through the income year and is still a PDF at the end of the income year is taxed as a PDF from the day it became registered as a PDF to the end of the income year as if that period were an income year (‘the PDF period’). The PDF component is the taxable income for the PDF period. (A company’s ‘PDF component’ is its ‘adjusted taxable income’.)

The SME income component of a part-year PDF is the company’s SME assessable income less any deductions allowable to the company for the income year that relate to the PDF period.

H – Unregulated investment income

Write at item **18** – label **H** the unregulated investment component.

Full-year PDFs

The unregulated investment component of a company that is a PDF for the full income year is worked out by deducting the company's SME income component from its taxable income for the year. The amount (if any) remaining is the company's unregulated investment component.

Part-year PDFs

The unregulated investment component of a part-year PDF is worked out by deducting the company's SME income component for the year of income from its adjusted taxable income.

Continue to: **19 Retirement savings accounts providers only**

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19 Retirement savings accounts providers only

Instructions for retirement savings accounts (RSAs) providers only, to complete labels U to V.

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RSA providers

RSA providers other than life insurance companies work out the RSA component of their taxable income and apply the applicable rate to that component. For information on the tax rate, see **Appendix 1**.

U – No-TFN contributions income

Complete item **19** – label **U**, it is mandatory.

Write at label **U** the no-TFN contributions income of the RSA provider. If zero, write **0**.

X – Income tax payable on no-TFN contributions income

Complete item **19** – label **X**, it is mandatory.

Write at label **X** the amount of further income tax payable on no-TFN contributions income written at label **U** above. If zero, write **0** . For the tax rate, see Appendix 1.

Include the amount at label **X** in the **Calculation statement** at label **B Gross tax**.

For more information on the further income tax payable on no-TFN contributions, see Tax file numbers and super contributions.

V – Net taxable income from RSAs

Write at item **19** – label **V** the RSA component of the taxable income of the RSA provider that is not a life insurance company, or the amount to be included in the complying superannuation class of the taxable income of a life insurance company that is referable to RSAs provided by the company.

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20 Foreign income tax offset

Instructions to complete your foreign income tax offset (FITO).

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J – Foreign income tax offset

Write at item **20 –** label **J** the allowable foreign income tax offset referable to the current year of income. Don't include any allowable pre-commencement excess foreign income tax.

Include the amount at label **J** in the **Calculation statement** at label **C Non-refundable non-carry forward tax offsets**.

Include in the **Calculation statement** at label **D Non-refundable carry forward tax offsets** any allowable pre-commencement excess foreign income tax that has not already been utilised, provided it has not already expired.

The company may be able to claim a foreign income tax offset where it has paid foreign income tax on an amount included in its assessable income.

The company's foreign income tax offset can't exceed the lesser of:

- the foreign income tax paid
- its foreign income tax offset limit (the greater of $1,000 and the amount calculated under paragraph 770-75(2)(b) of the ITAA 1997).

The company is taken to have paid foreign income tax on an amount included in its assessable income where the foreign income tax has effectively been paid by someone else on its behalf under an arrangement with it or under the law relating to that tax. For example, foreign income tax paid by deduction or withholding, or by a trust (or partnership) in which the company is a beneficiary (or partner).

When determining whether a foreign income tax offset is allowable, the company must refer to and adhere to the provisions of Division 770 of the ITAA 1997.

The following are key points:

- You can't claim a foreign income tax offset for amounts of attributed income included under section 459A of the ITAA 1936.
- You can't claim a foreign income tax offset in certain circumstances where there has been a refund of foreign income tax or a receipt of any other benefit as a direct result of the payment of the foreign income tax.
- You can't carry-forward an amount of excess foreign income tax for use in a later income year.
- Foreign income tax includes foreign tax forgone on income by foreign countries under tax sparing arrangements where the tax

sparing amounts are subject to Australia's tax treaty with the relevant country.

- The foreign income tax offset rules described above also apply to the head company of a consolidated or multiple entry consolidated (MEC) group. Where a subsidiary member paid foreign income tax on an amount included in the head company's assessable income, the head company is treated as having paid the foreign income tax and is eligible to claim a foreign income tax offset.

For more information on how to calculate the company's allowable foreign income tax offset, see the **Guide to foreign income tax offset rules 2024**.

Changes to Australia's Offshore Banking Unit Regime

From the start of an OBU's 2023–24 income year assessable OB income is taxed at its relevant corporate tax rate. Rules that deem an OBU to have only paid a fraction of its foreign income tax on its assessable OB income no longer apply meaning that its FITO is calculated using the ordinary rules.

For more information, see **Offshore banking unit regime**.

Continue to: **21 Research and development tax incentive**

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21 Research and development tax incentive

Instructions to complete research and development (R&D) tax incentives.

Last updated 3 July 2024

On this page

About the R&D tax offset

An eligible company will be entitled to an R&D tax offset if its total notional deductions for an income year are at least $20,000. If your total notional deductions are less than $20,000, you will only be able to obtain the R&D tax offset for:

- expenditure incurred to a Research Service Provider (RSP) for services within a research field for which the RSP is registered under the *Industry Research and Development Act 1986* (IR&D Act 1986), where that RSP is not an associate of the R&D entity
- expenditure incurred as a monetary contribution under the Co-operative Research Centre (CRC) program.

If you are claiming an R&D tax offset amount at item **21** – label **A Non-refundable R&D tax offset** or at item **21** – label **U Refundable R&D tax offset**, you must complete a *Research and development tax incentive schedule 2024* and lodge it with your *Company tax return 2024*. We have a requirement to publish a company's R&D claims 2 years after the end of financial year. We use information in the R&D schedule to meet our obligation to publish R&D expenditure companies claim. This will include publishing your company name, ABN or ACN and claim for notional deductions. See **About the R&D program**.

Non-refundable R&D tax offset

Complete in this section, labels **A**, **B**, **C** and **D**.

A – Non-refundable R&D tax offset

Write at item **21** – label **A** the amount of non-refundable R&D tax offset. This is the amount calculated in the *Research and development tax incentive schedule 2024* at Part **E**, item **3** – label **A Non-refundable R&D tax offset**.

This amount plus the amount included in item **21** – label **B Non-refundable R&D tax offset carried forward from previous year** are included in your total in the **Calculation statement** at label **D Non-refundable carry forward tax offsets**.

B – Non-refundable R&D tax offset carried forward from previous year

Write at item **21** – label **B** the amount of non-refundable R&D tax offset carried forward from the previous year. If you claimed a non-refundable R&D tax offset in one or more earlier income years commencing on or after 1 July 2011 and did not apply all or part of the tax offset in those earlier income years, you may be able to carry forward and use those parts of the tax offset that was unapplied in this income year. To work out whether you can carry forward and use all or part of the non-refundable R&D tax offset from an earlier income year to this year, see Division 65 of the ITAA 1997.

You can obtain the amount to include at label **B** from your previous year's company tax return at item **21** – label **D Non-refundable R&D tax offset carried forward to next year**.

However, don't include an amount at label **B** if you are prevented from using the non-refundable R&D tax offset from 2011–12 by Division 65 of the ITAA 1997. For example:

- Division 65 states that before you can apply a tax offset brought forward from a prior year to reduce the amount of income tax that you will pay in a later year, you must apply it to reduce certain amounts of net exempt income. If the company is a base rate entity for the income year, net exempt income is reduced by $1 for each 25 cents of the tax offset; otherwise net exempt income is reduced by $1 for each 30 cents of the tax offset.
- Division 65 states that you can't apply a tax offset brought forward from a prior year if Subdivision 165-A of the ITAA 1997 (as applied to a carry forward tax offset) prevents you from doing so. You can't use a carry forward tax offset if you are unable to meet either the continuity of ownership test or the business continuity test in Division 165-A of the ITAA 1997.

If you have not previously claimed this non-refundable R&D tax offset, or you did not have any non-refundable R&D tax offset carried forward from one or more earlier income years commencing on or after 1 July 2011 you don't need to complete **B** item **21**.

The amount you have included at label **B** plus the amount included in item **21** – label **A Non-refundable R&D tax offset** are included in your total in the **Calculation statement** at label **D Non-refundable carry forward tax offsets**.

Prior to completing item **21** – labels **C** and **D** you will need to complete the **Calculation statement** to work out your income, tax payable (and other offset amounts) before you will know how much can be applied.

C – Non-refundable R&D tax offset to be utilised in current year

Write at item **21** – label **C** the amount of non-refundable R&D tax offset utilised in the current year. The non-refundable R&D tax offset can be utilised to reduce your tax payable to zero, but can't go below zero, that is, not into a negative.

To work out the non-refundable R&D tax offset you can use this year, you will need to consider amounts you have included in item **21**, labels **A** and **B**:

- **A Non-refundable R&D tax offset**
- **B Non-refundable R&D tax offset carried forward from previous year**.

If the amount in the **Calculation statement** at label **T2 Subtotal 1** is more than the amount in the **Calculation statement** at label **D Non-refundable carry forward tax offsets**, the amount at item **21** – label **C** will be equal to the amount at item **21** – label **A** plus item **21** – label **B** (see Example 15a).

If the amount in the **Calculation statement** at **T2 Subtotal 1** is less than the amount at **D Non-refundable carry forward tax offsets**, you will need to calculate an amount at **C**. Show at **C** the amount of non-refundable R&D tax offset utilised to make **T3 Subtotal 2** in the **Calculation statement** zero (see Example 15b).

D – Non-refundable R&D tax offset carried forward to next year

Write at item **21** – label **D** the amount of non-refundable R&D tax offset carried forward to next year. This amount is calculated by adding the amounts at item **21** – labels **A** and **B** and then subtracting the amount at item **21** – label **C**.

You must complete item **21** – label **C** and the **Calculation statement** prior to completing item **21** – label **D**.

Example 15a: non-refundable R&D tax offset

Company XYZ has an amount in the **Calculation statement** at label **T2 Subtotal 1** of $100,000.

The amount in the **Calculation statement** at **D Non-refundable carry forward tax offsets** was $60,000 from a non-refundable R&D tax offset of $60,000.

The company had no R&D non-refundable tax offset carried forward from the previous income year. The amount at item **21** – label **C** will be equal to the amount at item **21** – label **A** plus item **21** – label **B**.

Item **21** – label **D** is $0 as the entire non-refundable R&D tax offset has been applied in the **Calculation statement** against the amount at label **T2 Subtotal 1** and there is no amount remaining to be carried forward and applied in a future income year.

In this example, the **Calculation statement** labels would show:

- Subtotal 1 at label **T2**, $100,000.00
- Non-refundable carry forward tax offsets at label **D**, $60,000.00
- Subtotal 2 at label **T3**, $40,000.00.

The item **21 Non-refundable R&D tax offset** labels would be completed as follows:

- Label A Non-refundable R&D tax offset – $60,000.00
- Label B Non-refundable R&D tax offset carried forward from previous year – $0.00
- Label C Non-refundable R&D tax offset to be utilised in current year – $60,000.00
- Label D Non-refundable R&D tax offset carried forward to next year – $0.00.

Example 15b: non-refundable R&D tax offset carried forward

Company XYZ has an amount in the **Calculation statement** at label **T2 Subtotal 1** of $60,000.

The amount in the **Calculation statement** at label **D Non-refundable carry forward tax offsets** was $100,000 (including a non-refundable R&D tax offset of $50,000 from the current income year and a non-refundable R&D tax offset of $50,000 from the previous income year that Company XYZ can use in the current income year).

The amount at item 21 – label **C** was $60,000 as this was the amount utilised in the **Calculation statement** to make **T2 Subtotal 2** zero.

Item **21** – label **D** is $40,000 as this is the amount remaining after applying the non-refundable R&D tax offset in the **Calculation statement** against the amount at label **T2 Subtotal 1**.

In this example, the **Calculation statement** labels would show:

- Subtotal 1 at label **T2**, $60,000.00
- Non-refundable carry forward tax offsets at label **D**, $100,000.00
- Subtotal 2 at label **T3**, $0.00.

The item **21 Non-refundable R&D tax offset** labels would be completed as follows:

- Label A Non-refundable R&D tax offset – $50,000.00
- Label B Non-refundable R&D tax offset carried forward from previous year – $50,000.00
- Label C Non-refundable R&D tax offset to be utilised in current year – $60,000.00
- Label D Non-refundable R&D tax offset carried forward to next year – $40,000.00.

Refundable R&D tax offset

Complete in this section, label **U**.

U – Refundable R&D tax offset

Write at item **21** – label **U** the amount of refundable R&D tax offset. This amount is calculated in Part **E**, item **2** – label **U Refundable R&D tax offset** of the *Research and development tax incentive schedule 2024*.

Include this amount in the **Calculation statement** as your total at label **E Refundable tax offsets**.

Adjustments

Complete in this section, labels **W** and **X**.

W – Clawback amounts – additional assessable income

If you have completed the *Research and development tax incentive schedule 2024*, include at item **21** – label **W** the amount calculated in Part **B**, item **9** – label **P Total clawback – additional assessable income**. Also include this amount at item **7** – label **B** of the *Company tax return 2024*.

If you have additional assessable income in relation to a clawback amount, but are not claiming a tax offset under the R&D tax incentive in this year of income:

- you don't need to complete the *Research and development tax incentive schedule 2024*
- you will still need to work out this amount and include it at item **21** – label **W** and at item **7**– label **B** in the *Company tax return 2024*. See Part B of the *Research and development tax incentive schedule instructions 2024* for information about how you work out your clawback amount.

X – Balancing adjustments – catch up deduction

If you have completed the *Research and development tax incentive schedule 2024*, include at label **X** the amount calculated in Part **B**, item **10** – label **Q Balancing Adjustments – catch up deduction**. Also include this amount at item **7** - label **X** of the *Company tax return 2024*.

If you have a deductible balancing adjustment amount but are not claiming a tax offset under the R&D tax incentive in this year of income:

- you don't need to complete the *Research and development incentive schedule 2024*
- you will still need to work out the catch up deduction for the deductible balancing adjustment and include it at **X** item **21 Balancing adjustments – catch up deduction** and at **X** item **7 Other deductible expenses** in the *Company tax return 2024* (see Part B of the *Research and development tax incentive schedule 2024* instructions for information to work out your deductible balancing adjustment).

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22 Early stage venture capital limited partnership tax offset

Instructions to complete the early stage venture capital limited partnership (ESVCLP) tax offset.

Published 30 May 2024

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About the early stage venture capital limited partnership tax offset

You may be able to claim the ESVCLP tax offset if one or both of the following applies:

- You are entitled to a tax offset in the current income year.
- You have an amount of unused ESVCLP tax offset carried forward from a previous income year.

Any unused portion of the ESVCLP tax offset can be carried forward to future income years, subject to the tax offset carry forward rules in Division 65 of the ITAA 1997.

L – Current year tax offset

Write at item **22** – label **L** the amount of ESVCLP tax offset referrable to the current income year.

Include this amount in your total in the **Calculation statement** at label **D Non-refundable carry forward tax offsets**.

Your current income year ESVCLP tax offset is the sum of your tax offsets worked out based on your contributions to the ESVCLP:

- as a limited partner of the ESVCLP, or
- through a partnership or a trust.

The ESVCLP must have become unconditionally registered on or after 7 December 2015.

If you are a limited partner of an ESVCLP, your tax offset is limited to 10% of the lesser of the following:

- your total contributions to the ESVCLP during the current income year (certain exclusions apply), and
- your share (based on your interest in the entire capital of the ESVCLP at the end of the current income year) of the sum of eligible venture capital investments made by the ESVCLP during the period starting at the beginning of the current income year and ending 2 months after the end of the current income year.

If you are a partner in a partnership or a beneficiary of a trust which has contributed to an ESVCLP, you may be entitled to an amount of ESVCLP tax offset. A written notification will be provided by the partnership to the trustee of the trust, setting out the fund's entitlement to this tax offset. If a written notification has not been provided, contact the partnership or the trustee.

For more information on the ESVCLP tax offset and the eligibility requirements, see ESVCLP tax incentives and concessions.

P – Tax offset carried forward from a previous year

Write at item **22** – label **P** the amount of ESVCLP tax offset carried forward from a previous year.

If you claimed the ESVCLP tax offset in one or more earlier income years commencing on or after 1 July 2016, and didn't apply all or part of the tax offset in those earlier income years, you may be able to carry forward and use those parts of the tax offset that was unapplied in this income year. To work out whether you can carry forward and use all or part of the ESVCLP tax offset from an earlier income year in this year, see Division 65 of the ITAA 1997.

Don't include an amount at label **P** if you are prevented from using the ESVCLP tax offset from an earlier income year by Division 65 of the ITAA 1997. For example, Division 65 states that before you can apply a tax offset from a prior year to reduce the amount of income tax that you will pay in a later year, you must apply it to reduce certain amounts of net exempt income. If the company is a base rate entity for the year, net exempt income is reduced by $1 for each 25 cents of the tax offset. Otherwise, net exempt income is reduced by $1 for each 30 cents of the tax offset.

If you have not previously claimed this ESVCLP tax offset, or you did not have any unused ESVCLP tax offset from one or more earlier income years commencing on or after 1 July 2016, you don't need to complete item **22** – label **P**.

Include this amount in your total in the **Calculation statement** at label **D Non-refundable carry forward tax offsets**.

For more information, see ESVCLP tax incentives and concessions.

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23 Early stage investor tax offset

Instruction to complete the early stage investor tax offset.

Published 30 May 2024

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Eligibility to claim the early stage investor tax offset

You may be entitled to claim the early stage investor tax offset for the income year if you:

- invested in an early stage innovation company during the current income year
- have an amount of unused early stage investor tax offset carried forward from a previous year.

The maximum offset (including current income year and carried forward prior year amounts) that you, and your affiliates combined, can claim in the current income year can't exceed $200,000.

Any unused portion of the early stage investor tax offset can be carried forward to future income years, subject to the tax offset carry forward rules in Division 65 of the ITAA 1997.

For more information about the early stage investor tax offset and eligibility requirements, see Tax incentives for early stage investors.

M – Current year tax offset

Write at item **23 –** label **M** the amount of early stage investor tax offset referrable to the current income year.

Include this amount in your total in the **Calculation statement** at label **D Non-refundable carry forward tax offsets**.

If you are eligible for the early stage investor tax offset as a result of investing in an early stage innovation company during the current income year, follow the steps below.

Step 1: Work out the total amount you paid for eligible shares

Work out the total amount you paid for eligible shares in all early stage innovation companies during the current income year.

If you don't meet the requirements of the 'sophisticated investor' test under the *Corporations Act 2001* for at least one of your investments in an early stage innovation company made during the year, the step 1 amount must not exceed $50,000. If you don't meet the test and the step 1 amount **exceeds $50,000** you **can't claim** this offset.

Step 2: Work out 20% of step 1

Multiply the step 1 amount by 20%.

Step 3: Work out your entitlement to any early stage investor tax offsets

Identify your entitlements to any early stage investor tax offsets as a beneficiary of a trust or a partner in a partnership that has invested in an early stage innovation company during the current income year.

Investments should not entitle an investor to both the early stage venture capital limited partnership (ESVCLP) tax offset and the early stage investor tax offset. An eligibility requirement for the early stage investor tax offset has the effect that an investor will only qualify for the offset if they are not an ESVCLP.

Step 4: Work out step 4 amount

Add together the amounts from step 2 and step 3. This is the step 4 amount.

Step 5: Work out the step 5 amount

Subtract from $200,000 the amount (if any) reported at item **23** – label **R Tax offset carried forward from previous year**.

The result is the step 5 amount.

Step 6: Work out the amount to write at label M

If the step 4 amount is equal to or less than the step 5 amount, write the step 4 amount at label **M**.

If the step 4 amount is greater than the step 5 amount, write the step 5 amount at label **M**.

The amount you report at label **M** may need to be further reduced if any of your affiliates are entitled to the early stage investor tax offset (whether for investments they made in the current income year or carried forward from a previous income year).

The maximum offset (including current income year and carried forward prior year amounts) that you, and your affiliates combined, can claim in the current income year can't exceed $200,000.

R – Tax offset carried forward from a previous year

Write at item **23** – label **R** the amount of unused early stage investor tax offset carried forward from a previous year.

If you claimed the early stage investor tax offset in one or more earlier income years starting on or after 1 July 2016 and didn't apply all or part of the tax offset in those earlier income years, you may be able to carry forward and use those parts of the tax offset that were unapplied in this income year. To work out whether you can carry forward and use all or part of the early stage investor tax offset from an earlier income year to this year, see Division 65 of the ITAA 1997.

Don't include an amount at label **R** if you are prevented from using the early stage investor tax offset from an earlier income year by Division 65 of the ITAA 1997. For example, Division 65 states that before you can apply a tax offset from a prior year to reduce the amount of income tax that you will pay in a later year, you must apply it to reduce certain amounts of net exempt income. If the company is a base rate entity for the year, net exempt income is reduced by $1 for each 25 cents of the tax offset; otherwise, net exempt income is reduced by $1 for each 30 cents of the tax offset.

If you have not previously claimed this early stage investor tax offset, or you did not have any unused early stage investor tax offset from one or more earlier income years commencing on or after 1 July 2016, you don't need to complete item **23** – label **R**.

Include this amount in your total in the **Calculation statement** at label **D Non-refundable carry forward tax offsets**.

Example 16: calculating early stage investor tax offset

Company XYZ has a carried forward early stage investor tax offset of $60,000 from 2022–23.

In 2023–24, Company XYZ invested $500,000 in eligible shares in one early stage innovation company, and $250,000 in another early stage innovation company. Company XYZ meets the requirements of the sophisticated investor test.

Company XYZ has gross tax of $180,000 at label **B**, no amounts at label **C** (non-refundable non-carry forward offsets) and no exempt income.

The amount that Company XYZ writes at label **R** is $60,000 (carried forward early stage investor tax offset from 2022–23). It calculates the amount reported at label **M** as:

Step 1: The total amount paid for eligible shares in early stage innovation companies 2023–24 = $750,000.

Step 2: Multiply step 1 amount ($750,000) by 20% = $150,000.

Step 3: Nil – Company XYZ has no other early stage investor entitlements via trusts or partnerships.

Step 4: Company XYZ adds the amounts from steps 2 and 3. The result is $150,000.

Step 5: Company XYZ subtracts the amount at label **R**, $60,000, from $200,000. The result is $140,000.

Step 6: As the step 4 amount ($150,000) is greater than the step 5 amount ($140,000), Company XYZ writes $140,000 at label **M**.

Company XYZ can claim an early stage investor tax offset equal to the sum of the labels **R** and **M** amounts ($60,000 plus $140,000, totalling $200,000). Although the carried forward tax offset from 2021–22 of $60,000, and the current year tax offset of $150,000 (step 4 amount) equals $210,000, Company XYZ's total tax offset is capped at $200,000 for 2023–24. The unused excess of $10,000 can't be carried forward to future income years.

As Company XYZ's entitlement to the tax offset ($200,000) is greater than its gross tax payable ($180,000), the unused portion of the offset ($20,000) may be carried forward to future income years (subject to the rules in Division 65).

Continue to: **24 Digital games tax offset**

Return to: **Instructions to complete the Company tax return 2024**

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24 Digital games tax offset

Instructions to complete item 24 if you are claiming the digital games tax offset (DGTO).

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About the digital games tax offset

The **Digital games tax offset** (DGTO) is a refundable tax offset for eligible expenditure incurred in developing digital games in Australia. The amount of the offset is 30% of a company's total qualifying Australian development expenditure (QADE) as certified by the Minister for the Arts.

To be an eligible recipient a company must be an Australian tax resident or a foreign tax resident with a permanent establishment in Australia. An offset can be claimed by a company when the company has been issued a completion, porting, or ongoing development certificate from the Minister for the Arts.

Complete in this section, labels **A** and **B**.

A – Current year refundable DGTO amount being claimed

Write at item **24** – label **A** the amount you are claiming for DGTO.

The amount of the refundable tax offset you can claim for an income year is 30% of the total of QADE identified in certificates issued to you from the Minister for the Arts for the income year.

This amount is also to be included as part of your total in the **Calculation statement** at label **E Refundable tax offsets**.

The maximum amount of the offset that you and companies that are connected or affiliated with you can collectively claim is $20 million in an income year.

B – Total amount of current year DGTO already claimed or being claimed by related companies

Write at item **24** – label **B** the amount of DGTO that:

- has already been claimed in relation to the income year by companies that are connected with or affiliated with you, and
- will be claimed by companies that are connected with or affiliated with you in relation to the income year.

Don't include the amount that you have included at item **24** – label **A**.

If there are no companies that you are connected with or that you are an affiliate of that have already claimed or will claim the DGTO in the relevant income year, indicate nil (write **0**).

You should ensure that if you have any connected or affiliated companies that are claiming the DGTO, the sum of all the DGTO amounts being claimed by you and those companies doesn't exceed $20 million in an income year.

Example 17: calculating digital games tax offset

Company ABC is an Australian resident company with an ABN. Company ABC has obtained 2 completion certificates for the development of 2 new games from the Minister for the Arts stating that the company is eligible for the DGTO. The first certificate states the QADE amount of $2,400,000 and the second certificate states the QADE amount of $3,200,000. Both certificates relate to this income year.

The DGTO able to be claimed by Company ABC in this income year is calculated as:

($2,400,000 + $3,200,000) × 30% = $1,680,000

Company XYZ is an Australian resident company with an ABN and is a connected entity to Company ABC. There are no other companies that Company ABC or XYZ are connected with, or affiliates of, that have claimed or will claim the DGTO in this income year. Company XYZ has obtained a porting certificate from the Minister for the Arts stating the company is eligible for the DGTO. The certificate states the QADE amount of $900,000 for this income year.

The DGTO able to be claimed by Company XYZ is calculated as:

$900,000 × 30% = $270,000

In this example, item **24** would be completed by Company ABC as follows:

- Label **A** Current year refundable DGTO amount being claimed – $1,680,000.00.
- Label **B** Total amount of current year DGTO already claimed or being claimed by related companies – $270,000.00.

For Company XYZ, item **24** would be completed as follows:

- Label **A** Current year refundable DGTO amount being claimed – $270,000.00.
- Label **B** Total amount of current year DGTO already claimed or being claimed by related companies – $1,680,000.00.

The total of all the DGTO amounts for the companies that are connected with or affiliates of each other in the income year is $1,950,000 and therefore does not exceed $20 million in the income year.

Continue to: **25 Reportable tax position**

Return to: **Instructions to complete the Company tax return 2024**

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25 Reportable tax position

Instruction to complete item 25 if you need to lodge the reportable tax position schedule.

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B – Are you required to lodge a reportable tax position schedule?

Only complete this item **25** – label **B** if you are required to lodge a *Reportable tax position schedule 2024*.

Public or foreign owned companies must lodge a reportable tax position (RTP) schedule if they meet the RTP schedule lodgment criteria.

If you are required to lodge a Reportable tax position schedule in 2024, write **X** in the **Yes** box item **25** – label **B**.

Continue to: **Overseas transactions, interests or thin capitalisation – items 26 to 30**

Return to: **Instructions to complete the Company tax return 2024**

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Overseas transactions, interests or thin capitalisation – items 26 to 30

Instructions for how to complete the labels for items 26 to 30 of the company tax return.

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Before you start items 26 to 30

Find out what you need to know about overseas transactions, interests or thin capitalisation before you start items 26 to 30 of your tax return.

These items must be answered even if you don't have any overseas transactions or interests.

Agents for non-residents

If a tax return that includes income or deductions from only the activities listed in **table 8** is lodged in accordance with the following sections of the ITAA 1936 and does not include income or deductions from any other source, print **X** in the **No** box at:

- item **26** – label **X**
- item **27** – label **Y**
- item **28** – label **Z**.

Don't complete an *International dealings schedule 2024*.

Table 8: Activities carried out by agents for non-residents

Industry type	Industry code	Section number
Overseas shipping	99020	129
Agents for non-resident insurer	99050	144
Agents for non-resident reinsurers	99050	148
Control of non-resident's money	99070	255

Dividends as the only international transactions

If dividends were paid to or received from a related overseas entity and those dividends were the only transactions with related overseas entities, write **X** in the **No** boxes at item **26** – label **X** and item **27** – label **Y** for overseas transactions.

Don't complete an *International dealings schedule 2024*.

Answer items **28**, **29**, and **30** as required.

International dealings schedule

If you answer yes at items **27**, **28**, and **29**, you need to lodge an International dealings schedule 2024.

26 and 27 International related party dealings/transfer pricing

Did you have any transactions or dealings with international related parties (irrespective of whether they were on revenue or capital account)?

At item **26** – label **X**, print **X** in the appropriate box, either **Yes** or **No**.

International related parties are persons who are not dealing wholly independently with one another in their international commercial or financial relations, and whose dealings or relations can be subject to Subdivision 815-B of the ITAA 1997, or the associated enterprises article of a relevant double tax agreement (DTA). The term includes:

- any overseas entity or person who participates directly or indirectly in the company's management, control or capital
- any overseas entity or person in which the company participates directly or indirectly in the management, control or capital
- any overseas entity or person in which persons who participate directly or indirectly in its management, control or capital are the same persons who participate directly or indirectly in the company's management, control or capital.

Participates includes a right of participation, the exercise of which is contingent on an agreed event occurring.

Person has the same meaning as in subsection 6(1) of the ITAA 1936 and section 995-1 of the ITAA 1997.

For more information as to the relevant degree of participation, see Taxation Ruling **IT 2514** *Income tax: Company Schedule 25A: Information return for companies that transact business with related overseas entities*.

The type of 'dealings or transactions' that will require the entity to answer **Yes** at this question are dealings by the entity with related parties (as mentioned above), such as an overseas holding company, overseas subsidiary, or a non-resident trust in which the entity has an interest. These dealings or transactions may be the provision or receipt of services, or transactions in which money or property has been sent out of Australia, or received in Australia from an overseas source during the income year. The dealings may also include transfer of tangible or intangible property, or the provision or receipt of loans or financial services.

If money or property is not actually sent out of Australia or received in Australia but accounting entries are made that have the effect of money or property being transferred, this is also taken to be an international transaction.

Was the aggregate amount of the transactions or dealings with international related parties (including the value of property transferred or the balance outstanding on any loans) greater than $2 million?

At item **27 –** label **Y**, print **X** in the appropriate box, either **Yes** or **No**.

The aggregate amount of the transactions with international related parties is the total amount of all dealings, whether on revenue or capital account, and includes the balance of any loans or borrowings outstanding at the end of the income year.

Transactions must not be netted off against each other. Hence, a $600,000 purchase from and a $700,000 sale to a related party should be treated as totalling $1,300,000 not $100,000.

If the answer is **yes**, complete the **International dealings schedule** 2024.

28 Overseas interests

Did you have overseas branch operations or a direct or indirect interest in a foreign trust, foreign company, controlled foreign entity or transferor trust?

At item **28 –** label **Z**, print **X** in the appropriate box, either **Yes** or **No**.

Overseas branch operations include:

- business operations carried on by an Australian resident entity at or through a fixed place of business in another country
- business operations carried on by a foreign resident entity at or through a fixed place of business in Australia.

You must answer **yes** if the company derived a dividend or other amount that is treated as non-assessable non-exempt income under section 23AH, 23AI, 23AK, 99B(2A) of the ITAA 1936 or sub-division 768-A in the ITAA 1997.

If the answer is **yes**, complete the *International dealings schedule 2024*. The 'interests' in item **28** that will require the entity to complete the schedule are those where:

- the entity has an interest in a controlled foreign company (CFC) or trust (CFT)
- the entity has transferred property, at any time, including money or services, to a non-resident trust, or is able to influence the decisions relating to a non-resident trust, or

- the entity held a direct voting percentage of 10% or more in a foreign company and it had a capital gains tax (CGT) event happening to a share in the foreign company.

An interest in a CFC or CFT may be either direct or indirect, and has the same meaning as set out in Division 3 of Part X of the ITAA 1936.

For the purposes of the CFC rules, don't trace interests through an Australian entity. For example, if your company has an interest in an Australian trust which owns a CFC, your company is not regarded as having a direct or indirect interest in the CFC, although your company must still include any attributable income to which it was presently entitled as its assessable income.

A company has an interest in a transferor trust if the company has ever made, or caused to be made, a transfer of property or services to a non-resident trust. 'Transfer', 'property' and 'services' are defined in section 102AAB of the ITAA 1936. Sections 102AAJ and 102AAK of the ITAA 1936 provide guidance on whether there has been a transfer or deemed transfer of property or services to a non-resident trust.

29 Thin capitalisation

Did the thin capitalisation provisions affect you?

For information on whether the thin capitalisation provisions affect you, see **Appendix 6**.

At item **29 –** label **O**, print **X** in the appropriate box, either **Yes** or **No**.

If the answer is yes, complete and attach an *International dealings schedule 2024*.

30 Transactions with specified countries

As the company, either:

- **Did you directly or indirectly send to, or receive from, one of the countries specified in the instructions, any funds or property?**
- **Do you have the ability or expectation to control, whether directly or indirectly, the disposition of any funds, property, assets or investments located in, or located elsewhere but controlled or managed from one of those countries?**

At item **30 –** label **I** print **X** in the appropriate box, either **Yes** or **No**.

Specified countries

The specified countries are listed below:

- Andorra
- Anguilla
- Antigua and Barbuda
- Aruba
- Bahamas
- Bahrain
- Barbados
- Belize
- Bermuda
- British Virgin Islands
- Cayman Islands
- Cook Islands
- Curacao
- Cyprus
- Dominica
- Gibraltar
- Grenada
- Guernsey
- Hong Kong
- Ireland
- Isle of Man
- Jersey
- Liberia
- Liechtenstein
- Luxembourg
- Mauritius
- Monaco
- Montserrat

- Nauru
- Netherlands
- Niue
- Panama
- Republic of the Marshall Islands
- Saint Kitts and Nevis
- Saint Lucia
- Saint Maarten (Dutch part)
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- Seychelles
- Singapore
- Switzerland
- Turks and Caicos Islands
- US Virgin Islands
- Vanuatu

Continue to: **Calculation statement**

Return to: **Instructions to complete the Company tax return 2024**

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Calculation statement

Instructions for how to complete the calculation statement on the company tax return.

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Calculation statement and the amount for labels T5 and S

About the calculation statement and calculating the amounts for labels T5 tax payable and S amount due or refundable.

Calculation statement labels A, T1 and B

Instructions to complete the labels A, T1 and B of the calculation statement.

Calculation statement labels C, T2, D and T3

Instructions to complete the labels C, T2, D and T3 of the calculation statement.

Calculation statement labels E, T4 and F

Instructions to complete the labels E, T4 and F of the calculation statement.

Calculation statement labels T5 and G

Instructions to complete the labels T5 and G of the calculation statement.

Calculation statement label H – Eligible credits

Instructions to complete the labels H2 to H8 of the calculation statement.

Calculation statement labels I, K and S

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Calculation statement and the amount for labels T5 and S

About the calculation statement and calculating the amounts for labels T5 tax payable and S amount due or refundable.

Last updated 3 July 2024

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About the calculation statement

This statement works out the tax liability (if any) where there is a taxable or net income. It also takes into account amounts that reduce the tax liability. The final outcome is the net amount the company must pay or we will refund.

We use the information you provide in the **Calculation statement** to calculate the Commissioner's instalment rate and the Commissioner's instalment amount for taxpayers under the pay as you go (PAYG) instalment system.

Complete the **Calculation statement** as accurately as possible, so the rate and instalment amounts we calculate result in a reliable estimate of your tax payable.

To work through the **Calculation statement** on the tax return, begin with the right-hand column at the top.

In the **Calculation statement**, labels **A**, **B**, **T1**, **T5**, **I** and **S** are mandatory for legal or ATO purposes. Complete these to facilitate smooth processing of the tax return.

Calculating T5 Tax payable and S Amount due or refundable

Follow the steps to calculate your **T5 Tax payable** and **S Amount due or refundable** in the calculation statement.

Step 1: Write the following amounts

- If the amount is a positive at item **7** – label **T Taxable/net income or loss** then write the amount at **A Taxable or net income**.
  - If the amount is a loss at item **7** – label **T** then write zero (write **0**) at label **A**.
  - Include an amount at label **A** even if it is zero (write **0**).
  - Complete label **A**, it is mandatory.
- Write the totals in the **Calculation statement** for the following labels:
  - C – Non-refundable non-carry forward tax offsets
  - D – Non-refundable carry forward tax offsets
  - E – Refundable tax offsets
  - F – Franking deficit tax offset
  - H7 – Other credits
- From your records, transfer the respective amounts to
  - G – Section 102AAM interest charge
  - H2 – Credit for tax withheld – foreign resident withholding (excluding capital gains)
  - H3 – Credit for tax withheld where ABN is not quoted
  - H4 – Tax withheld from interest or investments
  - H5 – Credit for TFN amounts withheld from payments from closely held trusts
  - H8 – Credit for foreign resident capital gains withholding amounts
  - K – PAYG instalments raised.
- For retirement savings accounts (RSA) providers only
  - write at item **19** – label **U** the amount of no-TFN contributions income; if zero (write **0**)

- write at item **19 – label X** the amount of tax payable on no-TFN contributions income; if zero (write **0**).

Step 2: Work out the amount at T1 Tax on taxable or net income

See **Appendix 1** for the tax rates.

If any tax is payable (a positive amount) on the amount in the **Calculation statement** at label **A**, write this tax payable amount at label **T1**.

- Include an amount at label **T1** even if it is zero (write **0**).
- Complete label **T1**, as it is mandatory.

Step 3: Work out the amount at B Gross Tax

For information to help you complete this step, see **B – Gross tax**:

- For retirement savings accounts (RSAs), add label **T1** and the amount at item **19** – label **X Income tax payable on no-TFN contributions income**.
- Write the result at label **B**.
- For non-RSAs, write at label **B** the amount from label **T1**.

Step 4: Work out the amount at T2 Subtotal 1

For information to help you complete this step, see **T2 – Subtotal 1**.

- If the amount at label **C Non-refundable non-carry forward tax offsets** is less than the amount at label **B Gross tax**
  - subtract label **C** from label **B**
  - write the result at label **T2**
  - go to step 5.
- If the amount at label **C** is more than or equal to the amount at label **B Gross Tax**, write zero (**0**) at labels
  - **T2**, **T3 Subtotal 2**, **T4 Subtotal 3** and **T5 Tax Payable**
    - include an amount at label **T5** even if it is zero (write **0**)
    - complete label **T5**, it is mandatory.

The amount at labels **D** and **F** may be carried forward to a later income year (subject to the tax offset carry forward rules in Division 65 of the

ITAA 1997).

Copy the amount at label **E** to label **I Tax offset refunds** (**Remainder of refundable tax offsets**)

- an amount must be included at label **I** even if it is zero (write **0**)
- complete label **I**, it is mandatory
- go to step 8.

Step 5: Work out the amount at T3

For information to help you complete this step, see T3 – **Subtotal** 2.

- If the amount at label **D Non-refundable carry forward tax offsets** is less than the amount at label **T2**
  - subtract label **D** from label **T2**
  - write the result at label **T3**
  - go to step 6.
- If the amount at label **D** is more than or equal to the amount at label **T2**
  - Write zero (**0**) at labels **T3**, **T4** and **T5**
  - the difference between label **T2** and label **D** (subtract label **T2** from label **D**) may be carried forward to a later income year (subject to the tax offset carry forward rules in Division 65 of the ITAA 1997)
  - the amount at label **F Franking deficit tax offset** may be carried forward to a later income year
  - copy the amount at **E Refundable tax offsets** to **I Tax offset refunds**
  - go to step 8.

Step 6: Work out the amount at T4

For information to help you complete this step, see T4 – **Subtotal** 3.

- If the amount at label **E** is less than the amount at label **T3**
  - subtract label **E** from label **T3**
  - write the result at label **T4**
  - write zero (**0**) at label **I**

  - go to step 7.
- If the amount at label **E** is more than or equal to the amount at label **T3**
  - subtract label **T3** from label **E** and write the result at label **I**
  - write zero (**0**) at labels **T4** and **T5**
  - the amount at label **F** may be carried forward to a later income year
  - go to step 8.

Step 7: Work out the amount at T5

For information to help you complete this step, see T5 – **Tax payable**.

- If the amount at label **F** is less than the amount at label **T4**
  - subtract label **F** from label **T4**
  - write the result at label **T5**
  - go to step 8.
- If the amount at label **F** is more than or equal to the amount at label **T4**
  - Write zero (**0**) at label **T5**
  - the result of subtracting label **T4** from label **F**, may be carried forward to a later income year
  - go to step 8.

Step 8: Work out the amount at H Eligible credits

For information to help you complete this step, see H – **Eligible credits**.

- Add from labels **H2** to **H8** and write the result at label **H**.
- Go to step 9.

Step 9: Work out the amount at S Amount due or refundable

For information to help you complete this step, see S – **Amount due or refundable**:

- Add labels **T5** and **G Section 102AAM interest charge**, and then subtract labels **H**, **I** and **K**.

- Write the result at label **S**.
  - If the amount at label **S** is positive, that amount is payable by you.
  - If the amount at label **S** is negative, that amount is refundable to you.

Continue to: **Calculation statement labels A, T1 and B**

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Calculation statement labels A, T1 and B

Instructions to complete the labels A, T1 and B of the calculation statement.

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A –Taxable or net income

Complete label **A**, it is mandatory.

If the company is a resident company for tax purposes, taxable income equals assessable income derived from all sources **less** allowable deductions incurred in gaining that income.

If the company is a non-resident company, taxable income equals assessable income derived from sources within Australia, **plus** income that is included on some basis other than having an Australian source, **less** allowable deductions incurred in gaining that income.

Taxable income takes into account any concessions or adjustments allowable for income tax purposes.

Write at label **A** the amount of taxable income of $1 or more. The amount at label **A** will often be the amount written at item **7** – label **T Taxable/net income or loss**.

Write zero at label **A** if the company has no taxable income or has a loss amount written at item **7** – label **T Taxable/net income or loss** with label **L** in the box at the right of the amount.

Public trading trusts and corporate unit trusts with an income year that started before 1 July 2016 show net income at **A**.

T1 – Tax on taxable or net income

Complete label **T1,** it is mandatory.

Write at label **T1** the amount of tax payable before the allowance of any rebates, tax offsets, credits or FDT offsets.

The tax rates applicable to companies are listed in Appendix 1.

An amount must be included at label **T1** even if it is zero (write **0**).

B – Gross tax

If you are not an RSA provider, write at label **B** the total amount from label **T1**.

If you are an RSA provider, write at label **B** the total of amounts at label **T1** and any further tax on no-TFN contributions recorded at item **19** – label **X**.

Complete label **B** to ensure smooth processing of your tax return.

For more information on the further tax on no-TFN contributions, see Tax file numbers and super contributions.

Priority of use of tax offsets

The first category of tax offsets to be applied against gross tax is label **C Non-refundable non-carry forward tax offsets**. If the offsets are greater than the gross tax, the excess offsets can't be used and are lost.

If tax is still payable after applying this category of offsets at label **T2 Subtotal 1**, the second category label **D Non-refundable**

carry forward tax offsets is applied against any remaining tax payable at label **T2**.

Any excess of offsets in this category may be carried forward to the next year (subject to the tax offset carry forward rules in Division 65 of the ITAA 1997).

If tax is still payable after applying the Non-refundable carry forward tax offsets at label **T3 Subtotal 2**, the third category label **E Refundable tax offsets** is applied against the tax remaining. Any excess of refundable tax offsets above the residual tax payable at label **T3** becomes part of the credits available to you and is shown at label **I Remainder of refundable tax offsets**.

However, if tax is still payable at label **T4 Subtotal 3** after applying tax offsets from the above 3 categories, label **F Franking deficits tax offsets** are applied against this remaining tax to determine your tax payable amount. Any excess of label **F** over the residual tax payable at label **T4** may be carried forward to a later income year.

Continue to: Calculation statement labels C, T2, D and T3

Return to: Instructions to complete the Company tax return 2024

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Calculation statement labels C, T2, D and T3

Instructions to complete the labels C, T2, D and T3 of the calculation statement.

Last updated 3 July 2024

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C – Non-refundable non-carry forward tax offsets

Write at label **C** the total of actual rebates and tax offsets available (in dollars and cents) and not the amounts giving rise to those tax offsets.

The rebates and tax offsets shown at label **C** are not refundable, nor are they carried forward. They are only offset against gross tax. Gross tax can't be less than zero. If these tax offsets are greater than the gross tax, the excess tax offsets can't be used and are lost.

Tax offsets to be shown at label C include

Calculation element	Amount
Allowable franking tax offsets for the income year. The amount claimed here should include the share of franking credits included in gross distributions from partnerships and gross distributions from trusts, the amount recorded at item **7** – label **J Franking credits** and the amount recorded at item **7** – label **C Australian franking credits from a New Zealand company**. If the shares or relevant interest are not held at risk as required under the holding period and related payments rules, or there is other manipulation of the imputation system, there is no entitlement to a franking tax offset.	$
Tax offsets for bonuses and certain other amounts received under short-term life insurance policies taken out after 27 August 1982	$
Foreign income tax offset (the amount at item **20** – label **J**) (Subject to some transitional rules) For more information, see item 20 Foreign income tax offset.	$
Total of all non-refundable non-carry forward tax offsets (write this amount at label **C**)	$

Don't show at label **C** any FDT offset; write this amount at label **F Franking deficit tax offset**.

Keep a record of the following:

- Each type of tax offset – the amount claimed for each type.
- Franking tax offsets
  - the distribution statement, which contains the
    - name of the payer
    - date the dividend was received or credited
    - franked amount of the dividend
    - unfranked amount of the dividend
    - franking credit allocated to the dividend
    - amount of franking credit tax offsets allowable for each franked dividend received
    - franking percentage of the dividend.
  - records to substantiate
    - deductions relating to dividends
    - the type of distribution – for example, foreign source dividend, bonus shares, phasing-out dividend, liquidator's distribution
    - the dates on which shares, for which dividends were received and tax offsets claimed, were acquired and disposed of.
- Short-term life insurance policies, including
  - a copy of the policy
  - the amount of the bonus included in assessable income under section 26AH of the ITAA 1936.

T2 – Subtotal 1

Write at label **T2** the amount of tax payable after label **C** has been offset against label **B Gross tax**.

Label **T2** can't be less than zero.

Work out the amount at label **T2** as follows:

- If the amount at label **C** is less than the amount at label **B**
  - subtract label **C** from label **B**
  - write the result at label **T2**.

- If the amount at label **C** is more than or equal to the amount at label **B**
  - write zero (**0**) at labels **T2**, **T3**, **T4** and **T5**
  - the amount at labels **D** and **F** may be carried forward to a later income year (subject to the tax offset carry forward rules in Division 65 of the ITAA 1997)
  - copy the total amount at labels **E** to **I**.

Example 16a: calculating the subtotal 1 amount at label T2 – tax payable

Dark Blue Co. Pty Ltd, a base rate entity, has the following amounts entered into its company tax return:

Tax return information

Label	Description	Amount
A	Taxable income	$10,000
B	Gross tax (25%)	$2,500
C	Non-refundable non-carry forward tax offset	$2,000
T2	Subtotal 1	$500
T3	Subtotal 2	$500
T4	Subtotal 3	$500
T5	TAX PAYABLE	$500
I	Tax offset refunds (remainder of refundable tax offsets)	$0
S	**Amount due or refundable**	**$500**

Since this is a base rate entity, the lower company tax rate of 25% has been applied.

Dark Blue Co. Pty Ltd has an entitlement of $2,000 of non-refundable non-carry forward tax offset to be used to offset against $2,500 gross tax:

- Tax payable has been reduced to $500.
- Labels **T3**, **T4** and **T5** should also show $500, indicating that no other offsets are available to be used.
- Label **I** must also show $0.

Example 16b: calculating the subtotal 1 amount at label T2, no tax payable

Light Blue Co. Pty Ltd, a base rate entity, has the following amounts entered into its company tax return:

Tax return information

Label	Description	Amount
A	Taxable income	$10,000
B	Gross tax (25%)	$2,500
C	Non-refundable non-carry forward tax offset	$4,000
T2	Subtotal 1	$0
T3	Subtotal 2	$0
T4	Subtotal 3	$0
T5	TAX PAYABLE	$0
I	Tax offset refunds (remainder of refundable tax offsets)	$0
S	**Amount due or refundable**	**$0**

Since this is a base rate entity, the lower company tax rate of 25% has been applied.

Light Blue Co. Pty Ltd has an entitlement of $4,000 of non-refundable non-carry forward tax offset to be used to offset against $2,500 gross tax:

- Tax payable has been reduced to $0.
- Light Blue Co. Pty Ltd will have $1,500 of non-refundable non-carry forward tax offset remaining that it will lose as tax payable has been reduced to $0.
- Labels **T3**, **T4**, **T5** and **I** must also show $0.

D – Non-refundable carry forward tax offsets

Write at label **D** the total of actual tax offsets available (in dollars and cents) and not the amounts giving rise to those tax offsets.

The tax offsets shown at label **D** are not refundable. They are only offset against gross tax, if there is any gross tax to be paid after label **C** has been applied to gross tax. Gross tax can't be less than zero.

Any excess offsets can be carried forward to a later income year (subject to the tax offset carry forward rules in Division 65 of the ITAA 1997).

Before you can apply a tax offset carried forward from a prior year to reduce the amount of income tax that you will pay, you must apply it to reduce certain amounts of net exempt income. Net exempt income is reduced by $1 for each 25 cents of the tax offset if the company is a base rate entity for the year, otherwise $1 for each 30 cents of the tax offset.

Tax offsets to be shown at label D include

Tax offsets	Amount
Landcare and water facility tax offset carried forward from prior years	$
Early stage venture capital limited partnership tax offset (the amount at item **22** – label **L**)	$
Early stage venture capital limited partnership tax offset carried forward from previous year (the amount at item **22** – label **P**)	$
Early stage investor tax offset (the amount at	$

item **23** – label **M**)	
Early stage investor tax offset carried forward from previous year (the amount at item **23** – label **R**)	$
Non-refundable R&D tax offset (the amount at item **21** – label **A**)	$
Non-refundable R&D tax offset carried forward from previous year (the amount at item **21** – label **B**)	$
Total of all non-refundable carry forward tax offsets (write this amount at label **D**)	$

T3 – Subtotal 2

Write at label **T3** the amount of tax payable after label **D** has been offset against label **T2**.

Label **T3** can't be less than zero.

Work out the amount at label **T3** as follows.

- If the amount at label **D** is less than the amount at label **T2**
  - subtract label **D** from label **T2**
  - write the result at label **T3**.
- If the amount at label **D** is more than or equal to the amount at label **T2**
  - write zero at labels **T3**, **T4** and **T5**
  - the difference between labels **T2** and **D** (subtract label **T2** from label **D**) may be carried forward to a later income year (subject to the tax offset carry forward rules in Division 65 of the ITAA 1997)
  - the amount at label **F** may be carried forward to a later income year
  - copy the total amount at labels **E** to **I**.

Example 17a: calculating the subtotal 2 amount at label T3, tax offsets applied

Dark Green Co. Pty Ltd, a base rate entity has the following amounts entered into its company tax return:

Tax return information

Label	Description	Amount
A	Taxable income	$20,000
B	Gross tax (25%)	$5,000
C	Non-refundable non-carry forward tax offset	$3,000
T2	Subtotal 1	$2,000
D	Non-refundable carry forward tax offset	$1,800
T3	Subtotal 2	$200
T4	Subtotal 3	$200
T5	TAX PAYABLE	$200
I	Tax offset refunds (remainder of refundable tax offsets)	$0
S	**Amount due or refundable**	**$200**

Since this is a base rate entity, the lower company tax rate of 25% has been applied.

Dark Green Co. Pty Ltd has an entitlement of:

- $3,000 of non-refundable non-carry forward tax offset
- $1,800 of non-refundable carry forward tax offset to be used to offset against $5,000 gross tax.

Tax payable has been reduced to $200.

Labels **T4** and **T5** should also show $200, indicating that no other offsets are available to be used.

Label **I** must show $0.

Example 17b: calculating the subtotal 2 amount at label T3, tax offset carried forward

Light Green Co. Pty Ltd, a base rate entity, has the following amounts entered into its company tax return:

Tax return information

Label	Description	Amount
A	Taxable income	$20,000
B	Gross tax (25%)	$5,000
C	Non-refundable non-carry forward tax offset	$2,800
T2	Subtotal 1	$2,200
D	Non-refundable carry forward tax offset	$4,000
T3	Subtotal 2	$0
T4	Subtotal 3	$0
T5	TAX PAYABLE	$0
I	Tax offset refunds (Remainder of refundable tax offsets)	$0
S	**Amount due or refundable**	**$0**

Since this is a base rate entity, the lower company tax rate of 25% has been applied.

Light Green Co. Pty Ltd has an entitlement of:

- $2,800 of non-refundable non-carry forward tax offset
- $4,000 of non-refundable carry forward tax offset to be used to offset its gross tax to $0.

Light Green Co. Pty Ltd will have $1,800 of non-refundable carry forward tax offset remaining that can be carried over to the next income year (subject to the tax offset carry forward rules in Division 65 of the ITAA 1997), as tax payable has been reduced to $0.

Labels **T4**, **T5** and **I** must also show $0.

Continue to: **Calculation statement labels E, T4 and F**

Return to: **Instructions to complete the Company tax return 2024**

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Calculation statement labels E, T4 and F

Instructions to complete the labels E, T4 and F of the calculation statement.

Last updated 3 July 2024

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E – Refundable tax offsets

Write at label **E** the total of actual tax offsets available (in dollars and cents) and not the amounts giving rise to those tax offsets.

The tax offsets shown at label **E** are refundable, although they must first be offset against gross tax, if there is any gross tax to be paid after labels **C** and **D** have been applied to gross tax.

Gross tax can't be less than zero.

Any excess offsets should be recorded at label **I** and will be available as a refundable (credit) amount for the purpose of calculating the tax liability. An amount must be included at label **I** even if it is zero (write **0**). Complete label **I** as it is mandatory.

Tax offsets to be shown at E include:

Calculation element	Amount
R&D tax offset (the amount at item **21** – label **U**)	$
Film tax offsets under Division 376 of the ITAA 1997	$
Digital games tax offset under Division 378 of the ITAA 1997 (the amount at item **24** – label **A**)	$
Franking tax offsets claimed by life insurance companies to the extent that they relate to distributions paid on shares and other membership interests held on behalf of policy holders	$
Franking credits claimed by endorsed income tax exempt entities and deductible gift recipients that are entitled to a refund of excess franking credits. These entities may complete the *Application for refund of franking credits* – **Completing your application for refund of franking credits (NAT, 4131)**, rather than the company tax return to obtain a refund	$
No-TFN tax offset claimed by RSA providers. For more information on the no-TFN tax offset, see **Tax file numbers and super contributions.**	$
NRAS tax offset (the amount at item **12** – label **J**)	$
The tax offset available under subsection 713-545(5) of the ITAA 1997 where a life insurance company's subsidiary joins a consolidated or multiple entry consolidated (MEC) group	$
Exploration credit tax offsets allowable to a life insurance company under section 418-15 of the ITAA 1997	$
Seafarer tax offset under Subdivision 61-N of the ITAA 1997	$
Total of all refundable tax offsets (write this amount at label **E**)	$

Keep a record of the following:

- Each type of tax offset – the amount claimed for each type

- Franking tax offsets
  - the distribution statement, which contains the
    - name of the payer
    - date the dividend was received or credited
    - franked amount of the dividend
    - unfranked amount of the dividend
    - franking credit allocated to the dividend
    - amount of franking credit tax offsets allowable for each franked dividend received
    - franking percentage of the dividend
  - records to substantiate
    - deductions relating to dividends
    - the type of distribution – for example, foreign source dividend, bonus shares, phasing-out dividend, liquidator's distribution
    - the dates on which shares, for which dividends were received and tax offsets claimed, were acquired and disposed of.

T4 – Subtotal 3

Write at label **T4** the amount of tax payable after label **E** has been offset against label **T3**.

Label **T4** can't be less than zero.

Work out the amount at label **T4** as follows:

- If the amount at label **E** is less than the amount at label **T3**
  - subtract label **E** from label **T3**
  - write the result at label **T4**
  - write zero at label **I**.
- If the amount at label **E** is more than or equal to the amount at label **T3**
  - subtract label **T3** from label **E** and write the result at label **I**
  - an amount must be included at label **I** even if it is zero (write **0**)
  - complete label **I**, it is mandatory

- write zero at labels **T4** and **T5**
- the amount at label **F** may be carried forward to a later income year.

Example 18a: calculating the subtotal 3 amount at label T4, tax offsets applied

Dark Orange Co. Pty Ltd, a base rate entity has the following amounts entered into its company tax return:

Tax return information

Label	Description	Amount
A	Taxable income	$30,000
B	Gross tax (25%)	$7,500
C	Non-refundable non-carry forward tax offset	$3,000
T2	Subtotal 1	$4,500
D	Non-refundable carry forward tax offset	$3,000
T3	Subtotal 2	$1,500
E	Refundable tax offset	$1,000
T4	Subtotal 3	$500
T5	TAX PAYABLE	$500
I	Tax offset refunds (remainder of refundable tax offsets)	$0
S	**Amount due or refundable**	**$500**

Since this is a base rate entity, the lower company tax rate of 25% has been applied.

Dark Orange Co. Pty Ltd has an entitlement of:

- $3,000 of non-refundable non-carry forward tax offset
- $3,000 of non-refundable carry forward tax offset
- $1,000 of refundable tax offset to be used to offset against $7,500 gross tax.

Tax payable has been reduced to $500.

Label **T5** should also show $500, indicating that no other offsets are available to be used.

Label **I** must show $0.

Example 18b: calculating the subtotal 3 amount at label T4, tax offsets refundable

Light Orange Co. Pty Ltd, a base rate entity, has the following amounts entered into its company tax return:

Tax return information

Label	Description	Amount
A	Taxable income	$30,000
B	Gross tax (25%)	$7,500
C	Non-refundable non-carry forward tax offset	$3,000
T2	Subtotal 1	$4,500
D	Non-refundable carry forward tax offset	$3,000
T3	Subtotal 2	$1,500
E	Refundable tax offset	$4,000
T4	Subtotal 3	$0
T5	TAX PAYABLE	$0

I	Tax offset refunds (remainder of refundable tax offsets)	$2,500
S	**Amount due or refundable**	**$2,500**

Since this is a base rate entity, the lower company tax rate of 25% has been applied.

Light Orange Co. Pty Ltd has an entitlement of:

- $3,000 of non-refundable non-carry forward tax offset
- $3,000 of non-refundable carry forward tax offset
- $4,000 of refundable tax offset to be used to offset against $7,500 gross tax.

Tax payable has been reduced to $0.

Light Orange Co. Pty Ltd will have $2,500 of refundable tax offset remaining that should be transferred to label **I**, as tax payable can **only** be reduced to $0.

An amount must be included at label **I** even if it is zero (write **0**). Complete label **I**, it is mandatory. It can then be used to reduce Amount due or refundable.

Labels **T4** and **T5** should also show $0.

F – Franking deficit tax offset

Write this amount at label **F**.

The tax offsets shown at label **F** are not refundable. They are only offset against gross tax, if there is any gross tax to be paid after labels **C**, **D** and **E** have been applied to gross tax. Gross tax can't be less than zero. Any excess of franking deficit tax (FDT) offset can be carried forward to the next income year.

Tax offsets to show at label F

Calculation element	Amount
Current year FDT offset	$
Prior year FDT offset	$

Total of all FDT offsets (write this amount at label **F**)	$

Under the simplified imputation system, entities that have incurred a FDT liability may be allowed to offset the whole or part of this amount against an income tax liability. Some special rules apply to life insurance companies to ensure that a FDT liability can only be offset against that part of the company's income tax liability that is attributable to shareholders.

A corporate tax entity is entitled to apply the FDT offset to reduce its income tax liability for an income year if it satisfies the residency requirement and at least one of the following conditions:

- It incurred a liability to pay FDT in that year.
- It carried forward an amount of FDT offset from a previous year, and not all the FDT offset could be applied against a previous income tax liability.
- It incurred a liability to pay FDT in a previous year when it did not meet the residency requirement, and that liability has not been included in calculating the FDT offset.

Generally, an entity satisfies the residency requirement for an income year if it is an Australian resident for more than one half of the year, or it is a resident at all times during the year when it exists.

The FDT offset rules contain provisions that reduce the amount of FDT liability that an entity can use to offset against its income tax liability in certain circumstances.

The FDT offset reduction will only apply for an income year for franking debits in an entity's franking account arising under items **1**, **3**, **5** or **6** of the table in section 205-30 of the ITAA 1997, and if one of these items applies then any franking debit under item 2 of that table (relating to income tax refunds) will also be relevant. These debits usually arise as a result of having franked a distribution.

The amount of the FDT offset is reduced where the amount of the FDT liability, which is attributable to the franking debits for items **1**, **2**, **3**, **5** and **6**, is greater than 10% of the total amount of credits that arose in the franking account for the year. The amount of the reduction is equal to 30% of that part of the FDT liability attributable to those franking debits. For more information on the debits to the franking account that affect the amount of offset and how to calculate this amount, see **Franking account tax return and instructions 2024**.

There is an exception to the reduction rule for private companies with no previous income tax liability where certain conditions are met. The

Commissioner also has discretion to allow the full FDT liability as an offset where the FDT liability arose due to circumstances that could not be anticipated or events outside the entity’s control, and it did not involve any broader exploitation of the imputation system.

To determine the amount of the FDT offset to which the company is entitled for the income year, use the following method. These steps are modified in certain circumstances. See Exclusions from the offset reduction rule.

Step 1: Calculate the FDT liability

Work out the amount of FDT liability that the entity has incurred in the income year.

Step 2: Determine if the entity had any franking debits arise

Did any franking debits arise in the entity’s franking account under items **1**, **3**, **5** or **6** of **section 205-30** of the ITAA 1997 for that income year?

- If **yes**, go to step 3.
- If **no**, the FDT offset reduction doesn't apply. The amount of FDT liability from step 1 is the amount of the FDT offset that the entity is entitled to for the current income year. Go to step 5.

Step 3: Calculate the amount of FDT liability attributable to the franking debits

Work out the amount of FDT liability attributable to franking debits under items **1**, **2**, **3**, **5** and **6** for that income year.

To do this add together the opening credit balance (if any) of the franking account and any franking credits that arose in the account for the income year. Take away from this amount the total of the franking debits under items **1**, **2**, **3**, **5** and **6**.

If there is an excess of franking credits over franking debits (or they are equal), the FDT offset reduction does not apply and the amount of FDT liability from step **1** is the amount of the FDT offset that the entity is entitled to for the current income year. Go to step **5**.

If there is an excess of franking debits over franking credits, this is the amount of FDT liability attributable to items **1**, **2**, **3**, **5** and **6**. Go to step 4.

Step 4: Determine if the FDT offset reduction applies

If the excess of franking debits over franking credits worked out at step 3 is less than or equal to 10% of the total franking credits that arose in the franking account for the same year, the FDT offset reduction doesn't apply and the amount of FDT liability from step 1 is the amount of the FDT offset that the entity is entitled to for the current year. Go to step 5.

If that excess is greater than 10% of the total franking credits that arose in the franking account for that income year, the FDT offset reduction applies as follows. Work out 30% of that excess. This is the reduction amount. Reduce the amount of FDT liability for that income year from step 1 by the reduction amount. This is the amount of the FDT offset that the entity is entitled to for the current year. Go to step 5.

Step 5: Determine if any amounts from previous income years can be claimed as an offset

For each previous income year for which the entity did not meet the residency requirement, repeat steps 1–4 for that income year. Work out the amount of that previous year’s FDT liability that is eligible to be claimed as an offset and that has not previously been claimed as an offset.

Add up the amounts covered by this step 5 for all the previous income years in which the entity did not meet the residency requirements. Go to step 6.

Step 6: Calculate the amount of any excess FDT offset

For each previous income year for which the entity did meet the residency requirement and was entitled to the FDT offset, work out the amount of any excess FDT offset.

This is the amount of FDT offset that exceeded the entity’s hypothetical income tax liability for that previous year (worked out as if the entity didn't have an FDT offset but did have all its other tax offsets). Go to step 7.

Step 7: Calculate the total amount of FDT offset the entity is entitled to claim

Add up any FDT offset amounts from steps 2, 3 or 4 (these relate to any FDT liability incurred in 2023–24) and any offsetable portions of previous year FDT amounts from steps 5 and 6. This is the total amount of FDT offset the entity is entitled to for the current income year.

Reduction in FDT that can be offset

Steps 2 to 4 in the above method statement show that the amount of the FDT offset that you can claim may be reduced in some situations. This reduced amount should equal the amount you completed in section **B** – label **C Offsetable portion of current year FDT** of the **Franking account tax return and instructions 2024**.

For more information, see Exclusions from the offset reduction rule.

Example 19: franking deficit tax offset

In 2023–24, Stripe Co. Ltd franked a distribution with franking credits of $13,000 (item 1 of section 205-30 of the ITAA 1997: debit to the franking account).

The company's franking account showed that franking credits of $10,000 arose during the 2023–24 year. Stripe Co. Ltd's franking account has a $3,000 deficit at the end of the income year, resulting in the company incurring an FDT liability of this amount.

As the franking deficit from the item 1 debit of $3,000 is greater than 10% of the total franking credits that arose during the 2023–24 year, the offset is reduced by 30% of that portion of the deficit.

Therefore Stripe Co. Ltd will only be able to offset $2,100 of its FDT liability of $3,000 against its current or future income tax liabilities. The remaining $900 will not be offsetable at any time.

Exclusions from the offset reduction rule

For private companies with no previous income tax liability the FDT offset reduction rule will not apply if all the following conditions are met:

- The entity is a private company for the relevant year.
- The company has not had an income tax liability for any income year before the relevant year.

- If the company did not have the tax offset (but had all its other tax offsets) it would have had an income tax liability for the relevant year.
- The amount of the liability referred to in paragraph (c) is at least 90% of the amount of the deficit in the company's franking account at the end of the relevant year.

Commissioner's discretion where deficit was outside the entity's control

The Commissioner has discretion to allow the full tax offset where the FDT liability arose due to circumstances that could not be anticipated or events outside the entity's control, and did not involve any broader exploitation of the imputation system. For more information on the application of these exclusions, see Franking deficit tax offset.

Entitlement to the full offset resulting from one of the exclusions mentioned above should have been noted by inserting the code **F**, **P** or **C** in the **CODE** box in Section **A** on the *Franking account tax return 2024*. If you did not do this, you will need to request an amendment to that return in order to receive the full offset.

The amount completed at label **E Franking deficit tax offset** in this return will not necessarily be the same as the amount shown at label **C Offsetable portion of current year FDT** in section **B** of the *Franking account tax return 2024*.

For information on how to complete label **C Offsetable portion of current year FDT**, see Franking account tax return and instructions 2024.

Continue to: Calculation statement labels T5 and G

Return to: Instructions to complete the Company tax return 2024

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Calculation statement labels T5 and G

Instructions to complete the labels T5 and G of the calculation statement.

Last updated 3 July 2024

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T5 – Tax payable

Complete label **T5** as it is mandatory.

Write at label **T5** the amount of tax payable after label **F** has been offset against label **T4**.

Work out the amount at label **T5** as follows:

- If the amount at label **F** is less than the amount at label **T4**
  - subtract label **F** from label **T4**
  - write the result at label **T5**.
- If the amount at label **F** is more than or equal to the amount at label **T4**
  - write zero at label **T5**
  - the difference between labels **T4** and **F** (subtract label **T4** from label **F**) may be carried forward to a later income year.

Label **T5** can't be less than zero. Include an amount even if it is zero (write **0**).

Example 20a: calculating tax payable at label T5, FDT offset applied

Dark Red Co. Pty Ltd, a base rate entity has the following amounts entered into its company tax return.

Tax return information

Label	Description	Amount
A	Taxable income	$42,000

B	Gross tax (25%)	$10,500
C	Non-refundable non-carry forward tax offset	$3,000
T2	Subtotal 1	$7,500
D	Non-refundable carry forward tax offset	$3,000
T3	Subtotal 2	$4,500
E	Refundable tax offset	$3,000
T4	Subtotal 3	$1,500
F	Franking deficit tax offset	$1,000
T5	TAX PAYABLE	$500
I	Tax offset refunds (remainder of refundable tax offsets)	$0
S	**Amount due or refundable**	**$500**

Since this is a base rate entity, the lower company tax rate of 25% has been applied.

Dark Red Co. Pty Ltd has an entitlement of:

- $3,000 of non-refundable non-carry forward tax offset
- $3,000 of non-refundable carry forward tax offset
- $3,000 of refundable tax offset
- $1,000 of franking deficit tax offset to be used to offset against $10,500 gross tax.

Tax payable has been reduced to $500.

Label **I** must show $0.

Example 20b: calculating tax payable at label T5, FDT offset carried forward

Light Red Co. Pty Ltd, a base rate entity, has the following amounts entered into its company tax return.

Tax return information

Label	Description	Amount
A	Taxable income	$42,000
B	Gross tax (25%)	$10,500
C	Non-refundable non-carry forward tax offset	$3,000
T2	Subtotal 1	$7,500
D	Non-refundable carry forward tax offset	$3,000
T3	Subtotal 2	$4,500
E	Refundable tax offset	$3,000
T4	Subtotal 3	$1,500
F	Franking deficit tax offset	$4,000
T5	TAX PAYABLE	$0
I	Tax offset refunds (remainder of refundable tax offsets)	$0
S	**Amount due or refundable**	**$0**

Since this is a base rate entity, the lower company tax rate of 25% has been applied.

Light Red Co. Pty Ltd has an entitlement of:

- $3,000 of non-refundable non-carry forward tax offset
- $3,000 of non-refundable carry forward tax offset
- $3,000 of refundable tax offset
- $4,000 of franking deficit tax (FDT) offset to be used to offset against $10,500 gross tax.

Tax payable has been reduced to $0.

Label **I** must show $0.

Light Red Co. Pty Ltd will have a $2,500 remaining (of FDT offset) that can be carried over to the next income year, as tax payable has been reduced to $0.

G – Section 102AAM interest charge

Write at label **G** any section 102AAM interest relating to a distribution received from a non-resident trust. Section 102AAM of the ITAA 1936 imposes an interest charge on certain distributions from non-resident trusts.

For more information, see chapter 2 Transferor trust and related measures of the **Foreign income return form guide**.

Continue to: **Calculation statement label H – eligible credits**

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Calculation statement label H – Eligible credits

Instructions to complete the labels H2 to H8 of the calculation statement.

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H2 – Credit for tax withheld – foreign resident withholding (excluding capital gains)

Only complete label **H2** if the amount was withheld in Australia and remitted to us.

Write at label **H2** the total tax withheld from payments made to the company that were subject to foreign resident withholding (excluding capital gains).

This includes any share of credits received by the company from a partnership or trust.

If an amount of tax withheld is shown at label **H2**, ensure that you include the corresponding gross payment at item **6 Income** – label **B Gross payments subject to foreign resident withholding**, or the corresponding gross distribution from a partnership or trust at item **6 Income** – label **D** or **E**.

Only complete label **H2** if the company is a foreign resident. An Australian resident should not claim at label **H2** a foreign income tax offset (FITO) for foreign tax paid on foreign source income.

Don't include credits for foreign resident capital gains withholding at label **H2**. Include these at label **H8 Credit for foreign resident capital gains withholding amounts**.

H3 – Credit for tax withheld where ABN is not quoted

Write at label **H3** the total tax withheld from payments made to the company that were subject to withholding where an ABN was not quoted.

This amount equals the total of the amounts shown in the relevant 'tax withheld' boxes on the *Non-individual PAYG payment summary schedule 2024*. For more information see PAYG payment summary – withholding where ABN not quoted .

Don't include any share of tax withheld from a partnership or trust distribution where an ABN was not quoted. This is shown at label **H7 Other credits**.

If an amount of tax withheld is reported at label **H3**, declare the corresponding gross payment at Income, item **6** – label **A Gross payments where ABN not quoted**.

H4 – Tax withheld from interest or investments

Write at label **H4** any amounts withheld from investment income by an investment body because the company didn't provide a TFN or ABN and that have not been refunded already to the company.

Keep the following record details of credits for amounts withheld from investments:

- all documents issued by the investment body detailing payments of income and any amounts withheld from those payments
- details of any amounts withheld from an income payment made to the company and subsequently refunded by the investment body.

Keep the following details of refund receipts:

- amount of refund
- date of refund
- investment reference number – for example, the bank account number of the investment relating to the refund.

H5 – Credit for TFN amounts withheld from payments from closely held trusts

Write at label **H5** the total amounts withheld from payments where a TFN has not been provided to a trustee of a closely held trust.

If amounts have been withheld from distributions to the company under these rules, the company is required to receive a payment summary in the approved form from the trustee.

For more information, see TFN withholding for closely held trusts.

H7 – Other credits

Write at label **H7**:

- the company’s share of credit from a partnership or trust for tax withheld where an ABN was not quoted
- the company’s share of credit for tax paid by a trustee on net income
- for RSA providers, interest on no-TFN tax offset. Write on a schedule of additional information the amount of interest on no-TFN tax offset that you included at **H7**. Attach the schedule to your tax return.

For more information, see Interest on no-TFN quoted tax offset.

Don't include at label **H7** those credits included at item **20** – label **J Foreign income tax offset**. Also, don't include at **H7** any amounts that relate to PAYG instalments. Include these at label **K PAYG instalments raised**.

Don't include credits for foreign resident capital gains withholding at label **H7**. Include these at label **H8 Credit for foreign resident capital gains withholding amounts**.

H8 – Credit for foreign resident capital gains withholding amounts

Write at label **H8** the total amount of tax withheld from payments to the company that were subject to foreign resident capital gains withholding in Australia.

You should only claim at label **H8** a credit equal to the amount of foreign resident capital gains withholding paid by a purchaser to the ATO on your behalf. The ATO would have issued you with confirmation of this amount.

Don't include credits for other foreign resident withholding at label **H8**. Include these at label **H2 Credit for tax withheld – foreign resident withholding**.

Continue to: Calculation statement labels I, K and S

Return to: Instructions to complete the Company tax return 2024

Calculation statement labels I, K and S

Instructions to complete the labels I, K and S of the calculation statement.

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On this page

I – Tax offset refunds (remainder of refundable tax offsets)

Complete label **I**, it is mandatory.

Write at label **I** the remaining amount (if any) of refundable tax offsets from label **E**. Include an amount at label **I** even if it is zero (write **0**).

If the amount at label **E** is greater than the amount at label **T3**, that is, the fund has an excess amount of refundable tax offsets remaining from label **E**, you must write this amount at label **I**.

If the amount at label **E** is less than or equal to the amount at label **T3**, that is, there is no refundable tax offset amount remaining, you must write zero at label **I**.

K – PAYG instalments raised

Write at label **K** the total of the company's pay as you go (PAYG) instalments reported for the income year of the tax return.

Include in label **K** the amounts the company reported at 5A on its activity statements, reduced by any credits it claimed at 5B.

To ensure the company receives the correct amount of credit for its PAYG instalments, make sure all of its activity statements are lodged before its income tax return is lodged. Lodge any outstanding activity statements, even if the company has paid the instalments or had nothing to pay.

The company is entitled to a credit for its PAYG instalments even if it has not actually paid a particular instalment. However, the company will be liable for the general interest charge on any outstanding instalment for the period from the due date for the instalment until the date it is fully paid.

Label **K** is only to be used for the monthly, quarterly or annual instalments raised during the financial year. The amount recorded at label **K** must not include ‘wash up’ or residual payments.

Consolidated or multiple entry consolidated (MEC) groups

After the head company of a consolidated group or MEC group lodges its first income tax return, we calculate a consolidated instalment rate for the group based on the head company’s income tax return. Once the head company of the consolidated group or MEC group obtains this consolidated instalment rate, the group is considered to be a mature group for PAYG instalment purposes (‘mature group’). The head company of a mature group will be the only entity in the group that will be liable to pay PAYG instalments for the group’s income year.

If the consolidated group or MEC group is a mature group for the entire income year, write at label **K** the total amount of instalments payable by the head company of the consolidated group or MEC group for the income year.

The period from the chosen date of consolidation through to the instalment period in which the head company matures is known as the 'formation period'. During the ‘formation period’, each member of the consolidated group or MEC group must continue to calculate their instalment income as if they were not members of the consolidated group or MEC group and each will continue to be individually liable for their PAYG instalments.

The head company of a mature group is entitled to claim a credit for its own instalments plus any subsidiary member's instalments that are attributable to the period during which the subsidiary was a member of the consolidated group.

A subsidiary member lodging a return due to one or more non-membership periods is entitled to claim any of its instalment credits not claimed by the head company.

When an entity (a ‘joining entity’) joins a mature group, the single entity rule ensures that the joining entity’s PAYG instalment obligations will generally cease from the beginning of the instalment period that starts after the date of joining.

When an entity (an 'exiting entity') leaves a mature group, it will be given the instalment rate that the head company had during the instalment period in which it exits the group and it will have to report and pay instalments from the exiting instalment period onwards. The single entity rule ensures that the exiting entity only has a liability for reporting instalment income from the date that it exits the consolidated group or MEC group.

A joining entity may be required to lodge an income tax return for any non-membership periods during the income year in which it joins a consolidated group or MEC group. In the joining entity's income tax return for its non-membership periods, write at label **K** the total of instalments payable by it. This sum is the total of the amounts included at 5A of all activity statements for the joining entity's non-membership periods.

S – Amount due or refundable

Write at label **S** the balance of tax payable (+) or refundable (–) as indicated in the tax return.

For the amount at label **S**, add labels **T5** and **G**, and then subtract labels **H**, **I** and **K**.

If the amount at label **S** is positive, that amount is payable by the company.

If the amount at label **S** is negative, that amount is refundable to the company.

The amount at label **S** does not take into account any interim or voluntary payments the company has made against its income tax liability for the year of this return. If the company has made such payments, take these into account in calculating the company's final payment, but don't show the amounts on this tax return.

For more information, see How to pay. Don't send the company's payment with the *Company tax return 2024*.

Continue to: Declarations

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Declarations

Instructions for how to complete the declarations on the company tax return.

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Tax agent's declaration

If the tax agent is a partnership or a company, this declaration must be signed by a person authorised by that partnership or company to sign on its behalf. Print that person's name at this item also.

Public officer's declaration

The public officer is responsible for doing all things required by the company under section 252 of the ITAA 1936. In the case of default, the public officer is liable to the same penalties – for example, the public officer is responsible for lodging the company tax return. If the tax return is lodged late, the public officer may be liable for a failure to lodge on time penalty.

Include in the declaration:

- signature
- date
- name
- title
- phone number for the public officer.

J – Hours taken to prepare and complete this tax return

We are committed to reducing the costs involved in complying with your taxation obligations. By completing label **J** you will help us to monitor these costs as closely as possible. Your response to this question is voluntary.

When completing this question consider the time, rounded up to the nearest hour, that your business spent:

- reading the instructions
- collecting the necessary information to complete this tax return
- making any necessary calculations
- completing this tax return and putting the tax affairs of your business in order so the information can be handed to your tax agent.

The answer should relate to the time both you and your tax agent spent in preparing and completing your tax return. This includes the time spent by any other person whose assistance was obtained in doing this, such as an employee.

If you are preparing this tax return on behalf of your client, consult with your client to obtain a reliable estimate.

Continue to: **Worksheet 2: other reconciliation items**

Return to: **Instructions to complete the Company tax return 2024**

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Worksheet 2 other reconciliation items

Use worksheet 2 to help you reconcile items in the company tax return.

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> [Worksheet 2](#)
>
> [Worksheet 2 notes](#)

About worksheet 2

Worksheet 2 caters for those items that reconcile item **6** – label **T Total profit or loss** with item **7** – label **T Taxable/net income or loss**, other than those items specifically included in item **7**.

Worksheet 2 doesn't contain an exhaustive list of reconciliation items. All references to accounts below are taken to mean the company's profit and loss account.

Additions to item **6** – label **T Total profit or loss** not covered by item **7** – labels:

- **A Net capital gain**
- **U Non-deductible exempt income expenditure**
- **J Franking credits**
- **C Australian franking credits from a New Zealand company**
- **E TOFA income from financial arrangements not included in item 6**
- **D Accounting expenditure in item 6 subject to R&D tax incentive.**

These are specified under item **7** – labels **B Other assessable income** and **W Non-deductible expenses**.

Use Worksheet 2 to help calculate at item **7** the:

- total for income-related add-back items at label **B Other assessable income**
- total for expense-related add-back items at label **W Non-deductible expenses**.

Subtractions from item **6** – label **T Total profit or loss** not covered by item **7** – labels:

- **C Section 46FA deductions for flow-on dividends**
- **F Deduction for decline in value of depreciating assets**
- **U Forestry management investment scheme deduction**
- **E Immediate deduction for capital expenditure**
- **H Deduction for project pool**

- **I Capital works deductions**
- **Z Section 40-880 deduction**
- **N Landcare operations and deductions for decline in value of water facility, fencing asset and fodder storage asset**
- **O Deduction for environmental protection expenses**
- **V Exempt income**
- **W TOFA deductions from financial arrangements not included at item 6**
- **J Small business skills and training boost**
- **K Small business energy incentive**
- **R Tax losses deducted**
- **S Tax losses transferred in (from or to a foreign bank branch or a PE of a foreign financial entity)**.

These are specified under item **7** – label **Q Other income not included in assessable income** and label **X Other deductible expenses**.

Use Worksheet 2 to help calculate the total for income-related subtraction items at label **Q** and the total for expense-related subtraction items at label **X**.

In some cases, a reconciliation adjustment at item **7** adds back or subtracts the whole of an amount shown at item **6** and a separate label at item **7** shows the amount for income tax purposes. For example, for companies not using the small business entity depreciation rules, depreciation as per the accounts is shown at item **6** and added back in full at item **7** – label **W Non-deductible expenses**. The deduction for the decline in value of depreciating assets is listed at item **7** – label **F Deduction for decline in value of depreciating assets**.

Worksheet 2

Item 7 – label B – Other assessable income (assessable income not shown in accounts)

Description	Amount
Adjustments to income derived: increase in interest	$

Adjustments to income derived: increase in dividends	$
Adjustments to income derived: increase in partnership distributions	$
Adjustments to income derived: increase in trust distributions	$
Adjustments to income derived: year-end sales cut-off adjustment	$
Assessable balancing adjustment amounts on depreciating assets, uplifted by the relevant portion	$
Clawback amounts – additional assessable income (R&D)	$
Attributed foreign income not included in accounts	$
Bad debts recovered not included in accounts	$
Benefits or prizes from investment-related lotteries not included in accounts	$
Foreign exchange (forex) taxable gains	$
Grants received not included in accounts	$
Gross taxable foreign source income	$
Inclusion in assessable income under the hybrid mismatch rules (see also **Appendix 9**).	$
Other assessable income not included in accounts (former STS taxpayers should see **Former STS taxpayers**)	$
Total	**$**

Item 7 – label W – Non-deductible expenses

Description	**Amount**

Amortisation as per accounts (including goodwill)	$
Borrowing costs	$
Capital items depreciated as repairs	$
Depreciation expenses, item **6** – label **X**, (see Note 4 and Note 5)	$
Entertainment expenses – to the extent to which they are not deductible	$
Legal expenses and consultants' fees – to the extent to which they are not deductible	$
Subscriptions and donations – to the extent to which they are not deductible	$
Bad debts – to the extent to which they are not deductible	$
Part of prepaid expenses not deductible this year (see Note 1(a))	$
Travel expenses by spouse (of any sex)	$
Expenses incurred in deriving non-assessable non-exempt income	$
Certain expenses relating to PSI that are not deductible (see Note 4)	$
Extraordinary loss per accounts	$
Finance lease interest	$
Foreign exchange accounting losses	$
Foreign tax paid or deemed paid	$
Debt deductions denied by thin capitalisation (see **Appendix** 6)	$
Deductions denied under the hybrid mismatch rules (see **Appendix** 9)	$

Loss on sale of depreciating assets included in accounts (exclude R&D assets see Note 3)	$
Loss on sale of other assets included in accounts	$
Luxury car lease payments (see **Luxury car leases**)	$
Net adjustment to expenses claimed: decrease in consumable stores (see Note 2)	$
Net increase in provisions	$
Net increase in trading stock valuation for tax purposes	$
Non-share dividends	$
Other capital items included in accounts	$
Penalties and fines	$
Superannuation charged in accounts	$
Trust losses deducted from accounting income	$
Unrealised losses on revaluation of assets to fair value	$
Total	**$**

Item 7 – label Q – Other income not included in assessable income (income shown in the accounts that is not assessable)

Description	Amount
Adjustments to income derived: decrease in interest	$
Adjustments to income derived: decrease in dividends	$
Adjustments to income derived: decrease in trust distributions	$

Adjustments to income derived: year-end sales cut-off adjustment	$
Extraordinary profits per accounts	$
Forex accounting profits	$
Foreign source income in the accounts that is not assessable income	$
Grants receivable	$
PSI included in the assessable income of an individual (attributed amount)	$
Profit on sale of depreciating assets included in accounts	$
Profit on sale of other assets included in accounts (including assets used for R&D)	$
Unrealised gains on revaluation of assets to fair value	$
Other income amounts in the accounts that are not assessable income	$
Total	**$**

Item 7 – label X – Other deductible expenses

Description	Amount
Allowable superannuation fund payments	$
Capital expenditure for the establishment of trees in carbon sink forests	$
Deductible balancing adjustment amounts on depreciating assets (see Appendix 4)	$
Balancing adjustments – catch-up deduction (R&D)	$
Deduction for certain capital expenditure incurred to terminate a lease or licence (see Note 6)	$

Forex taxable losses (see **Foreign exchange gains and losses**)	$
Interest charge	$
Hire-purchase agreements: interest component (see **GST – Hire purchase and leasing**)	$
Luxury car leases: accrual amount (see **Luxury car leases**)	$
Mains electricity connection to land used in carrying on a business (see **Electricity and phone connections**)	$
Net adjustment to expenses claimed: increase in consumable stores (see Note 2)	$
Net decrease in provisions	$
Net decrease in trading stock valuation for tax purposes	$
Part of prepaid expenses deductible this year, but not included at any other label (see Note 1(b))	$
Tax deductible borrowing costs	$
Telephone line connection to land used for primary production (see **Electricity and phone connections**)	$
Other deductible items	$
Total	**$**

Worksheet 2 notes

Use the notes below to help you to complete worksheet 2.

Note 1(a)

Insert the difference between the total amount of prepaid expenses incurred in 2023–24 and the amount the company is entitled to claim as a deduction in this year.

See **Deductions for prepaid expenses 2024** for a detailed explanation of how to calculate the company's deduction for 2022–23.

Note 1(b)

Insert the amount of prepaid expenditure that the company was not entitled to deduct in previous years, and which it is now entitled to deduct in 2023–24.

See **Deductions for prepaid expenses 2024** for a detailed explanation of how the deduction for later years is calculated.

Note 2

Insert the difference between the value of consumable stores on hand at the end of the previous income year and the value of consumable stores on hand at the end of the current income year. The balance of these items determines whether they are add-backs or subtractions.

Note 3

Don't include any amounts for R&D assets subject to the R&D tax incentive. At label **W** in **worksheet 2.**

Generally, labels at item **7** require a split between amounts subject to the R&D tax incentive and other amounts. For example, book depreciation shown at item **6** – label **X Depreciation expenses** includes amounts for assets used in R&D activities.

However, amounts subject to the R&D tax incentive are added back at item **6** – labels **D Accounting expenditure** subject to item **7** – label **R&D tax incentive** item **7** and not at item **7** – label **W Non-deductible expenses**.

Disposal losses included at item **6** – label **S All other expenses** includes losses for assets used in R&D activities, however these amounts are not subject to the R&D tax incentive so are added back at item **7** – label **W Non-deductible expenses** and not at item **6** – label **D Accounting expenditure** subject to item **7 R&D tax incentive**.

For more information, see **Research and development tax incentive schedule and instructions 2024**.

Note 4

If the company receives an individual's Personal Services Income (PSI) other than in the course of conducting a personal services business (PSB), and does not promptly pay it to the individual as salary or wages:

- the net amount of PSI is attributed to the individual and is not assessable to the company
- certain related expenses are not deductible.

Expenses specifically denied include rent, mortgage interest, rates and land tax for the residence of individuals (or their associates – for example, spouse) whose efforts or skills mainly generate the PSI for the company, the costs of a second private use car and payments of salary or wages and superannuation for associates to the extent such payments relate to non-principal work.

The company is not entitled to a deduction for any net PSI loss that is transferred to the individual.

Note 5

Only include depreciation expenses at item **7** – label **W Non-deductible expenses** item **7** if the company is not using the small business entity depreciation rules or the company using the small business entity depreciation rules has assets excluded from the application of these rules. Don't include any pool deductions shown at item **6 Expenses** – label **X Depreciation expenses**.

Note 6

Section 25-110 of the ITAA 1997 provides a 5 year straight-line deduction for certain capital expenditure incurred in terminating an operating lease or licence if the expenditure is incurred in the course of carrying on a business, or in connection with ceasing to carry on a business; see Tax deductions for depreciating assets and capital expenses.

If you have included an amount of capital expenditure incurred to terminate a lease or licence at any expense label in item **6**, include the amount at item **7** – label **W Non-deductible expenses**.

Continue to: Appendixes for the company tax return

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Appendixes for the company tax return

Additional information to help you understand and complete certain sections of your company tax return.

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Appendix 1: Company tax rate

Use Appendix 1 to help you locate the company tax rates.

Appendix 2: Foreign countries and other jurisdictional codes

Use Appendix 2 to work out the foreign country and jurisdictional codes.

Appendix 3: Capital works deductions

Use Appendix 3 to help you work out your deduction for capital works.

Appendix 4: Uniform capital allowances

Use Appendix 4 to help you with uniform capital allowances.

Appendix 5: Commercial debt forgiveness

Use Appendix 5 to help you apply the net forgiven amount of commercial debt.

Appendix 6: Thin capitalisation

Use Appendix 6 to help you work out if the thin capitalisation

Appendix 7: Taxation treatment of pooled development funds and investors

Use Appendix 7 to help you work out the taxation treatment of pooled development funds and investors.

Appendix 8: Personal services income

Use Appendix 8 to work out if you're a personal services business, the PSI rules apply and you need to limit deductions.

Appendix 9: General information

Use Appendix 9 for general information to help you complete your tax return.

Appendix 10: Small business bonus deductions

Use Appendix 10 for instructions and information for claiming the small business bonus deductions.

Appendix 11: Calculating depreciation deductions for small business entities

Use Appendix 11 to work out depreciation deductions as a small business entity.

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Appendix 1: Company tax rate

Use Appendix 1 to help you locate the company tax rates.

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See **Company tax rates** for company tax rates from 2001–02 to 2023–24.

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Return to: **Instructions to complete the Company tax return 2024**

Continue to: **Appendix 2: Foreign countries and other jurisdictional codesl**

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Appendix 2: Foreign countries and other jurisdictional codes

Use Appendix 2 to work out the foreign country and jurisdictional codes.

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An alphabetical listing of foreign countries and other jurisc

A B C D E F G H I J K L

Note: Guernsey, Jersey and Isle of Man each have a separate country code.

A

Code	Country
AFG	Afghanistan
ALA	Aland Islands
ALB	Albania
DZA	Algeria
ASM	American Samoa

AND	Andorra
AGO	Angola
AIA	Anguilla
ATA	Antarctica
ATG	Antigua and Barbuda
ARG	Argentina
ARM	Armenia
ABW	Aruba
AUT	Austria
AZE	Azerbaijan

B

Code	Country
BHS	Bahamas
BHR	Bahrain
BGD	Bangladesh
BRB	Barbados
BLR	Belarus
BEL	Belgium
BLZ	Belize
BEN	Benin
BMU	Bermuda
BTN	Bhutan

BOL	Bolivia
BES	Bonaire, Saint Eustatius and Saba islands
BIH	Bosnia and Herzegovina
BWA	Botswana
BVT	Bouvet Island
BRA	Brazil
IOT	British Indian Ocean Territory
VGB	British Virgin Islands
BRN	Brunei Darussalam
BGR	Bulgaria
BFA	Burkina Faso
BDI	Burundi

C

Code	Country
CPV	Cabo Verde
KHM	Cambodia
CMR	Cameroon
CAN	Canada
CYM	Cayman Islands
CAF	Central African Republic
TCD	Chad
CHL	Chile

CHN	China
CXR	Christmas Island
CCK	Cocos (Keeling) Islands
COL	Colombia
COM	Comoros
COD	Congo, Democratic Republic of (was Zaire)
COG	Congo, Republic of
COK	Cook Islands
CRI	Costa Rica
CIV	Cote d'Ivoire (Ivory Coast)
HRV	Croatia (Hrvatska)
CUB	Cuba
CUW	Curacao
CYP	Cyprus
CZE	Czech Republic

D

Code	Country
DNK	Denmark
DJI	Djibouti
DMA	Dominica
DOM	Dominican Republic

E

Code	Country
ECU	Ecuador
EGY	Egypt
SLV	El Salvador
GNQ	Equatorial Guinea
ERI	Eritrea
EST	Estonia
SWZ	Eswatini
ETH	Ethiopia

F

Code	Country
FLK	Falkland Islands
FRO	Faroe Islands
FJI	Fiji
FIN	Finland
FRA	France
GUF	French Guiana
PYF	French Polynesia
ATF	French Southern Territories

G

Code	Country

GAB	Gabon
GMB	Gambia
GEO	Georgia
DEU	Germany
GHA	Ghana
GIB	Gibraltar
GRC	Greece
GRL	Greenland
GRD	Grenada
GLP	Guadeloupe
GUM	Guam
GTM	Guatemala
GGY	Guernsey
GIN	Guinea
GNB	Guinea-Bissau
GUY	Guyana

H

Code	Country
HTI	Haiti
HMD	Heard and McDonald Islands
VAT	Holy See (Vatican City State)
HND	Honduras

HKG	Hong Kong
HRV	Hrvatska (Croatia)
HUN	Hungary

I

Code	Country
ISL	Iceland
IND	India
IDN	Indonesia
IRN	Iran
IRQ	Iraq
IRL	Ireland
IMN	Isle of Man, The
ISR	Israel
ITA	Italy
CIV	Ivory Coast (Cote d’Ivoire)

J

Code	Country
JAM	Jamaica
JPN	Japan
JEY	Jersey
JOR	Jordan

K

Code	Country
KAZ	Kazakhstan
KEN	Kenya
KIR	Kiribati
PRK	Korea, Democratic People's Republic of (North Korea)
KOR	Korea, Republic of (South Korea)
KWT	Kuwait
KGZ	Kyrgyz Republic

L

Code	Country
LAO	Laos
LVA	Latvia
LBN	Lebanon
LSO	Lesotho
LBR	Liberia
LBY	Libya
LIE	Liechtenstein
LTU	Lithuania
LUX	Luxembourg

M

Code	Country

MAC	Macau (Macao)
MKD	Republic of North Macedonia
MDG	Madagascar
MWI	Malawi
MYS	Malaysia
MDV	Maldives
MLI	Mali
MLT	Malta
MHL	Republic of the Marshall Islands
MTQ	Martinique
MRT	Mauritania
MUS	Mauritius
MYT	Mayotte
MEX	Mexico
FSM	Micronesia, Federated States of
MDA	Moldova
MCO	Monaco
MNG	Mongolia
MNE	Montenegro
MSR	Montserrat
MAR	Morocco
MOZ	Mozambique
MMR	Myanmar

N

Code	Country
NAM	Namibia
NRU	Nauru
NPL	Nepal
NLD	Netherlands
NCL	New Caledonia
NZL	New Zealand
NIC	Nicaragua
NER	Niger
NGA	Nigeria
NIU	Niue
NFK	Norfolk Island
MNP	Commonwealth of the Northern Mariana Islands
PRK	North Korea (Korea, Democratic People's Republic of)
NOR	Norway

O

Code	Country
OMN	Oman

P

Code	Country
PAK	Pakistan

PLW	Palau
PSE	Palestinian Territories
PAN	Panama
PNG	Papua New Guinea
PRY	Paraguay
PER	Peru
PHL	Philippines
PCN	Pitcairn Island
POL	Poland
PRT	Portugal
PRI	Puerto Rico

Q

Code	Country
QAT	Qatar

R

Code	Country
REU	Reunion
ROU	Romania
RUS	Russian Federation
RWA	Rwanda

S

Code	Country
BLM	Saint Barthelemy
SHN	Saint Helena
KNA	Saint Kitts and Nevis
LCA	Saint Lucia
SXM	Saint Maarten (Dutch part)
MAF	Saint Martin (French part)
SPM	Saint Pierre and Miquelon
VCT	Saint Vincent and The Grenadines
WSM	Samoa
SMR	San Marino
STP	Sao Tome and Principe
SAU	Saudi Arabia
SEN	Senegal
SRB	Serbia
SYC	Seychelles
SLE	Sierra Leone
SGP	Singapore
SVK	Slovak Republic (Slovakia)
SVN	Slovenia
SLB	Solomon Islands
SOM	Somalia

ZAF	South Africa
SGS	South Georgia and the South Sandwich Islands
KOR	South Korea (Korea, Republic of)
SSD	South Sudan
ESP	Spain
LKA	Sri Lanka
SDN	Sudan
SUR	Suriname
SJM	Svalbard and Jan Mayen Islands
SWE	Sweden
CHE	Switzerland
SYR	Syria

T

Code	Country
TWN	Taiwan
TJK	Tajikistan
TZA	Tanzania
THA	Thailand
TLS	Timor-Leste (East Timor)
TGO	Togo
TKL	Tokelau
TON	Tonga

TTO	Trinidad and Tobago
TUN	Tunisia
TUR	Turkiye (Turkey)
TKM	Turkmenistan
TCA	Turks and Caicos Islands
TUV	Tuvalu

U

Code	Country
UGA	Uganda
UKR	Ukraine
ARE	United Arab Emirates
GBR	United Kingdom
USA	United States of America
UMI	United States Minor Outlying Islands
VIR	United States Virgin Islands
URY	Uruguay
UZB	Uzbekistan

V

Code	Country
VUT	Vanuatu
VAT	Vatican City State (Holy See)
VEN	Venezuela

VNM	Vietnam

W

Code	Country
WLF	Wallis and Futuna
ESH	Western Sahara

Y

Code	Country
YEM	Yemen

Z

Code	Country
ZMB	Zambia
ZWE	Zimbabwe

Return to: **Appendixes for the company tax return**

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Continue to: **Appendix 3: Capital works deductions**

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Appendix 3: Capital works deductions

Use Appendix 3 to help you work out your deduction for capital works.

Last updated 3 July 2024

On this page

Capital works

Division 43 of the ITAA 1997 provides for a system of deducting capital expenditure incurred in the construction of buildings and other capital works used to produce assessable income.

You can deduct construction costs for the following capital works:

- buildings or extensions, alterations or improvements to a building
- alterations and improvements to a leased building including shop fitouts
- structural improvements (such as bridges, retaining walls and sealed roads) or extensions, alterations or improvements to structural improvements
- environmental protection earthworks; see **Appendix 4**.

Deductions for construction costs and structural improvements must be based on actual costs incurred. If it is not possible to genuinely determine the actual costs, obtain an estimate by a quantity surveyor or other independent qualified person. The costs incurred by the company for the provision of this estimate are deductible as a tax-related expense, not as an expense in gaining or producing assessable income.

Different deduction rates apply (2.5% or 4%) depending on the date on which construction began, the type of capital works, and the manner of use.

For more information, see:

- Capital works deductions
- Taxation Ruling TR 2007/9 *Income tax: circumstances when an item used to create a particular atmosphere or ambience for premises used in a cafe, restaurant, licensed club, hotel, motel or retail shopping business constitutes an item of plant*.

Who can claim?

The company can claim a deduction under Division 43 for an income year only if it:

- owns, leases or holds part of a construction expenditure area of capital works ('your area')
- incurred the construction expenditure or is an assignee of the lessee or holder who incurred the expense, and
- uses 'your area' to produce assessable income or in some cases for carrying on R&D activities.

In calculating the company's deductions, identify 'your area' for each construction expenditure area of the capital works. 'Your area' may comprise the whole of the construction area or part of it.

There are special rules that qualify the use of the capital works for R&D activities. The R&D activities must be conducted in connection with a business carried on for the purposes of producing assessable income and be registered under section 27A of the *Industry Research and Development Act 1986* for an income year.

Lessee or holder of capital works

A lessee or holder can claim a deduction for an area leased or held under a quasi-ownership right. To claim a deduction the lessee or holder must have:

- incurred the construction expenditure or be an assignee of the lessee or holder who incurred the expenditure
- continuously leased or held the capital works area itself, or leased or held the area that had been so held by previous lessees, holders or assignees since completion of construction, and
- used the area to produce assessable income, or in some cases for carrying on R&D activities.

If there is a lapse in the lease, the entitlement to the deduction reverts to the building owner.

This deduction must not be claimed as capital allowances costs using an effective life equating to the term of the lease.

Requirement for deductibility

The company can deduct an amount for capital works in an income year if:

- the capital works have a ‘construction expenditure area’
- there is a ‘pool of construction expenditure’ for that area, and
- the company uses the area in the income year to produce assessable income or for carrying on R&D activities in the way set out in section 43-140 of the ITAA 1997.

No deduction until construction is complete

The company can't claim a deduction for any period before the completion of construction of the capital works even though the company used them, or part of them, before completion. Additionally, the deduction can't exceed the undeducted construction expenditure for 'your area'.

Capital works are taken to have begun when the first step in the construction phase starts – for example, pouring foundations or sinking pilings for a building.

Establishing the deduction base

You can deduct expenditure for the construction of capital works if there is a construction expenditure area for the capital works. Whether there is a construction expenditure area for the capital works and how it is identified depends on the following factors:

- the type of expenditure incurred
- the time the capital works commenced
- the area of the capital works to be owned, leased or held by the entity that incurred the expenditure
- for capital works begun before 1 July 1997, the area of the capital works that was used in a particular manner, see **section 43-90** of the ITAA 1997.

Construction expenditure

Expenses incurred on construction include:

- preliminary expenses, such as an architect's fees, engineering fees, foundation excavation expenses and costs of building permits
- costs of structural features that are an integral part of the income-producing building or income-producing structural improvements – for example, lift wells and atriums
- some portion of indirect costs.

For an owner/builder entitled to a deduction under Division 43 of the ITAA 1997, the value of the owner/builder's contributions to the works (labour or expertise and any notional profit element) don't form part of construction expenditure.

For more information, see Taxation Ruling **TR 97/25** *Income tax: property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements*.

Construction expenditure does not include expenditure on:

- acquiring land
- demolishing existing structures
- clearing, levelling, filling, draining or otherwise preparing the construction site before carrying out excavation work
- landscaping
- plant
- property or expenditure for which a deduction is allowable, or would be allowable if the property were for use for the purpose of

producing assessable income, under another specified provision of the ITAA 1936 or the ITAA 1997.

Construction expenditure area

The construction of the capital works must be complete before the construction expenditure area is determined. A separate construction expenditure area is created each time an entity undertakes the construction of capital works.

For construction expenditure incurred before 1 July 1997, the capital works must have been constructed for a specified use at the time of completion, depending on the time when the capital works commenced. The first specified use construction time was 22 August 1979; see **section 43-90** and **subsection 43-75(2)** of the ITAA 1997.

Pool of construction expenditure

The pool of construction expenditure is the portion of the construction expenditure incurred by an entity on capital works, which is attributable to the construction expenditure area.

Deductible use

The company can only obtain a deduction under Division 43 if it uses 'your area' in a way described in table 43-140 or 43-145 of Subdivision 43-D of the ITAA 1997.

Special rules about uses

'Your area' is taken to be used for a particular purpose or manner if:

- it is maintained ready for that use and is not used for another purpose, and its use has not been abandoned, or
- its use has temporarily ceased because of construction or repairs, or for seasonal or climatic conditions.

'Your area' is **not** accepted as being used to produce assessable income:

- if it is a building (other than a hotel or apartment building) used or for use wholly or mainly for exhibition or display in connection with the sale of all or part of any building, where construction began after 17 July 1985 but before 1 July 1997. If construction began after 30 June 1997, buildings that are used for display are eligible

- if it is a building where construction began after 19 July 1982 and before 18 July 1985 and it is used wholly or mainly for
  - or in association with, residential accommodation, and is **not** a hotel or apartment building, or
  - exhibition or display in connection with the sale of all or part of any building, or the lease of all or part of any building for use wholly or mainly for, or in association with, residential accommodation and is **not** a hotel or apartment building or an extension, alteration or improvement to such a building
- to the extent that the company or an associate uses part of it for residential accommodation and it is **not** a hotel or apartment building, for exceptions to this rule, see subsection 43-170(2) of the ITAA 1997.

'Your area' is taken to be used wholly or mainly as, or in association with residential accommodation if it is:

- part of an individual's home, other than a hotel or apartment building
- a building (other than a hotel or apartment building) where construction began after 19 July 1982 and before 18 July 1985, and used as a hotel, motel or guest house.

A hotel, motel or guest house, where construction began during the specified time, and doesn't qualify as a hotel or apartment building (for example, because it has less than 10 bedrooms or apartments) doesn't qualify for a deduction under Division 43.

Special rules for hotels and apartments are contained in section 43-180 of the ITAA 1997.

Calculation and rate of deduction

The company's entitlement to a deduction begins on the date the building is first used to produce assessable income after construction is completed. The first and last years of use may be apportioned. The entitlement to a deduction runs for either 25 or 40 years (the limitation period) depending on the rate of deduction applicable.

The legislation contains 2 calculation provisions:

- section 43-210 of the ITAA 1997 deals with the deduction for capital works which began after 26 February 1992

- **section 43-215** of the ITAA 1997 deals with deductions for capital works which began before 27 February 1992.

Capital works begun before 27 February 1992 and used as described in table 43-140

Calculate the deduction separately for each part of capital works that meets the description of 'your area'.

The applicable rate is either 4% if the capital works were begun after 21 August 1984 and before 16 September 1987, or 2.5% in any other case.

The amount of the deduction may be reduced in certain circumstances. This includes where your area was used only partly for the purpose of producing assessable income.

The amount the company claims can't exceed the undeducted construction expenditure.

Capital works begun after 26 February 1992

Calculate the deduction separately for each part of capital works that meets the description of 'your area'.

There is a basic entitlement to a rate of 2.5% for parts used as described in table 43-140: Current year use. The rate increases to 4% for parts used as described in table 43-145: Use in the 4% manner.

The amount of the deduction may be reduced in certain circumstances. This includes where your area was used only partly for the purpose of producing assessable income.

The amount the company claims can't exceed the undeducted construction expenditure.

Undeducted construction expenditure

The undeducted construction expenditure for 'your area' is the part of the company’s construction expenditure it has left to depreciate. It is used to work out:

- the number of years in which the company can deduct amounts for the company’s construction expenditure
- the amount that the company can deduct under section 43-40 of the ITAA 1997 if 'your area' or a part of it is destroyed.

Balancing deduction on destruction

If a building is destroyed or damaged during an income year, you can claim a deduction for the remaining amount of undeducted construction expenditure that has not yet been deducted, less any compensation received. If the destruction or demolition is voluntary, the entitlement to a deduction is unaffected.

You can claim the deduction in the income year in which the destruction occurs.

The deduction is reduced if the capital works are used in an income year only partly for the purpose of producing assessable income or for carrying on R&D activities.

For guidelines issued by the Commissioner on these measures, see Taxation Ruling **TR 97/25** *Income tax: property development: deduction for capital expenditure on construction of income producing capital works, including buildings and structural improvements*.

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Appendix 4: Uniform capital allowances

Use Appendix 4 to help you with uniform capital allowances.

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- Hire-purchase agreements
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- Profit on the sale of a depreciating asset
- The TOFA rules and UCA
- Section 40-880 deduction

Uniform capital allowance (UCA) concepts

The following concepts relevant to the UCA system are referred to in this appendix:

- balancing adjustment amounts
- deduction for decline in value of depreciating assets
- deduction for environmental protection expenses
- deduction for project pool
- electricity connections and telephone lines
- hire-purchase agreements
- landcare operations and decline in value of water facility, fencing asset and fodder storage asset
- loss on the sale of a depreciating asset
- luxury car leases
- profit on the sale of a depreciating asset
- section 40-880 deduction
- the Taxation of Financial Arrangements (TOFA) rules
- UCA.

For more information, see

- Guide to depreciating assets 2024
- Record keeping for capital expenses.

Small business entities

Eligible small business entities that choose to use the simplified depreciation rules calculate deductions for most of their depreciating assets under the specific small business entity depreciation rules.

Balancing adjustment amounts

If the company ceases to hold or use a depreciating asset, a balancing adjustment event occurs. Calculate a balancing adjustment amount to include in the company's assessable income or to claim as a deduction.

Include the assessable balancing adjustment amount for all assets at item **7** – label **B Other assessable income**.

Include the deductible balancing adjustment amount for assets at item **7** – label **X Other deductible expenses**.

Where assets have been used in R&D activities, a calculation is required to work out the R&D incentive component related to the balancing adjustment. Where the disposal of assets used in R&D resulted in a:

- profit, the incentive component is included at item **21** – label **W Clawback amounts – additional assessable income**, and at item **7** – label **B Other assessable income**
- loss, the incentive component is included at item **21** – label **X Balancing adjustments – catch up deduction**, and at item **7** – label **X Other deductible expenses**, if the company is otherwise eligible for an R&D tax offset under section 355-100 of the ITAA 1997.

Balancing adjustment losses on assets used for R&D activities subject to the R&D tax incentive are not taken into account in Part **A** of the *Research and development tax incentive schedule 2024*.

If the asset was used for both taxable and non-taxable purposes, reduce the balancing adjustment amount by the amount attributable to the non-taxable use. A capital gain or capital loss may arise for the amount attributable to that non-taxable use. This capital gain or capital loss is included in calculating the net capital gain or net capital loss for the income year.

Include any profit or loss on the sale of a depreciating asset that has been included in the accounts of the company at either item **6** – label **R Other gross income** or **S All other expenses**. See Profit on the sale of a depreciating asset or Loss on the sale of a depreciating asset.

If you have elected to use the hedging tax-timing method provided for in the TOFA rules and you have a gain or loss from a hedging financial arrangement used to hedge risks for a depreciating asset, work out separately:

- the balancing adjustment assessable or deductible amount (include this at either item **7** – label **B Other assessable income** or **X Other deductible expenses** as appropriate), and
- the gain or loss on the hedging financial arrangement under the TOFA rules that has not yet been assessed or deducted (include this at item **7** – label **E TOFA income from financial arrangements if not included in item 6** or **W TOFA deductions from financial arrangements if not included in item 6** as appropriate).

If a balancing adjustment event occurred to a depreciating asset of the company during the income year, you may also need to include an amount at either item **9** – label **H Termination value of intangible depreciating assets** or **I Termination value of other depreciating assets**.

Deduction for decline in value of depreciating assets

The decline in value of a depreciating asset is generally worked out using either the prime cost or diminishing value method. Both methods are based on the effective life of an asset. For most depreciating assets, the company can choose whether to self-assess the effective life or adopt the Commissioner's determination.

For more information, see:

- Effective life of depreciating assets
- Effective Life 2015/1 *Income Tax (Effective Life of Depreciating Assets) Determination 2015 - Compilation No. 8*
- Taxation Ruling TR 2022/1 *Income tax: effective life of depreciating assets (applicable from 1 July 2022)*.

The company can deduct an amount equal to the decline in value for an income year of a depreciating asset for the period that it holds the asset during that year. However, the deduction is reduced to the extent the company uses the asset or has it installed ready for use other than for a taxable purpose.

Certain assets that cost less than $1,000 or that have an opening adjustable value of less than $1,000 can be allocated to a low-value pool to calculate the decline in value.

Assets eligible for the immediate deduction can't be allocated to a low-value pool.

To work out the deduction for decline in value of most depreciating assets use worksheets 1 and 2 in **Guide to depreciating assets 2024**.

Passenger vehicles

A car limit applies to any sized business that purchases a passenger vehicle (except a motorcycle or similar vehicle) designed to carry a load of less than one tonne and fewer than 9 passengers. You must reduce the cost of the vehicle to the car limit before calculating your depreciation. You can't claim the excess cost of the vehicle above the 2023–24 **car limit** under any other depreciation rules. The car limit for 2023–24 is $68,108.

Deduction for environmental protection expenses

The company can deduct expenditure to the extent that it incurs it for the sole or dominant purpose of carrying on environmental protection activities (EPA). EPA are activities undertaken to prevent, fight or remedy pollution or to treat, clean up, remove or store waste from the company's earning activity. The company's earning activity is one it carried on, carries on or proposes to carry on for the purpose of:

- producing assessable income (other than a net capital gain)
- exploration or prospecting
- mining site rehabilitation.

The company may also claim a deduction for cleaning up a site on which a predecessor carried on substantially the same business activity.

The deduction is not available for:

- EPA bonds and security deposits
- expenditure for acquiring land

- expenditure for constructing or altering buildings, structures or structural improvements
- expenditure to the extent that the company can deduct an amount for it under another provision.

Expenditure that forms part of the cost of a depreciating asset is not expenditure on EPA.

Expenditure incurred on or after 19 August 1992 on certain earthworks constructed as a result of carrying out EPA can be depreciated at the rate of 2.5% a year under the provisions for capital works expenditure.

Expenditure on an environmental impact assessment of a project of the company is not deductible as expenditure on EPA. If it is capital expenditure directly connected with a project, it could be a project amount for which a deduction would be available over the life of the project; see Deduction for project pools.

If the deduction arises from a non-arm's length transaction and the expenditure is more than the market value of what it was for, the amount of the expenditure is taken instead to be that market value.

Any recoupment of the expenditure is assessable income.

Deduction for project pools

Certain capital expenditure incurred after 30 June 2001 can be allocated to a project pool and depreciated over the project life. The capital expenditure must be directly connected with a project carried on or proposed to be carried on for a taxable purpose. Each project has a separate project pool.

The project must be of sufficient substance and be sufficiently identified that it can be shown that the capital expenditure said to be a 'project amount' is directly connected with the project.

A project is carried on if it involves a continuity of activity and active participation. Merely holding a passive investment such as a rental property would not be regarded as carrying on a project.

For more information, see Taxation Ruling TR 2005/4 *Income tax: capital allowances – project pools – core issues*.

The capital expenditure, known as a project amount, must be expenditure incurred:

- to create or upgrade community infrastructure for a community associated with the project, this expenditure must be paid (not just incurred) to be regarded as a project amount

- for site preparation for depreciating assets (other than in draining swamp or low-lying land or in clearing land for horticultural plants including grapevines)
- for feasibility studies for the project
- for environmental assessments for the project
- to obtain information associated with the project
- in seeking to obtain a right to intellectual property
- for ornamental trees or shrubs.

Project amounts also include mining capital expenditure and transport capital expenditure.

The expenditure must not otherwise be deductible or form part of the cost of a depreciating asset.

If the expenditure incurred arises from a non-arm's length dealing and is more than the market value of what it was for, the amount of the expenditure is taken to be that market value.

The deduction for project amounts allocated to a project pool commences when the project starts to operate.

If your project pool contains only project amounts incurred on or after 10 May 2006 and the project starts to operate on or after that date, your deduction is calculated as follows:

(Pool value × 200%) ÷ by DV project pool life

In some circumstances, a post 9 May 2006 project may be taken to have started to operate before 10 May 2006. This would occur – for example, if the company abandoned a project and then restarted it on or after 10 May 2006 in an attempt to enable it to claim deductions in accordance with the above formula.

For other project pools, the deduction is calculated using the following formula:

(Pool value **×** 150%) ÷ DV project pool life.

The 'DV project pool life' is the project life or, if that life has been recalculated, the most recently recalculated project life. The project life is determined by estimating how long (in years and fractions of years) it will be from when the project starts to operate until it stops operating. Generally, a project starts to operate when the activities that will produce assessable income start. The project life is estimated from the company’s perspective, having regard to factors which are outside the company’s control.

For more information, see Taxation Ruling TR 2005/4 *Income tax: capital allowances – project pools – core issues*.

The ‘pool value’ for an income year at a particular time is broadly the sum of the project amounts allocated to the pool up to the end of that year less the sum of the deductions the company has claimed for the project pool in previous years or could have claimed had the project operated wholly for a taxable purpose.

The pool value can be subject to adjustments.

If the company is or becomes entitled to a goods and services tax (GST) input tax credit for expenditure allocated to a project pool, the pool value is reduced by the amount of the credit. Certain increasing or decreasing adjustments for expenditure allocated to a project pool will also require an adjustment to the pool value.

If during any income year commencing after 30 June 2003 the company ceased to have an obligation to pay foreign currency and the obligation was incurred as a project amount allocated to a project pool, a foreign currency gain or loss (referred to as a forex realisation gain or loss) may have arisen under the forex provisions. If the amount was incurred after 30 June 2003 (or earlier, if so elected) and became due for payment within 12 months after it was incurred, then (unless elected otherwise, see below) the pool value for the income year in which the amount was incurred is increased by any forex realisation loss and decreased by any forex realisation gain. However, if a forex realisation gain exceeds the pool value, the pool value is reduced to zero and the excess gain is assessable income. If the company elected that this treatment should not apply, any forex realisation gain will be assessable and any forex realisation loss will be deductible.

The deduction for a project pool can't be more than the amount of the pool value for that income year.

There is no need to apportion the deduction if the project starts to operate during the income year or for project amounts incurred during the year. However, the deduction is reduced to the extent to which the project is operated for other than a taxable purpose during the income year.

If the project is abandoned, sold or otherwise disposed of, the company can deduct the sum of the closing pool value of the prior income year (if any) plus any project amounts allocated to the pool during the income year, after allowing for any necessary pool value adjustments. A project is abandoned if it stops operating and will not operate again.

Any amount received for the abandonment, sale or other disposal of a project is assessable.

If an amount of expenditure allocated to a project pool is recouped or if the company derives a capital amount for a project amount or something on which a project amount was expended, the amount must be included in assessable income.

If any receipt arises from a non-arm's length dealing and the amount is less than the market value of what it was for, the amount received is taken to be that market value.

Electricity connections and phone lines

A deduction may be claimed by the company over 10 years for capital expenditure incurred in connecting:

- mains electricity to land on which a business is carried on or in upgrading an existing connection to that land, or
- a telephone line to land being used to carry on a primary production business.

Include the deduction at item **7** – label **X Other deductible expenses**. If you have included the expenditure as an expense at item **6 Calculation of total profit or loss**, also include the expenditure at item **7** – label **W Non-deductible expenses**.

Include any recoupment of the expenditure in assessable income at item **7** – label **B Other assessable income** if you have not included it at item **6** – label **R Other gross income**.

Hire-purchase agreements

Hire-purchase and instalment sale agreements of goods are treated as a sale of the property by the financier (or hire-purchase company) to the hirer (or instalment purchaser).

The sale is treated as being financed by a loan from the financier to the hirer at a sale price of either their agreed cost or value or the property's arm's length value. The periodic hire-purchase (or instalment) payments are treated as payments of principal and interest under the notional loan. The hirer can deduct the interest component subject to any reduction required under the thin capitalisation rules.

In relation to the notional sale, the hirer of a depreciating asset is treated as the holder of the asset and is entitled to claim a deduction for the decline in value. The cost of the asset for this purpose is generally taken to be the agreed cost or value, or the arm's length value if the dealing is not at arm's length.

If the company has included hire-purchase charges at any label at item **6 Calculation of total profit or loss**, include the amount at item **7** – label **W Non-deductible expenses**.

Include the deduction for the decline in value of the goods at item **7** – label **F Deduction for decline in value of depreciating assets**. Include the interest component at item **7** – label **X Other deductible expenses**.

Landcare operations and certain related assets

Find out about claiming capital expenditure your company incurs on:

- Landcare operations
- Water facilities
- Fencing assets
- Fodder storage assets.

Landcare operations

The company can claim a deduction in the year it incurs capital expenditure on a landcare operation for land in Australia.

Unless the company is a rural land irrigation water provider, the deduction is available to the extent the company uses the land for either:

- a primary production business, or
- in the case of rural land, carrying on a business for a taxable purpose from the use of that land, except a business of mining or quarrying.

The company may claim the deduction even if it is only a lessee of the land.

The deduction is also available to rural land irrigation water providers. They are entities whose business is primarily and principally the supply of water (other than by using a motor vehicle) to entities for use in primary production businesses on land in Australia or to businesses (other than mining or quarrying businesses) using rural land in Australia.

If the company is a rural land irrigation water provider, it can claim a deduction for capital expenditure it incurs on a landcare operation for either:

- land in Australia that other entities (being entities supplied with water by the company) use at the time for carrying on primary production businesses
- rural land in Australia that other entities (being entities supplied with water by the company) use at the time for carrying on businesses for a taxable purpose from the use of that land (except a business of mining or quarrying).

A rural land irrigation water provider's deduction is reduced by a reasonable amount to reflect an entity's use of the land for other than a taxable purpose after the water provider incurred the expenditure.

A landcare operation is one of the following operations:

- eradicating or exterminating animal pests from the land
- eradicating, exterminating or destroying plant growth detrimental to the land
- preventing or combating land degradation other than by erecting fences
- erecting fences to keep out animals from areas affected by land degradation to prevent or limit further damage and to help reclaim the areas
- erecting fences to separate different land classes in accordance with an approved land management plan
- constructing a levee or similar improvement
- constructing drainage works (other than the draining of swamps or low-lying areas) to control salinity or assist in drainage control
- an alteration, addition, extension, or repair of a capital nature to an asset described in the fourth to seventh dot points, or an extension of an operation described in the first 3 dot points
- constructing a structural improvement, or an alteration, addition, extension or repair of a capital nature to a structural improvement, that is reasonably incidental to levees or drainage works deductible under a landcare operation.

You can't claim a deduction if the capital expenditure is on plant unless it is on certain fences, dams or other structural improvements.

Any recoupment of the expenditure would be assessable income.

Water facilities

The company may be entitled to claim a deduction for capital expenditure it incurs on a water facility if it is a primary producer or an irrigation water provider (for expenditure incurred on or after 1 July 2004). If the company incurred the expenditure from 7:30 pm (AEST) 12 May 2015, it can deduct the full amount in the year it incurred the expenditure. If the company incurred the expenditure before this time, it can deduct one-third of the amount in the income year in which it incurred the expenditure, and one-third in each of the following 2 years.

A water facility is plant or a structural improvement that is primarily or principally for the purpose of conserving or conveying water, or a structural improvement that is reasonably incidental to conserving or conveying water. It also includes a repair of a capital nature, or an alteration, addition or extension, to that plant or structural improvement. Examples of water facilities include dams, tanks, tank stands, bores, wells, irrigation channels or similar improvements, pipes, pumps, water towers, and windmills.

Unless the company is an irrigation water provider, the expenditure must be incurred by the company primarily and principally for conserving or conveying water for use in its primary production business on land in Australia. The company may claim the deduction even if it is only a lessee of the land.

The deduction is reduced if the facility is not wholly used for either:

- carrying on a primary production business on land in Australia
- a taxable purpose.

The deduction for water facilities is also available to irrigation water providers, that is, to entities whose business is primarily and principally the supply (other than by using a motor vehicle) of water to other entities for use in a primary production business on land in Australia.

If the company is an irrigation water provider, it must incur the expenditure on the water facility primarily and principally for conserving or conveying water for use in primary production businesses conducted by other entities on land in Australia, being entities supplied with water by the company. The company's deduction is reduced if the water facility is not wholly used for a taxable purpose.

Fencing assets

The company may be entitled to claim a deduction for capital expenditure it incurs on fencing assets. If the company incurred the expenditure from 7:30 pm (AEST), 12 May 2015 it can deduct the full amount in the year it incurred the expenditure. If the company incurred the expenditure before this time – or if the expenditure relates to a stockyard, pen or portable fence – the company can deduct an amount for the asset's decline in value based on its effective life.

A fencing asset includes a structural improvement, a repair of a capital nature, or an alteration, addition or extension, to a fence. The expenditure must be incurred by you on the construction, manufacture, installation or acquisition of a fencing asset that is used primarily and principally in a primary production business you conduct on land in Australia. The company may claim the deduction even if it is only a lessee of the land.

The deduction is reduced where the fencing asset is not wholly used for either:

- carrying on a primary production business on land in Australia
- a taxable purpose.

Fodder storage assets

The company can claim a deduction for the capital expenditure it incurs on fodder storage assets. If the company incurred the expenditure from 19 August 2018, it deducts the full amount in the income year in which the company incurred it. If the company incurred the expenditure between 7:30 pm (AEST) 12 May 2015 and 18 August 2018, it deducts one-third of the amount in the income year in which the company incurred it and one-third in each of the following 2 years, except if the company first used the asset or installed it ready for use on or after 19 August 2018. In that case, it deducts the full amount in the income year in which it incurred the expenditure. This may require an amendment to a prior year tax return.

If the company incurred the expenditure before 7:30 pm (AEST), 12 May 2015, the company can deduct an amount for the asset's decline in value based on its effective life.

A fodder storage asset is an asset that is primarily and principally for the purpose of storing fodder. It includes a structural improvement, a repair of a capital nature, or an alteration, addition or extension, to an asset or structural improvement, that is primarily and principally for the purpose of storing fodder.

The term 'fodder' refers to food for livestock, usually but not exclusively dried, such as grain, hay or silage. Fodder can include liquid feed and supplements. Examples of typical fodder storage assets include:

- silos
- liquid feed supplement storage tanks
- bins for storing dried grain
- hay sheds
- grain storage sheds
- above-ground bunkers.

The expenditure must be incurred by the company on the construction, manufacture, installation or acquisition of a fodder storage asset that is used primarily and principally in a primary production business it conducts on land in Australia. The company may claim the deduction even if it is only a lessee of the land.

The deduction is reduced where the fodder storage asset is not wholly used for either:

- carrying on a primary production business on land in Australia
- a taxable purpose.

Loss on the sale of a depreciating asset

Any such loss included in the accounts will differ from the balancing adjustment amount taken into account for taxation purposes.

If the accounts show a loss on the sale of a depreciating asset under item **6** – label **S All other expenses**, include that amount at item **7** – label **W Non-deductible expenses** except to the extent it relates to assets used in R&D activities, which are shown at item **7** – label **D Accounting expenditure in item 6 subject to R&D tax incentive**. Also see Balancing adjustment amounts.

Luxury car leases

Luxury car leasing arrangements (other than genuine short-term hiring agreements or a hire-purchase agreement) are treated as notional sale and loan transactions.

A leased car, either new or second hand, is a luxury car if its cost exceeds the **car limit** that applies for the income year in which the lease commences. The car limit for 2023–24 is $68,108.

The cost or value of the car specified in the lease (or the market value if the parties were not dealing at arm's length in connection with the lease) is taken to be both the cost of the car for the lessee and the amount loaned by the lessor to the lessee to buy the car.

In relation to the notional loan, the actual lease payments are divided into notional principal and finance charge components. That part of the finance charge component for the notional loan applicable for the particular period (the accrual amount) is deductible to the lessee subject to any reduction required under the thin capitalisation rules.

In relation to the notional sale, the lessee is treated as the holder of the luxury car and is entitled to claim a deduction for the decline in value of the car.

For the purpose of calculating the deduction, the cost of the car is limited to the car limit for the income year in which the lease is granted. For more information on deductions for the decline in value of leased luxury cars, see Guide to depreciating assets 2024.

Alternatively, if the lessee is using the small business entity depreciation rules for the income year in which the lease is entered into, the lessee allocates the car to its general small business pool. For the purpose of calculating the deduction under the small business entity depreciation rules, the cost of the car is limited to the car limit for the income year in which the lease is granted.

In summary, the lessee is entitled to deductions equal to:

- the accrual amount, and
- the decline in value of the luxury car, based on the applicable car limit.

Both deductions are reduced to reflect any use of the car for other than a taxable purpose.

If the company has included the lease expenses at either item **6** – label **F Lease expenses within Australia** or **I Lease expenses overseas**, include the amount at item **7** – label **W Non-deductible expenses**.

Include the deduction for decline in value of the luxury car at item **7** – label **F Deduction for decline in value of depreciating assets**. Include the accrual amount at item **7** – label **X Other deductible expenses**.

If the lease terminates or is not extended or renewed and the lessee does not actually acquire the car from the lessor, the lessee is treated under the rules as disposing of the car by way of sale to the lessor. This constitutes a balancing adjustment event and any assessable or deductible balancing adjustment amount for the lessee must be determined.

Profit on the sale of a depreciating asset

Any such profit included in the accounts will differ from the balancing adjustment amount taken into account for taxation purposes.

If the accounts show a profit on the sale of a depreciating asset under item **6** – label **R Other gross income**, include that amount at item **7** – label **Q Other income not included in assessable income**. Also see Balancing adjustment amounts.

The TOFA rules and UCA

The TOFA rules contain interaction provisions which may modify the cost and termination value of a depreciating asset acquired by a company to which the TOFA rules apply. This will be the case where the consideration (or a substantial proportion of it) is deferred for greater than 12 months after delivery.

For more information, see Guide to taxation of financial arrangements (TOFA).

Section 40-880 deduction

Immediate deductibility for start-up costs

Section 40-880 of the ITAA 1997 allows certain companies to immediately deduct certain start-up expenses.

Expenditure is fully deductible in the income year if:

- it is incurred by a company that
  - is a small business entity
  - would be a small business entity if the aggregated turnover threshold was $50 million or
  - is not carrying on business and is not connected with or an affiliate of another entity that is carrying on business and that entity
    - is not a small business entity and

  - would not be a small business entity if the aggregated turnover threshold was $50 million, and
- it relates to a business that is proposed to be carried on, and
- it is either
  - incurred for advice or services relating to the proposed structure or proposed operation of the business
  - is paid to an Australian Government agency in relation to setting up the business or establishing its operating structure.

Section 40-880 deduction

If the deduction relates to an earlier income year, or does not meet the criteria set out above, the previous rules apply, which is a 5-year deduction for certain business-related capital expenditure incurred by the company for a past, present or proposed business.

As part of the tax treatment for black hole expenditure, rules apply to business-related capital expenditure incurred after 30 June 2005. Section 40-880 deductions are no longer limited to 7 specific types of business-related capital expenditure. The company may now be able to claim a deduction for capital expenditure it incurs after 30 June 2005:

- for its business
- for a business that it used to carry on, such as capital expenses incurred in order to cease the business
- for a business it proposes to carry on, such as the costs of feasibility studies, market research or setting up the business entity
- as a shareholder, beneficiary or partner to liquidate or deregister a company or to wind up a trust or partnership, provided that the company, trust or partnership carried on a business.

If the company incurs the relevant capital expenditure for its existing business, a former business or a proposed business, the expenditure is only deductible to the extent the business is, was, or is proposed to be, carried on for a taxable purpose.

The company can't deduct expenditure for an existing business that is carried on by another entity or a proposed business unless it is proposed to commence within a reasonable time. However, it can deduct expenditure it incurs for a business that used to, or is proposed to be, carried on by another entity. Such expenditure is only deductible to the extent that:

- the business was, or is proposed to be, carried on for a taxable purpose, and
- the expenditure is in connection with
  - business that was, or is proposed to be, carried on, and
  - derivation of assessable income from that business by the company.

A section 40-880 deduction can't be claimed for capital expenditure to the extent that it:

- can be deducted under another provision of the income tax laws
- forms part of the cost of a depreciating asset the company holds, used to hold, or will hold
- forms part of the cost of land
- relates to a lease or other legal or equitable right
- would be taken into account in working out an assessable profit or deductible loss
- could be taken into account in working out a capital gain or a capital loss from a capital gains tax (CGT) event
- would be specifically not deductible under the income tax laws if the expenditure was not capital expenditure
- is specifically not deductible under the income tax laws for a reason other than that the expenditure is capital expenditure
- is of a private or domestic nature
- is incurred for gaining or producing exempt income or non-assessable non-exempt income
- is excluded from the cost or cost base of an asset because, under special rules in the uniform capital allowances (UCA) or capital gains tax regimes respectively, the cost or cost base of the asset was taken to be the market value
- is a return of or on capital (for example, distributions by trustees) or a return of a non-assessable amount (for example, repayments of loan principal).

The company deducts 20% of the qualifying capital expenditure in the year it is incurred and in each of the following 4 years.

If you have included any of the expenditure incurred for the income year as an expense at item **6**, show this amount as an expense add back at item **7** – label **W Non-deductible expenses**.

Include the deduction for the section 40-880 deduction at item **7** – label **Z Section 40-880 deduction**.

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Continue to: Appendix 5: Commercial debt forgiveness

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Appendix 5: Commercial debt forgiveness

Use Appendix 5 to help you apply the net forgiven amount of commercial debt.

Last updated 3 July 2024

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About commercial debt forgiveness

If a commercial debt owed by a company is forgiven during the income year, the company should apply the 'net forgiven amount' of that debt to reduce the company's tax losses, net capital losses, certain undeducted revenue or capital expenditure, and the cost bases of CGT assets, in that order.

A debt is a commercial debt if the whole or any part of interest (or an amount in the nature of interest) paid or payable on the debt has been, or can be, deducted, or could have been deducted but for a specific exception provision in the income tax law (other than the exceptions in subsection 8-1(2) for outgoings of a capital nature, private or domestic outgoings and for outgoings relating to exempt income or non-assessable non-exempt income). Where interest is not payable in respect of the debt, it is still a commercial debt if interest would have been deductible if interest had been charged. The commercial debt forgiveness rules also apply to a non-equity share issued by a company.

A debt is forgiven if the company's obligation to pay the debt is released, waived or otherwise extinguished, other than by repaying the debt in full.

A debt is also forgiven if:

- the right to recover it ceases because of the expiry of a limitation period
- a creditor assigns the right to receive payment of the debt to an associate of the debtor, or to another entity under an arrangement to which the entity and debtor were parties (other than where the new creditor acquired the right in the ordinary course of trading on a securities market or exchange)
- the debtor is a company, and the creditor subscribes for shares in that company to enable the debtor to repay the debt it owes to the creditor, and the debtor uses any of the money subscribed in or towards payment of the debt
- the debtor and the creditor enter into an agreement under which the obligation to pay some or all of the debt will end at a particular time without the debtor incurring any other obligation (other than an insignificant obligation).

Calculation of net forgiven amount

Calculate the net forgiven amount as follows.

Step 1: Determine the value of the debt, this is usually the lesser of the following:

- the market value at the time of the forgiveness, assuming that when you incurred the debt you were solvent and able to pay all your debts when they fell due, and your capacity to pay the debt is unchanged at the date of forgiveness
- the total of what would have been the market value at the time of forgiveness if there had been no change from the date you incurred

the debt in any rate of interest or currency exchange rates that affects the market value of the debt, and each amount you have deducted or can deduct as a result of the forgiveness that is attributable to such a change.

For more information about determining the value of the debt, see section 245-55 of the ITAA 1997.

Step 2: Calculate the gross forgiven amount of the debt by subtracting from the value of the debt certain amounts paid or given in respect of the forgiveness; see section 245-65 of the ITAA 1997.

Step 3: Work out the net forgiven amount by subtracting from the gross forgiven amount the total of the following:

- any amount which has been or will be included in the assessable income of the company under a provision apart from Division 245 as a result of the debt forgiveness. For example, a gain resulting from a debt forgiveness can be treated as ordinary income of the debtor where the debt forgiven is inextricably linked to the ordinary business of the debtor
- any amount by which a deduction otherwise allowable to the debtor has been, or will be, reduced because of the debt forgiveness under a provision other than Division 245 and Division 727 (about indirect value shifting)
- any amount by which the cost base of any of your CGT assets has been, or will be, reduced as a result of the forgiveness of a debt under Part 3-1 or 3-3 (about capital gains and capital losses).

Step 4: Where the debtor and creditor were companies under common ownership from when the debt was incurred until it was forgiven, the companies may sign a written agreement that the creditor is to forgo a specified amount of:

- a capital loss, or
- a deduction for a bad debt under section 8-1 or section 25-35 of the ITAA 1997 for the forgiveness income year, that it would otherwise have been entitled to because of the debt forgiveness.

Such an agreement must be made before either company lodges its income tax return for the forgiveness income year (or such later date as the Commissioner determines in writing). Where that is the case, reduce the creditor’s capital loss or deduction by the specified amount (which must not exceed the amount worked out under Step 3. For the debtor company, reduce the amount remaining after Step 3 by the same amount.

Step 5: The amount remaining (if any) is the net forgiven amount of the debt. Add the net forgiven amount of each debt forgiven during the income year to arrive at the total net forgiven amount for the income year.

Application of total net forgiven amount

Apply this total net forgiven amount to reduce the amounts the company has in the following categories, in the order listed:

- Tax losses
- Net capital losses
- Undeducted revenue or capital expenditures
- Cost bases of certain CGT assets.

Within each category, the company may choose the order of the items against which the total net forgiven amount is applied, and the amount applied in reduction of each item, provided the total net forgiven amount is applied to the maximum extent possible within that category. If the company doesn't make the choice, the Commissioner may make the choice on the company's behalf in a reasonable way. Once the total net forgiven amount is applied against all the amounts in a category, apply any excess against the next category in the above order. If there is an excess remaining after applying the amount against all categories, disregard this excess.

Tax losses

These are tax losses from an earlier income year that are undeducted at the beginning of the forgiveness income year, and that the company could deduct, assuming it had enough assessable income, in the forgiveness income year or a later income year.

Net capital losses

These are unapplied net capital losses that were made in income years before the forgiveness income year and that could be applied in working out the company's net capital gain in the forgiveness income year, assuming that the company had sufficient capital gains.

Undeducted revenue or capital expenditures

These are certain categories of undeducted expenditure incurred by the company before the forgiveness income year which would be deductible in that or a future income year were nothing to happen to affect its deductibility (other than a recoupment in the forgiveness income year). The relevant categories are:

- expenditure deductible under Division 40 of the ITAA 1997 (depreciating assets)
- expenditure incurred in borrowing money to produce assessable income under section 25-25 of the ITAA 1997
- expenditure on scientific research under subsection 73A(2) of the ITAA 1936
- R&D expenditure deductible under Division 355 of the ITAA 1997
- advance revenue expenditure under Subdivision H of Division 3 of Part III of the ITAA 1936
- expenditure on acquiring a unit of industrial property to produce assessable income under former subsection 124M(1) of the ITAA 1936
- expenditure on Australian films under section 124ZAFA of the ITAA 1936
- expenditure on assessable income-producing buildings and other capital works under section 43-10 of the ITAA 1997.

There are **2** principal methods for reducing expenditures:

- **Straight line deduction** – If the amount that could be deducted in relation to a particular expenditure, apart from the reduction, is calculated as a percentage, fraction or proportion of a base amount (for example, deductions for the decline in value of depreciating assets calculated under the prime cost method), make the reduction to the base amount. The reduction must not exceed the base amount less the amount of that part of the expenditure in respect of which an amount has been, or can be, deducted for any income year before the forgiveness income year. The effect of the reduction is that the total amount of deductions allowable in the forgiveness income year and later income years is limited to the reduced base amount. A deduction of the amount of the reduction is taken to have been made in respect of the expenditure before the forgiveness income year for the purposes of any provision that includes an amount in assessable income or allows a deduction because of
  - the disposal, loss or destruction of the asset in respect of which the expenditure was incurred
  - termination otherwise of the asset's use for a particular purpose

- recoupment of any of the expenditure
- the occurrence of a balancing adjustment event for the asset.

- **Diminishing balance deduction** – If the amount that could be deducted in relation to a particular expenditure, apart from the reduction, is a percentage, fraction or proportion of an amount worked out after taking into account any previous deductions for the expenditure (for example, deductions for the decline in value of depreciating assets calculated under the diminishing value method), the amount of the reduction is taken to have been allowed as a deduction before the forgiveness income year.

If any deductions are disallowed under the income tax law as a result of recouping after the forgiveness income year an amount of expenditure that is subject to reduction as a result of the above debt forgiveness rules, the amount, or total of the amounts, applied in reduction of the expenditure is included in the company's assessable income in the income year in which the expenditure is recouped.

Cost bases of certain CGT assets

The cost bases and reduced cost bases of certain CGT assets owned by the company at the beginning of the forgiveness income year are reduced by the total net forgiven amount remaining after reducing certain undeducted expenditures (see above). These are assets where a capital gain or capital loss might arise on a CGT event occurring, such as disposal of the assets.

CGT assets with cost bases not subject to reduction include those for which a capital gain or capital loss will not arise or is unlikely to arise if a CGT event happens to them – for example, CGT assets acquired before 20 September 1985, trading stock or a personal use asset within the meaning of **section 108-20** of the ITAA 1997. Also excluded are CGT assets for which the cost is deductible, such as depreciating assets. For a complete list of categories of CGT assets not subject to cost base reduction, see subsection 245-175(2) of the ITAA 1997.

The company may choose the CGT assets whose cost bases or reduced cost bases are to be reduced, and the extent of that reduction. However, the cost bases and reduced cost bases of CGT assets that constitute investments in, or in relation to, associates of the company must be reduced last.

If a company chooses to apply an amount to reduce either the cost base or the reduced cost base of a CGT asset, then as at any time on or after the beginning of the forgiveness income year, the cost base and reduced cost base of each relevant CGT asset is taken to be reduced by that amount.

Ordinarily, the reduction of a CGT asset's cost base and reduced cost base can't exceed the amount that would have been the reduced cost base of the asset, calculated as if the asset was disposed of at market value on the first day of the forgiveness income year. However, a special rule applies (see subsection 245-100(3) of the ITAA 1997) if an event occurred after the beginning of the forgiveness income year that would cause the reduced cost base of the asset to be reduced. In that case, the asset is taken to have been disposed of for its market value on the day of the event.

The reduction of the cost base and reduced cost base of a CGT asset affects the calculation of the amount of any capital gain or capital loss on a CGT event happening to the asset, because the cost base or reduced cost base that is taken into account in determining the capital gain or capital loss must reflect that reduction.

If, after applying all the reductions described above, any part of the total net forgiven amount remains, that part is disregarded.

If the company is a partner in a partnership, and the partnership had a part of a total net forgiven amount in relation to the partnership left over after applying it to certain undeducted expenditure of the partnership, there are special rules that treat the partner's share as a net forgiven amount of the partner (eee Subdivision 245-F).

Consolidated and multiple entry consolidated (MEC) groups

Where a commercial debt is owed by a member of a **consolidated or MEC group** to a non-group entity, the head company is treated as the debtor for its income tax purposes. If the debt is forgiven, the head company must, as described above, calculate the net forgiven amount and apply this amount to the head company's tax losses, net capital losses, certain undeducted expenditures and the cost bases of certain CGT assets.

In certain circumstances the head company of a consolidated group can apply a transferred tax loss or net capital loss with a nil available fraction to reduce the total net forgiven amount under the commercial debt forgiveness rules (see section 707-415 of the ITAA 1997).

Intra-group debts

One of the consequences of consolidation is that intra-group loans and intra-group dealings are not recognised for the group's income tax purposes. Where a debt owed by one member of a **consolidated or**

MEC group to another member of the same group is forgiven, the transaction is disregarded by the head company of the income tax consolidated group, and the commercial debt forgiveness rules don't apply to that forgiveness.

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Continue to: **Appendix 6: Thin capitalisation**

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Appendix 6: Thin capitalisation

Use Appendix 6 to help you work out if the thin capitalisation rules apply and what to do if they affect you.

Last updated 3 July 2024

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What is thin capitalisation?

The thin capitalisation provisions limit the debt deductions that certain entities can claim for tax purposes based on the tests set out in Division 820 of the ITAA 1997. These rules ensure that entities fund their Australian operations with an appropriate amount of equity.

The rules apply to a range of situations. Where in a given year, you are not affected by the rules, answer no at item **29 Thin capitalisation**.

What are the debt deduction creation rules?

The debt deduction creation rules disallow debt deductions paid or payable, directly or indirectly, to associate entities and created in connection with certain acquisitions from associate entities or funding certain payments or distributions to associate entities. These rules don't apply to ADIs or securitisation vehicles, or entities that are exempted from their application under the $2 million dollar threshold exemption or the exemption for certain special purpose entities.

The debt deduction creation rules will apply to all debt deductions for income years starting on or after 1 July 2024.

ADI, securitisation vehicles and certain special purpose entities are excluded from the debt deduction creation rules.

Do the thin capitalisation rules apply?

Australia's thin capitalisation rules apply to:

- Australian entities with certain overseas operations, and their associate entities
- Australian entities that are foreign controlled
- foreign entities with operations or investments in Australia that are claiming debt deductions.

The thin capitalisation rules may apply to a company if the company:

- is an Australian resident company and either
  - the company, or any of its associate entities, is an Australian controller of a foreign entity or carries on business at or through an overseas permanent establishment , or
  - the company is foreign controlled, either directly or indirectly
- is a foreign resident company and carries on business in Australia at or through a PE or otherwise has assets that produce assessable income.

Entities that are not affected by the rules

For any given income year, the following entities are not affected by thin capitalisation rules:

- an entity whose debt deductions, together with those of any associate entities, are $2 million or less for the income year
- an Australian entity that is neither foreign controlled nor has any overseas operations or investments (unless it is an associate of another Australian entity that does)
- a foreign entity that has no investment or presence in Australia
- an Australian entity with overseas operations or investments, or an Australian entity that is an associate of such an entity, that is not also foreign controlled and meets the Australian assets threshold test – see, section 820-37 of the ITAA 1997.

Certain special purpose entities are also excluded, where all of the following apply:

- The entity is established for the purposes of managing some or all of the economic risk associated with assets, liabilities or investments.
- The total value of debt interests in the entity is as least 50% of the total value of the entity's assets.
- The entity is an insolvency remote special purpose entity according to the criteria of an internationally recognised rating agency that are applicable to the entity's circumstances.

An entity is taken to meet the above conditions throughout a period if it is one of 2 or more entities that taken together to be a single, notional entity would meet the above conditions. The entity will only be exempted from the thin capitalisation rules for the period that it meets all of the above conditions.

For more information, see Thin capitalisation. This explains what certain terms mean for thin capitalisation purposes, such as control, associated entities, debt deductions and asset threshold test. For example, the rules regarding 'control' take into account both direct and indirect interests that the company holds in the other entity (or vice versa), and the direct and indirect interests that associate entities of the company hold in the other entity.

What if the thin capitalisation rules affect you this year?

If the thin capitalisation rules affect you, print **Y** for yes at item 29. Thin capitalisation. In addition, complete the International dealings schedule 2024.

For more information, see:

- Taxation Ruling **TR 2020/4** *Income tax: thin capitalisation – the arm's length debt test*
- Practical Compliance Guideline **PCG 2020/7** *Arm's length debt test – ATO compliance approach*.

What if the thin capitalisation rules are breached?

If the thin capitalisation rules are breached, some of the company's debt deductions may be denied. Include the amount denied at item **7** – label **W Non-deductible expenses**.

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Continue to: **Appendix 7: Taxation treatment of pooled development funds and investors**

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Appendix 7: Taxation treatment of pooled development funds and investors

Use Appendix 7 to help you work out the taxation treatment of pooled development funds and investors.

Last updated 30 May 2024

On this page

How PDF shareholders are taxed

How pooled development funds (PDFs) are taxed

A pooled development fund (PDF) is a company that is registered as a PDF and provides development capital to small and medium sized companies. The PDF regime was closed to new applications for registration as a PDF from 21 June 2007.

If a company was registered as a PDF part way through an income year and is still a PDF at the end of the income year, it is taxed as a PDF for the period from the date of registration to the end of the income year as if that period were an income year. The taxable income in the pre-PDF period is taxed at the rate of 30%.

If a company ceases to be a PDF part way through an income year, it is taxed as an ordinary company for the whole year; that is, taxable income is taxed at the rate of 30% (or 25% if it is a base rate entity in 2023–24).

The SME income component of the PDF's taxable income is taxed at the rate of 15%. The SME component is the company's SME assessable income less any deductions allowable to the company for the year, whether they relate to SME assessable income or not. If the available deductions exceed the amount of SME assessable income, the excess may be applied against the unregulated investment component of the company's taxable income.

SME assessable income is income derived from, or from the disposal of, an SME investment and includes amounts that would otherwise be capital gains. An SME investment is not an unregulated investment which is an investment by way of a loan to, deposit with or debenture of a bank, or a deposit with an authorised money market dealer.

The unregulated investment component of the PDF's taxable income is worked out by deducting the company's SME income component from its taxable income for the year. The amount (if any) remaining is the company's unregulated investment component. The unregulated investment component is taxed at the rate of 25%.

Imputation

PDFs generate franking credits in the same way as other companies, mainly from the payment of income tax and from the receipt of franked distributions. The franking credit that arises is the tax paid (at the relevant rate applicable to the taxable income of PDFs, not at the company tax rate).

PDFs make franked distributions in the same manner as other companies.

The PDF obtains venture capital credits from the payment of income tax reasonably attributable to capital gains from venture capital investments; that is, SME investments made in accordance with the *Pooled Development Funds Act 1992*. If a PDF keeps a record of its venture capital sub-account, it can make distributions franked with venture capital credits.

If a PDF over-distributes venture capital credits during the income year, it incurs a liability to venture capital deficit tax.

Tax offset for franking credits

A PDF that receives a franked distribution must include the distribution and the franking credit attached to the distribution in its assessable income. The PDF is then entitled to a tax offset equal to the amount of franking credits included in its assessable income. This is the gross-up and tax offset rule.

Losses

Deductions for PDF tax losses are allowable only in an income year in which the company is a PDF throughout that income year.

PDF tax losses can't be transferred to other companies in the same group.

Non-PDF tax losses incurred before the company became a PDF that are not recouped while the company is a PDF continue to be deductible after the company ceases to be a PDF.

Capital losses incurred while the company is a PDF are not deductible from capital gains accruing to the company after it ceases to be a PDF.

How PDF shareholders are taxed

Unfranked PDF distributions and the unfranked part of a franked distribution are exempt from tax.

The franked part of a PDF distribution is also exempt from income tax unless the shareholder elects to be taxed on it. The election is made by including the distribution (and franking credit) in assessable income. The election will apply to all franked PDF distributions derived during the income year. A corporate shareholder who receives a franked PDF distribution and who elects to include the distribution in assessable income will receive a franking credit equal to the franking credit attached to the distribution.

Special rules apply to PDF distributions franked with venture capital credits that are paid to complying superannuation funds, pooled superannuation trusts and like entities. Such entities are also entitled to a venture capital tax offset and the relevant part of the distribution is also exempt income.

The costs associated with borrowing to purchase PDF shares are not deductible to the extent the distributions are exempt from tax.

Non-resident PDF shareholders are exempt from withholding tax on PDF distributions.

PDF shares are not trading stock.

Income from selling shares in a company that is a PDF at the time of sale is exempt from income tax. Any capital gains or capital losses from the disposal of PDF shares are disregarded.

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Continue to; **Appendix 8: Personal services income**

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Appendix 8: Personal services income

Use Appendix 8 to work out if you're a personal services business, the PSI rules apply and you need to limit deductions.

Published 30 May 2024

What is personal services income?

Personal services income (PSI) is income that is mainly a reward for an individual's personal efforts or skills. If PSI is received by a company (a personal services entity) it is still the individual's PSI for income tax purposes.

The PSI rules don't affect PSI received by employees, except when the individual is an employee of a personal services entity who is providing services to a service acquirer and none of the personal service business tests are met in respect of that individual's PSI. The rules also don't apply to PSI that is earned in the course of conducting a PSB.

What is a personal services business?

You qualify as a PSB if, in respect of each individual whose PSI is included in your income:

- you meet the results test
- less than 80% of the individual's PSI in an income year comes from each client (and their associates) and you meet either the unrelated clients test, the employment test or the business premises test, or
- you obtain a determination from the Commissioner of Taxation confirming that you are a PSB.

What if you do not qualify as a personal services business and the PSI rules apply?

Generally, if the rules apply to you there are 3 main effects:

- The PSI, reduced by certain deductions to which the personal services entity is entitled, is treated as the income of the individual who does the personal services work and must be included on their income tax return.
- The personal services entity must either
  - pay the PSI promptly, as salary or wages, to the individual who generated the PSI
  - attribute the net PSI to the individual who generated the PSI and withhold and remit tax on that income.
- The deductions that may be claimed are limited.

If the personal services entity has made a net PSI loss:

- the net PSI loss must be transferred to the individual, the company can't use this loss against any other income, or carry forward the loss
- the individual can claim this loss as a deduction in their individual tax return – if they don't have enough other income in that year to offset the loss, the individual may carry this loss forward under the carried forward loss rules.

Deductions limited when PSI rules apply

The deductions that may be limited include the following:

- Certain car expenses
- Superannuation contributions
- Entity maintenance deductions
- Rent, mortgage interest, rates and land tax
- Payments to associates.

Certain car expenses

You may deduct:

- a car expense for each car used solely for business purposes
- a car expense or an amount of fringe benefits tax payable for a car fringe benefit where a car is used partly for private purposes. However, there can't be, at the same time, more than one car for which such deductions can arise in gaining or producing the same individual’s PSI. If there is more than one car used privately at the

same time for the same individual, you must choose one car only for which to claim deductions. The choice remains in effect until you cease to hold that car.

Superannuation contributions

You may claim a deduction for a portion of the contributions that you make to a complying superannuation fund or retirement savings account (RSA) for the purpose of making provision for superannuation benefits for an individual whose PSI you derive.

However, your deduction can't exceed the amount you would have to contribute to ensure you did not have an individual superannuation guarantee shortfall for that associate, if the individual:

- performs less than 20% of your principal work, and
- is an associate of another individual whose PSI you derive.

If the associate only performs non-principal work, you can't claim any deduction relating to PSI for contributions you make to a complying superannuation fund or RSA for the associate.

Entity maintenance deductions

These are:

- fees or charges associated with an account with an authorised deposit-taking institution (but not including interest or interest-like amounts)
- tax-related expenses
- any expense incurred in preparing or lodging a document under Corporations Law, except if the payment is made to an associate
- certain statutory fees.

Entity maintenance deductions must first be offset against your other income. If the entity maintenance deductions exceed your other income, the excess of the entity maintenance deductions may reduce PSI attributable to the individuals.

If your income includes the PSI of more than one individual, apportion the excess entity maintenance deductions between the individuals using the following formula:

> Excess entity maintenance deductions multiplied by (individual's PSI divided by total PSI).

Rent, mortgage interest, rates and land tax

You can't deduct amounts that are incurred in gaining or producing an individual's PSI if such amounts represent rent, mortgage interest, rates and land tax for the residence of the individual or the residence of an associate of yours or the individual.

Payments to associates

You can't deduct payments to associates or any amount you incur from an obligation you have to your associate to the extent the payment or obligation relates to the associate performing non-principal work.

Additional PAYG withholding obligations

When the PSI rules apply, you will have additional pay as you go (PAYG) obligations for the amount attributed (treated as belonging) to each individual who generated the PSI.

The additional PAYG withholding obligation ensures:

- an amount of withholding has been reported and paid to us for the attributed income (the income treated as belonging to the individual who generated the PSI)
- each individual who generated PSI receives a PAYG withholding credit for their income tax return.

Normal PAYG withholding applies to the PSI you received that is promptly paid out to the individual as salary or wages.

An individual receiving such salary or wages must complete item **1 Salary or wages** in their individual tax return.

If you have a net PSI loss for an income year, there are no additional PAYG withholding obligations as no income has been attributed.

Treatment of attributed PSI on your income tax return

If PSI is attributed to an individual, the income is not assessable to the company. Include the PSI on the company tax return as follows:

Include the attributed amount at item **7** – label **Q Other income not included in assessable income**, as calculated in Worksheet 2 other reconciliation items.

The following example will help you complete the PSI details on the company tax return. The entity in the example is not conducting a PSB.

Example 21: attributed PSI treatment

Some salary or wages have been promptly paid, and some PSI is attributed to an individual because it has not been promptly paid as salary or wages.

A company derives income that is the PSI of a director.

Part of the PSI has been promptly paid as salary within 14 days of the end of the relevant PAYG withholding period. The company's profit and loss statement is as follows:

- Income (all PSI of the director) of $100,000
- Less (minus) expenses
  - Salary of $30,000
  - Rent for director's home that is a place of business of $5,000
  - Other expenses (all deductible) of $25,000
  - Total expenses of $60,000
- **Net profit is $40,000.**

The rent paid for the director's home used as a place of business is not deductible under the alienation of PSI provisions. The net profit is PSI of the director and is attributed to the director for income tax purposes (together with the amount representing non-deductible rent expense).

Income information

Income	Label	Amount
Other gross income	6R	$100,000
Total income	6S	$100,000

Expense information

Expense	Label	Amount
Rent expenses	6H	$5,000

All other expenses	**6S**	$55,000
Total expenses	**6Q**	$60,000

Total profit or loss

Calculation	**Label**	**Amount**
(subtract **Total expenses** from **Total income**)	**6T**	$40,000

Complete item **14 Personal services income** as follows:

Write the amount of income you included at label **6R** at label **14A**. Write the amount of expenses you included at label **6Q** at label **14B**.

Profit or loss

Profit or loss information	**Label**	**Amount**
Total profit or loss amount	**6T**	$40,000
Add Non-deductible expenses (rent)	**7W**	$5,000
Subtotal	-	$45,000
Less Other income not included in assessable income	**7Q**	$45,000
Subtraction items subtotal	-	$45,000
Taxable income or loss	**T**	$0

Treatment of net PSI loss on your income tax return

The net PSI loss is transferred to the individual who generated the PSI. The company can't use this loss against any other business income or carry forward the loss. The total amount of the deductions to which the company is entitled is reduced by that amount.

Include the net PSI loss amounts at item **7** – label **W Non-deductible expenses** as calculated in Worksheet 2 other reconciliation items.

The following example will help you complete the PSI details on the company tax return. The entity in the example is not conducting a PSB.

Example 22: company tax return (net PSI loss)

Part of the PSI has been promptly paid as salary within 14 days of the end of the relevant PAYG withholding period.

The company's profit and loss statement is as follows:

- Income (all PSI of the director) = $75,000
- **Less** (minus) expenses
  - Salary of $40,000
  - Salary for director's son (non-principal work) is $10,000
  - Other expenses (all deductible) of $40,000
- Total expenses of $90,000
- **Net profit (loss)** is ($15,000).

The salary paid to the director's son for non-principal work is not deductible under the alienation of PSI provisions. In the calculation of net PSI the amount of $10,000 is non-deductible. The director is entitled to a deduction for the amount of the net PSI loss of $5,000. The deduction to which the company is entitled is reduced by this amount and the non-deductible amount.

The information is entered at the following labels.

Income information

Income	Label	Amount
Other gross income	**6R**	$75,000
Total income	**6S**	$75,000

Expense information

Expense	Label	Amount
All other expenses	**6S**	$90,000
Total expenses	**6Q**	$90,000

Total profit or loss

Calculation	Label	Amount
(subtract **Total expenses** from **Total income**)	**6T**	$15,000/L

Item 7 Reconciliation to taxable income or loss is then completed as follows:

Profit or loss

Profit or loss information	Label	Amount
Total profit or loss amount	**6T**	$15,000/L
Add Non-deductible expenses (salary paid to director's son and reduction in total deductions for the net PSI loss that director is entitled to claim)	**7W**	$15,000
Subtotal	-	$0
Less Other income not included in assessable income	7Q	$0
Subtraction items subtotal	-	$0
Taxable income or loss	**T**	$0

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Appendix 9: General information

Use Appendix 9 for general information to help you complete your tax return.

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Simplified imputation system

Broadly, the simplified imputation system has the following effects on the company tax return.

A company that is paid a franked or unfranked distribution must include:

- the amount of the distribution at item **6 Income** – label **H Total dividends**
- any attached franking credits at item **7** – label **J Franking credits**. Franking credits should not be included in assessable income at label **J** or claimed in the **Calculation statement** as a franking tax offset at labels **C** or **E**, if
  - the shares are not held at risk as required under the holding period and related payments rules

- the dividend washing integrity rule applies, or
- for particular instruments issued by a financial institution, general insurer or life insurance company (referred to as AT1 securities), the hybrid mismatch rules apply to deny the franking (as advised by the payer in the statement), or the imputation system has been manipulated in some other way.

The Commissioner may make a determination to deny imputation benefits where you have entered into a scheme for the purpose of obtaining franking credit benefits.

The amount of franking credits included in assessable income is allowed as a tax offset and claimed in the **Calculation statement** at label **C Non-refundable non-carry forward tax offsets**.

Where the company has a franking deficit tax (FDT) liability, it can claim an FDT offset against its income tax liability. Some special rules apply to life insurance companies to ensure that a FDT liability can only be offset against that part of the company's income tax liability that is attributable to shareholders. The amount of FDT liability that can be claimed as a tax offset is reduced in certain circumstances. There are also special rules that apply to late balancing entities that elect to determine their FDT liability on a 30 June basis.

For more information on how to calculate the FDT offset and the special rules that apply to late balancing entities, see:

- Franking deficit tax
- Late balancer calculating an FDT offset
- Franking account tax return and instructions 2024.

Other features of the simplified imputation system include:

- The franking account operates on a tax-paid basis and is also a rolling-balance account.
- The period for determining a corporate tax entity's FDT liability is aligned with its income year. However, certain late balancing entities can elect to have their liability determined on 30 June.
- The franking period relates to the operation of the benchmark rule.
- Corporate tax entities can choose the extent to which they frank frankable distributions made within a franking period. This choice is subject to the benchmark rule, except for certain listed public companies.

- The benchmark rule, while limiting streaming opportunities, provides some flexibility in allocating franking credits to frankable distributions. To comply with this rule, a corporate tax entity must ensure that all frankable distributions made within a franking period are franked to the same extent, which is the benchmark franking percentage. The benchmark franking percentage is equal to the franking percentage established for the first frankable distribution made in that franking period.
- A breach of the benchmark rule will not invalidate the allocation made to the distribution. However, a penalty will be imposed on the corporate tax entity. The penalty is either
  - an over-franking tax (OFT) if the franking percentage for the distribution exceeds the benchmark franking percentage, or
  - a franking debit to the franking account if the franking percentage for the distribution is less than the benchmark franking percentage.
- The penalty is calculated by reference to the difference between the franking credits actually allocated and the benchmark franking percentage.
- Payment of OFT doesn't give rise to a franking credit in the franking account. If an entity is liable to pay OFT it must complete a *Franking account tax return 2024*.
- Under the disclosure rule, corporate tax entities must notify the Commissioner in the approved form if they have significantly varied their benchmark franking percentage between franking periods. This information is disclosed on the *Franking account tax return 2024*.
- The maximum franking credit that can be allocated to a frankable distribution is based on the entity's corporate tax rate for imputation purposes.

For 2023–24, the entity's corporate tax rate for imputation purposes can be 25% or 30%, depending on the entity's circumstances.

For more information, see Allocating franking credits.

Former simplified tax system taxpayers

There are transitional rules for former simplified tax system (STS) taxpayers that deal with the continued use of the STS accounting method.

A special rule applies if the company is winding up a business this year that it previously carried on and it was an STS taxpayer in the income year it ceased business.

Debt and equity rules

The debt and equity measures broadly operate to characterise certain interests as either debt or equity. For some tax law purposes, interests are treated in the same way as shares even though they are not shares in legal form. These interests are called ‘non-share equity interests'. They include some income securities, some stapled securities and certain related party ‘at call’ loans. For more information, see **Guide to the debt and equity tests**. This provides an overview of the debt and equity rules, and explains non-share equity interests.

For an explanation of when and how the debt and equity measures apply to ‘at call’ loans made to a company, see **Debt and equity tests: guide to ‘at call’ loans**.

For the purposes of the imputation system, non-share equity interests are generally treated in the same way as shares that are not debt interests. Non-share dividends on these types of interests may be franked or unfranked. Write the amount of non-share dividend, whether franked or unfranked, and any amount of franking credit attached to the non-share dividend, at the appropriate place on the tax return as if it were for a share.

You can't claim a deduction for liabilities incurred in respect of a non-share dividend.

For more information, see **Debt and equity tests: guide to 'at call' loans.**

Foreign exchange gains and losses

Under the foreign exchange (forex) measures contained in Division 775 of the ITAA 1997, forex gains and losses are generally brought to account as assessable income or allowable deductions, when realised. The forex measures cover both foreign currency denominated arrangements and, broadly, arrangements to be cash-settled in Australian currency with reference to a currency exchange rate. Forex gains and losses of a private or domestic nature, or for exempt income or non-assessable non-exempt income, are generally not brought to account under the forex measures.

If a forex gain or loss is brought to account under the forex measures and under another provision of the tax law, it is generally assessable or deductible only under the forex measures. However, if a financial arrangement of a company is subject to the taxation of financial arrangements (TOFA) rules, forex gains and losses from the financial arrangement will generally be brought to account under those TOFA rules instead of the forex measures.

Additionally, forex gains and losses will generally not be assessable or deductible under the forex measures if they arise from certain acquisitions or disposals of capital assets, or acquisitions of depreciating assets, and the time between the acquisition or disposal and payment is no more than 12 months. Instead, any foreign exchange gain or loss is usually matched with or integrated into the tax treatment of the underlying asset.

The general translation rule (Subdivision 960-C of the ITAA 1997) requires all tax-relevant amounts to be expressed in Australian currency, regardless of whether there is an actual conversion of that foreign currency into Australian dollars.

The tax consequences of gains or losses on existing foreign currency assets, rights and obligations that were acquired or assumed before 1 July 2003, being the commencement date of the forex measures, are to be determined under the law as it was before these measures came into effect, unless:

- the company has made a transitional election that brings these under the forex measures, or
- there is an extension of an existing loan that brings the arrangement within these measures – for example, an extension by a new contract, or a variation to an existing contract.

For more information about these measures and how to calculate your foreign exchange gains and losses, see **Foreign exchange gains and losses**.

General value shifting regime

Broadly, value shifting describes transactions and other arrangements that reduce the value of an asset and (usually) increase the value of another asset.

The general value shifting regime (GVSR) consists of direct value shifting (DVS) and indirect value shifting (IVS) rules that primarily affect equity and loan interests in companies and trusts. There is also a DVS rule dealing with non-depreciating assets over which a right has been created. There are different consequences where the GVSR may apply for particular interests, according to whether the interest is held on capital account, or as a revenue asset or trading stock.

Where the rules apply to a value shift there may be a deemed gain (but not a loss), adjustments to adjustable values (for example, cost bases), or adjustments to losses or gains on realisation of assets.

There are '*de minimis*' exceptions and exclusions that will minimise the cost of complying with the GVSR, particularly for small business. Entities dealing at arm’s length or on market value terms are generally excluded from the GVSR.

For more information, see Guide to the general value shifting regime.

International taxation – hybrid mismatch rules

The hybrid mismatch rules are designed to prevent entities from gaining an unfair competitive advantage through hybrid mismatch arrangements. Generally, these arrangements exploit differences in the tax treatment of an entity or instrument under the laws of 2 or more tax jurisdictions.

The hybrid mismatch rules are primarily contained in Division 832 of the ITAA 1997, with additional rules contained in:

- Division 207 of the ITAA 1997 (franking entitlements)
- Subdivision 768-A of the ITAA 1997 (dividend exemptions)
- Section 23AH of the ITAA 1936 (exempt branch income)
- Part IIIB of the ITAA 1936 (Australian branches of a foreign bank).

Division 832 also contains a targeted integrity rule that applies to certain deductible interest payments, or payments under a derivative, made to an interposed foreign entity where the rate of foreign income tax on the payment is 10% or less. The targeted integrity rule seeks to prevent multinational groups from circumventing the hybrid mismatch rules by routing investment or financing into Australia though an entity in a low or no tax foreign jurisdiction.

These rules operate in Australia to neutralise hybrid mismatches by disallowing deductions or including amounts in assessable income.

For more information, see Hybrid mismatch rules.

Treatment of crypto assets

Crypto assets are a digital representation of value that you can transfer, store, or trade electronically. This also includes **non-fungible tokens**. For tax purposes, crypto assets are not a form of money.

The way you use or transact with crypto assets will determine how you treat them for tax purposes. For more information on the tax treatment, see **Crypto assets and business**.

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Appendix 10: Small business bonus deductions

Use Appendix 10 for instructions and information for claiming the small business bonus deductions.

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Small business skills and training boost

The small business skills and training boost provides a temporary bonus deduction to those entities that meet the definition of 'small business entity' (or would meet that definition if the reference to an aggregated annual turnover of less than $10 million was replaced by a reference to $50 million). The bonus deduction is for expenditure that the entity incurs in providing eligible external training courses to employees by eligible registered training providers in Australia.

The bonus deduction is an additional tax deduction of 20%, on top of their ordinary deduction, for eligible training expenditure incurred from

7:30 pm (AEDT) on 29 March 2022 to 30 June 2024. It applies to enrolments or arrangements for the provision of training made or entered into at or after 7:30 pm (AEDT) on 29 March 2022.

If you are a small business entity, you must also meet the following criteria for the bonus deduction:

- Expenditure must be for training employees, in-person in Australia, or online.
- Expenditure must be charged, directly or indirectly, by eligible registered training provider and be for training within the scope of the provider's registration.
- The eligible registered training provider must not be the small business or an associate of the small business – for example, a related entity or individual or relative, spouse or partner of a related individual.
- Expenditure must already be deductible under the taxation law.

Expenditure for training persons other than employees is not eligible for the bonus deduction. For example, contractors and partner of a partnership are not eligible for the bonus deduction.

When the bonus deduction is claimed

Special rules apply in claiming the bonus deduction for the eligible expenditure. When you claim the bonus deduction also depends on your balancing date if the small business has a substituted accounting period.

- **Normal balancers**
  - For eligible expenditure incurred between 1 July 2023 and 30 June 2024, you claim the bonus deduction in your 2023–24 tax return.
- **Late balancers**
  - For eligible expenditure incurred between the start of your 2023–24 income year and 30 June 2024, you claim the bonus deduction in your 2023–24 tax return.
- **Early balancers**
  - For eligible expenditure incurred in your 2023–24 income year, you claim the bonus deduction in your 2023–24 tax return.
  - For eligible expenditure incurred in your 2024–25 income year (up until 30 June 2024), you claim the bonus deduction in your

2024–25 tax return.

Small business energy incentive

The small business energy incentive provides businesses with an aggregated annual turnover of less than $50 million with access to a temporary bonus deduction equal to 20% of the cost of eligible assets or improvements to existing assets that support more efficient energy use.

The bonus deduction applies to the cost of eligible assets and improvements up to a maximum amount of $100,000, with the maximum bonus deduction being $20,000.

The bonus deduction is in addition to a deduction you would ordinarily have access to under tax law.

Criteria for claiming the small business energy incentive

You must meet the following criteria for the bonus deduction:

- Your business needs to meet the **aggregated annual turnover** rules (with an increased $50 million threshold).
- The expenditure being claimed must be deductible to your business under other provisions in tax law.
- For expenditure on eligible assets, the asset must be both first used or installed ready for use for any purpose, and used or installed ready for use for a taxable purpose, between 1 July 2023 and 30 June 2024.
- For expenditure on eligible improvements to existing assets, the expenditure must be incurred between 1 July 2023 and 30 June 2024.
- Neither the expenditure nor the asset is excluded.

You can't claim the bonus deduction for the cost of an eligible asset, or an improvement to an existing asset, if a balancing adjustment event occurs to the asset (for example, you sell it) during the income year in which you hold the asset and incur the expenditure, unless the balancing adjustment event is an involuntary disposal.

You calculate the bonus deduction as 20% of the cost of the eligible asset or improvement, irrespective of whether your ordinary deduction for the decline in value of the asset is claimed in one income year (under instant asset write off) or over its effective life.

Eligible assets

A depreciating asset may be eligible for the bonus deduction if it uses electricity and when one or more of the following apply:

- there is a new reasonably comparable asset that uses a fossil fuel available in the market
- the asset is more energy efficient than the asset it is replacing
- if it is not a replacement, it is more energy efficient than a new reasonably comparable asset available in the market.

A depreciating asset may also be eligible if it is an energy storage, time-shifting or monitoring asset, or an asset that improves the energy efficiency of another asset.

Eligible improvements

An improvement to a depreciating asset may be eligible for the bonus deduction if it:

- enables the asset to only use electricity, or energy that is generated from a renewable source, instead of a fossil fuel
- enables the asset to be more energy efficient, provided that asset only uses electricity, or energy generated from a renewable source
- facilitates the storage, time-shifting or usage monitoring of electricity, or energy generated from a renewable source (for example, a battery that stores electricity).

Excluded assets and expenditure

The following types of assets and expenditure are not eligible for the bonus deduction:

- assets and expenditure on assets that can use a fossil fuel (except if that use is merely incidental such as where an asset uses an oil-based lubricant)
- assets and expenditure on assets which have the sole or predominant purpose of generating electricity (such as solar panels)
- capital works
- motor vehicles (including hybrid and electric vehicles) and expenditure on motor vehicles
- assets and expenditure on assets allocated to software development pools
- financing costs, including interest and borrowing expenses.

When the bonus deduction is claimed

For eligible expenditure on depreciating assets that are both:

- first used or installed ready for use for any purpose between 1 July 2023 and 30 June 2024
- used or installed ready for use for a taxable purpose between 1 July 2023 and 30 June 2024.

You claim the bonus deduction for that expenditure in your 2023–24 tax return at item **7** – label **K Small business energy incentive**.

For eligible expenditure on improvements to depreciating assets incurred between 1 July 2023 and 30 June 2024, you will also claim the bonus deduction for that expenditure in your 2023–24 tax return.

An entity with a **substituted accounting period** may claim the bonus deduction across more than one income year, provided the eligible asset was first used or installed ready for use, or the improvement cost was incurred, between 1 July 2023 and 30 June 2024.

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Appendix 11: Calculating depreciation deductions for small business entities

Use Appendix 11 to work out depreciation deductions as a small business entity.

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Calculation 1: Deduction for certain assets and cost additions

For an explanation of the terms we use in this section, see **Guide to depreciating assets 2024** and **Tax time definitions**.

Under the instant asset write-off measure, an immediate deduction is available for certain depreciating assets that:

- you start to use, or have installed ready for use for a taxable purpose between 1 July 2023 and 30 June 2024
- cost less than $20,000 as at the end of the income year
- qualify for a deduction under the **simplified depreciation rules**.

For an asset for which you have claimed an immediate deduction under the simplified depreciation rules in a prior income year, small businesses can also immediately deduct an amount included in the second element (cost addition) of that asset's cost, where the amount is:

- the first deductible amount of second element cost incurred after the end of the income year in which the asset was written off
- less than $20,000
- incurred between 1 July 2023 and 30 June 2024.

Work out the extent that each of these eligible assets and cost additions are used for the purpose of producing assessable income (taxable purpose proportion).

The deduction for each eligible asset is calculated as:

> Asset’s adjustable value **multiplied by** its taxable purpose proportion.

The adjustable value of an asset is its cost **less** its decline in value since it was first used, or installed ready for use, for any purpose, whether business or private.

Add up all of the amounts from this calculation and write the total at row **a** in the [Worksheet](#).

Don't include in this calculation amounts for depreciating assets that the company started to hold before starting to use the simplified depreciation rules. These assets are allocated to the general small business pool (see calculation 2).

Calculation 2: General small business pool

A small business entity can also deduct the balance of the general small business pool if the balance is below $20,000 but greater than zero at the end of the income year. For this purpose, the balance of the pool is determined prior to calculating your deductions but after taking into account any additions or disposals to the pool. Enter this deduction against general small business pool assets at row **b** in the Worksheet. For more information, see Calculation 5.

Calculation 2a: Opening pool balance

Calculate the opening pool balance, for:

- Companies that are already using simplified depreciation rules
- Companies that start to use simplified depreciation rules in the 2023–24 income year.

Companies that are already using simplified depreciation rules

For companies already using the simplified depreciation rules, the opening balance of the general small business pool is the closing pool balance for the previous income year, adjusted to reflect any changed business use of a pooled asset. However, as the company will have deducted the entire balance (if any) of the small business pool under temporary full expensing in the 2022–23 income year, the opening pool balance at the beginning of the 2023–24 income year is $0.

Write $0 at row **b** in the Worksheet.

Companies that start to use simplified depreciation rules in the 2023–24 income year

For companies that start to use the simplified depreciation rules in the 2023–24 income year, the opening pool balance is the sum of the taxable purpose proportions of the adjustable values of those depreciating assets that are held and used (or installed ready for use), just before the start of the 2023–24 income year, and that are not excluded from the simplified depreciation rules.

To calculate your general small business pool deduction for these assets, multiply the opening pool balance by the general small business pool rate (30%).

Write the total deduction at row **b** in the Worksheet.

Calculation 2b: Additions to the opening pool balance

Add to your opening pool balance the taxable purpose proportion of the following newly acquired assets and cost additions, where the amounts are equal to or exceed the instant asset write-off threshold:

- the adjustable value of assets that were first used, or installed ready for use, for a taxable purpose during 2023–24
- cost addition amounts (**second element costs**) for existing assets.

Also add the taxable purpose proportion of cost addition amounts that are less than the instant asset write-off threshold and are not immediately deductible (see Calculation 1).

To calculate your deduction for these pool additions, add together:

- The taxable purpose proportion of the adjustable value of each depreciating asset first used, or installed ready for use this year, multiplied by half the general small business pool rate (15%).
- The taxable purpose proportion of cost addition amounts, multiplied by half the general small business pool rate (15%).

Write the total deduction at row **c** in the Worksheet.

Calculation 2c: Subtractions from the opening pool balance

If the company ceases to hold an asset that has been allocated to the pool in the 2023–24 income year, or an earlier income year, the taxable purpose proportion of the termination value is subtracted from the pool balance (see Calculation 4b).

Calculation 3: Other depreciating assets

Calculate the deduction for the decline in value of all the other depreciating assets of the company that are not included in calculations 1 and 2. For information on how to calculate the decline in value of these assets, see the **Guide to depreciating assets 2024**.

Write the total deduction at row **d** in the Worksheet.

Don't include at row **d** in the Worksheet depreciating assets that qualify for a deduction under Subdivision 40-F or 40-G of the ITAA 1997, that have been used in the company's primary production business and for which the company has chosen to claim a deduction under these subdivisions and not under the small business entity depreciation rules, such as:

- water facilities
- fencing assets
- fodder storage assets
- landcare operations
- electricity connections
- telephone lines.

Include deductions for land operations, water facilities, fencing assets and fodder storage assets at item **7** – label **N Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset**.

Include deductions for qualified electricity connections and telephone lines at item **7** – label **X Other deductible expenses**.

For more information on these UCA provisions, see **Appendix 4**.

Calculation 4: Ceasing to hold depreciating assets

If you've sold or ceased to use an asset in 2023–24, see:

- Calculation 4a Certain assets for which an immediate deduction has been claimed
- Calculation 4b Assets allocated to the general small business pool
- Calculation 4c Other depreciating assets.

Calculation 4a Certain assets for which an immediate deduction has been claimed

If a balancing adjustment event happens to a depreciating asset for which the company has claimed an immediate deduction in

Calculation 1 this income year or in a previous year, the company must include the taxable purpose proportion of the termination value at item **7** – label **B Other assessable income**.

A balancing adjustment event occurs when the company stops holding a depreciating asset – for example, when the company sells the asset, or the asset is lost or destroyed. The termination value includes money received from the sale of an asset or insurance money received.

For example, a company acquired an asset on 1 February 2019 for $6,400. The company used the asset only 60% of the time for a taxable purpose and claimed an immediate write-off of $3,840 under the threshold which existed at that time. The company disposed of the asset at arm's length on 1 February 2024 for $3,000 (excluding GST). Include $1,800 as income at item **7** – label **B Other assessable income**.

Calculation 4b Assets allocated to the general small business pool

If the company ceases to hold a depreciating asset that has been allocated to the general small business pool, the taxable purpose proportion of the asset's termination value is subtracted from the pool balance.

If expenses are incurred in disposing of, or otherwise ceasing to hold, a depreciating asset, these expenses may be taken into account in calculation 2 by adding them to the pool balance.

Calculation 4c Other depreciating assets

For information on how to calculate any balancing adjustment amounts on the happening of a balancing adjustment event for other depreciating assets, see the **Guide to depreciating assets 2024**.

Include assessable balancing adjustment amounts at item **7** – label **B Other assessable income**. Include deductible balancing adjustment amounts at item **7** – label **X Other deductible expenses**. See Worksheet 2.

Calculation 5: Closing pool balance

Calculate your closing pool balance at the end of the year as follows:

- Step 1: Start with the opening pool balance (see Calculation 2a).
- Step 2: Add the taxable purpose proportion of the adjustable value of assets that were additions to the pool during the year (see Calculation 2b).

- Step 3: Add the taxable purpose proportion of any cost addition amounts for assets already in the pool during the year (see Calculation 2b).
- Step 4: Subtract the taxable purpose proportion of the termination value of any pooled assets disposed of during the year (see Calculation 4b).

If after completing Step 4 your pool balance is less than $20,000 but greater than zero, you can claim an immediate deduction for this amount. Enter this deduction against general small business pool assets at row **b** in the Worksheet. The pool's closing balance for 2023–24 will be zero after claiming the immediate deduction.

If the value of the small business pool is $20,000 or more after completing Step 4, continue calculations as per the steps below.

- Step 5: Subtract the general small business pool deduction (see Calculation 2a).
- Step 6: Subtract the deduction for assets first used, or installed ready for use this year (see Calculation 2b).
- Step 7: Subtract the deduction for any cost addition amounts added for pooled assets during the year (see Calculation 2b).

If the closing pool balance is below zero, include the amount below zero in your assessable income at item **7** – label **B Other assessable income**.

The closing pool balance for this year becomes the opening pool balance for the 2024–25 income year, after any adjustments are made to reflect the changed business use of a pooled asset.

Don't write the closing pool balance on the company's tax return.

Worksheet: Depreciation deductions for small business entities using simplified depreciation

Table: Worksheet 1 – Depreciation deductions (small business entities using simplified depreciation only)

Row	Calculation element	Total
a	Certain assets (immediately deducted under	$

	instant asset write off)	
b	General small business pool	$
c	General small business pool (½ rate)	$
d	Other assets	$
e	Depreciation expenses, add row **a** to row **d**	$

Transfer the amount at row **a** to item **10** – label **A Deductions for certain assets**.

Transfer the amount at row **e** to item **6** – label **X Depreciation expenses**.

Transfer the total of the amounts at rows **b** and **c** to item **10** – label **B Deduction for general small business pool**.

Return to: Appendixes for the company tax return

Return to: Instructions to complete the Company tax return 2024

QC 101684

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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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