Australian Government
Australian Taxation Office

Print whole section

Sole trader and business income or losses and partnership distributions

How to complete myTax if you have business/sole trader, partnership or personal services income.

Business and professional items

How to complete the business and professional items section of your return using myTax.

Business payment summaries

How to report business income statement and payment summary information when you lodge your return using myTax.

Personal services income

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QC 101593

myTax 2024 Business and professional items

How to complete the business and professional items section of your return using myTax.

Published 3 June 2024

Completing this section

Complete this section if you selected either of the following at **Personalise return**:

- **Personal services income**.
- **Business income or loss**.

We pre-fill your tax return with information from the Personal services income tool.

You need details of your main business activity, including your Australian business number.

The business and professional items section will be automatically displayed if, at **Personalise return**, you have selected:

- You were a sole trader or had business income or losses or partnership distributions.
- Business/Sole trader income or loss, and either of:
  - Personal services income
  - Business income or loss.

At **Prepare return** select 'Add/Edit' at the Business/sole trader and partnership income (including loss details) banner.

At the **Business and professional items** banner:

1. Answer the question **Did you receive any personal services income?**
   For more information, see Personal services income
   If **Yes**, go to step 2. Otherwise go to step 6.
2. Answer the question **Did you satisfy the results test?**
   For more information, see Results test
   If **No**, go to step 3. Otherwise go to step 6.
3. Answer the question **Have you received a personal services business determination(s) that was in force for the whole of the period you earned PSI?**
   For more information, see Apply for a PSB determination
   If **No**, go to step 4. Otherwise go to step 6.
4. Answer the question **Did you receive 80% or more of your PSI from one source?**
   For more information, see The 80% rule
   If **No**, go to step 5. Otherwise go to step 6.
5. Answer the following questions:
   - **Did you satisfy the unrelated clients test?**
     For more information, see Unrelated clients test for PSI
   - **Did you satisfy the employment test?**
     For more information, see Employment test for PSI

- **Did you satisfy the business premises test?**
  For more information, see Business premises test for PSI
- Go to step 6.

6. Complete the remaining fields and questions (where displayed) in this section:
   - Main business or professional activity – Select the main business or professional activity description where your gross income comes from.
     If you are having difficulty finding an appropriate description, see Having difficulty finding a Main business or professional activity?.
   - Number of business activities – Enter the number of separate and distinct business activities you operated as a sole trader and in partnership during 2023–24. The number of business activities you show here should not be less than the number you show at Loss details.
   - Status of business – select from 'Ceased business', 'Commenced business' or 'Continuing business'.
   - Main business name – The registered business name of your main business activity should be consistent. It should only be updated when there is a name change or when it is no longer the main business activity.
     If the business name is legally changed with the Australian Securities and Investments Commission (ASIC), advise us in writing at the time the change is made. The current business name should be shown on your tax return.
   - Main business address – Enter the business address (street name, suburb or town and state) of the place where most of your business operations are conducted.
7. Select **Save**.

Having difficulty finding a Main business or professional activity?

If you are, we recommend you take the following steps:

1. Enter your activity into the Business industry code tool

2. From the search tool results, click on the link for the most appropriate description for your activity.
3. From here, you will see a **number** and a **description** (for example **69320 Accounting Services**). Enter this description at **Main business or professional activity** in myTax.

More information

The following information may assist you when you are completing either **Personal services income** or **Business income or losses**:

Carrying on a business and business concessions

It is important to understand whether you are carrying on a business for tax and other purposes. Are you in business? provides guidance so you'll know when you need to register for tax and other business responsibilities.

If you're an eligible business, there are a range of concessions based on your aggregated turnover.

Record keeping

Recording your income and expenses is essential to understanding what money goes through your business and why. You need to keep records explaining all transactions that relate to your tax affairs, including Record keeping for PSI.

As a business, you must keep detailed records for all transactions related to your tax and superannuation affairs as you start, run, sell, change or close your business. See Record keeping for business for information to help you understand the requirements for businesses to meet your tax, superannuation and employer obligations.

Employer obligations

Your superannuation and employer obligations require that you offer employees a choice of super fund. You must identify eligible employees, provide a Standard choice form and act on the employee's choice.

QC 101594

myTax 2024 Business income statements and payment summaries

How to report business income statement and payment summary information when you lodge your return using myTax.

Published 3 June 2024

Things to know

Complete this section to show business-related income from income statements and payment summaries.

You must include income in this section if you have business-related income and tax has been withheld. If this is the case, you should have received one of the following:

- income statement or *PAYG payment summary – business and personal services income* where the payment type is
  - Voluntary agreement
  - Labour-hire payment
  - Other specified payments
- *PAYG payment summary – withholding where ABN not quoted*
- *PAYG withholding payment summary – foreign residents*.

Don't show at this section

Don't include the following at this section:

- Amounts subject to foreign resident capital gains withholding, go to Capital gains or losses
- Any income statement or *PAYG payment summary – business and personal services income* where the payment type is Personal

services attributed income, go to Attributed personal services income

- Business income statements and payment summaries **where no tax has been withheld**, first record the information, delete it from this section and then if
  - PSI rules apply, go to Personal services income
  - PSI rules do not apply, go to Business income or losses.

If you show Business income statements and payment summaries **where no tax has been withheld** at this section, you will receive an error for the following payment types:

- Voluntary agreement.
- No ABN quoted.
- Foreign resident withholding.

Completing this section

First you will need to complete the Business and professional items section.

You will need your:

- Business-related income statement
- *PAYG payment summary – business and personal services income*
- *PAYG payment summary – withholding where ABN not quoted*
- *PAYG withholding payment summary – foreign residents*

We pre-fill your tax return with business-related income statement or payment summary information provided to us. Check them and add any business-related income statements or payment summaries that have not pre-filled.

Contact your payer if your income statement or payment summary:

- Is incorrect – if they have made an error, they can usually correct it.
- Isn't available – they should give you a copy or comparable statement. If you are unsuccessful, see Income statement not tax ready or Lost or missing payment summary.

If you have a reminder below the **Business and professional items** section that you received payments or grants reported in a Taxable payments annual report where tax has been withheld, include these amounts in this section. Amounts invoiced but not actually paid to you in the income year were not included in this year's report.

The Business income statements and payment summaries section will be automatically displayed if, at **Personalise return**, you have selected:

- You were a sole trader or had business income or losses or partnership distributions
  - Business/Sole trader income or loss, and either of
    - Personal services income.
    - Business income or loss.

To show business-related income from income statements and payment summaries, at **Prepare return** select 'Add/Edit' at the Business/sole trader and partnership income banner.

At the **Business income statements and payment summaries** banner:

1. For each income statement or payment summary that has not been pre-filled in your tax return, select **Add** and enter information into the corresponding fields.
   - If the income statement or payment summary has no tax withheld, go to Don't show at this section.
2. Select the **Payment type**. For more information, see Payment type. Select one of the following
   - **Voluntary agreement** if you have an income statement or *PAYG payment summary – business and personal services income* where the payment type is Voluntary agreement
   - **Labour hire** if you have an income statement or *PAYG payment summary – business and personal services income* where the payment type is Labour-hire payment
   - **Other specified payments** if you have an income statement or *PAYG payment summary – business and personal services income* where the payment type is Other specified payments.
   - **No ABN quoted** if you have an income statement, *PAYG payment summary – withholding where ABN not quoted* or payments or

grants reported in a Taxable payments annual report where tax has been withheld

- **Foreign resident withholding** if you have an income statement or *PAYG withholding payment summary – foreign residents*.

3. Select the **Income type**.
   Personal services income
   Personal services income is income that is mainly a reward for an individual's personal efforts or skills. To work out whether your income is personal services income you can use the Personal services income tool or go to Personal services income to learn more.

4. Where the income type is **Business income**, select whether the income is **Primary production** or **Non-primary production**.
   You need to separate your business income into primary production income and non-primary production income. Primary production activities are described in Information for primary producers.

5. Select **Save**.

MyTax will use the information in this section to complete income and tax withheld fields under either the **Personal services income** or **Business income or losses** banner.

Payment type

Voluntary agreement

The amount you show is the total income you received that was subject to a PAYG voluntary agreement, including amounts of tax withheld.

No ABN quoted

The amount you show is your total income from which an amount has been withheld because you did not quote your ABN, including the amounts of tax withheld.

Labour hire or other specified payments

Specified payments include:

- tutorial services you provided for the Indigenous Student Success Programme (formerly known as the Indigenous Tutorial Assistance Scheme) of the Department of the Prime Minister and Cabinet

- income from translation and interpretation services for the Translating and Interpreting Service National of the Department of Home Affairs
- income as a performing artist in a promotional activity.

The amount you show is the total income you received from labour hire or other specified payments, including amounts of tax withheld.

Don't include income received as an employee of a labour hire business. These amounts will appear on your income statement or *PAYG payment summary – individual non-business* and you should show them at Income statements and payment summaries.

QC 101595

myTax 2024 Personal services income

How to report personal services income in your return using myTax.

Last updated 3 June 2024

Things to know

This section relates to personal services income (PSI). Complete this section if you:

- received income for personal services you provided as a sole trader
- confirmed the PSI rules apply to you, and
- have completed the **Business and professional items** section.

Personal services income (PSI) is income that is mainly a reward for an individual's personal efforts or skills.

If more than 50% of the income received under a contract is for your personal efforts or skills, then all income for that contract is PSI.

If 50% or less of the income received under a contract is for your personal efforts of skills, then none of the income for that contract is PSI.

You can receive PSI in almost any industry, trade or profession. Some common examples include:

- financial professionals
- information technology consultants
- engineers
- construction workers
- medical practitioners
- if you obtain work through an agency.

For more information, see Taxation Ruling 2022/3 *Income tax: personal services income and personal services businesses*.

PSI doesn't affect you if you're an employee receiving only salaries and wages. But, if you are operating through an entity, such as a company, partnership or trust, and are an employee of that entity then the PSI rules may still apply.

If you earn PSI, and the PSI rules apply to that income, the types of deductions you can be claim may be affected. In general, when you earn PSI, you are treated as though you are in the same position as an employee. Visit Claiming deductions when receiving PSI to learn more.

You generally can't deduct spending on capital assets immediately. Instead, you claim the cost over time, reflecting the asset's depreciation (or decline in value). For more information, see Guide to depreciating assets.

If you're registered or required to register for GST, don't include any GST amounts in your assessable income. Your deductions should not include any amounts that relate to input tax credit entitlements.

Related page

Personal services income
Find out if you are receiving personal services income (PSI) and if the PSI rules apply to you.

Video tutorial

The following video shows you how to include a labour hire payment in myTax.

Media: How to complete myTax if you received labour hire income https://tv.ato.gov.au/ato-tv/media?v=bi9or7on5db7ep (**Duration:** 3:32)

Completing this section

First you will need to complete the:

- Business and professional items section
- Business income statements and payment summaries section for any of the following where tax has been withheld:
  - Income statement
  - *PAYG payment summary – business and personal services income*
  - *PAYG payment summary – withholding where ABN not quoted, or*
  - any payments or grants reported in a Taxable payments annual report (including those shown in a reminder below the **Business and professional items** section).

To personalise your return to show PSI, at **Personalise return** select:

- You were a sole trader or had business income or losses or partnership distributions
- Business/Sole trader income or loss
- Personal services income

To show your PSI details, at **Prepare return** select 'Add/Edit' at the Business/sole trader and partnership income (including loss details) banner.

Within the **Personal services income** banner:

1. Select **Net personal services income** to expand the section.
   Any income amounts entered in **Business income statements and payment summaries**, where the income type is 'Personal services income' and tax has been withheld, will automatically transfer across and show in the fields

- **Voluntary agreement**
- **ABN not quoted**
- **Labour hire or other specified payments**.

2. Add up any other personal services income and enter the amount at **Other**, including amounts received where either of the following apply
   - No tax has been withheld from Business and personal services income on your income statement or payment summary.
   - There is a reminder below the **Business and professional items** section that you received payments or grants reported in a Taxable payments annual report where tax has not been withheld.
     Any amounts invoiced but not actually paid to you in the financial year were not included in this year's Taxable payments annual report.
3. Enter the deductions you are eligible to claim in the corresponding fields. See Claiming deductions when receiving PSI to learn more.

   The **Depreciation and capital allowances tool** can help you work out any decline in value. It can also work out any deductible balancing adjustment when you stop holding a depreciating asset. Access this tool in the **Deductions** section on the **Prepare return** screen.
   Fields from this tool can't be adjusted in myTax. To make any adjustments, or to add new assets to the tool, select the 'Use the depreciation and capital allowances tool' link.

MyTax will:

- automatically calculate your Net personal services income
- transfer any tax withheld amounts entered in **Business income statements and payment summaries** and show in the fields:
  - **Voluntary agreement**
  - **ABN not quoted**
  - **Labour hire or other specified payments**.

4. Select **Save**.

5. Select Save and continue when you have completed the **Business/sole trader and partnership income (including loss details)** section.

QC 101596

myTax 2024 Net income or loss from business

How to complete the business section of your tax return using myTax.

Last updated 8 July 2024

Things to know

Complete **Net income or loss from business** if you derived income or incurred a loss from any business.

This section covers:

- income
  - from being a sole trader
  - under a pay as you go (PAYG) voluntary agreement
  - from which an amount was withheld because you did not quote your Australian business number (ABN)
  - you derived as a foreign resident from which an amount was withheld because it was subject to foreign resident withholding
  - of an independent contractor working under a labour hire arrangement
  - from the following specified payments
    - payment for tutorial services provided under the Indigenous Student Success Programme (formerly known as the Indigenous Tutorial Assistance Scheme) of the Department of the Prime Minister and Cabinet

    - payment for translation and interpretation services provided for the Translating and Interpreting Service National of the Department of Home Affairs
  - as a performing artist in a promotional activity
- income or a loss from a primary production business
- any other business income.

Net income or loss from business consists of 3 sections:

- Net primary production
- Net non-primary production
- Other business and professional items

The income and expenses to be included in **Net primary production** and **Net non-primary production**:

- are amounts derived from your accounting system or financial statements, except for the following which are to be shown at tax values
  - the values of opening and closing stock, and
  - depreciation expenses for small business entities choosing to use the simplified depreciation rules
- should form part of your profit and loss statement and are the basis for calculating your net profit or loss.
  You should deal with any adjustments to these amounts for tax purposes at **Primary production – Business reconciliation items** and **Non-primary production – Business reconciliation items**.

Video tutorials

The following video shows you how to complete the business income or losses section in myTax.

Media: How to complete the business section in myTax
http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubosijw7 (**Duration:** 3:13)

The following video shows you how to use the Depreciation and capital allowances tool.

Media: How to use the Depreciation and capital allowance tool http://tv.ato.gov.au/ato-tv/media?v=bd1bdiuboi7hki (**Duration:** 3:56)

Completing this section

First you will need to complete the:

- Business and professional items section
- Business income statements and payment summaries section for any of the following where tax has been withheld
  - Income statement
  - *PAYG payment summary – business and personal services income*
  - *PAYG payment summary – withholding where ABN not quoted*, or
  - any payments or grants reported in a Taxable payments annual report (including those shown in a reminder below the Business and professional items section).

To personalise your return to show Net income or loss from business, at **Personalise return** select:

- You were a sole trader or had business income or losses or partnership distributions
  - Business/Sole trader income or loss
    - Business income or loss

To show your Net income or loss from business, at **Prepare return** select 'Add/Edit' at the Business/sole trader and partnership income (including loss details) banner.

At the **Business income or losses** banner, expand the parts that apply to your circumstances to add details.

Net primary production

Complete this part if you have business income and expenses from primary production activities.

You carry on a primary production business if you carry on a business undertaking:

- plant or animal cultivation (or both)
- fishing or pearling (or both)
- tree farming or felling (or both)

For further information, see Information for primary producers.

If you don't carry on a primary production business, go to Net non-primary production.

You will need the primary production worksheet if you are a primary producer to determine some of the amounts in this section. Complete this worksheet before proceeding.

1. Select **Net primary production** to expand the section.

Primary production – Business income

2. At Primary production – Business income:
   - myTax will automatically transfer the following primary production amounts shown in **Business income statements and payment summaries**, where the income type is 'Business income':
     - **ABN not quoted**
     - **Voluntary agreement**
     - **Labour hire or other specified payments**.
   - Enter your total primary production government industry payments received at **Assessable government industry payments**.
     For more information, see Assessable government industry payments.
     If you enter an amount at **Australian government industry payments**, answer the question **Does the Assessable government industry payments include fuel tax credits?**
   - Enter your Other primary production business income or loss amounts at **Other business income**.

Primary production – Business tax withheld

myTax will transfer any tax withheld amounts entered in **Business income statements and payment summaries** and show in the fields:

- **ABN not quoted**
- **Voluntary agreement**
- **Labour hire or other specified payments**.

Primary production – Business expenses

3. Enter your primary production business expense amounts into the corresponding fields.
   - **Closing stock**
     If you enter an amount at closing stock, you need to indicate a Closing stock value type.
   - **Motor vehicle expenses**
     If you enter an amount at motor vehicle expenses, you will need to indicate a Motor vehicle expense type.
   - The **Depreciation and capital allowances tool** can help you work out any decline in value. It can also work out any deductible balancing adjustment when you stop holding a depreciating asset. Access this tool when you enter your business income or loss details.
     Fields from this tool can't be adjusted in myTax. To make any adjustments, or to add new assets to the tool, select the 'Use the depreciation and capital allowances tool' link.

Primary production – Business reconciliation items

4. Enter the reconciliation item amounts related to your primary production business activities into the corresponding fields.

myTax will automatically calculate your Total net primary production income or loss from business.

5. Select **Save**.
   Go to Net non-primary production if you have business income and expenses from non-primary production activities.
   Otherwise, go to Other business and professional items.

Net non-primary production

Complete this part if you have business income and expenses from non-primary production activities.

1. Select **Net non-primary production** to expand the section.

Non-primary production – Business income

2. At Non-primary production – Business income:

- myTax will automatically transfer the following non-primary production amounts shown in **Business income statements and payment summaries**, where the type of income is 'Business income'
  - **ABN not quoted**
  - **Gross payments subject to foreign resident withholding (excluding capital gains)**
  - **Voluntary agreement**
  - **Labour hire or other specified payments**.
- Enter your total non-primary production government industry payments received at **Assessable government industry payments**.
  For more information, see Assessable government industry payments.
  If you enter an amount at **Australian government industry payments**, answer the question **Does the Assessable government industry payments include fuel tax credits?**
- Enter your other non-primary production business income or loss amounts at **Other business income**.
  Include payments received that are not personal services income, no tax has been withheld and you have a reminder below the **Business and professional items** section that you received either
  - Payments or grants reported in a Taxable payments annual report that relate to non-primary production business activities. Amounts invoiced but not actually paid to you in the financial year were not included in this year's Taxable payments annual report.
  - Business transactions through an electronic payment system and these payments belong to your business activities.
    Work out the amount you need to include at this section.

Non-primary production – Business tax withheld

myTax will transfer any tax withheld amounts entered in **Business income statements and payment summaries** and show in the fields:

- **ABN not quoted**
- **Foreign resident withholding (excluding capital gains)**
- **Voluntary agreement**
- **Labour hire or other specified payments**.

Non-primary production – Business expenses

3. Enter your non-primary production business expense amounts into the corresponding fields.
   - **Closing stock**
     If you enter an amount at closing stock, you need to indicate a Closing stock value type.
   - **Motor vehicle expenses**
     If you enter an amount at motor vehicle expenses, you will need to indicate a Motor vehicle expense type.
   - The **Depreciation and capital allowances tool** can help you work out any decline in value. It can also work out any deductible balancing adjustment when you stop holding a depreciating asset. Access this tool when you enter your business income or loss details.
     Fields from this tool can't be adjusted in myTax. To make any adjustments, or to add new assets to the tool, select the 'Use the depreciation and capital allowances tool' link.

Non-primary production – Business reconciliation items

4. Enter the reconciliation item amounts related to your non-primary production business activities into the corresponding fields.

myTax will automatically calculate your Total net non-primary production income or loss from business.

5. To enable us to work out your Income tests amounts, enter the following fields:
   - **Net non-primary production income or loss from a business of investing**
   - **Net non-primary production income or loss from a rental property business**

- **Remaining net non-primary production income or loss from business**.

The amounts you enter into the 3 fields must add up to Total non-primary production net income or loss from business.

6. Select **Save**. Go to Other business and professional items.

Other business and professional items

Complete this part if you have any business income or expenses.

1. Select **Other business and professional items** to expand the section.
2. Enter your other business and professional items information into the corresponding fields.
3. At **Small business entity simplified depreciation**, enter amounts into the following fields as required using the Depreciation and capital allowances tool, or amounts you calculated for small business entity depreciation deductions in Worksheet 1:
   - **Deduction for certain assets**
   - **Deduction for general small business pool**.
   - For eligibility information, see Small business entity simplified depreciation.

The instant asset write-off eligibility criteria and threshold have changed over time. Visit Instant asset write-off for eligible businesses to learn more.

4. At **Small business bonus deductions**, if you are eligible for, and are claiming, the small business bonus deduction, enter amounts in the fields that apply to your business.
   - To learn more about the bonus deductions including who can claim, what can be claimed, when and how to claim the boost correctly, see Small business bonus deductions.
5. At **Other**, enter amounts in the fields that apply to your business.
   - For information on what to show in the required fields, see Other business and professional items.

- **Total salary and wage expenses**
  If you enter an amount at total salary and wage expenses, you need to select the code that best describes where the salary and wages have been wholly or predominantly reported. The options are
  - C: All included in expense component Cost of sales
  - A: All included in expense component All other expenses
  - B: Included in both Cost of sales and All other expenses
  - O: Included in other than Cost of sales and All other expenses.

6. Select **Save**.
7. Select **Save and continue** when you have completed the **Business/sole trader and partnership income (including loss details)** section.

Note: If you are a small business entity, you may be entitled to the Small business income tax offset.

Closing stock value type

The options are:

- C: cost
- M: market selling price
- R: replacement value.

If this is your first year in business, the value of your Closing stock will be zero. Select Closing stock value type **C**.

Motor vehicle expense type

The options are:

- S: Cents per kilometre method
- B: Logbook method
- N: Motorcycle, taxi, hire car, vehicle over 1 tonne, carry 9 or more passengers

If you have more than one code, select the code that applies to the largest claim.

More about business income or losses

More information about completing the business section of your return using myTax.

- Business income
- Business expenses
- Business reconciliation items
- Other business and professional items

Business income

Business income is divided into:

- Income you have shown at Business income and payment summaries for gross payments
  - where Australian business number not quoted
  - subject to foreign resident withholding (excluding capital gains) – for non-primary production only
  - voluntary agreement
  - labour hire or other specified payments
- Assessable government industry payments
- Other business income.

What to include in your business's assessable income

- Cash income; this is cash payments for goods or services.
- Commissions, investment earnings, gratuities and compensation payments; this is an exhaustive list of additional payments that you may receive as part of your business activities.
- Crypto assets; this includes crypto assets you received for goods and services as well as disposal of crypto assets you owned.
- Income from crowdfunding; this is income raised from supporters to fund a project or venture.
- Income from the sharing economy; this is economic activity through a digital platform (such as a website or an app) where people share assets or supply services for a fee.

- Income from online activities; this is income from business activity you conduct online.
- Income not part of everyday business activities; this is when your business receives income outside of its usual everyday business activities.
- Goods and services tax (GST); this refers to the special rules you must follow if your business is registered for GST.

What to exclude from your business's assessable income; there are amounts that are not assessable income for income tax purposes.

Don’t show at this section

Don’t show the following types of income here:

- gross interest, go to Interest
- dividends and franking credits, go to Dividends
- distributions from partnerships and trusts, go to Partnerships and Trusts
- payments and grants reported in a Taxable payments annual report where tax has been withheld, included in a reminder below the **Business and professional items** section, go to Business income statements and payment summaries
- business-related income statements or payment summaries where tax has been withheld, go to Business income statements and payment summaries
- gross rental or similar income, including renting out all or part of your home through the sharing economy, that is not derived from carrying on a business of renting property, such as agistment or hire fees, go to Rent
- income you earned through the sharing economy or other marketplace not derived from carrying on a business, go to Any other income or at Salary, wages, allowances, tips, bonuses if you are an employee of the digital platform
- net capital gains, go to Capital gains or losses
- Personal services income, go to Personal services income

- farm management repayments, go to Net farm management deposits or repayments
- attributed foreign income, go to Foreign entities
- foreign source income, go to Other foreign income.

Assessable government industry payments

Generally, government credits, grants, rebates, bounties and subsidies are assessable income of the recipient if they are received in, or in relation to, the carrying on of a business. This includes amounts of a capital nature. Amounts relating to the commencement or cessation of a business may give rise to a capital gain. In certain circumstances, a specific grant or payment may 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 and COVID-19. Only those grants and payments that are assessable income will need to be included at this section.

Examples of assessable government industry assistance are:

- bounties
- employee subsidies
- export incentive grants
- fuel tax credits
- industry restructuring and adjustment payments
- Apprentices and Trainees wage subsidy
- producer rebate (wine equalisation tax)
- excise refund scheme for alcohol manufacturers
- product stewardship for oil program benefit.

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*.

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

- Cash Flow Boost Payments (COVID-19) (non-assessable, non-exempt income). If cash flow boost payments have been included as income in the accounts, include them at Other business income and Income reconciliation adjustments.
- Commonwealth and State government grants and payments that are tax free.

Medicare payments

Don't include 'Medicare payments received by medical practices' here. Include them at **Other business income**.

Primary producers

If you are a primary producer, you must include the amounts shown at PP11 on your primary production worksheet.

Related pages

Government payments during COVID-19 – tax implications
There may be tax implications for government grants or payments you receive from federal, state or territory, or local governments as a result of you being affected by COVID-19.

Reporting disaster payments and grants in your tax return
Find out if you need to report disaster payments and grants in your tax return and if you need to pay tax on them.

Other business income

Other business income includes:

- gross sales of trading stock
- gross sales from produce
- goods taken from stock for your own use
- value of livestock killed for rations
- value of livestock exchanged for other goods or services
- gross earnings from services
- rent derived from carrying on a business of renting property
- income earned through the sharing economy, or other marketplace, where you're carrying on a business

- taxi driver and ride-sourcing earnings (income you earned as a non-employee taxi driver if it is not shown at Personal services income)
- amounts received as recoupment of expenses
- bad debts recovered
- profit on sale of depreciating assets
- royalties
- insurance recoveries
- subsidies
- employee contributions for fringe benefits
- assessable non-government assistance from all sources
- foreign exchange (forex) gains
- payments and grants reported in a Taxable payments annual report where tax has not been withheld and they relate to business income
- business-related income statements or payment summaries where no tax has been withheld.

Your other business income excludes amounts shown at Business income statement and payment summaries and at the **Assessable government industry payments** field.

If you are a primary producer, you must add the amounts shown at PP1, PP2, PP6, PP7 and PP10 on your primary production worksheet to any other income from a business of primary production referred to above.

Business transactions

Organisations that process transactions for their business clients through an electronic payment system are now required to report these to us.

The information is reported to us in a *Business transactions through payment systems* report.

These business transactions may need to be taken into consideration when completing your tax return.

If the business transactions belong to a related entity, or belong to another non-related entity, see What if you don't agree with the pre-

filled information?

Goods and services tax (GST)

If you are registered or required to be registered for GST, you need to:

- consider your assessable income, exempt income and amounts received or receivable. For tax purposes, you should exclude GST from them when you calculate your income and deductions.
- reduce deductible losses and outgoings by the amount of input tax credit entitlement. In certain circumstances, you could make an adjustment for GST purposes. This could alter your assessable income or deductibles. For example, a change in how much you use an asset for business purposes could increase or decrease your GST component.
- exclude GST under rules such as capital gains tax and capital allowances.

If you are not registered for GST or not required to be, you don't need to adjust your income and deductions for GST. You can claim the GST-inclusive amount incurred on deductible outgoings.

Business expenses

You can claim a deduction for most expenses from carrying on your business, as long as they are directly related to earning your assessable income.

There are 3 golden rules for what we accept as a valid business deduction:

- The expense must have been for your business, not for private use.
- If the expense is for a mix of business and private use, you can only claim the portion that is used for your business.
- You must have records to prove it.

Business expenses are divided into:

- Opening stock
- Purchases and other costs
- Closing stock
- Cost of sales

- Foreign resident withholding expenses (excluding capital gains) – for non-primary production only
- Contractor, sub-contractor and commission expenses
- Superannuation expenses
- Bad debts
- Lease expenses
- Rent expenses
- Interest expenses within Australia
- Interest expenses overseas
- Depreciation expenses
- Motor vehicle expenses
- Repairs and maintenance
- All other expenses

This information may also assist in completing this section:

- Goods and services tax
- Prepayments of $1,000 or more
- Thin capitalisation rule

Related page

Record keeping for business
Keep accurate and complete records helps you meet your tax, superannuation and employer obligations.

Don't show at this section

Don't include the following expenses on your schedule:

- non-business interest and dividend income expenses; claim deductible expenses at Interest deductions and Dividend deductions
- farm management deposits, go to Net farm management deposits or repayments
- non-business rental expenses; claim deductible expenses at Rent

- expenses and losses relating to foreign source income; take them into account as required at Other foreign income, or in the case of certain debt deductions, claim them at Other deductions on your tax return
- expenses relating to your personal services income shown at Personal services income
- low-value pool deduction, where the pool contains assets used for work-related, self-education or non-business rental purposes at Low value pool deduction.

Your expenses may include expenditure relating to the acquisition and disposal of crypto assets in the ordinary course of your business, or the arm's length value of the business item (including trading stock) acquired using crypto assets.

You need to complete all sections that relate to your business or businesses.

You can't deduct salary and wage expenses where you have not complied with your pay as you go withholding obligations. See Removing tax deductibility of non-compliant payments.

If you are a primary producer, you will need a primary production worksheet to help you work out some of the amounts. Complete the worksheet before proceeding.

Opening stock

The opening value of an item of stock must equal its closing value in the previous year. The total value of all stock on hand at the start of the year is equal to the amount shown as closing stock on your 2023 tax return.

If you are a primary producer, you must add the value of your opening stock from your livestock account at PP4 on your primary production worksheet to the value of your opening stock from your produce account at PP9 on your primary production worksheet. The total of these amounts is the total value of your primary production opening stock.

Don't include any amounts representing opening stock of a business which commenced operations during the year. Include the purchase costs of these items at **Purchases and other costs**.

Return to Business expenses

Purchases and other costs

Purchases and other costs represent the direct cost of materials used for manufacture, sale or exchange in deriving the gross proceeds or earnings of the business. It includes inwards freight and the cost of stock acquired when starting or acquiring a business during the year. It may also include some costs for labour and services provided under contract, if these are recorded in the cost of sales account in your business books of account. If so, don't include this amount at **Contractor, subcontractor and commission expenses**.

If you are a primary producer, you must include the value of your purchases from your livestock account at PP5 on your primary production worksheet.

Former STS taxpayers

If you are eligible and are continuing to use the STS accounting method, include only purchases and other costs that you have paid.

Return to Business expenses

Closing stock

Small business entities need to know

If you are a small business entity and are choosing to use the simplified trading stock rules you need to account for changes in the value of your trading stock only if there is a difference of more than $5,000 between the value of all your stock on hand at the start of the income year and a reasonable estimate of the value of all your stock on hand at the end of the income year.

The value of your stock on hand at the start of the income year is the same value as the closing value shown on your schedule in the previous year. This may not necessarily reflect the actual value of your stock if you did not account for the change in value of your stock in the previous year. See estimating stock value for information on conducting a reasonable estimate of the value of stock.

You can still choose to conduct a stocktake and account for changes in the value of trading stock, if you wish.

Is the difference between the value of your opening stock and a reasonable estimate of your closing stock more than $5,000?

Yes – You must account for changes in the value of your trading stock. Go to Step 2.

No – If you choose not to account for changes in the value of your trading stock, go to Step 1. Otherwise, go to Step 2.

1. If the difference referred to above is $5,000 or less and you choose not to account for this difference, the closing stock values you enter must be the same as the values you enter at **Opening stock**. Don't enter your reasonable estimate.

   Go to Cost of sales

2. If the difference referred to above is more than $5,000 or you choose to account for the difference in trading stock, the closing stock values must be brought to account under section 70-35 of the *Income Tax Assessment Act 1997* (ITAA 1997). See other businesses for information on how to calculate trading stock.

   You must include in your **Closing stock** amount the value of all stock on hand, regardless of whether you have paid for the stock.

Other businesses need to know

The amount you show at Closing stock is the total of the value of all items of trading stock, with the value of each item calculated for tax purposes in accordance with section 70-45 of the ITAA 1997.

Trading stock is anything you have on hand which you produced, manufactured, acquired or purchased for the purpose of sale, manufacture or exchange. For example, trading stock includes livestock but not working animals (except those used by a primary producer), crops and timber when harvested, and wool after it is removed from the sheep.

Manufacturers must include as trading stock partly manufactured goods and materials on hand. However, closing stock excludes any amount that represented closing stock of a business that ceased operations during the year. This amount is included at **Other business income**. For more details on what constitutes trading stock, see Simplified trading stock rules.

You can choose one of the following 3 methods to value your trading stock:

- cost

- market selling price
- replacement value.

You may elect to value an item of trading stock below the lowest value calculated by any of these methods. This may be because it has become obsolete or there are other special circumstances. The value you elect must be reasonable. Where you elect to value an item of trading stock below cost, market selling value and replacement value, you must complete the **Trading stock election**.

You may use different methods to calculate each item of trading stock in different years or for different items in the same year. However, the opening value of each item in a particular year must be the same as the closing value for that item in the previous year.

If you are registered for GST, the value of closing stock should not include an amount equal to the input tax credit that would arise if you had acquired the item solely for business purposes at the end of the income year. Input tax credits don't arise for some items of trading stock, such as shares.

If you are a primary producer, you must add the value of your closing stock from your livestock account at PP3 on your primary production worksheet to the value of your closing stock from your produce account at PP8 on your primary production worksheet.

The total of these amounts is the total value of your primary production closing stock.

As the tax values of closing stock on hand are shown at PP3 and at PP8 on your primary production worksheet, you can't reduce these values by accounting entries. Keep records showing how each item was valued.

Return to Business expenses

Cost of sales

MyTax will work out your **Cost of sales** from the information you provide.

Return to Business expenses

Foreign resident withholding expenses (excluding capital gains)

Enter your total non-primary production expenses directly related to income subject to foreign resident withholding (excluding capital gains). You will not have any primary production amounts here.

Return to Business expenses

Contractor, sub-contractor and commission expenses

These are expenses for labour and services provided under contract, other than salaries or wages, for example:

- payments to self-employed people, such as consultants and contractors, including payments subject to a PAYG voluntary agreement to withhold, and payments made under a labour-hire arrangement
- commissions paid to people not receiving a retainer
- agency fees (such as for services provided by an advertising agency)
- service fees (such as plant service)
- management fees
- consultant fees.

Don't include the following at this field:

- expenses for external labour which have been included in the business cost of sales account
- expenses for accounting or legal services; include these at All other expenses
- expenses for payments made where the associated withholding obligations have not been complied with. See Removing tax deductibility of non-compliant payments.

Return to Business expenses

Superannuation expenses

If you made superannuation contributions on behalf of eligible employees or their dependants as a business expense, enter the superannuation expenses for the income year. Don't include any amount that was a contribution for you. The deduction for your own superannuation contributions must be claimed at Personal super contributions.

Employers are entitled to a deduction for the contributions they made to a complying superannuation, provident, benefit or retirement fund or retirement savings account (RSA) where the contributions are to provide superannuation benefits for employees or to provide benefits to the employee's dependants on the employee's death. A deduction is allowable in the income year in which the contributions are made.

Contributions made to a non-complying fund:

- are not allowable as a deduction
- don't count towards superannuation guarantee obligations.

You can check the compliance status of superannuation funds at superfundlookup.gov.au.

Under the superannuation guarantee, an employer needs to provide a minimum level of superannuation for employees. If the employer doesn't make the minimum contribution by the relevant date, the employer is required to pay the superannuation guarantee charge on the superannuation guarantee shortfall. The superannuation guarantee charge is not a superannuation contribution and is not tax deductible. Contributions made by employers to offset a superannuation guarantee charge liability are not deductible.

Contributions paid by an employer to a non-complying superannuation fund on behalf of an employee are fringe benefits (other than where the contributions are made for a temporary resident) and may be subject to tax under the *Fringe Benefits Tax Assessment Act 1986*.

There is no age-related limit on deductions for contributions made on or before the 28th day following the end of the month in which the employee turns 75. However, the employee may be liable to pay additional tax if their concessional contributions exceed their concessional contributions cap.

Concessional contributions cap provides information on how much you can pay into your super fund each financial year without having to pay extra tax.

For contributions made after the 28th day following the end of the month of the employee's 75th birthday, the deduction claimable is limited to:

- the amount of the contribution required under an industrial award, determination or notional agreement preserving state awards, or

- the amount of the contribution that reduces an employer's charge percentage under the *Superannuation Guarantee (Administration) Act 1992* in respect of the employee, or
- where both amounts are applicable, apply the greater of the 2 amounts.

Return to Business expenses

Bad debts

You are not allowed a deduction for bad debts unless you have previously included the amount in your assessable income and it relates to money you lent in the ordinary course of a money-lending business or it represents a business loss or outgoing of a revenue nature.

Before you can claim a bad debt, it must be bad and not merely doubtful. The question of whether a debt is a bad debt will depend on the facts in each case and, where applicable, the action taken for recovery.

Don't include accounting provisions for doubtful debts. You include them at **All other expenses**, then add them back at **Expense reconciliation adjustments** in the **Business reconciliation items** section.

For more information, see Taxation Ruling TR 92/18 *Income tax: bad debts*.

You can also claim a deduction for:

- partial debt write-offs; where only part of a debt is bad and is written off, you may claim a deduction for the amount written off
- losses incurred for debt written off under a debt-for-equity swap where you discharge, release or otherwise extinguish the whole or part of a debt owed to you in return for equity in the debtor.

In the case of a debt-for-equity swap, you can claim a deduction for the difference between the amount of the debt and the greater of the market value of the equity at the time of issue or the value of the equity recorded in your books at the time of issue.

As a business owner, you may be able to claim deductions for unrecoverable income (bad debts).

Keep a statement for all debtors whose bad debts you wrote off during the year, showing:

- their name and address
- the amount of the debt
- the reason you regarded the debt as bad
- where applicable, the year in which you included the amount as income.

Return to Business expenses

Lease expenses

This is expenditure incurred on financial leases and on operating leases for assets such as motor vehicles and plant. Don't include the cost of leasing real estate (show this cost at **Rent expenses**).

If you include capital expenditure incurred to terminate a lease or licence, you will need to add back the amount at **Expense reconciliation adjustments**. Although capital expenditure to terminate a lease or licence is not deductible in one year, a 5-year straight-line write-off may be allowable (see section 25–110 of the ITAA 1997) for certain capital expenditure incurred to terminate a 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 note 3.

In some circumstances, lease expenses may be debt deductions for the purposes of the thin capitalisation rules.

If you include an amount of lease expense which is not allowable as a deduction, such as amounts disallowed under the thin capitalisation rules, you will need to add back the amount at **Expense reconciliation adjustments**.

Expenses incurred under a hire purchase agreement are not lease expenses. Such expenses are included at **Expense reconciliation adjustments**.

Special rules apply to leased cars if the cost of the car exceeds the car limit that applies for the financial year in which the lease commences. The car limit for 2023–24 is $68,108.

If you lease a car that is subject to the special rules, the reconciliation between the lease expense and the tax treatment is carried out at **Expense reconciliation adjustments**. See Luxury car leasing.

List the assets leased and keep full details of the leasing expenses for each item, including motor vehicles and details of any private use. Leasing expenses of certain cars fall under the substantiation rules.

Return to Business expenses

Rent expenses

This is expenditure you incurred as a tenant for rental of land and buildings used in the production of income. Include the cost of leasing real estate.

Return to Business expenses

Interest expenses within Australia

Include interest you incurred on money borrowed within Australia to acquire income-producing assets used in your business, to finance business operations or to meet current business expenses.

Don't include interest incurred in deriving rental income. Claim this at **Rent** on your tax return.

If you include an amount of interest which is not allowable as a deduction, such as amounts denied by the thin capitalisation rules, you will need to add back the amount at **Expense reconciliation adjustments**.

Return to Business expenses

Interest expenses overseas

Include any interest incurred on money borrowed from overseas sources to acquire income-producing assets used in your business to either:

- finance business operations
- meet current business expenses.

Don't include interest incurred in deriving rental income. Claim this at **Rent** on your tax return.

Generally, you are required to withhold an amount of withholding tax:

- from interest paid or payable to non-residents
- from interest derived by a resident through an overseas branch.

You must send these withheld amounts to us. You can't deduct an interest expense if you were required to withhold tax on that interest and you failed to do so.

For information on the tax treatment of interest paid to non-residents, contact us.

If you include an amount of interest which is not allowable as a deduction, such as amounts denied by the thin capitalisation rules, you will need to add back the amount at **Expense reconciliation adjustments**.

Return to Business expenses

Depreciation expenses

- Small business entities
- Other businesses
- Small business – $20,000 Instant asset write-off

You don't include the pool deductions at this section if you are not carrying on a business this year, but in a prior year you allocated assets to a general small business pool. Show such deductions at Other deductions.

Small business entities

Include amounts for depreciation deductions claimed:

- under the simplified depreciation rules, and
- for the business use of other assets under the uniform capital allowances (UCA) rules.

However, this excludes any amount included at Personal services income.

Some depreciating assets are excluded from the simplified depreciation rules, but a deduction may be available for these assets under the UCA rules. For more information, see Assets and exclusions. Special rules apply if the depreciating asset is a car.

If you are a small business entity and are choosing to use these simplified depreciation rules, you must claim an immediate deduction and use pooling as applicable. You can't choose to use one and not the other.

Calculating your depreciation deductions (Small business entities using simplified depreciation)

You can work out your depreciation and capital allowance claims by using the Depreciation and capital allowances tool. If you want to manually calculate your amounts read on.

If your accounting system or financial statements provide you with the amounts to complete worksheet 1, enter these amounts in the worksheet. Otherwise, use calculations 1 to 4 below to calculate your depreciation deductions.

The amounts you enter in worksheet 1 must be tax values and not accounting values.

Calculation 1: Deduction for certain assets and cost additions (costing less than $20,000)

For an explanation of the terms we use in this section, see Definitions.

Under the instant asset write-off measure, an immediate deduction is available for the cost of 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 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 taxable purpose proportion of each of these assets and cost additions. You calculate the deduction as follows:

- Step 1: Multiply each asset's adjustable value and any cost addition amounts by the taxable purpose proportion (%)

- Step 2: Add these results and write the total at row **a** in worksheet 1

For assets you held before using the simplified depreciation rules, assets that cost $20,000 or more and all other cost additions – see Calculation 2.

The adjustable value of an asset, at the time it was first used (or installed ready for use) for a taxable purpose, will be its cost unless the asset was previously used (or installed ready for use) by the small business solely for private purposes. For example, for a utility truck bought on 1 December 2023 at a cost of $17,000 (excluding input tax credit entitlements) and used for producing assessable income from that date at an estimated 70% of the time, the immediate deduction would be $17,000 × 70% = $11,900.

Definitions

Adjustable value of a depreciating asset is its cost (excluding input tax credit entitlements) less its decline in value since you first used it or installed it ready for use for any purpose, including a private purpose.

Assessable balancing adjustment amount arises where the termination value of the depreciating asset is more than the adjustable value.

Cost addition amounts include the cost of capital improvements to assets and costs reasonably attributable to disposing of or permanently ceasing to use an asset (this may include advertising and commission costs or the costs of demolishing the asset).

Decline in value (previously 'depreciation') is the value that an asset loses over its effective life.

Deductible balancing adjustment amount arises where the termination value of the depreciating asset is less than the adjustable value.

Depreciating asset is an asset with a limited effective life which declines in value over that life.

Taxable purpose includes the purpose of producing assessable income.

Taxable purpose proportion is the extent to which you use the asset for a taxable purpose, such as for the purpose of producing assessable income.

Termination value includes, for example, money received from the sale of an asset or insurance money received as the result of the loss or destruction of an asset. Exclude the GST component where the amount received is for a taxable supply.

Calculation 2: Deductions for the general small business pool

You allocate depreciating assets to the general small business pool that:

- you held prior to using the simplified depreciation rules
- cost $20,000 or more, even if the taxable purpose proportion is less than $20,000.

You can choose not to allocate an asset to your general small business pool if you first used it, or installed it ready for use, for a taxable purpose before 1 July 2001.

To calculate your deductions for the general small business pool, there are 3 parts:

- Calculation 2a – Calculate your opening pool balance
- Calculation 2b – Deduction for existing assets in the general small business pool
- Calculation 2c – Deduction for newly acquired pooled assets and cost additions.

Calculation 2a – Calculate your opening pool balance

Calculate your opening pool balance where:

- 2023–24 is the first income year using simplified depreciation rules
- 2023–24 is not the first income year using simplified depreciation rules.

2023–24 the first income year using simplified depreciation rules

For small business entities that have not previously used the simplified depreciation rules, the opening pool balance is the sum of the taxable purpose proportions of the adjustable values of those depreciating assets:

- that are used, or held for use, just before the start of 2023–24, and
- that are not excluded from the simplified depreciation rules.

To calculate your deductions for the general small business pool, see Calculation 2b and Calculation 2c.

2023–24 not the first income year using simplified depreciation rules

If 2023–24 is **not** the first income year in which you are small business entity using the simplified depreciation rules, the opening balance of the your small business pool for the current year is the closing pool balance for the previous income year, adjusted to reflect any change in taxable purpose of a pooled assets.

However, as you deducted the entire balance of the small business pool under temporary full expensing in 2022–23, the opening balance of the pool for 2023–24 is $0.

Calculation 2b – Deduction for existing assets in the general small business pool

Before calculating the deductions in calculations 2b and 2c, but after taking into account any additions and disposals (refer to Steps 1-3 in Calculation 5), if the balance of a pool is below $20,000 but greater than zero you can claim an immediate deduction for this amount. Write this deduction against general small business pool assets at row **b** in worksheet 1.

If the balance of a pool is over $20,000, calculate your deduction for the general small business pool in 2023–24 as follows:

- Step 1: Multiply the opening pool balance by 30% (pool rate).
- Step 2: Where necessary, make a reasonable apportionment for the general small business pool deduction between primary production and non-primary production activities.
- Step 3: Write the result of your general small business pool deduction at row **b** in worksheet 1.

You can also work out your depreciation and capital allowance claims by using the Depreciation and capital allowances tool.

Calculation 2c – Deduction for newly acquired pooled assets and cost additions

You calculate your deduction at half the general small business pool rate for:

- depreciating assets, including motor vehicles, that cost more than $20,000 that you first used or installed ready for use for a taxable

purpose during 2023–24

- cost addition amounts costing $20,000 or over incurred in 2023-24 for assets already allocated to the general small business pool – for more information see Small business pool calculations.

Calculate your deduction as follows:

- Step 1: Multiply the taxable purpose proportion of the adjustable value of each depreciating asset, first used for a taxable purpose this income year, by 15% (half pool rate).
- Step 2: Multiply the taxable purpose proportion of the cost addition amounts by 15% (half pool rate).
- Step 3: Add amounts from Step 1 and Step 2 and write the calculated amount at row **c** in worksheet 1.

Calculation 3: Other depreciating assets

Work out your deduction for the decline in value of all your other depreciating assets that are not calculated using the simplified depreciation rules under Calculations 1 and 2.

For more information on how to calculate the decline in value of these assets under the UCA rules, see Guide to depreciating assets.

Write your total deduction for other depreciating assets at row **d** in worksheet 1.

Don't include at row **d** in the worksheet depreciating assets which qualify for a deduction under Subdivision 40-F or 40-G of the ITAA 1997, such as

- water facilities
- fencing assets
- fodder storage assets
- landcare operations.

If you used Subdivisions 40-F or 40-G to calculate your deduction for these depreciating assets, show these deductions at **Landcare operations and business deduction for decline in value of water facility, fencing asset and fodder storage asset**.

Calculation 4: Disposal of depreciating assets

If you used the simplified depreciation rules and you've sold or ceased to use an asset in 2023–24, you may need to reduce your pool balance by the asset's taxable purpose proportion of the termination value or include an amount in your assessable income.

- Calculation 4a Assets immediately deducted under simplified depreciation rules
- Calculation 4b Assets allocated to the general small business pool
- Calculation 4c Other depreciating assets

Calculation 4a Assets immediately deducted under simplified depreciation rules

You may need to include an amount in your assessable income to allow for any excess between what you receive for the asset over what you've claimed as a depreciation deduction, if the asset is either:

- a depreciating asset (costing less than the relevant instant asset write-off threshold) for which you have claimed an immediate deduction in Calculation 1 this year
- a depreciating asset for which you have claimed an immediate deduction in previous income years under the simplified depreciation rules.

To calculate the assessable amount, multiply the termination value by the taxable purpose proportion of the asset at the time it was written off. Include as income in the **Business reconciliation items** section.

Calculation 4b Assets allocated to the general small business pool

Where you dispose of depreciating assets that have been allocated to the general small business pool, you deduct the taxable purpose proportion of the termination value from the closing pool balance in Step 3 of Calculation 5.

Calculation 4c Other depreciating assets

Where you dispose of assets that were not depreciated using the simplified depreciation rules, a balancing adjustment event may occur. You will need to calculate a balancing adjustment amount to include in your assessable income or to claim as a deduction. For information on how to calculate any balancing adjustment amounts on the disposal of other depreciating assets, see Guide to depreciating assets.

You can also work out your depreciation and capital allowance claims by using the Depreciation and capital allowances tool.

Balancing adjustment amounts are included in the **Business reconciliation items** section. See What are income reconciliation adjustments? and What are expense reconciliation adjustments?.

Calculation 5: Closing pool balance

Calculate your closing pool balance at the end of the year as follows:

- Step 1: Add the taxable purpose proportion of the adjustable value of assets that were first used, or installed ready for use, for a taxable purpose during 2023–24 (see Calculation 2c) to your opening pool balance (from Calculation 2a)
- Step 2: Add the taxable purpose proportion of any cost addition amounts for assets that were already in the pool at the beginning of the income year (from Calculation 2c)
- Step 3: Subtract the taxable purpose proportion of the termination value of any pooled assets disposed of during the income year (from Calculation 4b).

  If after completing Step 3 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 worksheet 1. 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 3, continue calculations as per the steps below.
- Step 4: Subtract the general small business pool deduction (from Calculation 2b)
- Step 5: Subtract the deduction for newly acquired pooled assets (see Calculation 2c)
- Step 6: Subtract the deduction for any cost addition amounts for pooled assets (see Calculation 2c).

If the closing pool balance is less than zero, include this amount in your assessable income in the **Business reconciliation items** section.

The closing pool balance for this year becomes the opening pool balance for 2024–25, after any adjustments to reflect the changed

business use of a pooled asset.

The closing pool balance is needed to work out your general small business pool deduction for next year. Don't write the closing pool balance in the tax return.

Worksheet 1 – Depreciation deductions (small business entities using simplified depreciation only)

Row	Calculation elements	Primary production	Non-primary production	Total
a	Deduction for certain assets (costing less than $20,000 instant asset write-off threshold)	$	$	$
b	Deduction for general small business pool (30%)	$	$	$
c	Deduction for general small business pool for new assets only (15%)	$	$	$
d	Other depreciating assets	$	$	$
e	Total depreciation expenses: add the amounts at	$	$	$

	rows **a**, **b**, **c** and **d**.			

Don't include any amount shown at **Personal services income**.

1. Enter the amount at row **d** at **Depreciation expenses**.
2. Enter the total amount at row **a** at **Small business entity simplified depreciation - Deduction for certain assets**.
3. Add up the total amount at row **b** and enter the amount at **Small business entity simplified depreciation - Deduction for general small business pool**.

Other businesses (excluding small businesses using simplified depreciation)

To calculate the decline in value of these assets you can use the Depreciation and capital allowances tool.

Include amounts for the depreciation claimed in your accounting books other than those assets allocated in a prior year to a general pool. For assets allocated to such a pool, include here the amount of the pool deduction to be claimed for tax purposes.

The depreciation amount should not include profit or loss on the sale of depreciating assets. Include profits on the sale of depreciating assets at **Other business income**. You should include losses on the sale of depreciating assets at **All other expenses**.

Accounting or book depreciation may differ from the deduction for the decline in value of depreciating assets.

You carry out the reconciliation between accounting depreciation and the deduction for decline in value at **Expense reconciliation adjustments**.

For further information, see Guide to depreciating assets.

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 businesses 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.

For more information, see Small business support – $20,000 instant asset write-off.

Motor vehicle expenses

As a business owner, you can claim a tax deduction for expenses for motor vehicles – cars and certain other vehicles – used in running your business.

Key points:

- The way to calculate your claim depends on your business structure.
- If you change your business structure, your entitlements and obligations may change.
- You must apportion your expenses between business and private use.
- You must keep records for 5 years to prove your expenses.

Include motor vehicle expenses related to ride-sourcing activities at this section.

Don’t include depreciation, finance leasing charges or interest paid. You should include these at:

- **Depreciation expenses**
- **Lease expenses**
- **Interest expenses within Australia**, or
- **Interest expenses overseas**.

Return to Business expenses

Repairs and maintenance

You can claim a tax deduction for expenses relating to repairs, maintenance or replacement of machinery, tools or premises you use to produce business income, provided the expenses are not capital expenses.

Expenditure incurred in making alterations, additions or improvements is of a capital nature and is not deductible as repairs. Where items are newly acquired, including by way of a legacy or gift, the cost of repairs to defects present at the time of acquisition is generally of a capital nature.

If you claim for repair or maintenance expenses to a property or asset, your deduction must take reasonable account of how the asset was used. For example, if the asset was used 45% in the business, 40% for private use and 15% to produce exempt income, a reasonable deduction would be 45% of the expenditure.

Claiming a tax deduction for repairs, maintenance and replacement expenses contains information relating to the deductions you may claim relating to the machinery, tools or premises you use to produce business income.

For more information, see Taxation Ruling TR 97/23 *Income tax: deductions for repairs*.

Any non-deductible expenditure included at this field, such as items of a capital nature or amounts relating to private use of an item, should also be included at Expenses reconciliation adjustments.

To claim a deduction for capital expenses and depreciating assets, go to Depreciation expenses

To support your claim for the cost of repairs, you must keep full details, including source documents of the nature and cost of repairs to each item.

Return to Business expenses

All other expenses

This is the total of all other expenses which you incurred in deriving your profit or loss and which you have not already shown elsewhere. Other expenses include:

- workers' salaries and wages
- accounting and professional fees
- advertising
- office supplies
- foreign exchange (forex) losses, and
- any loss on the sale of a depreciating asset as shown in your accounts.

Include:

- gifts and donations that are a business expense; and
- Tax-related operating expenses

Don't claim these amounts at Gifts or donations or Cost of managing tax affairs.

If you are an eligible primary producer also include deductions related to becoming the holder of, holding and disposing of eligible Australian carbon credit units (ACCUs) or income from eligible arrangements with carbon service providers, at primary production all other expenses. For more information on eligible ACCUs and eligible arrangements with carbon service providers, see Taxation of Australian carbon credit units for primary producers.

For information about foreign exchange (forex) losses, go to ato.gov.au or see Other deductions.

Include capital and other non-deductible items (including debt deductions denied by thin capitalisation rules) shown here at **Expense reconciliation adjustments**. See Income and expense reconciliation adjustments for information on completing this section.

Home-based business and travel expenses

If you operate some or all of your business from your home, you may be able to claim a tax deduction for home-based business expenses.

Your business can claim a tax deduction for business travel expenses related to your business, whether the travel is taken within a day, overnight, or for many nights.

For more information, see

- Taxation Ruling TR 93/30 *Income tax: deductions for home office expenses*
- Law Administration Practice Statement PS LA 2001/6 *Verification approaches for electronic device expenses*
- Practical compliance guideline PCG 2023/1 *Claiming a deduction for additional running expenses incurred while working from home – ATO compliance approach*

Return to Business expenses

Goods and services tax

If you are registered or required to be registered for GST, exclude from the deductions any input tax credit entitlements that arise in relation to outgoings.

If you pay GST by instalments and incurred a penalty for underestimating a varied GST instalment, you can claim a deduction for the penalty at **Cost of managing tax affairs** on your tax return. Don't show the penalty in this section.

Prepayments of $1,000 or more

If you made a prepayment of $1,000 or more for something to be done (in whole or in part) after 30 June 2023, the timing of your deduction may be affected by the rules relating to prepayments. You will need to apportion your deduction for prepaid business expenditure over the service period, or 10 years, whichever is less. There is an exception if the 12-month rule applies and you are a small business entity or you would be a small business entity if the aggregated turnover threshold was less than $50 million.

Where expenses shown in this section include prepaid expenses that differ from the amounts allowable as deductions in 2023–24, make an expense reconciliation adjustment at **Expense reconciliation adjustment** in the **Business reconciliation items** section.

Related page

Deductions for prepaid expenses
A guide to help you work out deductions you can claim for expenses you incur for things done in a later income year.

Thin capitalisation rule

The thin capitalisation provisions limit the debt deductions that certain entities (including individuals) can claim for tax purposes based on the tests set out in Division 820 of the ITAA 1997. These rules ensure that taxpayers fund their Australian operations with an appropriate amount of equity.

A 'debt deduction' is, broadly, an expense incurred in obtaining or maintaining a loan or other form of debt finance. Examples include:

- interest
- establishment fees
- legal costs for preparing loan documents
- fees charged by lending institutions for drawing on a loan facility.

The thin capitalisation rules may apply to you if you are either:

- an Australian resident and you, or any of your associate entities, are an Australian controller of a foreign entity or carry on business at or through an overseas permanent establishment
- a foreign resident with operations or investments in Australia and you are claiming debt deductions.

The thin capitalisation rules will not affect you if either:

- your debt deductions (combined with the debt deductions of your associate entities) don't exceed $2,000,000 in 2023–24
- you are an Australian resident and the combined value of your associates' and your Australian assets is not less than 90% of the value of your associates' and your total assets.

If the thin capitalisation rules affect you, the amount of any debt deductions you can claim may be reduced by these rules.

Business reconciliation items

Consider the following items to see whether you qualify for a deduction:

- Section 40-880 deduction
- Business deduction for project pool
- Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset

- Income and expense reconciliation adjustments
- Deferred non-commercial business losses from a prior year

Any adjustments to your income and expense amounts are dealt with at Income and expense reconciliation adjustments.

Section 40-880 deduction

Immediate deductibility for business-related start-up costs

Section 40-880 of the Income Tax Assessment Act 1997 allows for certain start-up expenses to be immediately deductible where they are incurred by either:

- a small business entity
- an entity that would be a small business entity if the aggregated turnover threshold was less than $50 million
- an entity that is not carrying on a business in the income year and is not connected with, or an affiliate of, another entity that is carrying on a business in the income year and that entity
  - is not a small business entity, and
  - would not be a small business entity if the aggregated turnover threshold was less than $50 million.

If you are an individual (operating either alone or in partnership), the non-commercial loss provisions may apply to defer your deduction to a later income year.

Related pages

Certain start-up expenses immediately deductible
When certain start-up expenses are immediately deductible under Section 40-880.

Tax deductions for depreciating assets and capital expenses
When businesses can claim tax deductions for depreciating assets and other capital expenses.

5-year deduction for a range of business-related costs not recognised elsewhere in the tax law

Section 40-880 also allows you to deduct in equal proportions over a 5-year period certain capital expenditure incurred by you if the

expenditure is not already taken into account or not denied a deduction by another provision.

You can claim a deduction for capital expenditure incurred:

- in relation to your business
- in relation to a business that used to be carried on, such as capital expenses incurred to cease the business
- in relation to a business proposed to be carried 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 that carried on a business.

If you incur expenditure in relation to your existing business, a business that you used to carry on or a business that you propose to carry on, the expenditure is deductible to the extent the business is, was, or is proposed to be, carried on for a taxable purpose.

You can deduct 20% of the expenditure in the year you incur it and in each of the following 4 years. However, for some pre- and post-business expenditure you may have to defer your claim for a deduction because the non-commercial loss rules apply.

For information on how to claim and carry forward tax losses, see Losses.

The section 40-880 deduction can't be claimed for capital expenditure in certain circumstances, for example, when it is deductible under another provision of the income tax law or forms part of the cost of land. See Business related costs – section 40-880 deductions.

If you have incurred relevant capital expenses that relate to a business that ceased in a previous income year and you carried on the business as a sole trader or through a partnership, claim the expenses here. If you carried on the business through a company or trust, you claim the amount deductible (20%) at Other deductions in your tax return.

You must show any recoupment of the expenditure as assessable income, either at **Other business income** or **Income reconciliation adjustments**.

Business deduction for project pool

Certain capital expenditure you incurred after 30 June 2001, which was directly connected with a project that you carried on (or proposed to carry on) for a taxable purpose, can be allocated to a project pool and written off over the 'project life'. The expenditure must not otherwise be deductible or form part of the cost of a depreciating asset you hold or held.

Each project has a separate project pool.

A deduction is available from the income year in which you started to operate a project to gain or produce assessable income until when it stops operating. Use the Project pool calculator (XLS, 123KB) to calculate your project pool deduction.

The pool value can be subject to adjustments, for example, a foreign exchange (forex) adjustment may apply where you met an obligation to pay foreign currency incurred as a project amount which you had allocated to a project pool.

Any recoupment of the expenditure must be shown as assessable income either at **Other business income** or **Income reconciliation adjustments**.

Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset

Landcare operations expenses

You can claim a deduction for capital expenses on a landcare operation for land in Australia if you are:

- a primary producer
- a business using rural land for a taxable purpose (except when mining or quarrying)
- an irrigation water provider (if your expenditure incurred on or after 1 July 2004).

Your deduction will be reduced if you use the land for a non-taxable purpose, such as your home.

Claiming deductions includes more information you need to consider, including if costs were incurred by a partnership.

You may need to show any recoupment of the expenditure as assessable income either at **Other business income** or **Income reconciliation adjustments**.

Water conservation and conveyance facilities

You may be entitled to claim a deduction for capital expenditure on a water facility if you are:

- a primary producer
- an irrigation water provider.

Deduction amount you can claim includes more information you need to consider, including if costs were incurred by a partnership.

You may need to show any recoupment of the expenditure as assessable income either at **Other business income** or **Income reconciliation adjustments**.

Fencing assets

You can claim a deduction for the decline in value of a fencing asset. A fencing asset includes a structural improvement, a repair of a capital nature, or an alteration, addition or extension to a fence.

Claiming deductions includes more information you need to consider, including if costs were incurred by a partnership.

You may need to show any recoupment of the expenditure as assessable income either at **Other business income** or **Income reconciliation adjustment**.

Fodder storage assets

You can claim a deduction for the decline in value of a fodder storage asset. 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.

Claiming deductions includes more information you need to consider, including if costs were incurred by a partnership.

You may need to show any recoupment of the expenditure as assessable income either at **Other business income** or **Income reconciliation adjustments**.

Small business entities

The amount you show here must not include any amount relating to a depreciating asset used in your primary production business if you

have chosen to claim a deduction for it under the small business entity depreciation rules.

Income and expense reconciliation adjustments

You may need to make income reconciliation adjustments or expense reconciliation adjustments. These adjustments reconcile your business operating profit or loss with your business taxable income.

In some cases you will need to complete any income reconciliation adjustments or expense reconciliation adjustments even if all the amounts you have shown between **ABN not quoted** and **Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset** (inclusive) are assessable income or allowable tax deductions for income tax purposes.

You must work out your reconciliation adjustments if you:

- have included amounts such as exempt income or non-deductible expenses, or
- have not included amounts which are assessable income or expenditure that is deductible.

Completing Income and expense reconciliation adjustments

1. Complete worksheet 2 using the explanations provided. This will give you your total income and expense reconciliation adjustment amounts.
2. Transfer the totals in the Income reconciliation adjustments (below row **g**) and the Expense reconciliation adjustments (below row **u**) on the worksheet to the appropriate fields.

Worksheet 2 – Reconciliation statement

Use the income and expense reconciliation adjustments calculator (XLSX, 164KB), using the explanations provided.

Reconcile your primary production and non-primary production items separately.

Notes:

1. Include amounts at row **h** only if you are not using the simplified depreciation rules. However, exclude any pool deductions which you have included at

Depreciation expenses which relate to a continuing small business pool.

2. See Guide to depreciating assets for an explanation of depreciating assets.
3. If you have included an amount of capital expenditure incurred to terminate a lease or licence at **Lease expenses**, make a reconciliation adjustment at **Expense reconciliation adjustments** by including the amount of capital expenditure as an expense add back and taking away that part of the expense which is allowed as a tax deduction.
4. Don't include the following in the amount at row **t**:
   - Section 40-880 deductions
   - business deductions for project pools
   - deductions for landcare operations, water facilities, fencing assets and fodder storage assets.

Reconciliation adjustments for these amounts are shown separately at:

- **Section 40-880 deduction**
- **Business deduction for project pool**
- **Landcare operations and business deduction for decline in value of water facility, fencing asset and fodder storage**.

What are income reconciliation adjustments?

Income reconciliation adjustments include:

- income **add backs**; this is income not shown in the accounts which is assessable income for tax purposes, such as
  - assessable balancing adjustment amounts on disposal of depreciating assets
  - other assessable income not included in the profit and loss statement
- income **subtractions**; this is income shown in the accounts which is not assessable income, such as
  - profit on sale of depreciating assets

  - other income that is not assessable for income tax purposes, for example, gross exempt income and non-assessable non-exempt income
  - cash flow boost payments if they have been included in other business income.

Your income reconciliation adjustment is your total income add-backs less your total income subtractions.

Use worksheet 2 to work out your income reconciliation adjustments for your primary and non-primary production businesses.

What are expense reconciliation adjustments?

Expense reconciliation adjustments include the following.

- Expense **add backs** are expenses shown in the accounts which are not tax deductible, such as
  - prepaid expenses not deductible in this year
  - depreciation
  - loss on sale of a depreciating asset
  - other items not allowable as a deduction, for example
    - capital expenditure
    - additions to provisions and reserves
    - income tax expense
    - expenses relating to exempt income
    - debt deductions denied by the thin capitalisation rules
    - other non-deductible expenses.
- Expense subtractions are items not shown as expenses in the accounts but which are deductible for tax purposes, such as
  - prepaid expenses from a prior year that are deductible this year but not included elsewhere
  - deduction for decline in value of depreciating assets
  - deductible balancing adjustment amounts on disposal of depreciating assets

- deduction for environmental protection expenses
- bonus deduction for small business skills and training boost
- bonus deduction for small business energy incentive
- other items deductible for tax purposes.

Your expense reconciliation adjustment is your total expense add-backs less your total expense subtractions.

Use worksheet 2 to work out your expense reconciliation adjustments for your primary and non-primary production businesses.

Specific reconciliation adjustments

Following are examples of specific reconciliation adjustments that may apply to you.

If you were previously in the STS read **Former STS taxpayers** below first. Otherwise, go to Depreciating assets deducted under the simplified depreciation rules.

Former STS taxpayers

Make adjustments in this section if you:

- are eligible and have chosen to continue using the STS accounting method and the amounts you have shown at the Income and Expense sections are not based on the STS accounting method, or
- stopped using the STS accounting method in 2023–24.

These adjustments are explained in more detail at Adjustments when ceasing to use the STS accounting method.

Worksheet 2 will assist you with your calculations.

Income derived but not received and expenses incurred but not paid

Income derived but not received as at 30 June 2024 and expenses incurred but not paid as at 30 June 2024.

If you are eligible and have chosen to continue using the STS accounting method and have included amounts:

- of ordinary income that have been derived but not received in 2023–24, the amounts not received are not assessable this year, for example, amounts outstanding from trade debtors as at 30 June

2024. These amounts form part of your income reconciliation adjustments. Include these amounts at row **f** on worksheet 2.

- for general deductions, repairs and tax-related expenses that have been incurred but not paid in 2023–24, these amounts not paid are not deductible this year, for example, amounts owed to trade creditors as at 30 June 2024. These amounts form part of your expense reconciliation adjustments. Include these amounts at row **n** on worksheet 2

Adjustments when ceasing to use the STS accounting method

If you have discontinued using the STS accounting method read on.

If you have not included at the **Business income** section any amounts:

- of ordinary income that were derived but not received while using the STS accounting method, these amounts are assessable this year, for example, outstanding amounts from trade debtors as at 30 June 2023. Include these amounts at row **b** on worksheet 2.
- of general deductions, repairs or tax-related expenses that were incurred but not paid while using the STS accounting method, these amounts are deductible this year, for example, amounts owed to trade creditors as at 30 June 2023. Include these amounts (other than tax-related expenses) at row **t** on worksheet 2. Enter your deduction for tax-related expenses at Cost of managing tax affairs.

Disposal of depreciating assets

If you disposed of depreciating assets during the income year, the following amounts form part of your income reconciliation adjustments:

- the taxable purpose proportion of the termination value of assets that have been disposed of for which an immediate deduction has been claimed either this year or in a prior income year
- if the closing pool balance of a general small business pool is less than zero, the amount below zero
- assessable balancing adjustment amounts on the disposal of depreciating assets not allocated to a general small business pool.

Include the amounts at row **b** on worksheet 2.

Deductible balancing adjustment amounts on the disposal of depreciating assets that you have not allocated to a small business

pool form part of your Expense reconciliation adjustments. Include these amounts at row **q** on worksheet 2.

To help you calculate your deduction for decline in value, use the Depreciation and capital allowances tool, or see Guide to depreciating assets which covers deductions you can claim for depreciating assets and other capital expenditure.

Prepaid expenses

Special rules may affect the timing of deductions for prepaid expenses. Under these rules you may need to apportion certain prepaid expenses over more than one income year. You must make an expense reconciliation adjustment to add back that part of the expense that is not deductible in the income year in which it is incurred. Show the adjustment at row **k** on worksheet 2.

If you had a prepaid expense in a prior year which is to be apportioned over the service period and you are entitled to a deduction for part of the expense this year but have not included it elsewhere, show the adjustment as an expense subtraction at row **s** on worksheet 2.

Deduction for decline in value

You only add back amounts of depreciation expenses if you are not a small business entity using the simplified depreciation rules. If you are a small business entity using the simplified depreciation rules your tax deduction for decline in value is instead included in the amount at **Depreciation expenses**.

A deduction for a decline in value of a depreciating asset calculated under income tax law may differ from the accounting or book calculation of depreciation. Different rules regarding such things as effective life, the calculation of balancing adjustment amounts and the treatment of debt forgiveness amounts can produce a discrepancy between the 2 calculations.

Under income tax law you can deduct an amount equal to the decline in value of a depreciating asset in 2023–24 if you held the depreciating asset for any time during the year and used it (or installed it ready for use) for a taxable purpose, such as for producing assessable income.

The deduction is reduced by the extent you don't use the asset for a taxable purpose.

To help you calculate your deduction for decline in value, use the Depreciation and capital allowances tool, or see Guide to depreciating

assets which also provides explanations of relevant terms. The publication also explains the option to allocate to a low-value pool depreciating assets that cost less than $1,000 (excluding input tax credit entitlements) and depreciating assets that have an opening adjustable value of less than $1,000.

Special balancing adjustments

A special balancing adjustment event will also occur in an income year after the year in which temporary full expensing has been claimed when either:

- it is no longer reasonable to conclude that you will use the depreciating asset principally in Australia for the principal purpose of carrying on a business
- it becomes reasonable to conclude that the depreciating asset will never be located in Australia.

This special balancing adjustment event is not triggered if you use 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 you have claimed temporary full expensing with respect to that asset.

If this special balancing adjustment event is triggered:

- you are treated as though you have 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 asset's 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 you may not thereafter work out the decline in value for that asset using temporary full expensing, you might, in a later income year, be entitled to claim other capital allowances that you are entitled to for that asset (for example, under the general capital allowances rules for the proportion of business use). You may not claim a deduction for the asset under the general capital allowance rules in the same income year as the special balancing adjustment event.

Luxury car leasing

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.

A luxury car lease (other than genuine short-term hire arrangements) is treated as a notional sale-and-loan transaction.

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 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.

The amount forms part of your expense reconciliation adjustments. Include the amount at row **p** on worksheet 2.

In relation to the notional sale, the lessee is treated as the holder of the luxury car and may be entitled to claim a deduction for the decline in value of the car. If the lessee is a small business entity using the simplified depreciation rules for the income year in which the lease is entered into, the lessee allocates the car to their general small business pool.

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.

In summary, the lessee is entitled to deductions equal to:

- the accrual amount
- the decline in value of the luxury car, based on the applicable car limit, unless the car is allocated to the general small business pool.

You reduce both deductions to reflect any use of the car for a non-taxable purpose.

Where you allocated the car to the general small business pool with the cost based on the applicable car limit, see Calculating your depreciation deductions.

If you have included the lease expense at **Lease expenses** in the **Business expenses** section, the amount should also form part of your expense reconciliation adjustments. Include the amount at row **i** on worksheet 2. Include the deduction for the accrual amount at row **p**.

If the lease terminates or is not extended or renewed and the lessee doesn't 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. If the car is not subject to the simplified depreciation rules, any assessable or deductible balancing adjustment amount for the lessee must be determined. If the car has been allocated to the lessee's general small business pool, see Disposing or ceasing to use a depreciating asset for small business entities.

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 interest component is deductible to the hirer, subject to any reduction required under the thin capitalisation rules. This amount forms part of the expense reconciliation adjustments. Include the amount at row **t** on worksheet 2.

In relation to the notional sale, the hirer of a depreciating asset is treated as the holder of the asset. They allocate the asset to the appropriate small business pool if they are a small business entity using the simplified depreciation rules for the income year. Otherwise, they may be entitled to claim a deduction for the decline in value of the depreciating asset under the general capital allowances rules. The cost of the asset for this purpose is taken to be the agreed cost or value, or the arm's length value if the dealing is not at arm's length.

If you have included hire-purchase charges as an expense, the amount should also form part of your expense reconciliation adjustments. Include the amount at row **n** on worksheet 2.

Termination of a limited recourse debt

Excessive deductions for capital allowances are 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 the limited recourse debt
- the limited recourse debt was terminated after 27 February 1998 but has not been paid in full by the debtor
- 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.

A 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 which either:

- has been financed by the debt
- is security for the debt or rights in relation to such property.

A debt is also a 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 debtors are capable of being limited.

A limited recourse debt includes a notional loan under a hire-purchase or instalment sale agreement of goods to which Division 240 of the ITAA 1997 applies, see section 243-20.

The amount that is included within assessable income as a result of these provisions forms part of your income reconciliation adjustments. Include the amount at row **b** on worksheet 2.

Small business skills and training boost

The small business skills and training boost provides a temporary bonus deduction to small businesses with an aggregated annual turnover of less than $50 million for expenditure incurred in providing eligible external training courses to employees by eligible registered training providers in Australia.

To learn more, see Small business skills and training boost.

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.

To learn more, see small business energy incentive.

Deferred non-commercial business losses from a prior year

A deferred non-commercial business loss is a loss you incurred in a prior year which you were unable to claim against other income. If your activity is carried on partly in Australia and partly overseas see How to defer your losses or contact us.

Your prior year deferred non-commercial business loss for a business activity may be reduced if you earned net exempt income in 2023–24.

If you became bankrupt (or received a relief from debt) the deferred losses will no longer be available. The loss can't be deducted in the current year or any future year.

If you are eligible to offset your loss in the current year, the current year losses plus the deferred losses from earlier years can be offset against other income in the current year. See How to offset your losses for more information on this process.

Other business and professional items

Consider whether you need the following other business and professional items:

- Small business entity simplified depreciation
- Small business bonus deductions
- Other
  - Trade debtors
  - Trade creditors
  - Total salary and wage expenses
  - Payments to associated persons

- Intangible depreciating assets first deducted
- Other depreciating assets first deducted
- Termination value of intangible depreciating assets
- Termination value of other depreciating assets
- Trading stock election

Small business entity simplified depreciation

This section is only for small business entities using the simplified depreciation rules.

The instant asset write-off eligibility criteria and threshold have changed over time. Visit Instant asset write-off for eligible businesses to learn more.

To complete the fields in **small business entity simplified depreciation**, use the:

- Depreciation and capital allowances tool, or
- amounts you calculated for small business entity depreciation deductions in worksheet 1 and follow the steps.

You must enter the depreciation deductions, not the pool balances.

1. At **Deduction for certain assets**, enter the amount from row **a** in worksheet 1.
2. At **Deduction for general small business pool**, enter the total of the amounts, this amount is from rows **b** and **c** in worksheet 1.

Related pages

Simpler depreciation for small business
Simplified depreciation rules including instant asset write-off and the small business pool.

Small business bonus deductions

Find out about small business bonus deductions.

Small business skills and training boost

The small business skills and training boost provides a temporary bonus deduction to small businesses (with an aggregated annual turnover of less than $50 million) for expenditure incurred 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 the business' ordinary deduction, for eligible expenditure incurred from 7:30 pm AEDT on 29 March 2022 to 30 June 2024.

If you are a small business with an aggregated annual turnover of less than $50 million, 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 a registered training provider and be for training within the scope of the provider's registration
- the registered training provider must not be the small business or an associate of the small business, for example, a relative, spouse, partner or related entity of the individual in business
- 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 partners of a partnership are not eligible for the bonus deduction.

Ordinary deduction

At **Business expenses**, claim the ordinary deduction for eligible expenditure incurred in the 2023–24 income year. There is no change to the way you claim this ordinary deduction.

Bonus deduction

Work out the bonus deduction. You can use the Small business bonus deduction calculator (XLSX, 119KB) to work it out. For eligible expenditure incurred between 1 July 2023 and 30 June 2024 (2023–24 income year), you claim the bonus deduction in your 2023–24 tax return.

At **Income and expense reconciliation adjustments**

- Use our calculator to work out your income and expense reconciliation adjustment.

- When doing so, enter your bonus deduction at **Bonus deduction for small business skills and training boost** at row **x**.
  This is an expense reconciliation adjustment subtraction (items not shown as expenses in the accounts but which are deductible for tax purposes).
- Don't include your ordinary deduction for eligible expenditure.
- Complete all other relevant reconciliation adjustments, and transfer the total to **Expense reconciliation adjustment – manually calculated** in myTax.

At **Small business skills and training boost**, also enter the bonus deduction amount. This is the amount you entered at row **x** when working out your income and expense reconciliation adjustment.

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 and improvements to existing assets that support more efficient energy use.

The bonus deduction applies to the cost of eligible assets and improvement up to a maximum of $100,000, with the maximum bonus deduction being $20,000.

The bonus deduction is separate and additional to other deductions you would ordinarily claim under tax law.

When to claim the small business energy incentive

You will claim the bonus deduction in 2023–24 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.

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 2023–24.

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 the 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.

Ordinary deduction

At **Business expenses**, claim the ordinary deduction for eligible expenditure incurred in the 2023–24 income year. There is no change to the way you claim this ordinary deduction.

Bonus deduction

Work out the bonus deduction. You can use the Small business bonus deduction calculator (XLSX, 119KB) to work it out. For eligible expenditure incurred between 1 July 2023 and 30 June 2024 (2023–24 income year), you claim the bonus deduction in your 2023–24 tax return.

At **Income and expense reconciliation adjustments**

- Use our calculator to work out your income and expense reconciliation adjustment.
- When doing so, enter your bonus deduction at **Bonus deduction for small business energy incentive** at row **y**.
  This is an expense reconciliation adjustment subtraction (items not shown as expenses in the accounts but which are deductible for tax purposes).
- Don't include your ordinary deduction for eligible expenditure.
- Complete all other relevant reconciliation adjustments, and transfer the total to **Expense reconciliation adjustment – manually calculated** in myTax.

At **Small business energy incentive**, also enter the bonus deduction amount. This is the amount you entered at row **y** when working out your income and expense reconciliation adjustment.

Other

Trade debtors

This is the total amount owing to the business at the end of the year for goods and services provided during the 2023–24 (that is, current trade and other debtors).

Work out and enter the total amount owing from trade and other debtors. If you have more than one business, add up all trade and other debtor amounts.

Trade creditors

This is the total amount owed by the business at the end of the year for goods and services received during the 2023–24 (that is, current trade and other creditors).

Work out and enter the total amount owing to trade and other creditors. If you have more than one business, add up all trade and other creditor amounts.

Total salary and wage expenses

Salary, wages and other labour costs actually paid or payable to persons employed in your business (excluding those forming part of capital expenditure or paid for private domestic assistance) are usually

deductible. However, you can't be an employee of your business. Payments to you of salary are not allowable deductions in calculating your income or loss; treat these payments as an allocation of profits.

Include any salary and wage component of Cost of sales, such as:

- allowances
- bonuses
- casual labour
- retainers and commissions paid to people who received a retainer
- workers compensation paid through the payroll.

Also include:

- direct and indirect labour
- holiday pay
- locums
- long service leave
- lump sum payments
- other employee benefits
- overtime
- payments under an incentive or profit-sharing scheme
- retiring allowances
- sick pay.

Include any salary or wages paid to relatives and other related entities both here and at **Payments to associated persons**.

Exclude:

- agency fees
- contract payments
- sub-contract payments
- service fees
- superannuation

- management fees
- consultant fees
- payments made from 1 July 2023 where you have not complied with the pay as you go (PAYG) withholding and reporting obligations for those payments.

See Removing tax deductibility of non-compliant payments for more information on excluded payments.

Payments to associated persons

These are amounts, including salary, wages, commissions or allowances, paid to your relatives. These also include superannuation contributions paid for the benefit of your relatives.

You must also include amounts of salary or wages paid to your relatives and a partnership in which your relatives are partners at **Total salary and wage expenses**.

You need to keep the following records:

- full name of relatives or related partnerships
- age, if under 18 years old
- relationship
- nature of duties performed
- hours worked
- total remuneration
- salary or wages claimed as deductions
- other amounts paid, for example, retiring gratuities, bonuses and commissions.

Excessive or unreasonable payments to your relatives, or a partnership in which your relatives are partners, may not be deductible. The Personal services income rules also limit deductions for payments to associates.

Intangible depreciating assets first deducted

Don't complete this field if you use the simplified depreciation rules.

The following intangible assets are regarded as depreciating assets (as long as they are not trading stock):

- certain items of intellectual property, such as patents, registered designs, copyrights and certain types of licences
- computer software (or a right to use computer software) that you acquire, develop or have someone else develop for your use for the purposes for which it is designed (in-house software)
- mining, quarrying or prospecting rights and information
- certain indefeasible rights to use a telecommunications cable system
- certain telecommunications site access rights
- spectrum licences.

A depreciating asset that you hold starts to decline in value from the time you use it or install it ready for use for any purpose, including a private purpose. However, you can only claim a deduction for the decline in value to the extent that you use the asset for a taxable purpose, such as for producing assessable income.

You need to show the cost of all intangible depreciating assets for which you are claiming a business deduction for decline in value for the **first time**. If you have allocated any intangible depreciating assets with a cost of less than $1,000 to a low-value pool for the income year, you also need to include the cost of those assets here. Don't reduce the cost for estimated non-taxable use.

Expenditure on in-house software that you allocated to a software development pool is not shown here.

Other depreciating assets first deducted

Don't complete this field if you use the simplified depreciation rules.

A depreciating asset that you hold starts to decline in value from the time you use it or install it ready for use for any purpose, including a private purpose. However, you can claim a deduction for the decline in value only to the extent you use the asset for a taxable purpose, such as for producing assessable income.

You need to include the cost of all depreciating assets (other than intangible depreciating assets) for which you are claiming a business deduction for the decline in value for the first time.

If you have allocated any depreciating assets with a cost of less than $1,000 to a low-value pool for 2023–24, you also need to include the cost of those assets here. Don’t reduce the cost for estimated non-taxable use.

To calculate the decline in value of these assets use the Depreciation and capital allowances tool.

Termination value of intangible depreciating assets

Don’t complete this field if you use the simplified depreciation rules.

Don't show at this field any consideration you received during 2023–24 in relation to in-house software for which you have allocated expenditure to a software development pool.

Include the termination values for intangible depreciating assets (including intangible assets allocated to a low-value pool) that you stopped holding or using during 2023–24 (for example, assets you sold, or that were lost or destroyed).

Generally, the termination value is the amount you received or are deemed to have received for the asset that you stopped holding or using. It includes the market value of any non-cash benefits, such as goods and services, you received for the asset.

Where the amount you received or were deemed to have received for the asset was less than its market value, and you did not deal at arm's length with another party to the transaction, the termination value is the market value of the asset just before you stopped holding it.

Include amounts you received or are deemed to have received for all intangible depreciating assets that you stopped holding or using in your business, other than:

- assets allocated in a prior year to the general small business pool or the formerly available long-life small business pool
- low-cost assets for which an immediate deduction has been allowed under the simplified depreciation rules
- in-house software for which you allocated expenditure to a software development pool.

If you have more than one business, add up the termination value of intangible depreciating assets amounts for each business.

Termination value of other depreciating assets

Don’t complete this field if you use the simplified depreciation rules.

You include the termination values for other depreciating assets (including assets allocated to a low-value pool) that you stopped holding or using during 2023–24 – for example, assets you sold, disposed of under a private or domestic arrangement, or that were lost or destroyed.

Generally, the termination value is the amount you received or are deemed to have received for the asset that you stopped holding or using. It includes the market value of any non-cash benefits, such as goods and services, you received for the asset.

Where the amount you received or were deemed to have received for the asset was less than its market value, and you did not deal at arm's length with another party to the transaction, the termination value is the market value of the asset just before you stopped holding it.

Include amounts you received or are deemed to have received for all depreciating assets that you stopped holding or using in your business other than:

- intangible depreciating assets
- assets allocated in a prior year to the general small business pool or the formerly available long-life small business pool
- assets for which an immediate deduction has been allowed under the simplified depreciation rules
- buildings or structures for which a deduction is available under the capital works provisions
- assets falling within the provisions relating to investments in Australian films.

If you have more than one business, add up the termination value of other depreciating assets for each business.

Trading stock election

If you have valued trading stock on hand at the end of 2023–24 at an amount that is less than the lowest amount available using one of the valuation methods at Closing stock, you must notify the Commissioner.

If you must notify the Commissioner about your trading stock election, select **Yes**.

Related page

Guide to depreciating assets
Covers deductions you can claim for depreciating assets and other capital expenditure.

QC 101597

myTax 2024 Partnerships

How to complete the partnerships section of your return using myTax.

Published 3 June 2024

Things to know

This section relates to income and losses you have from partnerships. Complete this section if you received, or were entitled to:

- income or loss from a partnership
- a credit for amounts of tax paid on, or amounts withheld from, partnership income
- a share of the 'national rental affordability scheme' tax offset.

A partnership doesn't pay tax on its income. However, a partnership tax return must be lodged declaring the income earned and the deductible expenses. It will also show the distribution of the net income or loss between the partners.

Each partner must declare their share of the partnership's net income or loss in their individual tax return. This is whether or not they actually received the income.

If the partnership in which you were a partner paid you salary, wages or allowances you must show that income at this section.

Don't show at this section

Don't show the following income, losses or offsets at this section:

- Interest you received, or were credited with, from a joint account, where you quoted your individual TFN to the financial institution, go to Interest.
- Income from a corporate limited partnership, go to Dividends.
- A capital gain or a capital loss in respect of your interest in a partnership or a partnership asset, go to Capital gains or losses.
- Any distribution in relation to a foreign resident capital gains withholding credit, go to Capital gains or losses.
- Attributed foreign income from a partnership (unless instructed otherwise), go to Foreign entities.
- Any Australian franking credits from a New Zealand franking company, go to Other foreign income. Note you can't claim New Zealand imputation credits.
- Any other foreign source income from a partnership (unless instructed otherwise), go to Other foreign income.
- Rent derived jointly (or in common) with another person from a jointly held property where you were not a member of a partnership carrying on a business of renting out properties, go to Rent.
- Your entitlement to an early stage venture capital limited partnership (ESVCLP) tax offset as a partner in a partnership, go to Early stage venture capital limited partnership.
- Your entitlement to an early stage investor tax offset as a partner in a partnership, go to Early stage investor.

Completing this section

To complete this section, you will need:

- a statement of distribution or advice from the partnership
- details of any expense and franking credit information.

We pre-fill your tax return with partnership distributions provided to us. Check them and add any distribution information that has not pre-filled.

To personalise your return to show partnerships, at **Personalise return** select:

- You were a sole trader or had business income or losses or partnership distributions
- Partnerships

To show your partnership details, at **Prepare return** select 'Add/Edit' at the Business/sole trader and partnership income (including loss details) banner.

At the **Partnerships** banner:

1. For each partnership distribution that has been pre-filled in your tax return, add any distribution information not pre-filled.
2. For each partnership distribution that has not been pre-filled in your tax return, select **Add**.
3. Enter your partnership name.
4. Show your share of partnership income or loss and deductions in the corresponding fields.
    - The **Depreciation and capital allowances tool** can help you to work out any decline in value. It can also work out any deductible balancing adjustment when you stop holding a depreciating asset. Access this tool in the **Deductions** section on the **Prepare return** screen.
      Fields from this tool can't be adjusted in myTax. To make any adjustments, or to add new assets to the tool, select the 'Use the depreciation and capital allowances tool' link.
    - **Primary production**
      Complete this part if you have income and deductions from primary production activities from a partnership. To learn more, see Who is a primary producer?
      - Distribution from partnerships
      - Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset
      - Other deductions – If you show an amount at Other deductions, you need to indicate a Type code.
      - myTax will automatically calculate the Net primary production amount.
    - **Non-primary production**

- Distributions from partnerships less foreign income – Your share of any franked distributions (that may be shown on your distribution statement from the partnership) is included at this field. The amount should include the amount of any attached franking credits.
  To enable us to work out your Income tests amounts, enter the following fields:
  Partnership net financial investment income or loss
  Partnership net rental property income or loss
  Remaining distribution from partnership
- Landcare operations expenses
- Other deductions – If you show an amount at Other deductions, you need to indicate a Type code.
  To enable us to work out your Income tests amounts, enter the following fields:
  Partnership financial investment deductions
  Partnership rental property deductions
  Remaining partnership deductions.
- myTax will automatically calculate the Net non-primary production amount.

5. Show your partnership share of credits from income and tax offsets in the corresponding fields:
   - Tax withheld where Australian business number not quoted
   - Franking credits from franked dividends – you can only claim a share of a franking credit which relates to the share of a franked dividend paid to a partnership which is indirectly included in the amount of partnership income or loss you show at Distribution from partnerships less foreign income.
   - TFN amounts withheld from interest, dividends and unit trust distributions
   - TFN amounts withheld from payments from closely held trusts
   - Credit for foreign resident withholding amounts (excluding capital gains) – include income you:
     - received as an Australian resident where an amount of tax was withheld because of the imposition of non-resident withholding tax or managed investment trust withholding tax

  - derived as a foreign resident from which an amount of tax was withheld because of the operation of the foreign resident withholding rules.
- National rental affordability scheme tax offset.

6. Select **Save**.
7. Select **Save and continue** when you have completed the **Business/sole trader and partnership income** section.

Notes:

- MyTax may remind you of partnership distribution amounts you need to include at Other foreign income.
- If you received, or were entitled to partnership income as a **special professional** you must also enter the amount of your taxable professional income in the Other income section. This includes income from activities as an author, an inventor, performing artist, production associate or active sportsperson.
- If you conducted a business activity as a partner in a partnership that resulted in a loss, or resulted in a loss after deducting your expenses, you must complete Loss details.
- You may be entitled to the small business income tax offset if either of the following apply:
  - your partnership distribution included a share of net small business income
  - you had a farm management repayment or other amount you received as a partner in a small business entity.
- Keep a record of each partnership distribution with your other records.

Other deductions – Type

The options are:

- **D** – if **all** of the amount consists of prior year deferred non-commercial business losses.
- **N** – if **none** of the amount consists of prior year deferred non-commercial business losses.

- **P** – if only part of the amount consists of prior year deferred non-commercial business losses.

Statement of distribution or advice from the partnership

A statement of distribution or advice from the partnership may show the following details in relation to your share of partnership distribution for tax purposes:

- the amount of any
  - primary production income or loss
  - non-primary production income or loss
- the amount of net small business income from a partnership
- the amount of attributed foreign income and other foreign source income
- the amount of any income on which family trust distribution tax or trustee beneficiary non-disclosure tax has been paid
- your entitlement to any of the following credits or tax offsets
  - credit for amounts of tax withheld because the partnership failed to quote its Australian business number
  - credit for amounts of tax withheld due to the imposition of non-resident withholding tax or managed investment trust withholding tax from partnership income you received when you were a resident
  - share of the 'national rental affordability scheme' tax offset
  - allowable franking credits from franked dividends
  - credit for TFN amounts withheld.

If you think that any details are wrong or are missing from the statement of distribution or advice you received from the partnership, contact the managing partner.

You should not receive a distribution of a net capital gain or a net capital loss from a partnership. For information about how a partner shows their share of a capital gain or capital loss, see Guide to capital gains tax.

Who is a primary producer?

A primary producer undertakes:

- plant or animal cultivation (or both)
- fishing or pearling (or both)
- tree farming or felling (or both).

For more information about who is a primary producer, see Primary production activities.

Expense and franking credit information

Remember, you can't claim a deduction:

- for amounts already claimed by the partnership, or
- for expenses incurred in deriving exempt income or non-assessable non-exempt income.

More information about completing the partnerships section of your return using myTax.

- Primary production
- Non-primary production
- Franking credits

Primary production

Landcare operations and business deduction for decline in value of water facility, fencing asset and fodder storage asset

A partnership can't claim the expenses it incurred as a partnership for eligible expenses on landcare operations, water facilities, fencing assets or fodder storage assets. Costs the partnership incurred are allocated to each partner who can claim the deduction.

Include at **Landcare operations and business deduction for decline in value of water facility, fencing asset and fodder storage asset** your share of the expenses that relate to primary production income or loss from partnerships that you can deduct this year.

For more information on deductions for expenditure on landcare operations, water facilities, fencing assets and fodder storage assets, see Guide to depreciating assets.

Other deductions

Include at **Other deductions** the amount you can claim in relation to your share of primary production income or loss from a partnership.

You can claim a deduction in relation to your share of eligible expenses the partnership incurred on horticultural plants, grapevines, electricity connections or phone lines. For information about deductions for expenditure on horticultural plants, grapevines, electricity connections and phone lines see Guide to depreciating assets.

If you made a prepayment of $1,000 or more for something to be done (in whole or in part) in a future income year, the amount you can deduct may be affected by the rules relating to prepayments. For more information on prepayments see Deductions for prepaid expenses.

Debt deductions (such as interest and borrowing costs) incurred in deriving assessable partnership income may be affected by the thin capitalisation rules. These rules may apply if the total of your debt deductions and those of your associates are over $2 million for 2023–24. For more information, see Thin capitalisation.

You can claim a non-commercial business loss deferred from a prior year only if it relates to a partnership activity that is the same as, or similar to, your current year partnership activity.

You may need to reduce the deferred non-commercial business loss deduction you claim in 2023–24 if you earned net exempt income in 2023–24. For more information see How to offset your losses.

If you became bankrupt (or received a relief from debt) the deferred losses will no longer be available. The loss can't be deducted in 2023–24 or any future year.

For more information on how exempt income and bankruptcy affect deferred non-commercial business losses, contact us.

Non-primary production

Landcare operations expenses

A partnership can't claim the expenses it incurred as a partnership for eligible expenses on landcare operations. Costs the partnership incurred are allocated to each partner who can claim the deduction.

Include at **Landcare operations expenses** your share of the expenses that relate to non-primary production income or loss from partnerships

that you can deduct this year.

For more information on deductions for expenditure on landcare operations, see Guide to depreciating assets.

Other deductions

Include at **Other deductions** the amount you can claim in relation to your share of non-primary production income or loss from a partnership.

You can claim a deduction in relation to your share of eligible expenses the partnership incurred on electricity connections. For more information about deductions for expenditure on electricity connections, see Guide to depreciating assets.

If you made a prepayment of $1,000 or more for something to be done (in whole or in part) in a future income year, the amount you can deduct may be affected by the rules relating to prepayments. For more information on prepayments see Deductions for prepaid expenses.

Debt deductions (such as interest and borrowing costs) incurred in deriving assessable partnership income may be affected by the thin capitalisation rules. These rules may apply if the total of your debt deductions and those of your associates are over $2 million for 2023–24. For more information, see Thin capitalisation.

You can claim a non-commercial business loss deferred from a prior year only if it relates to a partnership activity that is the same as, or similar to, your current year partnership activity.

You may need to reduce the deferred non-commercial business loss deduction you claim in 2023–24 if you earned net exempt income in 2023–24. For more information see How to offset your losses.

If you became bankrupt (or received a relief from debt) the deferred losses will no longer be available. The loss can't be deducted in 2023–24 or any future year.

For more information on how exempt income and bankruptcy affect deferred non-commercial business losses, contact us.

Franking credits

Enter your share of any allowable franking credits which you are entitled to claim as a franking tax offset through a partnership at **Franking credit from franked dividends**.

You can only claim a share of a franking credit which relates to the share of a franked dividend paid to a partnership which is indirectly included in the amount of partnership income or loss you show at **Distribution from partnerships less foreign income**.

Therefore, you can't claim a franking credit for a dividend paid to the partnership which was exempt income or non-assessable non-exempt income.

In addition, you may not be entitled to claim the franking credits if:

- within 45 days of buying the shares (90 days for certain preference shares), you either sold them or entered into an arrangement to reduce the risk of making a loss on them
- you were under an obligation to make, or were likely to make, a related payment, or
- you received a dividend as a result of a dividend washing arrangement.

These rules apply to your interests in the shares held by the partnership in the same way that the rules apply to shares you own directly.

For more information on these rules, see When you are not entitled to claim a franking tax offset.

QC 101598

myTax 2024 Loss details

How to report loss details when you lodge your return using myTax.

Published 3 June 2024

Things to know

Complete this section if you're an individual in business, either a sole trader or in a partnership, and your business activity made a loss (including after deducting your partner expenses).

You need to complete this section if you have a loss:

- at **Distribution from partnerships** or **Distribution from partnerships less foreign income**
- at **Net personal services income**
- for the **Net primary production** or **Net non-primary production** sections at **Business income or losses**
- from a foreign business shown at **Other foreign income**.

If you have a loss from a business activity you carried on either as a sole trader or in partnership (including a loss after deducting your partner expenses), you need to work out if you:

- offset this against your other income, such as salary and wages
- defer the loss, if you do not pass the non-commercial loss rules.

If you carry on an activity that is partly in Australia and partly overseas, you must consider whether you have an overall loss from the activity before completing this section.

Non-commercial business losses

Under the rules for non-commercial business losses, you can use a 2023–24 loss from a business activity you conduct either as a sole trader or in partnership to calculate your 2023–24 taxable income only if it meets one of these conditions:

- it is an excepted business activity
- you meet the income requirement and one of the four tests is satisfied
- you qualify for, and choose to apply, the safe harbour
- the Commissioner has exercised his discretion or ruled that it will be exercised, to allow you to claim the loss.

You can't claim losses arising from activities you conduct that are private recreational pursuits or hobbies or if there is no likelihood of profit.

The rules for non-commercial business losses apply to both foreign and Australian business activities.

Keep records of each of the net losses deferred for your separate business activities.

Safe harbour

If you have made a loss from a business activity because your business was affected by bushfire, flood or a government-imposed lockdown, business closure or restrictions due to COVID-19, you can consider applying for safe harbour.

You qualify for the safe harbour if you satisfy all of the criteria of the Practical Compliance Guideline (PCG) 2022/1 *Non-commercial business losses – Commissioner's discretion regarding flood, bushfire or COVID-19* as a sole trader, or as a partner in a partnership.

If the safe harbour applies, you can offset the loss (but not a past year's deferred loss) against other income in the relevant income year. You also won't need to seek a private ruling on whether the Commissioner would exercise his discretion to allow that loss to be offset.

Deferring your loss

If you are unable to claim your loss in 2023–24 because of these rules, you must **defer** the loss.

This deferred loss is not disallowed. Instead, you take it into account for the next income year in which you carry on this business activity or a similar business activity.

The deferred loss is a deduction when calculating any net profit or loss from the activity in that future year. Your deferred loss deduction may be reduced if you either:

- earn net exempt income in the future year
- become bankrupt or are released from any debts by the operation of an Act relating to bankruptcy.

Whether any overall loss can be taken into account when you calculate taxable income for that future year depends on the application of the deferral rules for non-commercial business losses in that year.

If you are unable to claim your loss against other income in 2023–24 because of these rules, you must complete this section. myTax will automatically show the amount as a deferred non-commercial loss. This amount can't be used to reduce your 2023–24 taxable income.

Completing this section

You may need:

- Any written advice from the ATO to you that the Commissioner will exercise his discretion to allow you to deduct your loss from your business activity carried on either as a sole trader or in partnership with others.
- If you are a partner in a partnership, you will need the following details for each business activity that you, as a partner, were involved in
  - the amount of assessable income earned by the partnership for the activity
  - the share of partnership's assessable income, real property and certain other assets, attributable to partners who are not individuals
  - your share of income or loss from the partnership for the activity.
- Partnership documents that have information on the special rules that determine whether a business activity you carry on in partnership with others satisfies any one of the 4 tests.

The loss detail section will be automatically displayed if, at **Personalise return**, you have selected:

- You were a sole trader or had business income or losses or partnership distributions, and either of
  - Business/Sole trader income or loss, and either of
    - Personal services income
    - Business income or loss
  - Partnerships

Or

- You had foreign income
  - Other foreign income

To show your loss details, at **Prepare return**:

- If, at Personalise return, you **only** selected 'You had foreign income' and 'Other foreign income', select 'Add/Edit' at the Loss details

banner

- Otherwise, select 'Add/Edit' at the Business/sole trader and partnership income (including loss details) banner.

At the **Loss details** banner:

1. For each business activity from which you made a loss, select **Add** and enter information into the corresponding fields.

   If you are having difficulty finding a **Description of activity** description, see Having difficulty finding a Description of activity?

   If you have a loss from a passive investment (for example from a rental property) at **Distribution from partnerships less foreign income**, see Investment losses.

   If you are unsure if a business activity has an overall loss, see Work out whether you have a loss for the business activity.

2. For **Type of loss**, select the most appropriate number code from the following list:

   - **0: Passive investment – partnership** – you do not need to defer losses from passive investments. For more information, see Investment losses.
   - **1: Assessable income is at least $20,000** – your assessable income from the business activity for 2023–24 was at least $20,000 and you met the income requirement.
   - **2: Business activity has produced a profit 3 out of the past 5 years** – the business activity produced a profit for tax purposes in 3 out of the past 5 years (2019–20 to 2023–24) and you met the income requirement.
   - **3: The value of real property is at least $500,000** – the value of real property assets or interests in real property (excluding any private dwelling) used on a continuing basis in carrying on the business activity was at least $500,000 and you met the income requirement.
   - **4: Other assets used on a continuing basis is at least $100,000** – the value of certain other assets (except cars, motorcycles or similar vehicles) used on a continuing basis in carrying on the

business activity was at least $100,000 and you met the income requirement.

- **5: Commissioner's discretion** – the ATO has written to advise you that the Commissioner will exercise his discretion to allow you to claim a loss for that business activity for 2023–24. This is where the Commissioner has issued a product ruling or a private ruling allowing losses to be claimed from an activity you participated in.
  - Some business activities may be covered by a product ruling or private ruling that doesn't relate to 2023–24. Use loss code 5 only if you have advice in writing that the Commissioner will exercise his discretion for 2023–24.
  - If you have applied for a private ruling for the Commissioner to exercise his discretion for 2023–24, but have not yet received the ruling, use loss code 8 unless another code applies.
  - Use loss code 5 if your business activity has been impacted by bushfire, flood or a government imposed lockdown, business closure or restrictions due to COVID-19 and you satisfy the conditions to apply the safe harbour in 2023–24 and choose to apply it.
- **6: Loss from professional arts and unrelated income is $40,000** – the loss was from a business activity you operated that was a professional arts business and your assessable income (excluding any net capital gain) from unrelated sources was less than $40,000. A professional arts business is a business you carry on as an author of a literary, dramatic, musical or artistic work, as a performing artist, or as a production associate.
- **7: The loss is from primary production** – the loss is from a business activity you operated that is a primary production business, and your assessable income (excluding any net capital gain) from unrelated sources was less than $40,000.
- **8: None of the codes apply – loss deferred** – the above loss codes don't apply. You must defer your loss.

3. If the **Type of loss** is *5: Commissioner's discretion* and *is not* covered by the safe harbour enter the **Details for the Commissioner's discretion** at the following fields:
   - **Reference** – select the ruling type

  - If the **Reference** is *PR: NCL ruling code - Product Ruling*, select the **Year** of the product ruling
- **Number** – enter the ruling number.

4. If the **Type of loss** is *5: Commissioner's discretion* and *is* covered by the safe harbour and you choose to use it in 2023–24 enter the **Details for the Commissioner's discretion** at the following fields:
   - **Reference** – select the ruling type **AN: NCL ruling code - Authorisation number for private ruling**
   - **Number** – enter **SH**.
     This lets us know the safe harbour rules apply.
5. Enter the net loss details into the corresponding fields:
   - If the **Type of loss** is *8: None of the codes apply – loss deferred* enter your net loss from the business activity in the following fields
     - **Primary production – your share of total deferred non-commercial loss**
     - **Non-primary production – your share of total deferred non-commercial loss**.
   - If the **Type of loss** is not *8: None of the codes apply – loss deferred* enter your net loss from the business activity in the following fields
     - **Primary production – your share of total loss**
     - **Non-primary production – your share of total loss**.
6. Enter the amount of deferred non-commercial business loss from a prior year for the business activity at **Amount of deferred loss from prior year included in the above amount(s**).
7. If the **Type of Loss** is *8: None of the codes apply – loss deferred* you must enter amounts in these three fields
   - **Deferred loss amount from carrying on a business of investing**
   - **Deferred loss amount from carrying on a rental property business**
   - **Remaining deferred loss amount.**
     These amounts must add up to your net loss from this business

activity.
Enter zero if there is no amount to be shown.

8. Select **Save**.
9. Select **Save and continue** when you have completed the **Loss details** or **Business/sole trader and partnership income (including loss details)** section.

Having difficulty finding a Description of activity?

If you are, we recommend you take the following steps:

1. Enter your activity into the Business industry code tool
2. From the search tool results, click on the link for the most appropriate description for your activity.
3. From here, you will see a number and a description (for example **69320 Accounting Services**). Enter this description at **Description of activity** in myTax.

Investment losses

If your only loss is from a passive investment (for example from a rental property) at **Distribution from partnerships less foreign income**, at the **Loss details** banner, select **Add** and enter the following information into the corresponding fields:

- **Description of activity** enter 'Residential property operators'
- **Business structure** select 'Partnership'
- **Type of loss** select '0: Passive investment - partnership'
- **Primary production - your share of total loss** enter '0'
- **Non-primary production - your share of total loss** enter '0'.

Continue to step 6.

If you have a loss from a business activity and a loss from a passive investment (for example from a rental property) at **Distribution from partnerships less foreign income**, then you are not required to report the loss from a passive investment. At the **Loss details** banner, you need to select **Add** and enter information into the corresponding fields for each other business activity loss.

If you are unsure if a business activity has an overall loss see Work out whether you have a loss for the business activity, or continue to step 2.

Work out whether you have a loss for the business activity

Complete the worksheet for each business activity to determine whether you have an overall loss for that activity.

Worksheet 1a - Working out whether you have a loss

Row	Calculation element	$
a	Income from the activity shown at other sections: • gross interest • dividends (unfranked, franked and franking credit amounts) • farm management repayments • net capital gain • other foreign source income.	$
b	Loss from the activity shown at: • primary production and non-primary production distribution from partnerships • net personal services income • net primary production and net non-primary production business income or losses. (Include the loss here as a positive amount)	$
c	Partner deductions attributable to the activity (including landcare operations).	$
d	Loss from the activity at other foreign income	$

	(include the loss here as a positive amount).	
e	Add rows **b**, **c** and **d**.	$
f	Subtract row **e** from **a**. The result at row **f** is your business activity's overall profit or loss.	$

If the result at row **f** is negative this activity has an overall loss and, at the **Loss details** banner, you must select **Add** and enter information into the corresponding fields. Continue to step 2.

If the result at row **f** is zero or positive this activity does not have a loss for this business activity. If you have more than one business activity loss, at the **Loss details** banner, select **Add** and enter information into the corresponding fields for each other activity. If you do not have a loss from another business activity show:

- **Description of activity** enter the relevant description
- **Business structure** select the relevant business structure
- **Type of loss** select *5: Commissioner's discretion*
- **Reference** select *AN: NCL ruling code - Authorisation number for private ruling*
- **Number** enter '200926'.
- **Primary production - your share of total loss** enter '0'
- **Non-primary production - your share of total loss** enter '0'.

Continue to step 6.

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myTax 2024 Net farm management deposits or

repayments

How to report your net farm management deposits and repayments when you lodge your return using myTax.

Last updated 3 June 2024

Things to know

This section is for primary producers only.

Complete this section if you made farm management deposits or had repayments during 2023–24.

The Farm management deposits (FMD) scheme is designed to enable primary producers to deal with uneven income flows by making deposits during prosperous years and receiving repayments during less prosperous years.

A FMD provider is an institution that accepts farm management deposits.

An FMD owner is a person who makes an eligible farm management deposit.

Subject to basic rules, you can deduct FMDs in the year in which you make them.

If any FMDs that you have previously claimed as a tax deduction are repaid, the repayments are treated as assessable income in the year in which they are made.

If your FMD contains both deductible and non-deductible deposits, when you receive a repayment, we consider you to have withdrawn any non-deductible amounts first.

Amounts that are repaid within 12 months of deposit don't receive concessional treatment unless the repayment is due to a natural disaster or severe drought.

The following repayments are not assessable income:

- reinvested deposits, or extensions of the term of deposits, with the same FMD provider
- merged deposits, provided certain conditions are met

- transfers of the same deposit amount from one FMD provider to another, such as
  - electronic transfers from a liquidated authorised deposit-taking institution (ADI) to a new ADI
  - transfers by the Australian Prudential Regulatory Authority under the Financial Claims Scheme.

Completing this section

You may need:

- your account statement from your FMD provider
- Information for primary producers.

To personalise your return to show farm management deposits or repayments, at **Personalise return** select:

- **You were a sole trader or had business income or losses or partnership distributions**
- **Net farm management deposits or repayments**.

To show your farm management deposits or repayments, at **Prepare return** select **Add/Edit** at the 'Business/sole trader and partnership income' banner.

At the **Net farm management deposits or repayments** banner:

1. Add up your deductible deposits you made in 2023–24, and enter the total into **Deductible deposits**.
2. Add up your early repayments you withdrew during 2023–24 that qualify for the natural disaster or severe drought exception, and enter the total into **Early repayments – natural disaster and drought**.
   If you withdrew in 2023–24 a deposit you made in 2022–23 for which you claimed the deduction, you don't need to lodge an amendment to your 2022–23 tax return.
3. Add up the FMDs you held for 12 months or more that were repaid during 2023–24, and enter the total into **Other repayments**.
   MyTax will calculate your **Net farm management deposits or repayments** amount by adding together **Early repayments – natural**

disaster and drought and **Other repayments**, then reducing the total by **Deductible deposits**.

4. Select **Save**.
5. Select **Save and continue** when you have completed the **Business/sole trader and partnership income** section.

Record keeping

You will need to keep the following documents:

- statement of account from your FMD provider
- proof that you received Natural Disaster Relief and Recovery Arrangements (NDRRA) Category C assistance for primary producers.

Small business income tax offset

You may be entitled to the small business income tax offset if any part of:

- **Net farm management deposits or repayments** relates to a business you carry on as a sole trader and you are a small business entity
- **Other repayments** relates to a partnership or trust that is a small business entity.

We use these amounts to work out your entitlement to the small business income tax offset. For more information, see Small business income tax offset.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

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.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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