Print whole section

Sole trader and business income or losses and partnership or trust distributions

How to complete myTax if you have business/sole trader, partnership, trust 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

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

Net income or loss from business

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

Partnerships

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

Trusts

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

Deferred non-commercial business losses

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

Farm management deposits or repayments

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

Taxable payments annual report

How to report your payments and grants reported on a Taxable payments annual report using myTax.

QC 80074

myTax 2023 Business and professional items

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

Last updated 1 June 2023

On this page

Completing this section

More information

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, partnerships or trust distributions (not from a managed fund)
- 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, partnership and trust 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 any activity 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 2022–23. The number of business activities you show here should not be less than the number you show at Loss details
   - 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 & 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 street address 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 search 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 72314

myTax 2023 Business income statements and payment summaries

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

Last updated 1 June 2023

On this page

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*.

Do not show at this section

Do not 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 finalised 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 financial 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, partnership or trust distributions (not from a managed fund)
- 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, partnership and trust income (including loss details) 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 Do not 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 visit **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 72315

myTax 2023 Personal services income

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

Last updated 1 June 2023

On this page

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:Video tutorial
http://tv.ato.gov.au/ato-tv/media?v=bi9or7on5db7ep

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, partnership or trust distributions (not from a managed fund)
- 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, partnership and trust 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 'User 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 72325

myTax 2023 Net income or loss from business

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

Last updated 29 June 2023

On this page

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:Net primary production

http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubosijw7

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

Media:Net non-primary production

http://tv.ato.gov.au/ato-tv/media?v=bd1bdiuboi7hki

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, partnership or trust distributions (not from a managed fund)
- 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, partnership and trust 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 do not 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, including JobKeeper wage subsidy payments, 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, including JobKeeper wage subsidy payments, 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. Did you include an amount at **Depreciation expenses** at PP or NPP?
   No – go to Step 9
   Yes – go to Step 4
4. Are you using **simplified depreciation rules**?
   For eligibility information, see Simpler depreciation for small business
   Yes – go to Step 5
   No – go to Step 6
5. 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.
   - go to Step 8.

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

6. Are you choosing to opt out of temporary full expensing for some or all of your eligible assets?
   Note: Do not complete this if you are using the simplified depreciation rules.

Yes – go to Step 7
No – go to Step 8

7. At **Temporary full expensing**, complete the following fields
   - **Are you making a choice to opt out of temporary full expensing for some or all of your eligible assets?** Select one of the following:
     - A – if you are opting out for some of your assets
     - B – if you are opting out for all of your assets.
   - **Number of assets you are opting out for** – For more information, see [Number of assets you are opting out for]
   - **Value of assets you are opting out for** – For more information, see [Value of assets you are opting out for]
   - If you indicated you are opting out for:
     - some of your assets, go to Step 8
     - all of your assets, go to Step 9

8. At **Temporary full expensing**, enter amounts in the following fields
   Note: Small business entities using simplified depreciation rules cannot opt out of temporary full expensing.
   - **Temporary full expensing deductions** – For more information, see [Temporary full expensing deductions]
   - **Number of assets you are claiming for** – For more information, see [Number of assets you are claiming for]
     Note: This field will display when you enter your deduction amount.
   - Go to Step 9

9. At **Small business boost**, if you are eligible for, and are claiming, the small business boost, enter amounts in the fields that apply to your business.
   - To learn more about the boosts including who can claim, what can be claimed, when and how to claim the boost correctly, visit

Small business boosts.

10. 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.
11. Select **Save**.
12. Select **Save and continue** when you have completed the **Business/sole trader, partnership and trust 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 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.

Do not show at this section

Do not 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 or 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. However, in certain circumstances, a specific grant or payment is considered to be exempt income or non-assessable non-exempt income.

A number of Commonwealth, State and Territory government grants and payments have been made available to businesses in response to certain 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
- JobMaker hiring credits – see JobMaker hiring credit reporting
- JobKeeper payments (COVID-19)
- 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

Do not 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 grants, payments and stimulus during COVID-19 – tax implications
Government grants or payments you receive if you or your business have been impacted by COVID-19 may have tax implications.

Reporting disaster payments and grants in your tax return
If you receive a recovery payment from a local, state or federal government agency, you need to understand what type of payment it is and how it affects your tax.

JobMaker hiring credit reporting

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

Accruals accounting basis

JobMaker hiring credit payments are derived when the entity provides the ATO with a valid claim form after each JobMaker period.

JobMaker hiring credit payments relating to valid claim forms made in 2022–23 are assessable in 2022–23. You include them in your 2022–23 tax return.

Cash accounting basis

JobMaker hiring credit payments are derived when you receive those payments. Payments received during 2022–23 are assessable in 2022–23.

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, the following apply:

- 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 do not 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 **tax 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

Related page

Record keeping for business
This information will help you understand the record-keeping requirements for businesses to meet your tax, superannuation and employer obligations. This includes record keeping for small businesses.

Do not show at this section

Do not 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 2022 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.

Do not 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, do not 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

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, or **contact us**.

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**. Do not 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 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

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 about what constitutes trading stock, see Simplified trading stock rules or contact us.

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 do not 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.

Do not 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. Do not 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, and
- do not 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 does not 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.

Super contributions – too much can mean extra tax 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.

Do not 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).

Records you need to keep

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. Do not 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 2022–23 is $64,741.

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.

Records you need to keep

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.

Do not 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 finance business operations, or
- to meet current business expenses.

Do not 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, and
- 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
- Interaction of tax depreciation incentives

Continuing small business pools

If you are not carrying on a business this year, but in a prior year you allocated assets to a general small business pool or long-life small business pool (or the law allocated the assets to such a pool), do not include the pool deductions at this section. Show such deductions at Other deductions.

Small business entities

Include amounts for depreciation deductions claimed under the small business entity simplified depreciation rules and for the business use of other assets under the uniform capital allowances (UCA) rules. This includes your deduction under the small business entity rules for depreciating assets used for work-related or self-education purposes. However, this excludes any amount included at Personal services income.

Small businesses using the simplified depreciation rules have access to **temporary full expensing**. You cannot opt out of temporary full expensing for assets that the simplified depreciation rules apply to. For assets purchased from 7:30 pm (AEDT) on 6 October 2020 until 30 June 2023, you must deduct the taxable purpose proportion of all eligible depreciating assets (irrespective of value) in the income year they are first used, or installed ready for use, for a taxable purpose. The deduction amount is the taxable purpose proportion of the asset's cost less any decline in value between when you first held the asset and when it was first used or installed ready for use. These assets are not added to your small business pool.

Special rules apply if the depreciating asset is a car.

Under temporary full expensing you must also claim a deduction for the cost of improvements made from 7:30 pm AEDT on 6 October 2020 to 30 June 2023 to an asset that you had fully deducted under the simplified depreciation rules (including instant asset write-off) in an earlier income year, provided you have not previously claimed improvement costs for the asset. You must claim an immediate deduction for the taxable purpose proportion of the improvement cost and no threshold applies.

For income years ending between 7:30 pm AEDT on 6 October 2020 and 30 June 2023 inclusive you deduct the entire balance of the small business pool (there is no threshold for that period).

Some depreciating assets are excluded from these simplified depreciation rules, but a deduction may be available under the UCA rules.

For more information on the small business entity depreciation rules, see **Simpler depreciation for small business** or **contact us**.

5-year restriction

Small business entities that have previously elected out of the simplified depreciation rules are no longer subject to the 'lock-out' rule (which prevented small businesses from re-entering the simplified depreciation regime for 5 years if they had opted out). These entities may re-elect to use the simplified depreciation rules.

The suspension of the 5-year restriction only applies from 12 May 2015 to the end of an income year that includes 30 June 2023. For small businesses that have not adopted a substituted accounting period, the effect of the amendments is that the temporary suspension of the lock-out rule is extended to 30 June 2023.

To notify the Commissioner of the choice, lodge your tax return and **keep relevant records** for the required period of time. You do not need to lodge any other form to notify the Commissioner.

See **Simplified depreciation for small business** or **contact us**.

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 using temporary full expensing

For assets you started to hold any time from 7:30 pm AEDT 6 October 2020 to 30 June 2023, and first used (or installed ready for use) for a taxable purpose in 2022–23, you must deduct the taxable purpose proportion of the asset's cost under temporary full expensing.

Under temporary full expensing, you must also claim a deduction for the cost of improvements made in the 2022–23 year to an asset that you have fully deducted under the simplified depreciation rules (including instant asset write-off) in an earlier income year, provided you have not previously claimed improvement costs to the asset. You must claim an immediate deduction at this step for the taxable purpose proportion of the improvement cost and no threshold applies. Any later improvements will be added to the small business pool.

Work out the taxable purpose proportion of each of these types of assets. You calculate the deduction as follows:

- multiply each asset's adjustable value by the taxable purpose proportion
- add these results and enter the total at **a** in worksheet 1

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 truck bought on 1 October 2022 at a cost of $149,990 (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 $149,990 × 70% = $104,993.

Do not include in this calculation amounts for depreciating assets that you held before using the simplified depreciation rules. These assets are allocated to the general small business pool.

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: General small business pool

If you used simplified depreciation in 2021–22

When you use the simplified depreciation rules, the opening balance of the general small business pool is the closing pool balance for the previous income year, adjusted to reflect any change in taxable purpose of a pooled asset. However, as you deducted the entire balance of the small business pool under temporary full expensing in 2021–22, the opening balance of the pool for 2022–23 is $0.

Additions to the opening pool balance

Any assets that you start to hold during the relevant period (7:30 pm AEDT 6 October 2020 and 30 June 2023) and first used, or installed ready for use, in 2022–23 are fully deducted under temporary full expensing (see step 1). Therefore, no assets first used, or installed ready for use, in 2022–23 are allocated to the pool.

If you incur improvement costs for an asset in 2022–23 and you have already fully deducted the cost of that asset in an earlier income year (whether under temporary full expensing or another instant asset write-off threshold), the improvement costs are also fully deducted under temporary full expensing (see step 1). You do not allocate the improvement costs to the pool.

If, however, you have already fully deducted an improvement cost for an asset in an earlier income year, and you incur further improvement costs for the asset in 2022–23, you must allocate the asset to the pool. The value of the asset is equal to the cost of those further improvements.

If you incur costs associated with disposing of, or otherwise ceasing to hold, an asset allocated to the pool, those costs are added to the pool.

Subtractions from the opening pool balance

If you cease to hold an asset that has been allocated to the pool in 2022–23, or an earlier income year, the taxable purpose proportion of the termination value is subtracted from the pool balance (see step 4b).

If that subtraction results in pool balance going below zero, the amount below zero is included in your assessable income in the **Business reconciliation items** section and there is no deduction under temporary full expensing for your general pool balance 2022–23.

However, if the pool balance at the end of 2022–23 is greater than zero (after any subtractions for balancing adjustment events happening to assets allocated to the general small business pool), you must deduct the entire general pool balance under temporary full expensing in 2022–23.

Write the amount at item b of worksheet 1.

Closing pool balance

The closing pool balance for this year becomes the opening pool balance for 2023–24, after any adjustments to reflect any change in taxable purpose of a pooled asset. You will have a closing pool balance for 2022–23 of $0.

If you started to use simplified depreciation in 2022–23

If you started to use the simplified depreciation rules in 2022–23, your opening pool balance is the sum of the taxable purpose proportions of the adjustable values of those depreciating assets:

- that you held and used (or installed ready for use), just before the start of 2022–23, and
- that were not excluded from the simplified depreciation rules.

Additions/subtractions to the pool balance

Any assets that you start to hold during the relevant period (7:30 pm AEDT 6 October 2020 and 30 June 2023) and first used, or installed ready for use, in 2022– 23 are fully deducted under temporary full expensing (see step 1). Therefore, no assets first used, or installed ready for use, in the 2022–23 income year are allocated to the pool.

If you incur improvement costs in 2022–23 to an asset that you held just before the start of 2022–23 and which you allocated to the small business pool, the taxable purpose proportion of those costs are added to the pool.

If you incur costs associated with disposing of, or otherwise ceasing to hold, an asset allocated to the pool, those costs are added to the pool.

If you cease to hold an asset that was allocated to the general small business pool, subtract the taxable purpose proportion of the termination value of the asset from the pool balance (see step 4b).

- If that subtraction results in the pool balance at the end of 2022–23 going below zero:
  - include the amount below zero in your assessable income in the **Business reconciliation items** section
  - there is no deduction under temporary full expensing for your general pool balance in 2022–23.

- If the pool balance at the end of 2022–23 is greater than zero (after subtractions for balancing adjustment events happening to assets allocated to the general small business pool), under temporary full expensing:
  - deduct the entire general pool balance
  - write the result at item **b** of worksheet 1.

Closing pool balance

The closing pool balance for this year becomes the opening pool balance for 2023–24, after any adjustments to reflect the change in taxable purpose of a pooled asset.

Your closing pool balance for 2022–23 is $0.

Calculation 3: Other depreciating assets

Work out your deduction for the decline in value of all your other depreciating assets that are not included in Calculations 1 and 2.

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

Enter your total deduction for other depreciating assets at **c** in worksheet 1.

Do not include at **c** in the worksheet depreciating assets which qualify for a deduction under Subdivision 40-F or 40-G of the ITAA 1997 as water facilities, fencing assets, fodder storage assets, landcare operations, electricity connections or telephone lines in your primary production business and for which you have chosen to claim a deduction under those Subdivisions and not these small business entity depreciation rules. Enter these deductions at **Landcare operations and business deduction for decline in value of water facility, fencing asset and fodder storage asset**.

Calculation 4: Ceasing to hold depreciating assets

Calculation 4a Assets for which you claimed an immediate deduction

If a balancing adjustment event happened to a depreciating asset for which you claimed an immediate deduction in calculation 1 this year, or in a prior year under the relevant instant asset write off threshold, include the taxable purpose proportion of the termination value of that asset as income in the **Business reconciliation items** section.

A balancing adjustment event occurs when you stop holding a depreciating asset; for example, when you sell the asset, or the asset is lost or destroyed. Termination value includes, for example, money you received from the sale of an asset or insurance money you received.

Calculation 4b Assets allocated to the general small business pool

Subtract the taxable purpose proportion of the termination value from the closing pool balance if you ceased to hold a depreciating asset that you allocated to the general small business pool:

- in 2022–23, or
- in a previous income year due to the instant asset write off threshold that applied at the time.

For example, for a pooled asset you used 60% for an income-producing purpose, which you sold for $3,000 (excluding GST) subtract only $1,800 from the closing pool balance.

If, after making the subtraction, the pool balance is more than $0, write this deduction against general small business pool assets at **b** in worksheet 1 (if you have not already done so at step 2).

If the pool balance is less than zero, you include the amount below zero in in your assessable income in the **Business reconciliation items** section (if you have not already done so at step 2).

If expenses are incurred in disposing of, or otherwise ceasing to hold, a depreciating asset, these expenses may be taken into account in step 2 by adding them to the pool balance.

Calculation 4c Other depreciating assets

For information on how to calculate any balancing adjustment amounts on the disposal of other depreciating assets, see Guide to depreciating assets.

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

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

Row	Calculation elements	Primary production	Non-primary production	Total
a	Certain assets immediately deducted using temporary	$	$	$

	full expensing			
b	General small business pool	$	$	$
c	Other depreciating assets	$	$	$
d	Depreciation expenses: add the amounts at rows **a**, **b** and **c**.	$	$	$

Do not 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 books of account other than those assets allocated in a prior year to a general pool or a long-life pool. For assets allocated to such a pool, include here the amount of the pool deduction to be claimed for tax purposes.

For further information, see Definitions.

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.

Is expenditure revenue or capital in nature?

Practice Statement Law Administration PS LA 2003/8 *Practical approaches to low-cost business expenses* provides guidance on 2 straightforward methods that can be used by taxpayers carrying on a business to help determine whether expenditure incurred to acquire certain low-cost items is to be treated as revenue expenditure or capital expenditure.

Subject to certain qualifications, the 2 methods cover expenditure below a threshold and the use of statistical sampling to estimate total revenue expenditure on low-cost items. The threshold rule allows an immediate deduction for qualifying low-cost business items costing $100 or less. The sampling rule allows taxpayers with a low-value pool to use statistical sampling to determine the proportion of the total purchases on qualifying low-cost business items that are revenue expenditure.

We will accept a deduction for expenditure incurred on low-cost assets calculated in accordance with this practice statement.

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.

Do not 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

Records you need to keep

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 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 expenses for a home-based business.**

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*
- 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. Do not 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 2022, 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.

Expenses shown in this section may include prepaid expenses that differ from the amounts allowable as deductions in 2022–23. Where this occurs, make an expense reconciliation adjustment at **Expense reconciliation adjustment** in the **Business reconciliation items** section.

Related page

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

Thin capitalisation

The thin capitalisation provisions apply to entities (including individuals) to reduce certain deductions (called 'debt deductions') for costs incurred in obtaining and servicing debt finance, where the debt applicable to Australian operations exceeds the limits set out in Division 820 of the ITAA 1997.

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

The thin capitalisation rules will not affect you if:

- your debt deductions (combined with the debt deductions of your associate entities) do not exceed $2,000,000 in 2022–23, or

- 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 business 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:

- a small business entity or an entity that would be a small business entity if the aggregated turnover threshold was less than $50 million or
- an entity that is not in business

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
Eligible businesses can claim a deduction for the full amount of certain

professional start-up expenses in the income year the expenses occurred.

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

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

Section 40-880 also provides a 5-year write-off for certain capital expenditure incurred by you in relation to a past, present or prospective business 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:

- 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 (the company, trust or partnership must have 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.

See **Losses** for information on how to claim and carry forward tax 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** on 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.

Do not complete any income reconciliation adjustments or expense reconciliation adjustments 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, 167KB), 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. Do not 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 technology investment boost
  - 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 2022–23.

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 as at 30 June 2023 and expenses incurred but not paid as at 30 June 2023

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 2022–23, the amounts not received are not assessable this year, for example, trade debtors as at 30 June 2023. 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 2022–23, the amounts not paid are not deductible this year, for example, trade creditors as at 30 June 2023. 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, trade debtors as at 30 June 2022.

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

If you have not included at the **Business expenses** section any amounts 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, trade creditors as at 30 June 2022.

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 **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 2022–23 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 do not 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:

- temporary full expensing
- 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.

Temporary full expensing

Businesses with an aggregated turnover of less than $5 billion can immediately deduct the taxable purpose proportion of the cost of eligible new depreciating assets. The eligible new assets must be first held from 7:30 pm AEDT on 6 October 2020 and 30 June 2023 and first used, or installed ready for use, for a taxable purpose in 2022–23. The deduction amount is the taxable purpose proportion of the asset's cost less any decline in value between when you first held the asset and when it was first used or installed ready for use.

For businesses with an aggregated turnover of less than $50 million, temporary full expensing also applies to the business portion of eligible second-hand depreciating assets.

Businesses can also immediately deduct the business portion of the cost of improvements to eligible depreciating assets (and to assets acquired before 7:30 pm AEDT on 6 October 2020 that would otherwise be eligible assets) if those costs were incurred between 7:30 pm AEDT on 6 October 2020 and 30 June 2023.

If a balancing adjustment event happens to an eligible asset in the same income year as when you first used the asset for a taxable purpose, you cannot deduct the cost of the asset (including costs of improvements) under temporary full expensing.

You also cannot deduct the costs of improvements under temporary full expensing if a balancing adjustment event happens in the income year you incurred those costs.

You cannot claim temporary full expensing for a depreciating asset if it:

- is ordinarily excluded under the UCA rules, such as a building or other capital works;
- has been allocated to a low value or software development pool;
- is an asset that falls within the special rules for assets used in connection with a primary production business.

The asset must be used principally in Australia for the principal purpose of carrying on a business. The asset must also be located in Australia.

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

- it is no longer reasonable to conclude that you will use the depreciating asset principally in Australia for the principal purpose of carrying on a business; or
- 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.

You can make a choice to opt-out of temporary full expensing on an asset-by-asset basis in the income year the asset was first used or installed ready for use for a taxable purpose. If you are making a choice to opt-out of temporary full expensing you must notify us by recording that choice at **Temporary full expensing**.

If you have incurred improvement costs in 2022–23 for an asset that you opted out of temporary full expensing for in a prior income year, you need to make a separate choice to opt out of TFE for the improvement costs if you do not want temporary full expensing to apply to those costs.

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 2022–23 is $64,741.

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 does not actually acquire the car from the lessor, the lessee is treated under the rules as disposing of the car by way of sale to the lessor. This constitutes a balancing adjustment event. 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 and either allocates the asset to the appropriate small business pool if they are a small business entity using the simplified depreciation rules for the income year, or may be entitled to claim a deduction for the decline in value of the depreciating asset. 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:

- has been financed by the debt, or
- 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 so 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, visit small business skills and training boost.

Small business technology investment boost

The small business technology investment boost provides a temporary bonus deduction to small businesses with an aggregated annual turnover of less than $50 million for eligible expenditure incurred, and depreciating assets acquired, for the purposes of their digital operations or digitising their operations.

To learn more, visit small business technology investment boost.

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 2022–23.

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
- Temporary full expensing
- Small business boosts
- 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

For assets you started to hold, and first used (or had installed ready for use) for a taxable purpose in 2022–23, the instant asset write-off threshold does not apply to businesses using the simplified depreciation rules. You must immediately deduct the business portion of the asset's cost under temporary full expensing.

Related pages

Simpler depreciation for small business
Simplified depreciation rules for small business.

Interaction of tax depreciation incentives
The information on this page is a guide to tax depreciation incentives and when businesses could consider using them.

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. As a small business entity using the simplified depreciation rules:
    a. you must write **0** at **Deduction for certain assets** because in 2022–23 you did not hold an asset meeting the criteria to claim instant asset write-off
    b. you must complete **Temporary full expensing** to show the amount, and number of depreciating assets, you are claiming a deduction for under temporary full expensing. This will be the amount from row **a** in worksheet 1.

2. At **Deduction for general small business pool**, enter the total amount you claimed at Depreciation expenses relating to the general small business pool.

If you have used worksheet 1, this amount is from row **b**.

If you claimed any depreciation using temporary full expensing you will need to include those amounts at **Temporary full expensing**.

Temporary full expensing

Choosing to opt out of temporary full expensing for some or all your eligible assets

Small business entities using simplified depreciation rules cannot opt out of temporary full expensing.

Other businesses can choose to opt out of temporary full expensing on an asset-by-asset basis in the income year in which the asset was acquired and apply the other depreciation rules to that asset. You make this choice for a particular depreciating asset for each applicable income year. Once a choice is made it cannot be revoked.

Number of assets you are opting out for

Enter the number of assets for which you made the choice to opt out of temporary full expensing.

You will not be penalised for specifying an incorrect number of assets where you have made your best attempt to determine the number of assets you are opting out for.

Value of assets you are opting out for

Enter the value of the assets for which you made the choice to opt out of temporary full expensing. The value is the amount you would have otherwise claimed for these assets under temporary full expensing if you had not made the choice to opt out.

Temporary full expensing deductions

Enter the total amount of the deductions that you are claiming under temporary full expensing. This is the amount you would have included as part of your depreciation amount.

Number of assets you are claiming for

Enter the number of assets for which you are claiming temporary full expensing.

You will not be penalised for specifying an incorrect number of assets where you have made your best attempt to determine the number of assets you are claiming for.

Related pages

Temporary full expensing
You may be able to claim an immediate deduction for the cost of eligible assets and improvements to existing assets.

Interaction of tax depreciation incentives
The information on this page is a guide to tax depreciation incentives and when businesses could consider using them.

Small business boosts

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 2022–23 income year. There is no change to the way you claim this ordinary deduction.

Do not include any eligible expenditure from the 2021–22 income year as this should have been claimed in last year's return.

Bonus deduction

Work out the bonus deduction. You can use the Small business boost calculator (XLSX, 121KB) to work it out. The bonus deduction amount in the 2023 tax return is for eligible expenditure incurred from 7:30 pm AEDT on 29 March 2022 to the end of the 2022–23 income year.

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).
- Do not 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 **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 technology investment boost

The small business technology investment boost provides a temporary bonus deduction to small businesses (with an aggregated annual turnover of less than $50 million) for eligible expenditure incurred, and depreciating assets acquired, for the purposes of their digital operations or for digitising their operations.

The bonus deduction is an additional tax deduction of 20%, on top of the ordinary deduction, for eligible expenditure incurred from 7:30 pm AEDT on 29 March 2022 to 30 June 2023. It applies to the total of eligible expenditure of up to $100,000 per income year, up to a maximum bonus deduction of $20,000 per income year.

You must meet the following criteria for the bonus deduction:

- the expenditure must be eligible for a deduction under another provision of the taxation law

- if the expenditure is on a depreciating asset, the asset must be first used or installed read for use by 30 June 2023
- if the expenditure is on a depreciating asset, the asset is not in-house software allocated to a software development pool
- the expenditure must be incurred wholly or substantially for the purposes of your digital operations or digitising your operations.
- if the expenditure is for multiple purposes (for example, a mix of private and business use), the bonus deduction will apply only to the proportion of the expenditure that is for business use.

You cannot claim the bonus deduction for expenditure on a depreciating 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 is an involuntary disposal.

Repair and improvement costs for depreciating assets are eligible for the bonus deduction provided that these costs are incurred during the relevant period.

The following types of expenditure are not eligible for the bonus deduction:

- salary and wage costs
- capital works costs which can be deducted under Division 43 of the *ITAA 1997*
- financing costs
- expenditure that forms part of, or is included in, the cost of trading stock
- training and education costs.

If you are claiming the bonus deduction for eligible expenditure incurred on a depreciating asset, you calculate the bonus as 20% of the asset's cost irrespective of whether you claimed your ordinary deduction for the decline in value of the asset in one income year (under temporary full expensing) or over its effective life (under the uniform capital allowance regime). If you are a small business that uses the simplified depreciation rules, you must use temporary full expensing when claiming your ordinary deduction.

Ordinary deduction

At **Business expenses**, claim the ordinary deduction for eligible expenditure incurred in the 2022–23 income year. There is no change to the way you claim this ordinary deduction.

Do not include any eligible expenditure from the 2021–22 income year as this should have been claimed in last year's return.

Bonus deduction

Work out the bonus deduction. You can use the Small business boost calculator (XLSX, 121KB) to work it out. The bonus deduction amount in the 2023 tax return is for eligible expenditure incurred from 7:30 pm AEDT on 29 March 2022 to the end of the 2022–23 income year.

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 technology investment boost** 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).
- Do not 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 **Technology investment boost**, 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 2022–23 (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 2022–23 (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, and
- 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 2022 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

Do not 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. Do not 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.

This must include any amounts claimed under temporary full expensing.

Other depreciating assets first deducted

Do not 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 2022–23, you also need to include the cost of those assets here. Do not 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

Do not complete this field if you use the simplified depreciation rules.

Don't show at this field any consideration you received during 2022–23 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 2022–23 (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

Do not 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 2022–23 (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 2022–23 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 72341

myTax 2023 Partnerships

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

Last updated 1 June 2023

On this page

> Who is a primary producer?
>
> Expense and franking credit information

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.

Do not 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 tax file number 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, partnership or trust distributions (not from a managed fund)
- Partnerships

To show your partnership details, at **Prepare return** select 'Add/Edit' at the Business/sole trader, partnership and trust 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, partnership and trust 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 tax file number 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.

In this section

- 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 2022–23. 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 2022–23 if you earned net exempt income in 2022–23. 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 2022–23 or any future year.

For more information about 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 2022–23. 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 2022–23 if you earned net exempt income in 2022–23. 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 2022–23 or any future year.

For more information about 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 72348

myTax 2023 Trusts

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

Last updated 1 June 2023

On this page

[Expense and tax credit information](#)

Things to know

This section relates to your distributions from trusts. Complete this section if:

- you received, or were entitled to
  - income from a trust
  - a credit for amounts of tax paid on, or amounts withheld from, trust income
  - a share of the 'national rental affordability scheme' tax offset
- you had an interest in a trust that made a loss from primary production.

If your trust income is from a managed fund, you should show this information at **Managed funds.**

A trust is not a separate taxable entity, but the trustee must lodge a tax return for the trust.

Generally, the beneficiaries of the trust declare the amount of their entitlement to the trust's income in their own tax return. Then they pay tax on it, even if they didn't actually receive the income.

An exception to this is, you don't need to declare a trust distribution if family trust distribution tax has already been paid.

If you were entitled to an amount of trust income on 30 June 2023, you need to include your share of the net income of the trust in your 2022–23 tax return even if you did not receive an amount from the trust until after 30 June 2023.

The amount of your share of the trust's net income (for tax purposes) may be different from the actual distribution which you received or were entitled to receive from the trust.

Your trustee should provide you with details about your share of the trust's net income or all of your trust entitlements.

If you are the principal beneficiary of a special disability trust you are considered to be entitled to all of the income of the trust.

If you are a foreign resident who has received a fund payment from a managed investment trust on which an amount was withheld, see **Withholding tax arrangements for managed investment trust fund payments**.

Do not show at this section

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

- Income from a public trading trust or a corporate unit trust, go to **Dividends**.
- A capital gain from a trust (unless instructed otherwise), go to **Capital gains or losses**.
  If the trust income you received, or are entitled to, includes an amount described as tax-free, tax deferred, tax exempted or as a capital gains tax (CGT) concession, you should read the information on non-assessable payments in **Guide to capital gains tax**.
  Such amounts may be relevant in determining the amount of a net capital gain you show at Capital gains or losses or may affect the cost base of your unit or trust interest.
- Any distribution in relation to a foreign resident capital gains withholding credit, go to **Capital gains or losses**.
- Attributed foreign income from a trust (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 trust (unless instructed otherwise), go to **Other foreign income**.
- Your entitlement to an early stage venture capital limited partnership (ESVCLP) tax offset as a beneficiary of a trust, go to **Early stage venture capital limited partnership**.
- Your entitlement to an early stage investor tax offset as a beneficiary of a trust, go to **Early stage investor**.
- Part of a distribution which relates to an amount of trust income on which family trust distribution tax has been paid, go to **Amount on which family trust distribution tax has been paid**.

- Share of credits for tax paid by the trustee if you are the principal beneficiary of a special disability trust, go to Other refundable tax offsets.

Completing this section

To complete this section you will need:

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

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

- You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund)
- Trusts

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

At the **Trusts** banner:

1. Select **Net trust income** to expand the section.
2. Add up your share of trust income and deductions, and enter the total 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 trust income and deductions from primary production activities. To learn more, see Who is a primary producer?
     - Net income from trusts
     - Other deductions

- myTax will automatically calculate the Net primary production amount.

- **Non-primary production**
  - Net income from trusts, less capital gains, foreign income and franked distributions
    To enable us to work out your **Income tests** amounts, enter the following fields:
    Managed investment scheme amount (this is includes all investment income related to trusts)
    Remaining non-primary production trust amount
  - Franked distributions from trusts
    To enable us to work out your **Income tests** amounts, enter the following fields:
    Franked distribution related to investments
    Remaining franked distribution amount
  - Other deductions – If you show an amount at Other deductions, you need to show amounts in the two fields displayed when you enter Other deductions.
    To enable us to work out your **Income tests** amounts, enter the following fields:
    Managed investment scheme deductions (this includes all investment deductions related to trusts)
    Remaining trust deductions
  - myTax will automatically calculate the Net non-primary production amount.

3. Add up your trust **share of credits from income and tax offsets** and enter the total 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 trust which is indirectly included in the amount of:
     - trust income you show at **Net income from trusts, less capital gains, foreign income and franked distributions**
     - franked distribution you show at **Franked distributions from trusts**.

- TFN amounts withheld from interest, dividends and unit trust distributions
- TFN amounts withheld from payments from closely held trusts
- Tax paid by trustee – If you show an amount at Tax paid by trustee, you will need to:
  - select the **Situation**
  - enter the **Share of income** and **Tax credits**.
- 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

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

Notes

- If you received, or were entitled to trust income as a **special professional** you must also enter the amount of this 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.
- You may be entitled to the **small business income tax offset** if either of the following apply:
  - your share of net income included a share of net small business income
  - you had a farm management repayment or other amount you received as a beneficiary in a small business entity.

- **Keep a record** of each share of net income from a trust with your other records.

Statement of distribution or advice from the trustee

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

- the amount of any
  - primary production income or loss
  - non-primary production income or loss
- the amount of any franked distribution from a trust
- the amount of net small business income from a small business entity trust
- the amount of capital gains, 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
- that you are a chosen beneficiary if you are the beneficiary of a discretionary primary production trust that has made a loss
- your entitlement to any of the following credits or tax offsets
  - credit for amounts of tax withheld because the trust failed to quote its Australian business number
  - credit for amounts of tax withheld by the trustee of a closely held trust because you did not provide your TFN
  - credit for amounts of tax withheld due to the imposition of non-resident withholding tax or managed investment trust withholding tax from trust 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 tax file number amounts withheld

- credit for tax paid by the trustee.

Contact the trustee if you:

- have not received a statement of distribution or advice
- think that any details are wrong or are missing from the statement of distribution or advice you received from the trust.

Your statement of distribution or advice may show that your share of the trust's net capital gain is more than the overall amount of your share of the trust's net income (for tax purposes), for example because it shows a share of primary production or non-primary production loss. In this situation, there may be a limit to the amount of the net capital gain component that you exclude from **Net income from trusts, less capital gains, foreign income and franked distributions** and show at Capital gains or losses. For more information, see the 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.

Income information

In this section

- [Primary production]
- [Non-primary production]

Primary production

Net income from trusts

Ensure that you include:

- your share of any primary production non-concessional managed investment trust income and
- primary production excluded from non-concessional managed investment trust income.

If the trust made an overall loss for tax law purposes in 2022–23, the loss is retained in the trust. You will have no share of the net income of the trust. For more information, contact us.

Exception for primary producers – You may still be eligible for income averaging where the trust reports a loss. While beneficiaries of fixed trusts that report a loss continue to be eligible for income averaging, beneficiaries of discretionary trusts are now required to meet some additional requirements.

If you are an eligible beneficiary and you show nothing so far, enter **0** at **Net income from trusts**.

Non-primary production

Net income from trusts, less capital gains, foreign income and franked distributions

Ensure that you include:

- your share of any non-primary production non-concessional managed investment trust income and
- non-primary production excluded from non-concessional managed investment trust income is included.

If the trust made an overall loss for tax law purposes in 2022–23, the loss is retained in the trust. You will have no share of the net income of the trust. For more information, contact us.

Expense and tax credit information

Remember, you can't claim a deduction:

- for amounts already claimed by the trust, or
- for expenses incurred in deriving exempt income or non-assessable non-exempt income (for example, expenses incurred in deriving distributions on which family trust distribution tax or trustee beneficiary non-disclosure tax has been paid).

In this section

Primary production

Other deductions

If a trustee incurred eligible expenditure on landcare operations, water facilities, fencing assets or fodder storage assets, then only the trustee, not a beneficiary of the trust, can claim deductions for that expenditure.

Include at **Other deductions** your share of other deductions that you can claim in relation to your share of primary production income of a trust that you can claim this year.

If you were the beneficiary of a discretionary trust you cannot claim a deduction for expenses you incurred in relation to your share of any net income of the trust under the general deduction provisions. This is because at the time you incurred the expense, you were not entitled to any income of the trust.

If you made a prepayment of $1,000 or more for something to be done (in whole or in part) in a future 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 trust 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 2022–23. For more information, see **Thin capitalisation**.

Non-primary production

Other deductions

If a trustee incurred eligible expenditure on landcare operations, only the trustee, not a beneficiary of the trust, can claim deductions for that expenditure.

If you were the beneficiary of a discretionary trust, you cannot claim a deduction for expenses you incurred in relation to your share of any net income of the trust under the general deduction provisions. This is because at the time you incurred the expense, you would not have been entitled to any income of the trust.

Include at **Other deductions** your share of any other deductions that relate to non-primary production income of a trust that you can claim this year, including deductions relating to franked distributions from trusts.

If you made a prepayment of $1,000 or more for something to be done (in whole or in part) in a future 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 trust 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 2022–23. For more information, see Thin capitalisation.

Franking credits

Enter your share of any allowable franking credits which you are entitled to claim as a franking tax offset through a trust 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 trust which is indirectly included in the amount of:

- trust income you show at **Net income from trusts, less capital gains, foreign income and franked distributions**
- franked distribution you show at **Franked distributions from trusts**.

Therefore, you can't claim a franking credit for a dividend paid to the trust which was exempt income or non-assessable non-exempt income (for example, a distribution on which family trust distribution tax or trustee beneficiary non-disclosure tax has been paid).

You can't claim a share of a franking credit through a trust in the following circumstances:

- the trust has an overall loss for tax purposes for 2022–23

- you did not show an amount at **Franked distributions from trusts**, or
- the amount of income from the trust you have shown at **Net income from trusts, less capital gains, foreign income and franked distributions** is not attributable to the franked dividend which has generated the franking credit.

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 trust (other than widely held trusts) 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.

Tax paid by trustee

Non-resident trust

If you were an Australian resident, you may be able to claim a credit for Australian withholding tax you have borne on any Australian:

- source dividend
- interest
- royalty
- payment from an Australian managed investment trust included in the income of a non-resident trust to which you are entitled. A non-resident trust is a trust which, for all of 2022–23
  - only had non-resident trustees
  - had its central management and control outside Australia.

Legal disability

If you were under a legal disability you may be able to claim a credit for the tax that the trustee has paid on your share of the trust's net income. You are considered to be under a legal disability if you:

- were under 18 years old on 30 June 2023
- were a person who is bankrupt
- had been declared legally incapable because of a mental condition.

Foreign resident

If you were not an Australian resident, you may be able to claim a credit for the tax that the trustee has paid on your share of income from a resident trust.

QC 72359

myTax 2023 Loss details

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

Last updated 1 June 2023

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 2022–23 loss from a business activity you conduct either as a sole trader or in partnership to calculate your 2022–23 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 a private recreational pursuit or hobby, 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 2022–23 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 2022–23 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 2022–23 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, partnership or trust distributions (not from a managed fund), 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, partnership and trust 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 2022–23 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 three out of the past five years (2018–19 to 2022–23) 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, motor cycles 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 2022–23. 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 does not relate to 2022–23. Use loss code 5 only if you have advice in writing that the Commissioner will exercise his discretion for 2022–23.
  - If you have applied for a private ruling for the Commissioner to exercise his discretion for 2022–23, 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 2022–23 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 2022–23 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, partnership and trust 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 search 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 **b**, **c** and **d**.	$
f	Subtract **e** from **a**. The result at **f** is your business activity's overall profit or loss.	$

If the result at **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 **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 2023 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 1 June 2023

Things to know

This section is for **primary producers** only.

Complete this section if you made farm management deposits or had repayments during 2022–23.

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 farm management deposit (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 **certain conditions**, 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, partnership or trust distributions (not from a managed fund)
- 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, partnership and trust income banner.

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

1. Add up your deductible deposits you made in 2022–23, and enter the total into **Deductible deposits**.
2. Add up your early repayments you withdrew during 2022–23 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 2022–23 a deposit you made in 2021–22 for which you claimed the deduction, you don't need to lodge an amendment to your 2021–22 tax return.
3. Add up the FMDs you held for 12 months or more that were repaid during 2022–23, 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, partnership and trust 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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myTax 2023 Taxable payments annual report

How to report your payments and grants reported on a Taxable payments annual report using myTax.

Last updated 1 June 2023

On this page

Things to know

Complete this section for pre-filled payments and grants reported for you on a Taxable payments annual report (TPAR).

Some businesses need to report information to us about the payments they make to contractors (including subcontractors, consultants and independent contractors) for providing services. The businesses needing to report to us include those providing:

- building and construction services
- cleaning services
- courier services
- road freight services
- information technology (IT) services
- security, investigation or surveillance services.

Federal, state, territory and local government entities need to report the total payments they make to an entity, wholly or partly, for providing services.

Additionally, federal, state and territory government entities need to report the total grants paid to people or organisations that have an ABN. Local government entities don't need to report grants.

The information is reported to us on the **Taxable payments annual report**.

You need to indicate the type of income for each pre-filled payment and grant. Your selections tailor myTax to show these payments and grants at the correct section.

You then need to enter relevant information at that section to ensure your tax return is complete.

Do not assume this information includes every:

- payment you need to include as income for the financial year
- grant paid to you during the financial year.

The onus is on you to make sure you include all your income in your tax return.

Completing this section

We pre-fill this section with payments or grants reported to us on a Taxable payments annual report (TPAR).

To show your payments and grants reported to us, at **Prepare return** select 'Edit' at the Info only data reported in a Taxable payments annual report (TPAR) banner.

1. Have any **Payments reported on a Taxable payments annual report** been pre-filled in myTax?
   - **Yes** – go to step **2**.
   - **No** – go to step **4**.
2. For each payment reported on a TPAR, select the **Type of income?** For help to select the most appropriate type, see [Payments reported on a Taxable payments annual report].
   - If a payment reported on a TPAR includes tax withheld, for that payment select **Business income** or **Personal services income (PSI)**. You will also need to complete the **Business income statements and payment summaries** section to allow you to claim the tax withheld amount.
3. Select **Save**.
4. Have any **Grants reported on a Taxable payments annual report** been pre-filled in myTax?
   - **Yes** – go to step **5**.
   - **No** – go to step **7**.

5. For each grant reported on a TPAR, select the **Type of income?** For help to select the most appropriate type, see Grants reported on a Taxable payments annual report.
6. Select **Save**.
7. Select **Save and continue** when you have completed this section.

To ensure your tax return is complete, you must then go to the:

- **Business/sole trader, partnership and trust income (including loss details)** section for any
  - payments that you indicated Type of payment of Personal services income (PSI)
  - payments or grants that you indicated Type of payment of Business income.
- **Capital gains or losses** section for any grants that you indicated Type of payment of Capital gains.
- **Other income** section for any payments or grants that you indicated Type of payment of Other income.

You can't delete any pre-filled payments or grants that **do not belong to you or have entered in another section of your tax return**. Visit What if you don't agree with the pre-filled information? to learn more.

Payments reported on a Taxable payments annual report

Payments you received for services you provided are income.

Amounts you invoiced during the financial year but had not received payment for by the end of the financial year do not appear in this information. Where you account for your income on accruals basis, you must include the invoiced amounts in your tax return.

Where you provided the payer with a 'Statement by a supplier' form, you must still include the amount paid in your tax return if it is income.

For each pre-filled payment, indicate the **Type of income** that best describes the nature of the income. Choose from:

- Personal services income (PSI)

- Business income
- Other income

Further information that may assist your choice:

- If you received income mainly for your personal efforts or skills, special personal services income rules may apply. Use our tool to work out if those rules apply to you as this will affect how you complete your tax return.
- If your TPAR payment includes tax withheld, select **Business income** or **Personal services income (PSI)**. You will also need to complete the Business income statements and payment summaries section to allow you to claim the tax withheld amount.

myTax will show the payment at your selected section, to assist you as you enter relevant information at that section.

Grants reported on a Taxable payments annual report

Government grants paid to you may be included in this information.

Consider the nature of the grant to determine if you need to include it as income in your tax return.

For information about whether a grant is income, read Taxation Ruling TR 2006/3 *Income tax: government payments to industry*. If a grant is not ordinary income, there may be other tax implications – such as impacts under the assessable recoupment rules, capital allowance rules or capital gains tax rules.

For each pre-filled grant, indicate the **Type of income** that best describes the nature of the income. Choose from:

- Business income
- Capital gains
- Other income
- Non-assessable for this year

myTax will show the grant at your selected section, to assist you as you enter relevant information at that section.

If you indicate the **Type of income** as **Non-assessable for this year**, keep a record of the amount if it impacts future years – such as if it:

- reduces the adjustable value of a depreciating asset
- reduces the pool balance of depreciating assets
- reduces the cost base of a CGT asset
- is exempt income – which reduces the amount of losses you carry forward to claim in future years.

Ensure you take such amounts into account appropriately when preparing future returns.

Grant additional information

Certain government grants are treated as non-assessable, non-exempt (NANE) income for tax purposes. To find out more about which government grants may be NANE, visit Non-assessable, non-exempt government grants.

You do not include NANE income in your income tax return. If your circumstances allow for the government grant to be treated as NANE for tax purposes, at Type of income select **Non-assessable for this year**.

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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.