



Sole trader and business income or losses and partnership distributions

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

Business and professional items

How to complete the business and professional items section when lodging your tax return using myTax.

Business payment summaries

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

Personal services income

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Net income or loss from business

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myTax 2025 Business and professional items

How to complete the business and professional items section when lodging your tax return using myTax.

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

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

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

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

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

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

- **Did you satisfy the unrelated clients test?**

For more information, see [Unrelated clients test for PSI](#)

- **Did you satisfy the employment test?**

For more information, see [Employment test for PSI](#)

- **Did you satisfy the business premises test?**

For more information, see [Business premises test for PSI](#)

- Go to step 6.

6. Complete the remaining fields and questions (where displayed) in this section:

- **Main business or professional activity** – Select the main business or professional activity description where your gross income comes from.

If you're having difficulty finding an appropriate description, see [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 2024–25. The number of business activities you show here should not be less than the number you show at [Loss details](#).

- **Status of business** – select from 'Ceased business', 'Commenced business' or 'Continuing business'.

- **Main business name** – The registered business name of your main business activity should be consistent. It should only be updated when there is a name change or when it is no longer the main business activity.


If the business name is legally changed with the Australian Securities and Investments Commission (ASIC), advise us in writing at the time the change is made. The current business name should be shown on your tax return.

- **Main business address** – Enter the business address (street name, suburb or town and state) of the place where most of your business operations are conducted.

7. Select **Save**.

Difficulty finding a Main business or professional activity

If you're having difficulty, take the following steps:

1. Enter your activity into the [Business industry code tool](#) .
2. From the search tool results, click on the link for the most appropriate description for your activity.
3. From here, you'll 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're completing either **Personal services income** or **Business income or losses**:

Carrying on a business and business concessions

It is important to understand if you're 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 super affairs as you start, run, sell, change or close your business. See **Record keeping for business** for information to help you understand your tax, super and employer obligations.

Employer obligations

Your super 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.

myTax 2025 Business income statements and payment summaries

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

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Things to know

Completing this section

Things to know

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

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

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

Don't show at this section

Don't include the following at this section:

- Amounts subject to foreign resident capital gains withholding, go to **Capital gains or losses**.
- Any income statement or *PAYG payment summary – business and personal services income* where the payment type is Personal services attributed income, go to **Attributed personal services income**.
- Business income statements and payment summaries **where no tax has been withheld**, first record the information, delete it from this section and then if
 - PSI rules apply, go to **Personal services income**
 - PSI rules don't 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'll receive an error for the following payment types:

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

Completing this section

First you'll need to complete the **Business and professional items** section.

You'll 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 haven't 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're unsuccessful, see **Income statement not tax ready** or **Lost or missing payment summary**.

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

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

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

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

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

1. For each business-related income statement or payment summary that hasn't pre-filled in your tax return, select **Add** and enter information into the corresponding fields.

- If the income statement or payment summary has no tax withheld, go to [Don't show at this section](#).


2. Select the **Payment type**. For more information, see [Payment type](#). Select one of the following

- **Voluntary agreement** if you have an income statement or *PAYG payment summary – business and personal services income* where the payment type is Voluntary agreement
- **Labour hire** if you have an income statement or *PAYG payment summary – business and personal services income* where the payment type is Labour-hire payment

- **Other specified payments** if you have an income statement or *PAYG payment summary – business and personal services income* where the payment type is Other specified payments.
- **No ABN quoted** if you have an income statement, *PAYG payment summary – withholding where ABN not quoted* or payments or grants reported in a Taxable payments annual report where tax has been withheld
- **Foreign resident withholding** if you have an income statement or *PAYG withholding payment summary – foreign residents*.

3. Select the **Income type**.

Personal services income

Personal services income is income that is mainly a reward for an individual's personal efforts or skills. To work out whether your income is personal services income you can use the [Personal services income tool](#)  or go to Personal services income to learn more.

4. Where the income type is **Business income**, select whether the income is **Primary production** or **Non-primary production**.

You need to separate your business income into primary production income and non-primary production income. Primary production activities are described in [Information for primary producers](#).

5. Select **Save**.

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

Payment type

Review the below payment types for your situation.

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 didn't quote your ABN, including the

amounts of tax withheld.

Labour hire or other specified payments

Specified payments include any of the following:

- Income from 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 you 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.

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myTax 2025 Personal services income

How to report personal services income when lodging your tax return using myTax.

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Things to know

Completing this section

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
- have completed the **Business and professional items** section.

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

If more than 50% of the income you 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 you received under a contract is for your personal efforts or 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're 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 claim may be affected. Generally, when you earn PSI and the PSI rules apply to that income, your deductions are limited to those available to an employee. For more information, see **Claiming deductions when receiving PSI**.

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 be registered 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.

To find out if you're receiving PSI and if the PSI rules apply to you, see **Personal services income**.

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'll 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 tax return to show PSI, at **Personalise return** select:

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

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

Within the **Personal services income** banner:

1. Select **Net personal services income** to expand the section. Any income amounts entered in **Business income statements and payment summaries**, where the income type is 'Personal services income' and tax has been withheld, will automatically transfer across and show in the fields
 - **Voluntary agreement**
 - **ABN not quoted**
 - **Labour hire or other specified payments.**
2. Add up any other personal services income and enter the amount at **Other**, including amounts received where either of the following apply
 - No tax has been withheld from Business and personal services income on your income statement or payment summary.
 - There is a reminder below the **Business and professional items** section that you received payments or grants reported in a Taxable payments annual report where tax hasn't 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're eligible to claim in the corresponding fields (see **Claiming deductions when receiving PSI** to learn more). The **Depreciation and capital allowances tool** can help you work out any decline in value. It can also work out any deductible balancing adjustment when you stop holding a depreciating asset. Access this tool in the **Deductions** section on the **Prepare return** screen.
- Fields from this tool can't be adjusted in myTax. To make any adjustments, or to add new assets to the tool, select the 'Use the depreciation and capital allowances tool' link.

myTax will:

- automatically calculate your Net personal services income
 - transfer any tax withheld amounts entered in **Business income statements and payment summaries** and show in the fields:
 - **Voluntary agreement**
 - **ABN not quoted**
 - **Labour hire or other specified payments.**
4. Select **Save**.
5. Select **Save** and continue when you have completed the **Business/sole trader and partnership income (including loss details)** section.

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myTax 2025 Net income or loss from business

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

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Things to know

Completing this section

More about business income or losses

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
- income or a loss from a primary production business
- income under a pay as you go (PAYG) voluntary agreement
- income from which an amount was withheld because you didn't quote your Australian business number (ABN)
- income you derived as a foreign resident from which an amount was withheld because it was subject to foreign resident withholding
- income of an independent contractor working under a labour hire arrangement
- income 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
- 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](#)

Include in **Net primary production** and **Net non-primary production** income and expenses amounts derived from your accounting system or financial statements, excluding both:

- the values of opening and closing stock, which are to be shown as tax values
- depreciation expenses for small business entities choosing to use the simplified depreciation rules, which are to be shown as tax values.

The income and expense amounts to be included 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'll 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 tax return to show Net income or loss from business, at **Personalise return** select:

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

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

(including loss details) banner.

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

Net primary production

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

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

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

For further information, see Information for primary producers.

If you don't carry on a primary production business, go to [Net non-primary production](#).

You must complete the Primary production worksheet to determine some of the amounts in this section.

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

Primary production – Business income

2. At Primary production – Business income:

- myTax will automatically transfer the following primary production amounts shown in **Business income statements and payment summaries**, where the income type is 'Business income':
 - **ABN not quoted**
 - **Voluntary agreement**
 - **Labour hire or other specified payments**
- Enter your total primary production government industry payments received at **Assessable government industry payments**.

For more information, see [Assessable government industry payments](#).

If you enter an amount at **Australian government industry**

payments, answer the question **Does the Assessable government industry payments include fuel tax credits?**

- Enter your [Other primary production business income](#) or loss amounts at **Other business income**.

Primary production – Business tax withheld

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

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

Primary production – Business expenses

3. Enter your primary production business [expense](#) amounts into the corresponding fields:

- **Closing stock** – If you enter an amount at [closing stock](#), you need to indicate a [Closing stock value type](#).
- **Motor vehicle expenses** – If you enter an amount at [motor vehicle expenses](#), you'll 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**.

If you have business income and expenses from non-primary

production activities go to [Net non-primary production](#).
Otherwise, go to [Other business and professional items](#).

Net non-primary production

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

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

Non-primary production – Business income

2. At Non-primary production – Business income:

- myTax will automatically transfer the following non-primary production amounts shown in **Business income statements and payment summaries**, where the type of income is 'Business income'
 - **ABN not quoted**
 - **Gross payments subject to foreign resident withholding (excluding capital gains)**
 - **Voluntary agreement**
 - **Labour hire or other specified payments**
- Enter your total non-primary production government industry payments received at **Assessable government industry payments**.
For more information, see [Assessable government industry payments](#).
If you enter an amount at **Australian government industry payments**, answer the question **Does the Assessable government industry payments include fuel tax credits?**
- Enter your [other non-primary production business income](#) or loss amounts at **Other business income**.
Include payments received that aren't 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

income 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'll need to indicate a [Motor vehicle expense type](#).
- The **Depreciation and capital allowances tool** can help you work out any decline in value. It can also work out any deductible balancing adjustment when you stop holding a depreciating asset. Access this tool when you enter your business income or loss details.
Fields from this tool can't be adjusted in myTax. To make any adjustments, or to add new assets to the tool, select the 'Use the depreciation and capital allowances tool' link.

Non-primary production – Business reconciliation items

4. Enter the [reconciliation item](#) amounts related to your non-primary production business activities into the corresponding fields.

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

5. To enable us to work out your Income tests amounts, enter the following fields:

- **Net non-primary production income or loss from a business of investing**
- **Net non-primary production income or loss from a rental property business**
- **Remaining net non-primary production income or loss from business.**

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

6. Select **Save**. Go to [Other business and professional items](#).

Other business and professional items

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

1. Select **Other business and professional items** to expand the section.
2. Enter your [other business and professional items](#) information into the corresponding fields.
3. At **Small business entity simplified depreciation**, enter amounts into the following fields as required using the Depreciation and capital allowances tool, or amounts you calculated for small business entity depreciation deductions in [Worksheet 1](#):

- **Deduction for certain assets**
- **Deduction for general small business pool.**
- For eligibility information, see [Small business entity simplified depreciation](#).

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

4. At **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.

5. Select **Save**.

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

Note: If you're 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 tax return using myTax.

- [Business income](#)
- [Business expenses](#)
- [Business reconciliation items](#)
- [Other business and professional items](#)

Business income

Business income is divided into:

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

What to include in your business's assessable income

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

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

There are amounts that aren't assessable income for income tax purposes, see [What to exclude from your business's assessable income](#).

Don't show at this section

Don't show the following types of income here:

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

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

Assessable government industry payments

Generally, government credits, grants, rebates, bounties and subsidies are assessable income of the recipient if they are received in, or in relation to, the carrying on of a business. This includes amounts that are of a capital nature. Amounts relating to the commencement or cessation of a business may give rise to a capital gain. In certain circumstances, a specific grant or payment may be exempt income or non-assessable non-exempt income.

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

Examples of assessable government industry assistance are:

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

For more information, see Taxation Ruling **TR 2006/3** *Income tax: government payments to industry to assist entities (including individuals) to continue, commence or cease business*.

Don't include at this section Commonwealth and State government grants and payments that are tax free.

Medicare payments

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

Primary producers

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

Related page

Reporting disaster payments and grants in your tax return

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

Other business income

Other business income includes:

- gross sales of trading stock
- gross sales from produce
- goods taken from stock for your own use
- value of livestock killed for rations
- value of livestock exchanged for other goods or services
- gross earnings from services
- rent derived from carrying on a business of renting property
- income earned through the sharing economy, or other marketplace, where you're carrying on a business
- taxi driver and ride-sourcing earnings (income you earned as a non-employee taxi driver if you don't show it 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 hasn't 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're 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're registered or required to be registered for GST, you need to:

- consider your assessable income, exempt income and amounts you received or receivable. For tax purposes you should exclude the GST from those amounts when you calculate your income and deductions.
- reduce deductible losses and deductible business expenses by the amount of your input tax credit entitlement. In certain circumstances, you could make an adjustment for GST purposes.

For example, a change in how much you use an asset for business purposes could increase or decrease your GST component. This could alter your assessable income or deductible business expenses.

- exclude GST where rules for capital gains tax and capital allowances were applicable.

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

Business expenses

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

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

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

Business expenses are divided into:

- [Opening stock](#)
- [Purchases and other costs](#)
- [Closing stock](#)
- [Cost of sales](#)
- [Foreign resident withholding expenses \(excluding capital gains\)](#) – for non-primary production only
- [Contractor, sub-contractor and commission expenses](#)
- [Superannuation expenses](#)
- [Bad debts](#)
- [Lease expenses](#)
- [Rent expenses](#)

- [Interest expenses within Australia](#)
- [Interest expenses overseas](#)
- [Depreciation expenses](#)
- [Motor vehicle expenses](#)
- [Repairs and maintenance](#)
- [All other expenses](#)

This information may also assist in completing this section:

- [Goods and services tax](#)
- [Prepayments of \\$1,000 or more](#)
- [Thin capitalisation rule](#)
- [Debt deduction creation rules](#)

Keep accurate and complete records to help you meet your tax, super and employer obligations, see [Record keeping for business](#).

Don't show at this section

Don't include the following expenses on your schedule:

- non-business interest and dividend income expenses; claim deductible expenses at **Interest income 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; these are included as required at **Other foreign income**, or in the case of certain debt deductions, claimed 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 either:

- the acquisition and disposal of crypto assets in the ordinary course of your business
- 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 haven't complied with your PAYG withholding obligations. See **Removing tax deductibility of non-compliant payments**.

If you're a primary producer, you'll 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 2024 tax return.

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

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

Return to: [Business expenses](#)

Purchases and other costs

Purchases and other costs represent the direct cost of materials used for manufacture, sale or exchange in deriving the gross proceeds or earnings of the business. It includes inwards freight and the cost of stock acquired when starting or acquiring a business during the year. It may also include some costs for labour and services provided under contract, if these are recorded in the cost of sales account in your

business books of account. If so, don't include this amount at **Contractor, subcontractor and commission expenses**.

If you're 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're 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

Consider the information below when completing closing stock.

Small business entities need to know

If you're 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 didn't account for the change in value of your stock in the previous year. For more information on a reasonable estimate of the value of stock, see **estimating stock value**.

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

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

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

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

1. If the difference referred to above is \$5,000 or less and you choose not to account for this difference, the closing stock values you enter

must be the same as the values you enter at **Opening stock**. Don't enter your reasonable estimate.

Go to [Cost of sales](#)

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

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

Other businesses need to know

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

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

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

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

- cost
- market selling price
- replacement value.

You may elect to value an item of trading stock below the lowest value calculated by any of these methods. This may be because it has become obsolete or there are other special circumstances. The value

you elect must be reasonable. Where you elect to value an item of trading stock below cost, market selling value and replacement value, you must complete the **Trading stock election**.

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

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

If you're 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 won't have any primary production amounts here.

Return to: [Business expenses](#)

Contractor, sub-contractor and commission expenses

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

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

Don't include the following at this field:

- expenses for external labour which have been included in the business cost of sales account
- expenses for accounting or legal services; include these at [All other expenses](#)
- expenses for payments made where the associated withholding obligations haven't been complied with. For more information, see [Removing tax deductibility of non-compliant payments](#).

Return to: [Business expenses](#)

Superannuation expenses

If you contributed to super for eligible parties, enter the super expenses for the income year. Don't include any amount that was a contribution for yourself. The deduction for your own super contributions must be claimed at **Personal super contributions**.


Employers are entitled to a deduction for the contributions they made to a complying super, provident, benefit or retirement fund or retirement savings account (RSA) where the contributions are to provide either:

- super benefits for employees
- benefits to the employee's dependants on the employee's death.

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

Contributions made to a non-complying fund:

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

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

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

Contributions paid by an employer to a non-complying super 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.

For information on how much you can pay into your super fund each income year without having to pay extra tax, see **Concessional contributions cap**.

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

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

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

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

You can also claim a deduction for:

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

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

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

Keep a statement for all debtors whose bad debts you wrote off during the income 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 you incurred on financial leases and on operating leases for assets such as motor vehicles and plant. Don't include the cost of leasing real estate (show this cost at **Rent expenses**).

If you include capital expenditure you incurred to terminate a lease or licence, you'll need to add back the amount at **Expense reconciliation adjustments**. Although capital expenditure to terminate a lease or licence isn't 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 you incurred to terminate a lease or licence if the expenditure you incurred is either:

- in the course of carrying on a business
- 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 isn't allowable as a deduction, such as amounts disallowed under the thin capitalisation rules, you'll need to add back the amount at **Expense reconciliation adjustments**.

Expenses you incurred under a hire purchase agreement aren't 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 income year in which the lease commences. The car limit for 2024–25 is \$69,674.

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

List the assets leased and keep full details of the leasing expenses for each item, including motor vehicles and details of any private use.

Leasing expenses of certain cars fall under the substantiation rules.

Return to: [Business expenses](#)

Rent expenses

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

Return to: [Business expenses](#)

Interest expenses within Australia

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

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

If you include an amount of interest which isn't allowable as a deduction, such as amounts denied by the [thin capitalisation rules](#) or [debt deduction creation rules](#), you'll need to add back the amount at **Expense reconciliation adjustments**.

Return to: [Business expenses](#)

Interest expenses overseas

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

- finance business operations
- meet current business expenses.

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

Generally, you're required to withhold an amount of withholding tax from both:

- interest paid or payable to non-residents
- 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 that isn't allowable as a deduction, such as amounts denied by the [thin capitalisation rules](#) or [debt deduction creation rules](#), you'll need to add back the amount at **Expense reconciliation adjustments**.

Return to: [Business expenses](#)

Depreciation expenses

- [Small business entities](#)
- [Other businesses](#)
- [Small business – \\$20,000 Instant asset write-off](#)

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

Small business entities

Include amounts for depreciation deductions claimed:

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

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

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

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

5-year lock out rule

The 5-year 'lock out' rule is suspended until 30 June 2025. This rule prevented small business entities from re-entering the simplified depreciation regime if they opted out.

If you're a small business entity that has previously chosen to use these simplified depreciation rules but in a later year chose to stop using this concession, you can again choose to use the simplified depreciation rules until 30 June 2025.

To notify us of your choice, lodge your tax return and **keep relevant records** for the required period of time. You don't need to lodge any other form to notify us of your choice.

Calculating your depreciation deductions

Small business entities using simplified depreciation

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

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

The amounts you enter in [worksheet 1](#) must be tax values and not accounting values.

Calculation 1: Deduction for certain assets and cost additions

For an explanation of the terms we use in this section, see **Tax time definitions**.

Under the instant asset write-off measure, an immediate deduction is available for the cost of certain depreciating assets that:

- you start to use, or have installed ready for use for a taxable purpose between 1 July 2024 and 30 June 2025
- cost less than \$20,000 at the end of the income year
- qualify for a deduction under the **simplified depreciation rules**.

For an asset that you've claimed an immediate deduction under the simplified depreciation rules in a prior income year, small businesses can also immediately deduct an amount included in the second

element (cost addition) of that asset's cost, where the amount is all of the following:

- the first deductible amount of second element cost incurred after the end of the income year in which the asset was written off
- less than \$20,000
- incurred between 1 July 2024 and 30 June 2025.

To work out the taxable purpose proportion of each of these assets and cost additions, calculate the deduction as follows:

- Step 1: Multiply each asset's adjustable value and any cost addition amounts by the taxable purpose proportion (%).
- Step 2: Add these results and write the total at row **a** in [worksheet 1](#).

For assets you held before using the simplified depreciation rules, assets that cost \$20,000 or more and all other cost additions – see [calculation 2](#).

The adjustable value of an asset, at the time it was first used (or installed ready for use) for a taxable purpose, will be its cost unless the asset was previously used (or installed ready for use) by the small business solely for private purposes. For example, for a utility truck bought on 1 December 2024 at a cost of \$17,000 (excluding input tax credit entitlements) and used for producing assessable income from that date at an estimated 70% of the time, the immediate deduction would be $\$17,000 \times 70\% = \$11,900$.

Calculation 2: Deductions for the general small business pool

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

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

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

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

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

Calculation 2a – Calculate your opening pool balance

Calculate your opening pool balance where:

- [2024–25 is the first income year using simplified depreciation rules](#)
- [2024–25 is not the first income year using simplified depreciation rules.](#)

2024–25 the first income year using simplified depreciation rules

For small business entities that haven't previously used the simplified depreciation rules, the opening pool balance is the sum of the taxable purpose proportions of the adjustable values of those depreciating assets that are both:

- used, or held for use, just before the start of 2024–25
- not excluded from the simplified depreciation rules.

To calculate your deductions for the general small business pool, see [Calculation 2b](#) and [Calculation 2c](#).

2024–25 not the first income year using simplified depreciation rules

If 2024–25 **isn't** the first income year in which you're small business entity using the simplified depreciation rules, the opening balance of your small business pool for the current year is the closing pool balance for the previous income year, adjusted to reflect any change in taxable purpose of a pooled assets.

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

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

If the balance of a pool is over \$20,000, calculate your deduction for the general small business pool in 2024–25 as follows:

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

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

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

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

- depreciating assets, including motor vehicles, that cost more than \$20,000 that you first used or installed ready for use for a taxable purpose during 2024–25
- cost addition amounts costing \$20,000 or over you incurred in 2024–25 for assets already allocated to the general small business pool – for more information see **Small business pool calculations**.

Calculate your deduction as follows:

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

Calculation 3: Other depreciating assets

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

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

Write your total deduction for other depreciating assets at row **d** in [worksheet 1](#).

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

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

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

Calculation 4: Disposal of depreciating assets

If you used the simplified depreciation rules and you've sold or ceased to use an asset in 2024–25, you may need to reduce your pool balance by the asset's taxable purpose proportion of the termination value or include an amount in your assessable income.

- [Calculation 4a – Assets immediately deducted under simplified depreciation rules](#)
- [Calculation 4b – Assets allocated to the general small business pool](#)
- [Calculation 4c – Other depreciating assets](#)

Calculation 4a – Assets immediately deducted under simplified depreciation rules

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

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

depreciation rules.

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

Calculation 4b – Assets allocated to the general small business pool

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

Calculation 4c – Other depreciating assets

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

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

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

Calculation 5: Closing pool balance

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

- Step 1: Add the taxable purpose proportion of the adjustable value of assets that were first used, or installed ready for use, for a taxable purpose during 2024–25 (see [Calculation 2c](#)) to your opening pool balance (from [Calculation 2a](#)).
- Step 2: Add the taxable purpose proportion of any cost addition amounts for assets that were already in the pool at the beginning of the income year (from [Calculation 2c](#)).
- Step 3: Subtract the taxable purpose proportion of the termination value of any pooled assets disposed of during the income year (from [Calculation 4b](#)).

If after completing Step 3 your pool balance is less than \$20,000

but greater than zero, you can claim an immediate deduction for this amount. Enter this deduction against general small business pool assets at row **b** in [worksheet 1](#). The pool's closing balance for 2024–25 will be zero after claiming the immediate deduction.

If the value of the small business pool is \$20,000 or more after completing Step 3, continue calculations as per the steps below.

- Step 4: Subtract the general small business pool deduction (from [Calculation 2b](#)).
- Step 5: Subtract the deduction for newly acquired pooled assets (see [Calculation 2c](#)).
- Step 6: Subtract the deduction for any cost addition amounts for pooled assets (see [Calculation 2c](#)).

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

The closing pool balance for this year becomes the opening pool balance for 2025–26, after any adjustments to reflect the changed business use of a pooled asset.

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

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

Row	Calculation elements	Primary production	Non-primary production	Total
a	Deduction for certain assets (costing less than \$20,000 instant asset write-off limit)	\$	\$	\$
b	Deduction for general small business pool (30%)	\$	\$	\$

c	Deduction for general small business pool for new assets only (15%)	\$	\$	\$
d	Other depreciating assets	\$	\$	\$
e	Total depreciation expenses: add the amounts at rows a , b , c and d .	\$	\$	\$

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

1. Enter the amount at row **e** 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 **c** 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 you claimed in your accounting books other than those assets you allocated in a prior income year to a general pool. For assets you allocated to such a pool, include here the amount of the pool deduction to be claimed for tax purposes.

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


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

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

adjustments.

For further information, see [Guide to depreciating assets](#).

Small business – \$20,000 Instant asset write-off

The [Treasury Laws Amendment \(Tax Incentives and Integrity\) Act 2025](#)  has extended the \$20,000 instant asset write-off limit to the 2024–25 income year. This measure aims to support small business entities with an **aggregated annual turnover** of less than \$10 million.

Eligible small business entities can immediately deduct the business use portion of the cost of eligible depreciating assets costing less than \$20,000. You must have first used or installed ready for use for a taxable purpose between 1 July 2024 and 30 June 2025.

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

The 5-year 'lock out' rule is suspended until 30 June 2025. This rule prevented small business entities from re-entering the simplified depreciation regime if they opted out.

For more information, see [Small business support – \\$20,000 instant asset write-off](#).

Motor vehicle expenses

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

Key points:

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

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

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

- **Depreciation expenses**
- **Lease expenses**
- **Interest expenses within Australia**
- **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 aren't capital expenses.

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. These are called initial repairs.

Expenditure you incurred in making alterations, additions or improvements is of a capital nature and isn't deductible as repairs.

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.

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

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

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

To claim a deduction for capital expenses and depreciating assets, go to [Depreciation expenses](#).

To support your claim for the cost of repairs, you must keep good records, 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 that you incurred in deriving your profit or loss and you haven't already shown elsewhere. Other expenses include:

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

Include:

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

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

If you're 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 on foreign exchange (forex) losses see, **Other deductions**.

Include capital and other non-deductible items (including debt deductions denied by thin capitalisation rules or debt deduction creation rules) shown here at **Expense reconciliation adjustments**. For

information on completing this section, see [Income and expense reconciliation adjustments](#).

Home-based business and travel expenses

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

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

For more information, see:

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

Return to: [Business expenses](#)

Goods and services tax

If you're 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** in your tax return. Don't show the penalty in this section.

Prepayments of \$1,000 or more

If you made a prepayment of \$1,000 or more for something to be done (in whole or in part) after 30 June 2024, the timing of your deduction may be affected by the rules relating to prepayments. You'll need to apportion your deduction for prepaid business expenditure over the lesser of the service period or 10 years.

There is an exception if the 12-month rule applies and you're a small business entity, or you would be a small business entity if the aggregated turnover threshold was less than \$50 million.

Where expenses shown in this section include prepaid expenses that differ from the amounts allowable as deductions in 2024–25, make an expense reconciliation adjustment at **Expense reconciliation adjustment** in the **Business reconciliation items** section.

For more information, see [Deductions for prepaid expenses](#).

Thin capitalisation rule

The **thin capitalisation** provisions apply to entities (including individuals) to reduce certain deductions (called 'debt deductions') for costs you incurred in obtaining and servicing debt finance.

A debt deduction is a cost an entity incurs including interest, an amount in the nature of interest, or any other amount that is economically equivalent to interest, where the expense is otherwise deductible if the thin capitalisation rules are disregarded.

The thin capitalisation rules may apply to you if you're either:

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

The thin capitalisation rules won't affect you if:

- an entity whose debt deductions, together with those of any associate entities, are less than the de-minimis threshold of \$2,000,000 for the income year (see [section 820-35](#) of the *ITAA 1997*)
- an Australian resident entity that is neither foreign controlled nor has any overseas operations or investments (unless it's an associate of another Australian entity that does)
- a foreign entity that has no investment or presence in Australia
- an Australian entity with overseas operations or investments, or an Australian entity that is an associate of such an entity that isn't also foreign controlled and that meets the Australian assets threshold test. See, [section 820-37](#) of the *ITAA 1997*.

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

Debt deduction creation rules

For income years that commence on or after 1 July 2024, the debt deduction creation rules (DDCR) operate to disallow related party debt deductions for certain related party arrangements. The DDCR apply to:

- arrangements you enter into before 1 July 2024 where debt deductions continue to arise
- new arrangements you enter into on or after 1 July 2024.

For more information see [Understanding the debt deduction creation rules \(DDCR\)](#).

Business reconciliation items

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

- [Section 40-880 deduction](#)
- [Business deduction for project pool](#)
- [Landcare operations and deduction for decline in value of water facility, fencing asset and fodder storage asset](#)
- [Income and expense reconciliation adjustments](#)
- [Deferred non-commercial business losses from a prior year](#)

Any adjustments to your income and expense amounts are dealt with at [Income and expense reconciliation adjustments](#).

Section 40-880 deduction

Immediate deductibility for business-related start-up costs

Section 40-880 of the *ITAA 1997* allows for certain start-up expenses to be immediately deductible where they are incurred by one of the following:

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

- isn't a small business entity, and
- would not be a small business entity if the aggregated turnover threshold was less than \$50 million.

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

For information on when businesses can claim tax deductions for depreciating assets and other capital expenses, see **Tax deductions for depreciating assets and capital expenses**.

5-year deduction for certain capital expenditure

Section 40-880 also allows you to deduct in equal proportions over a 5-year period certain capital expenditure you incurred if the expenditure isn't already taken into account or not denied a deduction by another provision.

You can claim a deduction for capital expenditure you incurred:

- in relation to your business
- in relation to a business that used to be carried on, such as capital expenses you incurred in order to cease the business
- in relation to a business proposed to be carried on, such as the costs of feasibility studies, market research or setting up the business entity
- as a shareholder, beneficiary or partner to liquidate or deregister a company or to wind up a trust or partnership that carried on a business.

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

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

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

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


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

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

Business deduction for project pool

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

Each project has a separate project pool.

A deduction is available from the income year in which you started to operate a project to gain or produce assessable income until when it stops operating. Use the [Project pool calculator \(XLSX, 151KB\)](#)  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 depreciation of water facility and other assets

Consider the following information on landcare operations and deductions for decline in value of water facility, fencing asset and fodder storage asset.

Landcare operations expenses

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

- 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 you incurred on a water facility if you're:

- 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 simplified depreciation rules.

Income and expense reconciliation adjustments

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

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

You must work out your reconciliation adjustments if you have either:

- included amounts such as exempt income or non-deductible expenses
- 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 \(XLSX, 198KB\)](#) , using the [explanations](#) provided.

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

Notes:

1. Include amounts at row **h** only if you're not using the simplified depreciation rules. However, exclude any pool deductions which you included at **Depreciation expenses** that relate to a continuing small business pool.
2. For an explanation of depreciating assets, see [Guide to depreciating assets](#).
3. If you have included an amount of capital expenditure incurred to terminate a lease or licence at **Lease expenses**, make a reconciliation adjustment at **Expense reconciliation adjustments** by including the amount of capital expenditure as an expense add back and taking away that part of the expense which is allowed as a tax deduction.
4. Don't include the following in the amount at row **t**:
 - Section 40-880 deductions
 - business deductions for project pools
 - deductions for landcare operations, water facilities, fencing assets and fodder storage assets.

Reconciliation adjustments for these amounts are shown separately at:

- **Section 40-880 deduction**
- **Business deduction for project pool**

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

What are income reconciliation adjustments?

Income reconciliation adjustments include:

- income **add backs**; this is income not shown in the accounts which is assessable income for tax purposes, such as
 - assessable balancing adjustment amounts on disposal of depreciating assets
 - other assessable income not included in the profit and loss statement
- income **subtractions**; this is income shown in the accounts which isn't assessable income, such as
 - profit on sale of depreciating assets
 - other income that isn't assessable for income tax purposes, for example, gross exempt income and non-assessable non-exempt income
 - cash flow boost payments if they are 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 aren't 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
 - excluded capital expenditure

- additions to provisions and reserves
 - income tax expense
 - expenses relating to exempt income
 - debt deductions denied by the [thin capitalisation rules](#)
 - debt deductions denied by the [debt deduction creation 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
 - 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're eligible and have chosen to continue using the STS accounting method and the amounts you have shown at the Income and Expense sections aren't based on the STS accounting method, or

- you stopped using the STS accounting method in 2024–25.

For more information on these adjustments, see [Adjustments when ceasing to use the STS accounting method](#).

[Worksheet 2](#) will assist you with your calculations.

Income derived but not received and expenses incurred but not paid

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

- of ordinary income that were derived but not received in 2024–25, the amounts not received aren't assessable this year, for example, amounts outstanding from trade debtors as at 30 June 2025. 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 were incurred but not paid in 2024–25, these amounts aren't deductible this year, for example, amounts owed to trade creditors as at 30 June 2025. 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 haven't included at the **Business income** section any amounts:

- of ordinary income that were derived but not received while using the STS accounting method, these amounts are assessable this year, for example, outstanding amounts from trade debtors as at 30 June 2024. Include these amounts at row **b** on [worksheet 2](#).
- of general deductions, repairs or tax-related expenses that were incurred but not paid while using the STS accounting method, these amounts are deductible this year, for example, amounts owed to trade creditors as at 30 June 2024. 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 were 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 haven't allocated to a small business pool form part of your Expense reconciliation adjustments. Include these amounts at row **q** on [worksheet 2](#).

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

Prepaid expenses

Special rules may affect the timing of **deductions for prepaid expenses**. Under these rules you may need to apportion certain prepaid expenses over more than one income year. You must make an expense reconciliation adjustment to add back that part of the expense that isn't deductible in the income year in which you incurred it. 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're entitled to a deduction for part of the expense this year but haven't 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're not a small business entity using the simplified depreciation rules. If you're 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.

You can deduct the decline in value of a depreciating asset in 2024–25 if you held the depreciating asset during the year and used it (or installed it ready for use) for a taxable purpose.

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

To help you calculate your deduction for decline in value, use the Depreciation and capital allowances tool, or see **Guide to depreciating assets** which also provides explanations of relevant terms. The publication also explains the option to allocate to a low-value pool depreciating assets that cost less than \$1,000 (excluding input tax credit entitlements) and depreciating assets that have an opening adjustable value of less than \$1,000.

Special balancing adjustments

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

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

Note that temporary full expensing ceased on 30 June 2023.

This special balancing adjustment event isn't 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, both of the following rules apply:

- 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

- the first element of cost is modified to reflect the asset's termination value at the time of the event, and if this occurs
 - you may not be able to work out the decline in value for that asset using temporary full expensing, and
 - you may be entitled to claim other capital allowances that you're entitled to for that asset in a later income year (for example, under the general capital allowances rules for the proportion of business use).

You may not claim a deduction for the asset under the general capital allowance rules in the same income year as the special balancing adjustment event.

Luxury car leasing

A leased car, either new or second-hand, is a luxury car if its cost exceeds the car limit that applies for the income year in which the lease commences. The car limit for 2024–25 is \$69,674.

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, and
- 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 non-taxable purposes.

Where you allocated the car to the general small business pool up to the value of the applicable car limit, see [Calculating your depreciation deductions](#).

If you've 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 isn't extended or renewed and the lessee doesn't actually acquire the car from the lessor, the lessee is treated under the rules as disposing of the car by way of sale to the lessor. This constitutes a balancing adjustment event. If the car isn't subject to the simplified depreciation rules, any assessable or deductible balancing adjustment amount for the lessee must be determined. If the car has been allocated to the lessee's general small business pool, see **Disposing or ceasing to use a depreciating asset** for small business entities.

Hire-purchase agreements

Hire-purchase and instalment sale agreements of goods are treated as a sale of the property by the financier (or hire-purchase company) to the hirer (or instalment purchaser).

The sale is treated as being financed by a loan from the financier to the hirer at a sale price of either their agreed cost or value or the property's arm's length value.

The periodic hire-purchase (or instalment) payments are treated as payments of principal and interest under the notional loan. The interest

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

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

- 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 hasn't been paid in full by the debtor
- because the debt hasn't 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 wasn't counted as capital expenditure of the debtor. Special rules apply in working out whether the debt has been fully paid.

A limited recourse debt is a debt where the rights of the creditor as against the debtor, in the event of default in payment of the debt or of interest, are limited wholly or predominantly to the property which either:

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

A debt is also a limited recourse debt if, notwithstanding that there may be no specific conditions to that effect, it is reasonable to

conclude that the creditor's rights as against the debtors are capable of being limited.

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

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

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 2024–25.

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 2024–25 or a future year.

If you're 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. For more information on this process, see **How to offset your losses**.

Other business and professional items

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

- [Small business entity simplified depreciation](#)
- [Other](#)
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Small business entity simplified depreciation

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

In 2024–25, the \$20,000 instant asset write-off limit applies to small business entities using the simplified depreciation rules. The instant asset write-off eligibility criteria and threshold have changed over time. Visit [Instant asset write-off for eligible businesses](#) to learn more.

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

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

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

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

For more information on simplified depreciation rules including instant asset write-off and the small business pool, see [Simpler depreciation rules for small business](#).

Other

Trade debtors

This is the total amount owing to the business at the end of the year for goods and services provided during 2024–25 (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 2024–25 (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 or domestic assistance) are usually deductible. However, you can't be an employee of your own business. Salary or wage payments made to you aren't allowable deductions in calculating your income or loss; treat these payments as an allocation of profits.

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

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

Also include:

- direct and indirect labour
- holiday pay
- payments made to 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
- super
- management fees
- consultant fees
- payments made from 1 July 2024 where you haven't complied with the PAYG withholding and reporting obligations for those payments
- payments for workers compensation arising from damages.

For more information, see **Removing tax deductibility of non-compliant payments**.

Payments to associated persons

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

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

You need to keep the following records:

- full name of relatives or related partnerships
- age, if under 18 years old
- relationship
- nature of duties performed
- hours worked

- total remuneration
- salary or wages claimed as deductions
- other amounts paid, for example, retiring gratuities, bonuses and commissions.

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

Intangible depreciating assets first deducted

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

The following intangible assets are regarded as depreciating assets (as long as they aren't 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 that you're claiming a business deduction for decline in value **for the first time**. If you have allocated any intangible depreciating assets with a cost of less than \$1,000 to a low-value pool for the income year, you also need to include the cost of those assets here. Don't reduce the cost for estimated non-taxable use.

Expenditure on in-house software that you allocated to a software development pool isn't shown here.

Other depreciating assets first deducted

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

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

You need to include the cost of all depreciating assets (other than intangible depreciating assets) that you're 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 2024–25, you also need to include the cost of those assets here. Don't reduce the cost for estimated non-taxable use.

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

Termination value of intangible depreciating assets

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

Don't show at this field any amounts you received during 2024–25 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 2024–25 (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 didn't 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 one of the following:

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

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

Termination value of other depreciating assets

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

You include the termination values for other depreciating assets (including assets allocated to a low-value pool) that you stopped holding or using during 2024–25. For example, assets:

- you sold
- you disposed of under a private or domestic arrangement
- 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 didn't 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 that an immediate deduction has been allowed under the simplified depreciation rules
- buildings or structures that 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 2024–25 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 104183

myTax 2025 Partnerships

How to complete the partnerships section when lodging your tax return using myTax.

Last updated 2 June 2025

On this page

Things to know

Completing this section

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're a partner paid you a salary, wages or allowances you must show that income at this section.

Don't show at this section

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

- Interest you received, or were credited with, from a joint account, where you quoted your individual TFN to the financial institution, go to **Interest**.
- Income from a corporate limited partnership, go to **Dividends**.
- A capital gain or a capital loss in respect of your interest in a partnership or a partnership asset, go to **Capital gains or losses**.
- Any distribution in relation to a foreign resident capital gains withholding credit, go to **Capital gains or losses**.
- Attributed foreign income from a partnership (unless we instruct 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 we instruct otherwise), go to **Other foreign income**.

- Rent you derived jointly (or in common) with another person from a jointly held property where you weren't 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'll 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 hasn't pre-filled.

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

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

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

At the **Partnerships** banner:

1. For each partnership distribution that has pre-filled in your tax return, add any distribution information not pre-filled.
2. For each partnership distribution that hasn't 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 (ABN) 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 either
 - received when you're an Australian resident from which an amount of tax was withheld because of the imposition of non-resident withholding tax or managed investment trust withholding tax
 - derived as a foreign resident from which an amount of tax was withheld because of the operation of the foreign resident withholding rules.
- National rental affordability scheme tax offset.

6. Select **Save**.

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

Notes:

- MyTax may remind you of partnership distribution amounts you need to include at **Other foreign income**.
- If you received, or were entitled to, partnership income as a **special professional** you must also enter the amount of your taxable professional income in the **Other income** section. This includes

income from activities as an author, an inventor, performing artist, production associate or active sportsperson.

- If you conducted a business activity as a partner in a partnership that resulted in a loss, or resulted in a loss after deducting your expenses, you must complete **Loss details**.
- You may be entitled to the **small business income tax offset** if either of the following apply:
 - your partnership distribution included a share of net small business income
 - you had a farm management repayment or other amount you received as a partner in a small business entity.
- **Keep a record** of each partnership distribution with your other records.

Other deductions – Type

The options are:

- **D** – if **all** of the amount is a deferred non-commercial business loss from a prior income year.
- **N** – if **none** of the amount is a deferred non-commercial business loss from a prior income year.
- **P** – if only part of the amount is a deferred non-commercial business loss from a prior income year.

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 ABN
 - 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're a resident
 - share of the 'national rental affordability scheme' tax offset
 - allowable franking credits from franked dividends
 - credit for TFN amounts withheld.

If you think that any details are wrong or are missing from your statement of distribution or advice, 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 on 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
- expenses you incurred in deriving exempt income or non-assessable non-exempt income.

More information about completing the partnerships section of your tax return using myTax are below:

- [Primary production](#)
- [Non-primary production](#)
- [Franking credits](#)

Primary production

This section covers:

- [Landcare operations and business deduction for decline in value of water facility, fencing asset and fodder storage asset](#)
- [Other deductions](#)

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 then 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
- phone lines.

For information on 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 rules relating to prepayments may affect the amount you can deduct. For more information on prepayments, see **Deductions for prepaid expenses**.

If you incurred debt deductions, the thin capitalisation rules may affect the amount you can deduct. For example, debt deductions such as interest and borrowing costs, in deriving assessable income from a partnership, of more than \$2 million (alone or combined with those of your associate entities) for 2024–25. For more information, see **Thin capitalisation**.

You can claim a non-commercial business loss deferred from a prior income year only if it relates to a partnership activity that is the same as, or similar to, your 2024–25 partnership activity.

You may need to reduce the deferred non-commercial business loss deduction you claim in 2024–25 if you earned net exempt income in 2024–25. 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. You can't deduct the loss in 2024–25 or any future income year.

For more information on how exempt income and bankruptcy affect deferred non-commercial business losses, see paragraphs 117 and 118 of Taxation Ruling TR 2001/14 *Income tax: Division 35 – non-commercial business losses* or **contact us**.

Non-primary production

This section covers:

- [Landcare operations expenses](#)
- [Other deductions](#)

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 then 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**.

If you incurred debt deductions, the thin capitalisation rules may affect the amount you can deduct. For example, debt deductions such as interest and borrowing costs, in deriving assessable income from a partnership, of more than \$2 million (alone or combined with those of your associate entities) for 2024–25. For more information, see **Thin capitalisation**.

You can claim a non-commercial business loss deferred from a prior income year only if it relates to a partnership activity that is the same as, or similar to, your 2024–25 partnership activity.

You may need to reduce the deferred non-commercial business loss deduction you claim in 2024–25 if you earned net exempt income in 2024–25. 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. You can't deduct the loss in 2024–25 or any future income year.

For more information on how exempt income and bankruptcy affect deferred non-commercial business losses, see paragraphs 117 and 118 of Taxation Ruling **TR 2001/14** *Income tax: Division 35 – non-commercial business losses* or **contact us**.

Franking credits

Enter your share of any allowable franking credits which you're 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 that 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 any of the following apply:

- 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
- 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're not entitled to claim a franking tax offset](#).

QC 104184

myTax 2025 Loss details

How to report loss details when lodging your tax return using myTax.

Last updated 2 June 2025

On this page

Things to know

Completing this section

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 don't 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 2024–25 loss from a business activity you conducted either as a sole trader or in partnership to calculate your 2024–25 taxable income only where either:

- it's an **excepted business activity**
- you meet both

- the income requirement
- one of the four tests
- you qualify and choose to apply for [safe harbour](#)
- the Commissioner has exercised his discretion or ruled that it will be exercised, to allow you to claim the loss.

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

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

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

Safe harbour

You can consider using the safe harbour if you have made a loss from a business activity because your business was affected by either:

- bushfire
- flood
- a government-imposed lockdown, business closure or restriction due to COVID-19.

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're unable to claim your loss in 2024–25 because of these rules, you must **defer** the loss.

This deferred loss isn't 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 income year. Your deferred loss deduction may be reduced if you either:

- earn net exempt income in the future income 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 income year will depend on the application of the deferral rules for non-commercial business losses in that income year.

If you're unable to claim your loss against other income in 2024–25 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 2024–25 taxable income.

Completing this section

You may need:

- Any written advice from us 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're a partner in a partnership, you'll 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 aren't individuals
 - your share of income or loss from the partnership for the activity.
- Partnership documents that have information on the special rules that determine if 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 either:

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

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

- If, at Personalise return, you **only** selected 'You had foreign income' and 'Other foreign income', select 'Add/Edit' at the Loss details banner.
- Otherwise, select 'Add/Edit' at the Business/sole trader and partnership income (including loss details) banner.

At the **Loss details** banner:

1. For each business activity from which you made a loss, select **Add** and enter information into the corresponding fields.
 - If you're 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're 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 don't 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 2024–25 was at least \$20,000 and you met the income requirement.
- **2: Business activity has produced a profit 3 out of the past 5 years** – the business activity produced a profit for tax purposes in 3 out of the past 5 years (2020–21 to 2024–25) and you met the income requirement.
- **3: The value of real property is at least \$500,000** – the value of real property assets or interests in real property (excluding any private dwelling) used on a continuing basis in carrying on the business activity was at least \$500,000 and you met the income requirement.
- **4: Other assets used on a continuing basis is at least \$100,000** – the value of certain other assets (except cars, motorcycles or similar vehicles) used on a continuing basis in carrying on the business activity was at least \$100,000 and you met the income requirement.
- **5: Commissioner's discretion** – we have written to advise you that the Commissioner will exercise his discretion to allow you to claim a loss for that business activity for 2024–25. This is where the Commissioner has issued a product ruling or a private ruling allowing losses to be claimed from an activity you participated in.
 - Some business activities may be covered by a product ruling or private ruling that doesn't relate to 2024–25. Use loss code 5 only if you have advice in writing that the Commissioner will exercise his discretion for 2024–25.
 - If you have applied for a private ruling for the Commissioner to exercise his discretion for 2024–25, but haven't 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 2024–25 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* 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 2024–25 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** isn't 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 3 fields
- **Deferred loss amount from carrying on a business of investing**
 - **Deferred loss amount from carrying on a rental property business**
 - **Remaining deferred loss amount.**
- These amounts must add up to your net loss from this business activity.
Enter zero if there is no amount to be shown.
8. Select **Save**.
9. Select **Save and continue** when you have completed the **Loss details** or **Business/sole trader and partnership income (including loss details)** section.

Having difficulty finding a description of activity?

Take the following steps:

1. Enter your activity into the [Business industry code tool](#) .
2. From the search tool results, click on the link for the most appropriate description for your activity.
3. From here, you'll 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 zero (0): Passive investment - partnership'
- **Primary production - your share of total loss** enter zero (0)
- **Non-primary production - your share of total loss** enter zero (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're 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're 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 - Work out business loss activity

Row	Calculation element	\$
a	Income from the activity shown at other sections: <ul style="list-style-type: none"> • 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:	\$

	<ul style="list-style-type: none"> • 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. <p>Include the loss here as a positive amount.</p>	
c	Partner deductions attributable to the activity (including landcare operations).	\$
d	<p>Loss from the activity at other foreign income</p> <p>Include the loss here as a positive amount.</p>	\$
e	Add rows b , c and d .	\$
f	<p>Subtract row e from a.</p> <p>The result at row f is your business activity's overall profit or loss.</p>	\$

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

If the result at row **f** is zero or positive this activity doesn't 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 don't 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 zero (0)

- **Non-primary production - your share of total loss** enter zero (0).

Continue to [step 6](#).

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myTax 2025 Net farm management deposits or repayments

How to report your net farm management deposits and repayments when lodging your tax return using myTax.

Last updated 2 June 2025

On this page

Things to know

Completing this section

Things to know

This section is for primary producers only.

Complete this section if you made farm management deposits or had repayments during 2024–25.

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

An FMD provider is an institution that accepts FMDs.

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

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

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

If your FMD contains both deductible and **non-deductible deposits**, when you receive a repayment, you're considered to have been repaid any non-deductible amounts first.

Amounts you have 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 aren't 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, for example
 - 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
- to refer to **Information for primary producers**.

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

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

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

income banner.

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

1. Add up your deductible deposits you made in 2024–25, and enter the total into **Deductible deposits**.
2. Add up your early repayments you withdrew during 2024–25 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 2024–25 a deposit you made in 2023–24 for which you claimed the deduction, you don't need to lodge an amendment to your 2023–24 tax return.
3. Add up the FMDs you held for 12 months or more that were repaid during 2024–25, and enter the total into **Other repayments**.
myTax will calculate your **Net farm management deposits or repayments** amount by adding together **Early repayments – natural disaster and drought** and **Other repayments**, then reducing the total by **Deductible deposits**.
4. Select **Save**.
5. Select **Save and continue** when you have completed the **Business/sole trader and partnership income** section.

Record keeping

You'll 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**.

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Our commitment to you

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

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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

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