



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

How to complete myTax for business/sole trader, partnership, trust or personal services income.

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QC 80153

# myTax 2020 Business and professional items


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

**Last updated** 1 June 2020

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

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

## Completing this section

We pre-fill your tax return with information from the [Personal services income tool](#) .

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

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

- You were a sole trader or had business income or losses, partnerships or trust distributions (not from a managed fund).
- Business/Sole trader income or loss, and either of:
  - Personal services income
  - Business income or loss.

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

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

1. Answer the question **Did you receive any personal services income?**

For more information, see [Personal services income](#).

If **Yes**, go to step 2. Otherwise go to step 6.

2. Answer the question **Did any activity satisfy the results test?**

For more information, see [Results test](#).

If **No**, go to step 3. Otherwise go to step 6.

3. Answer the question **Have you received a personal services business determination(s) that was in force for the whole of the period you earned PSI?**

For more information, see [Apply for a PSB determination](#).

If **No**, go to step 4. Otherwise go to step 6.

4. Answer the question **Did you receive 80% or more of your PSI from one source?**

For more information, see [The 80% rule](#).

If **No**, go to step 5. Otherwise go to step 6.

5. Answer the following questions:

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

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

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

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

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

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

- Go to step 6.

6. Complete the remaining fields and questions in this section:

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

If you are having difficulty finding an appropriate description, see [Having difficulty finding a Main business or professional activity?](#)

- Number of business activities – Enter the number of separate and distinct business activities you operated as a sole trader and in partnership during 2019–20. The number of business activities you show here should not be less than the number you show at [Loss details](#).

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


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

- Main business address – Enter the street address of the place where most of your business operations are conducted.
- [Did you sell any goods or services using the internet?](#)

7. Select **Save**.

## Having difficulty finding a Main business or professional activity?

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

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

## Did you sell goods or services using the internet?

You must answer **yes** if you used the internet for any of the following to obtain your income:

- to receive orders for goods or services (rather than by post, phone or facsimile)
- to receive payment for goods or services, for example, you received:
  - credit card or charge card details by email or web page form or
  - digital cash
- to deliver goods or services, for example, you:
  - used email, a website or file transfer protocol (FTP) to deliver goods (such as digitised music, software or news articles)
  - used email in conjunction with a website to give advice and received a payment
  - advertised on the internet goods or services of other businesses for a fee, or
  - hosted internet sites or provided access to the internet.

You must answer **no** if none of the above applied, for example, if you **only** used the internet to:

- advertise your goods and services

- give support to your customers
- buy your stock
- do your banking online.

## More information

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

- [Are you a hobby or are you in business](#)
- [Record keeping for PSI](#)
- [Record keeping for business](#)
- [Offer your employees a choice of super fund](#)
- [Small business entity concessions](#)
- [Concessions at a glance](#)

## Publications

- [Deductions for prepaid expenses](#)
- [Guide to depreciating assets](#)
- [Information for primary producers](#)
- [Law Administration Practice Statement PS LA 2001/6](#) *Home office and electronic device expenses*
- [Law Administration Practice Statement PS LA 2003/8](#) *Practical approaches to low-cost business expenses*
- [Other capital expenses \(including capital works deductions\)](#)
- [Partnerships](#)
- [Private ruling application form \(not for tax professionals\)](#)
- [Private ruling form \(non-commercial losses\)](#)
- [Small business entity concessions](#)
- [Taxation Ruling TR 92/18](#) *Income tax: bad debts*

- [Taxation Ruling TR 93/30](#) *Income tax: deductions for home office expenses*
- [Taxation Ruling TR 96/7](#) *Income tax: record keeping – section 262A – general principles*
- [Taxation Ruling TR 97/11](#) *Income tax: am I carrying on a business of primary production?*
- [Taxation Ruling TR 97/23](#) *Income tax: deductions for repairs*
- [Taxation Ruling TR 2003/10](#) *Income tax: deductions that relate to personal services income*
- [Taxation Ruling TR 2006/3](#) *Income tax: government payments to industry to assist entities (including individuals) to continue, commence or cease business*
- [Taxation Ruling TR 2007/6](#) *Income tax: non-commercial business losses: Commissioner's discretion*
- [Thin capitalisation](#)

QC 62362

## myTax 2020 Business income statements and payment summaries

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

**Last updated** 1 June 2020

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

### Things to know

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

received one of the following:

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

## Do not show at this section

Do not include the following at this section:

- Amounts subject to foreign resident capital gains withholding, go to [Capital gains or losses](#).
- Any income statement or *PAYG payment summary – business and personal services income* where the payment type is Personal services attributed income, go to [Attributed personal services income](#).
- Business income statements and payment summaries **where no tax has been withheld**, first record the information, delete it from this section and then if
  - [PSI rules apply](#), go to [Personal services income](#).
  - [PSI rules do not apply](#), go to [Business income or losses](#).

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

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

## Completing this section

First you will need to complete the [Business and professional items](#) section.



You will need your:

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

#### **See also**

- [Accessing your income statement or payment summary](#)
- [Income statement not finalised or missing payment summary](#)

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

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

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

- You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund)
- Business/Sole trader income or loss, and either of
  - Personal services income
  - Business income or loss.


To show business-related income from income statements and payment summaries, at **Prepare return** select 'Add/Edit' at the Business/sole trader, partnership and trust income (including loss details)

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

1. For each income statement or payment summary that has not been pre-filled in your tax return, select **Add** and enter information into the corresponding fields.

- If the income statement or payment summary has no tax withheld, go to [Do not show at this section](#).
2. Select the **Payment type**. For more information, see [Payment type](#).  
Select one of the following
- **Voluntary agreement** if you have an income statement or *PAYG payment summary – business and personal services income* where the payment type is Voluntary agreement
  - **Labour hire** if you have an income statement or *PAYG payment summary – business and personal services income* where the payment type is Labour-hire payment
  - **Other specified payments** if you have an income statement or *PAYG payment summary – business and personal services income* where the payment type is Other specified payments.
  - **No ABN quoted** if you have an income statement, *PAYG payment summary – withholding where ABN not quoted* or payments or grants reported in a Taxable payments annual report where tax has been withheld
  - **Foreign resident withholding** if you have an income statement or *PAYG withholding payment summary – foreign residents*.
3. Select the **Income type**.

#### **Personal services income**

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

4. Where the Income type is **Business income**, select whether the income is **Primary production** or **Non-primary production**.  
You need to separate your business income into primary production income and non primary production income. Primary production activities are described in [Information for primary producers](#).
5. Select **Save**.

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

## Payment type

### Voluntary agreement

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

### No ABN quoted

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

### Labour hire or other specified payments

Specified payments include:

- tutorial services you provided for the Indigenous Student Success Programme (formerly known as the Indigenous Tutorial Assistance Scheme) of the Department of the Prime Minister and Cabinet
- income from translation and interpretation services for the Translating and Interpreting Service National of the Department of Home Affairs
- income as a performing artist in a promotional activity
- payments of green army allowance (within the meaning of the *Social Security Act 1991*).

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

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

QC 62363

## myTax 2020 Personal services income

## How to report attributed personal services income when you lodge your return using myTax.

**Last updated** 1 June 2020

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

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

## Things to know

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

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.

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

When PSI rules apply, there are limits to deductions that you can claim against this income. In general, an individual who earns PSI is treated as though they are in the same position as an employee. Visit [Claiming deductions when receiving PSI](#) to learn more.

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


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

**See also:**

- [Personal services income](#)

## Video tutorial

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

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

You can watch [How to include a labour hire payment in myTax](#)  in full screen on atoTV.

## Completing this section

First you will need to complete the:

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

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

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

- Personal services income

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

Within the **Personal services income** banner:

1. Select **Net personal services income** to expand the section.  
Any income amounts entered in **Business income statements and payment summaries**, where the income type is 'Personal services income' and tax has been withheld, will automatically transfer across and show in the fields
  - **Voluntary agreement**
  - **ABN not quoted**
  - **Labour hire or other specified payments.**
2. Add up any other personal services income and enter the amount at **Other**, including amounts received where either of the following apply
  - No tax has been withheld from Business and personal services income on your income statement or payment summary.
  - There is a reminder below the **Business and professional items** section that you received payments or grants reported in a Taxable payments annual report where tax has not been withheld.  
Any amounts invoiced but not actually paid to you in the financial year were not included in this year's Taxable payments annual report.
3. Enter the deductions you are eligible to claim in the corresponding fields. See [Claiming deductions when receiving PSI](#) to learn more.

The **Depreciation and capital allowances tool** can help you work out any decline in value. It can also work out any deductible balancing adjustment when you stop holding a depreciating asset. Access this tool in the **Deductions** section on the **Prepare return** screen.

Fields from this tool can't be adjusted in myTax. To make any

adjustments, or to add new assets to the tool, select the 'User the depreciation and capital allowances tool' link.

MyTax will:

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

4. Select **Save**.

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

QC 62393

## myTax 2020 Net income or loss from business

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

**Last updated** 1 June 2020

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

### Things to know

This section covers:

- income
  - from being a sole trader

- under a pay as you go (PAYG) voluntary agreement
  - from which an amount was withheld because you did not quote your Australian business number (ABN)
  - you derived as a foreign resident from which an amount was withheld because it was subject to foreign resident withholding
  - of an independent contractor working under a labour hire arrangement
  - from the following specified payments
    - payment for tutorial services provided under the Indigenous Student Success Programme (formerly known as the Indigenous Tutorial Assistance Scheme) of the Department of the Prime Minister and Cabinet
    - payment for translation and interpretation services provided for the Translating and Interpreting Service National of the Department of Home Affairs
  - income as a performing artist in a promotional activity
- income or a loss from a primary production business
  - any other business income.

**Net income or loss from business** consists of three sections:

- [Net primary production](#)
- [Net non-primary production](#)
- [Other business and professional items](#)

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

- are amounts derived from your accounting system or financial statements, except for the following which are to be shown at tax values
  - the values of opening and closing stock, and
  - depreciation expenses for small business entities choosing to use the simplified depreciation rules



- should form part of your profit and loss statement and are the basis for calculating your net profit or loss.

You should deal with any adjustments to these amounts for tax purposes at **Primary production – Business reconciliation items** and **Non-primary production – Business reconciliation items**.

## Video tutorials

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

**Media:** How to complete the business section in myTax

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubosijw7>  (Duration: 3:13)

You can watch [How to complete the business section in myTax](#)  in full screen on atoTV.

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

**Media:** How to use the Depreciation and capital allowance tool

<http://tv.ato.gov.au/ato-tv/media?v=bd1bdiuboi7hki>  (Duration: 3:56)

You can watch [How to use the Depreciation and capital allowance tool](#)  in full screen on atoTV.

## Completing this section

First you will need to complete the:

- [Business and professional items](#) section
- [Business income statements and payment summaries](#) section for any of the following where tax has been withheld
  - Income statement
  - *PAYG payment summary – business and personal services income*
  - *PAYG payment summary – withholding where ABN not quoted, or*

- any payments or grants reported in a Taxable payments annual report (including those shown in a reminder below the [Business and professional items](#) section).

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

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

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

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

## Net primary production

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

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

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

For further information, see [Information for primary producers](#).

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

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

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

## Primary production – Business income

## 2. At Primary production – Business income:

- myTax will automatically transfer the following primary production amounts shown in **Business income statements and payment summaries**, where the income type is 'Business income':
  - **ABN not quoted**
  - **Voluntary agreement**
  - **Labour hire or other specified payments.**
- Enter your total primary production government industry payments received at **Assessable government industry payments**.  
For more information, including JobKeeper payment reporting, 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**.  
For more information, see [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. For more information, see [Expenses](#).

- **Closing stock**  
If you enter an amount at [closing stock](#), you need to indicate a [Closing stock value type](#).

- **Motor vehicle expenses**

If you enter an amount at [motor vehicle expenses](#), you will need to indicate a [Motor vehicle expense type](#).

- The **Depreciation and capital allowances tool** can help you work out any decline in value. It can also work out any deductible balancing adjustment when you stop holding a depreciating asset. Access this tool when you enter your business income or loss details.

Fields from this tool can't be adjusted in myTax. To make any adjustments, or to add new assets to the tool, select the 'Use the depreciation and capital allowances tool' link.

## Primary production – Business reconciliation items

4. Enter the reconciliation item amounts related to your primary production business activities into the corresponding fields. For more information, see [Reconciliation items](#).

myTax will:

- automatically calculate your Total net primary production income or loss from business

5. Select **Save**.

Go to [Net non-primary production](#) if you have business income and expenses from non-primary production activities.

Otherwise, go to [Other business and professional items](#).

## Net non-primary production

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

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

## Non-primary production – Business income

2. At Non-primary production - Business income:

- myTax will automatically transfer the following non-primary production amounts shown in **Business income statements and payment summaries**, where the type of income is 'Business income'

– **ABN not quoted**

- **Gross payments subject to foreign resident withholding (excluding capital gains)**
  - **Voluntary agreement**
  - **Labour hire or other specified payments.**
- Enter your total non-primary production government industry payments received at **Assessable government industry payments**.  
For more information, including JobKeeper payment reporting, 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**.  
For more information, see [Other business income](#).  
Include payments received that are not personal services income, no tax has been withheld and you have a reminder below the **Business and professional items** section that you received either
    - Payments or grants reported in a Taxable payments annual report that relate to non-primary production business activities. Amounts invoiced but not actually paid to you in the financial year were not included in this year's Taxable payments annual report.
    - Business transactions through an electronic payment system and these payments belong to your business activities. Work out the amount you need to include at this section. For more information, see [Business transactions](#).

## 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. For more information, see [Expenses](#).

- **Closing stock**

If you enter an amount at [closing stock](#), you need to indicate a [Closing stock value type](#).

- **Motor vehicle expenses**

If you enter an amount at [motor vehicle expenses](#), you will need to indicate a [Motor vehicle expense type](#).

- The **Depreciation and capital allowances tool** can help you work out any decline in value. It can also work out any deductible balancing adjustment when you stop holding a depreciating asset. Access this tool when you enter your business income or loss details.

Fields from this tool can't be adjusted in myTax. To make any adjustments, or to add new assets to the tool, select the 'Use the depreciation and capital allowances tool' link.

## Non-primary production – Business reconciliation items

4. Enter the reconciliation item amounts related to your non-primary production business activities into the corresponding fields. For more information, see [Reconciliation items](#).

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 three 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. For more information, see [Other business and professional items](#).
  - **Small business entity simplified depreciation**  
For information on what to show in these fields, see [Small business entity simplified depreciation](#).
  - **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.

3. Select **Save**.

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

**Note:** If you are a small business entity, you may be entitled to the small business income tax offset. For more information, see [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 information

Find out about:

- [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](#)

**See also:**

- [Cryptocurrencies](#)
- [Sharing economy](#)
- [Goods and services tax \(GST\)](#)

**Do not show at this section**

Do not show the following types of income here:

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

- net capital gains, go to [Capital gains or losses](#)
- Personal services income, go to [Personal services income](#)
- farm management repayments, go to [Net farm management deposits or repayments](#)
- attributed foreign income or foreign source income, go to [Other foreign income](#).

## **Assessable government industry payments**

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

A number of Commonwealth, State and Territory government grants and payments have been made available to businesses in response to recent natural disasters and COVID-19. Only those grants and payments that are assessable income will need to be included at this section.

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

- Cash Flow Boost Payments (COVID-19) (non-assessable, non-exempt income)
- Commonwealth and State government grants and payments that are tax free.

Examples of assessable government industry assistance are:

- bounties
- employee subsidies
- export incentive grants
- fuel tax credits
- industry restructuring and adjustment payments
- JobKeeper payments (COVID-19) – see below for JobKeeper reporting

- Supporting Apprentices and Trainees wage subsidy (COVID-19)
- producer rebate (wine equalisation tax)
- alcohol manufacturer refund
- product stewardship (oil) benefit.

### **JobKeeper reporting**

The accounting basis you use determines the way you report JobKeeper payments.

### **Accruals accounting basis**

JobKeeper payments are derived when the entity provides a completed and valid Business monthly declaration to the ATO. Payments relating to declarations made on or before 30 June 2020 are assessable in the 2019–20 income year. For declarations made on or after 1 July 2020, payments are not assessable in the 2019–20 income year (even if those declarations relate to JobKeeper fortnights ending on or before 30 June 2020).

### **Cash accounting basis**

JobKeeper payments are derived when the entity receives those payments. Payments received on or before 30 June 2020 are assessable in the 2019–20 income year. Any payments received on or after 1 July 2020 are not assessable in the 2019–20 income year (even if those payments relate to JobKeeper fortnights ending on or before 30 June 2020).

### **See also:**

- [Taxation Ruling TR 2006/3](#) *Income tax: government payments to industry to assist entities (including individuals) to continue, commence or cease business*
- North Queensland flood recovery package
- [Queensland storms measure](#)
- [Bushfires](#) 2019–20

Do not include Medicare payments received by medical practices here. Include them at **Other business income**.

If you are a primary producer, you must include the amounts shown at PP11 on your [primary production worksheet](#).

## Other business income

Other business income includes:

- gross sales of trading stock
- gross sales from produce
- goods taken from stock for your own use
- value of livestock killed for rations
- value of livestock exchanged for other goods or services
- gross earnings from services
- rent derived from carrying on a business of renting property
- income earned through the sharing economy, or other marketplace, where you're carrying on a business
- taxi driver and ride-sourcing earnings (income you earned as a non-employee taxi driver if it is not shown at [Personal services income](#))
- amounts received as recoupment of expenses
- bad debts recovered
- profit on sale of depreciating assets
- royalties
- insurance recoveries
- subsidies
- employee contributions for fringe benefits
- assessable non-government assistance from all sources
- foreign exchange (forex) gains
- payments and grants reported in a Taxable payments annual report where tax has not been withheld and they relate to business income
- business-related income statements or payment summaries where no tax has been withheld.

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

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

## **Business transactions**

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

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

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

If the business transactions belong to a related entity, or belong to another non-related entity, see [What if you don't agree with the pre-filled information?](#)

## **Cryptocurrencies**

Your business income may include:

- the funds or the Australian dollar value of property you received through the disposal of cryptocurrency in the ordinary course of your business; or
- the Australian dollar value of cryptocurrency you received for goods or services you provide as part of your business.

**See also:**

- [Tax treatment of cryptocurrencies](#)

## **Sharing economy**

Your business income may include amounts earned through the sharing economy or other marketplaces, such as:

- ride-sourcing
- accommodation
- sharing assets like cars, caravans, tools or personal belongings
- providing services or completing tasks through a digital platform.

Amounts you receive through the sharing economy are assessable income, even if you're not carrying on a business. Include them at:

- [Salary, wages, allowances, tips, bonuses](#) if you are an employee, or
- [Any other income](#) if other income.

**See also:**

- [The sharing economy and tax](#)

## **Goods and services tax (GST)**

If you are registered or required to be registered for GST, the following apply:

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

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

## **Business expenses**

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](#)

**See also:**

- [Goods and services tax](#)
- [Records you need to keep](#)
- [Prepayments of \\$1,000 or more](#)
- [Thin capitalisation](#)

**Do not show at this section**

Do not include the following expenses on your schedule:

- non-business interest and dividend income expenses; claim deductible expenses at [Interest deductions](#) and [Dividend deductions](#)
- farm management deposits, go to [Net farm management deposits or repayments](#)
- non-business rental expenses; claim deductible expenses at [Rent](#)
- expenses and losses relating to foreign source income; take them into account as required at [Other foreign income](#), or in the case of certain debt deductions, claim them at [Other deductions](#) on your tax return
- expenses relating to your personal services income shown at [Personal services income](#)

- low-value pool deduction, where the pool contains assets used for work-related, self-education or non-business rental purposes at [Low value pool deduction](#).

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

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

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

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

## Opening stock

The opening value of an item of stock must equal its closing value in the previous year. The total value of all stock on hand at the start of the year is equal to the amount shown as closing stock on your 2019 tax return.

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

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

Return to [Business expenses](#).

## Purchases and other costs

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



under contract, if these are recorded in the cost of sales account in your business books of account. If so, do not also include this amount at **Contractor, subcontractor and commission expenses**.

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

### **Former STS taxpayers**

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

Return to [Business expenses](#).

## **Closing stock**

### **Small business entities**

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

The value of your stock on hand at the start of the income year is the same value as the closing value shown on your schedule in the previous year. This may not necessarily reflect the actual value of your stock if you did not account for the change in value of your stock in the previous year. For more information on a reasonable estimate of the value of stock, see [estimating stock value](#) or phone **13 28 66**.

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

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

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

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

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

enter your reasonable estimate.

Go to [Cost of sales](#).

2. If the difference referred to above is more than \$5,000 or you choose to account for the difference in trading stock, the **Closing stock** values must be brought to account under section 70-35 of the ITAA 1997. For more information, see Other businesses below.

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

### Other businesses

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

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

Manufacturers must include as trading stock partly manufactured goods and materials on hand. However, closing stock excludes any amount that represented closing stock of a business that ceased operations during the year. This amount is included at **Other business income**. For more details about what constitutes trading stock, see [Simplified trading stock rules](#) or phone **13 28 66**.

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

- cost
- market selling price
- replacement value.

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

trading stock below cost, market selling value and replacement value, you must complete the **Trading stock election**.

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

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

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

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

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

Return to [Business expenses](#).

## **Cost of sales**

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

Return to [Business expenses](#).

## **Foreign resident withholding expenses (excluding capital gains)**

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

Return to [Business expenses](#).

## **Contractor, sub-contractor and commission expenses**

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

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

Do not include the following at this field:

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

Return to [Business expenses](#).


## **Superannuation expenses**

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

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

Contributions made to a non-complying fund:

- are not allowable as a deduction, and
- do not count towards superannuation guarantee obligations.

You can check the compliance status of superannuation funds at [superfundlookup.gov.au](https://superfundlookup.gov.au) . Under the superannuation guarantee, an employer needs to provide a minimum level of superannuation for employees. If the employer does not make the minimum contribution by the relevant date, the employer is required to pay the superannuation guarantee charge on the superannuation guarantee shortfall. The superannuation guarantee charge is not a superannuation contribution and is not tax deductible. Contributions made by employers to offset a superannuation guarantee charge liability are not deductible.

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

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

**See also:**

- [Super contributions – too much can mean extra tax.](#)

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

- the amount of the contribution required under an industrial award, determination or notional agreement preserving state awards, or
- the amount of the contribution that reduces an employer's charge percentage under the *Superannuation Guarantee (Administration) Act 1992* in respect of the employee, or
- where both amounts are applicable, the greater of the two amounts is to be applied.

Return to [Business expenses](#).

## Bad debts

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

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

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

See also [Taxation Ruling TR 92/18](#) *Income tax: bad debts*.

You can also claim a deduction for:

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

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

## Records you need to keep

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

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

Return to [Business expenses](#).

## Lease expenses

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

If you include capital expenditure incurred to terminate a lease or licence you will need to add back the amount at **Expense reconciliation adjustments**. Although capital expenditure to terminate a lease or licence is not deductible in one year, a five-year straight-line write-off may be allowable (see [section 25-110](#) of the ITAA 1997) for certain capital expenditure incurred to terminate a lease or licence if the expenditure is incurred in the course of carrying on a business, or in connection with ceasing to carry on a business. See [worksheet 5](#) and [note 3](#).

In some circumstances, lease expenses may be debt deductions for the purposes of the [thin capitalisation](#) rules.

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

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

Special rules apply to leased cars if the cost of the car exceeds the car limit that applies for the financial year in which the lease commences. The car limit for 2019–20 is \$57,581.

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**. For more information, see [Luxury car leasing](#).

## Records you need to keep

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

Return to [Business expenses](#).

## Rent expenses

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

Return to [Business expenses](#).

## Interest expenses within Australia

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

Do not include interest incurred in deriving rental income. Claim this at **Rent** on your tax return.

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

Return to [Business expenses](#).

## Interest expenses overseas

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

- to finance business operations, or
- to meet current business expenses.

Do not include interest incurred in deriving rental income. Claim this at **Rent** on your tax return.

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

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

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

For information on the tax treatment of interest paid to non-residents, phone **13 28 66**.

If you include an amount of interest which is not allowable as a deduction, such as amounts denied by the [thin capitalisation](#) rules,



you will need to add back the amount at **Expense reconciliation adjustments**.

Return to [Business expenses](#).

## Depreciation expenses

- [Small business entities](#)
- [Other businesses](#)

## Continuing small business pools

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

## Small business entities

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

Small businesses are able to claim an immediate deduction for assets they start to use, or have installed ready for use for a taxable purpose, provided they choose to use the simplified depreciation rules.

Visit [Instant asset write-off for eligible businesses](#) to learn about eligibility and threshold changes.

Assets purchased for the relevant threshold amount or more are deducted over time using a small business pool. Some of these assets may have an accelerated rate of depreciation when they are added to the pool under the Backing Business Investment – accelerated depreciation rules.

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

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

**See also:**

- [Simpler depreciation for small business](#)
- [Lock out rules](#)

### Calculating your depreciation deductions

You can work out your depreciation and capital allowance claims by using the Depreciation and capital allowances tool. To use the tool, select the 'Use the depreciation and capital allowances tool' link in myTax.

If you want to manually calculate your amounts, use [worksheet 2](#) to calculate your depreciation deductions. This worksheet contains links to more information about each calculation element.

If your accounting system or financial statements provide you with the amounts to complete [worksheet 2](#), enter these amounts in the worksheet.

The amounts you enter in [worksheet 2](#) must be tax values and not accounting values.

### Worksheet 2: Depreciation deductions for small business entities

Row	Calculation elements	Primary production (\$)	Non-primary production (\$)	Total (\$)
a	<a href="#">Certain assets (costing less than the relevant instant asset write off threshold)</a>			

<b>b</b>	<a href="#">General small business pool</a>			
<b>c</b>	<a href="#">General small business pool (half rate or accelerated rate)</a>			
<b>d</b>	<a href="#">Other assets</a>			
<b>e</b>	Depreciation expenses: add the amounts at rows <b>a</b> , <b>b</b> , <b>c</b> and <b>d</b> .			

Do not include any amount shown at [Personal services income](#).

1. Enter the amount at row **e** at **Depreciation expenses**.
2. You will need the following amounts for **Other business and professional items** at [Small business entity simplified depreciation](#):
  - a. total amount at row **a**. You will need to enter this amount in at **Small business entity simplified depreciation - Deduction for certain assets**.
  - b. total amounts at rows **b** and **c**. You will need to enter this amount at **Small business entity simplified depreciation - Deduction for general small business pool**.

**Notes:**

1. Do not include at **d** in the worksheet depreciating assets which qualify for a deduction under Subdivision 40-F or 40-G of the ITAA 1997 as water facilities, fencing assets, fodder storage assets

or landcare operations in your primary production business and for which you have chosen to claim a deduction under those Subdivisions and not these small business entity depreciation rules. Enter these deductions at **Landcare operations and business deduction for decline in value of water facility, fencing asset and fodder storage asset**.

2. If you have disposed of a depreciating asset (costing less than the relevant instant asset write off threshold) for which you have claimed an immediate deduction this year or a low-cost asset for which you have claimed an immediate deduction in a prior year, include the taxable purpose proportion of the termination value in the **Business reconciliation items** section.

For example, you acquired an asset on 1 February 2013 for \$6,400 for 100% taxable use and claimed an immediate write-off under the threshold which existed at that time. You disposed of this asset at arm's length on 1 February 2020 for \$3,000. Include \$3,000 as income at the **Business reconciliation items** section.

3. 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. For example, for a pooled depreciating asset used only 50% for an income-producing purpose, and was sold for \$3,000 (excluding GST), only \$1,500 will be deducted from the closing pool balance. If the balance of a pool is below \$150,000 but greater than zero (after taking into account any additions and disposals but before calculating the deductions in calculations 2, 3 and 4), you claim an immediate deduction for this amount. Enter this deduction against general small business pool assets at **b** in [worksheet 2](#).

If the [closing pool balance](#) is less than zero, you include the amount below zero in your assessable income in the **Business reconciliation items** section.

4. For information on how to calculate any balancing adjustment amounts on the disposal of other depreciating assets, see [Guide to depreciating assets](#).

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

**See also:**

- [Instant asset write-off – later sale or disposal of asset](#)

- [Simpler depreciation rules – asset sales and disposals](#)
- [Other depreciating assets – disposal of a depreciating asset](#)

## Closing pool balance

The closing pool balance for this year becomes the opening pool balance for 2020–21 except where you made an adjustment to reflect the changed business use of a pooled asset.

To work it out, visit [Working out the closing pool balance](#).

If the balance of the pool (after taking into account additions and disposals but before calculating the deductions in [General small business pool](#) and [General small business pool \(half rate or accelerated rate\)](#)) is below \$150,000 (being the relevant threshold at 30 June 2020), you can claim an immediate deduction for this amount,

You will need your opening pool balance to work out the pool deduction next year. Do not enter your closing pool balance on your tax return.

## Other businesses

To calculate the decline in value of these assets you can use the Depreciation and capital allowances tool. To use the tool, select the 'Use the depreciation and capital allowances tool' link in myTax.

Include amounts for the depreciation claimed in your books of account, except for those assets allocated in a prior year to a general pool or a long-life pool. For assets allocated to such a pool, include here the amount of the pool deduction to be claimed for tax purposes.

Include here claims for instant asset write off for eligible businesses. Visit [Instant asset write-off for eligible businesses](#) to learn about eligibility and threshold changes.

The depreciation amount should not include profit or loss on the sale of depreciating assets. On the sale of depreciating assets, you should include:

- profits at **Other business income**
- losses 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**.

### **Backing business investment – accelerated depreciation for 2019–20 and 2020–21**

Measures introduced in March 2020 provide an incentive to businesses with aggregated turnover of less than \$500 million in the income year to deduct the cost of depreciating assets at an accelerated rate. This applies to eligible assets held and first used or installed ready for use from 12 March 2020 until 30 June 2021.

For each **new** asset, the accelerated depreciation deduction applies in the income year that the asset is first used or installed ready for use for a taxable purpose. You claim the deduction when lodging your tax return for the income year. The usual depreciating asset arrangements apply in the subsequent income years that the asset is held.

Claim the deduction in this tax return if you first used your new assets, or installed it ready for use, in 2019–20.

For more information, see [Backing business investment – accelerated depreciation](#).

#### **See also:**

- [Guide to depreciating assets](#).

### **Is expenditure revenue or capital in nature?**

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

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

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

Return to [Business expenses](#).

## Motor vehicle expenses

Special substantiation and calculation rules for car expenses apply to an individual. Under these rules, motor vehicle expenses can be claimed using one of two methods where the expense is for a motor car, station wagon, panel van, utility truck or other road vehicle designed to carry a load of less than one tonne and fewer than nine passengers. For an explanation of these methods, see [Work-related car expenses](#).

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

### See also:

- [Claiming a tax deduction for motor vehicle expenses](#)

Do not include depreciation, finance leasing charges or interest paid. You should include these at:

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

Return to [Business expenses](#).

## Repairs and maintenance

This is expenditure shown in your accounts for repairs and maintenance of:

- premises
- plan and machinery
- implements and utensils
- rolling stock, or
- articles associated with the production of income.

Any non-deductible expenditure, such as items of a capital nature or amounts relating to private use of an item, included at this field, should also be included at **Expenses reconciliation adjustments**. The following information on deductions for repairs will assist you to work out whether you need to make an expense reconciliation adjustment.

## Repairs

You may deduct the cost of repairs (not being expenditure of a capital nature) to premises and depreciating assets such as plant, machinery or equipment used solely for producing assessable income, or in carrying on a business for that purpose.

Expenditure on repairs to property used partially for business or income-producing purposes (such as where the property is also used for private purposes or in the production of exempt income) is deductible only to the extent that is reasonable, taking account of such use. 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.

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.

Expenditure incurred in making alterations, additions or improvements is of a capital nature and is not deductible.

For more information on deductions for repairs, see [Taxation Ruling TR 97/23](#) *Income tax: deductions for repairs*.

## Records you need to keep

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

Return to [Business expenses](#).

## All other expenses

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

- wages
- accounting and professional fees



- advertising
- office supplies
- foreign exchange (forex) losses, and
- any loss on the sale of a depreciating asset as shown in your accounts.

You should also include:

- gifts and donations that are a business expense; and
- amounts you pay professionals in managing the tax affairs of the business at this section.

You should not claim these amounts at [Gifts or donations](#) or [Cost of managing tax affairs](#).

For information about forex losses, go to [ato.gov.au](http://ato.gov.au) or see [Other deductions](#).

You should also include capital and other non-deductible items (including debt deductions denied by thin capitalisation rules) shown here at **Expense reconciliation adjustments**.

**See also:**

- [Home office expenses](#)
- [Income and expense reconciliation adjustments](#)
- [Thin capitalisation](#)

Return to [Business expenses](#).

## Goods and services tax

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

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

## Records you need to keep

You must keep your business expenses records for five years after you prepared or obtained them, or five years after you completed the transactions or acts to which they relate.

## 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 2019, the timing of your deduction may be affected by the rules relating to prepayments. You will need to apportion your deduction for prepaid business expenditure over the service period, or 10 years, whichever is less. There is an exception for small business entities if the 12-month rule applies.

Expenses shown in this section may include prepaid expenses that differ from the amounts allowable as deductions in 2019–20. Where this occurs, make an expense reconciliation adjustment at **Expense reconciliation adjustment** in the **Business reconciliation items** section.

### See also:

- [Deductions for prepaid expenses](#)

## Thin capitalisation

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

The thin capitalisation rules may apply to you if:

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

The thin capitalisation rules will not affect you if:

- your debt deductions (combined with the debt deductions of your associate entities) do not exceed \$2,000,000 in 2019–20, or
- you are an Australian resident and the combined value of your associates' and your Australian assets is not less than 90% of the value of your associates' and your total assets.

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

**See also:**

- [Thin capitalisation](#)

## **Business reconciliation items**

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

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

**Find out about:**

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

## **Section 40-880 deduction**

### **Immediate deductibility for small business start-up expenses**

[Section 40-880 of the Income Tax Assessment Act 1997](#) allows for certain start-up expenses, including costs associated with raising capital, to be immediately deductible where they are incurred by a small business entity or an entity that is not in business. These provisions applied from 2015–16 income year.

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

### **Claimable business related start-up costs**

Expenses can be fully deductible in the year in which the expenditure is incurred if the expenditure relates to a small business that is proposed to be carried on and is either:

- incurred in obtaining advice or services relating to the proposed structure or the proposed operation of the business
- a payment to an Australian government agency of a fee, tax or charge incurred in relation to setting up the business or establishing its operating structure.

**See also:**

- [Other capital expenses \(including capital works deductions\)](#)

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

Section 40-880 also provides a five-year write-off for certain capital expenditure incurred by you in relation to a past, present or prospective business if the expenditure is not already taken into account or not denied a deduction by another provision.

You can claim a deduction for capital expenditure:

- in relation to your business
- in relation to a business that used to be carried on, such as capital expenses incurred 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 (the company, trust or partnership must have carried on a business).

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

You can't deduct expenditure in relation to an existing business that is carried on by another entity. However, you can deduct expenditure you incur in relation to a business that used to be, or is proposed to be, carried on by another entity. The expenditure is only deductible to the extent that:

- the business was, or is proposed to be, carried on for a taxable purpose

- the expenditure is in connection with the business that was or is proposed to be carried on and with you deriving assessable income from the business.

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

For example, if you were carrying on a business during 2019–20, but your relevant capital expenditure relates to a new business that did not commence before 1 July 2019, you can't claim a deduction for the expenses incurred until the business activity commences. If you incur such expenditure in these circumstances, you should not claim the deductible amount (20%) but note it in your business or taxation records and claim the amounts deferred for this item in the year the business commences. However, these claims may be subject to further deferral to the extent that they would otherwise give rise to a business loss in the current year.

**See also:**

- [Losses](#)

The deduction can't be claimed for capital expenditure if it:

- can be deducted under another provision
- forms part of the cost of a depreciating asset you hold, used to hold or will hold
- forms part of the cost of land
- relates to a lease or other legal or equitable right
- would be taken into account in working out an assessable profit or deductible loss
- could be taken into account in working out a capital gain or a capital loss
- would be specifically not deductible under the income tax laws if the expenditure was not capital expenditure
- is specifically not deductible under the income tax laws for a reason other than the expenditure is capital expenditure
- is of a private or domestic nature

- is incurred in relation to gaining or producing exempt income or non-assessable non-exempt income
- is excluded from the cost or cost base of an asset because, under special rules in the UCA or capital gains tax regimes respectively, the cost or cost base of the asset was taken to be the market value
- is a return of or on capital or is a return of a non-assessable amount (for example, repayments of loan principal).

Claim the amount deductible under section 40-880 here if:

- you carried on a business as an individual at any time during 2019–20, or
- the amounts relates to a proposed primary production or performing arts business.

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

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

## Business deduction for project pool

You can allocate to a project pool certain capital expenditure incurred after 30 June 2001 that is directly connected with a project you carry on (or propose to carry on) for a taxable purpose, and write it off over the project life. Each project has a separate project pool. For more information, see [Project pools](#).

A deduction is available from the income year in which you started to operate a project to gain or produce assessable income. To work out your deduction, use:

- [worksheet 3](#) if the project abandoned, sold or otherwise disposed of in 2019–20
- Otherwise, [worksheet 4](#).

### Worksheet 3: Project pool deduction where project abandoned, sold or otherwise disposed of in 2019–20

Row	Calculation	Amount
<b>a</b>	2018–19 project pool closing pool value (if any)	\$
<b>b</b>	Sum of any project amounts allocated to the pool in 2019–20	\$
<b>c</b>	Add row <b>a</b> and row <b>b</b> .	\$
<b>d</b>	Proportion of this project that was used for a taxable purpose during 2019–20	%
<b>e</b>	Multiply row <b>c</b> by row <b>d</b> .  This is your 2019–20 project pool deduction.	\$

You must show any proceeds from the abandonment, sale or disposal of the project as assessable income either at **Other business income** or **Income reconciliation adjustments**.

### Worksheet 4: Project pool deduction

- Use column **(3)** where your project pool contains only project amounts incurred on or after 10 May 2006, and the project started to operate on or after that date.
- Use column **(4)** where your project started to operate before 10 May 2006, or where the project started to operate on or after 10 May 2006 but the project pool contains project amounts incurred before that date.
- You can't use column **(3)** if you abandon, sell or otherwise dispose of a project begun before 10 May 2006 and then start operating it again, just so that you can work out deductions at the higher rate.

Row	Calculation	Amount (3)	Amount (4)
-----	-------------	---------------	---------------

<b>a</b>	2018–19 project pool closing pool value (if any)	\$	\$
<b>b</b>	Sum of any project amounts allocated to the pool in 2019–20	\$	\$
<b>c</b>	Add row <b>a</b> and row <b>b</b> .  This is the value of the project pool at 30 June 2020.	\$	\$
<b>d</b>	Estimate project life (in years), including fractions of years		
<b>e</b>	Divide row <b>c</b> by row <b>d</b> .	\$	\$
<b>f</b>	Deduction rate	200%	150%
<b>g</b>	Multiply row <b>e</b> by row <b>f</b> .	\$	\$
<b>h</b>	Take row <b>g</b> away from row <b>c</b> .	\$	\$
<b>i</b>	Proportion of this project that was used for a taxable purpose during 2019–20	%	%
<b>j</b>	If <b>h</b> is zero or more, multiply row <b>g</b> by row <b>i</b>  If <b>h</b> is less than zero, multiply row <b>c</b> by row <b>i</b>  This is your 2019–20 project pool deduction.	\$	\$
<b>k</b>	If <b>h</b> is zero or more, enter the amount at row <b>h</b>  If <b>h</b> is less than zero, enter 0  This is your 2019–20 project pool closing pool value. Record this value to work	\$	\$



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

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

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

### Landcare operations expenses

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

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

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

To learn more, visit:

- [Landcare operations](#)
- [Claiming deductions](#)
- [Guide to depreciating assets](#)

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

### Water conservation and conveyance facilities

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

- a primary producer

- an irrigation water provider.

To learn more, visit:

- [Water facilities](#)
- [Deduction amount you can claim](#)
- [Guide to depreciating assets](#)

These deductions are not available to a partnership. Costs incurred by a partnership for facilities to conserve or convey water are allocated to each partner who can then claim the relevant deduction for their share of the expenditure.

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.

To learn more, visit:

- [Fence and fencing asset](#)
- [Amounts you can deduct – fencing assets](#)
- [Amounts you can deduct – partnership expenses](#)
- [Guide to depreciating assets](#)

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.

To learn more, visit:

- [Fodder and fodder storage asset](#)
- [Amounts you can deduct – fodder storage assets](#)
- [Amounts you can deduct – partnership expenses](#)
- [Guide to depreciating assets](#)

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

Small businesses are able to claim an immediate deduction for assets they start to use, or have installed ready for use for a taxable purpose, provided they choose to use the simplified depreciation rules.

To learn more, including about eligibility and threshold changes, visit [Instant asset write-off for eligible businesses](#).

The amount you show here must not include any amount relating to a depreciating asset used in your primary production business if you have chosen to claim a deduction for it under the small business entity depreciation rules.

### Income and expense reconciliation adjustments

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

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

If you have included amounts such as exempt income or non-deductible expenses or have not included amounts which are assessable income or expenditure that is deductible, you must work out your reconciliation adjustments.

### Completing Income and Expense reconciliation adjustments

1. Complete [worksheet 5](#) 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 5 – Reconciliation statement

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

#### Part 1a: Income reconciliation adjustments – Additions

Row	Calculation elements	Primary production	Non-primary production
<b>a</b>	Assessable balancing adjustment amounts on disposal of depreciating assets	\$	\$
<b>b</b>	Assessable business income not included in the profit and loss statement	\$	\$
<b>c</b>	Subtotal: add the amounts at row <b>a</b> and row <b>b</b> .	\$	\$

#### Part 1b: Income reconciliation adjustments – Subtractions

Row	Calculation elements	Primary production	Non-primary production
<b>d</b>	Net exempt income (gross exempt income less expenses relating to that exempt income)	\$	\$

<b>e</b>	Profit on sale of depreciating assets included in accounts	\$	\$
<b>f</b>	Other non-assessable income included in the profit and loss statement	\$	\$
<b>g</b>	Subtotal: add the amounts at rows <b>d</b> , <b>e</b> and <b>f</b> .	\$	\$
	Income reconciliation adjustments: take the amount at row <b>g</b> away from the amount at row <b>c</b> .	\$	\$

### Part 2a: Expense reconciliation adjustments – Additions

Row	Calculation elements	Primary production	Non-primary production
<b>h</b>	Depreciation charged in accounts (see <a href="#">note 1</a> )	\$	\$
<b>i</b>	Lease payments for luxury cars	\$	\$
<b>j</b>	Loss on sale of depreciating assets included in accounts	\$	\$
<b>k</b>	Part of prepaid expenses not deductible this year	\$	\$

**Part 2b: Expense reconciliation adjustments – Items not allowable as deductions**

Row	Calculation elements	Primary production	Non-primary production
<b>l</b>	Capital expenditure	\$	\$
<b>m</b>	Additions to provisions and reserves	\$	\$
<b>n</b>	Other non-deductible items, including income tax	\$	\$
<b>o</b>	Subtotal: add the amounts at rows <b>h</b> , <b>i</b> , <b>j</b> , <b>k</b> , <b>l</b> , <b>m</b> and <b>n</b> .	\$	\$

**Part 2c: Expense reconciliation adjustments – Subtractions**

Row	Calculation elements	Primary production	Non-primary production
<b>p</b>	Accrual amount deduction for lessee of luxury cars	\$	\$
<b>q</b>	Deductible balancing adjustment amounts on disposal of depreciating assets	\$	\$
<b>r</b>	Deduction for decline in value of depreciating assets	\$	\$

<b>s</b>	Part of prepaid expenses deductible this year but not included elsewhere	\$	\$
<b>t</b>	Other items deductible for tax purposes not included in the profit and loss statement (see note 4)	\$	\$
<b>u</b>	Subtotal: add the amounts at rows <b>p</b> , <b>q</b> , <b>r</b> , <b>s</b> and <b>t</b> .	\$	\$
Expense reconciliation adjustments: take the amount at row <b>u</b> away from the amount from row <b>o</b> .		\$	\$

**Notes:**

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

Reconciliation adjustments for these amounts are shown separately at:

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

### **What are income reconciliation adjustments?**

Income reconciliation adjustments include:

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

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

Use [worksheet 5](#) to work out your income reconciliation adjustments for your primary and non-primary production businesses.

### **What are expense reconciliation adjustments?**

Expense reconciliation adjustments include the following.

- Expense add backs are expenses shown in the accounts which are not tax deductible, such as
  - prepaid expenses not deductible in this year



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

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

Use [worksheet 5](#) to work out your expense reconciliation adjustments for your primary and non-primary production businesses.

See [Thin capitalisation](#) and [PSI deductions](#).

### **Specific reconciliation adjustments**

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

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

### **Former STS taxpayers**

Make adjustments in this section if you:

- are eligible and have chosen to continue using the STS accounting method and the amounts you have shown at the Income and Expense sections are not based on the STS accounting method, or
- stopped using the STS accounting method in 2019–20.

These adjustments are explained in more detail at [Adjustments when ceasing to use the STS accounting method](#).

[Worksheet 5](#) will assist you with your calculations.

### **Income derived but not received as at 30 June 2020 and expenses incurred but not paid as at 30 June 2020**

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

- of ordinary income that have been derived but not received in 2019–20, the amounts not received are not assessable this year, for example, trade debtors as at 30 June 2020. These amounts form part of your income reconciliation adjustments. Include these amounts at row **f** on [worksheet 5](#).
- for general deductions, repairs and tax-related expenses that have been incurred but not paid in 2019–20, the amounts not paid are not deductible this year, for example, trade creditors as at 30 June 2020. These amounts form part of your expense reconciliation adjustments. Include these amounts at row **n** on [worksheet 5](#)

### **Adjustments when ceasing to use the STS accounting method**

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

If you have not included at the **Business income** section any amounts of ordinary income that were derived but not received while using the STS accounting method, these amounts are assessable this year, for example, trade debtors as at 30 June 2019.

Include these amounts at row **b** on [worksheet 5](#).

If you have not included at the **Business expenses** section any amounts of general deductions, repairs or tax-related expenses that were incurred but not paid while using the STS accounting method, these amounts are deductible this year, for example, trade creditors as at 30 June 2019.

Include these amounts (other than tax-related expenses) at row **t** on [worksheet 5](#). Enter your deduction for tax-related expenses at [Cost of managing tax affairs](#).

## **Depreciating assets deducted under the simplified depreciation rules**

### **Disposal of depreciating assets**

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

- the taxable purpose proportion of the termination value of assets that have been disposed of for which an immediate deduction has been claimed either this year or in a prior 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 5](#).

Any deductible balancing adjustment amounts on the disposal of depreciating assets that you have not allocated to a small business pool form part of your Expense reconciliation adjustments. Include these amounts at **q** on [worksheet 5](#).

### **See also:**

- [Guide to depreciating assets](#), or you can work out your depreciation and capital allowance claims by using the Depreciation and capital allowances tool.

### **Prepaid expenses**

Special rules may affect the timing of deductions for prepaid expenditure. Under these rules you may need to apportion certain prepaid expenses over more than one income year. You must make an expense reconciliation adjustment to add back that part of the

expense that is not deductible in the year it is incurred. Show the adjustment at row **k** on [worksheet 5](#).

If you had a prepaid expense in a prior year which is to be apportioned over the service period and you are entitled to a deduction for part of the expense this year but have not included it elsewhere, show the adjustment as an expense subtraction at row **s** on [worksheet 5](#).

See also [Deductions for prepaid expenses](#).

### **Deduction for decline in value**

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 two calculations.

Under income tax law you can deduct an amount equal to the decline in value of a depreciating asset in 2019–20 if you held the depreciating asset for any time during the year and used it (or installed it ready for use) for a taxable purpose, such as for producing assessable income.

The deduction is reduced to the extent you do not use the asset for a taxable purpose.

To help you calculate your deduction for decline in value, use the Depreciation and capital allowances tool, or see [Guide to depreciating assets](#) which also provides explanations of relevant terms. The publication also explains the [instant asset write-off for eligible businesses](#), the [Backing the business investment accelerated depreciation](#) and 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.

If you choose to use the low-value pool method to calculate the decline in value of low-cost or low-value depreciating assets and the pool contains assets used for work-related, self-education or non-business rental purposes, read [Low value pool deduction](#). Do not include the deduction at the **Business income or losses** section. If none of the depreciating assets in the pool is used for any of those purposes, include the amount of your low-value pool deduction at row **r** on [worksheet 5](#). Where necessary, make a reasonable apportionment between primary production and non-primary production activities.

You should also include the deduction for decline in value of depreciating assets not allocated to a pool at row **r** on [worksheet 5](#).

You should also add back the depreciation charged in your accounts and shown at **Depreciation expenses** in the **Business Expenses** section as an expense reconciliation adjustment. Include the amount at row **h** on [worksheet 5](#). The amount at row h should not include any small business pool deductions which you have claimed at **Depreciation expenses**.

### **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 2019–20 is \$57,581.

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 5](#).

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

For the purpose of calculating the deduction, the cost of the car is limited to the car limit for the income year in which the lease is granted.

For more information on deductions for the decline in value of leased luxury cars, see [Guide to depreciating assets](#).

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

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

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

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

If you have included the lease expense at **Lease expenses** in the **Business expenses** section, the amount should also form part of your expense reconciliation adjustments. Include the amount at row **i** on [worksheet 5](#). Include the deduction for the accrual amount at row **p**.

If the lease terminates or is not extended or renewed and the lessee does not actually acquire the car from the lessor, the lessee is treated under the rules as disposing of the car by way of sale to the lessor. This constitutes a balancing adjustment event. If the car is not subject to the simplified depreciation rules, any assessable or deductible balancing adjustment amount for the lessee must be determined. If the car has been allocated to the lessee's general small business pool, see [General depreciation rules – capital allowances](#) 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 5](#).

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

If you have included hire-purchase charges as an expense, the amount should also form part of your expense reconciliation adjustments. Include the amount at row **n** on [worksheet 5](#).

### **Termination of a limited recourse debt**

Excessive deductions for capital allowances are included in assessable income under the limited recourse debt rules contained in Division 243 of the ITAA 1997. This will occur where:

- expenditure on property has been financed or re-financed wholly or partly by the limited recourse debt
- the limited recourse debt is terminated after 27 February 1998 but has not been paid in full by the debtor
- because the debt has not been paid in full, the capital allowance deductions allowed for the expenditure exceed the deductions that would be allowable if the unpaid amount of the debt was not counted as capital expenditure of the debtor. Special rules apply in working out whether the debt has been fully paid.

A limited recourse debt is a debt where the rights of the creditor as against the debtor, in the event of default in payment of the debt or of interest, are limited wholly or predominantly to the property which has been financed by the debt or is security for the debt, or rights in relation to such property. A debt is also a limited recourse debt if, notwithstanding that there may be no specific conditions to that effect, it is reasonable to conclude that the creditor's rights as against the debtor's are capable of being so limited.

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

The amount that is included within assessable income as a result of these provisions forms part of your income reconciliation adjustments.

Include the amount at row **b** on worksheet 5.

## **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 phone **13 28 66** or see [How to defer your losses](#).

Your prior year deferred non-commercial business loss for a business activity may be reduced if you earned net exempt income in 2019–20.

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

### **See also:**

- [How to offset your losses](#)

## **Other business and professional items**

### **Find out about:**

- [Small business entity simplified depreciation](#)
- [Trade debtors](#)
- [Trade creditors](#)
- [Total salary and wage expenses](#)
- [Payments to associated persons](#)
- [Intangible depreciating assets first deducted](#)
- [Other depreciating assets first deducted](#)
- [Termination value of intangible depreciating assets](#)
- [Termination value of other depreciating assets](#)
- [Trading stock election](#)

## **Small business entity simplified depreciation**

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



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

To complete these fields, use the:

- Depreciation and capital allowances tool, or
  - amounts you calculated for small business entity depreciation deductions in [worksheet 2](#) and follow the steps.
1. At **Small business entity simplified depreciation – Deduction for certain assets** enter the amount from row **a** in [worksheet 2](#).
  2. At **Small business entity simplified depreciation – Deduction for general small business pool** enter the total of the amounts from rows **b** and **c** in [worksheet 2](#).

Enter the depreciation deductions, not the pool balances.

## Trade debtors

This is the total amount owing to the business at the end of the year for goods and services provided during the 2019–20 (that is, current trade and other debtors).

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

## Trade creditors

This is the total amount owed by the business at the end of the year for goods and services received during the 2019–20 (that is, current trade and other creditors).

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

## Total salary and wage expenses

Salary, wages and other labour costs actually paid or payable to persons employed in your business (excluding those forming part of capital expenditure or paid for private domestic assistance) are usually deductible. However, you can't be an employee of your business. Payments to you of salary are not allowable deductions in calculating your income or loss; treat these payments as an allocation of profits.

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

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

Also include:

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

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

Exclude:

- agency fees
- contract payments
- sub-contract payments
- service fees
- superannuation
- management fees and consultant fees, and

- payments made from 1 July 2019 where you have not complied with the pay as you go (PAYG) withholding and reporting obligations for those payments.

**See also:**

- [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 superannuation contributions paid for the benefit of your relatives.

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

You need to keep the following records:

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

Excessive or unreasonable payments to your relatives, or a partnership in which your relatives are partners, may not be deductible. The PSI rules (see [Personal services income \(PSI\)](#)) also limit deductions for payments to associates.

## **Intangible depreciating assets first deducted**

Small business entities using the simplified depreciation rules do not complete this field.

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

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

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

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

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

**See also:**

- [Guide to depreciating assets](#)

## **Other depreciating assets first deducted**

Small business entities using the simplified depreciation rules do not complete this field.

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

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

If you have allocated any depreciating assets with a cost of less than \$1,000 to a low-value pool for 2019–20, you also need to include the cost of those assets here. Do not reduce the cost for estimated non-taxable use.

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

**See also:**

- [Guide to depreciating assets](#)

## **Termination value of intangible depreciating assets**

Small business entities using the simplified depreciation rules do not complete this field.

Don't show at this field any consideration you received during 2019–20 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 2019–20 (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.

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

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

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

**See also:**

- [Guide to depreciating assets](#)
- [Intangible depreciating assets first deducted](#)

## **Termination value of other depreciating assets**

Small business entities using the simplified depreciation rules do not complete this field.

You include the termination values for other depreciating assets (including assets allocated to a low-value pool) that you stopped holding or using during 2019–20 (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.

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
- low-cost assets for which an immediate deduction has been allowed under the simplified depreciation rules
- buildings or structures for which a deduction is available under the capital works provisions
- assets falling within the provisions relating to investments in Australian films.

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

**See also:**

- [Guide to depreciating assets](#)

## Trading stock election

If you have valued trading stock on hand at the end of 2019–20 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**.

QC 62381

## myTax 2020 Partnerships

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

**Last updated** 1 June 2020

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.

## Things to know

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

Each partner must lodge an individual tax return declaring their share of the partnership's net income or loss, whether or not they actually received the income.

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

Remember, you can't claim a deduction for:

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

If you have deferred non-commercial business losses from a prior year, you may be able to claim them in 2019–20 if you operated the same or a similar business activity.

### See also

- [Guide to depreciating assets](#)
- [Deductions for prepaid expenses](#)
- [Thin capitalisation](#)

## Do not show at this section

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

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



[Early stage venture capital limited partnership.](#)

- Your entitlement to an early stage investor tax offset as a partner in a partnership, go to [Early stage investor](#).

## Completing this section

To complete this section you will need:

- a [statement of distribution or advice from the partnership](#)
- details of any [expense and franking credit information](#).

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

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

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

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

At the **Partnerships** banner:

1. For each partnership distribution that has been pre-filled in your tax return, add any distribution information not pre-filled.
2. For each partnership distribution that has not been pre-filled in your tax return, select **Add**.
3. Enter your partnership name.
4. Show your share of partnership [Primary production](#) income or loss and deductions in the corresponding fields (myTax will automatically calculate the Net primary production amount).

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.

5. If you show an amount at **Other deductions**, select one of the following **Type** codes:
- **D** – if **all** of the amount consists of prior year deferred non-commercial business losses.
  - **N** – if **none** of the amount consists of prior year deferred non-commercial business losses.
  - **P** – if only part of the amount consists of prior year deferred non-commercial business losses.
6. Show your share of partnership [Non-primary production](#) income or loss and deductions in the corresponding fields (myTax will automatically calculate the Net non-primary production amount).

#### **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.

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.

7. If you show an amount at **Other deductions**, select one of the following **Type** codes:
- **D** – if **all** of the amount consists of prior year deferred non-commercial business losses
  - **N** – if **none** of the amount consists of prior year deferred non-commercial business losses

- **P** – if only part of the amount consists of prior year deferred non-commercial business losses.
8. Show your partnership share of credits from income and tax offsets in the corresponding fields.
- [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.
  - Credit for foreign resident withholding amounts (excluding capital gains) – include income you:
    - received as an Australian resident where an amount of tax was withheld because of the imposition of non-resident withholding tax or managed investment trust withholding tax
    - derived as a foreign resident from which an amount of tax was withheld because of the operation of the foreign resident withholding rules.
9. Select **Save**.
10. Select **Save and continue** when you have completed the **Business/sole trader, partnership and trust income** section.

**Notes:**

- MyTax may remind you of partnership distribution amounts you need to include at [Other foreign income](#).
- If you received, or were entitled to partnership income as a **special professional** you must also enter the amount of your taxable professional income in the [Other income](#) section. This includes income from activities as an author, an inventor, performing artist, production associate or active sportsperson.
- If you conducted a business activity as a partner in a partnership that resulted in a loss, or resulted in a loss after deducting your expenses, you must complete [Loss details](#).

- You may be entitled to the [small business income tax offset](#) if either of the following apply:
  - your partnership distribution included a share of net small business income
  - you had a farm management repayment or other amount you received as a partner in a small business entity.

### See also

- [Records you need to keep](#)
- [Expense and franking credit information](#)

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

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

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

#### Next step

- [Completing this section](#)

## Expense and franking credit information

#### Find out about

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

### Primary production

Visit [Primary production activities](#) to learn more about who is a primary producer.

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

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

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

#### See also

- [Guide to depreciating assets](#)

### Other deductions

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

You can claim a deduction in relation to your share of eligible expenses the partnership incurred on horticultural plants, grapevines, electricity connections or phone lines.

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).

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

You may need to reduce the deferred non-commercial business loss deduction you can claim in 2019–20 if you earned net exempt income in 2019–20. For more information see [How to offset your losses](#).

If you became bankrupt (or received a relief from debt) the deferred losses will no longer be available. The loss can't be deducted in 2019–20 or any future year.

For more information about how exempt income and bankruptcy affect deferred non-commercial business losses, phone **13 28 66**.

#### **See also**

- [Guide to depreciating assets](#)
- [Deductions for prepaid expenses](#)
- [Thin capitalisation](#)

## **Non-primary production**

### **Landcare operations expenses**

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

Include at **Landcare operations expenses** your share of the expenses that relate to non-primary production income or loss from partnerships that you can deduct this year.

#### **See also**

- [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.

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).

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

You may need to reduce the deferred non-commercial business loss deduction you can claim in 2019–20 if you earned net exempt income in 2019–20. For more information see [How to offset your losses](#).

If you became bankrupt (or received a relief from debt) the deferred losses will no longer be available. The loss can't be deducted in 2019–20 or any future year.

For more information about how exempt income and bankruptcy affect deferred non-commercial business losses, phone **13 28 66**.

### See also

- [Guide to depreciating assets](#)
- [Deductions for prepaid expenses](#)
- [Thin capitalisation](#)

## Franking credits

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

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

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

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

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

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

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

QC 62392

## myTax 2020 Trusts

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

**Last updated** 1 June 2020

### Things to know

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

- you received, or were entitled to
  - income from a trust
  - a credit for amounts of tax paid on, or amounts withheld from, trust income



- a share of the 'National Rental Affordability Scheme' tax offset, or
- you had an interest in a trust that made a loss from primary production.

If your trust income is from a managed fund, you should show this information at [Managed funds](#).

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

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

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

If you were entitled to an amount of trust income at 30 June 2020, you need to include your share of the net income of the trust in your 2019–20 tax return even if you did not receive an amount from the trust until after 30 June 2020.

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

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

Remember, you can't claim a deduction for:

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

If the trust made an overall loss for tax law purposes in 2019–20, the loss is retained in the trust. You will have no share of the net income of the trust. For more information, phone **13 28 61**.

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

**See also**

- [Deductions for prepaid expenses](#)
- [Thin capitalisation](#)
- [Withholding tax arrangements for managed investment trust fund payments](#) – if you are a foreign resident

## Do not show at this section

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

- Income from a public trading trust or a corporate unit trust, go to [Dividends](#).
- A capital gain from a trust (unless instructed otherwise), go to [Capital gains or losses](#).  
If the trust income you received, or are entitled to, includes an amount described as tax-free, tax deferred, tax exempted or as a capital gains tax (CGT) concession, you should read the information on non-assessable payments in Guide to capital gains tax. Such amounts may be relevant in determining the amount of a net capital gain you show at Capital gains or losses or may affect the cost base of your unit or trust interest.
- Any distribution in relation to a foreign resident capital gains withholding credit, go to [Capital gains or losses](#).
- Attributed foreign income from a trust (unless instructed otherwise), go to [Foreign entities](#).
- Any Australian franking credits from a New Zealand franking company, go to [Other foreign income](#). Note you can't claim New Zealand imputation credits.
- Any other foreign source income from a trust (unless instructed otherwise), go to [Other foreign income](#).
- Your entitlement to an early stage venture capital limited partnership (ESVCLP) tax offset as a beneficiary of a trust, go to [Early stage venture capital limited partnership](#).
- Your entitlement to an early stage investor tax offset as a beneficiary of a trust, go to [Early stage investor](#).
- Part of a distribution which relates to an amount of trust income on which family trust distribution tax has been paid, go to [Amount on which family trust distribution tax has been paid](#).

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

## Completing this section

To complete this section you will need:

- a [statement of distribution or advice from the trustee](#)
- details of any [expense and tax credit information](#).

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

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

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

At the **Trusts** banner:

1. Select **Net trust income** to expand the section.
2. Add up your share of trust [Primary production](#) income and deductions, and enter the total in the corresponding fields (myTax will automatically calculate the Net primary production amount). Ensure that your share of any primary production non-concessional managed investment trust income and primary production excluded from non-concessional managed investment trust income is included.

### Exception for primary producers

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

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

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.

3. Add up your share of trust [Non-primary production](#) income and deductions, and enter the total in the corresponding fields (myTax will automatically calculate the Net non-primary production amount).

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

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.

4. Add up your trust share of credits from income and tax offsets, and enter the total in the corresponding fields.
  - [Franking credits](#) from franked dividends – you can only claim a share of a franking credit which relates to the share of a franked dividend paid to a trust which is indirectly included in the amount of:
    - trust income you show at **Net income from trusts, less capital gains, foreign income and franked distributions**
    - franked distribution you show at **Franked distributions from trusts**.
  - If you enter an amount at **Tax paid by trustee**, you will need to:
    - select the **Situation**
    - enter the **Share of income** and **Tax credits**.
    - For more information, see [Tax paid by trustee](#).

- Credit for foreign resident withholding amounts (excluding capital gains) – include income you:
  - received as an Australian resident where an amount of tax was withheld because of the imposition of non-resident withholding tax or managed investment trust withholding tax
  - derived as a foreign resident from which an amount of tax was withheld because of the operation of the foreign resident withholding rules.

5. Select **Save**.

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

### Notes

- If you received, or were entitled to trust income as a **special professional** you must also enter the amount of this taxable professional income in the [Other income](#) section. This includes income from activities as an author, an inventor, performing artist, production associate or active sportsperson.
- You may be entitled to the [small business income tax offset](#) if either of the following apply:
  - your share of net income included a share of net small business income
  - you had a farm management repayment or other amount you received as a beneficiary in a small business entity.

For more information, see [Records you need to keep](#).

## Statement of distribution or advice from the trustee

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

- the amount of any
  - primary production income or loss

- non-primary production income or loss
- the amount of any franked distribution from a trust
- the amount of net small business income from a small business entity trust
- the amount of capital gains, attributed foreign income and other foreign source income
- the amount of any income on which family trust distribution tax or trustee beneficiary non-disclosure tax has been paid
- that you are a chosen beneficiary if you are the beneficiary of a discretionary primary production trust that has made a loss
- your entitlement to any of the following credits or tax offsets
  - credit for amounts of tax withheld because the trust failed to quote its Australian business number
  - credit for amounts of tax withheld by the trustee of a closely held trust because you did not provide your TFN
  - credit for amounts of tax withheld due to the imposition of non-resident withholding tax or managed investment trust withholding tax from trust income you received when you were a resident
  - share of the 'national rental affordability scheme' tax offset
  - allowable franking credits from franked dividends
  - credit for tax file number amounts withheld
  - credit for tax paid by the trustee.

Contact the trustee if you:

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

Your statement of distribution or advice may show that your share of the trust's net capital gain is more than the overall amount of your share of the trust's net income (for tax purposes), for example because it shows a share of primary production or non-primary production loss. In this situation, there may be a limit to the amount of the net capital

gain component that you exclude from **Net income from trusts, less capital gains, foreign income and franked distributions** and show at [Capital gains or losses](#). For more information, see the [Guide to capital gains tax](#).

## Expense and tax credit information

### Find out about

- [Primary production](#)
- [Non-primary production](#)
- [Franking credits](#)
- [Tax paid by trustee](#)

### Primary production

Visit [Primary production activities](#) to learn more about who is a primary producer.

### Other deductions

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

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

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

### See also

- For more information on deductions for expenditure on landcare operations, water facilities, fencing assets and fodder storage assets, see the [Guide to depreciating assets](#)
- [Deductions for prepaid expenses](#)

- [Thin capitalisation](#)

## Non-primary production

### Other deductions

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

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

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

### See also

- [Guide to depreciating assets](#)
- [Deductions for prepaid expenses](#)
- [Thin capitalisation](#)

## Franking credits

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

You can only claim a share of a franking credit which relates to the share of a franked dividend paid to a trust which is indirectly included in the amount of:

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

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



income (for example, a distribution on which family trust distribution tax or trustee beneficiary non-disclosure tax has been paid).

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

- the trust has an overall loss for tax purposes for 2019–20
- you did not show an amount at **Franked distributions from trusts**, or
- the amount of income from the trust you have shown at **Net income from trusts, less capital gains, foreign income and franked distributions** is not attributable to the franked dividend which has generated the franking credit.

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

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

These rules apply to your interests in the shares held by the trust (other than widely held trusts) in the same way that the rules apply to shares you own directly.

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

## Tax paid by trustee

### Non-resident trust

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

- source dividend
- interest
- royalty, or

- payment from an Australian managed investment trust included in the income of a non-resident trust to which you are entitled. A non-resident trust is a trust which, for all of 2019–20
  - only had non-resident trustees, and
  - had its central management and control outside Australia.

## Legal disability

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

- were under 18 years old on 30 June 2020
- were a person who is bankrupt, or
- had been declared legally incapable because of a mental condition.

## Foreign resident

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

QC 62486

# myTax 2020 Loss details

How to report deferred non-commercial business losses when you lodge your return using myTax.

**Last updated** 1 June 2020

Complete this section 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)
- 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 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.

## Things to know

### Non-commercial business losses

Under the rules for non-commercial business losses, you can use a 2019–20 loss from a business activity you conduct either as a sole trader or in partnership to calculate your 2019–20 taxable income only if it meets one of these conditions:

- an [exception](#) applies
- you meet the [income requirement](#) and one of the [four tests](#) is satisfied
- the Commissioner has [exercised his discretion](#) or ruled that it will be exercised, to allow you to claim the loss.

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

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

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

### Deferring your loss

If you are unable to claim your loss in 2019–20 because of these rules, you must **defer** the loss.

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

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

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

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

If you are unable to claim your loss against other income in 2019–20 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 2019–20 taxable income.

## Completing this section

You may need:

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

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

- You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund), and either of
  - Business/Sole trader income or loss, and either of
    - Personal services income
    - Business income or loss
  - Partnerships

Or

- You had foreign income
  - Other foreign income.

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

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

At the **Loss details** banner:

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

If you are having difficulty finding a **Description of activity** description, see [Having difficulty finding a Description of activity?](#)

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

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

2. For **Type of loss**, select the most appropriate number code from the following list:
  - **0: Passive investment – partnership** – you do not need to defer losses from passive investments. For more information, see [Investment losses](#).

- **1: Assessable income is at least \$20,000** – your assessable income from the business activity for 2019–20 was at least \$20,000 and you met the income requirement.
- **2: Business activity has produced a profit 3 out the past 5 years** – the business activity produced a profit for tax purposes in three out of the past five years (2015–16 to 2019–20) and you met the income requirement.
- **3: The value of real property is at least \$500,000** – the value of real property assets or interests in real property (excluding any private dwelling) used on a continuing basis in carrying on the business activity was at least \$500,000 and you met the income requirement.
- **4: Other assets used on a continuing basis is at least \$100,000** – the value of certain other assets (except cars, motor cycles or similar vehicles) used on a continuing basis in carrying on the business activity was at least \$100,000 and you met the income requirement.
- **5: Commissioner's discretion** – the ATO has written to advise you that the Commissioner will exercise his discretion to allow you to claim a loss for that business activity for 2019–20. This is where the Commissioner has issued a product ruling or a private ruling allowing losses to be claimed from an activity you participated in.
  - Some business activities may be covered by a product ruling or private ruling that does not relate to 2019–20. Use loss code 5 only if you have advice in writing that the Commissioner will exercise his discretion for 2019–20.
  - If you have applied for a private ruling for the Commissioner to exercise his discretion for 2019–20, but have not yet received the ruling, use loss code 8 unless another code applies.
- **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. Enter the net loss details into the corresponding fields:

- If the **Type of loss** is *8: None of the codes apply – loss deferred* enter your net loss from the business activity in the following fields
  - **Primary production – your share of total deferred non-commercial loss**
  - **Non-primary production – your share of total deferred non-commercial loss.**
- If the **Type of loss** is not *8: None of the codes apply – loss deferred* enter your net loss from the business activity in the following fields
  - **Primary production – your share of total loss**
  - **Non-primary production – your share of total loss.**

4. 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)**.

5. If the **Type of Loss** is *8: None of the codes apply – loss deferred* you must enter amounts in these three fields

- **Deferred loss amount from carrying on a business of investing**
- **Deferred loss amount from carrying on a rental property business**
- **Remaining deferred loss amount.**

These amounts must add up to your net loss from this business

activity.


Enter zero if there is no amount to be shown.

6. Select **Save**.

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

## Having difficulty finding a Description of activity?

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

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

## Investment losses

If your only loss is from a passive investment (for example from a rental property) at **Distribution from partnerships less foreign income**, complete a **Loss details** worksheet and show:

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

Continue to [step 4](#).

If you have a loss from a business activity and a loss from a passive investment (for example from a rental property) at **Distribution from partnerships less foreign income**, then you are not required to report the loss from a passive investment. You need to complete a **Loss details** worksheet for each other business activity loss.

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



## Work out whether you have a loss for the business activity

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

### Worksheet 1a - Working out whether you have a loss

Row	Calculation element	\$
<b>a</b>	Income from the activity shown at other sections: <ul style="list-style-type: none"> <li>• gross interest</li> <li>• dividends (unfranked, franked and franking credit amounts)</li> <li>• farm management repayments</li> <li>• net capital gain</li> <li>• other foreign source income.</li> </ul>	
<b>b</b>	Loss from the activity shown at: <ul style="list-style-type: none"> <li>• primary production and non-primary production distribution from partnerships</li> <li>• net personal services income</li> <li>• net primary production and net non-primary production business income or losses.</li> </ul> (Include the loss here as a positive amount)	
<b>c</b>	Partner deductions attributable to the activity (including landcare operations).	
<b>d</b>	Loss from the activity at other foreign income (include the loss here as a positive amount).	
<b>e</b>	Add <b>b</b> , <b>c</b> and <b>d</b> .	
<b>f</b>	Subtract <b>e</b> from <b>a</b> .	

If the result at **f** is negative this activity has an overall loss and you must complete a **Loss details** worksheet. Continue to [step 2](#).

If the result at **f** is zero or positive this activity does not have a loss for this business activity. If you have more than one business activity loss, complete a **Loss details** worksheet for each other activity. If you do not have a loss from another business activity show:

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

Continue to [step 4](#).

QC 62367

## myTax 2020 Net farm management deposits or repayments

How to report your net farm management deposits and repayments in myTax.

**Last updated** 1 June 2020

This section is for primary producers only.

Complete this section if you made farm management deposits or had repayments during 2019–20.

### Things to know

The farm management deposits (FMD) scheme is designed to enable primary producers to deal with uneven income flows by making

deposits during prosperous years and receiving repayments during less prosperous years.

Subject to [certain conditions](#), you can deduct FMDs in the year in which you make them.

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

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

Amounts that are repaid within 12 months of deposit do not receive concessional treatment unless the repayment is due to a [natural disaster](#) or [severe drought](#).

#### See also

- [Farm management deposits scheme](#)
- [Repayments that are not assessable](#)

## Completing this section

You may need:

- your account statement from your FMD provider
- [Information for primary producers](#)
- [Farm management deposits scheme](#)

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

- You were a sole trader or had business income or losses, partnership or trust distributions (not from a managed fund)
- Net farm management deposits or repayments

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

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

1. Add up your deductible deposits you made in 2019–20, and enter the total into **Deductible deposits**.
2. Add up your early repayments you withdrew during 2019–20 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 2019–20 a deposit you made in 2018–19 for which you claimed the deduction, you do not need to lodge an amendment to your 2018–19 tax return.
3. Add up the FMDs you held for 12 months or more that were repaid during 2019–20, and enter the total into **Other repayments**.  
MyTax will calculate your **Net farm management deposits or repayments** amount by adding together **Early repayments – natural disaster and drought** and **Other repayments**, then reducing the total by **Deductible deposits**.
4. Select **Save**.
5. Select **Save and continue** when you have completed the **Business/sole trader, partnership and trust income** section.

## Record keeping

You will need to keep the following documents:

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

## Small business income tax offset

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

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

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

QC 62337

## **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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