



# Completing non-commercial losses labels in the 2003 Individual tax return

A series of examples of how to complete the non-commercial losses labels in the 2003 Individual tax return.

**Last updated** 3 July 2003

## Introduction

If you are carrying on a business, either alone or in partnership, you may have income from more than one source. For example, you may have income both from your business and from salary or wages.

If you make a net loss in a business activity you may, under certain circumstances, claim that loss by offsetting it against your income from other sources.

To determine whether you can offset the losses you must determine whether you are entitled to do so under the non-commercial losses measure.

These examples provide practical guidance on how to complete the non-commercial losses sections of the 2003 Individual tax return in a variety of situations.

You will also require a copy of the *2003 Business and professional items schedule* (BPI) and the *2003 Taxpack Supplement* (Supp) to complete non-commercial loss details.

## **Sole trader commences business activity in 2003**



An example to help you complete your tax return if you commence sole trader business activity in 2003.

## **Partnership commences business activity in 2003**



An example to help you complete your tax return if a partnership commences business activity in 2003.

## **Sole trader with a deferred loss from a prior year**



An example to help you complete your tax return if you were a sole trader with a prior year deferred loss.

## **Partnership where current year loss to be deferred, and deferred loss from 2002**



An example to help you complete your tax return for a partnership with deferred losses.

## **Activities: Partnership with a deferred loss and sole trader with a deferred loss passes a test**



Two activity examples to help you complete your tax return.

## **Activities: Rental property partnership loss and sole trader with the Commissioner's discretion**



Two activity examples to help you complete your tax return.

### **Two partnerships – one has a loss and the other has a profit, resulting in an overall profit**



An example to help you complete your tax return if you are a member of two partnerships.

### **Partnership with deferred prior year losses from 2 dissimilar activities, 1 not in the current year**



An example to help you complete your tax return for partnerships with deferred losses from dissimilar activities.

### **Partnership with a deferred prior year loss and personal business expenses outside the partnership**



An example to help you complete your tax return for partnerships with deferred loss and personal business expenses.

### **Primary producer who falls within the exception**



An example to help you complete your tax return if you are a primary producer who falls within the exception.

### **Footnotes**



Supporting information.

# Sole trader commences business activity in 2003

An example to help you complete your tax return if you commence sole trader business activity in 2003.

**Last updated** 3 July 2003

Stan commenced his computer consultancy business in 2003. The business records for this activity for the year ended 30 June 2003 show the following results (included in **Item P8** of the business and professional items (BPI) schedule).

Total business income	\$5,500
Total expenses	\$7,500
<b>Net income or loss for 2003</b>	<b>\$2,000/L</b>

Stan also earned salary and wage income of \$52,000 in the 2003 income year.

For the income year 2003:

- the primary production and professional artists business exception in subsection 35-10(4) does not apply
- the activity does not satisfy any of the four tests in Division 35:
  - the assessable income test (s35-30)
  - the profits test (s35-35)
  - the real property test (s35-40)
  - the other assets test (s35-45), and
- the Commissioner's discretion in s35-55 has not been exercised.

Stan cannot deduct the loss of \$2,000 against his salary and wage income for the 2003 income year. He must defer this loss to the next income year that the activity, or one of a similar kind, is carried on.

## Tax return completion

Stan's tax return would include the following details:

Stan will also require a copy of the 2003 Business and Professional Items schedule (BPI) and the 2003 Taxpack supplement (Supp).

Item	Label	Amount	Comment
<b>P8 (BPI)</b>	Total business income	5,500	
	Total expenses (T)	7,500	Total expenses
	C	2,000/L	Total business income less total expenses
	E	nil	Deferred non-commercial loss from the prior year
	Z	2,000/L	Transfer to Item 14 label C
<b>14 (Supp)</b>	C	2,000/L	From item P8 label Z
<b>P3 (BPI)</b>	B	1	Number of business activities
<b>P4 (BPI)</b>	C2	X	Commenced business
<b>P9 (BPI)</b>	D	Computer Consultancy	
	E	78349	ANZSIC code required for tax agent prepared returns
	F	S	

	G	8	Loss is required to be deferred
	H	0	No prior year deferred non-commercial loss from this activity
	I	2,000	Net loss for 2002-03 for this business activity
<b>15 (Supp)</b>	G	2,000	See item P9, label I
	H	2,000	The sum of F & G

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## Partnership commences business activity in 2003

An example to help you complete your tax return if a partnership commences business activity in 2003.

**Last updated** 3 July 2003

Alex operates a child minding business in a 50/50 partnership with her daughter. This activity commenced in the year ended 30 June 2003.

The business records for this activity for the year ended 30 June 2003 show the following results.

	<b>P/ship</b>	<b>Alex's share</b>
Total business income	\$8,000	\$4,000
Total expenses	\$10,000	\$5,000
<b>Net income or loss for 2003</b>	<b>\$2,000/L</b>	<b>\$1,000/L</b>

For the income year 2003:

- the primary production and professional artists business exception in subsection 35-10(4) does not apply
- the activity does not satisfy any of the four tests in Division 35:
  - the assessable income test (s35-30)
  - the profits test (s35-35)
  - the real property test (s35-40)
  - the other assets test (s35-45), and
- the Commissioner's discretion in s35-55 has not been exercised.

Alex also earned salary and wage income of \$15,000 during the 2003 income year. Alex cannot deduct the loss of \$1,000 against her salary and wage income for the 2003 income year. She must defer the loss to the next income year that the activity, or one of a similar kind, is carried on.

### Tax return completion

Alex's tax return would include the following details:

Alex will also require a copy of the 2003 Business and Professional Items schedule (BPI) and the 2003 Taxpack supplement (Supp).

Item	Label	Amount	Comment
<b>12 (Supp)</b>	O	1,000/L	Alex's distribution from the partnership for 2003
	Net non-PP distribution	1,000/L	
<b>P3 (BPI)</b>	B	1	Number of business activities
<b>P4 (BPI)</b>	C2	X	Commenced business

<b>P9 (BPI)</b>	D	Child Minding	
	E	95295	ANZSIC code required for tax agent prepared returns
	F	P	
	G	8	Loss is required to be deferred
	H	nil	No prior year deferred non-commercial loss from this activity
	I	1,000	Net loss for 2002-03 for this activity
<b>15 (Supp)</b>	F	1,000	See item P9, label I
	H	1,000	The sum of F & G

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## Sole trader with a deferred loss from a prior year

An example to help you complete your tax return if you were a sole trader with a prior year deferred loss.

**Last updated** 3 July 2003

George carries on a garden maintenance business in the years ended 30 June 2002 and 2003.

The business records for this activity for the year ended 30 June 2003 show the following results (included in **Item P8** of the BPI schedule).



Total business income	\$2,500
Total expenses	\$2,000
<b>Net income or loss for 2003</b>	<b>\$500</b>
Deferred non-commercial loss for 30 June 2002	\$1,000/L
<b>Overall net income or loss for 2003</b>	<b>\$500/L</b>

For both income years:

- the primary production and professional artists exception in subsection 35-10(4) does not apply
- the activity does not satisfy any of the four tests in Division 35:
  - the assessable income test (s35-30)
  - the profits test (s35-35)
  - the real property test (s35-40)
  - the other assets test (s35-45), and
- the Commissioner's discretion in s35-55 has not been exercised.

The overall result is that George was able to recoup \$500 of the \$1,000 deferred non-commercial loss from the year ended 30 June 2002. This is the profit earned from the business activity during the year ended 30 June 2003 (excluding the \$1,000 loss from the year ended 30 June 2002). The remaining \$500, of the 2002 deferred loss, is deferred to the next year the activity, or one of a similar kind, is carried on.

In 2003 the profit of \$500 (the excess of income over expenses not including the loss deferred from the previous year) would mean the activity is profitable in this year. Therefore, 2003 can count as one of the years the activity has produced a profit for the purposes of the Profits test in section 35-35.

**Tax return completion**

George's tax return would include the following details:

George will also require a copy of the 2003 Business and Professional Items schedule (BPI) and the 2003 Taxpack supplement (Supp).

Item	Label	Amount	Comment
<b>P8 (BPI)</b>	Total business income	2,500	
	Total expenses (T)	2,000	
	C	500	Total business income less total expenses
	E	1,000/L	Deferred non-commercial loss from the previous year
	Z	500/L	Transfer to Item 14 label C
<b>14 (Supp)</b>	C	500/L	From label Z item P8
<b>P3 (BPI)</b>	B	1	Number of business activities
<b>P9 (BPI)</b>	Activity 1		
	D	Gardening Service	
	E	95250	ANZSIC code required for tax agent prepared returns
	F	S	
	G	8	Loss is required to be deferred

	H	1,000	Prior year deferred non-commercial loss from this activity
	I	500	Net loss for 2002-03 for this business activity
<b>15 (Supp)</b>	G	500	See item P9, label I
	H	500	The sum of F & G

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## Partnership where current year loss to be deferred, and deferred loss from 2002

An example to help you complete your tax return for a partnership with deferred losses.

**Last updated** 3 July 2003

Mary operates a picture framing business in a 50/50 partnership with her husband. This activity commenced in the year ended 30 June 2002. In the year ended 30 June 2002 each partner deferred a loss from the activity of \$5,000.

The same activity is carried on by the partnership in the year ended 30 June 2003. In 2003, the business records for this activity for the year ended 30 June 2003 show the following:

	<b>P/ship</b>	<b>Mary's share</b>
Total business income	\$18,000	\$9,000
Total expenses	\$24,000	\$12,000
<b>Net income or loss for 2003</b>	<b>\$6,000/L</b>	<b>\$3,000/L</b>

Deferred non-commercial loss for 2002		\$5,000/L
<b>Overall net income or loss for 2003</b>		<b>\$8,000/L</b>

For both income years:

- the primary production and professional artists business exception in subsection 35-10(4) does not apply
- the activity does not satisfy any of the four tests in Division 35:
  - the assessable income test (s35-30)
  - the profits test (s35-35)
  - the real property test (s35-40)
  - the other assets test (s35-45), and
- the Commissioner's discretion in s35-55 has not been exercised.

Mary's overall net loss of \$8,000 for the 2003 income year must be deferred to the next income year that the activity, or one of a similar kind, is carried on.

### Tax return completion

Mary's tax return would include the following details:

Mary will also require a copy of the 2003 Business and Professional Items schedule (BPI) and the 2003 Taxpack supplement (Supp).

Item	Label	Amount	Comment
<b>12 (Supp)</b>	O	3,000/L	Mary's distribution from the partnership for 2003
	Y	5,000/L	A prior year deferred loss is recorded here only if the loss is from an activity which is the same or

			similar to the current year activity.
	Y	D (type box) (from page s4, Step 3, Taxpack 2003 Supplement)	All of the amount at Y is a deferred loss.
	Net non-PP distribution	8,000/L	
<b>P3 (BPI)</b>	B	1	Number of business activities
<b>P9 (BPI)</b>	D	Picture Framing	
	E	23290	ANZSIC code required for tax agent prepared returns
	F	P	
	G	8	Loss is required to be deferred
	H	5,000	Prior year deferred non-commercial loss from this activity
	I	8,000	Net loss for 2002-03 for this activity
<b>15 (Supp)</b>	F	8,000	See item P9, label I
	H	8,000	The sum of F & G

# Activities: Partnership with a deferred loss and sole trader with a deferred loss passes a test

Two activity examples to help you complete your tax return.

Last updated 3 July 2003

## On this page

Activity one

Activity two

Tax return completion

## Activity one

Sam operates a direct selling business activity in a 50/50 partnership with his wife. This activity commenced in the year ended 30 June 2002. In the year ended 30 June 2002 each partner deferred a loss from the activity of \$7,000.

The same activity is carried on by the partnership in the year ended 30 June 2003. In 2003, the business records for this activity for the year ended 30 June 2003 show the following results:

	P/ship	Sam's share
Total business income	\$9,800	\$4,900
Total expenses	\$4,400	\$2,200
<b>Net income or loss for 2003</b>	<b>\$5,400</b>	<b>\$2,700</b>
Deferred non-commercial loss for previous year		\$7,000/L

<b>Overall Net income or loss for 2003</b>		<b>\$4,300/L</b>
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For both income years:

- the primary production and professional artists exception in subsection 35-10(4) does not apply
- the activity does not satisfy any of the four tests in Division 35:
  - the assessable income test (s35-30)
  - the profits test (s35-35)
  - the real property test (s35-40)
  - the other assets test (s35-45), and
- the Commissioner's discretion in s35-55 has not been exercised.

Sam's net loss for 2003 must be deferred to the next income year that the activity, or one of a similar kind, is carried on.

In 2003 the profit of \$2,700 (the excess of income over expenses not including the loss deferred from the previous year) would mean the activity is profitable in this year. Therefore, 2003 can count as one of the years the activity has produced a profit for the purposes of the profits test in section 35-35.

### Activity two

Sam also operates a home tutoring business activity as a sole trader. This activity commenced in the year ended 30 June 2002. In the year ended 30 June 2002 Sam deferred a loss from the activity of \$1,500.

The same activity is carried on by Sam in the year ended 30 June 2003. In 2003, the business records for this activity for the year ended 30 June 2003 show the following results (included in **Item P8** of the BPI schedule).

Total business income	\$23,000
Total expenses	\$24,200

<b>Net income or loss for 2003</b>	<b>\$1,200/L</b>
Deferred non-commercial business year	\$1,500/L
<b>Overall net income or loss for 2003</b>	<b>\$2,700/L</b>

In 2003 the activity satisfies the assessable income test in section 35-30 as there is at least \$20,000 assessable income from the home tutoring business activity in 2003. Sam can claim the current year and deferred loss in the 2003 return.

### Tax return completion

Sam's tax return would include the following details:

Sam will also require a copy of the 2003 Business and Professional Items schedule (BPI) and the 2003 Taxpack supplement (Supp).

Item	Label	Amount	Comment
<b>12 (Supp)</b>	O	2,700	Sam's distribution from the partnership for 2003
	Y	7,000/L	A prior year deferred loss is recorded here only if the loss is from an activity which is the same or similar to the current year activity.
	Y	D (type box) (from page s4, Step 3, Taxpack 2003 Supplement)	All of the amount at Y is a deferred loss
	Net non-PP distribution	4,300/L	The excess of the prior year deferred loss of \$7,000 less the profit of \$2,700



<b>P8 (BPI)</b>	Total business income	23,000	
	Total expenses (T)	24,200	
	C	1,200/L	Total business income less total expenses
	E	1,500/L	Deferred non-commercial loss from the previous year
	Z	2,700/L	Transfer to Item 14 label C
<b>14 (Supp)</b>	C	2,700/L	From label Z item P8
<b>P3 (BPI)</b>	B	2	Number of business activities
<b>P9 (BPI)</b>	<b>Activity one</b>		
	D	Direct Selling	
	E	52596	ANZSIC code required for tax agent prepared returns
	F	P	
	G	8	Loss is required to be deferred
	H	7,000	Prior year deferred non-commercial loss from this activity

	I	4,300	Net loss for 2002-03 for this business activity
<b>Activity two</b>			
	J	Tutoring service	
	M	84400	ANZSIC code required for tax agent prepared returns
	L	S	
	M	1	There is at least \$20,000 income from this activity for 2003
	N	1,500	Prior year deferred non-commercial loss from this activity
	O	2,700	Net loss for 2002-03 for this business activity
<b>15 (Supp)</b>	F	4,300	See item P9, label I. The loss from Activity 2 is not included as it does not need to be deferred because a test has been met.
	H	4,300	The sum of F & G

# Activities: Rental property partnership loss and sole trader with the Commissioner's discretion

Two activity examples to help you complete your tax return.

Last updated 3 July 2003

## On this page

Activity one

Activity two

Tax return completion

## Activity one

Frank owns a rental property in a 50/50 partnership with his brother. The partners have earned rental income since the year ended 30 June 1999.

The same passive investment is carried on by the partnership in the year ended 30 June 2003. In 2003, the business records for this activity for the year ended 30 June 2003 show the following results:

	P/ship	Frank's share
Total rental income	\$26,000	\$13,000
Total rental expenses	\$43,800	\$21,900
<b>Net income or loss for 2003</b>	<b>\$17,800/L</b>	<b>\$8,900/L</b>

As the partnership is not carrying on a business activity the loss from the rental property is not subject to the non commercial loss rules. The loss from this activity does not need to be deferred. The processing of an electronically lodged return prepared by a tax agent under the ELS involves the requirement that item P9 in the BPI be completed

whenever there is a loss shown at item 12, even though the loss may be from an activity that is not a business activity.

The brothers have lodged a partnership return, and as such, they are both required to also complete item 12 of the individual return form supplement, but not also item 20. As an alternative to lodging a partnership return, the brothers could have provided details of their share of all the relevant income and deductions in their own returns, at item 20, as per page 7 of the *2003 Partnership and Trust return instructions*.

## Activity two

Frank also operates an olive growing business activity as a sole trader. This activity commenced in the year ended 30 June 2002. In the year ended 30 June 2002 Sam received written advice from the Tax Office that the Commissioner would exercise his discretion to allow Frank to claim a loss from the olive growing business activity for several years including the year ended 30 June 2003. The loss from this activity is not deferred.

In 2003, the business records for this activity for the year ended 30 June 2003 show the following results (included in **Item P8** of the BPI schedule):

Total business income	\$2,400
Total expenses	\$9,200
<b>Net income or loss for 2003</b>	<b>\$6,800/L</b>

## Tax return completion

Frank's tax return would include the following details:

Frank will also require a copy of the *2003 Business and Professional Items schedule* (BPI) and the *2003 Taxpack supplement* (Supp).

Item	Label	Amount	Comment
<b>12 (Supp)</b>	O	8,900/L	Frank's distribution from the partnership

			for 2003
	Net non-PP distribution	8,900/L	
<b>P8 (BPI)</b>	Total business income	2,400	
	Total expenses (T)	9,200	
	B	6,800/L	Total business income less total expenses
	D	nil	No prior year deferred non-commercial loss
	Y	6,800/L	Transfer to Item 14 label B
<b>14 (Supp)</b>	B	6,800/L	From label Y item P8
<b>P3 (BPI)</b>	B	1	Number of business activities. The rental activity is not considered to be a business activity.
<b>P9 (BPI)</b>	<b>Activity one</b>		
	D	Rental property	
	F	P	
	G	0	Loss is from a distribution from a passive investment operated by a partnership

	H	Nil	
	I	8,900	Net loss for 2002-03 for this activity
	<b>Activity two</b>		
	J	Olive Growing	
	K	01190	ANZSIC code required for tax agent prepared returns
	L	S	
	M	5	Commissioner's discretion exercised to allow the loss to be claimed in 2003.
	N	Nil	No prior year deferred non- commercial loss from this activity
	O	6,800	Net loss for 2002-03 for this business activity
<b>15 (Supp)</b>	H		Neither loss needs to be deferred

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## Two partnerships – one has a loss and the other has a profit, resulting in an overall profit

An example to help you complete your tax return if you are a member of two partnerships.

**Last updated** 3 July 2003

Alysia is a member of two partnerships. One is a graphic design business and the other is a direct selling business activity. These activities commenced in the year ended 30 June 2003.

**Partnership one**



**Partnership two**



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**Partnership one**

**Last updated** 3 July 2003

The business records for the graphic design partnership for the year ended 30 June 2003 show the following results.

	<b>P/ship</b>	<b>Alysia's share</b>
Total business income	\$16,000	\$8,000
Total expenses	\$4,000	\$2,000
<b>Net income or loss for 2003</b>	<b>\$12,000</b>	<b>\$6,000</b>

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**Partnership two**

**Last updated** 3 July 2003

The business records for the direct selling partnership for the year ended 30 June 2003 show the following results.

	<b>P/ship</b>	<b>Alysia's share</b>
Total business income	\$4,000	\$2,000
Total expenses	\$6,000	\$3,000
<b>Net income or loss for 2003</b>	<b>\$2,000/L</b>	<b>\$1,000/L</b>

For the income year 2003:

- the primary production and professional artists business exception in subsection 35-10(4) does not apply
- the activity does not satisfy any of the four tests in Division 35
  - the assessable income test (s35-30)
  - the profits test (s35-40)
  - the real property test (s35-45)
  - the other assets test (s35-45), and
- the Commissioner's discretion in s35-55 has not been exercised.

Alysia's net loss from the direct selling partnership must be deferred to the next income year that the activity, or one of a similar kind, is carried on.

### Tax return completion

Alysia's tax return would include the following details:

Alysia will also require a copy of the 2003 Business and Professional Items schedule (BPI) and the 2003 Taxpack supplement (Supp).

<b>Item</b>	<b>Label</b>	<b>Amount</b>	<b>Comment</b>
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<b>12 (Supp)</b>	O	5,000	Alysia's sum of distributions from the 2 partnerships for 2003
	Net non PP distribution	5,000	
<b>P3 (BPI)</b>	B	2	Number of business activities
<b>P4 (BPI)</b>	C2	X	Commenced business
<b>P9 (BPI)</b>	D	Direct selling	
	E	52596	ANZSIC code required for tax agent prepared returns
	F	P	
	G	8	Loss is required to be deferred
	H	Nil	No prior year deferred non-commercial loss from this activity
	I	1,000	Net loss for 2002-03 for the direct selling activity
<b>15 (Supp)</b>	F	1,000	See item P9, label I
	H	1,000	The sum of F &G

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## Partnership with deferred prior year losses from 2 dissimilar

# activities, 1 not in the current year

An example to help you complete your tax return for partnerships with deferred losses from dissimilar activities.

**Last updated** 3 July 2003

Arthur operates a second hand shop and a dog obedience training business in a 50/50 partnership with his wife. The activities commenced in the year ended 30 June 1999. In the year ended 30 June 2002 each partner deferred a loss of \$4,000, made up of \$3,000 from the second hand shop and \$1,000 from the dog obedience training business.

In the 2003 year the dog obedience training business is **not** carried on. The business records for the second hand shop for the year ended 30 June 2003 show the following results:

	P/shop	Arthur's share
Total business income	\$10,000	\$5,000
Total expenses	\$12,000	\$6,000
<b>Net income or loss for 2003</b>	<b>\$2,000/L</b>	<b>\$1,000/L</b>
Deferred non-commercial loss for previous year	\$6,000/L	\$3,000/L
<b>Overall net income or loss for 2003</b>	<b>\$8,000/L</b>	<b>\$4,000/L</b>

For both income years:

- the primary production and professional artists business exception in subsection 35-10(4) does not apply
- the activity does not satisfy any of the four tests in Division 35:
  - the assessable income test (s35-30)
  - the profits test (s35-35)
  - the real property test (s35-40)

- the other assets test (s35-45), and
- the Commissioner's discretion in s35-55 has not been exercised.

In 2003 Arthur can only show the deferred loss from the second hand shop partnership. He cannot include the \$1,000 from the dog obedience training business as it does not relate to an activity which is the same or similar to his current year activity. The \$1,000 prior year loss from the dog obedience training business is not shown in the 2003 income tax return.

Arthur should keep a record of the \$1,000 deferred loss from the dog obedience training business, as he may be able to claim it if he later recommences it or starts a similar business.

### Tax return completion

Arthur's tax return would include the following details:

Arthur will also require a copy of the 2003 Business and Professional Items schedule (BPI) and the 2003 Taxpack supplement (Supp).

Item	Label	Amount	Comment
<b>12 (Supp)</b>	O	1,000/L	Arthur's distribution from the partnership for 2003
	Y	3,000/L	A prior year deferred loss is recorded here only if the loss is from an activity which is the same or similar to the current year activity. Hence, only the prior year deferred loss from the second hand shop is recorded here.
	Y	D (type box) <sup>1</sup>	All of the amount at Y is a deferred loss
	Net Non-PP	4,000/L	The current year loss of \$1,000 plus the

	distribution		deferred loss of \$3,000
<b>P3 (BPI)</b>	B	1	Number of business activities
<b>P9 (BPI)</b>	D	Second hand shop	
	E	52523	ANZSIC code required for tax agent prepared returns
	F	P	
	G	8	Loss is required to be deferred
	H	3,000	Prior year deferred non-commercial loss from this activity
	I	4,000	Net loss for 2002-03 for this activity
<b>15 (Supp)</b>	F	4,000	See item P9, label I
	H	4,000	The sum of F & G

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## Partnership with a deferred prior year loss and personal business expenses outside the partnership

An example to help you complete your tax return for partnerships with deferred loss and personal business expenses.

**Last updated** 3 July 2003

Leon operates a demolition business in a 50/50 partnership with his brother. The activity commenced in the year ended 30 June 2002. In the year ended 30 June 2002 each partner deferred a loss from the activity of \$500.

The same activity is carried on by the partnership in the year ended 30 June 2003. The business records for this activity for the year ended 2003 show the following results:

	<b>P/ship</b>	<b>Leon's share</b>
Total business income	\$14,000	\$7,000
Total expenses	\$14,500	\$7,250
<b>Net income or loss for 2003</b>	<b>\$500/L</b>	<b>\$250/L</b>
Deferred non-commercial loss for previous year	\$1,000/L	\$500/L
<b>Overall net income or loss for 2003</b>	<b>\$1,500/L</b>	<b>\$750/L</b>

In addition, Leon has incurred \$200 motor vehicle expenses in the course of earning his partnership income.

For both income years:

- the primary production and professional artists business exception in subsection 35-10(4) does not apply
- the activity does not satisfy any of the four tests in Division 35:
  - the assessable income test (s35-30)
  - the profits test (s35-35)
  - the real property test (s35-40)
  - the other assets test (s35-45), and
- the Commissioner's discretion in s35-55 has not been exercised.

Leon's net loss for 2003 must be deferred to a future year.

## Tax return completion

Leon's tax return would include the following details:

Leon will also require a copy of the 2003 Business and Professional Items schedule (BPI) and the 2003 Taxpack supplement (Supp).

Item	Label	Amount	Comment
<b>12 (Supp)</b>	O	250/L	Leon's distribution from the partnership for 2003.
	Y	700/L	A prior year deferred loss is recorded here only if the loss is from an activity which is the same or similar to the current year activity. Also included are any other deductions incurred in earning the partnership income (ie. prior year loss of \$500 plus \$200 motor vehicle expense).
	Y	P (type box) <sup>2</sup>	Part of the amount at Y is a deferred loss
	Net non-PP distribution	950/L	
<b>P3 (BPI)</b>	B	1	Number of business activities
<b>P9 (BPI)</b>	Activity 1		
	D	Demolition	
	E	42100	ANZSIC code required for tax agent prepared returns

	F	P	
	G	8	Loss is required to be deferred
	H	500	Prior year deferred loss from this activity
	I	950	Net loss for 2002-03 for this activity. This is made up of the net loss from the partnership, the deferred loss from the prior year and the motor vehicle expenses.
<b>15 (Supp)</b>	F	950	See item P9, label I
	H	950	The sum of F & G

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## Primary producer who falls within the exception

An example to help you complete your tax return if you are a primary producer who falls within the exception.

**Last updated** 3 July 2003

Elias operates a mushroom farm as a sole trader. The activity commenced in the year ended 30 June 2003.

The business records for this activity for the year ended 30 June 2003 show the following results (included in **Item P8** of the BPI schedule):

Total business income	\$10,000
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Total expenses	\$15,000
<b>Net income or loss for 2003</b>	<b>\$5,000/L</b>

Elias has also earned salary and wage income of \$30,000 in the 2003 income year.

As his income from sources not related to the primary production activity is less than \$40,000, the Exception in subsection 35-10(4) will apply. Accordingly, he can offset the \$5,000 loss against his salary and wage income in the 2003 income year.

### Tax return completion

Elias' tax return would include the following details:

Elias will also require a copy of the 2003 Business and Professional Items schedule (BPI) and the 2003 Taxpack supplement (Supp).

Item	Label	Amount	Comment
<b>P8 (BPI)</b>	Total business income	10,000	
	Total expenses (S)	15,000	Total expenses
	B	5,000/L	Total business income less total expenses
	D	nil	No prior year deferred non-commercial loss
	Y	5,000/L	Transfer to Item 14 label B
<b>14 (Supp)</b>	B	5,000/L	From item P8 label Y
<b>P3 (BPI)</b>	B	1	Number of business activities



<b>P4 (BPI)</b>	C2	X	Commenced business
<b>P9 (BPI)</b>	Activity 1		
	D	Mushroom Farming	
	E	01690	ANZSIC code required for tax agent prepared returns
	F	S	
	G	7	Loss is from a primary production business and other income from sources not related to this activity is less than \$40,000
	H	nil	No prior year deferred non-commercial loss from this activity
	I	5,000	Net loss for 2002-03 for this business activity.
<b>15 (Supp)</b>	H		Loss does not need to be deferred.

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## Footnotes

Supporting information.

**Last updated** 3 July 2003

<sup>1</sup> page s4, Step 3, Taxpack 2003 Supplement

<sup>2</sup> page s4, Step 3, Taxpack 2003 Supplement

## **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.

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