myTax 2018 Deduction for project pool

How to claim deductions for certain capital expenditure when you lodge your return using myTax.

Last updated 28 June 2018

Complete this section if you had capital expenditure directly connected with a project.

You may be able to claim a deduction at this section for capital expenditure allocated to a project pool for a project you:

- operated in 2017–18 for a taxable purpose
- carried on, or proposed to carry on, for a taxable purpose which was abandoned, sold or otherwise disposed of in 2017–18, before or after it started to operate.

You cannot claim a deduction here for:

- private or domestic expenditure such as the cost of constructing a driveway at your home
- capital expenditure directly connected with a project undertaken in carrying on a business.

A depreciating asset is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

A taxable purpose is the purpose of producing assessable income, the purpose of exploration or prospecting, the purpose of mining site rehabilitation or environmental protection activities.

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

Such capital expenditure, known as a 'project amount', is expenditure incurred:

- to create or upgrade community infrastructure for a community associated with the project; this expenditure must be paid, not just incurred, to be a project amount
- for site preparation for depreciating assets (other than in draining swamp or low-lying land or for clearing land for horticultural plants)
- for feasibility studies or environmental assessments for the project
- to obtain information associated with the project
- in seeking to obtain a right to intellectual property
- for ornamental trees or shrubs.

The project amounts are allocated to a 'project pool'. Each project has a separate project pool.

If you are unsure if the capital expenditure you incurred qualifies as a project amount, see **Guide to depreciating assets**.

You spread your deduction for project amounts allocated to a project pool over the project life:

- The project life is the period from when the project starts to operate until when it stops operating.
- The project life is not determined by how long you intend to carry on the project. Factors outside your control, such as something inherent in the project such as a legislative or environmental restriction that limits the project's operating period, are relevant to estimating the project life.
- If there is no finite project life, there is no project and therefore no deduction is available under these rules.

You start to deduct amounts for a project pool for the income year when the project starts to operate. So, if you started to operate a project in the 2017–18 income year for a taxable purpose, a deduction is available for that year.

If your project operated in 2017–18 for purposes other than taxable purposes, you must reduce the deduction amount by a reasonable amount for the extent to which the project operated for other than taxable purposes.

If, in the 2017–18 income year, you:

- recouped an amount of expenditure allocated to the project pool, or
- derived a capital amount in relation to a project amount or something on which a project amount was expended

then the amount is assessable income and must be shown at Other income.

Completing this section

1. For each project pool, select **Add**, enter the project pool description and work through the following steps to calculate your project pool deduction amount.
2. Did you conduct transactions in a foreign currency for your project in 2017–18?
   Yes – See Foreign exchange rules. Go to step 3.
   No – Go to step 3.
3. Was your project abandoned, sold or otherwise disposed of in 2017–18?
   Yes – Use worksheet 1 to calculate your project pool deduction. Any amount you received for the abandonment, sale or other disposal is assessable income and must be show at Other income. When you have calculated your project pool deduction, go to step 5.
   No – Go to step 4.
4. Use worksheet 2 to calculate your project pool deduction.
   When you have calculated your project pool deduction, go to step 5.
5. Enter your 2017–18 project pool deduction into **Project pool deduction amount**.
6. Select **Save**.

QC 55388

Worksheets

Use these worksheets to calculate your project pool deduction.

Last updated 28 June 2018

Worksheet 1: Project pool deduction where project abandoned, sold or otherwise disposed of in 2017–18

Row	Calculation	Amount
a	2016–17 project pool closing pool value (if any)	$
b	Sum of any project amounts allocated to the pool in 2017–18	$
c	Add row **a** and row **b**.	$
d	Proportion of this project that was used for a taxable purpose during 2017–18	%
e	Multiply row **c** by row **d**. This is your 2017–18 project pool deduction.	$

Worksheet 2: 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 contains project amounts incurred before that date.
- You cannot use column (**3**) if you abandon, sell or otherwise dispose of an existing project on or after 10 May 2006 and then start operating it again, just so that you can work out deductions at the higher rate.

Row	Calculation	Amount	Amount

		(3)	(4)
a	2016–17 project pool closing pool value (if any)	$	$
b	Sum of any project amounts allocated to the pool in 2017–18	$	$
c	Add row **a** and row **b**. This is the value of the project pool at 30 June 2018.	$	$
d	Estimate project life (in years), including fractions of years		
e	Divide row **c** by row **d**.	$	$
f	Deduction rate	200%	150%
g	Multiply row **e** by row **f**.	$	$
h	Take row **g** away from row **c**.	$	$
i	Proportion of this project that was used for a taxable purpose during 2017–18	%	%
j	If **h** is zero or more, multiply row **g** by row **i** If **h** is less than zero, multiply row **c** by row **i** This is your 2017–18 project pool deduction.	$	$
k	If **h** is zero or more, enter the amount at row **h** If **h** is less than zero, enter 0 This is your 2017–18 project pool closing pool value. Record this value to work	$	$

	out your deduction for project amounts next year.		

QC 55388

Foreign exchange rules

Refer to this guide if foreign currency applies to a project pool you've allocated.

Last updated 28 June 2018

The pool value can be subject to adjustments. An adjustment could happen under foreign exchange (forex) rules that apply to transactions conducted in foreign currency.

If during the income year you met or otherwise ceased to have an obligation to pay in a foreign currency a project amount which you allocated to a project pool, you might have derived a gain or incurred a loss under these rules. If the amount in foreign currency became due for payment within 12 months after the time you incurred it, usually the pool value will be reduced by any such gain (known as a forex gain) and it will be increased by any such loss (known as a forex loss).

If the forex gain exceeds the pool value, the pool value is reduced to zero and the residual gain is assessable income which you should include at **Other income**. If you had previously elected that this treatment (known as 'the 12-month rule') should not apply, any gain will be assessable and should be included at **Other income** and any loss will be deductible and should be included at **Other deductions**.

For more information about the forex rules, see: **Foreign exchange gains and losses**.

QC 55388

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.

Copyright notice