

Worksheet 1: Reconciliation statement

Reconciliation items are those items that reconcile net profit or loss shown on the profit and loss statement (the accounts) with the net income or loss for income tax purposes of the partnership. This statement is not an exhaustive list of reconciliation adjustments.

	Primary production income \$	Non-primary production income \$
A Net profit or loss in the accounts	[] / []	[] / []
Additions:		
B Income reconciliation adjustments	[] / []	[] / []
C Expense reconciliation adjustments	[] / []	[] / []
D Net income or loss from business (A + B + C)	[] / []	[] / []

The additions at labels **B** or **C** may be negative amounts which will reduce the net income or loss. The amounts for net income at label **D** must agree with item **5**, labels **Q** and **R** in the tax return.

Income reconciliation adjustments

Income add backs: amounts not shown in the accounts which are assessable income

E Assessable balancing adjustment amounts on depreciating assets	[]	[]
F Any excess of the tax value of closing stock over the tax value of opening stock (non-small business entities – see item 41 Closing stock, All other businesses)	[]	[]
G Other assessable income not included in the accounts	[]	[]
H Subtotal (E + F + G)	[]	[]

Income subtractions: income shown in the accounts which is not assessable

I Profit on the sale of depreciating assets shown in the accounts	[]	[]
J Personal services income included in the assessable income of an individual (attributed amount)	[]	[]
K Other income shown in the accounts which is not assessable for tax purposes – for example, gross exempt income	[]	[]
L Total H – (I + J + K)	[] / []	[] / []

The net total of the primary production and non-primary production amounts at label **L** must agree with the amount at item **5**, label **A** in the tax return. If the net total is a negative amount, print **L** in the box at the right of label **A** in the tax return.

Expense reconciliation adjustments

Expense add backs: expenses shown in the accounts which are not tax deductible

	Primary production income \$	Non-primary production income \$
M Depreciation charged in accounts*	<input type="text"/>	<input type="text"/>
N Loss on the sale of depreciating assets	<input type="text"/>	<input type="text"/>
O Other items not allowable as a deduction:	<input type="text"/>	<input type="text"/>
<ul style="list-style-type: none"> ■ capital expenditure ■ additions to provisions and reserves ■ debt deductions denied by thin capitalisation provisions ■ income tax expense ■ certain expenses relating to personal services income that are not deductible ■ hire-purchase payments ■ luxury car lease payments ■ penalties and fines ■ part of prepaid expenses not deductible this year ■ expenses relating to exempt income ■ other non-deductible expenses 		
P Subtotal (M + N + O)	<input type="text"/>	<input type="text"/>

Expense subtractions: items not shown as expenses which are tax deductible

Q Deduction for decline in value of depreciating assets (for taxpayers not using the small business entity depreciation rules)	<input type="text"/>	<input type="text"/>
R Deductible balancing adjustments amounts on depreciating assets	<input type="text"/>	<input type="text"/>
S Any excess of the tax value of opening stock over the tax value of closing stock (non-small business entities – see item 41 Closing stock, All other businesses)	<input type="text"/>	<input type="text"/>
T Other tax deductible items:	<input type="text"/>	<input type="text"/>
<ul style="list-style-type: none"> ■ other amounts deductible under the uniform capital allowance system ■ hire-purchase agreements – interest component ■ luxury car leases – accrual amount ■ part of prepaid expenses deductible this year but not shown in accounts ■ 20% write-off of capital expenditure to terminate lease or licence** ■ TOFA rules deductions not shown in accounts ■ other deductible items 		
U Total*** P – (Q + R + S + T)	<input type="text"/>	<input type="text"/>

* Only include amounts at label **M** if the partnership isn't using the small business entity depreciation rules. However, exclude any general small business pool deduction you show at item **5**, label **K** in the tax return.

** If the partnership incurs capital expenditure to terminate a lease or licence the partnership may be entitled to claim a deduction for 20% of this expenditure if the requirements of section 25-110 of the ITAA 1997 are satisfied.

*** The net total of the primary production and non-primary production amounts at label **U** must agree with the amount at item **5**, label **B** in the tax return. If the net total is a negative amount, print **L** in the box at the right of label **B** in the tax return.